



*Connecting...*



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*Connecting minds is our passion*  
*Connecting people is our business*

Building and nurturing connections is something we take very seriously at Sterlite Technologies. Eliminating boundaries through the sharing of ideas across cultures, economies and geographies, is our constant endeavour. Our wide range of products and solutions in the energy and telecom sectors makes all this possible. As we step into another year, let us renew our promise. Let us connect...

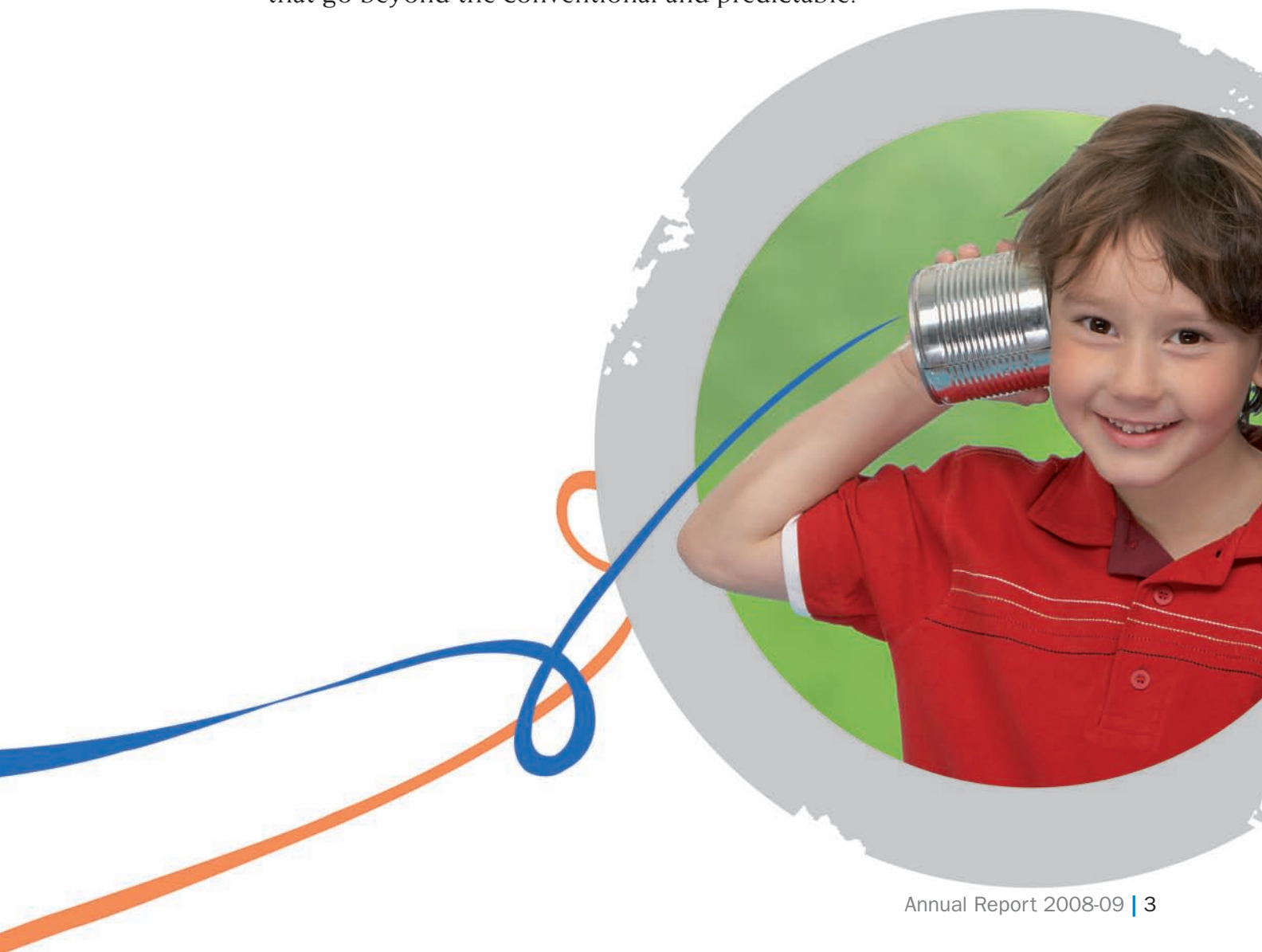
# BUSINESS OVERVIEW

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# *Connecting aspirations with everyday solutions*

We are closely tuned to the aspirations of our stakeholders and strive relentlessly and constantly to provide solutions that go beyond the conventional and predictable.



## ■ BUSINESS HIGHLIGHTS

### Business Performance

- Net revenue of Rs. 2,289 Crores, EBITDA of Rs. 238 Crores and PAT of Rs. 90 Crores.
- Net revenue up by 36% over the last fiscal.
- Diluted EPS of Rs. 13.90 (each share of Rs. 5 face value).
- Revenue from international sales at Rs. 593 Crores against Rs. 518 Crores in the previous year and amounts to 26% of net revenue.
- Healthy cash flow from operations – debt decreases from Rs. 663 Crores to Rs. 497 Crores.

### Capacity Enhancements

- Projects under way to double the annual Optical Fiber manufacturing capacity to 12 million fkm, enhance Fiber Optic Cable capacity to 6 million fkm and enhance Power Conductor capacity to 160,000 Metric Tonnes.
- All project completions are well within schedule.

### Strategic Contracts

- Contract from BSNL for the supply of India's first high-density 288F Ribbon Fiber Optic Cable.
- Contract from prestigious telecom & power incumbents / utility companies in Africa. Sterlite's power and telecom products have been sold in 24 countries across the African continent.
- Contract for the installation of an OSS / BSS (Business Support Systems) Operation for the Metro Ethernet network that the company is installing for 200,000 broadband subscribers in Mumbai, India.

### Portfolio Enhancements

- Launch of range of Aluminum Conductor Alloy Reinforced (ACAR) – a low resistance and high strength conductor.
- Launch of the 'Sterlite Fiber Powered Home' for enterprise and residential customers. This is a high bandwidth application rich solution for any / all new network deployments.



## Intellectual Property

3 more patents for

- Dispersion Optimised Optical fiber for wideband optical transmission.
- Optical fiber with reduced PMD and the method for producing the same.
- Method for preparation of core rod assembly for overcladding and preform and fiber produced from such core rod assembly.

## Certifications

- TL 9000 Quality Standard for Sterlite's Optical Fiber facility at Aurangabad.
- TL 9000 Quality Standard for Sterlite's Fiber Optic Cables facility at Rakholi.
- ISO 10002 Quality Standard for Sterlite's Optical Fiber facility at Aurangabad.
- NABL certification for power conductors at Haridwar.

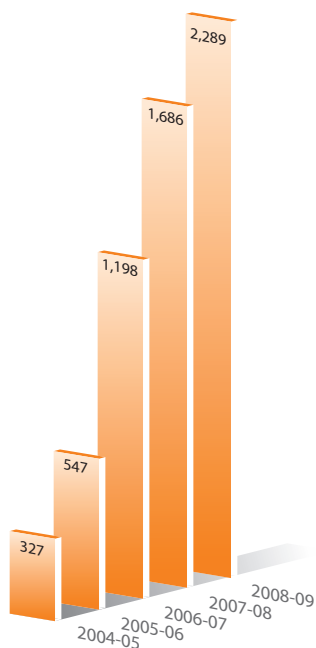
## Awards & Listings

- Thomson Reuters Innovation Award 2009
- IMC-RBNQA Performance Excellence Award 2008 – Manufacturing
- Deloitte Technology Fast 50 India & Fast 500 Asia-Pacific Awards 2008
- CIO 100 Award 2008 for innovative use of IT in manufacturing
- TEMA National Telecom Award 2008 for Excellence in Exports
- V&D 100 Award 2008: Top Telecom Cables Company
- Listed among EFY Top 100 Companies

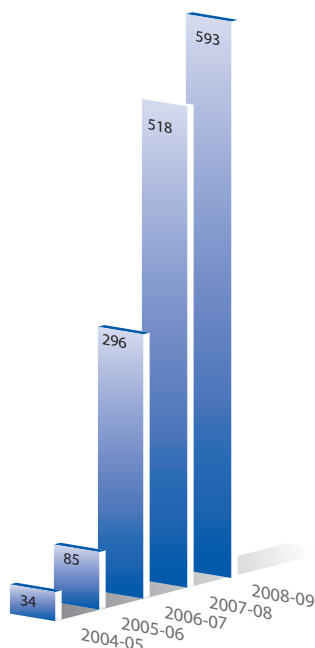


## FINANCIAL HIGHLIGHTS

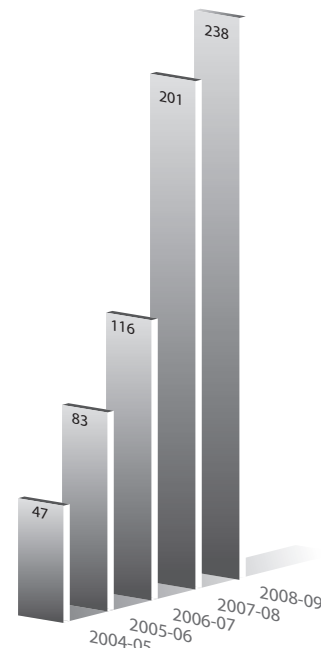
**NET REVENUES**  
(Rs. Crores)



**EXPORTS**  
(Rs. Crores)

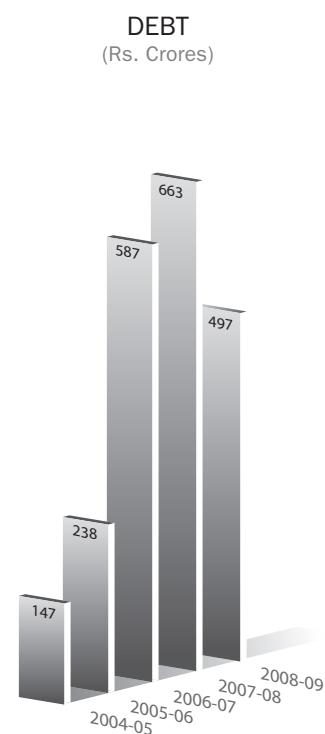
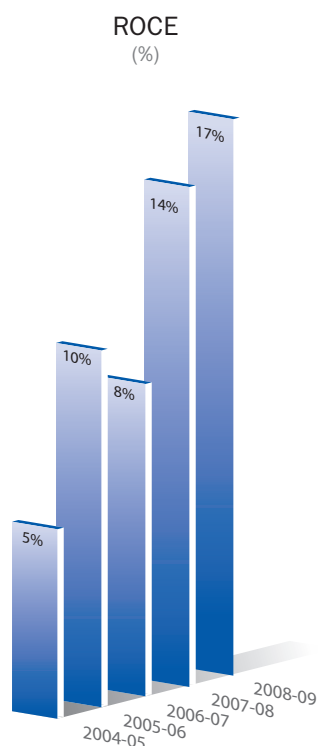
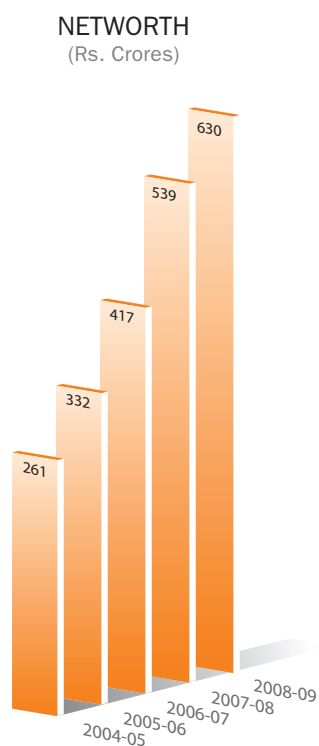


**EBITDA**  
(Rs. Crores)



	2004-05	2005-06	2006-07	2007-08	2008-09
<b>RS. IN CRORES (Except earning per share)</b>					
Net Revenues	327	547	1,198	1,686	2,289
Growth (%)	256	68	119	41	36
EBITDA	47	83	116	201	238
PBDT	37	67	85	168	150
PBT	10	38	53	130	107
PAT	10	41	51	101	90
Diluted EPS	1.83	7.27	7.83	15.46	13.90
<b>US\$ IN MILLION (Except earning per share)</b>					
Net Revenues	73	124	265	419	498
EBITDA	11	19	26	50	52
PBDT	8	15	19	42	33
PBT	2	9	12	32	23
PAT	2	9	11	25	20
Diluted EPS	0.04	0.16	0.17	0.38	0.30

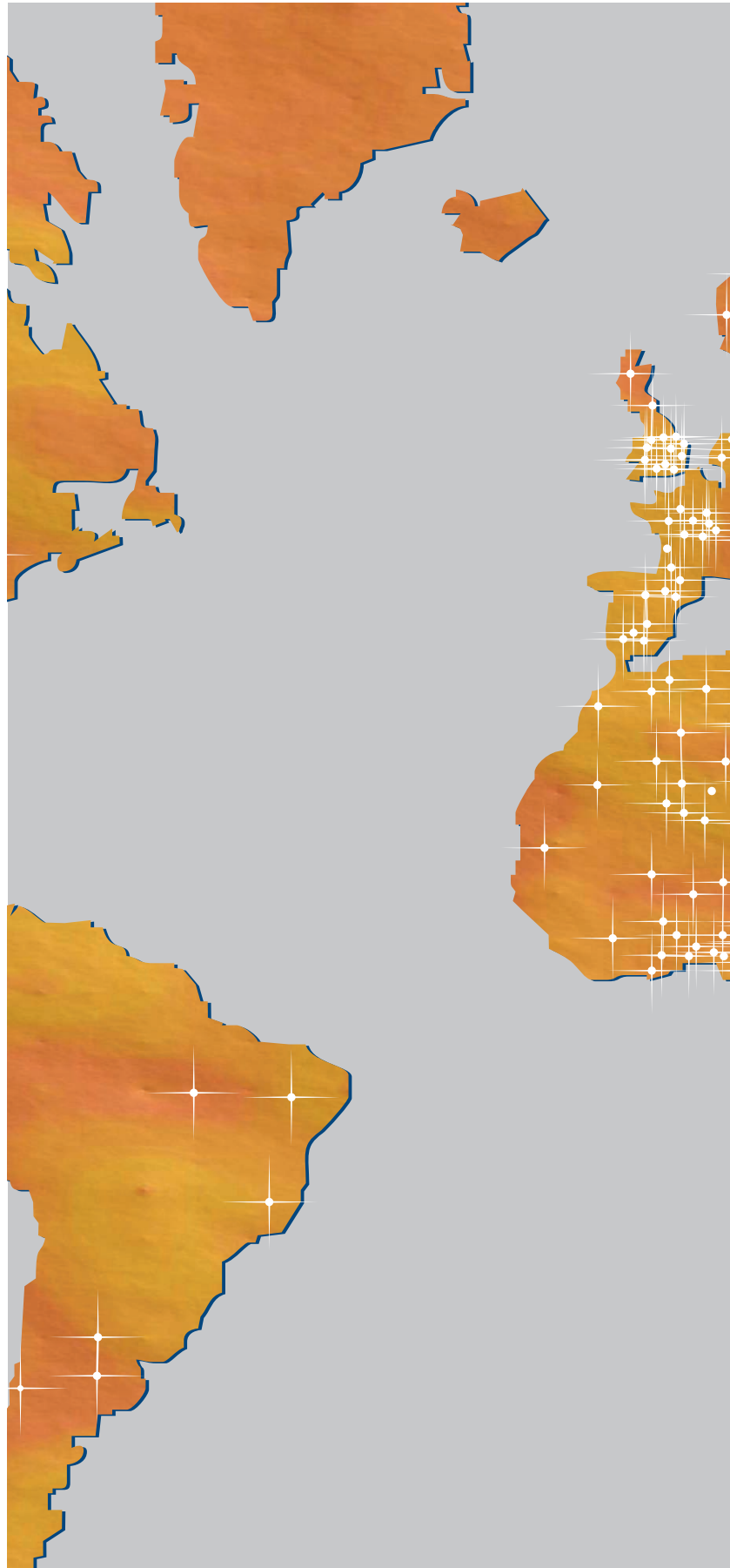


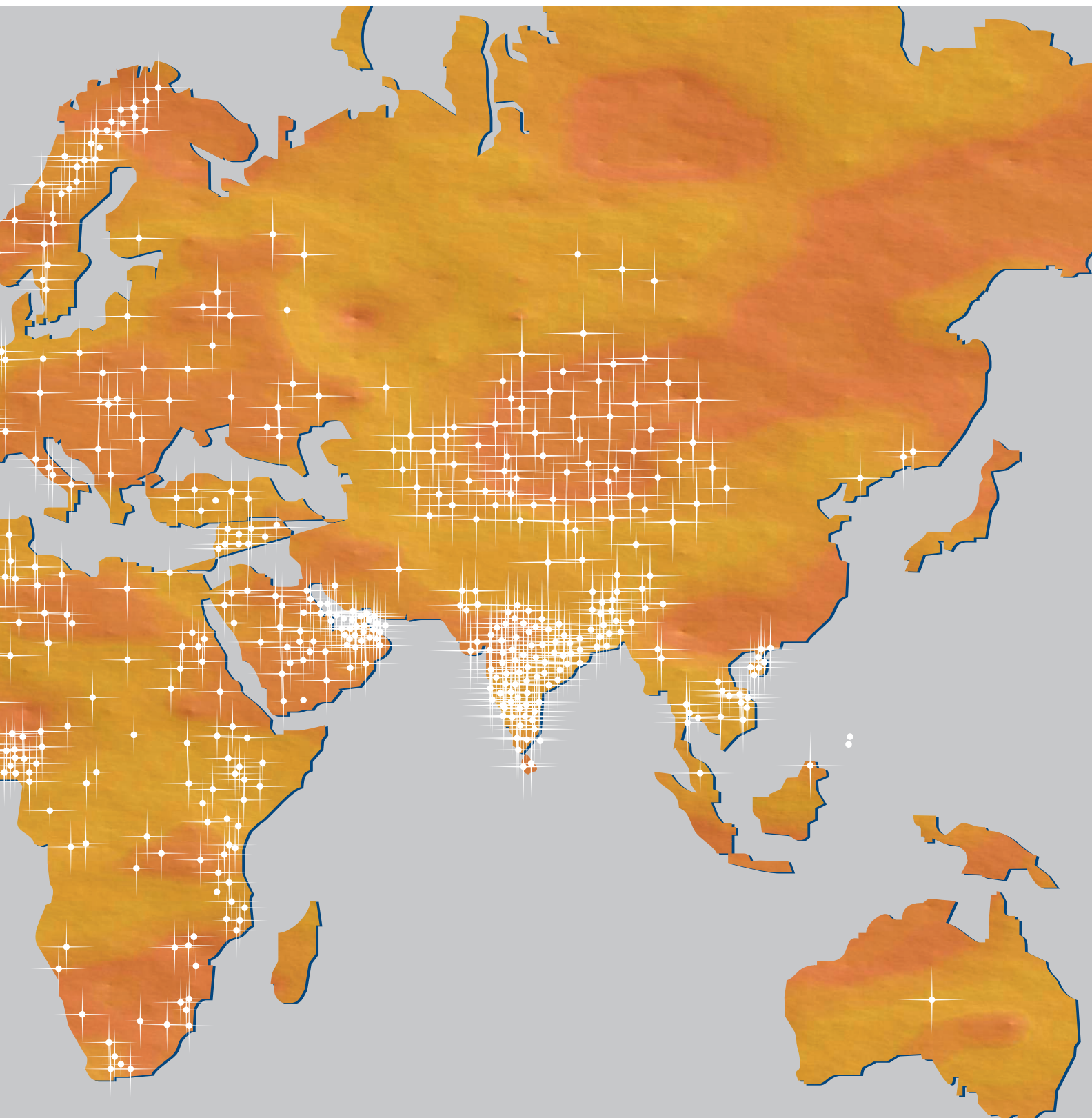


	2004-05	2005-06	2006-07	2007-08	2008-09
<b>RATIOS</b>					
<i>EBITDA Margin (%)</i>	14.5	15.2	9.7	11.9	10.4
<i>PBDT Margin (%)</i>	11.3	12.3	7.1	9.9	6.5
<i>PAT Margin (%)</i>	3.1	7.5	4.2	6.0	3.9
<i>Effective Tax Rate (%)</i>	0.3	(6.8)	4.2	22.8	18.0
Capital Employed (Rs. in Crores)	408	570	1,001	1,203	1,118
<i>ROCE (%)</i>	5.1	9.5	8.5	13.6	17.3
Interest Coverage Ratio	4.6	5.2	3.7	5.7	2.7
Working Capital Ratio	1.6	2.9	3.2	3.1	1.9
Debt Equity Ratio	0.6	0.7	1.4	1.2	0.8

## GLOBAL FOOTPRINT

With a legacy that spans over two decades, Sterlite Technologies has come a long way from its inception in 1988 till the current year. Today, the Company is one of the top manufacturers both in the power and telecom industries and is committed to providing world-class connectivity products and solutions for these industries. Sterlite's global client footprint extends to over 70 countries.





## CHAIRMAN'S MESSAGE

The financial year ended March 31, 2009 was another excellent year for Sterlite Technologies. I am delighted to report that we are exceptionally well positioned in these uncertain times due to our strong market presence in the growing Indian and emerging markets, strong balance sheet and strong track record of organic growth coupled with low cost of operations. This provides the foundation for delivering profitable growth and creating long term shareholder value.

### Delivering results driven through business strategy

As a significant global provider of telecom and power transmission solutions, we continue to play a defining role in creating demand in the markets that we operate in and continue to focus on increasing our international footprint. We have seen significant growth in international revenues and a very healthy increase in our domestic sales. We are very optimistic on the demand outlook in emerging market economies in terms of investments in new power transmission networks and telecom broadband networks.

*“We possess a potent combination of leadership, team spirit and technology to grow our global presence in a sustainable way across the telecom and power sectors.”*

We continue to make excellent progress in delivering industry leading organic growth. We are happy to report that in both our core businesses of optical fiber and power conductors, we have achieved significantly higher volumes, due to our expanded capacities coming on-stream during the year and our expanded sales presence in the global and domestic markets.

### People

We are proud of the knowledge and intellectual capital that our young professional workforce brings to the organisation. The challenging assignments they are given at an early stage in their careers make them highly motivated, committed and enthusiastic. Our hands-on participative style of management continues to strengthen our organisational culture and values to grassroot levels.

Our people are at the centre of our technology and operations and the successes that I have been able to report are due to the outstanding commitment and contribution of our employees. It is because of them that we have come a long way in a short time. On behalf of the Board I am thankful to all of them for their continuing support and efforts.

### Sustainable Development

Sustainable development is a key element of how we conduct our business. We remain committed to the ongoing and new projects in education, environment and health domains, which strive to make a positive and sustainable impact on the community. We will continue to enhance this focus and to continue our efforts to actively engage with our stakeholders, concerning this integral aspect of our business philosophy.

### Outlook

Global demand for telecom and power transmission solutions continues to be strong and we are well placed to serve this growing demand. The industry faces challenges in terms of liquidity, cost pressures and global recession; however we believe that we have an unrivalled track record in this challenging environment.

Our continued business growth reflects the inherent strengths of our business model. With strong volume growth, a

strong global presence and continued progress in cost reduction and technological development, we are confident of delivering another year of profitable growth and strong free cash flows. I eagerly look forward to reporting on our progress on various initiatives in 2010.

A handwritten signature in black ink, appearing to read "Anil Agarwal".

**Anil Agarwal**  
Chairman



## LETTER TO THE SHAREHOLDERS

We are glad to present the Annual Report for FY 2008-09.

The past year was truly exciting and proved to validate on our key strategies of leadership in India, enhance our global market share in emerging markets and focus on the lowest cost operations globally.

In FY 2008-09, net revenue increased to Rs. 2,289 Crores, compared with Rs. 1,686 Crores in FY 2007-08. Sterlite's EBITDA was Rs. 238 Crores, compared to an EBITDA of Rs. 201 Crores in the last fiscal. This broadly translates to a CAGR of about 63% in net revenue and 65% in EBITDA from FY 2004-05 through FY 2008-09.

*“Through focused efforts in backward integration, development of application oriented solutions, a globalised market approach and an enhanced global customer footprint, Sterlite has transformed into a truly global and market-centric organisation.”*

Our order bookings remained largely unaffected by the global economic slowdown. Our revenues from international sales increased to Rs. 593 Crores and accounts for 26% of our total revenues. This is a clear result of our strategy to align our sales efforts to focus on a judicious mix of sustained growth markets and future potential markets.

Sterlite has achieved tremendous success in key high demand markets, has established a loyal customer base and has partnered in key projects in several geographies. Some of the projects during FY 09 include manufacture & supply

of India's highest size ribbon fiber optic cables, manufacture & supply of power conductors for 'Accelerated Electrification Programme Project' – Ethiopia, 'National Integrated Power Project' – Nigeria, Network expansion projects in Algeria, installation of an OSS / BSS (Operation / Business Support Systems) for a Metro- Ethernet network, to name a few.

In-house research, product development and advancement of our intellectual property portfolio remains a high priority. The Sterlite® Fiber Powered Home™, launched during the year is a unique bouquet of applications for enterprise and residential customers, which was a result of extensive design and development over the last 4 years. All these IP based applications can run over multi-screens in a customer's home or office. It is a highly cost effective solution for any / all new fiber-to-the-home network deployments. We also enhanced our power portfolio with a range of Alloy Reinforced Aluminum Conductors (ACAR).

During the year, we were granted three patents in USA and India, adding to our basket of 13 patents granted in the previous years. To date, our technology development team has filed over 100 patent applications for innovations in our products and processes and we are confident that the next fiscal would see the fruition of several more patent grants. Our efforts in innovation were recognised with our receipt of the 'Thomson Reuters Innovation Award 2009' in the corporate services category.

Sterlite's focus on innovation does not limit itself to products and processes, but encompasses all functional areas of business such as IT, finance, sales and marketing. One such example is the implementation of a unique end-to-end traceability platform that is integrated with its ERP platform for the entire manufacturing value chain. The implemented

system ensures end-to-end traceability of the raw material and intermediate products that have been used for producing any particular finished product, simplifying inventory management and enhancing customer support. Sterlite won the 'CIO 100 Award 2008', for its innovative use of IT in manufacturing.

We continue to focus on projects related to the debottlenecking of currently installed capacities, improvements in operational efficiencies and productivity. At the same time, we continue to review our capacities vis-a-vis industry demand and our global market access. Projects are underway to double the annual optical fiber manufacturing capacity to 12 million fkm, enhance fiber optic cable capacity to 6 million fkm and enhance power conductor capacity to 160,000 Metric Tonnes. All projects are well within their completion schedules.

We ensure that our products are constantly benchmarked with the 'best-in-industry' standards. During the year, our optical fiber and fiber optic cables facilities received the TL9000 certification, which is a specialised international telecom standard. Our conductor facility at Haridwar received the NABL certification. With a continued focus on improving value to our customers, Sterlite's Optical Fiber facility was assessed and certified for the ISO 10002 standard and this facility was awarded the 'IMC Ramkrishna Bajaj Performance Excellence Trophy 2008' for business excellence.

Sterlite also received the 'Deloitte Technology Fast 500 Asia Pacific & Fast 50 India Awards' for the 4th consecutive year. Other awards received include the 'National Telecom Award 2008' for excellence in exports' & the 'V&D 100 Top Telecom Cables Company Award 2008'. Despite the current situation in the global marketplace, several global economies continue to build telecom

and power infrastructures in preparation of economic revival. Our global footprint extends to several of these economies and we continue to be bullish on the energy and telecom sectors.

We have always found that challenging times have presented sustainable opportunities for us if we continue to focus on doing things right at the first stage in all business processes, strive relentlessly and constantly improve ourselves in our offerings and allow minds to reach beyond conventional and predictable solutions. We are confident that we possess the competitive position to make our success sustainable across the coming years.

We take this opportunity to thank you, our shareholders, for your confidence in the Company and we look forward to continuing our service to you.



**Pravin Agarwal**

Wholetime Director



**Dr. Anand Agarwal**

Chief Executive Officer

## INDUSTRY & BUSINESS DYNAMICS

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## *Connecting values with enterprise*

Our key driver of enterprise is as much influenced by market opportunities as by a strong value system of corporate ethics that underlies all that we do.

## MANAGEMENT DISCUSSION AND ANALYSIS

*2008-09 was one of those years:*

*The year in which, major economies looked for silver linings. The year in which, countries evaluated their progress. The year in which, companies looked at past success stories for inspiration. The year in which, organisations decided what best practices were actually best. The year in which, individuals persevered to remain optimistic.*

*The year in which, time was spent on introspection to find a way forward into a brighter and better future.*

*2008-09 was a year where global leaders talked about ushering in change to revitalise the way we live. It was the year where essential commodities behaved like they were on a roller-coaster ride. It was the year where money was invested in infrastructure and plans were made to increase capex spends. It was the year when individuals got empowered. It was the year when anyone and everyone with a phone or Internet connection became a blogger, twitter, or wiki.*

*Telecom and  
Power infrastructures  
are integral  
fundamentals that  
connect countries,  
locations, events,  
people, realities and  
the present to  
the future.*



## The Global Economy

Emerging economies have been quick to recognise the great opportunity that has suddenly become available. They are infusing funds into their economies, particularly in infrastructure development projects, creating a platform for robust future advancements.

These economies performed better than developed economies did last year. Developing nations like India were able to show growth while the European and US economies would have liked to do better. 2008 saw recession hit the global markets on account of a financial crisis and the increase in prices of primary goods. Subsequently, these prices declined as is typical in recessionary conditions and have remained so till date.

But it was the growth of certain sectors and economies last year that contributed to the much-desired resurgence – an omni-directional growth, which is expected to keep improving in the coming years. Emerging economies decided to put their best foot forward with all-encompassing progressive strategies centred on infrastructure development and modernisation.

Infrastructure growth is dependant to a large extent on the development of power and communication systems. These sectors by themselves, have been able to bridge, to a large extent, socio-economic and geographical divides.

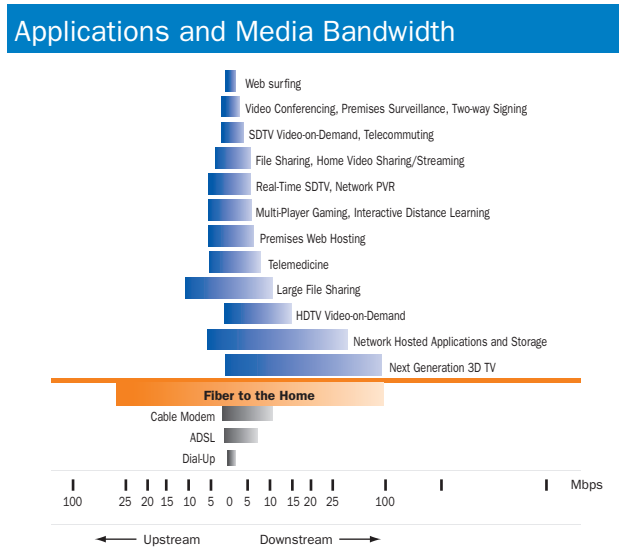
The Indian government and infrastructure sector companies have also been proactive in finding ways to emerge from this scenario with minimal damage. The main challenges confronting India included increases in commodity prices and a slowdown in global growth momentum. However, the Indian Government stepped in with measures to combat this slowdown from significantly impacting the domestic economy and India was one of the few economies to show growth in the last year. The thrust on infrastructure (both power and telecom) has helped to keep these sectors invigorated and consequently, the country's economic scenario is in better shape than most economists had predicted.

## Telecommunication – Connecting your World

The world continues to become smaller and smaller as communication crosses all frontiers. The markets have opened up to all, breaking economic barriers, transcending geographical boundaries, and overcoming social stereotypes.

Youtube, Skype, Jaxtr, Sopcast, Oosah, TiVo are allowing users to share personal content like never before. Microsoft's Virtual Earth allows us to see any place on the planet with a complete panoramic, 360-degree view. Google's Labs keep developing new applications that we never realised were possible. MS's Photosynth allows even a layman to transform his digital images into 3D works of art. Google's new browser 'Chrome' has been built from scratch and is designed specifically for new-age multimedia applications and content. There are many such innovations and advances in 2008-09, all contributing towards getting people to come aboard the Internet Express and becoming a life-long netizen.

In 2000-2001, when the Internet first popped up in India's tier 2 and tier 3 cities, cyber cafés charged an exorbitant Rs. 100 per hour. With dial-up modems getting practical speeds of less than 16 kbps and that getting distributed



Source: Industry estimates

over 4-8 users, the only browsing possible was to check your Yahoo or Hotmail email account in that one hour. Though not many people received e-mails back then, there was a thrill of even getting a newsletter or spam mail. 4-8 MB was the limitation of the entire mailbox with attachments of 1 MB were considered to hog bandwidth and storage space. Today, email providers allow users to send 10-20 MB attachments. Storage space within the mailbox itself has gone up to 10-20 GB. Online vendors like Oosah now allow hosting of up to 1 terabyte. And all this for less than Rupee 1 per hour, with unlimited browsing, for the entire year. (source: [http://bsnl.co.in/service/dataone\\_tariff.htm](http://bsnl.co.in/service/dataone_tariff.htm) - Home UL 75- Plus Plan)

The Internet now touches over 1.6 billion users directly, a penetration of 24% (as a % of Population) as on March 31, 2009. Over the period 2000-2008, internet penetration has grown by a CAGR of over 20%. Asia has the largest subscriber base (650 million users) accounting for 41% of the total internet users. However the penetration is still low at only 17%. India has 81mn users, a penetration of 7.1%. It has registered a CAGR of 42% over the last eight years. China has a user base of 298mn, a penetration of 22% and a CAGR of 38% over the same period. Despite these high growth

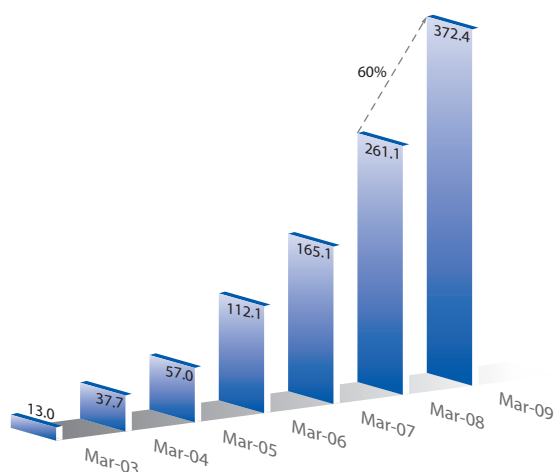
rates and large volume of users, the penetration in both these countries is still very low compared to countries like South Korea, Japan, and Singapore. That indicates the huge potential for growth that is possible in these economies.

