

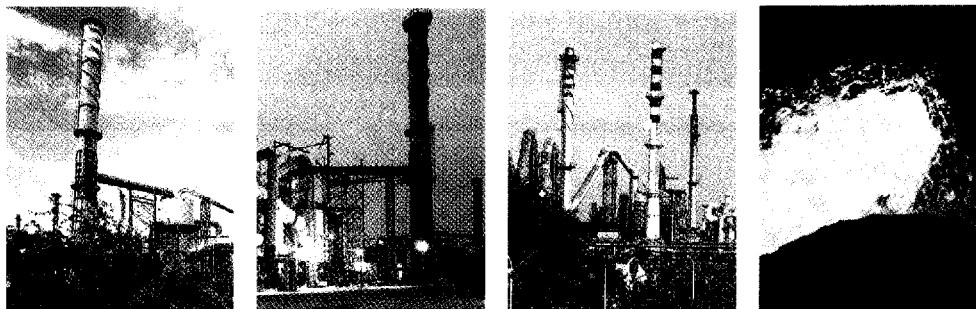
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Resources for the modern world

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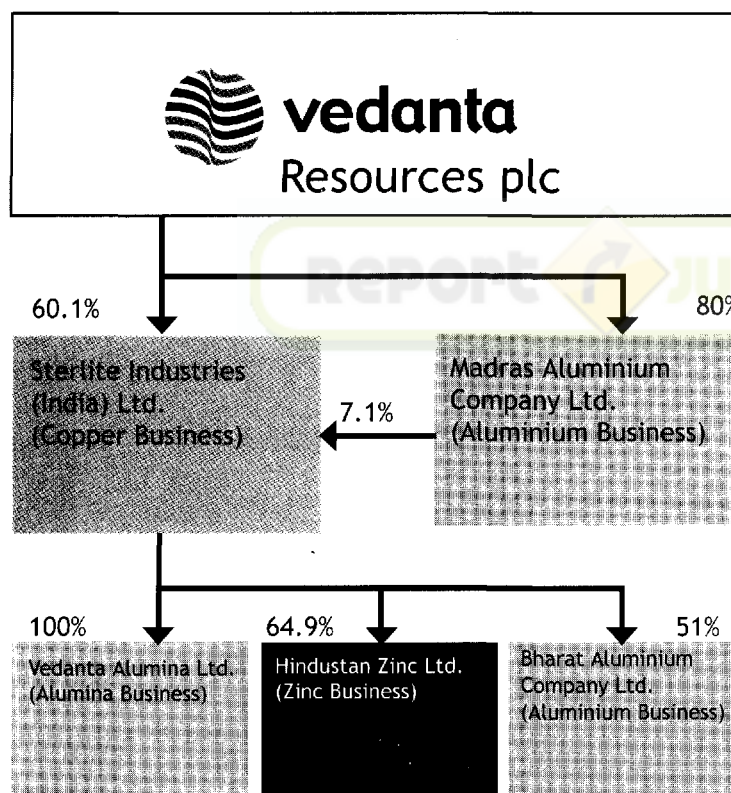


