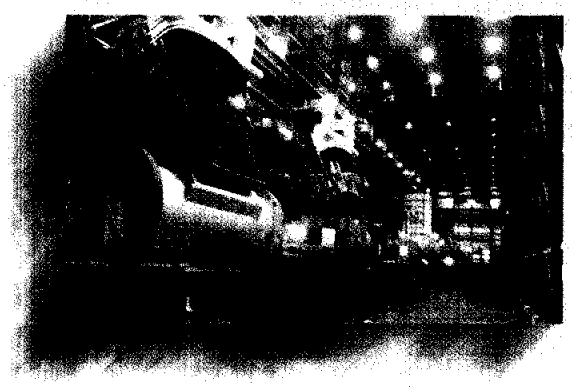
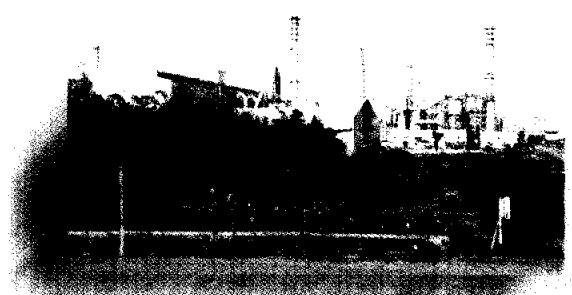


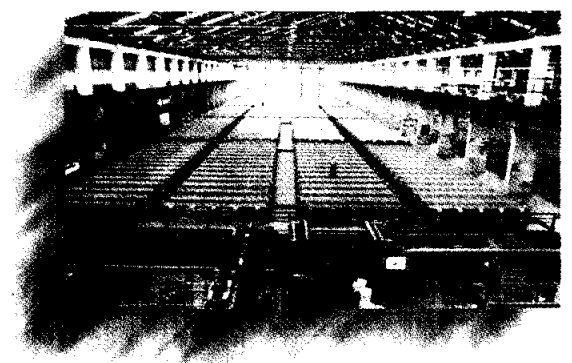


STERLITE

INDUSTRIES (INDIA) LIMITED



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ANNUAL REPORT 2001-2002

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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.



Report Junction.com Moving Up

Sterlite Industries has always based its growth on simple strategies viz. acquisitions, backward and forward integration. These strategies not only keep Sterlite abreast of the emerging opportunities but also help it gear up to face New Age challenges.

At Sterlite, we have the uncanny ability to analyse, integrate our strengths and surge ahead. Today, Sterlite is growing on a scale that will result in the Company achieving a pre-eminent status on a global scale in its business areas.

And with a proven commitment to quality and customer care, Moving Up is the only way we can go.

