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STERLITE
INDUSTRIES (INDIA) LIMITED



Sales
Rs. **2035**(US \$ 469 million)

Rs. 326 crore (US \$ 75 million)

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Net Profit

Rs. 161

Crore

(US \$ 37 million)

50%

Compounded Annual
Sales Growth Rate over 10 years

44%

Compounded Annual
Net Profit Growth Rate over 10 years

Blazing the growth trail



Vision Credo

As the world enters the Third Millennium, a new order emerges. An order that defines an entirely new set of values - economic, social and corporate. A set of values that sees opportunities in a complex world. And seizes them in time. A corporate creed that is internationally competitive in every venture. A social ambience that gets the right people to ensure performance and results. An economic ethos that reaps the fruits of industrious efforts and shares them with the family of stakeholders. Sterlite Industries (India) Limited. Where growth is not just a corporate philosophy. Growth is blazing ahead.



OARD OF DIRECTORS

Anil Agarwal

Chairman & Managing Director

Ishwarial Patwari

Dwarka Prasad Agarwal

Hejmadi Narahari Rao

Sandeep Junnarkar

S. P. Nagarkatte

Nominee Director - ICICI

Navin Agarwal

Whole-time Director

Tarun Jain

Director (Finance)

SOLICITORS & ADVOCATES

M/s. Kanga & Co.

AUDITORS

M/s. Chaturvedi & Shah - Mumbai

M/s. Das & Prasad - Calcutta

BANKERS

ABN Amro Bank

American Express Bank

Banque Nationale De Paris

Canara Bank

Credit Lyonnais

Deutsche Bank

HDFC Bank Limited

ICICI Banking Corporation Limited

Punjab National Bank

State Bank of India

Syndicate Bank

The Bank of Nova Scotia

TRANSFER AGENTS

PCS Industries Limited

Hyfa Building, No. 2 Safed Pool

Andheri-Kurla Road, Andheri (E)

Mumbai - 400 072

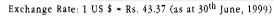


G ROWTH CONTINUES

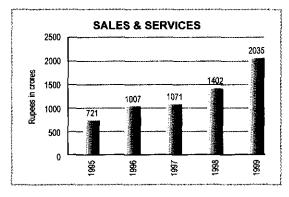
Ten years at a glance

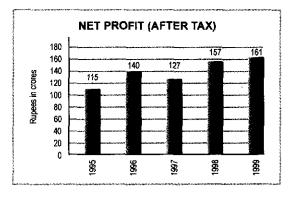
(Rupees in crore)

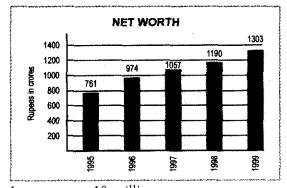
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	1999 5 mili
SALES & SERVICES	71.02	81.55	189.56	312.06	600.70	720.89	1006.67	1071.44	1402.11	2034.74	
GROSS PROFIT	10.93	13.05	29.88	48.93	100.13	135.95	159.88	149.22	194.43	241,70	
NET PROFIT (AFTER TAX)	8.74	10.28	24.49	41.30	84.74	114.87	140.16	126.92	156.67	160.80	
CASH GENERATION	10.06	12.30	27.13	46.58	95.13	129.95	157.77	148.09	193.37	240.55	
CAPITAL EMPLOYED	50.75	107.38	151.53	485.68	1023.61	1224.59	1650.54	2247.37	2568.32	2617.57	
DEBT EQUITY RATIO	0.38	0.45	0.41	0.35	0.75	0.61	0.67	1.12	1.16	1.00	
GROSS BLOCK + CWIP	29.13	47.16	102.51	306.38	395.07	554.82	1229,23	1472.09	1892.06	1985.11	
NET CURRENT ASSETS	26.12	50.81	55.73	168.52	297.11	434.08	424.22	825.57	752.73	785.62	
NET WORTH	25.38	42.08	98.30	131.29	205.61	760.97	973.61	1057.48	1190.26	1302.65	
EQUITY CAPITAL	3.28	4.36	8.25	14.88	14.90	40.30	44.34	44.42	44.44	44.45	
BOOK VALUE PER SHARE (Rs.)	77.29	96.52	118.88	88.21	137.90	185.60	228.60	233.32	262.62	287 40	
EARNING PER SHARE (Rs.)	26.62	23.59	29.69	27.77	56.87	28.50	31.60	28.57	35.25	36.18	
EQUITY DIVI <mark>d</mark> end - %	40	45	50	55	65	75	80	80	85	100	
BONUS SHARES			4:5								Abdobass