STERLITE
INDUSTRIES (INDIA) LIMITED

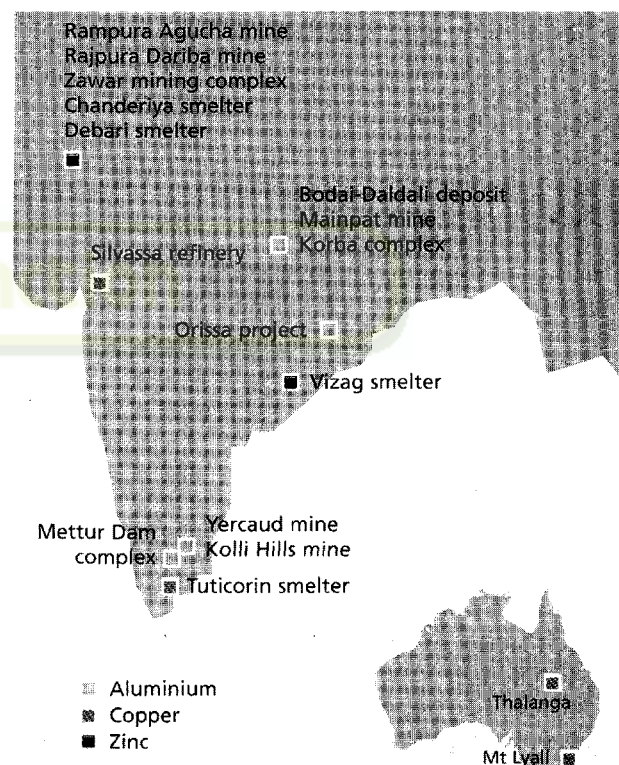
Annual Report 2003-2004



Group Structure (as at 31 March, 2004)



World Class Assets



Growth pipeline

- Copper
- Aluminium
- Zinc

Tuticorin copper smelter, refinery and power plant.
New production: 120,000 tpa to take total production to 300,000 tpa. Includes new 22.5 MW power plant.
Capex Rs. 3995 million

Project commissioning

2004

2005

Rampura Agucha zinc mine
New production : 1.3 million tpa ore to take total mined production to 5.5 million tpa.
Capex : Rs. 4133 million

Chanderiya zinc smelter
New production : 170,000 tpa zinc to take total zinc capacity to 380,000 tpa. Includes a 154 MW power plant. Capex : Rs. 15383 million



Gross Turnover*
Rs. 48,720 million
EBITDA*
Rs. 4,213 million
Employees
1,097

Gross Turnover
Rs. 10,064 million
EBITDA
Rs. 1,959 million
Employees
4,262

Gross Turnover
Rs. 20,790 million
EBITDA
Rs. 8,681 million
Employees
6,055

Operating Company

Sterlite

Main Activities

Sterlite's copper operations include a smelter at Tuticorin in southern India, a refinery and two copper rod plants at Silvassa in western India and two mines in Australia. Sterlite has a domestic market share of approximately 42% of copper sales in 2004. Sterlite's Tuticorin smelter, commissioned in 1997, was the first privately developed copper smelter in India.

The smelter and refinery each have an installed capacity of 180,000 tpa from which Sterlite produced approximately 179,000 tonnes of copper cathode and approximately 123,000 tonnes of copper rod in the year ended 31st March, 2004.

Sterlite's Australian copper mines currently supply approximately 22% of Sterlite's copper concentrate requirements.

* includes aluminium conductor division

Subsidiary Company

BALCO

Main Activities

BALCO is a fully integrated aluminium producer. In 2004, the Indian market share was approximately 16% of aluminium sales.

BALCO's aluminium operations comprise a bauxite mine and the Korba alumina refining and aluminium smelting complex, which includes a captive power plant and fabrication facility all of which are located in the State of Chattisgarh in central India. The Korba complex has an installed capacity of approximately 200,000 tpa of alumina and approximately 100,000 tpa of aluminium.

Subsidiary Company

HZL

Main Activities

HZL is India's only integrated zinc producer and had a domestic market share of 75% of zinc sales in 2004.

The zinc mines contain high quantities of lead which is produced in association with the zinc. HZL's operations include three zinc-lead mining complexes, one zinc-lead smelter and one zinc smelter in the State of Rajasthan in north-west India, and one zinc smelter in the State of Andhra Pradesh in south-east India.

HZL's three zinc-lead mining complexes have a total capacity of 4.2 million tpa. The three smelters have a combined capacity to produce approximately 210,000 tpa of zinc ingots and 34,000 tpa of lead ingots. HZL's mines supply all of its concentrate requirements. In 2004 the production of finished zinc was 221,000 tonnes.