STERLITE INDUSTRIES (INDIA) LIMITED

BOARD OF DIRECTORS

Anil Agarwal *Chairman and Managing Director*

Dwarka Prasad Agarwal

Ishwarlal Patwari

A.T. Kusre *Nominee Director - ICICI*

Navin Agarwal

Sandeep Junnarkar

Gautam Doshi

C. V. Krishnan *Whole Time Director*

Tarun Jain *Director (Finance)*

SOLICITORS AND ADVOCATES

M/s. Kanga & Company

AUDITORS

M/s. Chaturvedi & Shah - Mumbai

M/s. Das & Prasad - Kolkata

BANKERS

ABN Amro Bank

Credit Lyonnais

Credit Agricole Indosuez

HDFC Bank Limited

ICICI Banking Corporation Limited

State Bank of India

The Bank of Nova Scotia

Development Bank of Singapore

Bank of Maharashtra

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, 832 9828/2114

Fax : (022) 837 5646

E-mail : sharepro@vsnl.com

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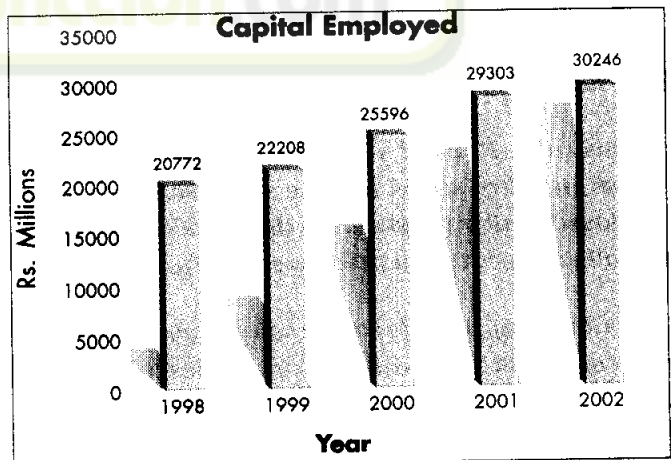
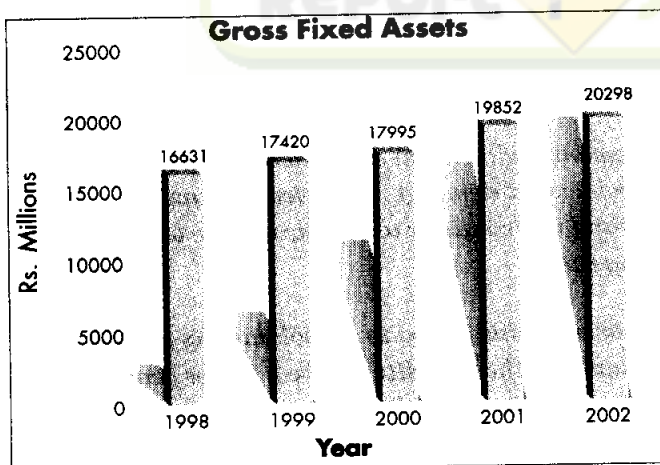
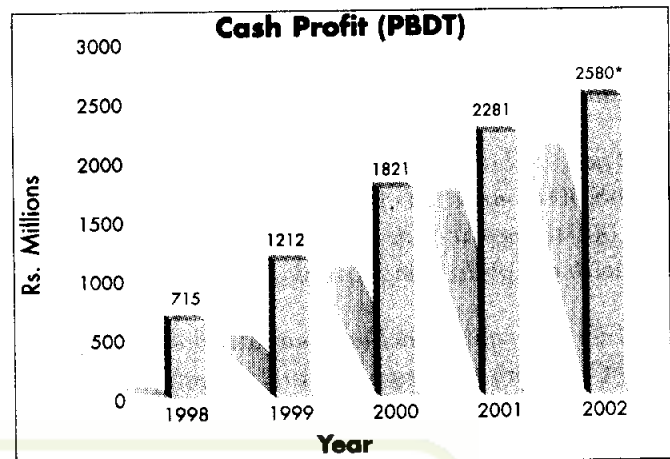
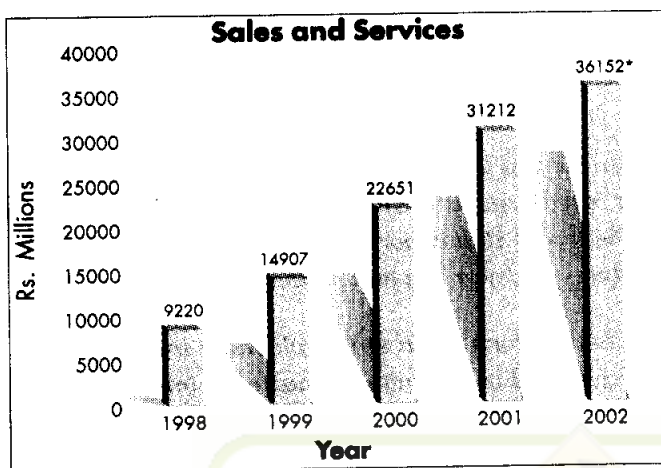
FIVE YEARS AT A GLANCE

Particulars	(Rs. Millions)					(US \$ Millions)
	1998	1999	2000	2001	2002	2002
Sales & Services (Including Other Income)	9220	14907	22651	31212	36152*	741.9*
Gross Profit (EBIDTA)	894	1998	3159	3301	4110*	84.3*
Cash Profit (PBDT)	715	1212	1821	2281	2580*	52.9*
Net Profit (PAT)	481	571	1051	1279	1213*	24.9*
Gross Fixed Assets	16631	17420	17995	19852	20298	416.5
Net Current Assets	4272	5691	9302	4571	5778	118.6
Capital Employed	20772	22208	25596	29303	30246	620.7

* Annualised.

