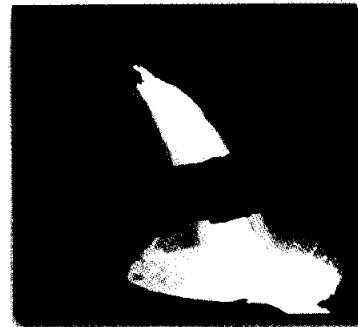




STERLITE
INDUSTRIES (INDIA) LIMITED



REL **Leader**.com



ANNUAL REPORT 2000 - 2001

HIGHLIGHTS

Sales & Services

Rs. 31,212 million
(US\$663.5 million)

EBIDTA

Rs. 3,301 million
(US\$ 70.2million)

Net Profit

Rs. 1,279 million
(US\$ 27.2 million)

110%
Dividend

43%

Compounded Annual Sales
Growth in the last 5 years

56%

Compounded Annual Net Profit
Growth in the last 5 years



Copper Mines, Australia

Highlights of the year

- * Acquired two large Australian copper mines catering to 40% of the Company's ore requirements
- * Acquired 51% controlling interest in The Bharat Aluminium Company Limited (BALCO)
- * Completed de-bottlenecking smelter expansion to 150,000 tpa at Tuticorin
- * Significantly higher volume sales, both in the domestic and export market
- * Domestic market leader in Continuous Cast Copper Rods

Leadership speaks

Vision

Quickly grasping the opportunities provided by the ever changing global equations and shifting paradigms; restructuring and re-engineering to achieve leadership in all facets; building an organisation that people are proud to be associated with; and setting the standard by which organisations measure quality and efficiency;

Sterlite Industries (India) Limited, truly a leader, with the single minded objective of creating value for our stakeholders.

STERLITE INDUSTRIES (INDIA) LIMITED

BOARD OF DIRECTORS

Anil Agarwal
Chairman and Managing Director

Ishwarlal Patwari
Dwarka Prasad Agarwal
A.T. Kusre
Nominee Director-ICICI

Navin Agarwal
Sandeep Junnarkar
Gautam Doshi
C.V. Krishnan
Whole Time Director

Tarun Jain
Director (Finance)

Somnath Patil
Vice President (Finance) & Company Secretary

SOLICITORS AND ADVOCATES

M/s. Kanga & Company

AUDITORS

M/s. Chaturvedi & Shah - Mumbai
M/s. Das & Prasad - Kolkata

BANKERS

ABN Amro Bank
American Express Bank Ltd
BNP Paribas
Canara Bank
Credit Lyonnais
Credit Agricole Indosuez
HDFC Bank Limited
ICICI Banking Corporation Limited
State Bank of India
The Bank of Nova Scotia

TRANSFER AGENTS

M/s. Sharepro Services
(Unit : Sterlite Industries (India) Limited)
912, Raheja Centre, Free Press Journal Road,
Nariman Point, Mumbai - 400 021.
Tel. : (022) 288 1568/69, 282 5163, 2884527
Fax : (022) 282 5484

M/s. Sharepro Services
(Unit : Sterlite Industries (India) Limited)
Satam Estate, 3rd Floor, Above Bank of Baroda
Chakala, Andheri (East), Mumbai - 400 099.
Tel. : (022) 821 5168, 8202108, 8202114
Fax : (022) 837 5646, E-mail : sharepro@vsni.com