The number of global broadband subscribers grew from 350 million in 2007 to 400mn in 2008 as per Point Topic, a UK-based research agency. Industry projections by In-Stat indicate that broadband subscribers will reach over 875mn by 2012. By that time, according to some industry estimates, one in every ten households would be served by a Fiber-to-the-X architecture.

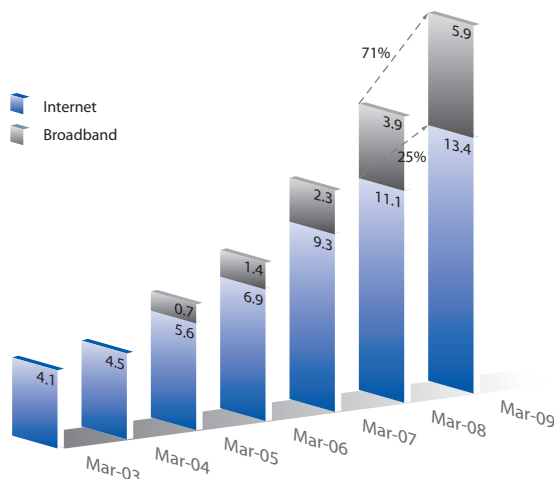
While the volumes themselves are significant, what is even more encouraging is the array of high-bandwidth utilising applications and websites that keep coming up with regularity. Trends indicate a move towards even higher bandwidth applications and content, driven by people wanting to put high-definition video content online, thereby further increasing the bandwidth per user.

Internet-based applications are bringing about major changes in every walk of life. 'Online' has become a way of life. From

Wireless Subscribers (Millions)



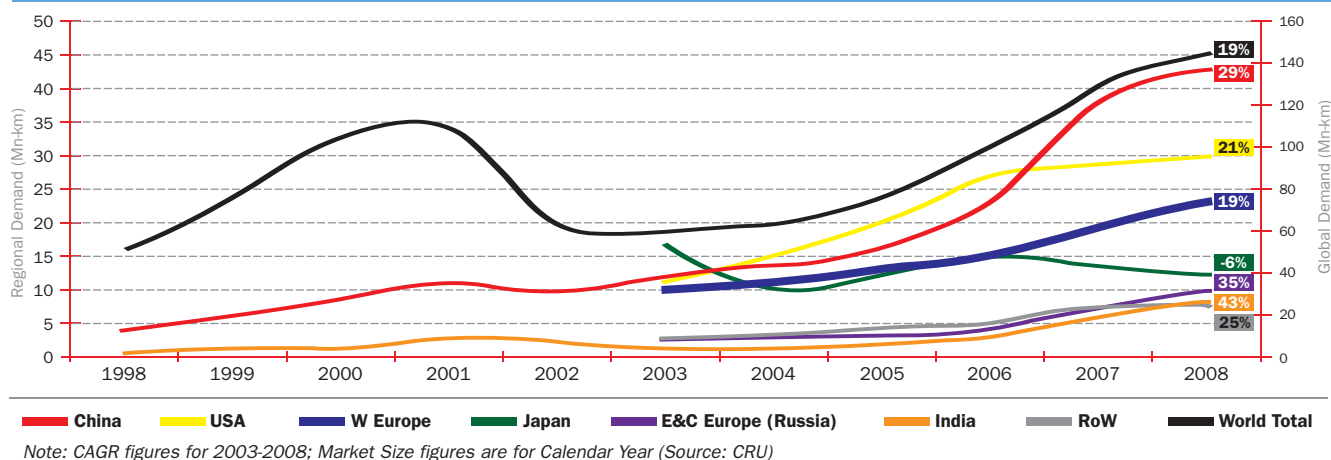
Internet and Broadband



**Broadband = OF + OFC. Will drive OFC deployments and opportunity for IMS Business**

(Source: <http://www.internetworldstats.com/stats.htm>. Internet usage information comes from data published by Nielsen Online, by the International Telecommunications Union, by GfK, local Regulators and other reliable sources, All figures as on 31st March, 2009)

## Demand for Optical Fiber



With much higher growth rates than the global average - India, China & Russia present market growth opportunities for Sterlite

vegetable and grocery markets to stock and commodity markets, from banking to retailing, a large proportion of transactions are now conducted online or on telephones.

The result is a substantial increase in the number of minutes spent online, translating into enhanced e-commerce revenues. Online retail sales in the US for 2008 were projected to be US\$204bn and are expected to grow to US\$334bn in 2012 (Source: Forrester Research). Industry insiders anticipate this to grow further as more and more consumers are going online to buy for two simple reasons: transparency of prices from different suppliers and convenience of shopping from one location.

Even traditional copper cables have started finding use, also due in part, to improvements in transmission technologies. The regular replacement of copper cables with newer and more efficient ones, which aid high speed networking, by both public and private operators has given an impetus to this industry. Broadband connections through DSL require good quality copper cables. Thus, strong DSL markets like India continue to see demand for copper telecom cables.

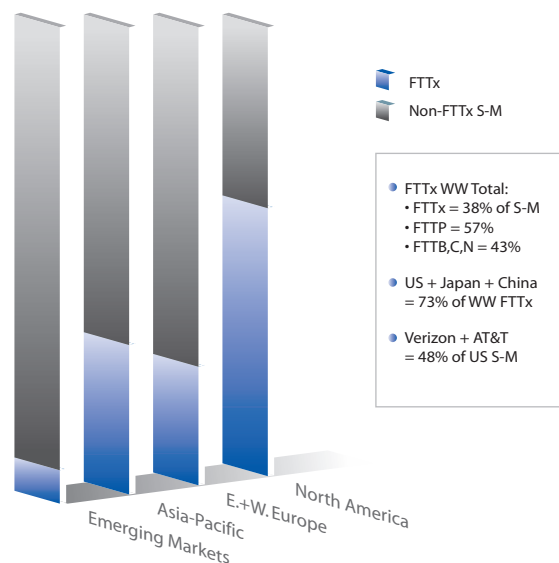
However, the thrust is on fiber networks, as a high level of growth in online applications requires high quality fiber networks. This is also on account of the fact that most

websites now offer multimedia formats that use high-end graphics, animation and sound files.

Network operators too, are consistently building new networks – the reasons vary according to the region, demand requirements and future outlook. But, they are building.

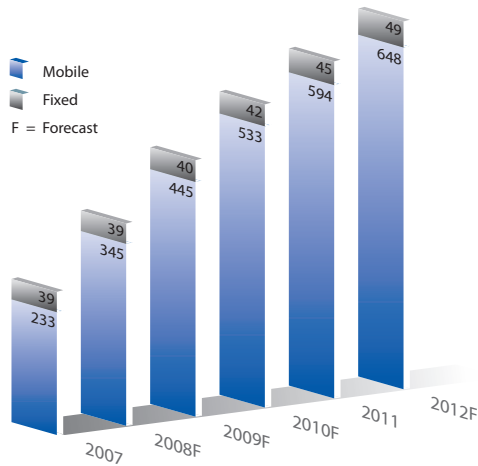
India, China, USA and Western Europe still continue to deploy fiber networks. The demand in China and India is driven by the

## Role of FTTx in Fiber Demand by Region



Source: KMI research

### Wireless on a Roll



Source: COAI, AUSPI, CII-Ernst & Young analysis

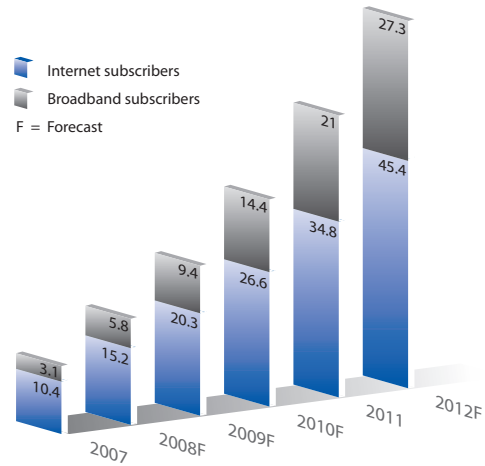
Note: Internet subscriber base is inclusive of broadband subscribers

strengthening of the backbone and linking of cellular towers to the optical backbone. In the USA and Europe, growth is due to major telecommunications companies like AT&T, BT and Verizon building fiber networks closer to the subscriber. East Asian countries as well as the Nordic nations are also continuing with their installations of fiber networks. These are primarily on account of popular applications like High Definition Video, real-time gaming and streaming video content.

This global and application-oriented demand has driven up volumes and seems to be in a sustainable upward curve. As reported in CRU's Optical Fiber & Fiber Optic Cable Monitor, a bi-monthly information service, the worldwide optical cable consumption totalled 137 million fiber-km in 2008. This is the all-time highest annual consumption of optical fiber. Local telecom applications, which include FTTx, metropolitan rings, business access, and cellular backhaul, were the main drivers of growth. Local telecom accounted for about 68% of all fiber installed in 2008, and FTTx represented half of that, or about 33% of the optical cable market.

The domestic telecom industry posted good growth in 2008-09 though the economic downturn at home and abroad negatively impacted a range of industries. In fact,

### Broadband growth to pick up in India



Source: CII-Ernst & Young analysis

the telecom industry has emerged as one of saviours of the Indian economy for the last year. The primary reasons have been the aggressive stance adopted by service providers in gathering market share, innovations in applications and content to cater to localised market preferences, silently improving their network capabilities and the keen interest shown by the regulator to ensure that the government targets for telecom are achieved. This has also been due to the impact of economic reforms along with liberalisation in the regulatory framework by the Government. Today, the Indian telecom network is the second largest in the world, having surpassed the US during the year. With the current pace, where about nine million telephones are being added every month, new targets of 700 million subscribers by 2012 are being discussed.

The Government has concentrated on providing a level-playing field and unbiased environment for this segment to grow competitively. This includes encouraging service providers to focus on the latest technologies available, their applicability in Indian conditions and ensuring independence to them on other fronts like network expansion, rural telephony, broadband coverage and R&D initiatives. With a number of new participants who received licenses and spectrum expecting

to rollout services from 2009 onwards, the consumer is definitely going to be king. In a highly competitive market, consumers would be constantly evaluating their service providers and only those companies will be successful, that are able to retain their user base on the basis of service quality and innovative product offerings.

Telcos, private and government alike, have recognised the options before them and are making huge investments in network infrastructure. With aggressive government targets for 2010 and beyond, innovative plans are being worked out to increase subscriber base and profit margins by offering convergent solutions of mobile telephony and broadband internet. All the service providers in India including Airtel, Reliance, Tata, BSNL, MTNL, Aircel, Vodafone, IDEA, etc. have launched or are in the process of launching various

applications that point towards the convergence phenomena. While Airtel, Reliance, Tata and the incumbent government-owned utilities want to reach the subscriber by as many modes as possible (fixed line, mobiles, internet, IPTV, DTH, etc.), the other operators are trying to also offer mobile internet as a means of increasing their share of the customer's wallet.

This augurs well for the infrastructure providers like cable manufacturers and tower integrators. Innovative product offerings will imply a move towards non-voice Value Added Services (VAS), which will drive up the bandwidth requirements of networks. Emphasis on service quality will ensure deployments of Next-generation backbone networks; of which optical fiber is one of the most important components.

## MedRing: Planned Projects

Electrical line	Capacity (MW)	Length (km)	Line characteristics	Expected year of operation
<b>EURO-MAGHREB INTERCONNECTIONS</b>				
Spain-Algeria	2,000	240	500 KV DC undersea cable	2010+
Italy-Algeria	500 (1,000)	265-660 via Sardinia	400/500 KV DC undersea cable	2010+
Italy-Tunisia	600 (1,000)	NA	500 KV DC undersea cable	2010+
Libya-Italy	500 or 1,000	500	400 KV DC undersea cable	2010+
<b>ETLAM Project</b>				
Libya-Egypt (2nd line)	500 or 1,000	NA	400/500 KV AC overhead line	2012
Reinforcement of ETLAM project	–	–	400 KV	2015
<b>SWMB/MAGHREB INTERCONNECTIONS</b>				
Algeria-Morocco (3rd line)	600 (1,200)	250	225 KV AC (400 KV AC*) overhead line	2006**
Algeria-Tunisia (5th line)	600 (1,200)	120	225 KV AC (400 KV*) overhead line	2006**
Tunisia-Libya (3rd line)	600	210	400 KV AC overhead line	2012
<b>EIJLLST PROJECT</b>				
Egypt-Jordan (2nd line)	1,100	20	500/400 KV DC undersea cable	2010+
Syria-Turkey	350	124	400 KV AC overhead line	To be decided
<b>TURKEY-UCTE</b>				
(Turkey-Greece)	750	250	400 KV AC overhead line	2008**

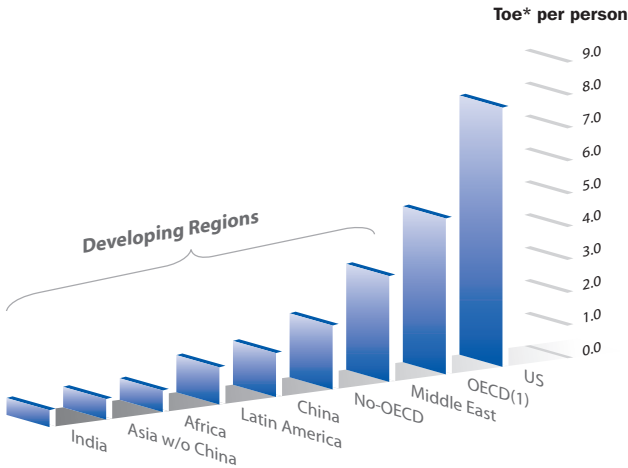
\*Rated voltage level

\*\*Year of completion

Source: Observatories Mediterranean de 1st Energie

**Other transmission projections planned across the Mediterranean**

Energy usage per person grows as countries develop



Source: Industry estimates

Your Company is geared up to supply high quality fiber cables to the telecom industry and meet the boom in demand. Sterlite is looking forward to a good growth in sales on account of the expected increase in orders.

All in all, it is a good time to stay connected!

**Power – Energising your World**

Many energy planners and visionaries have for long had the dream of transporting electricity produced from solar panels across large deserts to cities where that electricity is needed. This will reduce dependence on traditional energy sources like coal and oil, paving the way for a greener future. This dream seems to be coming true, with an agreement between Algeria and Germany to build a 3000-km power transmission grid to export power from the deserts of Algeria to the industrial towns of Germany. Is this a pre-cursor to tomorrow’s cleaner and greener world?

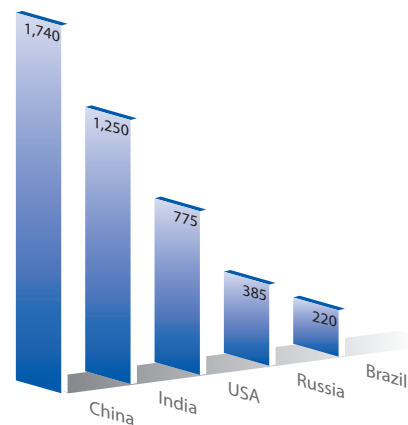
Power is an essential requirement for all facets of our life and has been recognised as a basic human need. It is one of those critical infrastructures on which the socio-economic development of a country depends. The growth of the economy and its global competitiveness hinge on the availability of reliable and quality power at competitive rates. This calls for

efficiency and improved quality wires and cables to transmit the electricity generated, over large distances to demand locations like cities, residential townships, SEZ’s, industrial complexes, etc. As we continue our march towards industrialisation and keep modernising our agricultural and services sectors, our requirement of power will keep on increasing.

The heightened awareness of global warming and the growing desire by individuals and corporations to go green has made it a social concern to reduce energy loss during transmission over long distances. Consensus is also building on power generation at very remote locations, away from the residential areas. This is in addition to demands to shift to distributed and decentralised power generation by alternative energy sources. These renewable and green energy sources are the latest contributors to the growth in mature markets. Projects involving power generation along coastlines by tidal energy, on top of hills by wind energy and in the deserts by solar energy are gaining momentum. These require low-loss and highly efficient power transmission infrastructure. Thus, even in economies where infrastructure is highly developed, demand still continues, largely on account of replacements of old inefficient power infrastructure with new and more efficient products.

**India’s incremental power demand will be second only to China**

Incremental Power Demand 2007-2017

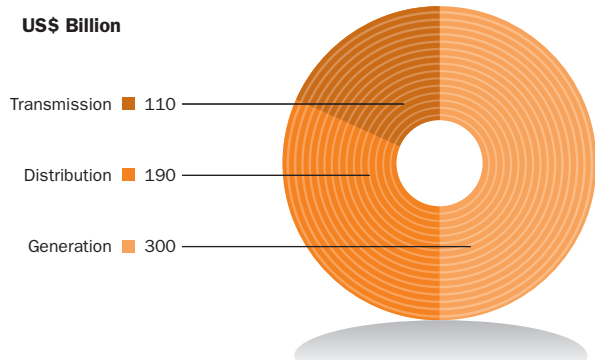


Source: CII-Ernst & Young analysis



## Power sector likely to require US\$ 600 billion investment by 2017

### Investment required, 2007-2017



Source: McKinsey Analysis

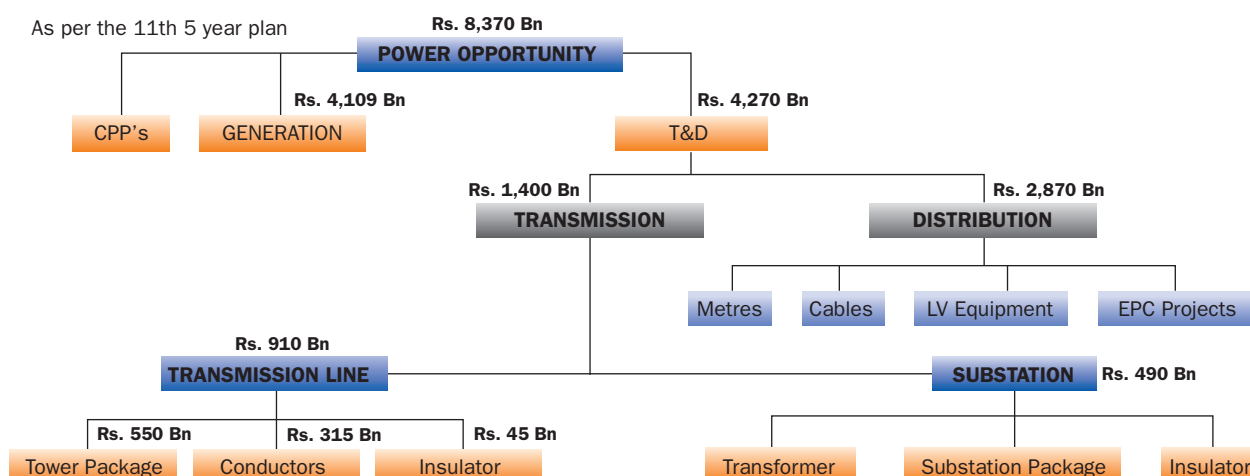
Since the price of resources that generate power is expected to keep increasing as resources become scarce, creation of a stable power infrastructure has become a key thrust area, particularly for emerging economies. New investments are attracted to regions that can guarantee a stable and high-quality supply of electricity. Thus, countries in the African belt, Asia and Latin America are prioritising time and energy towards the construction of a proper transmission and distribution grid.

Indian companies are working to ensure that high quality power is generated and transmitted across the length and

breadth of the country. India is the world's sixth largest energy consumer accounting for about % of the world's total annual energy consumption. However, India has an electrification rate of only 44% (source: World Coal Institute). As a result, there is a significant section of the country, which is still not connected to the grid or suffers from frequent load-shedding. Global consultants McKinsey and Company have in their recent report "Powering India: The Road to 2017" projected that if India grows at an average rate of 8% up to 2017, the country's demand for power will soar upto over 300 GW from the current approximate 120 GW.

The report also notes that there will be four factors that will drive this growth: India's manufacturing sector, growth in residential consumption, the connection of over 125,000 villages to the grid and the realisation of demand suppressed due to load-shedding. This demand for additional power is expected to be an opportunity worth US\$ 600 billion. Transmission is a key component of this growth with investments anticipated to be to the tune of US\$ 110 billion.

There are a number of initiatives that are already underway – among the most ambitious is the government's effort to have 'Power for All' by 2012. The Ministry of Power is the main



Source: Industry Sources, Company

authority for the overall development of electrical energy in the country. This is a successor of the earlier reforms programme which the government launched under the 'Electricity Act, 2003', The Act was aimed towards:

- consolidating the laws related to power generation, transmission, distribution, trading and use of electricity;
- promoting competition in the power sector; and
- supplying electricity to all areas.

**Table 1: Private participation in transmission projects for Eleventh Plan**

Project	Private developer	JV percent	MW	Estimated costs (Rs. Mn.)	Comments
<b>CATEGORY A</b>					
Tata Transmission	Tata Power and Power Grid	51-49	1020	35,000	–
Parbati-Koldam Transmission	Reliance Power and Power Grid	74-26	1600	6,600	Expected completion 2008-09
Sugen Transmission	Torrent Power and Power Grid	74-26	1100	3,250	Expected completion 2008-09
Karcham-Wangtoo	Jaiprakash Hydro and Power Grid	74-26	1000	7,900	Expected completion 2011-12
Teesta Basin	Countrywide transmission and Power Grid	74-26	1200	15,000	Expected completion 2011-12
Hazira Power Project	Essar Power and Power Grid	74-26	1500	6,900	Expected completion 2009-10
Tripura Project	North-East Transmission (Pvt.) Co. and Power Grid	74-26	740	17,000	Expected completion 2008-09
<b>CATEGORY B</b>					
WRSSS-H	Reliance Energy	100	4000	15,040	Expected completion 2010-11

Source: CRISIL Research

**Table 2: List of private projects for the Twelfth Plan**

Projects	MW
Evacuation System for North Karanpura	1,980
Talcher Augmentation System	–
Evacuation System for Maithon RB	1,000
Import of NER/Er surplus by NR	–
SR-WR synchronous inter-connector	–
Kawas-Navsari 400 KV D/C	–
Evacuation System for Barh II	1,320
Evacuation System for Nabinagar	100
Evacuation from Daripally (3200 MW)	800
Evacuation from Koderma	500
Evacuation from Mejia Extn	1,000
Evacuation from Lara Integrated project	4,000
Evacuation from Simhadri Extn	1,000
	<b>11,700</b>

Source: CRISIL Research

A part of the agenda was to rationalise electricity tariffs, promote efficient and environmentally benign policies, provide stringent penalties in case of theft of electricity, etc.

The Indian Government has earmarked funds of about US\$ 200 billion for this sector over the Eleventh Five Year Plan for achieving its objectives. The identified thrust areas in the power industry include electricity generation, T&D networks and rural electrification. Many proactive steps have been undertaken like SEB Unbundling, Distribution Franchise Model, Accelerated Power Development Reform Programme, Ultra Mega Power Projects, Open Access and Power Trading, among others, to give the much needed momentum to this industry.

The possibilities in the Power sector are immense and have opened up business avenues for all entrepreneurs. However, Transmission still remains an area where the government prefers to own the networks themselves. This has resulted into a broadening gap between the quantum of generated power and the amount of power that can be evacuated by the current transmission networks. Recognising this disparity, the government has announced that it may allow private participation in the Transmission sector by any of three mechanisms. Either in a JV with PowerGrid to build transmission lines, setting up of Independent Power Transmission Companies to bid for national projects, or constructing and operating dedicated transmission lines for generation companies from power plants to load centres.

Seeing such growth in the power industry, Sterlite is all set to supply cables and conductors for efficient transmission of power to these networks which are to be set up. Power is a

growth area and your company is ready to grow along, verily, powering the nation!

The prospects for the telecom and power industry for the year 2009-10 appear to be good. It is expected that the contribution from the emerging economies would continue to be the key driver for the growth of these industries. Growth of infrastructure in these economies is expected to lead to growth in the power and telecom segments. All in all, these industries are all set to be the backbone of the emerging economies.

Companies in the segments of telecom and power are also “Green” conscious. Growth will not be at the cost of the environment. Eco friendly companies will have a better market than others, as corporates all over the world, but specially in the telecom and power sectors are becoming focussed on the impact of their businesses on the environment. They are “Going Back To Basics”, as for them while inventing a “new” is important, they are attaching equal importance to the impact of these introductions on the environment and the need for them turning green.

Sterlite remains committed to be a leader and pioneer in this initiative. Through direct and indirect measures, Sterlite has taken a number of steps to help companies and countries reduce their carbon footprint and become more future-friendly. We at Sterlite believe in equipping businesses to be able to connect better and improve their energy efficiency (through products and solutions that encourage video-conferencing, tele-commuting, mobile telephony and overall power consumption).

With this, we hope to connect our present with our future.

## DISCUSSION ON FINANCIALS

### Financials at a Glance

	2007-08	2008-09	Growth
Net Revenue (Rs. Crores)	1,686	2,289	36%
EBITDA (Rs. Crores)	201	238	18%
Net Profit (Rs. Crores)	101	90	(11)%
<i>EBITDA Margin (%)</i>	11.9	10.4	-
<i>Net Profit Margin (%)</i>	6.0	3.9	-
Diluted EPS (Rs.)	15.5	13.9	(10)%
<i>RONW (%)</i>	18.7	14.3	-
<i>ROCE (%)</i>	13.6	17.3	-

### Revenue

Net revenues for the year 2008-09 at Rs. 2,289 Crores, grew at about 36% from Rs.1,686 Crores in 2007-08. The significant growth in revenues was result of additional capacity coming online during the year in the Power conductor, Optical Fiber and Optical Fiber Cable businesses.

The net revenues of the power transmission business grew to Rs.1,473 Crores in 2008-09 from Rs.1,050 Crores in 2007-08, showing an increase of 40%. Sale of Power Conductor increased to 110,645 MT in 2008-09 against 82,658 MT in previous year.

The net revenues of the telecom business grew at a rate of 29% from Rs.635 Crores in 2007-08 to Rs.816 Crores in 2008-09. Sale of Optical Fiber was 5.7 million fkm during the year, an increase of 35% over previous year. In case of Optical Fiber Cable also, Sale grew by about 80% to 2.8 million fkm in the current year as against 1.5 million fkm in the previous year.

In the globally challenging year of 2008-09, where markets across all sectors and across the world were under pressure, the Company has done outstandingly well in the year. Performance on export front was even more impressive, where the company has reported a sound growth during the year. Exports were up at Rs. 593 Crores during the year against Rs. 518 Crores in the last year and contributed 26% of total revenues.

Overall the Company has delivered strong revenue growth during the year. The Company expects that going forward the markets for its products remain quite strong and with its ongoing second phase of expansion projects expected to be completed by first half of 2009-10, it would be able to deliver strong revenue growth supported by expanded capacity.

### Profitability

The earnings before interest, depreciation and amortisation (EBITDA) for the year 2008-09 at Rs. 238 Crores, grew at about 18% from Rs.201 Crores in 2007-08. The growth in EBITDA has primarily been driven by a healthy

increase in volumes for all business segments. In terms of percentage, the EBITDA at 10.4% during the year was lower by 14.0% reported in the previous year. This decrease was mainly due to increase in key input costs such as furnace oil and other expenses during the year. In addition to above, execution of certain low margin orders in its Power Transmission Business during the year also affected profitability of the Company. The Company has taken effective steps to bring the costs under control and improve the profitability, the impact of which will be visible in the year 2009-10 onwards.

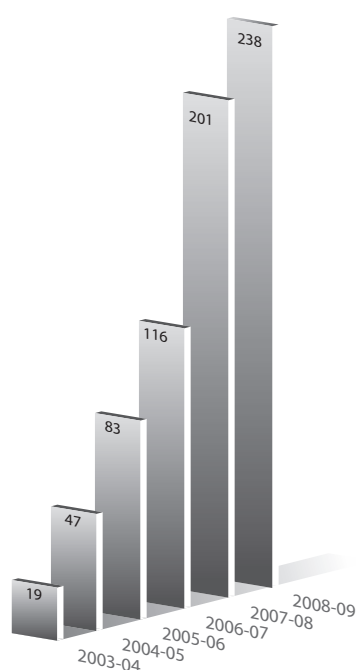
EBITDA of the power transmission business grew to Rs.128 Crores in 2008-09 from Rs.114 Crores in 2007-08, showing an increase of 13%. EBITDA of the telecom business grew

at a rate of 25% from Rs.87 Crores in 2007-08 to Rs.109 Crores in 2008-09.

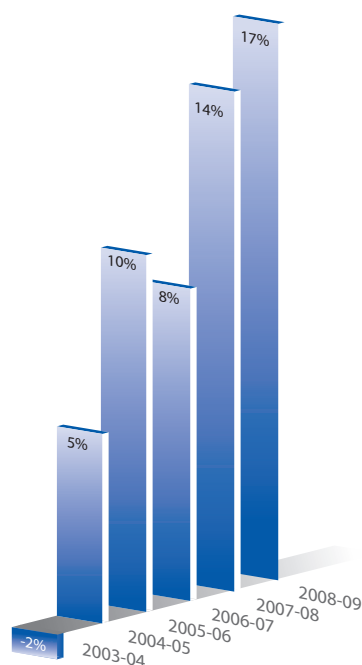
The interest cost of the company increased from Rs.36 Crores in 2007-08 to Rs. 88 Crores in 2008-09. Excluding foreign exchange fluctuation loss of approx Rs.35 Crores, the interest costs were higher at Rs. 53 Crores, mainly due to higher borrowings and high rate of interest during major part of the year. The loss of exchange rate fluctuation of approx Rs. 35 Crores on foreign currency borrowings of the company was due to unprecedented sharp exchange rate fluctuation in Indian Rupee against US Dollar in the year under review.

Net operating profit for the year reduced to Rs. 90 Crores in the year 2008-09 from Rs.101 Crores in 2007-08, mainly due to higher costs of borrowing as mentioned above.

**EBITDA**



**ROCE**



## Dividend

In continuation of the progressive dividend policy, the Board of directors have recommended an equity dividend of 25%, i.e. Rs. 1.25 per share of Rs.5 each. This will lead to an outflow of Rs. 9.44 Crores (including corporate dividend tax) during the year.

## Balance Sheet

### Gross Block and Capital work-in-Progress

The Company has expanded its facilities to meet the increase in the demand in both the telecom and power industries. During the year, the gross block grew from Rs. 919 Crores as on 31st March, 2008 to Rs. 976 Crores as on 31st March, 2009.

The capital work-in-progress stood at Rs.111 Crores at the end of 2008-09 against Rs. 36 Crores at the end of 2007-08. This is on account of the on-going expansion projects at the power conductors, optical fiber and fiber optic cables facilities. The outstanding capital work-in-progress is expected to be commissioned during 2009-10.

### Debt, Cash and Bank balance

The debt of the Company decreased to Rs. 497 Crores as on 31st March, 2009 from Rs.663 Crores as on 31st March, 2008 on account of internal accruals and judicious reduction in net current assets. The total debt mainly consisted of short term working capital bank debts. As on 31st March, 2009, the Company did not have any outstanding long term debt from banks.

Total Cash and Bank balance as at the end of the year was Rs. 78 Crores against Rs. 89 Crores as at the end of 2007-08. As at the end of the current year, the Company also had investments of Rs. 92 Crores invested in debt denominated mutual funds.

As at the end of the year the Debt-Equity ratio of the Company improved significantly to 0.80 against 1.23 as at 31st March, 2008.

## Working Capital

	(Rs. in Crores)	
<b>Working Capital</b>	<b>March 2009</b>	<b>March 2008</b>
Inventories	100	219
Sundry Debtors	546	519
Cash & Bank Balances	78	89
Loans & Advances	201	169
<b>Total Current Assets (A)</b>	<b>925</b>	<b>996</b>
Current Liabilities	479	304
Provisions	12	18
<b>Total Current Liabilities (B)</b>	<b>491</b>	<b>322</b>
<b>Working Capital (A – B)</b>	<b>434</b>	<b>675</b>

During the year, there was significant improvement in the working capital cycle of the Company. Even after excluding advance from customers (Rs. 141 Crores as at 31st March, 2009 against Rs. 44 Crores as at 31st March, 2008), the working capital showed reduction of about Rs. 153 Crores inspite of increase in revenue. Very strong focus and control on receivables, inventory, other loans and advances and improved payment terms from the suppliers drove this reduction. These actions coupled with softening of commodity prices resulted in reduction of fund involvement in inventory and receivables. The Company would continue to balance the business growth with the efficient working capital management.

## Cash Flow

(Rs. in Crores)

<b>Working Capital</b>	<b>March 2009</b>	<b>March 2008</b>
Opening Cash and Cash Equivalents	2	13
Cash Flows From:		
(a) Operating Activities	476	58
(b) Investing Activities	(205)	(128)
(c) Financing Activities	(271)	60
Closing Cash and Cash Equivalents	2	2

During the year, the Company has generated strong flow of cash from operations, which enabled it to meet its commitment for expansion capital projects as well as reduce bank borrowings significantly.

## Return on Capital Employed

With the increase in the profitability and reduction in the capital employed, the Return on Capital Employed increased to 17% in 2008-09 from 14% in 2007-08. The turnover to capital employed ratio also improved from 1.40 in 2007-08 to 2.05 in 2008-09. This was on account of efficient use of capacities across all segments resulting in increased profitability and low capital employed.

## Share Capital and Networth

During the year 2008-09, there was no significant movement in share capital other than issuance of 70,100 shares to employees, who exercised their options during the year under ESOP scheme of the Company. The networth of the Company stands at Rs. 621 Crores as at 31st March, 2009.