Exchange Rate : US \$ 1 = Rs. 48.73 (as at 31st March, 2002).

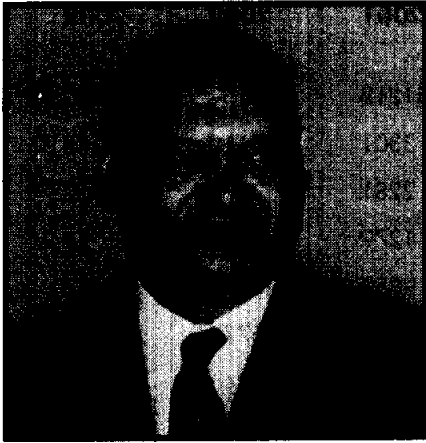
All figures are net of the Telecommunication Business which was demerged w.e.f. July 1, 2000.





STERLITE
INDUSTRIES (INDIA) LIMITED

CHAIRMAN'S SPEECH



Dear Shareholders,

FY2002 has been an eventful year for your Company with several major developments. Sterlite Group successfully bid and acquired 26% stake in Hindustan Zinc Limited, India's premier zinc and lead producer. A further 20% stake has also been acquired through the Open Offer route. With this acquisition, we have established ourselves in the non-ferrous mining and metals segment.

The Group's business profile stands considerably enhanced with a presence in four non-ferrous metals viz. copper, aluminium, zinc and lead. It must be said that there are very few companies the world over with such diversified product portfolio in the non-ferrous metals and mining segment.

I am indeed happy to report that Bharat Aluminium Company Limited is fully operational and is well on the path to enhanced efficiencies and better profitability after the initial teething issues. It is our intention to enhance BALCO's capacity to around 400,000 tonnes of primary aluminium which will position it as an international sized aluminium major. This project is of national importance to the benefit of the Chattisgarh State, our employees and all stakeholders.

Last year we had successfully completed a de-bottlenecking exercise and augmented the copper cathode capacity to 165,000 tonnes which, I am happy to report is operating at rated capacity. We plan to expand this further to 300,000 tonnes and the incremental capacity will essentially be targeted at export markets. The expansion is in line with our philosophy to look at global markets for our products and services and achieve economies of scale.

In order to be able to achieve our full potential and realise the aspirations of our stakeholders, it is essential for your Company to be appropriately capitalised. With this in view and to attract international investors, your Company had embarked on a capital restructuring exercise wherein the existing shareholders were offered Rs. 150 per share, representing 43% premium over the average price of past 6 Months of making the offer. This share purchase scheme at a fair price provides an attractive return to existing shareholders and achieves an appropriate capital structure conducive for mobilising funds from international capital markets.

I am happy to report that the scheme has received good response to the benefit of all concerned.

Intrinsically, FY2002 has been a difficult year with global economic slowdown and slack demand. The global copper industry seems to have stabilised with some improvement in demand and prices. Aluminium prices displayed similar trend during the period. Tariff barriers have and will continue to decline and we will have to be globally competitive in order to survive and prosper in the long run.

Your Company, with its strong balance sheet and cash flows has used this period to consolidate its position with an acute focus on operational efficiencies and cost control. I am sure that Sterlite will be a major beneficiary of the up turn in the commodity cycle especially with its diversified product portfolio.



STERLITE
INDUSTRIES (INDIA) LIMITED

Our philosophy of growth through acquisitions continues to be our strategy cornerstone and has met with considerable success. Sterlite today is a US\$1.5 billion Group and managing it well requires several additional skill sets.