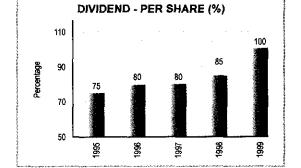












1 crore = 10 million 1 million = 10 lacs





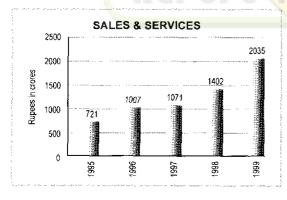
Ten years at a glance

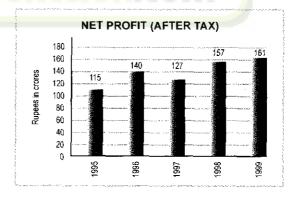
(Rupees in crore)

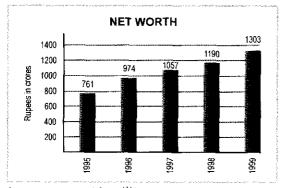
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EQUITY DIVIDEND - %	40	45	50	A 55	65	75	80	80	85	100	
BONUS SHARES			4:5								

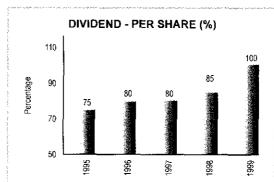
Exchange Rate: 1 US S = Rs. 43.37 (as at 30th June, 1999)

* US S per share









1 crore = 10 million 1 million = 10 lacs



N THE CHAIRMAN'S WORDS

Dear Shareholders,

I am happy to report another year of satisfactory performance notwithstanding the economic slowdown and political instability at the Centre. Your Company's performance is likely to improve substantially in the current year. Higher utilisation of our assets, notably the copper smelter, which is expected to operate at the rated capacity and significant growth in optical fibre will be the predominant growth drivers. At the macro level, economic recovery, low inflation, recovery in commodity prices both in the domestic markets and

internationally, and increased business confidence are conducive to healthy growth. These positive developments will have a favourable impact on the industry and Sterlite. A stable Government at the Centre will further reinforce confidence in the economy and amongst investors.

Strategic thrusts...

Over the past decade, Sterlite has been in the asset creation phase. This is largely complete and I strongly believe that these world-class assets will augment cash flows and form

FY1998-99 Results...

- Revenues at Rs. 2,035 crores, up 45%
- > EBIDTA at Rs. 326 crores, up 55%
- > Cash Profit at Rs. 242 crores, up 24%
- Dividend 100%

the cornerstone for future growth and value enhancement. We are clearly focussed in two main areas of operations viz. Non-ferrous Metals and Telecommunication Cables, which are our core strengths. We will continue to grow in these businesses through optimal use of our assets and capital.

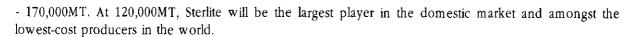
Sterlite's competitive advantage stems from its integrated operations. The jelly filled telephone cable business is integrated backward through in-house copper and aluminium foils. Likewise, the optical fibre cable business has captive optical fibre, its key raw material. This integration improves value-addition and profitability. Sterlite is actively pursuing the possibility of "strategic tie-ups" with overseas copper mines for sourcing copper concentrates in order to strengthen this advantage.

In this competitive world, it is simply not enough to be a large player in the domestic market to enhance value for stakeholders. As India integrates with the world economies and liberalises further, only the globally competitive will prosper. Measures are in place to ensure that Sterlite strengthens its position as a globally par, internationally competitive and universally respected Company.

Our primary objective is to enhance shareholder value. Along with focus on our core competencies, we believe providing higher standards of disclosure, increasing transparency, adhering to the highest standards of corporate governance and continuing communication with our shareholders are essential. We have already taken steps in the above direction and all our efforts will be channelled towards increasing shareholder value.

Non-ferrous Metals...

The copper smelting plant at Tuticorin has stabilised fully and will likely operate at rated capacity levels this year. Improvement in the global copper prices and Treatment Charges/Refining Charges (TC/RC) rates augur well for this division. India will continue to be a net importer of copper and this offers good growth potential. In order to take advantage of the growing domestic demand, Sterlite is planning to expand its smelter capacity in two phases. In the first phase, capacity will be expanded to 120,000 Metric Ton (MT) through debottlenecking with minimal capital investment. In the second phase, capacity will be augmented to 160,000



Telecommunication Cables...