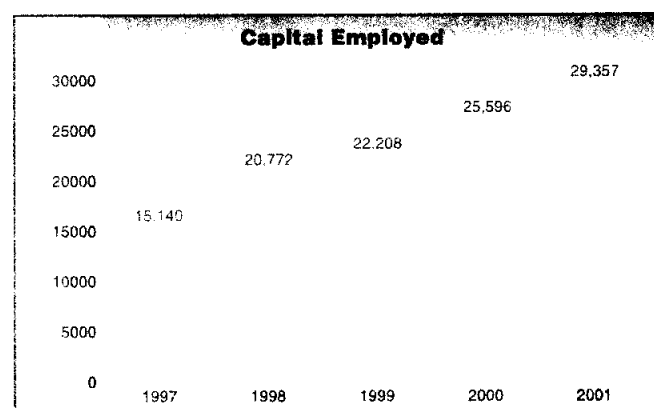
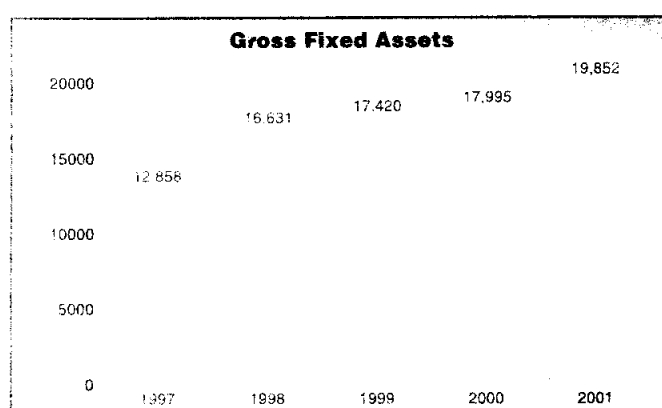
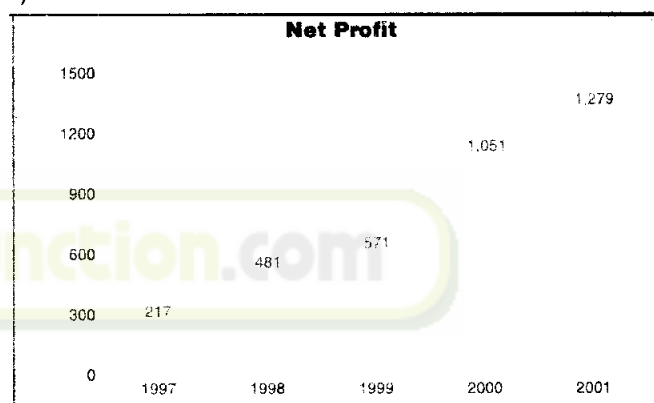
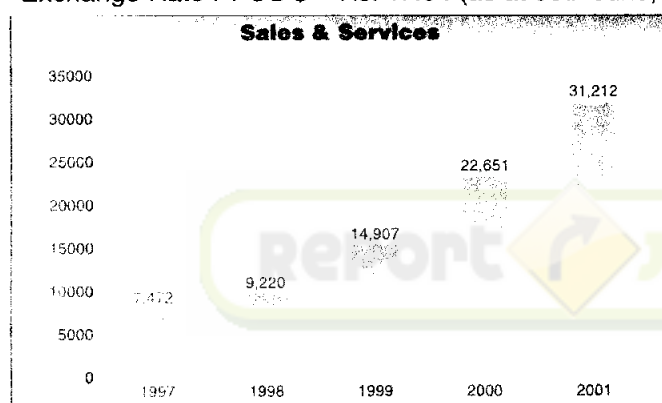
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(Figures in Rs. Million)

Particulars All figures are net of the telecommunication business which was demerged w.e.f. July 1, 2000.	(Rs. Million)				US \$ Million	
	1997	1998	1999	2000	2001	2001
Sales & Services	7,472	9,220	14,907	22,651	31,212	663.5
Gross Profit (EBIDTA)	578	894	1,998	3,159	3,301	70.2
Cash Profit (PBDT)	312	715	1,212	1,821	2,281	48.5
Net Profit (PAT)	217	481	571	1,051	1,279	27.2
Gross Fixed Assets	12,858	16,631	17,420	17,995	19,852	422.0
Net Current Assets	2,278	4,272	5,691	9,302	4,571	97.2
Capital Employed	15,140	20,772	22,208	25,596	29,357	624.1

Exchange Rate : 1 US \$ = Rs. 47.04 (as at 30th June, 2001)





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INDUSTRIES (INDIA) LIMITED

CHAIRMAN'S MESSAGE



Dear Shareholders,

The millennium year has marked a new chapter in the history of your Company with several major corporate actions being initiated and successfully completed. We embarked upon a major restructuring exercise by demerging the telecommunications business of your Company into a separate entity. This has resulted in a much sharper focus in each of the businesses that the Group operates in. More importantly, the non-ferrous metals business and the telecommunication business are now positioned to independently pursue their corporate goals.

Sterlite today, is a major player in the non-ferrous metals and mining business notably copper. This premier position was reinforced with the acquisition of two large overseas copper mines in Australia which makes your Company self sufficient in its major raw material, copper concentrates to the extent of 40%. I believe that this strategic acquisition will enhance the cost competitiveness of the copper business of the Company with improved earnings over the years, to the benefit of all our stakeholders.