We have carefully groomed several young and dynamic managers from within for greater challenges. It is indeed heartening to note that we have such an excellent talent pool which constantly rises to meet and surpass challenges. Without such a valuable resource, it will not be possible for us to realise our aspirations. I take this opportunity to commend our people for their professional approach, highest ethical standards and the zeal to set and surpass targets.

Your Company is committed to the society & environment and continues to display an extra ordinary level of awareness. The group is firmly committed to the excellence in environment and actively promotes projects to ensure preservation and enhancement of the environment. Toward this end an "Environmental Excellence Award" has been instituted by your Company to recognise such extra ordinary institutions to protect the environment. The Sterlite Foundation continues to provide computer courses and various career development courses to under-privileged sections of society.

I am glad to inform you that Copper smelter, Tuticorin is the first smelter in the world to be awarded with 5 Star Rating for Safety & Health System by British Safety Council. Further I would like to mention that Copper smelter, Tuticorin is enjoying all three ISO 9001(2000), ISO 14001(1996) and OHSAS 18001(1999) Certifications with unified documentation.

I thank all our stakeholders and look forward to a new growth phase.

ANIL AGARWAL

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STERLITE

INDUSTRIES (P) LTD. (A) LIMITED

DIRECTOR'S REPORT

To the Members,

Your Directors have pleasure in presenting the Twenty Seventh Annual Report together with the Audited Accounts for the financial year ended March 31, 2002. Members may be aware that your Company had decided to close the year on March 31, 2002 and consequently, the financial statements are for a nine-month period.

FINANCIAL RESULTS & APPROPRIATION

	(Rupees in Millions)	
	2001-02 (9 Months)	2000-01 (12 Months)
Turnover	26979.95	30956.33
Gross Profit	1934.71	2280.68
Less: Depreciation	718.37	885.60
Profit before Tax	1216.34	1395.08
Less: Provision for Tax (Including Deferred Tax)	305.96	116.04
Net Profit	910.38	1279.04
Add: Brought forward from previous year	3213.61	3009.09
Amount available for appropriation	4123.99	4288.13
Interim Dividend on preference shares (including tax thereon)	19.98	37.75
Proposed Dividend on equity shares (including tax thereon)	170.64	336.77
Dividend for earlier years (including tax thereon)	2.60	—
Preference Share Redemption Reserve	50.00	200.00
Debenture Redemption Reserve	151.30	—
General Reserve	300.00	500.00
Balance carried forward for next year	3429.47	3213.61

TURNOVER AND PROFIT

During the period under review, your Company achieved a turnover of Rs. 26979.95 Millions, a growth of 16% over the previous year on annualised basis. The Company also achieved a gross profit of Rs. 1934.71 Millions and net profit after tax of Rs. 910.38 Millions. The annualised Gross Profit has risen by 13% over the previous year. The growth in sales and profits were on account of higher capacity utilisation of the Smelter and the Rod plants, increased sales volumes in the domestic and export markets, higher average realisation and stringent cost control measures at all levels of operations. In accordance to the mandatory Accounting Standard (AS 22) of the Institute of Chartered Accountants of India, deferred tax liability has been provided and hence the reduction in net profit after tax.

DIVIDEND

The Board of Directors are pleased to recommend a dividend of 15% on the equity shares of the Company. The amount of dividend outgo will be Rs. 170.64 Millions on the equity share capital of Rs. 179.62 Millions.

ACQUISITIONS & CAPITAL RESTRUCTURING**Acquisitions**

After the demerger of the telecommunication business of the Company last year, the Company has made significant strides in strengthening its position in the non-ferrous mining and metals industry through acquisitions. After the successful acquisition of Bharat Aluminium Company Limited, by your Company, more recently, the Sterlite Group had successfully bid for and acquired 26% equity stake in Hindustan Zinc Limited, India's largest zinc and lead producer, from the Government of India and took over management control. This acquisition was made through Sterlite Opportunities & Ventures Limited (SOVL), a Special Purpose Vehicle floated for this purpose by your Company as the majority stakeholder and Sterlite Optical Technologies Limited, a group Company. To further consolidate its holding in Hindustan Zinc Limited and in accordance with the agreement with the Government of India, SOVL has acquired an additional 20% stake in Hindustan Zinc Limited in accordance with SEBI (Substantial Acquisition of Shares and Take-overs) Regulations, 1997.