## ■ RISK MANAGEMENT

*Sterlite's risk management framework is designed to help the organisation meet its objectives through the alignment of the operating controls to the mission and vision of the Company.*

The Company's businesses are subject to several risks and uncertainties that are no different from any other company, in general and its competitors in particular. These are a result of the business environment in which we operate in and certain factors over which we have little or no control. Our risk management framework acts as an effective tool in mitigating the various risks which our businesses are exposed to in the course of their operations as well as in their strategic actions. At Sterlite, we adopt a consistent approach to risk management, aligning strategy, processes, people and technology for the purpose of evaluating and managing the uncertainties we face in creating shareholder value.

### Internal Controls Review

The Company has strong internal controls and review mechanism. A detailed audit process and audit plan by external agencies cover the key risks identified through the risk management program, wherein existence and effectiveness of the control measures indicated against the risks are verified. The review of the process and findings is done by the senior management on a monthly basis and is an integral part of the performance management of the organisation.

### Economic and Political Risks

The manufacturing facilities of the Company are based in India and the bulk of our revenue is derived from the customers in India. About 30% is exported to various countries across the world. The Company is fairly exposed to the domestic and global political and economic risks. The risks arising out of any downturn in the economic conditions of the global markets, as felt in the last year, could have an adverse impact on the performance of the company. Performance and growth is also dependent upon the health and stability of the overall Indian economy and political centre stage. The delay in any

government spending on power or telecom sectors may affect or delay the spending by government utilities, that are major customers for the Company. The presence of the Company in Power and Telecom provides some insulation by the division of the risks. It has also been increasing its customer base to non-government utilities within India and overseas with particular focus on emerging countries. This reduces the risk of dependence on one particular geography or customers.

### Market and Competition Risks

The Company operates in a highly competitive environment. The demand for the Company's products and solutions depend upon various domestic and global factors and most importantly the customer's plans and ability to incur capital expenditure. As the Company is also expanding its capacity, it needs the access to new markets and new set of customers. This requires a continuous process of seeking approvals from renowned new customers. This is a time and resource consuming process. Any delay or failure in this poses risks for the Company. In the existing market and with existing customers also, new competitors may come in and put pressure on volume and pricing of the Company's products and solutions.

To mitigate the above risks, the Company continuously maintains a very good relationship with the customers and endeavours to keep introducing enhanced features in the products or services to improve value proposition to the Customer. The Company also continuously keeps working on getting approvals from new and renowned customers to increase its market share commensurate with its increased capacity.

### Product Obsolescence Risks

The Company carries the risk of product obsolescence as a new technically improved variant of the Product could put



the Company's prospects at risks. It has a strong focus on continuous innovation processes and hence has been introducing technologically improved products in the market.

The R&D team constantly interacts with customers for improved product feedback and research institutions for understanding the latest technology. This helps the R&D team design products and solutions to suit end-user needs. The Company strives to introduce future proof products and solutions to supersede stringent global standards and specifications.

### Commodity Risks

Aluminium is major raw material for our Power business. The realisation of our products for this business is largely priced with reference to LME prices of Aluminium. LME prices are influenced by the global demand and supply and could vary significantly. These price variations, if not managed adequately, could affect the profitability of the Company. It manages these price variation risks in Aluminium and Copper by fully passing on the changes in price to the customers or hedging the risk on LME or primary suppliers. The negative price variations in other raw materials, which are priced with reference to other global commodities may also adversely affect the Company's performance. With its strong focus on cost control, improvement in efficiency or alternative raw material, it endeavours to reduce adverse impacts.

### Financial Risks

#### • Liquidity Risks

The Company requires funds for the ongoing operations, growth and expansion projects. It has sufficient committed lines of credit from various banks in India to fund the operations as well as expansion projects. The Company has a strong continued focus and review mechanism for cash flow management and control on borrowings from the banks. This ensures that while liquidity is maintained for the company, it does not borrow above generally accepted financial norms and is able to meet the obligations to the banks and vendors without any default. For organic growth plans, the primary source is internal accruals of cash. Currently, the Company

does not have any long term debt at the end of the year. This puts it in a very strong position to leverage its balance sheet in case of a suppressed financial market.

#### • Interest Risk


The Company is exposed to the interest rate risks on its borrowing in both domestic borrowings and foreign currency borrowings. It evaluates the various sources of short term funding and uses a judicious mix of rupee borrowing and foreign currency borrowing to have a lower blended rate of interest.

### Foreign Currency Risk

The Company has two major categories of risks associated with foreign currency. One risk is associated with the operations of the Company such as purchase or sale in foreign currency. The other risk is associated with the borrowing of the Company denominated in the foreign currency. The Company has a defined policy to manage both kinds of risks. In light of the recent crisis 2008-09 and its impact on the exchange rate volatility, the Company has reviewed the policy and reduced the exposure to minimise the impact on its performance.

### Legal and Regulatory Risks

The Company's manufacturing facilities are based in India and the legal, fiscal and other regulatory regimes of the country play an important role in its performance. Changes in government policies such as changes in import tariffs in India and reduction or curtailment of income tax benefits available to some of our operations in India can pose risks to the Company. It also has a customer base in various countries and changes in the legal, fiscal or regulatory regimes can also affect the competitiveness of our product in and affect the Company's performance. There are some legal cases against the Company at various stages related to customs duty, excise duty, taxation, commercial or legal disputes. Any adverse result in such cases may the profitability of the Company. Some of the above risks are beyond the control of the Company. The Company continues to actively review and monitor these risks which may have a bearing on our business.



## PEOPLE & PROCESSES

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## *Connecting people with innovation*

We take pride in every initiative, however small. It is through these, that we create value and enhance the quality of the lives of all whom we connect with. We also strive for innovation in whatever we do.

## HUMAN RESOURCES

*The success of Sterlite Technologies as a ‘complete transmission solutions partner’, can largely be attributed to its ability to recruit and retain highly qualified and motivated people in all areas of the Company. Its people friendly, structured and transparent policies allow its employees a great deal of freedom to apply talent, skills, knowledge and business excellence. Sterlite also emphasises on smart working, collaboration and team work on everything that it applies itself to.*

John F Kennedy once said that the human mind is a fundamental resource for any kind of work that needs to be achieved. At Sterlite Technologies, this statement is constantly upheld through its people friendly Human Resource (HR) policies. The company’s HR vision is “To build a global organisation having best in class capabilities and a high performance culture that people are proud to associated with.”

Sterlite has a talent pool of over 750 employees globally, with over 250 employees holding professional degrees. During the course of this year, it also recruited about 190 employees across various divisions.

Translating its HR vision into policies, Sterlite believes in providing growth from within. Keeping this in mind, the Company’s Internal Job Postings Programme, plays a pivotal role in resourcing within the organisation. Through this program, Sterlite encourages its employees to drive career needs with the support of managers and the organisation itself. This program gives better visibility to all employees about various opportunities within the business and the Group.

The Company believes in offering employees careers and not just jobs, where one can discover and evolve at a normal as at an well as accelerated pace. Towards this, Sterlite’s



endeavour is to highlight and present opportunities for further learning and development.

Sterlite fully supports any individual who would like to drive learning and development and the organization helps facilitate the development at any given stage. This kind of sharing has become very significant considering the fact that many of the Company's senior management members today are home-grown and have taken on diverse assignments globally before taking on their current leadership assignments.

Job rotations and exposure to different parts of the business are an important part of the company's HR philosophy. This aids in the process of leadership development by ensuring that all employees obtain a well-rounded understanding of all the businesses. The management firmly believes that if the employees have to grow and take on higher responsibilities within the organisation, it is imperative for them to be exposed to different areas and functions within the organisation.

Every employee is given a rotation within or outside his or her original job to increase mental flexibility. The employee is also expected to make an effort via this cross functional exposure to prepare himself or herself for further responsibilities. Multi skills are considered necessary tools by which one can grow within the Company.

Connecting with its employees is integral to the way Sterlite Technologies conducts its business. As a growing and contemporary organisation, the Company also believes that it is essential to have an open and constructive dialogue with all its employees on a regular basis. Based on this objective, the programme 'Samwaad' was initiated earlier this year which primarily focuses on providing a formal platform for employees, supervisors and managers to interact

at various levels to educate, energise and inspire people. Samwaad engages employees at different levels and provides opportunities for 'One-on-One' and 'Skip Level' meetings where individuals are able to interact with their superiors about their career plans, concerns and achievements.

The format of Samwaad has been created in such a way that each individual of the company is able to interact and share with his or her superior. This interaction also includes interactions within teams, across functions and locations.

The Company strongly believes that extraordinary performance must get acknowledged and rewarded to enhance further commitment and motivation. It has been Sterlite's endeavour to build a high performance culture, strengthen the direct linkage between performance and recognition and recognise special performance, unique behaviours and role models. Towards this, the Reward and Recognition Programme was initiated whereby, 60% of the employees would be eligible to receive recognition for their contribution in a year, through various kinds of awards administered on a monthly, quarterly or annual basis. Under the programme, every team leader, right from the department head to the CEO, is encouraged to identify performers and recognise them thereby creating a culture of performance, improvement and innovation. It also supports the management philosophy of empowerment and fosters a culture for appreciation of challenges. The recognitions are a combination of monetary and non-monetary awards and family members of the employee are also included in celebrating their success.

Sterlite Technologies believes in a holistic approach towards being a caring organisation. All its programmes be it formal or informal, are designed to boost employee self-esteem, pride and versatility and help him or her grow into a well rounded professional across all divisions.

## SUSTAINABLE DEVELOPMENT

*At Sterlite Technologies, a sense of responsibility towards the environment in which it operates, is of utmost importance. This sense of responsibility is what makes its business truly sustainable. Over the past year, Sterlite has invested in community development through various initiatives like empowerment, environment management and community welfare.*

The Company's commitment extends much beyond its business concerns. It aims to develop its telecom and power businesses with the objective to provide attractive shareholder returns and uses the principle of Sustainable Development to further this approach. The Company is working towards monitoring and reducing social and environmental risks, improving resource utilisation, minimising pollution and forging partnerships with local communities. All this is done through a balanced mix of regulatory compliances, business practices, audits, certifications and employee involvement.

At all its manufacturing facilities, Sterlite ensures that its operations are carried out with a key focus on:

- Implementing measures to reduce pollution, emissions, waste and energy consumption.
- Exploring the use of environment-friendly technologies and materials within its research, development and manufacturing processes.

- Preventing/minimising impact from pollution and occupational health and safety risks.
- Conserving natural resources and recycling and creating innovative recycling opportunities.
- Providing a safe work environment for employees and safe living conditions for all its neighbours.

### Employee involvement

The Company encourages all its employees to participate in its Sustainable Development initiatives by volunteering their time. It also promotes awareness among the employees and associates through periodic training programmes and increasing environmental awareness within the plants and facilities. Sterlite keeps itself abreast with the latest international practices, codes and standards, which are adopted wherever applicable.

### Environmental protection

Following are the special tasks, which Sterlite has completed in the last year towards environment protection:

- Conservation of natural resources: Monitoring and controlling the use of electric energy and water consumption.
- Establish the scrap disposal matrix: Practising a safe disposal method of waste and hazardous material.
- Awareness towards environment protection: The Company has implemented a training programme and a display board for the conservation of natural resources.
- The Company has also contributed to the area of 'Greenbelt Development' wherein it undertook the



plantation of approximately 1,000 trees within all its facilities.

- The Company abolished use of paper cups and plastic bags. Food is now being served in eco friendly containers.

### Enriching the community

The Company is committed to investing 1% of its annual net profit towards various projects in environment, healthcare, education and the development of the community. All projects conducted by the Company are based on Environment Impact Assessment (EIA) Studies. The sustainable development initiatives span villages in the remotest locations in Maharashtra and the Union Territory of Dadra and Nagar Haveli.

#### 1. Education and women's empowerment

Sterlite supports education and women's empowerment and has in place several training initiatives in tailoring, manufacture of cottage industry products and teaching 290 underprivileged women and children. It has also undertaken to sponsor a 1 year training programme in nursing for 50 underprivileged girls. It has also invested in infrastructure such as computers, power inverter, instruments and apparatus at schools, that has improved the education facilities for about 360 students.

#### 2. Environment

The Company's environmental initiatives include the construction of over 13 check dams in drought-stricken villages, which are now capable of storing about 94 TCM of water, radically changing the economic potential of the villages. The plantation of more than 4.5 hectares to build a green cover is also another initiative.

#### 3. Health

The health initiatives comprise of the sponsorship of a mobile dispensary and ambulance, 730 cataract operations for the underprivileged and hearing aids for 100 children. In addition to this, Sterlite also conducted a health and nutrition camp, that was attended by 300 villagers. Sterlite undertook the construction of potable water and sanitation facilities, the completion of which will benefit over 300 individuals.

## CASE STUDY - GARBAGE TO COMPOST PROJECT

With rapidly growing industrialisation and development, there has been an increasing risk of environmental pollution - both organic and inorganic in Silvassa. After several discussions with local administration, the idea of 'Garbage to Compost Project' was agreed upon and taken forward. For this, Sterlite has partnered with Garbage Concern, a Mumbai-based NGO and this initiative has helped to initiate the project with a vision towards building a clean, green and healthy Silvassa. The project was launched on December 19, 2008 at the Waghchipsa agricultural farm.

The project involves the disposal of three to four tonnes of waste generated from the vegetable market to the project site on a daily basis. The main objectives of the project are to employ within two years, a minimum of 10 persons from local areas, to create, an organic farming demo patch and to calculate the short term benefits like savings in terms of diesel, landfill space, pollution due to dumping, diverting methane from landfill into organic carbon of soil by supplementing chemical fertilisers with vermicompost produced from garbage etc.

The pilot project at Silvassa has brought about a considerable improvement in the health standards of the villagers. Additional economic benefits include generation of salable compost, vocational training and a source of income for the local youth and an increased soil fertility through natural means. The long term impact includes creating an ecopark with organic horticulture unit, training and empowerment of locals in sustainable agriculture and waste management etc.

*Sterlite Technologies Limited won an award for the Most Proactive Corporate Award 2008-2009, in the category – SUSTAINABLE DEVELOPMENT for its unique initiative to Sustainable Long Term Organic Waste Management in the town of Silvassa.*

## RESEARCH & DEVELOPMENT

*Sterlite Technologies has prioritised in-house research and development to catalyse product development as per evolving industry requirements, technical enhancements and quality needs. As an extension of its core value of creativity, Sterlite is committed to allow minds to extend beyond conventional and predictable solutions, enhancing its intellectual capital.*

### The Centre of Research

The Centre was founded in 2007 with the objective of fundamental research in fiber optics, optical communications and materials while designing new products and applied research for enhancing existing products and developing new processes. It focuses on four areas:

- **Process Development:** In process development, the main objectives are to focus on online process development in order to enhance the quality of the product, to develop processes for new products and work towards the development of processes for converting waste materials produced during optical fiber manufacturing process into usable products.
- **Engineering Design and Development:** The objectives are to develop the existing equipment for higher throughput and to design new equipment in order to manufacture new products.
- **Quality Assurance:** The focus is on new specifications which provide the necessary benchmarks for research, review the new processes to meet critical technical parameters, develop all the necessary tests, procedures and methods for international certifications and perform reliability testing in order to meet international standards.
- **Patent Cell:** The objective of the cell is to prepare the specification's of innovations for the application of grants of patents.

### Intellectual Property

Sterlite Technologies was recently granted 3 more patents in addition to the 13 patents that it already holds in USA, Europe, India and China. These new patents were granted for innovations in processes for the manufacture of optical fibers. In addition to this, the Company has filed over 100 patent applications for innovations in different products and processes.

The following patents were granted during 2008-09:

- **Patent:** IN226536, India - Optical fiber with reduced PMD and the method for producing the same.
- **Patent:** US7437045B2, USA - Dispersion Optimised Optical fiber for wideband optical transmission.
- **Patent:** IN223433, India - Method for preparation of core rod assembly for overcladding, and preform and fiber produced from such core rod assembly.

### Trademarks

Sterlite made 30 applications for corporate and product trademarks in various regions to protect its brand identity. Of these applications, 8 trademarks have been registered.







## Awards for Innovation

**Thomson Reuters Innovation Award 2009:** Sterlite won the Thomson Reuters Innovation Award 2009 in the Corporate Services Category for its achievements through patented technology, as recorded in data from Thomson Innovation.

The Thomson Innovation is the premier IP research and analysis solution from Thomson Reuters. This award recognises innovative Indian enterprises for their spirit of innovation in research and development. The criteria for the award included the number and impact of patents, the efficiency and effectiveness of research and the impact of innovation as measured by patent citations.

## Technical White Papers and Industry Forums

During 2008-09, the Company contributed to the global knowledge pool by publishing white papers and by participating in technical conferences and symposia across the globe.

Four technical white papers were chosen for presentations at the Asia Optical Fiber Communication & Optoelectronic Exposition & Conference (AOE) 2008 and Photonics 2008.

Sterlite was invited as a speaker for the FTTH Asia Pacific Seminar 2008, Power India 2008 and GRIDTECH 2009.

Sterlite was invited to the technical discussion panel at the XII National Telecom Seminar 2008.

## Industry Associations

As an industry leader, Sterlite holds key committee memberships in various industry associations, which consolidate industry knowledge and drive technological excellence.

- Confederation of Indian Industry (CII): [www.ciionline.org](http://www.ciionline.org).
- International Telecommunications Union (ITU): [www.itu.int](http://www.itu.int).
- FTTH Council Europe: [www.ftthcouncil.eu](http://www.ftthcouncil.eu).
- FTTH Council (USA): [www.ftthcouncil.org](http://www.ftthcouncil.org)
- International Cablemakers Federation (ICF): [www.icf.at](http://www.icf.at).
- Quest Forum: [www.questforum.org](http://www.questforum.org).

## ■ INFORMATION TECHNOLOGY

*For an international conglomerate like Sterlite Technologies, Information Technology (IT) is the backbone of every process. With this solid foundation, it has been able to integrate all its business processes and bring its far out locations under a single platform. As a result of this integration, the Company has been able to show remarkable growth and improved relations with customers and its own people alike.*

Sterlite Technologies is a leading global manufacturer of wire and cable solutions for the telecom and power industries. In our quest for business excellence, we try to build transparency within our systems and therein enhance value for our stakeholders. Implementation of a high level of automation in our business processes, through the use of information technology, has been an 'across the board' key focus area. Our products are manufactured in a semi batch process, wherein the quality parameters of a subsequent product batch can be adjudged by the quality of the previous batch. Hence, it is extremely critical to have real time information available on each sub-process, which can be possible only with a robust IT platform in place.

Today, distance or location is no longer a constraint and our executive management can assess the health of the business wherever they are or whenever they wish to. Moreover, from a customer support perspective, it is very important to have end-to-end material and process traceability for the entire manufacturing value chain. For Sterlite, IT is also critical for the creation of a competitive advantage and the optimisation of all business processes which enable growth and improve existing relationships with customers.

Even though our 6 manufacturing facilities are located at Aurangabad, Silvassa and Haridwar whose manufacturing processes are independent of each other, all other business processes (finance, banking, treasury, etc.) are consolidated. This has been made possible due to our well integrated business processes that have brought the geographically spread out operations under a single platform.

Within Sterlite Technologies, we use a combination of 'SAP' and 'Oracle' as a unified platform for most of our manufacturing and financial processes. However, we acknowledge that there are some functional areas which require external interfaces such as effective CRM (Customer Relationship Management), PMS (Performance Management System) and BMI (Business Measurement Index) modules. Although we are still in the process of evaluating these external modules, we believe that our biggest challenge would be to have a high degree of seamlessness between platforms to make the system user friendly and provide the necessary return on investment.

Our IT systems have enabled our workforce to be 'always connected' to the internet and in-house IT platforms through the provision of computers, internet data cards, etc. to ensure business continuity. This has also helped us within the Company to keep abreast of information and best practices related to markets, products, technology and competition.

We strive to develop a portfolio of quality products and services, through the effective use of IT and 'Six Sigma' and a sustained focus on intellectual property and the environment. Hence, quality and IT are at the very core of all that we do. We believe that for operational excellence, it is imperative to get things done right the first time itself. The Six Sigma methodologies that have been integrated with the IT initiatives have helped us to operate at very high compliance levels.

Our core management team that comprises of functional heads from operations, finance, marketing, IT, human

resources and purchase, meets at least once a month to evaluate the evolving needs of our business. As a policy, our corporate decisions are not unilateral, but a result of healthy debate and unbiased evaluation of initiatives to improve productivity and efficiencies. We have focused on our core competencies to ensure that we are amongst the lowest cost producers of all our products. This has been done by vertical integration and intelligent manufacturing. All our products have a core linkage from the very basic natural resource i.e. we manufacture optical fibers from naturally occurring silicon ore and we manufacture aluminum conductors from basic aluminum.

Going forward, our continuous focus is on achieving excellence by expending minimum conversion resources in terms of energy, chemicals etc. This will help to reduce cost, pollution as well as help to utilise lesser energy and conversion agents. At Sterlite, we effectively use IT to integrate manufacturing across the various stages of conversion as well as in reporting and controlling/optimising the usage of conversion agents. We believe that we have a unique edge with this approach on a global basis. We continue to work on this and such differentiators to ensure that Sterlite Technologies and India continue to be a big manufacturing hub for all the products that we produce and sell across the globe.

## STERLITE TECHNOLOGIES WINS THE CIO 100 AWARD 2008

As an achievement for the implementation and excellent process work completed over the last year, Sterlite was awarded the CIO 100 Award 2008 for its innovative use of IT in manufacturing.

The Company has implemented a unique end-to-end traceability platform that is integrated with its ERP platform for the entire manufacturing value chain at its power conductors facilities.

The system was initiated on the basic premise that automation has intrinsic benefits of data integrity and data reliability. It also ensures end-to-end traceability of the raw material and intermediate products that has been used for producing any particular finished product, simplifying inventory management and enhancing customer support.

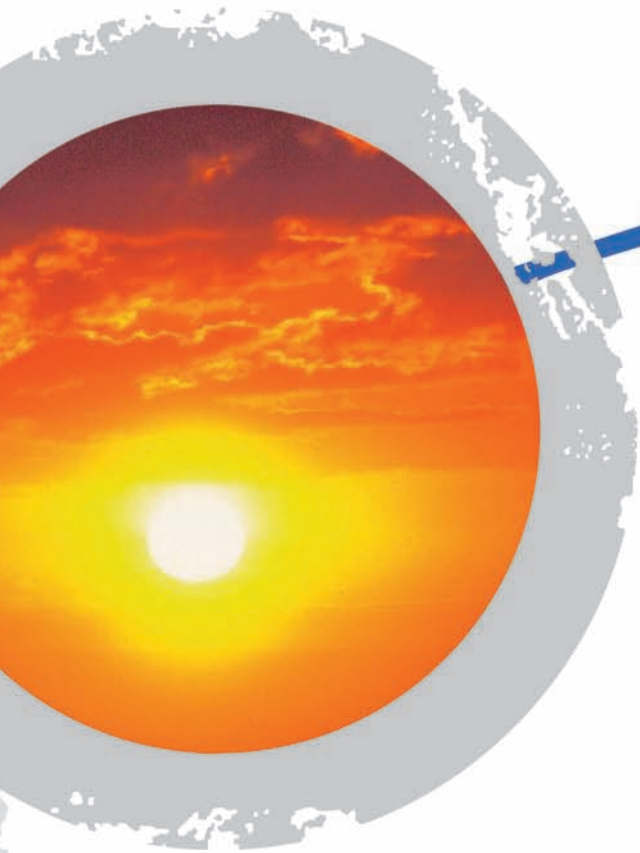


**Jawed Ahmed, Head – IT (Power Transmission Business), Sterlite Technologies (Left) Receiving the CIO100 Award 2008 from Rahul Bhalla, Country Executive – Strategy and Marketing, IBM (Right)**

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## *Connecting promises with results*

Excellence is our goal and we work together to achieve this. At Sterlite, our results are a reflection of our commitment to deliver our promise.

## BOARD OF DIRECTORS



### Anil Agarwal

*Non-Executive Chairman*

Anil Agarwal founded the Sterlite Group in 1976 and has been overseeing its operations since its inception. He is the Executive Chairman of Vedanta Resources Plc, Sterlite Industries (India) Limited, Bharat Aluminium Company Limited (BALCO) and is a Director of Hindustan Zinc Limited (HZL) and Vedanta Alumina Limited. He has over 30 years of experience in business strategy, general management and commercial matters.



### Pravin Agarwal

*Wholetime Director*

Pravin Agarwal has been closely involved with the Sterlite Group's operations in India since its inception and has been instrumental in growing the telecom and power businesses. His rich experience in general management and commercial matters spans over 25 years.



### Arun Tadarwal

*Non-Executive & Independent Director*

Arun Tadarwal, partner of Tadarwal & Tadarwal, a Mumbai-based firm of chartered accountants, holds a bachelors degree in commerce and is a member of the Institute of Chartered Accountants of India. He has a rich and varied experience spanning over two decades in finance and audit.

### **A. R. Narayanaswamy**

*Non-Executive & Independent Director*

A. R. Narayanaswamy is an Audit Practitioner & runs a management consultancy catering to the pharmaceutical, chemical, engineering and hospitality sectors. He is a Chartered Accountant by profession and his experience spans over 30 years.



### **Haigreve Khaitan**

*Non-Executive & Independent Director*

Haigreve Khaitan, partner of Khaitan & Co. a Mumbai-based firm of lawyers, holds a bachelors degree in legislative laws. He has varied experience spanning 8 years in commercial and corporate laws, tax laws, mergers and acquisitions, restructuring, foreign collaboration, licensing, etc.



### **Anand Agarwal**

*CEO & Wholetime Director*

Anand Agarwal joined Sterlite in 1995 and has held various positions, including manufacturing, quality assurance and business development. Prior to joining Sterlite, he worked with Siemens. He completed his BTech. in metallurgical engineering from IIT Kanpur and was awarded Masters and PhD from the Rensselaer Polytechnic Institute, USA.



## KEY MANAGEMENT

**Anuraag Rai**

*Vice President – Human Resources*

**Dharmendra Jain**

*General Manager – Finance*

**Dr. Anand Agarwal**

*CEO & Wholetime Director*

**Rajendra Mishra**

*Chief Operating Officer  
(Power)*





**Anupam Jindal**  
Chief Financial Officer

**Pravin Agarwal**  
Wholetime Director

**K. S. Rao**  
Chief Operating Officer  
(Telecom)



## DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the Tenth Annual Report together with the audited accounts of the Company for the year ended March 31, 2009.

### Financial Results

(Rs. in Crores)

Particulars	2008-09	2007-08
Net Turnover	2,289.23	1,685.79
Profit/(Loss) before Interest, Depreciation & Tax	237.83	203.59
Less: Interest	88.00	35.98
Less: Depreciation	42.52	37.17
Net Profit/(Loss) before taxation	107.31	130.44
Provision for Taxation	12.51	14.66
<b>Current Tax</b>		
Earlier Year Tax/(Written Back)	0.83	0.77
Minimum Alternative Tax eligible for Set Off	(11.66)	(14.66)
Deferred Tax (Credit)	16.73	27.88
Fringe Benefit Tax	0.88	1.07
Net Profit/(Loss) for the year after tax	88.02	100.72
Net Profit/(Loss) for the year after tax (after prior period depreciation)	90.15	100.72
Balance carried forward from previous year	335.70	250.08
Amount available for appropriation	425.85	350.80
<b>Appropriations</b>		
Transfer to General Reserve	9.02	7.55
Proposed Dividend	8.07	6.45
Provision for Tax for dividend	1.37	1.10
Balance carried forward to the next year	407.39	335.70

### Performance

Your Company registered 36% growth in revenues, which increased to Rs. 2,289.23 Crores this year, from Rs. 1,685.79 Crores in the previous year. The profits of the Company after providing for tax and prior period depreciation adjustment reached Rs. 90.15 Crores as compared to the profits of Rs. 100.72 Crores in the previous year. The drop in profits is mainly on account of higher interest and negative exchange rate fluctuations on foreign currency borrowing.

Income from exports increased by 15%, from Rs. 517.79 Crores in the last year to Rs. 592.58 Crores in the year under review. Currently, the export sales account for 26% of the company's net revenues.

The detailed analysis of company's operations and segment-wise performance is covered under 'Management Discussion & Analysis Report'.

## Expansion and Diversification

As the members are aware, the Company has two major business verticals - 'Telecom' and 'Power Transmission'. Both these business have been growing rapidly and are poised to grow fast in future. Your management strongly believes that your Company can be a part of this growth story and therefore has undertaken ambitious expansion plans. As informed in the last year report, your Company had commenced manufacturing at its new green-field Power Transmission and Distribution Conductors facility at Haridwar in the State of Uttarakhand. This plant is now fully operational and further capacity expansion at this plant, which is expected to be completed during the first half of the current financial year, will take the power conductor manufacturing capacity to 160,000 MT from the current capacity of 115,000 MT.

Further, the Company had decided to double its Optical Fiber manufacturing capacity at Aurangabad. The Company began this capacity expansion in the previous year and it is expected that the project will be commissioned by mid of the current financial year, taking the Optical Fiber capacity from 6 Million-km to 12 Million-km. As per CRU, UK, the global demand for Optical Fiber in 2008 was 151.4 Million-km, which is higher by about 16% as compared with the demand in 2007. The expanded capacity would primarily cater to the growing demand from the Indian market and also enable the Company to grow its global market share. In conjunction with Optical Fiber capacity expansion, the Company is expanding its Fiber Optic Cable capacity to 6 Million-fkms. This project is also likely to be completed by mid of current financial year.

The Integration & Managed Services business (IMS), which offers complete telecom access solutions, is committed to facilitate the propagation of broadband in India. IMS launched the "Sterlite Fiber Powered Home" project, a One Stop solution for the complete FTTH requirement of the customers. The Company has also been chosen by Power Finance Corporation of India (PFCL) and BSNL for the system integration work as empanelled vendor,

where the Company will be offering complete solutions including planning, designing, implementation, operation and maintenance of the network. Under IMS business, the Company has developed the capability to be a 'one stop service delivery' for FTTH, WiMax, MPLS, Broadband and Content Delivery Network.

## Dividend

Your Board of Directors is pleased to recommend a dividend of 25% (Rs. 1.25 per share) for the financial year 2008-09. The distribution of dividend will result in payout of Rs. 8.07 Crores excluding tax on dividend.

## Preferential Allotment of Convertible Warrants

The Board of Directors of the Company, subject to the approval to be received from Shareholders and such other approvals as may be required, had decided to issue and allot to the Promoter group entity, TwinStar Overseas Limited, Mauritius 64,50,000 warrants with the option to convert each warrant into one equity share of Rs. 5 each at a price of Rs. 65 within 18 months' period. The warrants will be converted in two or more tranches.

The proceeds will help the Company to strengthen its equity base and improve financial leveraging strength.

## Employees Stock Option Scheme

As the members are aware the Company had launched Employee Stock Option Scheme (ESOP-2006) in June 2006. The Company during the year, extended the scheme to few more employees by granting 51,100 fresh options. The Company allotted 70,100 shares during the year to various employees who exercised their options. The details of the options granted up to March 31, 2009 are set out in Annexure-II to this report, as required under Clause 12 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999.

## Subsidiary

Sterlite Infrastructure Private Limited (SIPL) is a subsidiary of the Company. It was set up to participate in telecom license of the Country. There were no substantial activities during the year. The Company continues to keep the funds invested in the financial instruments.

## Explanation on Auditor's Comment

The remark of Auditors at Para 4 (vi) & (vii) of the Auditor's Report over Note No. 8 in Schedule 21 on Notes to Accounts regarding demand of excise duty and penalty amounting to Rs. 188 Crores is self-explanatory and does not require further comment.

In the year 2004-05, CESTAT upheld the demand of Rs. 188 crores and interest thereon for alleged breach of norms pertaining to Export Oriented Unit (EOU). The Company had filed an appeal before the Hon'ble High Court of Bombay against this order. The Company's appeal against this order was dismissed by the Hon'ble High Court Bombay, on the grounds that appeal is not maintainable in High Court, however without prejudice to the rights of the Company. The Company subsequently filed a Special Leave Petition (SLP) and appeal with the Supreme Court of India, which has been admitted by the Court. Hon'ble Supreme Court has also maintained the stay granted by Hon'ble High Court of Bombay.

Based on merits of the case and the legal opinion obtained, the management believes that the Company has a strong case and it has been carrying adequate provisions for contingencies in the books of accounts in this matter and does not require any further provisioning.

## Research & Development

Product obsolescence risks are inherent in the technology sector businesses. The management has accorded high priority to in-house Research and Development in order to ensure new product development as per the evolving needs of the industry for technical enhancements. The Company has set up a Research & Development Centre at Aurangabad. This

facility is approved by Department of Scientific & Industrial Research (DSIR) in India.

The Company has focussed its attention towards development of products having applications in FTTH and Metro-Access Telecom Networks and Power Transmission Networks.

## Fixed Deposits

During the year, the Company has not accepted any deposits from the public or otherwise in terms of Section 58A of the Companies Act, 1956, read with Companies (Acceptance of Deposit) Rules, 1975.

## Directors

By virtue of Section 255 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Anil Agarwal and Mr. Haigreve Khaitan retire by rotation at the ensuing Annual General Meeting. The appointment of Mr. Pravin Agarwal and Dr. Anand Agarwal as Whole-time Directors has been approved by the Board in its meeting held on April 24, 2009. A brief resume, expertise, shareholding in your Company and details of other directorships of these directors are given in the Corporate Governance Report.

## Management Discussion and Analysis

The Report on Management Discussion and Analysis has been attached and forms part of the Annual Report.

## Corporate Governance

The Report on Corporate Governance, along with the Certificate from the Statutory Auditors certifying the compliance of Corporate Governance enumerated in Clause 49 of the Listing Agreement with the Stock Exchanges, is included in the Annual Report.

## Directors' Responsibility Statement

Your Directors' confirm that:

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) They have selected such accounting policies and applied them consistently, and made judgements and estimates that are reasonable and prudent so as to give a true

and fair view of the state of affairs of the Company as at March 31, 2009 and of the profit of the Company for the financial year ended March 31, 2009;

- iii) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) They have prepared the accounts on a “going concern” basis.