India's telecommunication infrastructure needs to be expanded considerably and the government has accorded it top priority. The Department of Telecommunications (DoT), the pivotal agency will be playing a major part in network expansion. It is heartening to note that the cable requirements of DoT continue to grow at over 15% annually. Optical fibre cables continue to grow almost exponentially with the advent of the Internet explosion and e-commerce. Optical fibre is a high technology product and I am happy to report that your Company is one of the largest in South East Asia and amongst the leading manufacturers in the world. I am convinced that the optical fibre business will accelerate very rapidly and our decision to expand the capacity to 1 million kilometres is the right one.

With privatisation issues being sorted out, investments will accelerate and many private sector operators are likely to commence network rollout. These factors will benefit your Company's cables business, both jelly filled and optical fibre.

Our employees - Our backbone...

Our employees are our backbone on which rest our aims and aspirations. We are an equal opportunity Company and believe in the right person for the right job. Continuous training and upgrading of knowledge base and skills are keys to gearing our managers to meet the challenges of the 21st century and Sterlite is totally committed to this endeavour. As a policy, we encourage internal talent for greater responsibilities, and long-term career development is an on-going process.

We recognise the value of "human capital" and its contribution to our growth. While all other forms of capital employed in the business have measurable costs and expected returns, this "human capital" needs to be assessed, nurtured and rewarded. The Board of Sterlite has approved an Employee Stock Option Scheme, which should be in place in the current year. I am sure this will fuel the commitment of our people towards greater achievements.

I again reiterate our resolve to retain our market leadership position in all our major businesses and further improve our global competitiveness. Our focus will be on enhancing shareholder value and all our endeavours will continue to be driven by this philosophy. There is no doubt in our minds that whatsoever we have achieved would not have been possible without the strong support and faith vested in us by our shareholders. I am sure that our relationship will continue to grow, strengthen and prosper in the next millennium.

Sincerely yours,

Anil Agarwal

Chairman & Managing Director

INANCIAL ANALY AND MANAGEMENT PRACTICES

Capital Structure

The issued share capital as at 301ie, 1999 comprised 4.37.34,631 fully paid up + + 7 shares e called and 31,77,928 partly paid (Rs. 5 per up and paid-up) equity shares of Rs. ...ch. The total paid-up equity capital aggregates. Its. 44.95 crore. Unpaid allotment money and the lot arrears aggregated Rs. 0.88 crore. The Company had issued 90,00,000 equity warrants in the provious year which are due for conversion on or before 31st December, 1999. These equity warrants are convertible at a price of Rs. 181 per equity warrant computed at the time of the issue and as per the then prevailing guidelines of the Securities and Exchange Board of India (SEBI). The book value of Rs. 10 paid-up share as at 30th June, 1999 was Rs. 287.4.

During the year, the Company issued 10% redeemable cumulative non-convertible preference shares of Rs. 10 each aggregating Rs. 10 crore.

Reserves and Surplus

As at 30th June 1999, reserves and surplus of the Company aggregated Rs. 1,241.91 crore net of miscellaneous expenditure to the extent not written off or adjusted. Retained earnings accounted for 53% and share premium accounted for 47% of the reserves and surplus.

Loan Profile

The Company's long term debt as at 30th June, 1999 was Rs. 885.27 crore. The composition of long term to short term debt improved to 68:32 compared to 47:53 in the previous year. The Company redeemed outstanding Foreign Currency Convertible Bonds (FCCB) of US \$ 95.34 million on 30th June, 1999. The Company has not raised any new loans for redeeming these bonds, and the bonds were redeemed with the proceeds from the securitisation of DoT receivables and internal cash generation. Floating Rate Notes (FRN) proceeds aggregating US \$ 74.4 million, out of the total US \$ 81 million raised

in June 1997, are deposited in overseas US Dollar denominated investments.

Working capital loan from banks increased from Rs. 148.40 crore to Rs. 334.23 crore on account of borrowings through issue of non-convertible debentures and commercial paper. The increased working capital bank borrowings are due to the increased operations of the Company in general, and copper smelter in particular.

Funding Philosophy

The Company follows conservative financial practices and has raised equity only for setting up initial capacities and new projects. All capacity expansions are financed mainly from operational surpluses. The debt equity ratio of the Company as at 30th June, 1999 was 1.00 reducing from 1.16 in the previous year. Considering the cash balances, the net debt equity ratio further reduces to 0.72. The Company does not intend to borrow beyond a debt:equity ratio of 2:1. The average cost of debt funds outstanding as at 30th June, 1999 was about 11.72 %.