With this, your Company the spearhead and flagship of the Sterlite Group has a diversified portfolio in the non-ferrous mining and metals industry with significant presence in copper, aluminium, zinc and lead.

Initiatives have already been taken to consolidate the gains made by way of expansion of capacities at each of these units.

Capital Restructuring

In order to position your Company as a major player in the international non-ferrous mining and metals business, it is essential for your Company to be appropriately capitalised and attract investments globally at proper valuations. Your Company has therefore embarked on a capital restructuring exercise whereby your Company would purchase from its existing shareholders up to 50% of its existing equity share capital at a consideration of Rs. 150 per fully paid-up equity share.

The Scheme of Arrangement for the capital restructuring had already been approved by Members of the Company and its creditors and the Hon'ble High Court of Judicature at Mumbai had also accorded its approval to the scheme on April 19, 2002. As per the scheme, the Company has purchased 2,00,68,004 equity shares and the same has been cancelled on 26th August, 2002. Accordingly the Issued, Subscribed and Paid up equity share capital of the Company stand reduced to 3,59,24,551 equity shares of Rs.5/- each fully paid up aggregating to Rs. 179.62 Millions.

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INDUSTRIES (INDIA) LIMITED

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

In respect of Open Offer made to shareholders of Indian Aluminium Ltd. (INDAL) in 1997-98, your Company's appeal against the order of SEBI before the Honourable Delhi High Court has since been decided with the High Court asking the Company to pay Rs. 221 per share as well as interest @15% p.a. only to those shareholders whose shares (1,72,964 shares) are still with the Company. Your Company has sought clarifications from the High Court on certain operational issues, which are still awaited. This is without any prejudice to the rights of the Company to seek further legal measures including an appeal to the Honourable Supreme Court of India.

OPERATIONAL HIGHLIGHTS

A. Copper

Your Company continued to maintain its leadership position in the copper industry in India with record sales of 110911 tonnes of copper in nine months. In the domestic market it has attained the status of having largest domestic market share by achieving a sizeable share of 43%. The total sales of copper were higher by 22 % over the previous year on an annualised basis. With its strong quality focus, your Company was able to meet the stringent quality requirements of the domestic and international consumers of copper and had also exported 19017 MT of copper during the nine months ended 31st March, 2002. Your Company intends to further strengthen its export presence and is in the process of getting an LME registration for copper cathodes.

The operations of the Sulphuric Acid and the Phosphoric Acid plants during the period ended 31st March, 2002, were satisfactory, the total production being 367244 MT and 67630 MT respectively, translating to an increase of 41% and 39% over the previous year on an annualised basis.

During the year, your Company completed the de-bottlenecking of its facilities resulting in the capacity expansion of Copper to 165,000 MT from 150,000 MT. The operations at the two mines acquired by the Company viz. Copper Mines of Tasmania (CMT) and Thalanga Copper Mines are satisfactory. During the period 184336 MT of copper concentrate being 46% of the total requirement of the Company's copper smelter at Tuticorin was sourced from these two mines.

B. Aluminium

Bharat Aluminium Company Limited (BALCO)

BALCO has completed one full year of operations under the Sterlite Management and had posted a turnover of Rs. 7146.54 Millions, and a cash profit of Rs. 548.45 Millions for the year ended 31st March, 2002. BALCO proposes to embark upon the substantial expansion of its Aluminium Complex, during the year.

Aluminium Conductor Division

For the nine months period ended 31st March, 2002 sale of Power Transmission Line Aluminium Conductors was 13649 KM

against 16033 KM for the 12 month period ended 30th June, 2001 registering a growth of 14% over the previous year on a comparable basis with higher profitability.