### Group

The Company is controlled by the Agarwal Group; being a group as defined under the Monopolies and Restrictive Trade Practices Act, 1969. The list of entities in the group is as under:

1. Volcan Investments Limited, Bahamas
2. Twin Star Overseas Limited, Mauritius
3. Mr. Dwarkaprasad Agarwal
4. Mr. Agnivesh Agarwal

### Auditors

M/s. S.R. Batliboi & Co., Chartered Accountants hold office till the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received intimation to the effect that, proposed re-appointment, if made, would be within the prescribed limit under Section 224(1-B) of the Companies Act, 1956.

### Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo as prescribed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in

the Report of Directors) Rules 1988, is given as Annexure I and forms a part of the Directors’ Report.

### Particulars of Employees

The particulars of employees as required under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is annexed hereto and forms a part of the Directors’ Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the report and the Accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the “Company Secretary” at the Registered Office of the Company.

### Acknowledgement

It has been an impressive year for the Company especially with the expectations of continuing with the sterling performance it had displayed last year and of holding on to its domestic market share while at the same time expanding its global footprint.

Your Directors take on record their sincere appreciation to the contributions made by the employees through their hard work, dedication, competence, support and co-operation towards the success of your Company. Last but not the least, your Directors are also thankful for consistent co-operation and assistance received from its investors, business associates, customers, vendors, bankers and regulatory and government authorities.

For and on behalf of the Board of Directors

Mumbai  
April 24, 2009

**Anil Agarwal**  
Chairman

## ANNEXURE I TO THE DIRECTORS' REPORT

Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as per Section 217 (1) (a) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 for the year ended 31st March, 2009.

### 1. Conservation of Energy

The Company adopted the following measures on energy conservation –

1. Installation of repaired Velocity Frequency Drives (VFD) in Air Handling unit
2. Time of Day (TOD) Optimization for power load
3. Copper Chokes replaced by electronic chokes
4. VFD used for Blower in Scrubber
5. CFL used for outdoor lighting
6. TOT optimization in Draw Tower Furnace
7. Depolarization in Draw Tower Furnace
8. VFD used for H2 Compressor
9. Installed Harmone filters
10. Installed VFD in motors used in blowers and pumps

### 2. Technology Absorption

#### (a) Specific areas in which the Company carried out R&D

1. 1120 Alloy Conductor – Low resistance, Low loss conductor was developed for export. The conductor was successfully type tested for Mechanical and Electrical properties.
2. ACAR Conductor – Aluminium Conductor Alloy Reinforced conductor, a low resistance and high Strength conductor was developed for exports market. The conductor was successfully type tested.
3. ACSS – Aluminium Conductor Steel Supported was developed for HTLS applications.

#### (b) Benefits derived as a result of above R&D

1. Opportunity to compete in international market.
2. Technology Upgradation.

3. Development of new designs in products.
4. Attaining accreditation of our product from internationally recognized bodies.

#### (c) Future plan on R&D

Ensure new product development as per evolving needs of the industry, technical enhancements and quality improvements of existing product offerings.

### 3. Technology absorption, adoption and innovation

- (i) Efforts, in brief, made towards technology absorption, adoption and innovation: The technology used for manufacture of various products of the Company is fully absorbed and new innovations in process control, product development, cost reduction and quality improvements are being made on a continuous basis.
- (ii) Benefits derived as a result of the efforts e.g., product improvement, cost reduction, product development: The Company is engaged in that business where product obsolescence are inherent. The efforts made for product improvement/development help Company not only to offer better value added products to its customers but also explore new markets.
- (iii) Information regarding technology imported during last 5 years: The Company has not imported any technology.

### 4. Foreign Exchange Earning and Outgo

Discussion on activities relating to development of exports is covered in Directors' Report and Management Discussion & Analysis Report.

Foreign Exchange Earned : Rs. 938.22 Crores

Foreign Exchange Outgo : Rs. 673.21 Crores

The Company does not fall in the list of industries which are required to give details of power and fuel consumption as per "Form A" of Companies (Disclosure of Particulars in the Report of Directors) Rules, 1998.

## ANNEXURE II TO THE DIRECTORS' REPORT

Statement as at March 31, 2009 as required under Clause 12 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999.

1.	Options Granted	Total 9,05,550 options were granted as on March 31, 2009 <ul style="list-style-type: none"> <li>4,65,700 options were granted on June 14, 2006</li> <li>1,27,200 options were granted on March 19, 2007</li> <li>2,61,550 options were granted on September 28, 2007</li> <li>51,100 options were granted on June 14, 2008</li> </ul>
2.	Pricing formula	Options vest at a nominal value i.e. Rs. 5 per option
3.	Options vested	2,24,608
4.	Options exercised	1,43,780
5.	Total number of ordinary shares arising as a result of exercise of Options	1,43,780
6.	Options Lapsed	3,97,649
7.	Variation of terms of option	Refer Note 1
8.	Money raised by exercise of option	7,18,900
9.	Total number of options in force	3,64,121
10.	Number of options granted to Senior Managerial Personnel	
	Dr. Anand Agarwal	CEO & Whole-time Director 41,300
	Mr. K. S. Rao	Chief Operating Officer (Telecom) 24,700
	Mr. Anupam Jindal	Chief Financial Officer 14,000
	Mr. Anil Sikka	AVP – Marketing (Power Transmission) 11,100
	Mr. Dharmendra Jain	General Manager – Finance 10,100
11.	Identified employees who were granted Options during any one year, equal to or exceeding 1% of issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	None
12.	Diluted earnings per share pursuant to issue of ordinary shares on exercise of Options calculated in accordance with Accounting Standard (AS) 20 “Earnings Per Share”	13.90

13.	Method of Calculation of Employee Compensation Cost	The Company has used fair market value method for calculation of compensation cost, using the Black Scholes Option Pricing Model.
14.	Weighted average exercise price and weighted average fair value of Options granted for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Weighted Average exercise price (per option) – Rs. 5 Weighted Average fair value (per option) – Rs. 192.65
15.	A description of method and significant assumptions used during the year to estimate the fair values of options	The fair value of each option is estimate using the Black Scholes Option Pricing model after applying following weighted average Assumptions (wrt: Grant dated June 14, 2008):
	1. Market Price (Rs.)	198.50
	2. Risk Free Interest rate (%)	8.34
	3. Expected Life (yrs.)	1.50
	4. Expected Volatility (%)	72.11
	5. Expected Dividend Yield (%)	0.49
	6. The price of underlying share at the time of grant (Rs.)	192.65

**Note 1:** The options granted on June 14, 2006 had vesting schedule of 30%, 30% and 40% due on June 14, 2007, June 14, 2008 and June 14, 2009 respectively. The Compensation Committee varied vesting schedule to 20%, 40% and 40% and relaxed performance criteria for part vesting.



## CORPORATE GOVERNANCE REPORT

### Philosophy of the Company

Corporate Governance represents the value, ethical and moral framework under which business decisions are taken. The investors want to be sure that not only is their capital handled effectively and adds to the creation of wealth, but the business decisions are also taken in a manner which is not illegal or involving moral hazard.

Your Company perceives good corporate governance practices as a key to sustainable corporate growth and long-term shareholder value creation. The primary objective is to develop and adhere to a corporate culture of harmonious and transparent functioning, increasing employee and customer satisfaction and enhancing shareholders' wealth by developing capabilities and identifying opportunities that best serve the goal of value creation. All actions and strategic plans are directed towards delivering value to all stakeholders, as well as conform to the highest standards of corporate behaviour. The five core values that drive the Company's business are:

- **Excellence:** Strive relentlessly and constantly improve ourselves in our offerings
- **Creativity:** Allow minds to reach beyond conventional and predictable solutions
- **Integrity:** Conduct our business fairly, with honesty and transparency
- **Responsibility:** For our words and actions
- **Respect:** For our employees, business partners and stakeholders

The Company has three-tier governance structure:

**Strategic Supervision:** The Board of Directors occupies the topmost tier in the governance structure. It plays a role of strategic supervision that is devoid of involvement in the task of strategic management of the Company. The Board lays down strategic goals and exercises control to ensure that the Company is progressing to fulfill stakeholders' aspirations.

**Strategic Management:** The Management Committee is composed of the senior management of the Company and operates upon the directions of the Board.

**Executive Management:** The function of executive management is to execute and realise the goals laid down by the Board and the Corporate Management Committee.

### I. Board of Directors

The Board of Directors consists of two Whole-time Directors and four Non-Executive Directors. Three Non-Executive Directors are also Independent Directors. Mr. Anil Agarwal is a Non-Executive Chairman. The Board composition is in compliance with the requirements of Clause 49 of the Listing Agreement, requiring that not less than half the Board should consist of Independent Directors. In the absence of Mr. Anil Agarwal, the meetings were chaired by Mr. Navin Agarwal. However, Mr. Navin Agarwal has ceased to be a Director with effect from March 31, 2009. During the financial year 2008-09, five Board meetings were held on April 29, 2008, July 23, 2008, September 02, 2008, October 20, 2008 and January 19, 2009. The composition of the Board of Directors, attendance of the Directors in Board Meetings and Annual General Meeting and their shareholding details in the Company are as follows:

Name	Designation	Board Meetings attended	Whether attended AGM	Directorships in other Companies	Committee Memberships & (Chairmanships) in other Companies	No. of shares held in the Company (including family members)
Anil Agarwal	Non-Executive Chairman	Nil	No	13	Nil	Nil
Navin Agarwal**	Non-Executive Director	05	No	13	4	86,000
Arun Todarwal *	Non-Executive Director	04	Yes	07	4	40
Haigreve Khaitan*	Non-Executive Director	02	No	21	11	Nil
A.R. Narayanaswamy*	Non-Executive Director	05	No	05	3	Nil
Pravin Agarwal	Whole-time Director	05	Yes	01	Nil	82,962
Dr. Anand Agarwal	CEO & Whole-time Director	05	Yes	01	Nil	20,260

\* Independent Directors as defined in Clause 49 of Listing Agreement.

\*\* Ceased to be Director with effect from March 31, 2009.

### Directors with materially significant, pecuniary or business relationship with the company

As required under Accounting Standard 18, transactions with related parties are furnished under Note 16 of Schedule 21 - Notes to the Accounts. There are no transactions of material nature with the Promoters, Directors or their relatives, etc that may have potential conflict with the interest of the Company.

During the year the Company paid professional fees of Rs. 38.26 lacs to 'Khaitan & Co.', a solicitor firm in which Mr. Haigreve Khaitan, Director is a partner. This is an arms length transaction and does not have any conflict with the interest of the Company.

Disclosures have been received from Directors and Senior Management relating to the financial transactions in which they or their relatives may have personal interest. However, none of these transactions have a potential conflict with the interest of the Company at large.

## II. Committees of the Board

### Audit Committee

The Company has the Audit Committee constituted in accordance with the requirements of Section 292A of the

Companies Act, 1956 and Clause 49 of the Listing Agreement entered into with the Stock Exchanges. The primary objective of the Audit Committee of the Board of Directors of your Company is to discharge responsibilities relating to accounting and reporting of financial practices adopted by the Company and its subsidiaries, surveillance of internal controls as well as accounting and audit activities.

The terms of reference of the Audit Committee include:

1. Review of the Company's financial reporting process and the disclosure of its financial information.
2. Recommending the appointment and removal of external auditors.
3. Reviewing with the management, the periodical financial statements.
4. Reviewing with the management, external and internal auditors, the adequacy of internal control systems, frequency of internal audit, significant findings by internal auditors and follow up there on.
5. Discussion with external auditors, nature and scope of audit as well as have post-audit discussions.
6. Reviewing the Company's financial and risk management policies.

7. Reviewing Whistle Blower Mechanism.
8. Reviewing Management Discussion and Analysis Report, Statement of significant related party transactions submitted by the management; Management letters/ letters of internal control weaknesses issued by the statutory auditors, if any; Internal audit reports relating to internal control weaknesses.
9. Reviewing of financial statements and investments made by subsidiary companies.

### Composition and Meetings

The Audit Committee comprises of three Non-Executive Directors who are independent and one Executive Director. The representatives of internal and statutory auditors are permanent invitees of the Audit Committee. Mr. Arun Todarwal, Chairman of the Committee (Non-Executive Independent Director) is a Chartered Accountants and has accounting and financial expertise. The other committee members are financially literate.

The Audit Committee met four times during the year 2008-09 on April 29, 2008, July 23, 2008, October 20, 2008 and January 19, 2009. The Composition of the Audit Committee and attendance at Committee meetings is as follows:

Name	Category	Number of Meetings attended
Arun Todarwal, Chairman	Non-Executive & Independent	04
A. R. Narayanaswamy	Non-Executive & Independent	04
Haigreve Khaitan	Non-Executive & Independent	01
Pravin Agarwal	Whole-time Director	04

### Remuneration/Compensation Committee

The Remuneration/Compensation Committee discharges the Board's responsibilities relating to compensation of Company's Executive Directors. The Committee has the overall responsibility of approving and evaluating the compensation plans, policies and programs of the Executive Directors. This Committee has also been empowered to administer Employees Stock Option Scheme, 2006 of the Company.

### Composition and Meetings

The Committee comprises of three Non-Executive Directors, who are independent. The Chairman of the Committee is a Non-Executive Independent Director.

The Committee met twice during the year 2008-09 on April 29, 2008 and September 2, 2008. The Composition of the Remuneration/Compensation Committee and attendance at Committee meetings is as follows:

Name	Category	Number of Meetings attended
Arun Todarwal, Chairman	Non-Executive & Independent	01
Haigreve Khaitan	Non-Executive & Independent	01
A. R. Narayanaswamy	Non-Executive & Independent	02
Navin Agarwal*	Non-Executive Director	02

Ceased to be a member of the Committee w.e.f. March 31, 2009.

### Details of Remuneration paid to the Directors

Mr. Pravin Agarwal and Dr. Anand Agarwal are the two Executive Directors. Mr. Pravin Agarwal was appointed Whole-time Director with effect from October 30, 2006. The term of appointment of Mr. Pravin Agarwal is for a period of 3 years expiring on October 29, 2009. As per the terms of appointment, the agreement can be terminated by giving a 90 days notice or equivalent pay by either of the sides. Dr. Anand Agarwal, Whole-time Director is designated as Chief Executive Officer. The term of appointment of Dr. Anand Agarwal is for a period of 3 years expiring on July 29, 2009. As per the terms of appointment, the agreement can be terminated by giving a 90 days notice or equivalent pay by either of the sides.

The Company pays sitting fees to its Non-Executive Directors. In addition, it also pays commission not exceeding Rs. 2.50 lacs to its Independent Directors. The break up of remuneration actually paid to directors (excluding provisions, if any) during FY 2008-09 is as follows:

(Rs. in Lacs)

Director	Salary	Perquisites	Incentive/ Commission	Sitting Fee	Total
Anil Agarwal	–	–	–	–	–
Navin Agarwal	–	–	–	1.10	1.10
Arun Todarwal	–	–	2.50	1.70	4.20
Haigreve Khaitan	–	–	2.50	0.50	3.00
A. R. Narayanaswamy	–	–	2.50	1.90	4.40
Pravin Agarwal	141.12	179.38	37.50	–	358.00
Dr. Anand Agarwal	25.72	69.28	30.00	–	125.00

**Notes:**

1. Dr. Anand Agarwal has been granted 41,300 Stock options, each option convertible in one equity share of Rs.5 each. The first tranche of 8,260 options vested in June 2007, in respect of which equal number of shares were allotted to Dr. Anand Agarwal. The remaining options may vest in June 2009 depending on vesting conditions approved by the Compensation Committee. Options can be exercised in one year after vesting.
2. As approved by the Board of Directors, a Commission of Rs. 2,50,000 is payable to each of its Non-Executive Independent Directors viz. Mr. Arun Todarwal, Mr. Haigreve Khaitan and Mr. A.R. Narayanaswamy for the financial year 2008-09.

**Shareholders' / Investors' Grievances Committee**

The Shareholders' / Investors' Grievances Committee oversees redressal of shareholders' grievances. The Committee comprises of Mr. A.R. Narayanaswamy (Chairman), Mr. Arun Todarwal and Mr. Pravin Agarwal as the members. The Company Secretary is the Compliance Officer. The Committee met four times during the year 2008-09 on April 29, 2008, July 23, 2008, October 20, 2008 and January 19, 2009. During the year the Company received 150 complaints for various matters like non-receipt of share certificates, non-issue of duplicate certificates, rejection of demat request, etc. All the complaints were resolved by the Company to the satisfaction of investors.

The details of Committee meetings and attendance of Directors are as under:

Name	Category	Number of Meetings attended during the period
Mr. A. R. Narayanaswamy, Chairman	Non-Executive & Independent	04
Mr. Arun Todarwal	Non-Executive & Independent	04
Mr. Pravin Agarwal	Whole-time Director	04

### III. Profile of Directors Appointed-Reappointed

1. **Mr. Anil Agarwal** founded the Sterlite Group in 1976 and has been overseeing the operations since its inception. He is the Executive Chairman of the Vedanta Resources Plc. He has over 30 years of experience in business strategy, general management and commercial matters:

1.	Date of birth	September 7, 1952
2.	Date of joining the Board of the Company	October 30, 2006
3.	Shareholding in the Company either in his own name or in the name of others and having beneficial interest, as on March 31, 2009	Nil
4.	Directorships	<ol style="list-style-type: none"> <li>1. Bharat Aluminium Company Limited</li> <li>2. Sterlite Industries (India) Limited</li> <li>3. Sterlite Paper Limited</li> <li>4. Sterlite Opportunities and Ventures Limited</li> <li>5. Vedanta Aluminium Limited</li> <li>6. Copper Mines of Tasmania Pty. Limited</li> <li>7. Thalanga Copper Mines Pty. Limited</li> <li>8. Vedanta Resources Plc, UK</li> <li>9. Vedanta Resources Holdings Limited</li> <li>10. Vedanta Resources Investment Limited</li> <li>11. Finsider International Company Limited</li> <li>12. Sterlite Energy Limited</li> </ol>

2. **Mr. Pravin Agarwal** has been closely involved with the Sterlite Group's operations in India since its inception and has been instrumental in growing the telecom and power business. His rich experience in general management and commercial matters spans over 25 years:

1.	Date of birth	October 16, 1954
2.	Date of joining the Board of the Company	January 29, 2004
3.	Shareholding in the Company either in his own name or in the name of others and having beneficial interest, as on March 31, 2009	82,962
4.	Directorships	PJPA Realty Private Limited

3. **Dr. Anand Agarwal** has joined Sterlite in 1995 and has held various positions, including manufacturing, quality assurance and business development. Prior to joining Sterlite he has worked with Siemens. He has completed his BTech in metallurgical engineering from IIT Kanpur and was awarded Masters and PhD from the Rensselaer Polytechnic Institute, USA:

1.	Date of birth	August 7, 1967
2.	Date of joining the Board of the Company	July 30, 2003
3.	Shareholding in the Company either in his own name or in the name of others and having beneficial interest, as on March 31, 2009	20,260
4.	Directorships	Sterlite Infrastructure Private Limited

4. **Mr. Haigreve Khaitan** is a Partner of Khaitan & Co., a Mumbai-based firm of Lawyers, holds a bachelors degree in legislative laws. He has varied experience in commercial and corporate laws, tax laws, mergers and acquisitions, restructuring, foreign collaboration, licensing etc.

1.	Date of birth	July 13, 1970
2.	Date of joining the Board of the Company	July 30, 2003
3.	Shareholding in the Company either in his own name or in the name of others and having beneficial interest, as on March 31, 2009	Nil
4.	Directorships	<ol style="list-style-type: none"> <li>1. Ceat Limited</li> <li>2. Dhunseri Tea &amp; Industries Limited</li> <li>3. Great Eastern Energy Corporation Limited</li> <li>4. Harrisons Malayalam Limited</li> <li>5. Hindustan Composites Limited</li> <li>6. I. G. E. (India) Limited</li> <li>7. National Engineering Industries Limited</li> <li>8. Rama Newsprint &amp; Papers Limited</li> <li>9. The Madras Aluminum Company Limited</li> <li>10. The Oudh Sugar Mills Limited</li> <li>11. Xpro India Limited</li> <li>12. Avtec Limited</li> <li>13. BTS Investment Advisors Private Limited</li> <li>14. Khaitan Consultants Limited</li> <li>15. Vinar Systems Private Limited</li> <li>16. TCPL Packaging Limited</li> <li>17. Bennett Coleman &amp; Co. Ltd.</li> <li>18. Inox Leisure Limited</li> <li>19. Mallipore India Private Limited</li> <li>20. Jindal Steel &amp; Power Limited</li> <li>21. Bonanza Trading Company Pvt. Ltd.</li> </ol>

#### IV. Disclosures

##### i) Disclosures on materially significant related party transactions

There were no transactions with the Promoters, Directors and management during the period, which would have potential conflict with the interests of the Company at large.

##### ii) Details of non-compliance by the Company, Penalties and Strictures imposed on the Company by Stock Exchange, SEBI or any Statutory Authorities or any matter related to capital market in last three years

There was no non-compliance by the Company and no Penalties and Strictures were imposed on the Company by Stock Exchange, SEBI or any Statutory Authorities or any matter related to capital market in last three years.

- iii) The Company has adopted a 'Whistle Blower Policy', which has been communicated to all the employees along with Code of Business Conduct & Ethics. The Whistle Blower policy is the mechanism to help the employees to raise their concerns about any malpractice, impropriety, abuse or wrongdoing at an early stage and in the right way, without fear of victimisation, subsequent discrimination or disadvantage. The policy encourages the employees to raise concerns within the Company than overlooking a problem. CEO/COO/CFO have been designated as Ombudsmen in the Policy. The Company has created a special email id to enable the employees to report their Concerns. The employees can even report their concerns to the Audit Committee Chairman directly. The Ombudsman who is responsible to submit his report to the Audit Committee does the investigation in

the reported concerns. Disciplinary action, if required, is determined by the Audit Committee. The reporting person can make appeal to the Board of Directors against the order of Audit Committee. The Whistle Blower Policy also contains mechanism of redressal available for an employee, if he/she feels that he/she has been retaliated against due to disclosure of concern.

No person has been denied access to the Audit Committee.

During the year, no concern was reported under Whistle Blower mechanism.

iv) The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreements executed with the Stock Exchanges. Comments on adoption of non-mandatory requirements are given at the end of this report.

## V. General Shareholder Information

Details of last three Annual General Meetings

Date	Location	Time	Special Resolutions Passed
August 18, 2006	E-1, Waluj MIDC Industrial Area, Aurangabad 431 136 Maharashtra, India	11:00 a.m.	Reappointment of Dr. Anand Agarwal, Wholetime Director. Further issue of share capital.
July 13, 2007	E-1, Waluj MIDC Industrial Area, Aurangabad 431 136 Maharashtra, India	11:30 a.m.	Appointment of Mr. Pravin Agarwal, Wholetime Director. Change of Name of the Company to 'Sterlite Technologies Limited'.
August 8, 2008	E-1, Waluj MIDC Industrial Area, Aurangabad 431 136 Maharashtra, India	11:00 a.m.	NIL

No other shareholders' meeting was held during the year.

### Means of Communication

- Quarterly Financial Results are published in the All India Edition of *The Business Standard* or *The Economic Times* and are also published in the Aurangabad Edition of *Sakal* or *Lokmat Times*.
- Results are also posted on the Company's website: [www.sterlitetechnologies.com](http://www.sterlitetechnologies.com)
- The Company also displays official news releases and the presentations made to institutional investors or to analysts on the website.
- Management Discussion & Analysis is a part of the Annual Report.

### Implementation of Code of Conduct

The Company has adopted the 'Code of Business Conduct & Ethics' for its employees at all levels including Senior Management and Directors. The Code has been effective from April 1, 2005 and was circulated to all the employees

and directors of the Company and has also been posted on the Company's website. The Code serves as a guide to the employees of the Company to make informed and prudent decisions and act on them. As required under Clause 49 of the Listing Agreement, the affirmation of compliance with the Code from Directors and Senior Management personnel has been obtained for this financial year.

### Compliance with SEBI (Prohibition of Insider Trading) Regulations, 2002

In pursuance of these Regulations, the Company has formulated Insider Trading Code for the Employees and Directors for dealing in shares of the Company. The Code was implemented with effect from October 16, 2004. Various forms have been designed to receive periodical information from the employees and the Directors of the Company, as required in terms of these Regulations. Further, the Trading Window for dealing in shares of the Company has been closed for the

Directors and employees of the Company as per the Insider Trading Code in force in the Company.

### Annual General Meeting

**Day, Date** Friday, July 24, 2009

**Time** 11.00 a.m.

**Venue** E-1, MIDC Waluj Aurangabad 431 136, Maharashtra, India

**Book Closure Dates:** Saturday, July 18, 2009 to Friday, July 24, 2009 (both days inclusive)

### Financial Calendar for financial year 2009-10

First Quarter Results : July, 2009

Half Yearly Results : October, 2009

Third Quarter Results : January, 2010

Fourth Quarter/Annual Results : April/May, 2010

**Dividend Payment:** Dividend, if declared in the Annual General Meeting will be distributed within 10 days of the meeting.

### Listing of shares on Stock Exchanges

The equity shares of the Company are listed on Bombay Stock Exchange Limited, National Stock Exchange of India Limited. Application for delisting from Calcutta Stock Exchange is

pending for approval. Annual listing fees for the financial year ended March 31, 2009 have been paid to Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The Stock Codes of the Exchanges are as under:

Exchange	Code
BSE	532374
NSE	STRTECH

### Stock Price Data

Stock Price data for the period April 1, 2008 to March 31, 2009 was as detailed below

Month	Monthly High (Rs.)	Monthly Low (Rs.)	Monthly High (Rs.)	Monthly Low (Rs.)
	NSE	NSE	BSE	BSE
Apr-08	221.4	136.8	220.7	154.0
May-08	248.6	200.0	248.2	205.0
Jun-08	245.0	178.2	224.9	178.0
Jul-08	213.0	163.1	213.5	163.0
Aug-08	198.5	168.0	197.9	168.4
Sep-08	186.9	101.0	198.7	101.5
Oct-08	110.0	40.6	120.0	40.7
Nov-08	63.5	43.9	70.0	43.8
Dec-08	65.6	45.6	74.9	45.8
Jan-09	77.2	44.3	84.9	44.2
Feb-09	64.3	52.2	73.0	56.0
Mar-09	69.0	48.3	73.5	65.1

Sources: Data Compiled from BSE & NSE official website

### Stock Performance

The performance of the Company's stock prices as against NSE NIFTY is given in the charts below:





#### Distribution of Shareholding as at March 31, 2009

Range of Shares	No. of Shareholders	% of Shareholders	No. of Shares	% to Equity
1 to 5000	1,00,044	97.77	1,20,67,687	18.70
5001 to 10000	1,257	1.23	18,15,230	2.81
10001 to 20000	542	0.53	15,60,439	2.42
20001 to 30000	185	0.18	9,33,572	1.45
30001 to 40000	76	0.07	5,28,801	0.82
40001 to 50000	45	0.04	4,23,151	0.66
50001 to 100000	77	0.08	11,44,166	1.77
100001 & Above	105	0.10	4,60,65,301	71.38
<b>TOTAL</b>	<b>1,02,331</b>	<b>100</b>	<b>6,45,38,347</b>	<b>100</b>

#### Equity holding pattern as on March 31, 2009

Category	No. of Shares	% to Equity
Promoters Group	2,90,83,609	45.06
Directors and Their Relatives	2,09,562	0.32
Life Insurance Corporation	42,58,785	6.60
Insurance Companies	2,43,865	0.38
Unit Trust of India	205	0.00
Mutual Funds	34,83,188	5.40
Foreign Institutional Investors	16,49,402	2.56
NRI/ OCB/ Foreign Body Corporate / Foreign National	10,18,679	1.58
Indian Bodies Corporate/Trusts	59,93,986	9.29
Banks	21,556	0.03
Government Companies	170	0.00
Individuals (Public)	1,85,75,340	28.78
<b>TOTAL</b>	<b>6,45,38,347</b>	<b>100</b>

#### Dematerialisation of Shares and Liquidity

The Company's equity shares are compulsorily traded in the electronic form. As at March 31, 2009, 6,21,81,035 shares representing 96.35% of total equity capital was held in electronic form. The Shareholders can hold the shares in demat form either through NSDL or CDSL. The ISIN number allotted to the Company is **INE089C01011**.

#### Unpaid / Unclaimed Dividend

In terms of Sections 205A and 205C of the Companies Act, 1956, the Company is required to transfer the amount of dividend remaining unclaimed for a period of seven years from the date of transfer to the unpaid dividend account to

the Investor Education and Protection Fund (IEPF). Unclaimed dividend(s) will be transferred to IEPF, within a period as stipulated under the Companies Act, 1956, as under:

- Dividend for the year 2005-06: Due for transfer from September 24, 2013
- Dividend for the year 2006-07: Due for transfer from August 17, 2014
- Dividend for the year 2007-08: Due for transfer from September 30, 2015.

Dividend for the year 2000-01 has been transferred to IEPF on December 4, 2008.

### **Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date & likely impact on equity -**

There are no outstanding instruments convertible in equity as on March 31, 2009.

### **Share Transfer System**

Two Directors and some Executives of the Company have been given powers to deal with all the matters related to transfers, transmission, issuance of duplicate share/debenture certificates, split and/or consolidation requests. In addition, the Company Secretary and authorised officials of the Registrar and Transfer Agents of the Company have been given powers to endorse registration of transfers on share certificates. The Company's shares being in compulsory demat list are also transferred through the depository system. The Company has entered into agreements with both the depositories NSDL & CDSL.

Karvy Computershare Private Limited, Hyderabad are Registrars and Transfer Agents for both physical and electronic mode of transfer of shares. Transfer for shares held in the physical mode are approved on a 10 days cycle. Physical Shares sent for transfer are duly transferred within 10-15 days of receipt of documents, if found in order. Shares under objection are returned within 7-10 days.

### **Registrar & Transfer Agents**

Karvy Computershare Private Limited, Hyderabad is the Registrar and Transfer Agent of the Company:

Shareholders, beneficial owners and Depository Participants, (DPs) can send / deliver the documents / correspondence relating to the Company's share transfer activity, etc. to Karvy Computershare Private Limited at the following address:

#### **Karvy Computershare Private Limited**

(Unit – Sterlite Technologies Limited)

Plot No. 17 to 24, Vittalrao Nagar,  
Madhapur, Hyderabad – 500 081

Tel: +91-40-23420818 / 828

Fax: +91-40-23420814

E-mail: einward.ris@karvy.com

Shareholders' correspondence should be addressed to the Company's Registrar and Transfer Agents at the above-mentioned address. Members may also write to the Company Secretary at the Office of the Company as detailed below:

Sterlite Technologies Limited  
4th Floor Godrej Millennium  
9 Koregaon Road, Pune - 411 001, India  
Phone: +91-20-30514000  
Fax: +91-20-26138083  
Email: sandeep.deshmukh@sterlite.com

### **Registered Office:**

E-1, Waluj MIDC Industrial Area,  
Aurangabad 431 136, India.

### **Plant Locations**

*Optical Fiber*  
E2, E3, MIDC, Waluj,  
Aurangabad – 431 136, India.

*Fiber Optic Cables*  
Survey No. 68/1, Rakholi Village, Madhuban Dam Road,  
Silvassa - 396 230, India.

*Copper Telecom Cables*  
Survey No. 209, Phase 2, Piparia Industrial Estate,  
Silvassa - 396 240, India.

*Structured Data Cables*  
Survey No. 33/1/1, Waghdera Road,  
Dadra - 396 191, India.

*Power Transmission Conductors*  
Survey No. 99, Rakholi Village, Madhuban Dam Road,  
Silvassa - 396230, India.

Plot 2D, Sector 10, IIE SIDCUL,  
Haridwar – 249 403, India.

## Non-mandatory requirements of Corporate Governance

Mr. Anil Agarwal is the Chairman of the board. As required under non-mandatory requirements the Company has constituted Remuneration Committee. Further, the Company has adopted Whistle-blower mechanism, which has been discussed in this report. The Company's policies as regards adoption of other non-mandatory requirements have been disclosed in this report.

## Declaration

As provided under Clause 49 of the Listing Agreement of the Stock Exchanges, all Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct and Business Ethics of the Company during the year ended March 31, 2009.