Korba power plant
New production: 540MW
Capex: Rs. 16,072 million

Korba aluminium smelter
New production: 250,000 tpa to take total aluminium capacity to 385,000 tpa. Capex: Rs. 25,256 million

Orissa alumina refinery
New production: 1 million tpa
Capex: Rs. 36,736 million

2006

2007



Chairman's Message

Dear Shareholders,

The year 2003-04 was an epoch making year for the Group as the holding Company Vedanta Resources plc. made its imprint on the international arena with its shares being listed on the London Stock Exchange. This was the second largest listing on the London Stock Exchange by any Company in 2003. Vedanta Resources plc. raised US\$ 825 million net of expenses, to complete the capital programmes at the existing operations and to bring two new mega projects to full production.

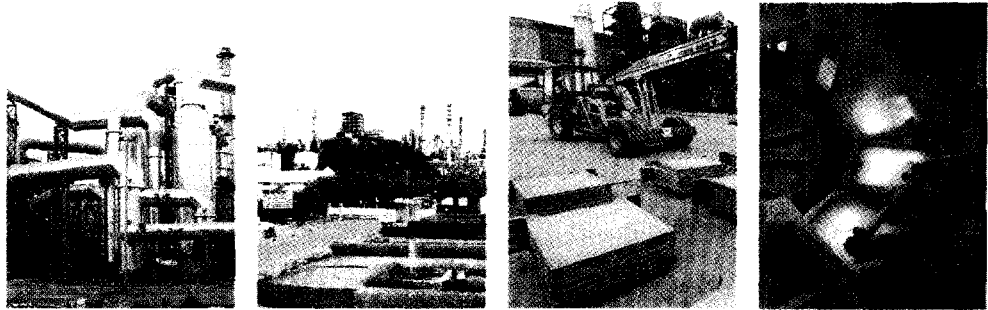
Let me share with you some of the other highlights of the year 2003-04. Your Company has shown excellent performance with a turnover of Rs. 48720 million, an increase of 43% compared to the previous year. The net profit at Rs.1971 million shows an increase of 18% over the previous year, inspite of the pressure on margins due to lower TC/RC and reduced duty structure.

With the power sector reforms, the demand for copper in the local market, is expected to grow. The export market also looks lucrative with the South East Asian countries, especially China, becoming major consumers of copper, indicating that the price of copper is likely to remain bullish.

Expansion and Consolidation has been the key strategy in your Company's growth plans. The expansion of existing production facilities at Tuticorin plant from 180,000 MT per annum to 300,000 MT per annum, is due for commissioning. With this, the cost of production of copper is likely to be driven still lower. Other major project expansions undertaken this year in subsidiary companies include, expansion of zinc production and a new power plant at zinc smelter in Chanderiya, Rajasthan, expansion of existing Aluminium production capacity in Korba, Chattisgarh and a proposed greenfield project for Alumina production in Lanjigarh, Orissa, the latter being in its initial stage.

As a measure to consolidate, the Company has increased its stake in its subsidiary, Hindustan Zinc Ltd and presently it stands at 64.9%. The Company has also exercised its option to acquire further shares in another subsidiary, BALCO from the Government of India, as per the Shareholder's Agreement entered into with the Government. The Government's response is awaited.

During the year 2003-04 the Board has allotted bonus shares in the proportion of 1:1 and in line with the liberal dividend policy followed by your Company in the last few years, has recommended a dividend of 60% on the expanded share capital. The dividend payout would be Rs.243 million, which effectively translates to 120% on the pre- bonus share capital.



Your Company has proposed a Rights Issue aggregating to Rs 1972 crores. The proceeds will be utilized to reduce debt and current liabilities and for investment in subsidiaries as part finance of their expansion projects. This is expected to improve the Group's growth and financial performance.

The drive to achieve competitive strength by becoming the lowest cost producer in the world, is being addressed by various teams implementing "Total Quality Management" (TQM). The Company's position as a front runner in energy conservation and management was reinforced when it won the 'National Award for Excellence in Energy Management', presented by the Confederation of Indian Industries (CII). Various other awards, conferred on the Company, are testimonies of our commitment in achieving excellence in all our fields of operations.

It may be worth recalling that in the previous year, your Company's 'Sterlite' brand of copper cathode was registered as 'Grade A' Copper in the London Metals Exchange (LME). This accreditation was a worldwide recognition of the quality standards maintained by your Company.