As a philosophy, we have aimed to be the premier player in each of our businesses. The acquisition of 51% controlling stake in The Bharat Aluminium Company Limited (BALCO) is a step in this direction and we have considerably enhanced our presence in the domestic aluminium industry. I am indeed happy to report that BALCO has normalised its operations despite initial hitches and I believe that there is considerable scope for improving operational efficiencies, cost reductions in several areas and improved product mix. These will be the main priorities for BALCO in order to make it a world class aluminium company.

Your Company's performance in FY2001 has been good and I am sure that it will improve further with the fruition of the above measures. With a significant rise in copper sales volumes, improved realisations and cost reductions, your Company's total revenues at Rs. 31 billion increased by 36% while net profit at Rs. 1.28 billion grew by 22%.

During the year, we undertook and completed a de-bottlenecking exercise of the smelter at Tuticorin at a very competitive cost. With this, Sterlite has become the largest domestic copper producer. Not only this, we have also successfully exported copper products bearing testimony to the quality of our products and services.

Sterlite today is amongst the lowest cost copper producers globally and it will be our endeavour to relentlessly pursue cost competitiveness which, I have always reiterated, is the only sustainable competitive advantage and the foundation for providing value enhancement in a fiercely competitive global market place.



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Let me emphasise that cost leadership must go hand in hand with quality in all spheres of our business activities and the third pillar must be care and concern for the environment and safety. It gives me satisfaction to share with you that Sterlite has won the prestigious National Safety Award from the British Safety Council for the second successive year. Another milestone has been the ISO 14001 certification for environment management by Det Norske Veritas, B.V., The Netherlands.

More recently, Sterlite also received the OSHAS : 18001 for Safety Management and Systems. These underscore our inherent ethos of Total Quality Management and Customer Satisfaction in all our activities.

I must mention that the success of any organisation rests on its people. Sterlite is endowed with a blend of young professionals and a managerial team with the necessary experience and expertise. In short, a quality team upon which will rest the future growth of the Company.

The outlook for the copper industry remains stable with the yearly average prices not showing any significant variation. Developing economies, notably China and other Asian economies including India have become the mainstay of the global copper industry. The domestic market grew by 12% in FY2001 on the back of increased consumption by the telecommunication sector. The current year too, should see this trend continue and I expect an overall average consumption growth of around 10%. Sterlite with its augmented capacity should be well positioned to capitalise on this opportunity.

The current year will bring in fresh challenges especially in light of the global slowdown. India which has opened up its economy can naturally not be isolated from global events and trends. It is a definite matter of concern for the Government and the industry that the economic growth is not very healthy. In fact, several building block sectors of the economy are faced with stagnant demand and lower prices leading to lower investments and asset formation. The meltdown in the global capital markets as well as in India has not helped either.

On the fiscal front, the deficit continues to be worrisome and can propel inflation with deleterious impact. While a beginning has been made, the Government must considerably hasten its divestment programme and at the same time look at expenditure control more rigorously.

Having said this, I believe that corporates that sustain cost and quality leadership will be the winners and create value for their stakeholders. Our vision is to be the standard by which non-ferrous metals companies measure quality and efficiency and build an organisation that people are proud to be associated with.

I thank all our stakeholders and reiterate that enhancing value will remain our primary objective, rather the reason for all our initiatives.

Season's Greetings to you and your family.

Anil Agarwal

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DIRECTORS' REPORT

To the Members,

The Directors have pleasure in presenting the Twenty Sixth Annual Report together with the statement of Audited Accounts for the financial year ended 30th June, 2001.

FINANCIAL RESULTS

(Rs. Million)

Year ended 30th June,	2001	2000
Income from operations	30,931.1	29,250.0
Profit before interest, depreciation and tax	3,301.5	4,876.7
Less : Interest	1,020.8	1,500.4
Gross Profit	2,280.7	3,376.3
Less : Depreciation	885.6	935.9
Taxation	116.0	21.0
Profit for the year	1,279.1	2,419.4
Less : Provision for taxation for earlier years	—	178.7
Add : Balance brought forward from previous year	3,009.1	1,906.8
Amount available for appropriation	4,288.2	4,147.5
Appropriation:		
Preference Shares Redemption Reserve	200.0	—
General Reserve	500.0	500.0
Interim dividend on equity shares (including tax thereon)	—	603.5
Interim dividend on preference shares (including tax thereon)	37.7	34.9
Proposed/Final dividend on equity shares (including tax thereon)	336.8	—
Balance carried forward to next year	3,213.7	3,009.1

Figures for the year ended 30th June, 2000 include those of the telecommunication business of the Company, which was demerged with effect from 1st July, 2000.