For **Sterlite Technologies Limited**

Place: Mumbai

Date: April 24, 2009

**Dr. Anand Agarwal**

CEO & Whole-time Director

## Auditors' Certificate On Corporate Governance

To

The Members of Sterlite Technologies Limited

We have examined the compliance of conditions of corporate governance by Sterlite Technologies Limited, for the year ended on March 31, 2009, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **S. R. Batliboi & Co.**

*Chartered Accountants*

Place: Mumbai

Date: April 24, 2009

Per **Tridibes Basu**

*Partner*

*Membership No.: 17401*

## Auditors' Report

To

The Members of **Sterlite Technologies Limited**

1. We have audited the attached Balance Sheet of **Sterlite Technologies Limited** ('the Company') as at March 31, 2009 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - v. On the basis of the written representations received from the directors, as on March 31, 2009, and taken

on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

- vi. *As stated in Note no. 8 of Schedule 21, the Company had in an earlier year received an order of CESTAT upholding the demand of Rs. 188 Crores (including penalties) (Rs. 188 Crores as at March 31, 2008) in the pending excise/custom matters. The Company's appeal against this order with the Hon'ble Supreme Court has been admitted. Based on the current status and legal advice received, provision for liability as recorded in the accompanying financial statements is considered adequate by the management. In the event the decision of the Hon'ble Supreme Court goes against the Company on any of the grounds of appeal, additional provision against the said demand may be required. Pending disposal of the matter by the Hon'ble Supreme Court, the amount of additional excise/customs duty, if any, is currently unascertainable. Our audit report on the financial statements for the year ended March 31, 2008 was qualified in respect of the matter stated above.*
- vii. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and subject to the matter referred to in paragraph vi above give a true and fair view in conformity with the accounting principles generally accepted in India;
  - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2009;
  - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
  - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For **S. R. Batliboi & Co.**  
Chartered Accountants

per **Tridibes Basu**

Place: Mumbai  
Date: April 24, 2009

Partner  
Membership No.: 17401

**Annexure referred to in paragraph 3 of our report of even date  
Re: Sterlite Technologies Ltd. ('the Company')**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As a result, provisions of paragraphs 4(iii) (b), (c) and (d) of the Companies (Auditors' Report) Order, 2003 (as amended) are not applicable to the Company.
- (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As a result, provisions of paragraphs 4(iii) (f) and (g) of the Companies (Auditors' Report) Order, 2003 (as amended) are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) As informed, the Company has not entered into any contracts or arrangements to which the provisions of Section 301 of the Companies Act, 1956 apply. As a result, provisions of paragraphs 4(v) (a) and (b) of the Companies (Auditors' Report) Order, 2003 (as amended) are not applicable to the Company.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few cases.*
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (including interest and penalty) (Rs. in Crores)	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax Act	Sales Tax	0.59	1997-01	Sales Tax Appellate Tribunal
Service Tax Act, 1994	Service Tax	2.36	2001-07	Commissioner
	Service Tax	0.09	2005-08	Assistant Commissioner
Customs Act, 1962	Customs Duty	68.43	1992-05	CESTAT
	Customs Duty	4.92	2001-03	Commissioner
Central Excise Act, 1944	Excise Duty	3.38	1994-03	Commissioner
	Excise Duty	75.42	1994-05	CESTAT
	Excise Duty	188.67	2001-02	Supreme Court

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank. *As stated in Note no. 27 of Schedule 29 the Company continues to dispute amounts aggregating to Rs. 18.87 Crores debited by one of the bankers in the earlier year, towards import consignments under Letter of Credit not accepted by the Company, owing to discrepancies in documents; at this stage we are unable to determine whether there is a default in repayment of dues to the Lender.*
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company, in its own name.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **S. R. Batliboi & Co.**  
Chartered Accountants

per **Tridibes Basu**

Partner

Place: Mumbai  
Date: April 24, 2009

Membership No.: 17401

## Balance Sheet

(Rs. in Crores)

	Schedule	As at March 31, 2009	As at March 31, 2008
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
Share Capital	1	32.27	32.23
Share Application Money Pending Allotment		0.00	0.00
Employee Stock Option Outstanding	2	5.26	5.73
Reserves & Surplus	3	583.41	501.55
		620.94	539.51
<b>2. Loan Funds</b>			
Secured Loans	4	467.89	632.65
Unsecured Loans	5	28.70	30.54
		496.59	663.19
<b>3. Deferred Tax Liability (Net)</b>			
(Refer Note 3 of Schedule 21)		55.95	38.13
	<b>Total</b>	<b>1,173.48</b>	<b>1,240.83</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
Gross Block	6	976.24	918.88
Less: Accumulated Depreciation & Impairment		430.92	395.00
Net Block		545.32	523.88
Capital Work-in-Progress including Capital Advances		111.35	36.22
(Refer Note 30 of Schedule 21)		656.67	560.10
<b>2. Investments</b>			
	7	92.01	6.01
<b>3. Current Assets, Loans &amp; Advances</b>			
Inventories	8	100.37	219.39
Sundry Debtors	9	545.89	519.10
Cash and Bank Balances	10	77.89	89.07
Loans and Advances	11	201.15	168.91
		925.30	996.47
<b>Less: Current Liabilities &amp; Provisions:</b>			
Current Liabilities	12	479.06	303.53
Provisions	13	21.44	18.22
		500.50	321.75
<b>Net Current Assets</b>		424.80	674.72
	<b>Total</b>	<b>1,173.48</b>	<b>1,240.83</b>
<b>Notes to Accounts</b>	21		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our attached report of even date

For **S.R. Batliboi & Co.**  
Chartered Accountants

Per **Tridibes Basu**  
Partner  
Membership Number: 17401

Place: Mumbai  
Dated: April 24, 2009

For and on behalf of the Board

**Pravin Agarwal**  
Whole-time Director

**Dr. Anand Agarwal**  
CEO & Whole-time Director

**Anupam Jindal**  
Chief Financial Officer

**Sandeep Deshmukh**  
Company Secretary



## Profit and Loss Account

(Rs. in Crores)

	Schedule	Year Ended March 31, 2009	Year Ended March 31, 2008
<b>I. INCOME</b>			
Turnover (Gross)		2,389.70	1,771.28
Less: Excise Duty (Refer Note 33 of Schedule 21)		100.47	85.49
Turnover (Net)		<b>2,289.23</b>	<b>1,685.79</b>
Other Income	14	3.68	4.11
	<b>Total</b>	<b>2,292.91</b>	<b>1,689.90</b>
<b>II. EXPENDITURE</b>			
Manufacturing & other expenses	15	1,868.72	1,351.72
Personnel	16	49.13	41.89
Selling & Distribution	17	75.63	57.53
Administration & General	18	55.64	36.74
Research & Development	19	5.96	4.75
Interest & Finance charges	20	88.00	35.98
		—	—
		2,143.08	1,528.61
Less: Pre-operative expenses of projects (Refer Note 32 of Schedule 21)		—	6.32
		<b>2,143.08</b>	<b>1,522.29</b>
<b>Profit before depreciation &amp; taxation</b>		149.83	167.61
Depreciation & Impairment (Including Rs. NIL (Previous Year Rs. 0.21 Crore) for Impairment loss)		42.52	37.17
<b>Profit before taxation</b>		<b>107.31</b>	<b>130.44</b>
Provision for taxation			
- Current Tax for the year		12.51	14.66
- Minimum Alternate Tax Credit Eligible for Set Off (Refer Note 7 of Schedule 21)		(11.66)	(14.66)
- Provision for earlier years		0.83	0.77
- Deferred Tax (Net) (Refer Note 3 of Schedule 21)		16.73	27.88
- Fringe Benefit Tax (Previous Year Includes Rs. 0.15 Crore for earlier year)		0.88	1.07
<b>Profit after taxation and before prior period depreciation</b>		<b>88.02</b>	<b>100.72</b>
Prior period depreciation (Net of tax Rs. 1.09) Crores		(2.13)	—
<b>Profit after taxation and prior period depreciation</b>		<b>90.15</b>	<b>100.72</b>
Balance brought forward from previous year		335.70	250.08
<b>Amount available for appropriations</b>		<b>425.85</b>	<b>350.80</b>
<b>Appropriations</b>			
Transfer to General Reserve		9.02	7.55
Proposed Dividend on Equity Shares Rs. 1.25 Per Share (Previous Year Rs. 1 Per Share)		8.07	6.45
Corporate Tax on Proposed Dividend		1.37	1.10
<b>Balance carried to Balance Sheet</b>		<b>407.39</b>	<b>335.70</b>
		<b>425.85</b>	<b>350.80</b>
<b>Earnings Per Share</b> (Face value Rs. 5 each) (Refer Note 18 of Schedule 21)			
Basic (After prior period depreciation)		13.98	16.08
Diluted (After prior period depreciation)		13.90	15.46
<b>Notes to Accounts</b>	21		

The schedules referred to above and notes to accounts form an integral part of the Profit and Loss Account.

As per our attached report of even date

For and on behalf of the Board

For **S.R. Batliboi & Co.**  
Chartered Accountants

**Pravin Agarwal**  
Whole-time Director

**Dr. Anand Agarwal**  
CEO & Whole-time Director

Per **Tridibes Basu**  
Partner  
Membership Number: 17401

Place: Mumbai  
Dated: April 24, 2009

**Anupam Jindal**  
Chief Financial Officer

**Sandeep Deshmukh**  
Company Secretary

## Schedules forming part of the Balance Sheet

(Rs. in Crores)

	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE 1: SHARE CAPITAL</b>		
<b>Authorized</b>		
9,00,00,000 (Previous Year 9,00,00,000) Equity Shares of Rs. 5 each	45.00	45.00
	<u>45.00</u>	<u>45.00</u>
<b>Issued, Subscribed &amp; Paid up</b>		
6,45,38,347 (Previous Year 6,44,68,247) Equity Shares of Rs. 5 each fully paid-up	32.27	32.23
<b>Total</b>	<b>32.27</b>	<b>32.23</b>

Of the above:

- 1) 5,59,12,559 (Previous Year 5,59,12,559) equity shares of Rs. 5 each were allotted to the shareholders of Sterlite Industries (I) Ltd. upon demerger pursuant to the scheme of arrangement sanctioned by the Hon'ble High Court of Judicature at Bombay, being shares issued for consideration other than cash.
- 2) During the year 70,100 (Previous Year 73,680) shares were issued to employees of the Company under ESOP Scheme.
- 3) For Stock Options outstanding details Refer Note 9 of Schedule 21.

**SCHEDULE 2: EMPLOYEE STOCK OPTION OUTSTANDING**

Balance as per last Balance Sheet	5.73	1.87
Add: Employees Stock Option Expenses for the year (Refer Note 9 of Schedule 21)	0.68	4.48
Less: Transferred to Share Premium Account	1.15	0.62
<b>Total</b>	<b>5.26</b>	<b>5.73</b>

**SCHEDULE 3: RESERVES & SURPLUS****Share Premium**

Balance as per last Balance Sheet	84.72	57.50
Add: Transfer from Employee Stock Option	1.15	0.62
Add: Received during the year	-	26.60
	<u>85.87</u>	<u>84.72</u>

**General Reserve**

Balance as per last Balance Sheet	81.09	73.54
Add: Transfer from Profit and Loss Account	9.02	7.55
	<u>90.11</u>	<u>81.09</u>

## Schedules forming part of the Balance Sheet

(Rs. in Crores)

	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE 3: RESERVES &amp; SURPLUS (Contd.)</b>		
<b>Capital Reserve</b>		
Balance as per last Balance Sheet	0.04	0.04
	0.04	0.04
<b>Profit &amp; Loss Account</b>		
Surplus as per Profit & Loss Account	407.39	335.70
	407.39	335.70
<b>Total</b>	<b>583.41</b>	<b>501.55</b>

### SCHEDULE 4: SECURED LOANS

#### (A) Working Capital Loans

From Banks	106.83	168.95
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#### (B) Term Loans

From Banks	–	50.00
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#### (C) Interest Accrued and Due

	–	0.15
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#### (D) Other Loans

From Banks	361.06	413.55
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<b>Total</b>	<b>467.89</b>	<b>632.65</b>
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#### Notes:

- A. Working capital loans and Other loans from Banks are secured by hypothecation of Raw materials, Work-in-Progress, Finished Goods and Sundry Debtors and further secured by second charge on all immovable and movable fixed assets of the Company both present and future.
- B. Term loans are secured by first charge by deposit of title deed of immovable properties of the Company and hypothecation of movable properties of the Company both present and future. The term loan has been repaid in the current year.

### SCHEDULE 5: UNSECURED LOANS

Sales Tax Loan (Interest Free) [(Due within one year Rs. 7.39 Crores) (Previous Year Rs. 2.20 Crores)]	13.70	20.54
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#### Short Term Loans

From Others	15.00	10.00
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<b>Total</b>	<b>28.70</b>	<b>30.54</b>
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## Schedules forming part of the Balance Sheet

**SCHEDULE 6: FIXED ASSETS**

(Rs. in Crores)

Nature of Assets	GROSS BLOCK			DEPRECIATION / AMORTISATION				IMPAIRMENT			NET BLOCK		
	As at 01.04.2008	Additions	Deletions	As on 31.03.2009	As at 01.04.2008	Additions	Deletions	As at 31.03.2009	As at 01.04.2008	During the year	Deletions	As at 31.03.2009	As at 31.03.2008
<b>TANGIBLE ASSETS</b>													
Freehold Land	21.81	2.19	-	24.00	-	-	-	-	-	-	-	24.00	21.81
Leasehold Land	17.04	-	-	17.04	0.16	0.17	-	0.33	-	-	-	16.71	16.88
Building	86.90	11.96	-	98.86	18.20	2.07	-	20.27	-	-	-	78.59	68.70
Plant & Machinery	734.41	50.47	10.34	774.54	293.88	33.91	1.89	325.90	58.71	-	0.90	390.83	381.82
Furniture & Fixtures	6.13	1.17	0.00	7.30	1.84	0.44	0.00	2.28	-	-	-	5.02	4.29
Data Processing Equipment	11.74	0.82	0.06	12.50	7.91	0.79	0.06	8.64	-	-	-	3.86	3.83
Office Equipments	4.41	0.50	0.05	4.86	1.25	0.24	0.02	1.47	0.05	-	-	3.34	3.11
Electric Fittings	31.15	0.88	-	32.03	10.82	1.09	-	11.91	1.14	-	-	18.98	19.19
Vehicles	4.43	0.85	1.03	4.25	0.90	0.45	0.51	0.84	-	-	-	3.41	3.53
<b>INTANGIBLE ASSETS</b>													
Software / Licences	0.86	-	-	0.86	0.14	0.14	-	0.28	-	-	-	0.58	0.72
<b>Total</b>	<b>918.88</b>	<b>68.84</b>	<b>11.48</b>	<b>976.24</b>	<b>335.10</b>	<b>39.30</b>	<b>2.48</b>	<b>371.92</b>	<b>59.90</b>	<b>-</b>	<b>0.90</b>	<b>545.32</b>	<b>523.88</b>
<b>Previous Year</b>	<b>792.50</b>	<b>137.13</b>	<b>10.75</b>	<b>918.88</b>	<b>298.35</b>	<b>36.96</b>	<b>0.21</b>	<b>335.10</b>	<b>59.69</b>	<b>0.21</b>	<b>-</b>	<b>523.88</b>	

## Schedules forming part of the Balance Sheet

(Rs. in Crores)

	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE 7: INVESTMENTS</b>		
<b>Long Term Investment (at Cost)</b>		
<b>Other than Trade (Unquoted)</b>		
In Equity Shares of Subsidiary Companies 60,05,200 (Previous Year 60,05,200) Equity Shares of Sterlite Infrastructure Private Limited of Rs. 10 each fully paid up	6.01	6.01
<b>Current Investment</b>		
<b>(at Cost or Market Value whichever is lower)</b>		
<b>In Units of Mutual Funds (Quoted)</b>		
1,98,43,758.02 units (Previous Year Nil) of Rs. 10 each of Birla Sun Life Savings Fund-Institutional-Growth	33.00	-
1,30,98,109.05 units (Previous Year Nil) of Rs. 10 each of SBI SHF - Ultra Short Term - IP - Growth	15.00	-
84,965.31 units (Previous Year Nil) of Rs. 10 each of UTI Treasury Advantage Fund Growth Plan	10.00	-
22,01,988.78 units (Previous Year Nil) of Rs. 10 each of Reliance Medium Term Fund Growth Plan	4.00	-
50,40,055.08 units (Previous Year Nil) of Rs. 10 each of Birla Sun Life Savings Fund	5.00	-
47,66,808.18 units (Previous Year Nil) of Rs. 10 each of ICICI Prudential Flexible Income Plan	5.00	-
50,272.69 units (Previous Year Nil) of Rs. 1000 each of UTI Treasury Advantage Fund	5.00	-
59,70,992.68 units (Previous Year Nil) of Rs. 10 each of HDFC Liquid Fund Premium Plan	9.00	-
<b>Total</b>	<b>92.01</b>	<b>6.01</b>

Aggregate amount of quoted investments [Market value Rs. 86.15 Crores (Previous Year Nil)].

Note: The following Current Investments were purchased and sold during the year :

Mutual Fund Units	Face Value (Rs.)	Units (Nos.)	Amount in Rs.
Birla Sun Life Cash Plus - Inst Premium-Growth	10	2,74,14,510	38,60,80,869
Birla Sun Life Cash Plus - Inst Premium-Daily Dividend	10	1,79,71,974	18,00,70,193
Birla Sun Life Savings Fund-Inst - Daily Dividend	10	49,98,180	5,00,15,786
HDFC Cash Management Fund - Savings Plan-Daily Dividend Reinvestment	10	65,87,346	7,00,65,648
LIC MF Liquid Fund - Growth Plan	10	2,98,27,348	44,81,95,306
LIC MF Liquid Fund - Daily Dividend Plan	10	6,98,29,654	76,67,36,584
LIC MF Income Plus Fund - Daily Dividend Plan	10	45,55,183	5,00,16,368
LIC MF Savings Plus Fund - Daily Dividend Plan	10	1,76,09,751	17,60,97,507
Principal Floating Rate Fund - IP - Growth	10	55,75,846	7,20,62,719
Reliance Liquidity Fund - Growth	10	3,88,45,744	56,00,76,751
Reliance Liquidity Fund - Daily Dividend Reinvestment	10	1,79,95,668	18,00,12,464
Reliance Money Manager Fund - IP - Growth	1000	2,80,837	31,06,95,888
SBI Magnum Instal Cash Fund - Cash Option	10	76,36,347	15,00,33,600
UTI Money Market Fund - Daily Dividend Reinvestment	10	1,48,24,804	27,00,66,248
UTI Money Market Fund - Growth Plan	10	40,62,299	10,00,21,124
Birla Sun Life Liquid Plus - Instl - Daily Dividend - Reinvestment	10	1,79,87,768	18,00,00,000
JP Morgan India Liquid Fund Growth Plan	10	47,74,500	5,00,00,000
Reliance Liquid Fund Treasury Plan-Institutional Option - Daily Dividend Option	10	2,15,86,687	33,00,00,000
LIC MF Liquid Fund - Dividend Plan	10	1,41,18,367	15,50,00,000
Birla Sun Life Cash Plus - Instl Prem - Daily Dividend Reinvestment	10	49,90,269	5,00,00,000
HDFC Liquid Fund Premium Plan - Dividend Daily Reinvestment	10	40,78,370	5,00,00,000
ICICI Prudential Flexible Income Plan Premium Daily Dividend	10	49,99,750	5,00,00,000

## Schedules forming part of the Balance Sheet

(Rs. in Crores)

	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE 8: INVENTORIES</b>		
(At cost or net realisable value, whichever is lower)		
Raw Materials (Including Goods in Transit Rs. 3.07 Crores) (Previous Year Rs. 16.50 Crores)	49.85	105.31
Work-in-Progress	25.39	39.89
Finished Goods	12.60	53.09
Stores, Spares, Packing Materials & Others	12.53	21.10
<b>Total</b>	<b>100.37</b>	<b>219.39</b>

### SCHEDULE 9: SUNDRY DEBTORS (UNSECURED)

#### (a) Debts Outstanding for a period exceeding 6 months:

- Considered good	43.64	51.73
- Considered doubtful	27.87	19.90
	71.51	71.63
Less: Provision for Doubtful Debts	27.87	19.90
	43.64	51.73
(b) Others - Considered good	502.25	467.37
<b>Total</b>	<b>545.89</b>	<b>519.10</b>

### SCHEDULE 10: CASH & BANK BALANCES

Cash in hand	0.04	0.10
<b>Balance with Scheduled Banks in</b>		
(i) Current Accounts	1.45	1.42
(ii) Deposit Accounts	75.89	86.66
(iii) Dividend Accounts	0.10	0.59
<b>Balance with Non-Scheduled Banks in</b>		
(i) Current Accounts (*)	0.41	0.30
<b>Total</b>	<b>77.89</b>	<b>89.07</b>

\* Balance with Non-Scheduled banks is maintained with:

Balance with Industrial Bank of China Rs. 0.11 Crore (Previous Year Rs. 0.05 Crore)  
(Maximum amount outstanding during the year Rs. 0.11 Crore) (Previous Year Rs. 0.24 Crore)

Balance with Dubai Bank Rs. 0.00 Crore (Previous Year Rs. 0.05 Crore)  
(Maximum amount outstanding during the year Rs.0.05 Crore) (Previous Year Rs. 0.07 Crore)

Balance with Bangkok Bank PCL Rs. 0.00 Crore (Previous year Rs. 0.20 Crore)  
(Maximum Amount outstanding During the year Rs.0.20 Crore) (Previous Year Rs. 0.13 Crore)

Balance with Sun Trust Bank 0.24 Crore (Previous Year Nil)  
(Maximum amount outstanding during the year Rs. 0.24 Crore) (Previous Year Nil)

Balance with HSBC UK Rs. 0.06 Crore (Previous Year Nil)  
(Maximum amount outstanding during the year Rs. 0.06 Crore) (Previous Year Nil)

## Schedules forming part of the Balance Sheet

(Rs. in Crores)

	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE 11: LOANS &amp; ADVANCES (Unsecured Considered Good)</b>		
To Subsidiary Companies (Refer Note 12 of Schedule 21)	0.31	0.30
Advances recoverable in cash or in kind or for value to be received	101.68	71.73
Balances with Central Excise Authorities	35.92	47.48
Deposits - Others	3.46	3.90
Income Tax - Advance Tax and TDS [Net of Provisions of Rs. 35.59 Crores (Previous Year Rs. 39.62 Crores)]	1.37	-
Minimum Alternate Tax Credit Entitlement	35.44	23.91
Interest accrued on Investment	0.02	4.13
Other Advances	22.95	17.46
<b>Total</b>	<b>201.15</b>	<b>168.91</b>

### SCHEDULE 12: CURRENT LIABILITIES

Acceptances	6.79	1.16
Sundry Creditors		
(i) Micro, Medium and Small Enterprises (Refer Note 29 of Schedule 21)	-	-
(ii) Others	267.92	234.69
Interest accrued but not due on Loans	2.62	4.59
Unclaimed Dividend (Refer Note 13 of Schedule 21)	0.10	0.59
Sundry Deposits	0.50	0.35
Advance from Customers	140.88	44.13
Other Liabilities	60.25	18.02
<b>Total</b>	<b>479.06</b>	<b>303.53</b>

### SCHEDULE 13: PROVISIONS

For Contingencies	9.50	9.50
For Employee Benefits	2.50	1.17
Proposed Dividend Equity Shares	8.07	6.45
Corporate Tax on Proposed Dividend	1.37	1.10
<b>Total</b>	<b>21.44</b>	<b>18.22</b>

#### Note:

The Company had made a provision of Rs. 9.50 Crores towards contingencies in the earlier years against various disputed claims against the Company as described in Note 27 of Schedule 21, the timing and quantum of which is presently unascertainable. There has been no movements in provision as compared to previous year.

## Schedules forming part of the Profit and Loss Account

(Rs. in Crores)

	Year Ended March 31, 2009	Year Ended March 31, 2008
<b>SCHEDULE 14: OTHER INCOME</b>		
Income from Mutual Fund	0.54	0.78
Unclaimed Liabilities written back	0.71	–
Interest on Income Tax Refund	–	1.76
Miscellaneous Income	2.43	1.57
<b>Total</b>	<b>3.68</b>	<b>4.11</b>

### SCHEDULE 15: MANUFACTURING & OTHER EXPENSES

Raw materials consumed	1,652.54	1,239.26
Decrease/(Increase) in stock		
Opening Stock		
Work-in-Progress	39.89	29.37
Finished Goods	53.09	42.25
	92.98	71.62
Closing Stock		
Work-in-Progress	25.39	39.89
Finished Goods	12.60	53.09
	37.99	92.98
Decrease/(Increase) in stock	54.99	(21.36)
Excise Duty on stocks (Refer Note 33 of Schedule 21)	(0.11)	1.90
Stores & Spares	23.51	24.88
Power, Fuel & Water	56.22	39.97
Repairs and Maintenance		
– Building	0.60	0.92
– Machinery	7.12	6.87
– Others	0.12	0.01
Carriage Inward	2.27	4.07
Packing Material	54.40	41.20
Other Manufacturing Expenses	17.06	14.00
<b>Total</b>	<b>1,868.72</b>	<b>1,351.72</b>

### SCHEDULE 16: PERSONNEL

Salaries, Wages, Bonus & Commission	41.38	32.27
Contribution to Provident Fund and Superannuation Funds	2.60	1.86
Gratuity Expenses (Refer Note 19 of Schedule 21)	0.79	(0.19)
Employees' Welfare & Other Amenities	3.68	3.47
Employees Stock Option Expenses (Refer Note 9 of Schedule 21)	0.68	4.48
<b>Total</b>	<b>49.13</b>	<b>41.89</b>



## Schedules forming part of the Profit and Loss Account

(Rs. in Crores)

	Year Ended March 31, 2009	Year Ended March 31, 2008
<b>SCHEDULE 17: SELLING &amp; DISTRIBUTION</b>		
Sales Commission (Other than Sole Selling Agent)	17.22	10.31
Sales Promotion	3.45	3.26
Carriage Outward	51.75	40.86
Other Expenses	3.21	3.10
<b>Total</b>	<b>75.63</b>	<b>57.53</b>
<b>SCHEDULE 18: ADMINISTRATION &amp; GENERAL</b>		
Rent	2.08	1.50
Insurance	1.80	1.70
Rates & Taxes	0.61	0.68
Conveyance & Travelling Expenses	8.25	9.39
Loss on sale of Fixed Assets	0.20	0.08
Bad Debts Written Off	0.78	0.82
Provision for Doubtful Debts	7.80	0.25
Directors Sitting Fee and Commission	0.05	0.11
General Expenses	34.07	22.21
<b>Total</b>	<b>55.64</b>	<b>36.74</b>
<b>SCHEDULE 19: RESEARCH &amp; DEVELOPMENT</b>		
Salaries, Wages, Bonus & Commission	1.65	0.93
Stores & Spares	0.04	0.30
Raw materials consumed	3.21	2.04
Rates & Taxes	0.51	1.06
General Expenses	0.55	0.42
<b>Total</b>	<b>5.96</b>	<b>4.75</b>
<b>SCHEDULE 20: INTEREST &amp; FINANCE CHARGES (Net)</b>		
On Fixed Loans	1.33	6.77
Others	46.08	37.64
Exchange Fluctuation on Borrowings	34.76	(7.67)
Bank charges	8.31	5.73
	90.48	42.47
Less: Interest Received on Customers & Fixed Deposits	2.48	6.49
[Tax Deducted at Source Rs. 0.48 Crore (Previous Year Rs. 1.49 Crores)]		
<b>Total</b>	<b>88.00</b>	<b>35.98</b>

## Schedules forming part of the Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

#### 1. Nature of Operations

The Company is a manufacturer of Power Transmission and Telecom products in India. Telecom Business includes integrated Optical Fiber, Telecom Cables (Fiber Optic Cables, Copper Telecom Cables & Structured Data Cables), access equipments and integrated management business.

#### 2. Significant Accounting Policies

##### (a) Basis of Preparation of Financial Statements

The financial statements have been prepared to comply in all material respects with the notified Accounting Standards by Companies Accounting Standard Rules 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis of accounting except in case of assets for which impairment is carried out. The accounting policies have been consistently applied by the Company.

##### (b) Use of Estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting year. Difference between the actual result and estimates are recognised in the year in which the results are known/materialised.

##### (c) Fixed Assets

Fixed Assets are stated at cost (net of CENVAT) less accumulated depreciation and impairment. Cost comprises of the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Expenditure during construction period incurred on projects under implementation are treated as Pre-operative expenses, pending allocation to the assets, and are included under "Capital Work-in-Progress".

##### (d) Depreciation

- (i) Depreciation on Fixed Assets is provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956.
- (ii) Cost of leasehold land is amortised in proportion to the period of lease.
- (iii) Cost of acquired intangible assets is amortised over a period of five years.
- (iv) Cost of capital and insurance spares is amortised over a period of four years.

##### (e) Impairment of Assets

- (i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.
- (ii) After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.
- (iii) A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

##### (f) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined for category of investments. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

##### (g) Inventories

Inventories of raw material, packing material, work-in-process and finished goods are valued at cost or net realisable value, whichever is lower, except for scrap which is valued at net realisable value. Cost is ascertained on a weighted average cost basis. Cost of finished goods includes the cost of materials consumed, manufacturing overheads and excise duty.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

## Schedules forming part of the Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

#### (h) Foreign Currency Transactions

- (i) Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- (ii) Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.
- (iii) Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.
- (iv) The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognised as income or as expense for the year. None of the forward exchange contracts are taken for trading or speculation purpose.

#### (i) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

#### (j) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

##### Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales include excise duty, sale of scrap and are net of sales tax and quantity discount.

##### Income from Services

Income from services is recognised on pro-rata basis as and when services are rendered.

##### Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

#### (k) Retirement and other Employee Benefits

- (i) Retirement benefits in the form of Provident Fund & Superannuation Fund is a defined contribution scheme and the contributions are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due. The Company has no other obligation other than the contributions payable.
- (ii) Gratuity liability is a defined benefit obligation and are provided for on the basis of an actuarial valuation on Projected Unit Credit Method calculated at the end of each financial year.
- (iii) Compensated absence liability is provided for based on actuarial valuation done as per Projected Unit Credit Method calculated at the end of each financial year.
- (iv) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

#### (l) Employee Stock Option

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the fair value method. Compensation expense is amortised over the vesting period of the option on a straight line basis.

#### (m) Research and Development

Revenue expenditure on research and development (R&D) is expensed as incurred.

#### (n) Export Incentives

Advance licences are issued to the Company under the Advance License Scheme [Duty Exemption Entitlement Certificate (DEEC Scheme)]/duty entitlement credited under the Duty Entitlement Pass Book Scheme (DEPB Scheme)/Target Plus Entitlement

## Schedules forming part of the Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

Scheme on export of the goods manufactured by it. Wherever export sales are made by the Company, pending receipt of imported duty-paid raw materials under the DEPB scheme, the higher cost of domestic raw materials actually consumed for the purpose of such exports is compensated and/or matched by accruing the value of the benefit under the DEPB scheme.

#### (o) Taxes on Income

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is determined as the amount of tax payable in respect of taxable income for the year based on provisions of Income Tax Act, 1961. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if legally and enforceable right exist to set off current tax asset against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In case of unabsorbed depreciation and carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative Tax (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

#### (p) Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is related to construction or is incidental thereto. Income earned during construction period is deducted from the total of the indirect expenditure.

#### (q) Operating Leases

Assets taken on Lease under which all significant risks and rewards of ownership are effectively retained by the lessor are classified as Operating Leases. Lease payments under Operating Leases are recognised on straight line basis over the lease period unless another systematic basis is more representative of the time pattern of the users benefit.

#### (r) Earnings Per Share

The Company reports basic and diluted earnings per share in accordance with Notified AS 20 under the Companies (Accounting Standards) Rules, 2006 issued by The Institute of Chartered Accountants of India on 'Earnings Per Share'. Basic earnings per share is computed by dividing the net profit or loss for the period attributable to equity shareholders after deducting attributable taxes by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit or loss for the period by the weighted average number of equity shares outstanding during the period. Both profit for the year and weighted average number of shares are adjusted for the effects of all diluted potential equity shares except where the results are anti-dilutive.

#### (s) Cash and Cash equivalents

Cash and Cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

## Schedules forming part of the Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

#### (t) Segment Reporting Policies

The Company's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Company generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices. Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs. The Corporate and Other segment includes general corporate income and expense items which are not allocated to any business segment. The Company prepares its segment information in conformity with the accounting policy adopted for preparing and presenting the financial statement of the Company as a whole.

#### (u) Provisions, Contingent Liabilities and Contingent Assets

As per Notified AS 29 under the Companies (Accounting Standards) Rules, 2006, Provisions, Contingent Liabilities and Contingent Assets, issued by the Institute of Chartered Accountants of India, the Company recognises provisions (without discounting to its present value) only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation as and when a reliable estimate of the amount of the obligation can be made.

No provision is recognised for –

- (i) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- (ii) Any present obligation that arises from past events but is not recognised because –
  - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - A reliable estimate of the amount of obligation cannot be made.

Such obligations are disclosed as Contingent Liabilities. These are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets are neither recognised nor disclosed in the financial statements since this may result in the recognition of income that may never be realised.

#### (v) Derivative Instruments

As per ICAI announcements, accounting for derivative contracts, other than those covered under AS 11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge items is charged to the income statement. Net gains are ignored.

The Company takes future Commodity contracts (Aluminium Contracts) against future sales transactions. These Commodity contracts are rolled over in case the period of the contracts is less than the period of future sales transactions. On roll over, the Company has to pay/receive the differential amount in case, aluminum prices have gone down/up (loss/profit). The Company carries the loss/profit in the balance sheet till the future sales transactions take place. This loss/profit is transferred to profit and loss account on conclusion of the future sales transactions.

### 3. Deferred Tax

- a) The break-up of closing net deferred tax liability is as under: (Rs. in Crores)

Particulars	Current Year	Previous Year
<b>Deferred Tax Liability</b>		
(a) Depreciation	70.10	63.24
(b) On export benefit	–	0.02
<b>Deferred Tax Assets</b>		
(a) On provision for doubtful debts	7.99	6.76
(b) On unabsorbed tax depreciation and carried forward losses	5.28	17.97
(c) On Employee Benefits	0.88	0.40
<b>Net Deferred Tax Liability</b>	<b>55.95</b>	<b>38.13</b>

The Company has recognised deferred tax assets since the management believes that the reversal of timing difference on account of depreciation would result in sufficient taxable income against which the said deferred tax asset can be realised.

## Schedules forming part of the Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

b) Deferred tax charged for the year (Rs. in Crores)

Particulars	Current Year	Previous Year
Opening Deferred Tax Liability	38.13	10.25
Less: Closing Deferred tax liability	55.95	38.13
Deferred tax charged for the year before prior period depreciation	17.82	27.88
Less: Deferred Tax on prior period depreciation	1.09	–
Deferred tax charged for the year after prior period depreciation	<b>16.73</b>	<b>27.88</b>

4. The amount of foreign exchange (gain)/loss adjusted during the year to the carrying cost of the fixed assets and capital work in progress is Rs. 0.87 Crore (Previous Year Rs. Nil) and (credited)/debited to respective heads of accounts in Profit and Loss Account is Rs. 12.53 Crores (Previous Year Rs. (23.35) Crores); premium on forward exchange contract to be recognised in the Profit and Loss Account of subsequent accounting period is Rs. 6.37 Crores (Previous Year Rs. 0.61 Crore).

