

Strong
Growing
Sustainable



Sterlite Industries (India) Limited
Annual report 2005-06

Forward-looking statement

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.

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Company details

Board of Directors

Mr. Anil Agarwal

Chairman

Mr. Navin Agarwal

Executive Vice-Chairman

Mr. Kuldip Kumar Kaura

Managing Director

Mr. Tarun Jain

Whole-time Director

Mr. Dwarka Prasad Agarwal

Mr. Ishwarlal Patwari

Mr. Sandeep Junnarkar

Mr. Gautam Doshi

Mr. Berjis Desai

Company Secretary

Mr. S Varadharajan

Auditors

M/s Chaturvedi & Shah - Mumbai

M/s Das & Prasad - Kolkata

Registered Office

B-10/4, Waluj M.I.D.C Industrial Area,
Waluj, Dist. Aurangabad-431133

Corporate Office

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

Transfer Agents

Sharepro Services (India) Pvt.Ltd.

(unit: Sterlite Industries (India) Limited)

Satam Estate, 3rd Floor, Above Bank of Baroda,
Chakala, Andheri(E), Mumbai-400 099.

Tel.:(022) 2821 5168, 2834 8218.

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Nariman Point, Mumbai-400 021.

Tel.: (022) 2288 1568/69, 2282 5163

Fax: (022) 2282 5484

E.Mail : sharepro@vsnl.com

Bankers

ABN Amro Bank

Bank of India

Bank of Maharashtra

Central Bank of India

Corporation Bank

DBS Bank Limited

HDFC Bank Limited

ICICI Bank Limited

Oriental Bank of Commerce

Standard Chartered Bank

State Bank of Bikaner & Jaipur

State Bank of Hyderabad

State Bank of India

Syndicate Bank

The Hongkong & Shanghai Banking

Corporation Limited

The ING Vysya Bank Limited

The Karur Vysya Bank Limited

Union Bank of India

City Bank

Calyon Bank

IDBI Bank

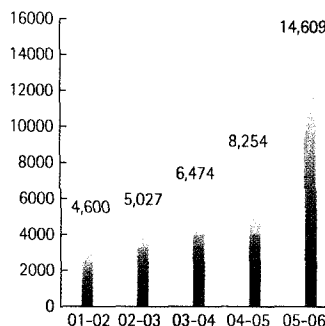
Deutsche Bank

Our performance in 2005-06

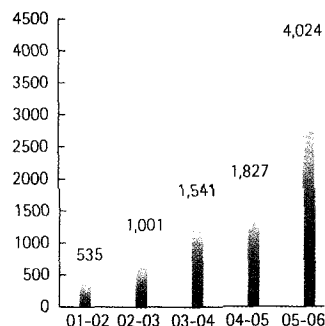
Consolidated performance (in Rs. crore)

Consolidated

Sales and services



Gross profit (PBIDTA)



■ Increased consolidated revenues by 81% to Rs. 13,127 crore

■ Increased consolidated Profit before interest expense, depreciation, tax and amortisations (PBIDTA) by 119% to Rs. 4,024 crore

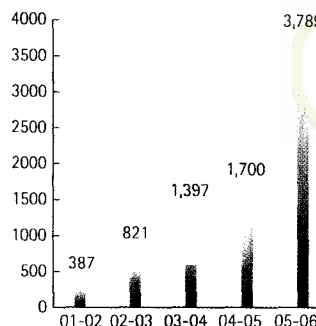
■ Increased consolidated net profit by 144% to Rs. 2,228 crore

■ Increased consolidated capital employed by 21% to Rs. 13,676 crore

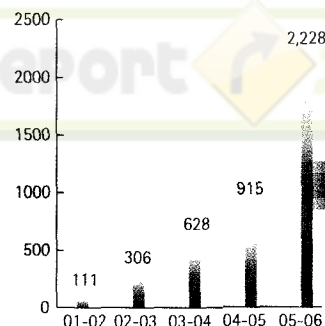
■ Increased consolidated basic EPS by 116% at Rs. 29.55

■ Strong balance sheet with net assets of Rs. 13,676 crore and gearing of 38%

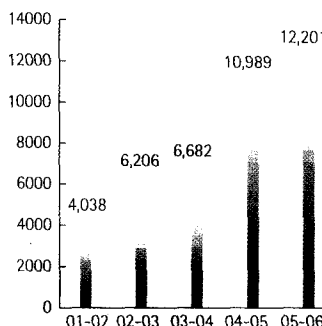
Cash profit (PBDT)



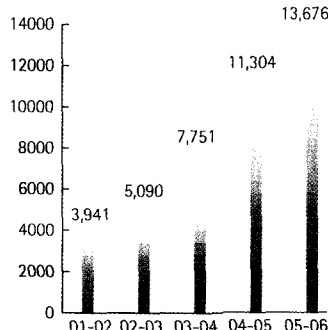
Net profit (PAT)