TURNOVER AND PROFIT

During the year under review, your Company achieved a turnover of Rs. 31 billion, registering a growth of 36% over the previous year on comparable basis. The Company also achieved a 25% higher gross profit of Rs. 2,281 million and net profit after tax of Rs. 1,279 million. The growth in sales and profits have been due to higher capacity utilisation of the smelter and the rod plants, increased sales volumes in the domestic and export markets and achievement of cost efficiencies at all levels of operations.

DIVIDEND

The Board of Directors are pleased to recommend a dividend of 110% on the equity shares of the Company. The amount of equity dividend outgo (including

dividend tax) will be Rs. 336.8 million on the reduced equity share capital of Rs. 277.8 million as against Rs. 603.5 million interim dividend (including dividend tax) for the previous year.

BUSINESS RESTRUCTURING

The restructuring exercise undertaken by the Company last year was successfully completed with the Hon'ble High Court of Judicature at Mumbai approving the Scheme of Arrangement w.e.f. 1st July, 2000. Accordingly, the telecommunication business was demerged into a new Company christened 'Sterlite Optical Technologies Limited'. As a result of the demerger, the subscribed equity share capital of your Company stands reduced to Rs. 277.8 million through a reduction of face value of equity shares from Rs. 10 per share to Rs. 5 per share.

OPERATIONS OVERVIEW

Copper

Your Company continued to maintain its leadership position in the copper industry in India with record sales of 121,590 tonnes of copper. The Company met the stringent quality requirement of international consumers of copper and successfully exported its products.

During the year, your Company undertook de-bottlenecking and modernisation of the smelter and acid plants at Tuticorin and also its facilities at Silvassa and the same has been completed successfully. With further improved efficiencies and increased volumes, the Company is poised to become a world class copper producer.

Your Company became a regular and reliable supplier of high quality Sulphuric and Phosphoric acids. It was also successful in promoting sale of its by-product gypsum to the cement industry.

Aluminium Conductors

Turnover of Power Transmission Line Aluminium Conductors at Rs. 2 billion registered a growth of 49% over previous year with higher profitability. The division's growth is directly linked to implementation of major transmission network projects by the Power Grid Corporation of India Limited with the assistance of the World Bank and Asian Development Bank.

Aluminium Foils

The group has a major presence in the domestic aluminium sector through The Bharat Aluminium Company Ltd. (BALCO), The Madras Aluminium Company Ltd. (MALCO) and India Foils Ltd. (IFL).

The existing aluminium foils business of your Company was relatively small and in-line with the overall re-organisation of the Aluminium interests of the group, it has been decided to discontinue the aluminium foils business of your Company and to redeploy the managerial and financial resources more effectively in the core copper business.

FINANCE

During the year, your Company raised medium term loans of Rs. 2.4 billion in the form of Non-convertible Debentures and External Commercial Borrowings at highly competitive rates. Your Company has renegotiated interest rates on redeemable preference shares and term loans.

The Company continues to enjoy the highest P1+ rating from CRISIL for short-term borrowings and AA high safety rating for long term borrowings.

ACQUISITIONS AND RESTRUCTURING

Copper

In order to reduce dependence on external sources and to ensure consistent supplies of good quality copper concentrate, your Company acquired two copper mines viz. Copper Mines of Tasmania (CMT) and Thalanga Copper Mines (TCM) in Australia through acquisition of 100% of the equity of their holding company, Monte Cello Corporation B.V., The Netherlands. The mines, whose concentrate grade is ideally suited to the Company's copper smelter at Tuticorin, will meet about 40% of the requirement. With this acquisition, your Company has taken a major step in achieving backward integration and maximising profitability throughout the entire value chain from copper concentrate to cathodes and rods.