#### 5. Derivative Instruments

The Company has entered into the following derivative instruments:

(a) The following are the outstanding Forward Exchange Contracts entered into by the Company, for hedge purpose, as on 31st March, 2009:

Year	Currency in Crore	Amount (Rs. in Crores)	Buy/Sell	No. of Contracts
<b>Current Year</b>	US\$ 10.02	499.58	Buy	264
	US\$ 8.42	419.60	Sell	203
	Euro 0.30	19.41	Buy	8
	Euro 0.52	35.03	Sell	11
	SGD 0.03	1.12	Buy	2
<b>Previous Year</b>	US\$ 6.62	264.25	Buy	137
	US\$ 5.79	231.53	Sell	149
	Euro 0.01	0.46	Sell	2
	JPY 50.70	20.32	Buy	2

#### Options:

Year	Currency in Crore	Amount (Rs. in Crores)	Buy/Sell	No. of Contracts
<b>Current Year</b>	–	–	–	–
<b>Previous Year</b>	US\$ 0.15	6.00	Buy	1

(b) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

i. Amounts receivable in foreign currency on account of the following: (Rs. in Crores)

Year	Particulars	Currency	Amount	
<b>Current Year</b>	Export of goods	US\$ 0.06	2.97	
	Export of goods	Euro 0.06	3.97	
	Export of goods	GBP 0.01	0.48	
	Advance to Suppliers	US\$ 0.00	0.02	
	Advance to Suppliers	Euro 0.00	0.12	
	Advance to Suppliers	SGD 0.08	2.65	
	Advance to Suppliers	RMB 0.10	0.32	
	Advance to Suppliers	CAD 0.01	0.20	
	Balance with Non-Scheduled Banks	US\$ 0.00	0.24	
	Balance with Non-Scheduled Banks	CNY 0.01	0.11	
	Balance with Non-Scheduled Banks	GBP 0.00	0.06	
	<b>Previous Year</b>	Export of goods	US\$ 0.25	9.74
		Export of goods	Euro 0.08	4.30
Advance to Suppliers		US\$ 0.30	11.85	
Advance to Suppliers		Euro 0.01	0.76	
Advance to Suppliers		THB 0.06	0.07	
	Advance to Suppliers	JPY 0.21	0.07	

## Schedules forming part of the Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

**ii. Amounts payable in foreign currency on account of the following:** (Rs. in Crores)

Particulars	Current Year	Amount Current Year	Previous Year	Amount) Previous Year
Import of goods and services	US\$ 0.04	2.27	US\$ 1.39	55.71
Import of goods and services	Euro 0.08	5.61	Euro 0.07	4.21
Import of goods and services	GBP 0.00	0.01	–	–
Advance from Customers	US\$ 0.76	37.19	US\$ 0.83	33.01
Advance from Customers	Euro 0.00	0.21	–	–
Buyers Credit	US\$ 0.31	13.19	US\$ 1.02	40.81
Buyers Credit	–	–	Euro 0.04	2.41

- (c) Commodity Future Contract to hedge against fluctuation in commodity prices (aluminium). The following are the outstanding futures contracts entered into by the Company as on 31st March, 2009:

Year	No. of Contracts	Contracted Quantity	Buy/Sell
<b>Current Year</b>	71	10,025 MT	Buy
<b>Previous Year</b>	24	2,625 MT	Buy

6. In terms of accounting policy (Refer Note 2 (n)) for the accrual of export incentives, estimated benefits of Rs. 30.01 Crores (Previous Year Rs. 18.99 Crores) have been taken into account under the DEPB/High Value Add Income scheme/Duty Drawback Scheme/Advance License Scheme.
7. In view of book profits and no taxable profits, as per computation of income, the provision for tax has been made as per MAT under Section 115 JB of the Income Tax Act, 1961. The Company is entitled to avail Credit under Section 115JAA (1A). Accordingly it has considered MAT credit entitlement as an asset as it has reversible deferred tax liability on account of depreciation.
8. The Company had in an earlier year received an order of CESTAT upholding the demand of Rs. 188 Crores (including penalties) in the pending excise/custom matters on various grounds. The Company's appeal with the Hon'ble High Court of Mumbai was rejected on the grounds of jurisdiction. The Company preferred an appeal with the Hon'ble Supreme Court of India against the order of CESTAT which has been admitted. The Company has re-evaluated the case on admission of appeal by the Hon'ble Supreme Court. Based on their appraisal of the matter, the legal advisors/consultants are of the view that under most likely event, the provision of Rs. 5 Crores made by the Company against the above demand is adequate. The management is confident of a favourable order and hence no further provision is considered against the said demand.
9. **Employee Stock Option Scheme**

The Company has granted Employees Stock Options Plan, 2006 (ESOP) to its employees pursuant to the resolution passed by the shareholders at the Extraordinary General Meeting held on March 13, 2006. The Company has followed the fair value method (Black Scholes Options Pricing Model) for the valuation of these options. The Compensation Committee of the Company has approved four grants vide their meeting held June 14, 2006, March 19, 2007, September 28, 2007 and June 14, 2008 respectively. As per the plan, Options granted under ESOP would vest in not less than one year and not more than five years from the date of grant of such options. Vesting of options would be subject to continued employment with the company. The plan will be equity settled plan.

**Other details of the options are as follows:**

	Grant 1	Grant 2	Grant 3	Grant 4
Date of grant	14-Jun-06	19-Mar-07	28-Sep-07	14-Jun-08
Number of options granted	465,700	127,200	261,550	51,100
Method of Settlement	Equity	Equity	Equity	Equity
Vesting Period	3 Years	2.25 Years	1.71 Years	1 Year
Exercise Period	1 Year	1 Year	1 Year	1 Year
Vesting Conditions	Business Performance	Business Performance	Business Performance	Business Performance

## Schedules forming part of the Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

The details of the activity under the plan have been summarised below:

	Current Year		Previous Year	
	Number of Options	Weighted Average Exercise Price (Rs.)	Number of Options	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the year	7,01,610	5	5,92,900	5
Granted during the year	51,100	5	2,61,550	5
Forfeited during the year	Nil	–	Nil	–
Exercised during the year	70,100	5	73,680	5
Expired during the year	3,18,489	5	79,160	5
Outstanding at the end of the year	3,64,121	5	7,01,610	5
Exercisable at the end of the year	80,828	5	11,620	5
Weighted average remaining contractual life (in years)	0.21	–	1.17	–
Weighted average fair value of options granted	160.85		143.31	

The fair value as per the Black Scholes Options Pricing Model was measured based on the following input:

Date of grant	Vest 1	Vest 2	Vest 3
<b>14th June, 2006</b>			
<b>Variables</b>	<b>14-Jun-2007</b>	<b>14-Jun-2008</b>	<b>14-Jun-2009</b>
Weighted average Stock Price	89.25	89.25	89.25
Expected Volatility (*)	59.78%	58.90%	60.52%
Risk free Rate	7.07%	7.16%	7.26%
Exercise Price	5	5	5
Time To Maturity	1.5	2.5	3.5
Dividend yield	0.57%	0.57%	0.57%
<b>Outputs</b>			
Option Fair Value	<b>83.99</b>	<b>83.81</b>	<b>83.62</b>
Vesting Percentage	<b>20.00%</b>	<b>40.00%</b>	<b>40.00%</b>
<b>Option Fair Value</b>		<b>83.79</b>	

Date of grant	Vest 1	Vest 2
<b>19th March, 2007</b>		
<b>Variables</b>	<b>19-Jun-2008</b>	<b>19-Jun-2009</b>
Weighted Average Stock Price	179	179
Expected Volatility (*)	62.90%	57.75%
Risk free Rate	8.07%	8.06%
Exercise Price	5	5
Time To Maturity	1.5	2.5
Dividend yield	0.57%	0.57%
<b>Outputs</b>		
Option Fair Value	<b>173.04</b>	<b>172.37</b>
Vesting Percentage	<b>60.00%</b>	<b>40.00%</b>
<b>Option Fair Value</b>		<b>172.77</b>



## Schedules forming part of the Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

<b>Date of Grant</b> <b>28th September, 2007</b>	<b>Vest 1</b>	<b>Vest 2</b>
<b>Variables</b>	<b>28-Sep-2008</b>	<b>14-Jun-2009</b>
Weighted Average Stock Price	237.30	237.30
Expected Volatility (*)	56.69%	60.98%
Risk free Rate	7.20%	7.29%
Exercise Price	5.00	5.00
Time To Maturity	1.50	2.21
Dividend yield	0.51%	0.51%
Option Fair Value	<b>231.02</b>	<b>230.40</b>
Vesting Percentage	<b>50.00%</b>	<b>50.00%</b>
<b>Option Fair Value</b>	<b>230.71</b>	<b>230.71</b>

<b>Date of grant</b> <b>14th June 2008</b>	<b>Vest</b>
<b>Variables</b>	<b>14-Jun-2009</b>
Weighted Average Stock Price	198.50
Expected Volatility (*)	72.11%
Risk free Rate	8.34%
Exercise Price	5.00
Time To Maturity	1.50
Dividend yield	0.49%
<b>Outputs</b>	
Option Fair Value	<b>192.65</b>
Vesting Percentage	<b>100.00%</b>
<b>Option Fair Value</b>	<b>192.65</b>

(\*)The measure of volatility used in the above model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. The volatility periods considered above, corresponding to the respective expected lives of the different vests are prior to the grant date. The daily volatility of stock prices is considered as per the National Stock Exchange (NSE) prices over these years.

**10.** Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of Advances) are Rs. 25.80 Crores (Previous Year Rs. 66.88 Crores).

**11.** In view of Notified AS 28 under the Companies (Accounting Standards) Rules, 2006 on Impairment of Assets (AS) – 28 issued by the Institute of Chartered Accountants of India, the Company has reviewed its fixed assets and impaired assets worth Nil during the year (Previous Year Rs. 0.21 Crore) on account of impairment in addition to the provision already made in the books.

**12. Loans and Advances to subsidiaries**

Outstanding Loans/Advance given to subsidiary Sterlite Infrastructure Private Limited is Rs.0.31 Crore (Previous Year Rs. 0.30 Crore).

The maximum amount outstanding from Sterlite Infrastructure Private Limited during the year is Rs. 0.31 Crore (Previous year Rs. 0.30 Crore).

**13.** There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

**14. Payment to Auditors (Excluding Service Tax)**

(Rs. in Crores)

<b>Particulars</b>	<b>Current Year</b>	<b>Previous Year</b>
a) Audit Fees	0.37	0.30
b) Tax Audit Fees*	0.06	–
c) Any other capacity (certification work)	0.02	0.01
d) Out of Pocket Expenses	0.05	0.05
<b>Total</b>	<b>0.50</b>	<b>0.36</b>

\* The payment is inclusive of Rs. 0.03 Crore (Previous Year Nil) paid for previous year and exclusive of Service tax.

## Schedules forming part of the Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

#### 15. Managerial Remuneration

(Rs. in Crores)

Particulars	Current Year	Previous Year
(i) Salary	3.32	2.64
(ii) Perquisites	0.82	0.67
(iii) Contribution to Superannuation Fund*	0.49	0.03
(iv) Contribution to Provident Fund	0.20	0.16
<b>Total</b>	<b>4.83</b>	<b>3.50</b>

\* Includes Contribution to Superannuation Fund of Rs. 0.17 Crore pertains to Financial Year 2007-08.

Note: As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and, therefore, not included above.

(Rs. in Crores)

Computation of net profits in accordance with Section 349 of the Companies Act, 1956 for calculation of commission payable to directors	Current Year	Previous Year
Net Profit Before Tax as Per Profit & Loss Account	107.31	130.44
<b>Add:</b>		
Depreciation as per books	42.52	37.17
Profit/(Loss) on sale of fixed assets (net)	(0.20)	(0.08)
Commission to Non-Executive Directors	0.08	0.08
Managerial Remuneration	4.83	3.50
Provision for Doubtful Debts	7.80	0.25
<b>Less:</b>		
Depreciation under Companies Act, 1956	42.52	37.17
<b>Net Profit for the year as per Section 349</b>	<b>119.82</b>	<b>134.19</b>
<b>Commission</b>		
<b>Restricted to 1%</b>	<b>1.20</b>	<b>1.34</b>
<b>Commission payable to Non-Executive Directors</b>	<b>0.08</b>	<b>0.08</b>

#### 16. Related Party Disclosures

Related party disclosures as required by Notified AS 18 under the Companies (Accounting Standards) Rules, 2006 "Related Party Disclosures" are given below:

(A) Name of related party and its relationship:

- (i) Subsidiary of the Company  
Sterlite Infrastructure Private Limited
- (ii) Key Management Personnel  
Dr. Anand Agarwal  
Mr. Pravin Agarwal
- (iii) Investing Company  
Twin Star Overseas Limited

(B) There are no provisions for doubtful debts or no amounts have been written off in respect of debts due to or from related parties.

## Schedules forming part of the Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

(C) The following transactions were carried out with the related parties:

(Rs. in Crores)

Sr. No.	Transaction	Sterlite Infrastructure Private Limited		Twin Star Overseas Limited		Key Management Personnel	
		08-09	07-08	08-09	07-08	08-09	07-08
	<b>Transactions during the year:</b>						
1.	Remuneration (*)	-	-	-	-	4.83	3.50
2.	Investments during the year	-	6.00	-	-	-	-
3.	Dividend	-	-	2.81	1.90	-	-
4.	Equity Share Capital Issue	-	-	-	1.40	-	-
5.	Equity Share Premium	-	-	-	26.60	-	-
6.	Advance given to Subsidiary	0.01	0.30	-	-	-	-
7.	Sale of Car	-	-	-	-	0.06	-
	<b>Balance outstanding as at the year end:</b>						
7.	Advances	0.31	0.30	-	-	-	-
8.	Investment in Equity Share	6.01	6.01	-	-	-	-

\* It includes payment to Dr. Anand Agarwal of Rs. 1.25 Crores (Previous Year Rs. 1.03 Crores) and Rs. 3.58 Crores paid to Mr. Pravin Agarwal (Previous Year Rs. 2.47 Crores). Current Year's Salary of Mr. Pravin Agarwal includes Contribution to Superannuation Fund of Rs. 0.17 Crore pertains to Financial Year 2007-08.

#### 17. Operating Leases

The Company has taken office building on operating lease. The lease term is for a period of three years and renewable at the option of the company. Disclosures in respect of Operating Leases of office buildings as per the requirement of Notified AS-19 under the Companies (Accounting Standard) Rules, 2006 on Leases issued by The Institute of Chartered Accountants of India, is as under:

- Lease payments recognised in the statement of Profit and Loss for the period is Rs. 1.23 Crores (Previous year Rs. 0.29 Crore).
- The future minimum lease payments payable over the next one-year is Rs. 1.37 Crores (Previous year Rs. 0.51 Crore).
- The future minimum lease payments payable later than one year but not later than five year is Rs. 1.92 Crores (Previous year Rs. 0.81 Crore).

#### 18. Earnings Per Share (EPS)

(Rs. in Crores)

Particulars	Current Year	Previous Year
<b>I. Net Profit as per Profit and Loss Account available for Equity Shareholders</b>	90.15	100.72
<b>II. Weighted Average Number of equity shares</b>		
<b>For Basic Earnings Per share</b>	6,45,03,432	6,26,32,181
<b>For Diluted Earnings Per Share</b>		
No. of Share for Basic EPS	6,45,03,432	6,26,32,181
Add: Potential Equity Shares		
a) Convertible Warrant	-	18,36,066
b) Employee Stock Option	3,34,171	6,71,201
No of Shares for Diluted Earnings Per Share	6,48,37,603	6,51,39,448
<b>III. Earnings Per Share (Weighted Average)</b>		
Basic (On Nominal Value of Rs. 5 per Share) Rupees	13.98	16.08
Diluted (On Nominal Value of Rs. 5 per Share) Rupees	13.90	15.46

## Schedules forming part of the Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

19. The disclosures as per the Notified AS 15 under the Companies (Accounting Standards) Rules, 2006 on "Employee Benefits", are as follows:

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with Life Insurance Corporation of India in the form of a qualifying insurance policy.

#### Balance Sheet

##### Details of Provision for Gratuity (Rs. in Crores)

Particulars	Current Year	Previous Year
Defined Benefit Obligation	2.34	1.89
Fair Value of Plan Assets	1.73	2.14
Plan (Assets)/Liability	0.61	(0.25)

##### Change in defined benefit obligation (Rs. in Crores)

Particulars	Current Year	Previous Year
Defined benefit obligation at the beginning of the year	1.89	1.88
Current Service cost	0.35	0.33
Interest cost	0.16	0.17
Actuarial (gain)/loss on obligation	0.27	(0.32)
Benefits paid	(0.33)	(0.17)
Defined benefit obligation, end of the period	2.34	1.89

##### Change in fair value of plan assets (Rs. in Crores)

Particulars	Current Year	Previous Year
Fair value of plan assets at the beginning of the year	2.06	2.13
Expected return on plan assets	0.15	0.17
Contribution by employer	–	0.03
Benefits paid	(0.33)	(0.17)
Actuarial gain/(loss) on plan assets	(0.15)	(0.01)
Fair value of plan assets at the end of the year	1.73	2.14

##### Net period gratuity cost (Rs. in Crores)

Particulars	Current Year	Previous Year
Current Service cost	0.35	0.33
Interest cost on benefit obligation	0.16	0.17
Net actuarial (gain)/loss recognised in the year	0.43	(0.31)
Expected return on plan assets	(0.15)	(0.17)
Net benefit expense	0.79	0.02

The Company expects to contribute Rs. 0.53 Crore to gratuity in the year 2009-10.

The major categories of plan assets as a percentage of the fair value of total plan assets is as follows:

Particulars	Current Year %	Previous Year %
Investment with Insurer (Life Insurance Corporation of India)	100.00	100.00

## Schedules forming part of the Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

#### Assumptions:

Discount rate	7.50%
Expected rate of return on plan assets	8.00%
Employee Turnover	2.00%
Actual Rate of return on plan assets	9.30%

(Rs. in Crores)

#### Particulars

Experience adjustment on plan Liabilities	—
Experience adjustment on plan Assets	(0.07)

### 20. Details regarding licensed/registered, installed capacity and actual production (as certified by the Management)

A. Capacity	UNIT	Licensed/Registered Capacity		Installed Capacity	
		Current Year Per Annum	Previous Year Per Annum	Current Year Per Annum	Previous Year Per Annum
Power Transmission Line – Distribution Conductor **	MT	N.A.	N.A.	176,577	147,200
Optical Fiber	KM	1,20,00,000	1,20,00,000	90,00,000	60,00,000
Fiber Optic Cables *	FKM	32,22,528	32,22,528	32,22,528	32,22,528
Copper Telecom Cables	CKM	95,00,000	95,00,000	95,00,000	95,00,000
Broadband Access Networks	NOS.	15,00,000	15,00,000	10,00,000	10,00,000

\* Based on Average FKM

\*\* N.A. – Delicensed vide notification no. 477 (E) dated 27th July, 1991.

B. Production (including for captive consumption)	UNIT	Current Year	Previous Year
Power Transmission Line – Distribution Conductor (AAC/ACSR) **	MT	1,08,113	85,297
Optical Fiber *	KM	55,87,374	41,29,930
Fiber Optic Cables	FKM	27,73,872	15,47,019
Copper Telecom Cables	CKM	27,29,370	27,35,708
Broadband Access Networks	NOS.	3,09,262	1,29,668

\* It includes 20,93,030 KM (Previous Year 16,29,223 KM) produced for captive consumption.

\*\* Current Year 1,37,729 KM (Previous Year 1,12,192 KM).

### 21. Quantitative information in respect of Opening Stock, Closing Stock, Sales of Finished goods and Consumption of Raw Materials (As Certified by Management)

(Rs. in Crores)

	UNIT	Current Year		Previous Year	
		Quantity	Value	Quantity	Value
<b>a) Opening Stock</b>					
Power Transmission Line – Distribution Conductor (AAC/ACSR) (Current year 2,932 KM, Previous Year is 2,032 KM)	MT	2,935	29.74	1,038	12.85
Optical Fiber	KM	3,16,276	10.08	4,46,485	14.65
Fiber Optic Cables	FKM	53,113	4.38	62,239	6.94
Copper Telecom Cables	CKM	1,11,717	8.67	96,769	7.80
Broadband Access Networks	NOS.	3,123	0.22	60	—
<b>Total</b>			<b>53.09</b>		<b>42.25</b>

## Schedules forming part of the Accounts

## SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

(Rs. in Crores)

	UNIT	Current Year		Previous Year	
		Quantity	Value	Quantity	Value
<b>b) Closing Stock</b>					
Power Transmission Line Conductor (AAC/ACSR) (Current year 997 KM, Previous Year is 2,932 KM)	MT	403	3.46	2,935	29.74
Optical Fiber	KM	1,94,037	5.60	3,16,276	10.08
Fiber Optic Cables	FKM	22,891	2.27	53,113	4.38
Copper Telecom Cables	CKM	24,054	1.13	1,11,717	8.67
Broadband Access Networks	NOS.	2,719	0.14	3,123	0.22
<b>Total</b>			<b>12.60</b>		<b>53.09</b>
<b>c) Sales</b>					
Power Transmission & Distribution Conductors AAC/ACSR (Current Year 1,39,600 KM, Previous Year 1,10,934 KM)	MT	1,10,645	1,515.95	82,658	1,080.57
Optical Fiber	KM	36,16,583	1,28.51	26,32,767	89.28
Fiber Optic Cables	FKM	28,04,094	3,17.52	15,52,907	187.52
Copper Telecom Cables	CKM	28,17,033	2,71.09	27,20,553	288.95
Broadband & Access Networks *	**		126.45		116.31
Others			30.18		8.65
<b>Total</b>			<b>2,389.70</b>		<b>1,771.28</b>
* Including Revenue of Integrated Management Services Rs. 99.96 Crores (Previous Year Rs. 104.33 Crores) (includes Rs. 33.46 Crores being service income for the current year) (Previous Year Rs. 1.90 Crores)					
** It is not practicable to furnish quantitative information in view of large number of items which differ in size and nature.					
<b>d) Raw Material Consumed</b>					
Aluminum/Alloy	MT	85,043	1,015.21	85,583	824.03
Copper Rods	MT	4,760	135.72	4,693	147.50
Polyethylene Compounds	MT	7,772	47.68	7,667	51.38
Galvanised Steel Wire/Steel tape	MT	25,796	144.77	3,260	15.17
Resin	KG	2,73,059	13.26	2,06,398	12.40
Others			295.90		188.78
<b>Total</b>			<b>1,652.54</b>		<b>1,239.26</b>

## 22. CIF Value of Imports

(Rs. in Crores)

Particulars	Current year	Previous year
Raw Material	552.11	847.50
Stores, Spares & Consumables	7.44	6.87
Capital Goods	78.11	42.29
<b>Total</b>	<b>637.66</b>	<b>896.66</b>

## Schedules forming part of the Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

#### 23. Expenditure in Foreign Currency (Accrual Basis)

Particulars	Current Year	Previous Year
Travel	1.07	1.00
Sales Commission	6.13	4.18
Interest	11.83	12.97
Others	13.71	9.42
<b>Total</b>	<b>32.74</b>	<b>27.57</b>

#### 24. Earnings in Foreign Currency

Particulars	Current Year	Previous Year
FOB Value of Exports	592.58	517.79
FOB Value of Deemed Exports	345.64	393.42

#### 25. Value of Raw Material Consumed

Description	Current Year (Rs. in Crores)	% of Total Consumption	Previous Year (Rs. in Crores)	% of Total Consumption
Indigenous	1,042.78	63.10	401.89	32.43
Imported	609.76	36.90	837.37	67.57
<b>Total</b>	<b>1,652.54</b>	<b>100</b>	<b>1,239.26</b>	<b>100</b>

#### 26. Value of Components, Stores and Spare Parts Consumed

Description	Current Year (Rs. in Crores)	% of Total Consumption	Previous Year (Rs. in Crores)	% of Total Consumption
Indigenous	17.84	75.88	19.56	78.62
Imported	5.67	24.12	5.32	21.38
<b>Total</b>	<b>23.51</b>	<b>100</b>	<b>24.88</b>	<b>100</b>

#### 27. Contingent Liabilities (including interest and penalty)

(Rs. in Crores)

Sr. No.	Descriptions	Current Year	Previous Year
1.	Disputed Liabilities in Appeal		
	a) Sales Tax	0.59	1.28
	b) Excise Duty	78.80	65.82
	c) Customs Duty	74.52	74.52
	d) Service Tax	2.45	0.80
	e) Claims lodged by a Bank Against the Company (*)	18.87	18.87
	f) Claims against the Company not acknowledged as debt	2.78	-
	g) Excise Duty Case in Supreme Court (Refer Note 8 supra)		
2.	Outstanding amount of Export obligation against Advance Licence	0.37	2.21
3.	Estimated amount of contracts remaining to be executed on Capital account and not provided for (Net of Advances)	25.80	66.88
4.	The Company has given Corporate Guarantee to the Income Tax Department on behalf of group companies. The outstanding amount is Rs. 114.00 Crores (Previous Year Rs. 114.00 Crores) on this account as at the year-end.		

## Schedules forming part of the Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

The Company has deposited Rs. 8.14 Crores under protest against above contingent liabilities.

The Company has not provided for disputed Sales Tax, Excise Duty, Customs Duty and Service Tax arising from disallowances made in assessments which are pending with Appellate Authorities for its decision.

It is not practicable to indicate the uncertainties which may affect the future outcome and estimate the financial effect of the above liabilities.

(\*)In earlier year, one of the bank of the Company had wrongly debited an amount of Rs. 18.87 Crores, towards import consignment under Letter of Credit not accepted by the Company, owing to discrepancies in the documents. The Company has filed the case against the bank in the High Court of Mumbai. The bank has also filed a claim against the Company in the Debt Recovery Tribunal. The Company does not believe that any liability will arise to the Company.

- 28.** In accordance with the Notified AS 17 under the Companies (Accounting Standards) Rules, 2006 on "Segment Reporting", issued by the Institute of Chartered Accountants of India, the Company has identified two reportable Business Segments i.e. Telecom Product Business and Power Transmission Business, which are regularly evaluated by the Management, in deciding the allocation of resources and assessment of performance. Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common cost. The segment performance as follows:

(i) Particulars	Telecom		Transmission		Unallocable		Total	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Segment Revenue	868.96	690.71	1,520.74	1,080.57	-	-	2,389.70	1,771.28
Less: Excise	52.53	55.39	47.94	30.10	-	-	100.47	85.49
Net Revenue	816.43	635.33	1,472.80	1,050.46	-	-	2,289.23	1,685.79
Segment Results (PBIT)	80.56	58.52	114.75	105.09	-	-	195.31	163.61
Less: Interest	-	-	-	-	88.00	33.17	88.00	33.17
Profit Before Tax	-	-	-	-	-	-	107.31	130.44
Provision for Tax (Net)	-	-	-	-	19.29	29.72	19.29	29.72
Profit After Tax	-	-	-	-	-	-	88.02	100.72
Prior Period Depreciation	-	-	-	-	(2.13)	-	(2.13)	-
Profit After Tax and Prior Period Depreciation	-	-	-	-	-	-	90.15	100.72
Segment Assets	910.85	793.34	720.00	739.02	43.13	30.22	1,673.98	1,562.58
Segment Liabilities	519.72	443.66	465.33	531.78	67.99	47.63	1,053.04	1,023.07
Capital Expenditure Incurred	33.58	51.84	35.26	85.28	-	-	68.84	137.13
Depreciation	28.88	28.03	13.64	8.93	-	-	42.52	36.96
Impairment	-	0.21	-	-	-	-	-	0.21
Significant non-cash expenditure	7.49	0.48	1.09	0.59	1.47	4.48	10.05	5.55

(Rs. in Crores)

(ii) Particulars	Current Year	Previous Year
<b>1. Segment Revenue - External Turnover</b>		
- Within India	1,735.81	1,253.27
- Outside India	653.89	518.01
<b>Total Revenue</b>	<b>2,389.70</b>	<b>1,771.28</b>
<b>2. Segment Assets</b>		
- Within India	1,539.67	1,467.93
- Outside India	134.31	94.66
<b>Total Assets</b>	<b>1,673.98</b>	<b>1,562.59</b>
<b>3. Capital Expenditure</b>		
- Within India	68.84	137.13
<b>Total Capital Expenditure</b>	<b>68.84</b>	<b>137.13</b>



## Schedules forming part of the Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

**29.** The Company has not received any intimation from “suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year-end together with interest paid/payable as required under the said Act have not been given.

**30.** Expenditure of Rs. 2.30 Crores (Previous Year Rs. 6.49 Crores) on account of financing cost relating to borrowed funds for construction or acquisition of fixed assets is debited to “Capital Work-in-Progress”.

#### 31. Remittances in Foreign Currency

On account of dividend to non-resident shareholders

Final Dividend:

	Current Year	Previous Year
No. of Shareholders	1	1
No. of Equity Shares	2,81,30,550	2,53,30,550
Amount Remitted, net of tax (Rs. in Crores)	2.81	1.90
Year to which it pertains	2007-2008	2006-2007

#### 32. Pre-operative Expenses

Details of Pre-operative Expenses are given below:

(Rs. in Crores)

	Current Year	Previous Year
Manufacturing & Other Expenses	–	2.62
Personnel	–	0.45
Administration & General	–	0.43
Interest & Finance Charges	–	2.82
	–	6.32

**33.** Excise duty on sales amounting to Rs. 100.47 Crores (Previous year Rs. 85.49 Crores) has been reduced from sales in profit & loss account and excise duty on increase/decrease in stock amounting to Rs. (0.11) Crore (Previous year Rs. 1.90 Crores) has been considered as income in Schedule 15 of financial statements.

#### 34. Previous Year Comparatives

Previous Year’s figures have been regrouped where necessary to confirm to current year’s classification.

For and on behalf of the Board

For **S.R. Batliboi & Co.**  
Chartered Accountants

**Pravin Agarwal**  
Whole-time Director

**Dr. Anand Agarwal**  
CEO & Executive Director

Per **Tridibes Basu**  
Partner  
Membership Number: 17401  
Place: Mumbai  
Dated: April 24, 2009

**Anupam Jindal**  
Chief Financial Officer

**Sandeep Deshmukh**  
Company Secretary

## Cash Flow Statement

(Rs. in Crores)

	Year Ended March 31, 2009	Year Ended March 31, 2008
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net Profit/(Loss) after tax as per Profit &amp; Loss Account</b>	90.15	100.72
<b>Adjustment for Taxation</b>	19.29	29.72
	109.44	130.44
Adjustments for :		
- Depreciation and Impairment	42.52	37.17
- Prior period depreciation	(2.13)	-
- Unclaimed liability written back	(0.71)	0.25
- Provision for Doubtful Debts	7.80	0.82
- Bad Debts written off	0.78	-
- Dividend income	(0.54)	-
- Interest Expenses (net)	88.00	35.98
- Exchange difference	5.60	(1.41)
- (Profit)/Loss on Sale of Assets	0.20	0.08
- Employees Stock Option Expenses amortized	0.68	4.48
	142.20	207.81
<b>Operating profit before working capital changes</b>	<b>251.64</b>	<b>207.81</b>
Movements in working capital :		
- (Increase)/Decrease in Trade and other receivables	(47.89)	(141.53)
- (Increase)/Decrease in Inventories	119.02	(99.40)
- Increase/(Decrease) in Trade payables	167.15	99.39
Cash generated from operations	489.92	66.27
Direct taxes Paid/TDS deducted (Net of Refunds)	(14.38)	(7.99)
<b>Net cash flow from Operating Activities</b>	<b>475.54</b>	<b>58.28</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets (Including Capital Work-in-Progress)	(145.07)	(120.58)
Proceed from Sale of Fixed Assets	7.90	10.45
Purchase of Investments	(86.00)	(3.50)
Sale of Investments	-	6.30
Dividend Income	0.54	-
Investment in Bank Fixed Deposits*	10.77	(20.78)
Advances to Subsidiaries	(0.01)	(0.30)
Interest received	6.60	-
<b>Net cash flow (used) in / from Investing Activities</b>	<b>(205.27)</b>	<b>(128.41)</b>

## Cash Flow Statement (Contd.)

(Rs. in Crores)

	Year Ended March 31, 2009	Year Ended March 31, 2008
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds/(Repayment) of Secured Loans (net)	(164.76)	67.26
Proceeds/(Repayment) of Share Capital	–	25.20
Proceeds/(Repayment) of Employee Stock Options	0.04	0.04
Proceeds from Unsecured Loans	15.00	10.00
Repayment of Unsecured Loans	(20.48)	(0.74)
Interest paid	(92.45)	(36.97)
Dividend paid on Equity Shares (Including Corporate Dividend Tax)	(8.03)	(5.30)
<b>Net Cash flow from Financing Activities</b>	<b>(270.68)</b>	<b>59.49</b>
<b>Net Increase/(decrease) in cash and cash equivalents</b>	<b>(0.41)</b>	<b>(10.64)</b>
<b>Cash and cash equivalents as at beginning of the year</b>	<b>2.41</b>	<b>13.05</b>
<b>Cash and cash equivalents as at year end</b>	<b>2.00</b>	<b>2.41</b>
Components of Cash & cash equivalents:		
Cash & Bank Balance as per Schedule 10	77.89	89.07
Less: Fixed deposits not considered as cash equivalent as maturity period is more than 3 months.	75.89	86.66
<b>Cash and cash equivalent as at year end</b>	<b>2.00</b>	<b>2.41</b>

\* Investments in Bank Fixed Deposits having maturity of more than 3 Months have been shown under the cash flows from Investing activities.