C. Zinc

Hindustan Zinc Limited (HZL)

The management control of Hindustan Zinc Limited was acquired by the Sterlite Group on 11th April, 2002. Your Company is confident of the immense potential of the Zinc industry and is hopeful of improving the performance of HZL in the following year, which would be the first full year of operations of HZL under Sterlite Group's management control.

FINANCE

During the year, your Company repaid medium term loans of Rs. 1000 Millions in form of Non-Convertible debentures (NCD's) and bought back NCD's worth another Rs 250 Millions with the view to reduce the interest cost. Further, the last installment of the high cost 16.5% Public NCD's (Rs 479 Millions) was redeemed during the year. The overall net rate of interest came down to 10.64% from 12.19% of the previous year. However, the total interest expenses has gone up on account of funds borrowed for investments. Your Company is continuously making efforts to further reduce the interest cost by way of swapping high cost NCD's with low cost, short term borrowings.

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

AWARDS & CERTIFICATIONS

Your Company has achieved significant milestones in the areas of Safety and Environment on global standards. Some of these are:

Awards

- 5 Star Rating by British Safety Council, 2002 for Safety & Health System, awarded to first Copper Smelter in the World.
- National award for " Excellence in Energy Conservation " from the Confederation of Indian Industry (for the second year in succession).

Certification

- ISO 14001: Environment Management System.
- ISO 9002: Quality Management System.
- IQRS Level-5: International Quality Rating System.
- OHSAS 18001: Occupational Health and Safety Assessment system.

DEPOSITORY SYSTEM

As at 31st March 2002, about 86% shares of your Company stand 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.



STERLITE

INDUSTRIES (INDIA) LIMITED

DIRECTORS

In accordance with the Companies Act, 1956 and the Company's Articles of Association, Mr. Dwarka Prasad Agarwal and Mr. Ishwarlal Patwari retire by rotation at the ensuing Annual General Meeting and being eligible for re-appointment have offered themselves for re-appointment.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the listing agreement with the Stock Exchanges, Management Discussion and Analysis, Corporate Governance and Auditors' certificate regarding compliance of conditions of Corporate Governance are made part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, the Directors hereby confirm that :

- i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) such accounting policies have been selected and applied 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 at the end of the financial year and of the profit of the Company for that period;
- iii) proper and sufficient care for the maintenance of adequate accounting records had been taken in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the accounts are prepared on a going concern basis.

AUDITORS' QUALIFICATIONS ON ACCOUNTS

Notes to the accounts as referred in the Auditors' report are self-explanatory and therefore, do not call for any further comments and explanations.

AUDITORS

M/s. Chaturvedi & Shah, Chartered Accountants and M/s. Das & Prasad, Chartered Accountants, auditors of the Company retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

PARTICULARS OF TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO

As required under clause (e) of section 217 (1) of the Companies Act, 1956 and rules made therein, the particulars of technology absorption and foreign exchange earnings and outgo are given in Annexure 2, which is attached hereto and forms part of the Directors' Report.

PARTICULARS OF EMPLOYEES

As required under the provisions of Sub-Section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, particulars of the employees are set out in the Annexure to 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 Secretary at the Registered Office of the Company.

SUBSIDIARY COMPANIES

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts, along with the report of the Board of Directors of the subsidiary Companies and the auditors' reports thereon are annexed.

Consolidated financial statements of the Company and its subsidiaries are annexed as required under the listing agreements with the Stock Exchanges.

ACKNOWLEDGEMENTS

The Directors gratefully acknowledge the contribution made by the employees towards the success of the Company. The Directors are also thankful for the co-operation and assistance received from the Government of India and its various State Governments, Government Departments, Financial Institutions, Banks and local authorities.

The Directors would also like to acknowledge the continued support of the Company's shareholders in all its endeavour.

For and on behalf of the Board of Directors

Anil Agarwal

Chairman & Managing Director

Place : Mumbai

Dated : 30th August, 2002