As one of the largest metals and mining Group, your Company is committed to manage its business in a socially responsible manner. The management of environment, employee and their health and safety, community development in and around its location of operations are being addressed on an ongoing basis and are finely interwoven in the fabric of our growth.

The success of the Group is greatly a contribution of its motivated and committed employees. Their exceptional performance, involvement and perseverance propel them to achieve the Company's goals.

I commend the Company's employees and all its stakeholders for their commitment and support and believe that the future is a reflection of their initiatives.

Handwritten signature of Anil Agarwal.

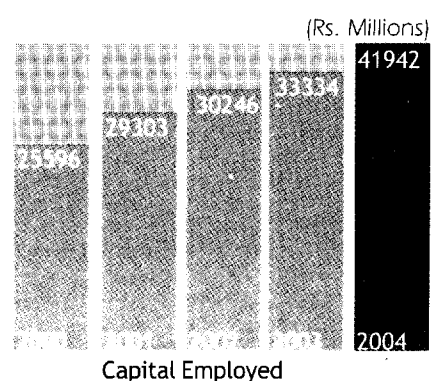
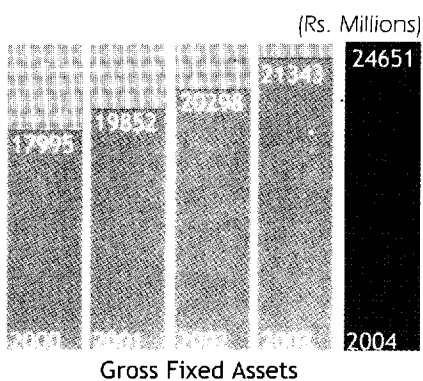
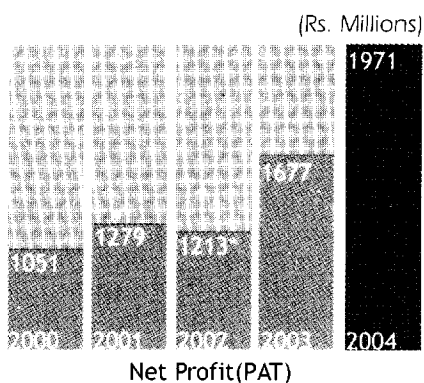
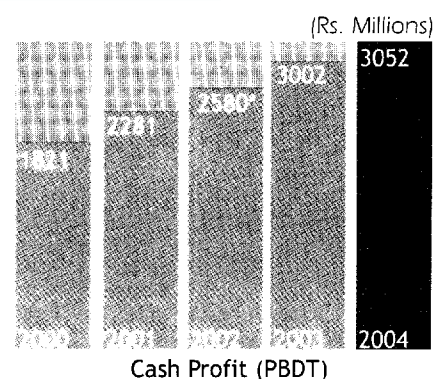
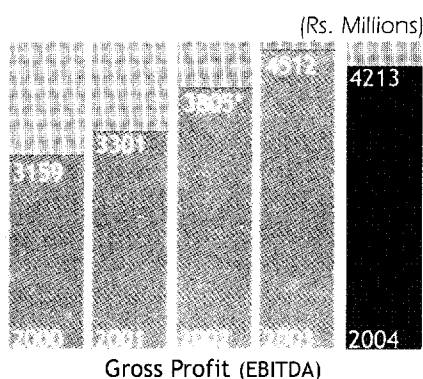
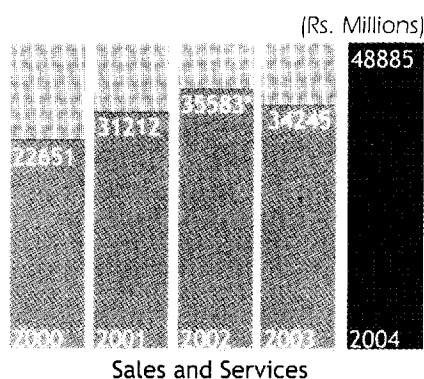
Anil Agarwal
Chairman & Managing Director