As per our attached report of even date

For and on behalf of the Board

**For S.R. Batliboi & Co.**

Chartered Accountants

**Pravin Agarwal**

Whole-time Director

**Dr. Anand Agarwal**

CEO & Whole-time Director

Per **Tridibes Basu**

Partner

Membership Number: 17401

Place: Mumbai

Dated: April 24, 2009

**Anupam Jindal**

Chief Financial Officer

**Sandeep Deshmukh**

Company Secretary

## Balance Sheet Abstract and Company's General Business Profile

### I. Registration Details

Registration No.  State Code   
 Balance Sheet Date     
 Date Month Year

### II. Capital Raised during the year (Amount in Rs. Crores)

Public Issue  Private Placement   
 Rights Issue

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Crores)

Total Liabilities  Total Assets

#### Sources of Funds

Paid-up Equity Share Capital  Share Warrants   
 Employee Stock Option Outstanding  Reserve & Surplus   
 Secured Loans  Unsecured Loans   
 Deferred Tax

#### Application of Funds

Net Fixed Assets  Investments   
 Net Current Assets  Miscellaneous Expenses   
 Accumulated Losses

### IV. Performance of Company (Amount in Rs. Crores)

Turnover  Profit after Tax before Prior Period Depreciation   
 Profit before Tax  Profit after Tax and Prior Period Depreciation   
 Earnings Per Share in Rs.  Dividend Rate %   
 Other Income  Total Expenditure

### V. Generic Names of Three Principal Products of Company

Item Code No. (ITC Code)   
 Product Description ALUMINIUM CONDUCTORS (AAC/ACSR)  
 Item Code No. (ITC Code)   
 Product Description OPTICAL FIBER  
 Item Code No. (ITC Code)   
 Product Description FIBER OPTIC FIBER  
 Item Code No. (ITC Code)   
 Product Description JELLY FILLED TELEPHONE CABLE  
 Item Code No. (ITC Code)   
 Product Description BROADBAND ACCESS NETWORKS

For and on behalf of the Board

**Pravin Agarwal**  
Whole-time Director

**Dr. Anand Agarwal**  
CEO & Whole-time Director

**Anupam Jindal**  
Chief Financial Officer

**Sandeep Deshmukh**  
Company Secretary

Place: Mumbai  
Dated: April 24, 2009

## Statement Pursuant to Section 212 of the Companies Act, 1956 Relating to Subsidiary Companies

S. No.	Name of Subsidiary Company	Sterlite Infrastructure Pvt. Ltd.
1.	Financial year of the Subsidiary Company ended on	March 31, 2009
2.	Shares of the Subsidiary Company held on that date and extend of holding	
	(a) Equity Shares	60,05,200
	Extend of Holding	58.70%
	(b) Preference Shares of Rs. 10 each	NIL
	Extend of Holding	NIL
3.	The net aggregate amount of the Subsidiary's profit/(loss) so far as it is concerned with the members of Sterlite Technologies Limited	
	I) Not dealt in the Holding Company's Accounts	Profit
	(a) For the financial year of the subsidiary	0.3
	(b) For the previous financial years of the subsidiary since it became a subsidiary of the Holding Company	Loss 0.06
	II) Dealt with the Holding Company's Accounts	Profit
	(a) For the financial year of the subsidiary	NIL
	(b) For the previous financial years of the subsidiary since it became a subsidiary of the Holding Company	Loss NIL
4.	Material changes, if any, between the end of the financial year of the subsidiary company and the Holding Company	N.A.

For and on behalf of the Board

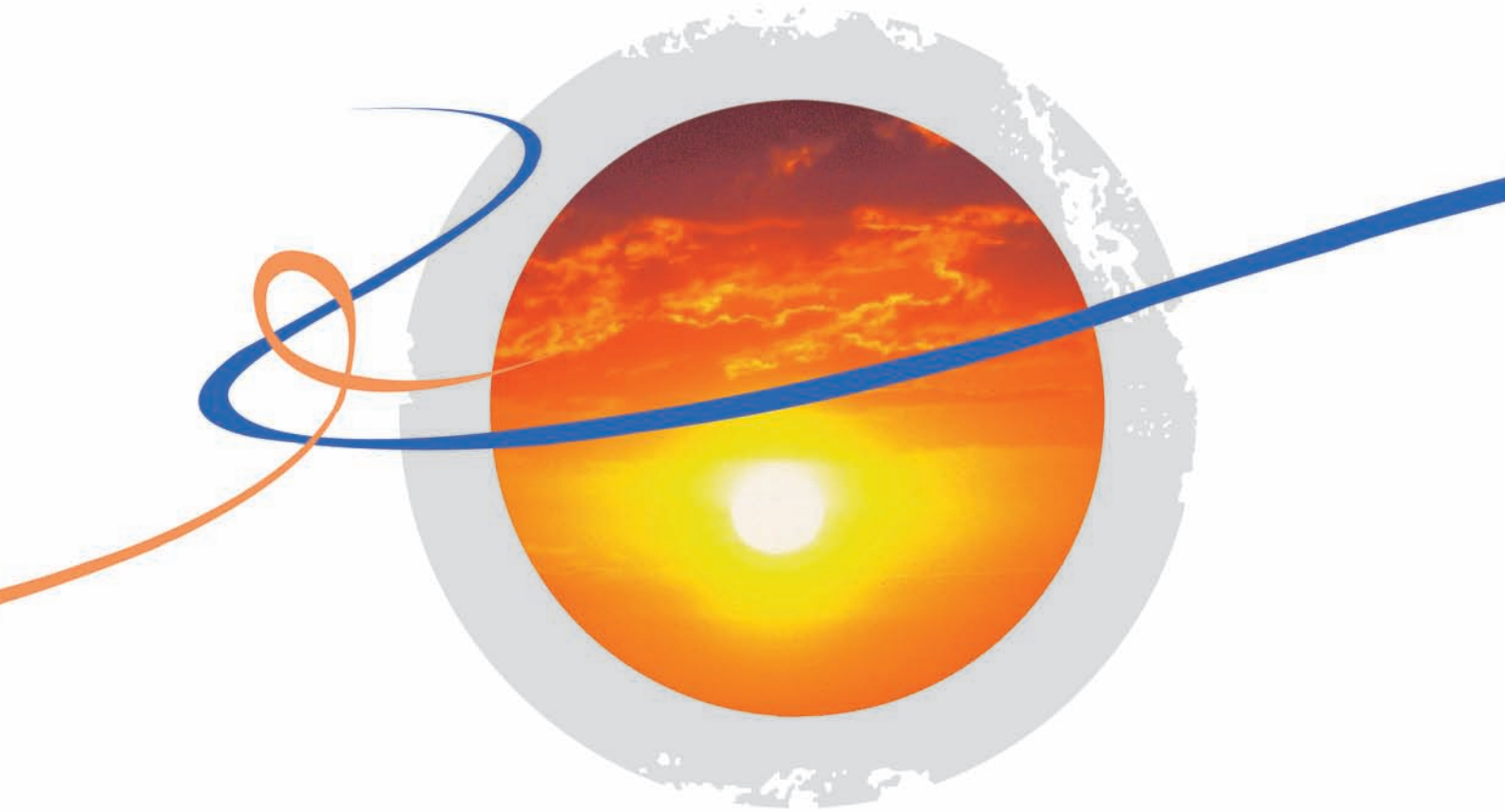
**Pravin Agarwal**  
Whole-time Director

**Dr. Anand Agarwal**  
CEO & Whole-time Director

Place: Mumbai  
Dated: April 24, 2009

**Anupam Jindal**  
Chief Financial Officer

**Sandeep Deshmukh**  
Company Secretary



## Consolidated Accounts

## Auditors' Report

To  
The Members of Sterlite Technologies Limited ('the Company')

1. We have audited the attached consolidated Balance Sheet of Sterlite Technologies Limited and its subsidiary ('the Group'), as at March 31, 2009, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Sterlite Technologies Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiary, whose financial statements reflect total assets of Rs 6.70 Crores as at March 31, 2009, the total revenue of Rs 0.51 Crore and net cash outflows amounting to Rs. 0.06 Crore for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the Sterlite Technologies Limited's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, notified pursuant to the Companies (Accounting Standards) Rules 2006.
5. As stated in Note no.8 of Schedule 21, the Company had in an earlier year received an order of CESTAT upholding the demand of Rs.188 Crores (including penalties) (Rs.188 Crores as at March 31, 2008) in the pending excise/custom matters. The Company's appeal against this order with the Hon'ble Supreme Court has been admitted. Based on the current status and legal advice received, provision for liability as recorded in the accompanying financial statements is considered adequate by the management. In the event the decision of the Hon'ble Supreme Court goes against the Company on any of the grounds of appeal, additional provision against the said demand may be required. Pending disposal of the matter by the Hon'ble Supreme Court, the amount of additional excise / customs duty, if any, is currently unascertainable. Our audit report on the financial statements for the year ended March 31, 2008 was qualified in respect of the matter stated above.
6. Based on our audit and on consideration of report of other auditor on separate financial statements and on the other financial information of the component, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements, subject to the matter referred to in paragraph 5 above, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2009;
  - (b) in the case of the consolidated profit and loss account, of the profits for the year ended on that date; and
  - (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Co.  
Chartered Accountants

per **Tridibes Basu**

Partner

Membership No.: 17401

Place: Mumbai  
Date: April 24, 2009

## Consolidated Balance Sheet

(Rs. in Crores)

	Schedule	As at March 31, 2009	As at March 31, 2008
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
Share Capital	1	32.27	32.23
Share Application Money Pending Allotment		0.00	0.00
Employee Stock Option Outstanding	2	5.26	5.73
Reserves & Surplus	3	583.65	501.49
		621.18	539.45
<b>2. Minority Interest</b>			
		2.67	2.48
<b>3. Loan Funds</b>			
Secured Loans	4	467.89	632.65
Unsecured Loans	5	28.70	30.54
		496.59	663.19
<b>4. Deferred Tax Liability (Net)</b> (Refer Note 3 of Schedule 21)			
		55.95	38.13
	<b>Total</b>	<b>1,176.39</b>	<b>1,243.25</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
Gross Block	6	976.24	918.88
Less: Accumulated Depreciation & Impairment		430.92	395.00
Net Block		545.32	523.88
Capital Work-in-Progress including Capital Advances (Refer Note 21 of Schedule 21)		111.35	36.22
		656.67	560.10
<b>2. Goodwill</b> (Refer Note 1(a) of Schedule 21)			
		2.43	2.43
<b>3. Investments</b>			
	7	92.65	6.09
<b>4. Current Assets, Loans &amp; Advances</b>			
Inventories	8	100.37	219.39
Sundry Debtors	9	545.89	519.10
Cash and Bank Balances	10	77.94	89.18
Loans and Advances	11	200.85	168.61
		925.05	996.28
<b>Less: Current Liabilities &amp; Provisions:</b>			
Current Liabilities	12	479.06	303.53
Provisions	13	21.44	18.22
		500.50	321.74
<b>Net Current Assets</b>			
		424.55	674.53
<b>5. Miscellaneous Expenditure</b> (to the extent not written off or adjusted)			
Preliminary Expenses		0.09	0.10
	<b>Total</b>	<b>1,176.39</b>	<b>1,243.25</b>
Notes to Consolidated Accounts	21		

The schedules referred to above and notes to accounts form an integral part of the Consolidated Balance Sheet

As per our attached report of even date

For and on behalf of the Board

For **S.R. Batliboi & Co.**  
Chartered Accountants

**Pravin Agarwal**  
Whole-time Director

**Dr. Anand Agarwal**  
CEO & Whole-time Director

Per **Tridibes Basu**  
Partner  
Membership Number: 17401

Place: Mumbai  
Dated: April 24, 2009

**Anupam Jindal**  
Chief Financial Officer

**Sandeep Deshmukh**  
Company Secretary



## Consolidated Profit and Loss Account

(Rs. in Crores)

	Schedule	Year Ended March 31, 2009	Year Ended March 31, 2008
<b>I. INCOME</b>			
Turnover (Gross)		2,389.70	1,771.28
Less: Excise Duty (Refer note 23 of Schedule 21)		100.47	85.49
Turnover (Net)		2,289.23	1,685.79
Other Income	14	4.19	4.31
	<b>Total</b>	<b>2,293.42</b>	<b>1,690.10</b>
<b>II. EXPENDITURE</b>			
Manufacturing & other expenses	15	1,868.72	1,351.72
Personnel	16	49.13	41.89
Selling & Distribution	17	75.63	57.53
Administration & General	18	55.66	37.04
Research & Development	19	5.96	4.75
Interest & Finance charges	20	88.00	35.98
		2,143.10	1,528.91
Less: Pre-operative expenses of projects (Refer Note 22 of Schedule 21)		—	6.32
		<b>2,143.10</b>	<b>1,522.60</b>
<b>Profit before depreciation &amp; taxation</b>		<b>150.32</b>	<b>167.50</b>
Depreciation & Impairment [Including Rs. Nil (Previous year Rs. 0.21 Crore for Impairment loss)]		42.52	37.17
<b>Profit before taxation</b>		<b>107.80</b>	<b>130.34</b>
Provision for taxation			
- Current Tax for the year		12.51	14.66
- Minimum Alternate Tax Credit Eligible for Set Off (Refer Note 7 of Schedule 21)		(11.66)	(14.66)
- Provision for earlier year		0.83	0.77
- Deferred Tax (Net)(Refer Note No. 3 of Schedule 21)		16.73	27.88
- Fringe Benefit Tax (Includes Rs. 0.15 Crore for earlier year)		0.88	1.07
<b>Profit after taxation</b>		<b>88.51</b>	<b>100.62</b>
Minority Interest		0.19	(0.04)
<b>Profit after minority interest before prior period depreciation</b>		<b>88.32</b>	<b>100.66</b>
Before prior period depreciation (Net of Tax Rs. 1.09 Crores)		(2.13)	—
Profit after minority interest and prior period depreciation		90.45	100.66
Balance brought forward from previous year		335.64	250.08
<b>Amount available for appropriations</b>		<b>426.09</b>	<b>350.74</b>
<b>Appropriations</b>			
Transfer to General Reserve		9.02	7.55
Proposed Dividend on Equity Shares Rs. 1.25 Per Share (Previous year Re 1 per share)		8.07	6.45
Corporate Tax on Proposed Dividend		1.37	1.10
<b>Balance carried to Balance Sheet</b>		<b>407.63</b>	<b>335.64</b>
<b>Earnings Per Share</b> (Face Value Rs. 5 each) (Refer Note 16 of Schedule 21)			
Basic (After prior period depreciation)		14.02	16.07
Diluted (After prior period depreciation)		13.95	15.45
<b>Notes to Consolidated Accounts</b>	21		

The schedules referred to above and notes to accounts form an integral part of the Consolidated Profit and Loss Account

As per our attached report of even date

For and on behalf of the Board

For **S.R. Batliboi & Co.**  
Chartered Accountants

**Pravin Agarwal**      **Dr. Anand Agarwal**  
Whole-time Director      CEO & Whole-time Director

Per **Tridibes Basu**  
Partner  
Membership Number: 17401

Place: Mumbai  
Dated: April 24, 2009

**Anupam Jindal**      **Sandeep Deshmukh**  
Chief Financial Officer      Company Secretary

## Schedules forming part of the Consolidated Balance Sheet

(Rs. in Crores)

	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE 1: SHARE CAPITAL</b>		
<b>Authorized</b>		
9,00,00,000 (Previous year 9,00,00,000) Equity Shares of Rs. 5 each	45.00	45.00
	<u>45.00</u>	<u>45.00</u>
<b>Issued, Subscribed &amp; Paid up</b>		
6,45,38,347 (Previous year 6,44,68,247) Equity Shares of Rs. 5 each fully paid-up	32.27	32.23
	<u>32.27</u>	<u>32.23</u>
<b>Total</b>	<b>32.27</b>	<b>32.23</b>

Of the above:

- 1) 5,59,12,559 (Previous year 5,59,12,559) equity shares of Rs. 5 each were allotted to the shareholders of Sterlite Industries (I) Ltd. upon demerger pursuant to the scheme of arrangement sanctioned by the Honorable High Court of Judicature at Bombay, being shares issued/or consideration other than cash.
- 2) During the year 70,100 (Previous year 73,680) shares were issued to employees of the Company under ESOP Scheme.
- 3) For Stock Options outstanding details Refer Note 9 of Schedule 21.

**SCHEDULE 2: EMPLOYEE STOCK OPTION OUTSTANDING**

Balance as per last Balance Sheet	5.73	1.87
Add: Employees Stock Option Expenses For the year (Refer Note 9 of Schedule 21)	0.68	4.48
Less: Transferred to Share Premium Account	<u>1.15</u>	<u>0.62</u>
<b>Total</b>	<b>5.26</b>	<b>5.73</b>

**SCHEDULE 3: RESERVES & SURPLUS****Share Premium**

Balance as per last Balance Sheet	84.72	57.50
Add: Transfer from Employee Stock Option	1.15	0.62
Add: Received During the year	<u>—</u>	<u>26.60</u>
	85.87	84.72

**General Reserve**

Balance as per last Balance Sheet	81.09	73.54
Add: Transfer from Profit and Loss account	<u>9.02</u>	<u>7.55</u>
	90.11	81.09

**Capital Reserve**

Balance as per last Balance Sheet	0.04	<u>0.04</u>
-----------------------------------	------	-------------

**Profit & Loss Account**

Surplus as per Profit & Loss Account	<u>407.63</u>	<u>335.64</u>
<b>Total</b>	<b>583.65</b>	<b>501.49</b>

## Schedules forming part of the Consolidated Balance Sheet

(Rs. in Crores)

	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE 4: SECURED LOANS</b>		
<b>(A) Working Capital Loans</b>		
From Banks	106.83	168.95
<b>(B) Term Loans</b>		
From Banks	–	50.00
<b>(C) Interest Accrued and Due</b>		
	–	0.15
<b>(D) Other Loans</b>		
From Banks	361.06	413.55
<b>Total</b>	<b>467.89</b>	<b>632.65</b>

**Notes:**

- A. Working capital loans and Other loans from Banks are secured by hypothecation of Raw materials, Work in Progress, Finished Goods & Sundry Debtors and further secured by second charge on all immovable and movable fixed assets of the Company both present and future.
- B. Term loans are secured by first charge by deposit of title deed of immovable properties of the Company and hypothecation of movable properties of the Company both present and future. The term loan has been repaid in current year.

**SCHEDULE 5: UNSECURED LOANS**

Sales Tax Loan (Interest Free) [(Due within one year Rs.7.39 Crores)]		
[Previous year Rs. 2.20 Crores]	13.7	20.54
<b>Short Term Loans</b>		
Others	15.00	10.00
<b>Total</b>	<b>28.70</b>	<b>30.54</b>

## Schedules forming part of the Consolidated Balance Sheet

**SCHEDULE 6: FIXED ASSETS**

(Rs. in Crores)

Nature of Assets	GROSS BLOCK			DEPRECIATION / AMORTISATION			IMPAIRMENT			NET BLOCK		
	As at 01.04.2008	Additions	Deletions	As on 31.03.2009	As at 01.04.2008	Additions	Deletions	As at 31.03.2009	During the year	Deletions	As at 31.03.2009	As at 31.03.2008
<b>TANGIBLE ASSETS</b>												
Freehold Land	21.81	2.19	-	24.00	-	-	-	-	-	-	24.00	21.81
Leasehold Land	17.04	-	-	17.04	0.16	0.17	-	0.33	-	-	16.71	16.88
Building	86.90	11.96	-	98.86	18.20	2.07	-	20.27	-	-	78.59	68.70
Plant & Machinery	734.41	50.47	10.34	774.54	293.88	33.91	1.89	325.90	-	0.90	390.83	381.82
Furniture & Fixtures	6.13	1.17	0.00	7.30	1.84	0.44	0.00	2.28	-	-	5.02	4.29
Data Processing Equipment	11.74	0.82	0.06	12.50	7.91	0.79	0.06	8.64	-	-	3.86	3.83
Office Equipments	4.41	0.50	0.05	4.86	1.25	0.24	0.02	1.47	-	-	3.34	3.11
Electric Fittings	31.15	0.88	-	32.03	10.82	1.09	-	11.91	-	-	18.98	19.19
Vehicles	4.43	0.85	1.03	4.25	0.90	0.45	0.51	0.84	-	-	3.41	3.53
<b>INTANGIBLE ASSETS</b>												
Software / Licences	0.86	-	-	0.86	0.14	0.14	-	0.28	-	-	0.58	0.72
<b>Total</b>	<b>918.88</b>	<b>68.84</b>	<b>11.48</b>	<b>976.24</b>	<b>335.10</b>	<b>39.30</b>	<b>2.48</b>	<b>371.92</b>	<b>-</b>	<b>0.90</b>	<b>59.00</b>	<b>523.88</b>
<b>Previous Year</b>	<b>792.50</b>	<b>137.13</b>	<b>10.75</b>	<b>918.88</b>	<b>298.35</b>	<b>36.96</b>	<b>0.21</b>	<b>335.10</b>	<b>0.21</b>	<b>-</b>	<b>59.90</b>	<b>523.88</b>

## Schedules forming part of the Consolidated Balance Sheet

(Rs. in Crores)

	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE 7: INVESTMENTS</b>		
<b>CURRENT INVESTMENT (at Cost or Market Value whichever is lower)</b>		
In Units of Mutual Funds (Quoted)		
19,843,758.02 Units (Previous Year -Nil) of Rs. 10 each of Birla Sun Life Savings Fund-Institutional -Growth	33.00	-
13,098,109.05 Units (Previous Year -Nil) of Rs. 10 each of SBI SHF - Ultra Short Term - IP - Growth	15.00	-
84,965,31 Units (Previous Year -Nil) of Rs. 10 each of UTI Treasury Advantage Fund-Growth Plan	10.00	-
2,201,988.78 Units (Previous Year -Nil) of Rs. 10 each of Reliance Medium Term Fund - Growth Plan	4.00	-
5,040,055.08 Units (Previous Year -Nil) of Rs. 10 each of Birla Sun Life Savings Fund	5.00	-
4,766,808.18 Units (Previous Year-Nil) of Rs. 10 each of ICICI Prudential Flexible Income Plan	5.00	-
50,272.69 Units (Previous Year -Nil) of Rs. 1,000 each of UTI Treasury Advantage Fund	5.00	-
5,970,992.68 Units (Previous Year -Nil) of Rs. 10 each of HDFC Liquid Fund Premium Plan	9.00	-
66,422.82 Units of Rs. 10 each of Reliance Money Manager	6.65	-
Nil Units (Previous Year 60,90,000 units) of Rs. 10 each of Reliance Fixed Horizon Fund-VI	-	6.09
<b>Total</b>	<b>92.65</b>	<b>6.09</b>

Aggregate amount of quoted investments (Market Value Rs. 92.80 Crores (Previous Year - Rs. Nil)

Note: The following Current Investments were purchased and sold during the year:

Mutual Fund Units	Face Value (Rs.)	Units (Nos.)	Amount in Rs.
Birla Sun Lift Cash Plus - Inst Premium - Growth	10	2,74,14,510	38,60,80,869
Birla Sun Life Cash Plus - Inst Premium- Daily Dividend	10	1,79,71,974	18,00,70,193
Birla Sun Life Savings Fund - Inst - Daily Dividend	10	49,98,180	5,00,15,786
HDFC Cash Management Fund-Savings Plan - Daily Dividend Reinvestment	10	65,87,346	7,00,65,648
LIC MF Liquid Fund - Growth Plan	10	2,98,27,348	44,81,95,306
LIC MF Liquid Fund - Daily Dividend Plan	10	6,98,29,654	76,67,36,584
LIC MF Income Plus Fund - Daily Dividend Plan	10	45,55,183	5,00,16,368
LIC MF Savings Plus Fund - Daily Dividend Plan	10	1,76,09,751	17,60,97,507
Principal Floating Rate Fund - IP - Growth	10	55,75,846	7,20,62,719
Reliance Liquidity Fund - Growth	10	3,88,45,744	56,00,76,751
Reliance Liquidity Fund - Daily Dividend Reinvestment	10	1,79,95,668	18,00,12,464
Reliance Money Manager Fund - IP - Growth	1,000	2,80,837	31,06,95,888
SBI Magnum Insta Cash Fund - Cash Option	10	76,36,347	15,00,33,600
UTI Money Marker Fund-Daily Dividend Reinvestment	10	1,48,24,804	27,00,66,248
UTI Money Market Fund - Growth Plan	10	40,62,299	10,00,21,124
Birla Sun Life Liquid Plus - Instl. - Daily Dividend - Reinvestment	10	1,79,87,768	18,00,00,000
JP Morgan India Liquid Fund Growth Plan	10	47,74,500	5,00,00,000
Reliance Liquid Fund Treasury Plan - Institutional Option - Daily Dividend	10	2,15,86,687	33,00,00,000
LIC MF Liquid Fund - Dividend Plan	10	1,41,18,367	15,50,00,000
Birla Sun Life Cash Plus - Instl Prem - Daily Dividend Reinvestment	10	49,90,269	5,00,00,000
HDFC Liquid Fund Premium Plan - Dividend Daily Reinvest	10	40,78,370	5,00,00,000
ICICI Prudential Flexible Income Plan Premium Daily Dividend	10	49,99,750	5,00,00,000
Reliance Fixed Horizon Fund VI Series 3 Int. Dividend Payout	10	62,18,817	6,21,88,170
Reliance Fixed Horizon Fund VIII Series 12 Int. Dividend Payout	10	63,42,726	6,34,27,258
Reliance Fixed Horizon Fund X Series 4 Int. Dividend Payout	10	63,42,726	6,34,27,258

## Schedules forming part of the Consolidated Balance Sheet

(Rs. in Crores)

	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE 8: INVENTORIES</b>		
(At cost or net realisable value, which ever is lower)		
Raw Materials (Including Goods in Transit Rs. 3.07 Crores)(Previous year Rs. 16.50 Crores)	49.85	105.31
Work-in-Progress	25.39	39.89
Finished Goods	12.60	53.09
Stores, Spares, Packing Materials & Others	12.53	21.10
<b>Total</b>	<b>100.37</b>	<b>219.39</b>

**SCHEDULE 9: SUNDRY DEBTORS (UNSECURED)**

<b>(a) Due for a period exceeding 6 months:</b>		
- Considered good	43.64	51.73
- Considered doubtful	27.87	19.90
	<u>71.51</u>	<u>71.63</u>
Less: Provision for Doubtful Debts	27.87	19.90
	<u>43.64</u>	<u>51.73</u>
<b>(b) Others - Considered good</b>	502.25	467.37
<b>Total</b>	<b>545.89</b>	<b>519.10</b>

**SCHEDULE 10: CASH & BANK BALANCES**

Cash in hand	0.04	0.10
<b>Balance with Scheduled Banks in</b>		
(i) Current Accounts	1.50	1.53
(ii) Deposit Accounts	75.89	86.66
(iii) Dividend Accounts	0.10	0.59
<b>Balances with Non Scheduled Banks in</b>		
(i) Current Accounts (*)	0.41	0.30
<b>Total</b>	<b>77.94</b>	<b>89.18</b>

\*Balance with Non Scheduled banks is maintained with:

Balance with Industrial Bank of China Rs. 0.11 Crore (Previous year Rs. 0.05 Crore) (Maximum Amount Outstanding During the year Rs. 0.11 Crore) (Previous year Rs. 0.24 Crores).

Balance with Dubai Bank Rs. 0.00 Crore (Previous year Rs. 0.05 Crore) (Maximum Amount Outstanding During the year Rs. 0.05 Crore) (Previous year Rs. 0.07 Crore).

Balance with Bangkok Bank PCL Rs. 0.00 Crore (Previous year Rs. 0.20 Crore) (Maximum Amount Outstanding During the year Rs. 0.20 Crore) (Previous year Rs. 0.13 Crore).

Balance with Sun Trust Bank Rs. 0.24 Crore (Previous Year Rs. Nil) (Maximum Amount Outstanding During the year Rs. 0.24 Crore (Previous Year Rs. Nil).

Balance with HSBC Bank UK Rs. 0.06 Crore (Previous Year Rs. Nil) (Maximum Amount Outstanding During the year Rs. 0.06 Crore (Previous Year Rs. Nil).

## Schedules forming part of the Consolidated Balance Sheet

(Rs. in Crores)

	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE 11: LOANS &amp; ADVANCES (Unsecured Considered Good)</b>		
Advances recoverable in cash or in kind or for value to be received	101.68	71.73
Balances with Central Excise Authorities	35.92	47.48
Deposits - Others	3.46	3.90
Income Tax – Advance Tax and TDS	1.37	–
[Net of provisions Rs. 35.59 Crores (Previous Year Rs. 39.62 Crores)]		
Minimum Alternate Tax Credit Entitlement	35.44	23.91
Interest accrued on Investment	0.02	4.13
Other Advances	22.96	17.46
<b>Total</b>	<b>200.85</b>	<b>168.61</b>

### SCHEDULE 12: CURRENT LIABILITIES

Acceptances	6.79	1.16
Sundry Creditors		
(i) Micro, Medium and Small Enterprises (Refer Note 20 of Schedule 21)	–	–
(ii) Others	267.92	234.69
Interest accrued but not due on Loans	2.62	4.59
Unclaimed Dividend (Refer Note 12 of Schedule 21)	0.10	0.59
Sundry Deposits	0.50	0.35
Advance from Customers	140.88	44.13
Other Liabilities	60.25	18.02
<b>Total</b>	<b>479.06</b>	<b>303.53</b>

### SCHEDULE 13: PROVISIONS

For Contingencies	9.50	9.50
For Employee Benefits	2.50	1.17
Proposed Dividend Equity Shares	8.07	6.45
Corporate Tax on Proposed Dividend	1.37	1.10
<b>Total</b>	<b>21.44</b>	<b>18.22</b>

#### Note:

The Company had made a provision of Rs.9.50 Crores towards contingencies in the earlier years against various disputed claims against the Company as described in Note 18 of Schedule 21, the timing and quantum of which is presently unascertainable. There has been no movements in provisions as compared to previous years.

## Schedules forming part of the Consolidated Profit and Loss Account

(Rs. in Crores)

	Year Ended March 31, 2009	Year Ended March 31, 2008
<b>SCHEDULE 14: OTHER INCOME</b>		
Income from Mutual Fund	1.05	0.97
Unclaimed liabilities written back	0.71	–
Profit on Sale of Investment	–	0.01
Interest Income on Income Tax Refund	–	1.76
Miscellaneous Income	2.43	1.57
<b>Total</b>	<b>4.19</b>	<b>4.31</b>

**SCHEDULE 15: MANUFACTURING & OTHER EXPENSES**

Raw materials consumed	1,652.54	1,239.26
Decrease/(Increase) in stock		
Opening Stock:		
Work-in-Progress	39.89	29.37
Finished Goods	53.09	42.25
	<u>92.98</u>	<u>71.62</u>
Closing Stock:		
Work-in-Progress	25.39	39.89
Finished Goods	12.60	53.09
	<u>37.99</u>	<u>92.98</u>
Decrease/(Increase) in stock	54.99	(21.36)
Excise Duty on stocks (Refer Note 23 of Schedule 21)	(0.11)	1.90
Stores & Spares	23.51	24.88
Power, Fuel & Water	56.22	39.97
Repairs and Maintenance		
- Building	0.60	0.92
- Machinery	7.12	6.87
- Others	0.12	0.01
Carriage Inward	2.27	4.07
Packing Material	54.40	41.20
Other Manufacturing Expenses	17.06	14.00
<b>Total</b>	<b>1,868.72</b>	<b>1,351.72</b>

**SCHEDULE 16: PERSONNEL**

Salaries, Wages, Bonus & Commission	41.38	32.27
Contribution to Provident Fund & Super annuation Fund	2.60	1.86
Gratuity Expenses (Refer Note 17 of Schedule 21)	0.79	(0.19)
Employees' Welfare & Other Amenities	3.68	3.47
Employees Stock Option Expenses (Refer Note 9 of Schedule 21)	0.68	4.48
<b>Total</b>	<b>49.13</b>	<b>41.89</b>



## Schedules forming part of the Consolidated Profit and Loss Account

(Rs. in Crores)

	Year Ended March 31, 2009	Year Ended March 31, 2008
<b>SCHEDULE 17: SELLING &amp; DISTRIBUTION</b>		
Sales Commission (Other than Sole Selling Agent)	17.22	10.31
Sales Promotion	3.45	3.26
Carriage Outward	51.75	40.86
Other Expenses	3.21	3.10
<b>Total</b>	<b>75.63</b>	<b>57.53</b>
<b>SCHEDULE 18: ADMINISTRATION &amp; GENERAL</b>		
Rent	2.08	1.50
Insurance	1.80	1.70
Rates & Taxes	0.61	0.68
Conveyance & Travelling Expenses	8.25	9.52
Loss on sale of Fixed Assets	0.20	0.08
Bad Debts Written Off	0.78	0.82
Provision for Doubtful Debts	7.80	0.25
Directors Sitting Fee and Commission	0.05	0.11
General Expenses	34.08	22.38
Misc. expenditures w/off	0.01	-
<b>Total</b>	<b>55.66</b>	<b>37.04</b>
<b>SCHEDULE 19: RESEARCH &amp; DEVELOPMENT</b>		
Salaries, Wages, Bonus & Commission	1.65	0.93
Stores & Spares	0.04	0.30
Raw materials consumed	3.21	2.04
Rates & Taxes	0.51	1.06
General Expenses	0.55	0.42
<b>Total</b>	<b>5.96</b>	<b>4.75</b>
<b>SCHEDULE 20: INTEREST &amp; FINANCE CHARGES : (NET)</b>		
On Fixed Loans	1.33	6.77
Others	46.08	37.64
Exchange Fluctuation on borrowings	34.76	(7.67)
Bank charges	8.31	5.73
	90.48	42.47
Less: Interest Received from customers and fixed deposits	2.48	6.49
[Tax Deducted at Source Rs.0.48 Crores] [Previous year Rs. 1.49 Crores]		
<b>Total</b>	<b>88.00</b>	<b>35.98</b>

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

#### 1. Background & Basis of Consolidation

##### (a) Background

The Company acquired 58.70% Equity Share Capital of Sterlite Infrastructure Private Limited (SIPL) on September 28, 2007, a Company incorporated to do business of infrastructure development. Consequently, SIPL has become subsidiary of the Company. At the reporting date, this has resulted in Goodwill of Rs. 2.43 Crores.

##### (b) Basis of Consolidation

- (a) The consolidated financial statements of the Company and its Subsidiary are prepared in accordance with Accounting Standard – 21 “Consolidated Financial Statements”, notified pursuant to the Companies (Accounting Standard) Rules 2006.
- (b) The financial statements of the Company and its Subsidiary Company has been combined on line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances and intra group transactions and consequent unrealised profit and losses.
- (c) Excess cost of acquisition over carrying value of assets acquired is treated as Goodwill.
- (d) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

#### 2. Significant Accounting Policies

##### (a) Basis of Preparation of Financial Statements

The financial statements have been prepared to comply in all material respects with the notified Accounting Standards by Companies Accounting Standard Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis of accounting except in case of assets for which impairment is carried out. The accounting policies have been consistently applied by the Company.

##### (b) Use of Estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting year. Difference between the actual result and estimates are recognised in the year in which the results are known/materialised.