Aluminium

In pursuit of its vision to be a major player in the non-ferrous metals industry, your Company acquired 51% stake in The Bharat Aluminium Company Limited (BALCO) by participating in the Government of India's divestment program. BALCO is a profit making integrated aluminium Company with an annual capacity of 100,000 tonnes of aluminium and corresponding alumina capacity, backed by a 270 MW captive power plant. Your Company believes that there is a significant potential for reduction of operating costs, product rationalisation and debottlenecking to expand capacity, so as to achieve enhanced returns for shareholders.

AWARDS

During the year, your Company achieved significant milestones in the areas of Safety and Environment on global standards. Some of these are:

- ISO 14001 certification for environment management at the copper smelter by Det Norske Veritas B.V., The Netherlands.
- National award for "Excellence in Energy Conservation" from the Confederation of Indian Industry.

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- National Safety Award from the British Safety Council (for the second year in succession).

UPDATE ON OPEN OFFER MADE TO INDIAN ALUMINIUM COMPANY LIMITED (INDAL) SHAREHOLDERS

Out of the 981,733 equity shares of INDAL received in the Open Offer, the Acceptors have withdrawn 808,769 equity shares and the same have been released. The Writ Petition filed by your Company is pending hearing and final disposal before the Hon'ble High Court of Judicature at Delhi. Your Company has been legally advised that it has a good case on merit.

DEPOSITORY SYSTEM

During the year, about 86% of the shares of your Company were dematerialised. Since the Securities and Exchange Board of India (SEBI) has made trading in the Company's shares in dematerialised form mandatory, members are kindly requested to dematerialise their shares.

EMPLOYEE STOCK OPTION SCHEME

The Company has implemented its Employee Stock Option Scheme (ESOP) as approved by the members. During the year under review, 79,996 equity shares were allotted to the employees of the Company upon exercise of stock options. As per the scheme, 50% of the options were exercisable at the end of twelve months and balance 50% at the end of twenty-four months from the date of grant, at a price of Rs. 500 per option.

Details of the ESOP scheme are given in Annexure 1, which is attached hereto and forms part of the Directors' Report.

BUYBACK OF SHARES

At the 25th Annual General Meeting of the Company held on 2nd December, 2000 the Members had vide special resolution accorded their consent to the Board of Directors to purchase the Company's own fully paid up Equity Shares of the face value of Rs. 5/- each for an aggregate amount not exceeding Rs. 280 crores and upto a maximum price of Rs. 200/- per share.

Accordingly the Company had on 6th August, 2001 made a Public Announcement in The Financial Express for Buyback of Shares through open market transactions using the electronic trading facilities of the Stock

Exchanges. The Buyback offer was to remain open for the period 13th August, 2001 to 30th November, 2001.

On 23rd August, 2001 SEBI informed the Managers to the Buyback that its Order dated 19th April, 2001 prohibiting the Company from accessing the capital market for a period of two years from that date would apply to the Buyback also. Hence, the Company could not proceed with the Buyback.

Your Company had preferred an appeal with Securities Appellate Tribunal (SAT), against the said Order of SEBI. The SAT vide its Order dated 22nd October, 2001 has set aside the said SEBI Order and the Company can now proceed with the Buyback.

Since the special resolution passed by the members of the Company at the last Annual General Meeting is valid only upto 1st December, 2001, the Board of Directors recommends passing of a fresh resolution authorising the Board to Buyback the Company's shares.

DIRECTORS

The Board deeply condoles the untimely demise of Mr. H. N. Rao, Director of the Company. The Board places on record its appreciation of the valuable advice and guidance received from Mr. H. N. Rao during his tenure as Director on the Board of your Company.

In accordance with the Companies Act, 1956 and the Company's Articles of Association, Mr. Navin Agarwal retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Mr. Sandeep Junnarkar had resigned from the Directorship during the year. However, he was re-appointed as Director on 29th June, 2001 in the casual vacancy caused by the sad demise of Mr. H. N. Rao. Mr. Sandeep Junnarkar holds office until the ensuing Annual General Meeting. A notice has been received from a Member proposing his appointment as Director. Necessary resolution is placed before you for his appointment and the Board recommends his appointment for your consideration.

Mr. Gautam Doshi joined as Additional Director on the Company's Board with effect from 29th June, 2001 and holds office until the ensuing Annual General Meeting. A notice has been received from a Member proposing his appointment as Director. Necessary resolution is placed before you for his appointment and the Board recommends his appointment for your consideration.