Dated : July 26, 2004

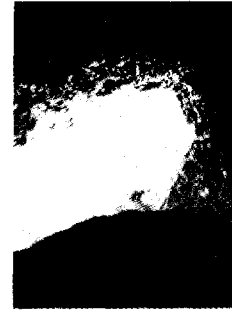
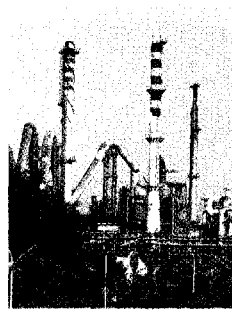
Highlights for 2004

- Production up by 15% (155,699 MT to 178,654 MT)
- CCR sales up by 27% (95,686 MT to 121,200 MT)
- Export up by 36% (61,956 MT to 84,294 MT)
- COP of Copper Cathode down from 9.2 Cents/Pound to 7.9 Cents/Pound
- Interest cost down by Rs. 350 M Avg. Interest rate from 8.25% to 4.84%
- Net Profit up 18% (Rs. 1677 M to Rs. 1971 M)

(Rs. Millions)					
Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
Sales & Services (including Other Income)	22651	31212	35583*	34245	48885
Gross Profit (EBITDA)	3159	3301	3805*	4512	4213
Cash Profit (PBDT)	1821	2281	2580*	3002	3052
Net Profit (PAT)	1051	1279	1213*	1677	1971
Gross Fixed Assets	17995	19852	20298	21343	24651
Net Current Assets	9302	4571	5778	4703	7157
Capital Employed	25596	29303	30246	33334	41942



*Annualised



BOARD OF DIRECTORS

Anil Agarwal

Dwarka Prasad Agarwal

Ishwarlal Patwari

Navin Agarwal

Sandeep Junnarkar

Gautam Doshi

C.V. Krishnan

Bergis Desai

Suvalaxmi Chakraborty

Tarun Jain

A. S. Khandwala

Chairman and Managing Director

Whole-time Director

Nominee Director - ICICI Bank Ltd.

Director (Finance)

Company Secretary

AUDITORS

M/s. Chaturvedi & Shah - Mumbai

M/s. Das & Prasad - Kolkata

BANKERS

ABN Amro Bank

Bank of Maharashtra

Calyon Bank

Central Bank of India

Corporation Bank

DBS Bank Limited

HDFC Bank Limited

ICICI Bank Limited

State Bank of Bikaner & Jaipur

State Bank of Hyderabad

State Bank of India

State Bank of Patiala

Syndicate Bank

The Bank of Nova Scotia

The ING Vysya Bank Limited

The Karur Vysya Bank Limited

Union Bank of India

UTI Bank Limited

REGISTERED OFFICE

B-10/4, Waluj M.I.D.C Industrial Area,
Waluj, Dist. Aurangabad - 431 133

CORPORATE OFFICE

Vedanta, 75 Nehru Road, Vile Parle (E),
Mumbai - 400 099.

TRANSFER AGENTS

M/s. Sharepro Services

(Unit : Sterlite Industries (India) Limited)

- Satam Estate, 3rd floor, Above Bank of Baroda, Chakala, Andheri (E), Mumbai - 400 099.
Tel.: (022) 2821 5168, 2832 9828/2114 • Fax : (022) 2837 5646
- 912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai - 400 021.
Tel.: (022) 2288 1568/69, 2282 5163, 2288 4527 • Fax : (022) 2282 5484

E-mail : sharepro@vsnl.com

Uniquely placed and well positioned for future growth



STERLITE
INDUSTRIES (INDIA) LIMITED

Annual Report 2003-2004

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Twenty Ninth Annual Report together with the Audited Accounts for the financial year ended March 31, 2004.