##### (c) Fixed Assets

Fixed Assets are stated at cost (net of CENVAT) less accumulated depreciation and impairment. Cost comprises of the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Expenditure during construction period incurred on projects under implementation are treated as Pre-operative expenses, pending allocation to the assets, and are included under “Capital work-in-Progress”.

##### (d) Depreciation

- (i) Depreciation on Fixed Assets is provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956.
- (ii) Cost of leasehold land is amortised in proportion to the period of lease.
- (iii) Cost of acquired intangible assets is amortised over a period of five years.
- (iv) Cost of capital and insurance spares is amortised over a period of four years.

##### (e) Impairment of Assets

- (i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset’s net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.
- (ii) After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.
- (iii) A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

#### (f) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined for category of investments. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

#### (g) Inventories

Inventories of raw material, packing material, work-in-process and finished goods are valued at cost or net realisable value, whichever is lower, except for scrap which is valued at net realisable value. Cost is ascertained on a weighted average cost basis. Cost of finished goods includes the cost of materials consumed, manufacturing overheads and excise duty.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

#### (h) Foreign Currency Transactions

(i) Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

(iv) The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognised as income or as expense for the year. None of the forward exchange contracts are taken for trading or speculation purpose.

#### (i) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

#### (j) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

##### Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales include excise duty, sale of scrap and are net of sales tax and quantity discount.

##### Income from Services

Income from services is recognised on pro-rata basis as and when services are rendered.

##### Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

#### (k) Retirement and other Employee Benefits

(i) Retirement benefits in the form of Provident Fund & Superannuation Fund is a defined contribution scheme and the contributions are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due. The Company has no other obligation other than the contributions payable.

(ii) Gratuity liability is a defined benefit obligation and are provided for on the basis of an actuarial valuation on Projected Unit Credit Method calculated at the end of each financial year.

(iii) Compensated Absence liability is provided for based on actuarial valuation done as per Projected Unit Credit Method calculated at the end of each financial year.

(iv) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

**(l) Employee Stock Option**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the fair value method. Compensation expense is amortised over the vesting period of the option on a straight line basis.

**(m) Research and Development**

Revenue expenditure on research and development (R&D) is expensed as incurred.

**(n) Export Incentives**

Advance licences are issued to the Company under the Advance License Scheme [Duty Exemption Entitlement Certificate (DEEC Scheme)]/duty entitlement credited under the Duty Entitlement Pass Book Scheme (DEPB Scheme)/Target Plus Entitlement Scheme on export of the goods manufactured by it. Wherever export sales are made by the Company, pending receipt of imported duty-paid raw materials under the DEPB scheme, the higher cost of domestic raw materials actually consumed for the purpose of such exports is compensated and/or matched by accruing the value of the benefit under the DEPB scheme.

**(o) Taxes on Income**

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is determined as the amount of tax payable in respect of taxable income for the year based on provisions of Income Tax Act, 1961. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if legally and enforceable right exist to set off current tax asset against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In case of unabsorbed depreciation and carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative Tax (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

**(p) Expenditure on new projects and substantial expansion**

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is related to construction or is incidental thereto. Income earned during construction period is deducted from the total of the indirect expenditure.

**(q) Operating Leases**

Assets taken on Lease under which all significant risks and rewards of ownership are effectively retained by the lessor are

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

classified as Operating Leases. Lease payments under Operating Leases are recognised on straight line basis over the lease period unless another systematic basis is more representative of the time pattern of the users benefit.

#### (r) Earnings Per Share

The Company reports basic and diluted earnings per share in accordance with Notified AS 20 under the Companies (Accounting Standards) Rules, 2006 issued by The Institute of Chartered Accountants of India on 'Earnings Per Share'. Basic earnings per share is computed by dividing the net profit or loss for the period attributable to equity shareholders after deducting attributable taxes by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit or loss for the period by the weighted average number of equity shares outstanding during the period. Both profit for the year and weighted average number of shares are adjusted for the effects of all diluted potential equity shares except where the results are anti-dilutive.

#### (s) Cash and Cash equivalents

Cash and Cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

#### (t) Segment Reporting Policies

The Company's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Company generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices. Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs. The Corporate and Other segment includes general corporate income and expense items which are not allocated to any business segment. The Company prepares its segment information in conformity with the accounting policy adopted for preparing and presenting the financials statement of the Company as a whole.

#### (u) Provisions, Contingent Liabilities and Contingent Assets

As per Notified AS 29 under the Companies (Accounting Standards) Rules, 2006, Provisions, Contingent Liabilities and Contingent Assets, issued by the Institute of Chartered Accountants of India, the Company recognises provisions (without discounting to its present value) only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation as and when a reliable estimate of the amount of the obligation can be made.

No provision is recognised for –

- (i) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- (ii) Any present obligation that arises from past events but is not recognised because –
  - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - A reliable estimate of the amount of obligation cannot be made.

Such obligations are disclosed as Contingent Liabilities. These are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, are provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets are neither recognised nor disclosed in the financial statements since this may result in the recognition of income that may never be realised.

#### (v) Derivative Instruments

As per ICAI announcements, accounting for derivative contracts, other than those covered under AS 11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge items is charged to the income statement. Net gains are ignored.

The Company takes future Commodity contracts (Aluminium Contracts) against future sales transactions. These Commodity contracts are rolled over in case the period of the contracts is less than the period of future sales transactions. On roll over, the Company has to pay/receive the differential amount in case, aluminum prices have gone down/up (loss/ profit).

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

The Company carries the loss/profit in the balance sheet till the future sales transactions take place. This loss/profit is transferred to profit and loss account on conclusion of the future sales transactions.

#### 3. Deferred Tax

- a) The break-up of closing net deferred tax liability is as under: -

(Rs. in Crores)

Particulars	Current Year	Previous Year
<b>Deferred Tax Liability</b>		
(a) Depreciation	70.10	63.24
(b) On export benefit	-	0.02
<b>Deferred Tax Assets</b>		
(a) On provision for doubtful debts	7.99	6.76
(b) On unabsorbed tax depreciation and carried forward losses	5.28	17.97
(c) On Employee Benefits	0.88	0.40
<b>Net Deferred Tax Liability</b>	<b>55.95</b>	<b>38.13</b>

The company has recognised deferred tax assets since the management believes that the reversal of timing differences on account of depreciation would result in sufficient taxable income against which the said deferred tax can be realised.

- b) Deferred tax charged for the year (Rs. in Crores)

Particulars	Current Year	Previous Year
Opening Deferred Tax Liability	38.13	10.25
Less: Closing Deferred tax liability	55.95	38.13
<b>Deferred tax charged for the year before prior period depreciation</b>	<b>17.82</b>	<b>27.88</b>
Less: Deferred Tax on prior period depreciation	1.09	-
<b>Deferred tax charged for the year after prior period depreciation</b>	<b>16.73</b>	<b>27.88</b>

4. The amount of foreign exchange (gain)/loss adjusted during the year to the carrying cost of the fixed assets and capital work-in-progress is Rs. 0.87 Crore (Previous year Rs. Nil) and (credited)/debited to respective heads of accounts in Profit and Loss Account is Rs. 12.53 Crores (Previous year Rs. 23.35 Crores); premium on forward exchange contract to be recognised in the Profit and Loss Account of subsequent accounting period is Rs. 6.37 Crores (Previous year Rs. 0.61 Crore).

#### 5. Derivative Instruments

The company has entered into the following derivative instruments:

- (a) The following are the outstanding Forward Exchange Contracts entered into by the Company, for hedge purpose, as on 31st March, 2009:

Year	Currency in Crore	Amount (Rs. in Crores)	Buy/Sell	No. of Contracts
<b>Current Year</b>	US\$ 10.02	499.58	Buy	264
	US\$ 8.42	419.60	Sell	203
	Euro 0.30	19.41	Buy	8
	Euro 0.52	35.03	Sell	11
	SGD 0.03	1.12	Buy	2
<b>Previous Year</b>	US\$ 6.62	264.25	Buy	137
	US\$ 5.79	231.53	Sell	149
	Euro 0.01	0.46	Sell	2
	JPY 50.70	20.32	Buy	2

#### Options:

Year	Currency in Crore	Amount (Rs. in Crores)	Buy/Sell	No. of Contracts
<b>Current Year</b>	-	-	-	-
<b>Previous Year</b>	US\$ 0.15	6.00	Buy	1

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

(b) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

**i. Amounts receivable in foreign currency on account of the following:** (Rs. in Crores)

Year	Particulars	Currency	Amount
<b>Current Year</b>	Export of goods	US\$ 0.06	2.97
	Export of goods	Euro 0.06	3.97
	Export of goods	GBP 0.01	0.48
	Advance to Suppliers	US\$ 0.00	0.02
	Advance to Suppliers	Euro 0.00	0.12
	Advance to Suppliers	SGD 0.08	2.65
	Advance to Suppliers	RMB 0.10	0.32
	Advance to Suppliers	CAD 0.01	0.20
	Balance with Non-scheduled Bank	US\$ 0.00	0.24
	Balance with Non-scheduled Bank	CNY 0.01	0.11
	Balance with Non-scheduled Bank	GBP 0.00	0.06
<b>Previous Year</b>	Export of goods	US\$ 0.25	9.74
	Export of goods	Euro 0.08	4.30
	Advance to Suppliers	US\$ 0.30	11.85
	Advance to Suppliers	Euro 0.01	0.76
	Advance to Suppliers	THB 0.06	0.07
	Advance to Suppliers	JPY 0.21	0.07

**ii. Amounts payable in foreign currency on account of the following:**

Particulars	Currency in Crore Current Year	Amount (Rs. in Crores) Current Year	Currency in Crore Previous Year	Amount (Rs. in Crores) Previous Year
Import of goods and services	US\$ 0.04	2.27	US\$ 1.39	55.71
Import of goods and services	Euro 0.08	5.61	Euro 0.07	4.21
Import of goods and services	GBP 0.00	0.01	–	–
Advance from Customers	US\$ 0.76	37.19	US\$ 0.83	33.01
Advance from Customers	Euro 0.00	0.21	–	–
Buyers Credit	US\$ 0.31	13.19	US\$ 1.02	40.81
Buyers Credit	–	–	Euro 0.04	2.41

(c) Commodity Future Contract to hedge against fluctuation in commodity prices (Aluminium). The following are the outstanding Futures contracts entered into by the company as on 31st March, 2009:

Year	No. of Contracts	Contracted Quantity	Buy/Sell
<b>Current Year</b>	71	10,025 MT	Buy
<b>Previous Year</b>	24	2,625 MT	Buy

6. In terms of accounting policy (Refer Note 2 (n)) for the accrual of export incentives, estimated benefits of Rs 30.01 Crores (Previous Year Rs. 18.99 Crores) have been taken into account under the DEPB/High Value Add Income Scheme/Duty Drawback/Advance License Scheme.
7. In view of book profits and no taxable profits, as per computation of income, the provision for tax has been made as per MAT under Section 115 JB of the Income Tax Act, 1961. The Company is entitled to avail Credit under Section 115JAA (1A). Accordingly it has considered MAT credit entitlement as an asset as it has reversible deferred tax liability on account of depreciation.
8. The Company had in an earlier year received an order of CESTAT upholding the demand of Rs. 188 Crores (including penalties) in the pending excise/custom matters on various grounds. The Company's appeal with the Hon'ble High Court of Mumbai was rejected on the grounds of jurisdiction. The Company preferred an appeal with the Hon'ble Supreme Court of India against the order of CESTAT which has been admitted. The Company has re-evaluated the case on admission of appeal by the Hon'ble Supreme Court. Based on their appraisal of the matter, the legal advisors/consultants are of the view that under most likely event, the provision of Rs. 5 Crores made by the Company against the above demand is adequate. The management is confident of a favourable order and hence no further provision is considered against the said demand.

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

#### 9. Employee Stock Option Scheme

The Company has granted Employees Stock Options Plan, 2006 (ESOP) to its employees pursuant to the resolution passed by the shareholders at the Extraordinary General Meeting held on March 13, 2006. The Company has followed the fair value method (Black Scholes Options Pricing Model) for the valuation of these options. The Compensation Committee of the Company has approved four grants vide their meeting held June 14, 2006; March 19, 2007, September 28, 2007 and June 14, 2008 respectively. As per the plan, Options granted under ESOP would vest in not less than one year and not more than five years from the date of grant of such options. Vesting of options would be subject to continued employment with the company. The plan will be equity settled plan.

**Other details of the options are as follows:**

	Grant 1	Grant 2	Grant 3	Grant 4
Date of grant	14-Jun-06	19-Mar-07	28-Sep-07	14-Jun-08
Number of options granted	465,700	127,200	261,550	51,100
Method of Settlement	Equity	Equity	Equity	Equity
Vesting Period	3 Yrs.	2.25 Yrs.	1.71 Yrs.	1 Yr.
Exercise Period	1 Year	1 Year	1 Year	1 Year
Vesting Conditions	Business Performance	Business Performance	Business Performance	Business Performance

**The details of the activity under the plan have been summarised below:**

	Current Year		Previous Year	
	Number of Options	Weighted Average Exercise Price (Rs.)	Number of Options	Weighted Average Exercise Price (Rs.)
Outstanding at the beginning of the year	701,610	5	592,900	5
Granted during the year	51,100	5	261,550	5
Forfeited during the year	Nil	-	Nil	-
Exercised during the year	70,100	5	73,680	5
Expired during the year	318,489	5	79,160	5
Outstanding at the end of the year	364,121	5	701,610	5
Exercisable at the end of the year	80,828	5	11,620	5
Weighted average remaining contractual life (in years)	0.21	-	1.17	-
Weighted average fair value of options granted	160.85		143.31	

**The fair value as per the Black Scholes Options Pricing Model was measured based on the following input:**

Date of grant	Vest 1	Vest 2	Vest 3
<b>14th June, 2006</b>			
<b>Variables</b>	<b>14-Jun-07</b>	<b>14-Jun-08</b>	<b>14-Jun-09</b>
Weighted average Stock Price	89.25	89.25	89.25
Expected Volatility (*)	59.78%	58.90%	60.52%
Risk free Rate	7.07%	7.16%	7.26%
Exercise Price	5	5	5
Time To Maturity	1.5	2.5	3.5
Dividend yield	0.57%	0.57%	0.57%
<b>Outputs</b>			
Option Fair Value	<b>83.99</b>	<b>83.81</b>	<b>83.62</b>
Vesting Percentage	<b>20.00%</b>	<b>40.00%</b>	<b>40.00%</b>
<b>Option Fair Value</b>		<b>83.79</b>	



## Schedules forming part of the Consolidated Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

<b>Date of grant</b> <b>19th March, 2007</b>	<b>Vest 1</b>	<b>Vest 2</b>
<b>Variables</b>	<b>19-Jun-08</b>	<b>19-Jun-09</b>
Weighted Average Stock Price	179	179
Expected Volatility (*)	62.90%	57.75%
Risk free Rate	8.07%	8.06%
Exercise Price	5	5
Time To Maturity	1.5	2.5
Dividend yield	0.57%	0.57%
<b>Outputs</b>		
Option Fair Value	<b>173.04</b>	<b>172.37</b>
Vesting Percentage	<b>60.00%</b>	<b>40.00%</b>
<b>Option Fair Value</b>	<b>172.77</b>	<b>172.77</b>

<b>Date of Grant</b> <b>28th September, 2007</b>	<b>Vest 1</b>	<b>Vest 2</b>
<b>Variables</b>	<b>28-Sep-2008</b>	<b>14-Jun-2009</b>
Weighted Average Stock Price	237.30	237.30
Expected Volatility (*)	56.69%	60.98%
Risk free Rate	7.20%	7.29%
Exercise Price	5.00	5.00
Time To Maturity	1.50	2.21
Dividend yield	0.51%	0.51%
Option Fair Value	<b>231.02</b>	<b>230.40</b>
Vesting Percentage	<b>50.00%</b>	<b>50.00%</b>
<b>Option Fair Value</b>	<b>230.71</b>	<b>230.71</b>

<b>Date of grant</b> <b>14th June, 2008</b>	<b>Vest</b>
<b>Variables</b>	<b>14-Jun-09</b>
Weighted Average Stock Price	198.50
Expected Volatility (*)	72.11%
Risk free Rate	8.34%
Exercise Price	5.00
Time To Maturity	1.50
Dividend yield	0.49%
<b>Outputs</b>	
Option Fair Value	<b>192.65</b>
Vesting Percentage	<b>100.00%</b>
<b>Option Fair Value</b>	<b>192.65</b>

(\*)The measure of volatility used in the above model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. The volatility periods considered above, corresponding to the respective expected lives of the different vests are prior to the grant date. The daily volatility of stock prices is considered as per the National Stock Exchange (NSE) prices over these years.

10. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of Advances) are Rs. 25.80 Crores (Previous Year Rs. 66.88 Crores).

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

11. In view of Notified AS 28 under the Companies (Accounting Standards) Rules, 2006 on Impairment of Assets (AS) – 28 issued by the Institute of Chartered Accountants of India, the Company has reviewed its fixed assets and impaired assets worth Rs. Nil during the year (Previous Year Rs. 0.21 Crore) on account of impairment in addition to the provision already made in the books.

12. There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

#### 13. Payment to Auditors (Excluding Service Tax)

(Rs. in Crores)

Particulars	Current Year	Previous Year
a) Audit Fees	0.37	0.30
b) Tax Audit Fees*	0.06	–
c) Any other capacity (certification work)	0.02	0.01
d) Out of Pocket Expenses	0.05	0.05
<b>Total</b>	<b>0.50</b>	<b>0.36</b>

\* The payment is inclusive of Rs. 0.03 Crore (Previous Year Rs. Nil) paid for previous year and exclusive of Service tax.

#### 14. Related Party Disclosures

Related party disclosures as required by Notified AS 18 under the Companies (Accounting Standards) Rules, 2006 “Related Party Disclosures” are given below:

(A) Name of related party and its relationship:

(i) Key Management Personnel

Dr. Anand Agarwal

Mr. Pravin Agarwal

(ii) Investing Company

Twin Star Overseas Limited

(B) There are no provisions for doubtful debts or no amounts have been written off in respect of debts due to or from related parties.

(C) The following transactions were carried out with the related parties:

(Rs. in Crores)

Sr. No.	Transaction	Twin Star Overseas Limited		Key Management Personnel	
		08-09	07-08	08-09	07-08
	<b>Transactions during the year:</b>				
1.	Remuneration (*)	–	–	4.83	3.50
2.	Investments during the year	–	–	–	–
3.	Dividend	2.81	1.90	–	–
4.	Equity Share Capital Issue	–	1.40	–	–
5.	Equity Share Premium	–	26.60	–	–
6.	Sale of Car	–	–	0.06	–
	<b>Balance outstanding as at the year end:</b>	–	–	–	–

\* It includes payment to Dr. Anand Agarwal of Rs.1.25 Crores (Previous Year Rs. 1.03 Crores) & Rs.3.58 Crores paid to Mr. Pravin Agarwal (Previous Year Rs. 2.47 Crores). Current Year's Salary of Mr. Pravin Agarwal includes contribution to Superannuation Fund of Rs. 0.17 Crores pertains to Financial Year 2007-08.

#### 15. Operating Leases

The Company has taken Office Buildings on Operating lease. The lease term is for a period of three years and renewable at the option of the Company. Disclosures in respect of Operating Leases of office buildings as per the requirement of Notified AS- 19

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

under the Companies (Accounting Standard) Rules, 2006 on Leases issued by The Institute of Chartered Accountants of India, is as under:

- Lease payments recognised in the statement of Profit and Loss for the period is Rs. 1.23 Crore (Previous year Rs. 0.29 Crore).
- The future minimum lease payments payable over the next one year is Rs. 1.37 Crores (Previous year Rs. 0.51 Crore).
- The future minimum lease payments payable later than one year but not later than five year is Rs. 1.92 Crores (Previous year Rs. 0.81 Crore).

#### 16. Earnings Per share (EPS)

(Rs. in Crores)

Particulars	Current Year	Previous Year
<b>I. Net Profit as per Profit and Loss Account available for Equity Shareholders</b>	90.45	100.66
<b>II. Weighted Average Number of equity shares</b>		
<b>For Basic Earnings Per share</b>	64,503,432	62,632,181
<b>For Diluted Earnings Per Share</b>		
No. of Share for Basic EPS	64,503,432	62,632,181
Add: Potential Equity Shares		
a) Convertible Warrant	–	1,836,066
b) Employee Stock Option	334,171	671,201
No. of Shares for Diluted Earnings Per Share	64,837,603	65,139,448
<b>III. Earnings Per Share (Weighted Average)</b>		
Basic (On Nominal Value of Rs. 5 per Share) Rupees	14.02	16.07
Diluted (On Nominal Value of Rs. 5 per Share) Rupees	13.95	15.45

17. The disclosures as per the Notified AS 15 under the Companies (Accounting Standards) Rules, 2006 on “Employee Benefits”, are as follows:

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with Life Insurance Corporation of India in the form of a qualifying insurance policy.

#### Balance Sheet

##### Details of Provision for Gratuity

(Rs. in Crores)

Particulars	Current Year	Previous Year
Defined Benefit Obligation	2.34	1.89
Fair Value of Plan Assets	1.73	2.14
Plan (Assets)/Liability	0.61	(0.25)

##### Change in defined benefit obligation

(Rs. in Crores)

Particulars	Current Year	Previous Year
Defined benefit obligation at the beginning of the year	1.89	1.88
Current Service cost	0.35	0.33
Interest cost	0.16	0.17
Actuarial (gain)/loss on obligation	0.27	(0.32)
Benefits paid	(0.33)	(0.17)
Defined benefit obligation, end of the period	2.34	1.89

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

<b>Change in fair value of plan assets</b>			(Rs. in Crores)
<b>Particulars</b>	<b>Current Year</b>	<b>Previous Year</b>	
Fair value of plan assets at the beginning of the year	2.06	2.13	
Expected return on plan assets	0.15	0.17	
Contribution by employer	–	0.03	
Benefits paid	(0.33)	(0.17)	
Actuarial gain/(loss) on plan assets	(0.15)	(0.01)	
Fair value of plan assets at the end of the year	1.73	2.14	

<b>Net period gratuity cost</b>			(Rs. in Crores)
<b>Particulars</b>	<b>Current Year</b>	<b>Previous Year</b>	
Current Service cost	0.35	0.33	
Interest cost on benefit obligation	0.16	0.17	
Net actuarial (gain)/loss recognised in the year	0.43	(0.31)	
Expected return on plan assets	(0.15)	(0.17)	
Net benefit expense	0.79	0.02	

The Company expects to contribute Rs. 0.53 Crore to gratuity in the year 2009-10.

The major categories of plan assets as a percentage of the fair value of total plan assets is as follows:

<b>Particulars</b>	<b>Current Year</b>	<b>Previous Year</b>
	%	%
Investment with Insurer (Life Insurance Corporation of India)	100.00	100.00
Assumptions:		
Discount rate	7.50%	
Expected rate of return on plan assets	8.00%	
Employee Turnover	2.00%	
Actual rate of return on plan assets	9.30%	

### 18. Contingent Liabilities

			(Rs. in Crores)
<b>Sr. No.</b>	<b>Descriptions</b>	<b>Current Year</b>	<b>Previous Year</b>
1.	Disputed Liabilities in Appeal		
	a) Sales Tax	0.59	1.28
	b) Excise Duty	78.80	65.82
	c) Customs Duty	74.52	74.52
	d) Service Tax	2.45	0.80
	e) Claims lodged by a Bank Against the Company (*)	18.87	18.87
	f) Claims against the Company not acknowledged as debt	2.78	–
	g) Excise Duty Case in Supreme Court (Refer Note 8 supra)		
2.	Outstanding amount of Export obligation against Advance Licence	0.37	2.21
3.	Estimated amount of contracts remaining to be executed on Capital account and not provided for (Net of Advances)	25.80	66.88
4.	The Company has given Corporate Guarantee to the Income Tax Department on behalf of group companies. The outstanding amount is Rs. 114.00 Crores (Previous Year Rs. 114.00 Crores) on this account as at the year-end.		

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

The Company has deposited Rs. 8.14 Crores under protest against above contingent liabilities.

The Company has not provided for disputed Sales Tax, Excise Duty, Customs Duty and Service Tax arising from disallowances made in assessments which are pending with Appellate Authorities for its decision.

It is not practicable to indicate the uncertainties which may affect the future outcome and estimate the financial effect of the above liabilities.

(\*) In earlier year, one of the bank of the Company had wrongly debited an amount of Rs. 18.87 Crores, towards import consignment under Letter of Credit not accepted by the Company, owing to discrepancies in the documents. The Company has filed the case against the bank in the High Court of Mumbai. The bank has also filed a claim against the Company in the Debt Recovery Tribunal. The Company does not believe that any liability will arise to the Company.

- 19.** In accordance with the Notified AS 17 under the Companies (Accounting Standards) Rules, 2006 on "Segment Reporting", issued by the Institute of Chartered Accountants of India, the Company has identified two reportable Business Segments i.e. Telecom Product Business and Power Transmission Business, which are regularly evaluated by the Management, in deciding the allocation of resources and assessment of performance. Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common cost. The segment performance as follows:

(i) Particulars	Telecom		Transmission		Unallocable		Total	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Segment Revenue	868.96	690.71	1,520.74	1,080.57	-	-	2,389.70	1,771.28
Less: Excise	52.53	55.39	47.94	30.10	-	-	100.47	85.49
Net Revenue	816.43	635.33	1,472.80	1,050.46	-	-	2,289.23	1,685.79
Segment Results (PBIT)	80.56	58.52	114.75	105.09	0.49	(0.10)	195.81	163.51
Less: Interest	-	-	-	-	88.00	33.17	88.00	33.17
Profit/(Loss) Before Tax	-	-	-	-	-	-	107.81	130.34
Provision for Tax (Net)	-	-	-	-	19.28	29.72	19.28	29.72
Profit/(Loss) After Tax (Before Minority Interest)	-	-	-	-	-	-	88.52	100.62
Less: Minority Interest	-	-	-	-	0.19	(0.04)	0.19	(0.04)
Profit/(Loss) After Tax (After Minority Interest)	-	-	-	-	-	-	88.33	100.66
Prior Period Depreciation	-	-	-	-	(2.13)	-	(2.13)	-
Profit/(Loss) After Tax (After Minority Interest & Prior Period Depreciation)	-	-	-	-	-	-	90.45	100.66
Segment Assets	910.85	793.34	720.00	739.02	45.94	32.53	1,676.79	1,564.90
Segment Liabilities	519.72	443.66	465.33	531.78	70.66	50.09	1,055.71	1,025.53
Capital Expenditure Incurred	33.58	51.84	35.26	85.28	-	-	68.84	137.13
Depreciation	28.88	28.03	13.64	8.93	-	-	42.52	36.96
Impairment	-	0.21	-	-	-	-	-	0.21
Significant non-cash expenditure	7.49	0.48	1.09	0.59	1.47	4.48	10.05	5.55

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Rs. in Crores)

(ii) Particulars	Current Year	Previous Year
<b>1. Segment Revenue – External Turnover</b>		
– Within India	1,735.81	1,253.27
– Outside India	653.89	518.01
<b>Total Revenue</b>	<b>2,389.70</b>	<b>1,771.28</b>
<b>2. Segment Assets</b>		
– Within India	1,542.49	1,470.24
– Outside India	134.31	94.66
<b>Total Assets</b>	<b>1,676.80</b>	<b>1,564.90</b>
<b>3. Capital Expenditure</b>		
– Within India	68.84	137.13
<b>Total Capital Expenditure</b>	<b>68.84</b>	<b>137.13</b>

**20.** The Company has not received any intimation from “suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year-end together with interest paid/payable as required under the said Act have not been given.

**21.** Expenditure of Rs. 2.30 Crores (Previous Year Rs. 6.49 Crores) on account of financing cost relating to borrowed funds for construction or acquisition of fixed assets on projects under implementation is debited to “Capital work-in-Progress”.

#### **22. Pre-operative Expenses**

Details of Pre-operative Expenses are given below:

(Rs. in Crores)

	Current Year	Previous Year
Manufacturing & Other Expenses	–	2.62
Personnel	–	0.45
Administration & General	–	0.43
Interest & Finance Charges	–	2.82
	–	<b>6.32</b>

**23.** Excise duty on sales amounting to Rs. 100.47 Crores (Previous Year Rs. 85.49 Crores) has been reduced from sales in profit & loss account and excise duty on increase/decrease in stock amounting to Rs. (0.11) Crore (Previous year Rs. 1.90 Crore) has been considered as income in Schedule 15 of financial statements.

#### **24. Previous Year Comparatives**

Previous Year’s figures have been regrouped where necessary to confirm to current year’s classification.

For and on behalf of the Board

For **S.R. Batliboi & Co.**  
Chartered Accountants

**Pravin Agarwal**  
Whole-time Director

**Dr. Anand Agarwal**  
CEO & Executive Director

Per **Tridibes Basu**

Membership Number: 17401 Place: Mumbai  
Dated: April 24, 2009

**Anupam Jindal**  
Chief Financial Officer

**Sandeep Deshmukh**  
Company Secretary

## Cash Flow Statement

(Rs. in Crores)

	Year Ended March 31, 2009	Year Ended March 31, 2008
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net Profit/(Loss) after tax as per Profit &amp; Loss Account</b>	90.64	100.62
<b>Adjustment for Taxation</b>	19.28	29.72
	109.92	130.34
Adjustments for :		
- Depreciation and Impairment	42.52	37.17
- Prior period depreciation	(2.13)	-
- Unclaimed liabilities written back	(0.71)	-
- Provision for Doubtful Debts	7.80	0.25
- Bad Debts written off	0.78	0.82
- Dividend income	(1.05)	-
- Interest Expenses (net)	88.00	35.98
- Exchange difference	5.60	(1.41)
- (Profit)/Loss on Sale of Assets	0.20	0.08
- Employees Stock Option Expenses amortized	0.68	4.48
- Amortisation of Preliminary Expenses	0.01	-
	141.70	-
<b>Operating profit before working capital changes</b>	<b>251.62</b>	<b>207.71</b>
Movements in working capital :		
- (Increase)/Decrease in Trade and other receivables	(47.90)	(141.50)
- (Increase)/Decrease in Inventories	119.02	(99.40)
- Increase/(Decrease) in Trade payables	167.15	99.39
	238.27	99.39
Cash generated from operations	489.89	66.20
Direct taxes Paid/TDS deducted (Net of Refunds)	(14.37)	(7.99)
<b>Net cash flow from Operating Activities</b>	<b>475.52</b>	<b>58.21</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets (Including Capital Work-in-Progress)	(145.07)	(120.58)
Proceed from Sale of Fixed Assets	7.90	10.45
Purchase of Investments	(86.56)	(9.59)
Sale of Investments	-	6.30
Dividend Received	1.05	-
Investment in Bank Fixed Deposits*	10.77	(20.78)
Interest received	6.60	-
<b>Net cash flow (used) in / from Investing Activities</b>	<b>(205.31)</b>	<b>(134.20)</b>

## Cash Flow Statement (Contd.)

(Rs. in Crores)

	Year Ended March 31, 2009	Year Ended March 31, 2008
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds/(Repayment) of Secured Loans (net)	(164.76)	67.26
Proceeds/(Repayment) of Share Capital	–	32.90
Proceeds/(Repayment) of Employee Stock Options	0.04	0.04
Proceeds from Unsecured Loans	25.00	10.00
Repayment of Unsecured Loans	(30.48)	(2.74)
Interest paid	(92.45)	(36.97)
Dividend paid on Equity Shares (Including Corporate Dividend Tax)	(8.03)	(5.30)
Share Issue Expenses	–	(0.09)
<b>Net Cash flow from Financing Activities</b>	<b>(270.68)</b>	<b>65.10</b>
<b>Net Increase/(decrease) in cash and cash equivalents</b>	<b>(0.47)</b>	<b>(10.89)</b>
<b>Cash and cash equivalent as at beginning of the year</b>	<b>2.52</b>	<b>13.41</b>
<b>Cash and cash equivalent as at year end</b>	<b>2.05</b>	<b>2.52</b>
Components of Cash & cash equivalents:		
Cash & Bank Balance as per Schedule 10	77.94	89.18
Less: Fixed deposits not considered as cash equivalent as maturity period is more than 3 months.	75.89	86.66
<b>Cash and cash equivalent as at year end</b>	<b>2.05</b>	<b>2.52</b>

\* Investments in Bank Fixed Deposits having maturity of more than 3 Months have been shown under the cash flows from Investing activities.

As per our attached report of even date

**For S.R. Batliboi & Co.**  
Chartered Accountants

Per **Tridibes Basu**  
Partner  
Membership Number: 17401

Place: Mumbai  
Dated: April 24, 2009

For and on behalf of the Board

**Pravin Agarwal**                      **Dr. Anand Agarwal**  
Whole-time Director                      CEO & Whole-time Director

**Anupam Jindal**                      **Sandeep Deshmukh**  
Chief Financial Officer                      Company Secretary



## Notes

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## Notes

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## Board of Directors

Anil Agarwal

Arun Tadarwal

A. R. Narayanaswamy

Haigreve Khaitan

Pravin Agarwal

Anand Agarwal

## Chief Financial Officer

Anupam Jindal

## Company Secretary

Sandeep Deshmukh

## Registered Office

E-1, Waluj MIDC Industrial Area,  
Aurangabad 431 136,  
Maharashtra, India.

## Auditors

S. R. Batliboi & Co.

## Bankers

Bank of Maharashtra

Barclays Bank

Citibank

Corporation Bank

HDFC Bank

DBS Bank

ICICI Bank

Kotak Mahindra Bank

Oriental Bank of Commerce

Punjab National Bank

State Bank of India

Union Bank of India

Yes Bank

## Registrar and Transfer Agents

Karvy Computershare Private Limited

Unit – Sterlite Technologies Limited

Plot No. 17 to 24, Vittalrao Nagar,  
Madhapur, Hyderabad –500 081

Tel: +91-40-23420818 / 828

Fax: +91-40-23420814

E-mail: einward.ris@karvy.com

## FORWARD LOOKING STATEMENT

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in our assumptions. The achievement of results are subject to risks, uncertainties and estimates taken as assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.



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