Total Capital Employed

The total capital employed by the Company increased by Rs. 49.25 crore to Rs. 2,617.57 crore. The increase is mainly on account of additions to fixed assets, increase in inventories and loans and advances. The ratio of sales to capital employed increased from 0.54 in FY1997-98 to 0.77 in FY1998-99. With the copper smelter operating at near rated capacity, the Company expects this ratio to improve further in the current year.

Gross Block

The Gross Block increased by Rs. 296.68 crore to Rs. 1,693.19 crore as at 30th June, 1999 from Rs. 1,396.51 crore as at 30th June, 1998 mainly due to commissioning of the oxygen plant, capacity additions in optical fibre and continuous cast copper rod mill, and upgradation of power transmission line aluminium conductor facilities besides various balancing equipment.



Investments

In FY1998-99, investments increased to Rs. 41.02 crore from Rs. 38.77 crore. Earlier investments in certain bonds of public sector enterprises aggregating Rs 10.70 crore were liquidated during the year while investment in subsidiary company increased by Rs. 15 crores.

Inventories

Inventories have increased by Rs. 65.22 crore from Rs. 345.70 crore to Rs. 410.92 crore. The increase is mainly due to the increase in work in progress at the copper smelter and refinery, increased stock of telephone cables and optical fibre. However, in relation to the cost of sales, inventories have declined from 118 days in FY1997-98 to 99 days in FY1998-99.

Sundry Debtors

Sundry debtors as at 30th June, 1999 decreased by Rs. 88.81 crore to Rs. 228.48 crore from Rs. 317.29 crore in the previous year. This was mainly on account of prepayment by Department of Telecommunication (DoT) of Rs. 95 crore against supplies made on deferred payment terms in earlier years. During the year, Rs. 152 crore deferred receivables from the DoT were securitised. Total debtors, thus, declined from 83 days sales in FY1997-98 to 41 days in FY1998-99.

Loans and Advances

Loans and advances during the year increased by Rs. 152.06 crore to Rs. 322.57 crore as at 30th June, 1999. The increase is mainly due to transfer of capital work in progress to 100% subsidiary Sterlite Paper Limited (Rs. 163.69 crore) consequent to hive-off. Loans and advances also include loan to bodies corporate, advances to suppliers and advances for taxes and excise duty. The Company does not expect any bad debts arising from these loans and advances.

Sales and Services

The total sales and service revenue of the Company, including inter-divisional sales for FY1998-99 aggregated Rs. 2,034.74 crore. Net of the inter-divisional sales, the non-ferrous metal business contributed Rs. 772.9 crore (60.3%) while telecommunication cables contributed Rs. 509.6 crore (39.7%).

Domestic market prices of copper cathodes and copper rods are fixed in line with the landed cost of copper based on prices prevailing at the London Metal Exchange (LME). Prices of telecom cables both, jelly filled and optical fibre are based on competitive bidding offered to major customers -DoT, Mahanagar Telephone Nigam Limited (MTNL) and Railways. Optical fibres and aluminium foils are sold at market determined prices while prices of power transmission line aluminium conductors based o n competitive bidding. Prices of optical fibre in the domestic market, usually track global prices.

Other Income

Other income comprises interest earned on temporary deployment of surplus funds in various money market instruments, interest on security deposits, interest on income tax refunds and other loans and dividend income.

Raw Materials

Copper concentrate, the major raw material for copper smelting, is imported. The prices of copper concentrate are linked to the prevailing London Metal Exchange (LME) prices for refined copper. A part of copper rods (about 20%) manufactured at the copper smelter and refinery is consumed inhouse for jelly filled cable manufacture. Other raw materials include polyethylene compounds for sheathing, aluminium cable wraps, steel tapes for armouring, petroleum jelly as filling compound, etc.

The primary raw material for optical fibre i.e. silica tube is imported. The major raw material for optical fibre cable i.e. optical fibre is procured in-house from the optical fibre division. Aluminium cable wrap manufactured by the aluminium foil division is consumed in-house by the jelly filled cable division. Aluminium sheets required by the aluminium foils division and aluminium rods required by the power transmission line division are procured from domestic sources.

Raw material cost as percentage of sales has decreased to 68% in FY1998-99 from previous year figure of 72%. The total value of raw materials consumed at Rs. 1,365.45 crore increased by 37% compared to the previous year. The increase is lower