FINANCIAL RESULTS AND APPROPRIATION

	(Rupees million)	
For the Year	2003-04	2002-03
Turnover	48,720.44	34,064.78
Gross Profit	3,052.43	3,002.10
Less: Depreciation	1,084.02	1,059.35
Profit Before Extra-ordinary items and Tax	1,968.41	1,942.75
Extra-ordinary Items:		
Provision for diminution in Value of Investments	790.00	
Advances to Subsidiary Written off	475.00	
Impairment of Fixed Assets	385.00	
	<u>1,650.00</u>	
Less: Transferred from General Reserve	<u>1,650.00</u>	
Profit Before Tax	1,968.41	1,942.75
Provision For Tax (including Deferred Tax)	3.05	(266.08)
Net Profit	1,971.46	1,676.67
Add: Brought forward from previous period	4,058.23	3,429.47
Amount available for appropriation	6,029.69	5,106.14
Preference Share Redemption Reserve	—	200.00
Debenture Redemption Reserve.	—	320.00
General Reserve	300.00	300.00
Dividend on Preference Shares (including tax thereon)	0.18	5.00
Proposed Dividend (Equity Shares including tax thereon)	243.00	222.91
Balance carried forward for next year	5,486.51	4,058.23

TURNOVER AND PROFITS

During the year, your Company achieved a turnover (including inter divisional transfer) of Rs. 48720.44 million (previous period Rs. 34064.78 million) an increase of 43% over the previous year. In addition to added thrust on export markets, the higher turnover was achieved on account of increased sales volume, and higher LME prices of Copper.

During the year there was pressure on margins due to lower levels of Treatment & Refining Charges (TC/RC) and reduced duty structure. However, your Company has maintained a gross profit of Rs. 3052.43 million. The gross profit has been maintained on account of stringent cost control measures at all levels of operations, falling interest rates and exchange fluctuation gains on borrowings and acceptances due to rupee appreciation during the year.

The net profit has increased by 18% over previous year. The net profit after tax improved on account of Deferred Tax Assets created during the year as against Deferred Tax Liability created during the previous year. This reversal in Deferred Tax is due to loss on sale of the oxygen plant at Tuticorin and impairment of assets at 'Sanaswadi and Lonavala'.

DIVIDEND

The Board of Directors are pleased to recommend a dividend of 60% (Rs. 3.00 per equity share of Rs. 5/- each) on the enhanced equity share capital after bonus issue i.e. on 71,799,620 equity shares of the Company. The amount of dividend outgo including tax thereon will be Rs.243 million as against Rs. 223 million last year. The equity dividend is recommended after providing pro-rata dividend on 21,875,000 1% Cumulative Redeemable Preference Shares of Rs. 10 each allotted during the financial year.

OPERATIONAL HIGHLIGHTS**Copper Division**

Production of Copper Cathodes increased by 15% i.e., from 155699 MT to 178654 MT and continuous cast copper rods by 22% i.e. from 95127 MT to 122713 MT.

The sales of continuous cast copper rod increased from 95686 MT to 121200 MT an appreciable rise of 27%. The exports were up by 36% from 61956 MT to 84294 MT for the financial year 2003-2004.

Your Company retained its leadership position in the Indian market with a share of 43% in the sale of continuous copper rods through intensive marketing efforts and delivery of excellent quality products and enhanced customer service.

Your Company's primary endeavour has been to achieve competitive strength through becoming the lowest cost producer in the world. An intense drive, backed by numerous TQM teams comprising young and talented professionals, has been successful in bringing the costs down.

STERLITE

INDUSTRIES (INDIA) LIMITED

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The financial year 2003-2004 was also marked by the first ever export of Phosphoric acid by the Company.

Power Transmission Line Division

Power Transmission Line Aluminium Conductor Division continued to maintain its leadership position in India. The Division has increased its presence globally by exporting to new markets i.e., Bangladesh, Sweden, and Algeria etc. through continuous product development. The division registered a growth of 75% over the previous year and also registered a record production.

SHARE CAPITAL**Foreign Currency Convertible Bonds (FCCB)**

During the year your Company had issued 1% Foreign Currency Convertible Bonds (FCCB's) aggregating to USD 50 million. The Foreign Currency Convertible Bonds carry an option to be converted to equity shares of the Company in accordance with the Offering Circular. The Company had received the Conversion Notices for conversion of 500 bonds into 20600 equity shares of the Company and the same have been allotted. The proceeds of the Foreign Currency Convertible Bonds were used to augment the long-term resources of the Company and for general corporate purposes.

Bonus Equity Shares

In order to provide greater liquidity to the Company's shares your Company issued bonus equity shares in the proportion of 1:1 viz., one equity share of Rs. 5/- each for every one share held in the Company as on the Record Date fixed for this purpose i.e., February 9, 2004 to the eligible equity shareholders of the Company. The Bonus shares were issued by capitalising part of the amount in the share premium account of the Company.

Cumulative Redeemable Preference Shares

During the year your Company allotted 21,875,000 1% Cumulative Redeemable Preference Shares (CRPS) of Rs. 10 each at a premium of Rs. 70 per share. These shares were issued on private placement basis. The amount raised by preference share issue would be used for general corporate purposes.

Rights Issue

Your Company has proposed to offer equity shares on rights basis to the existing shareholders of the Company in the proportion of one (1) new equity share of Rs. 5/- each for every two (2) equity shares at Rs. 550 per equity share held in the Company, as on the Record Date viz. July 23, 2004. The proposed rights issue would be of Rs. 2000 crores approx and the funds would be utilised for reduction of debts and current liabilities, financing expansion projects of the subsidiary company, Bharat Aluminium Company Limited and increasing stake in subsidiary companies.

REDEMPTION OF NON-CONVERTIBLE DEBENTURES

Your Company had issued 10% Non-Convertible Debentures of Rs. 10 each (debentures) in August, 2002 as a part payment of consideration amount pursuant to the 'Scheme of Arrangement' which was approved by

the Hon'ble High Court of Judicature, Mumbai. These debentures carried a call option, which could be exercised by the Company at any time after 18 months from the date of allotment. The Company has exercised the call option & redeemed the debentures aggregating to Rs. 100.83 crores on 16th February, 2004. This would reduce the long-term debts and interest costs of the Company.

FINANCE

During the financial year 2003-04, your Company deployed innovative strategies to raise new funds and continue its focus on reduction of borrowing cost for both short-term and long-term loans. Your Company concluded its first unsecured ECB of US\$ 25 million with a maturity of 5 years. Your Company raised US\$ 50 million by means of a FCCB at a coupon of 1% p.a. Further, your Company raised a long-term loan of Rs. 1,000 million from Life Insurance Corporation (LIC) at a rate linked to Indian Government securities. Your Company also started using buyer's credit as an effective means to meet working capital funding.

Your Company enjoys the highest rating of "P1+" for short-term borrowings from CRISIL. During the year 2003 - 04 the rating for long-term borrowings was enhanced from "AA-" to "AA".

INTERNATIONAL OFFERING

The ultimate Holding Company 'Vedanta Resources plc' made an Initial Public Offering (IPO) in international markets and is listed on the London Stock Exchange. This was the first primary listing in London Stock Exchange of an Indian Business house. The listing gave an opportunity to international investors to invest in India's strong economic growth and surging demand for metals & minerals.

The gross proceeds raised by Vedanta Resources plc, was to realise growth opportunities and consolidate ownership of its business. Over the next three years Vedanta aims to invest over USD 2 billion to expand current operations and drive down unit costs and to develop a portfolio of attractive greenfield projects. These will include expansion and investment in Company's subsidiaries viz., BALCO aluminium smelter expansion and HZL zinc expansions.

GROUP STRUCTURE

The Agarwal Group being a Group defined under the Monopolies and Restrictive Trade Practices Act, 1969, controls the Company. A list of these entities is given below:

- Volcan Investments Limited, Bahamas.
- Twinstar Holdings Limited, Mauritius
- Vedanta Resources plc, United Kingdom
- Vedanta Resources Holdings Limited, United Kingdom
- Mr. Dwarkaprasad Agarwal
- Mr. Agnivesh Agarwal