Gross fixed assets



Capital employed

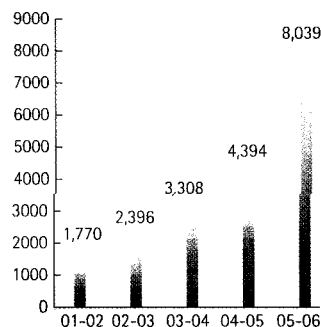


Operational

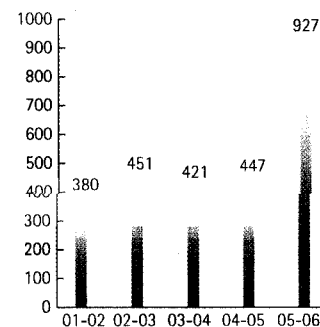
- Commissioned a copper smelter in Tuticorin, enhancing the company's total capacity from 1,80,000 tpa to 3,00,000 tpa
- Commissioned a new 90,000 tpa rod plant at Tuticorin, enhancing the company's total capacity to 2,40,000 tpa
- Commissioned a new 1,40,000 tpa refinery at Tuticorin, enhancing the total capacity to 3,00,000 tpa

Standalone performance (in Rs. crore)

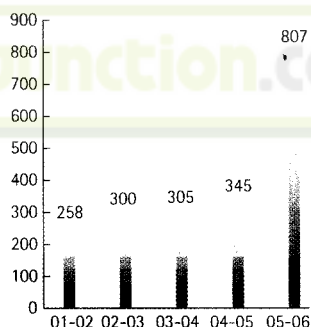
Sales and services



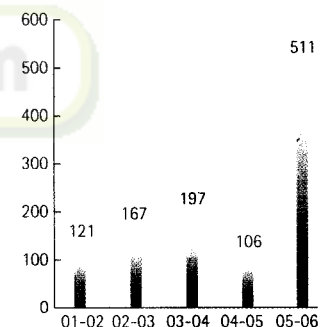
Gross profit (PBIDTA)



Cash profit (PBDT)



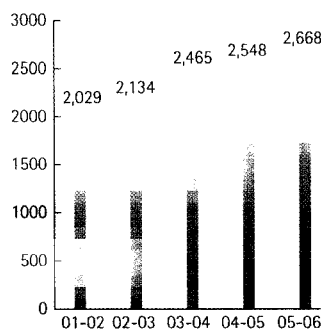
Net profit (PAT)



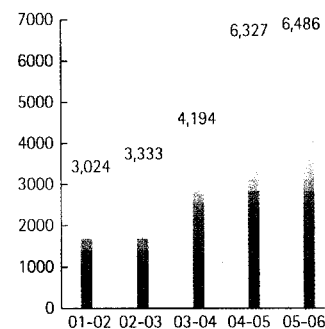
Financial

- Increased revenues by 88% to Rs. 7,504 crore
- Increased PBIDTA by 107% to Rs. 927 crore
- Increased net profit by 382% to Rs. 511 crore
- Increased ROCE from 7% to 14%
- Increased basic EPS by 296% at Rs. 9.23
- Strong balance sheet with net assets of Rs. 6,484 crore and gearing of 31%
- Proposed full year dividend of Rs. 1.25 per share

Gross fixed assets



Capital employed

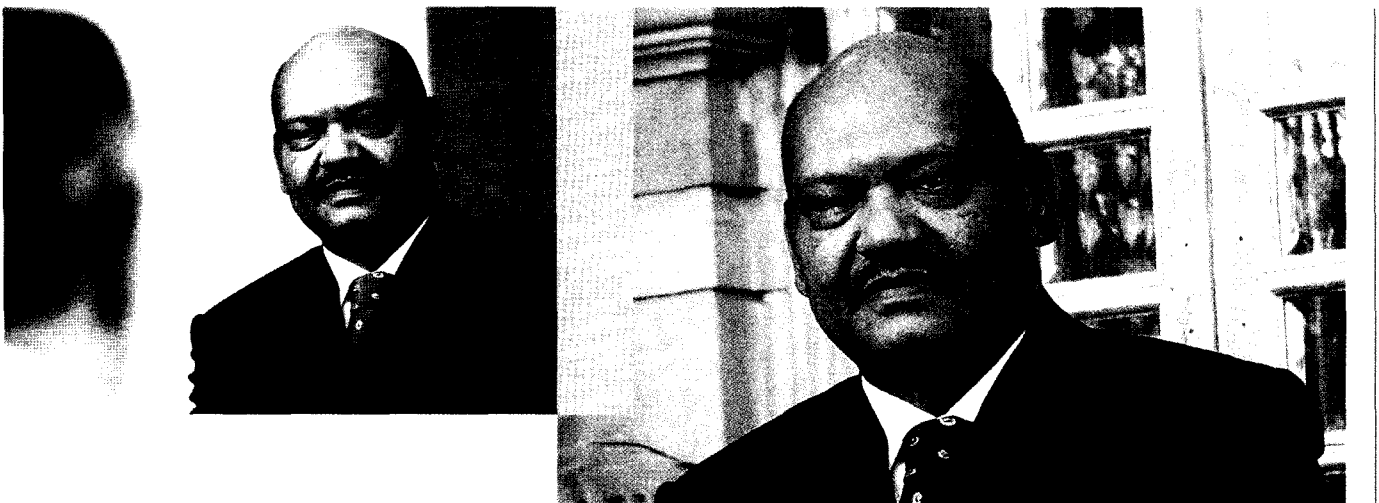


Chairman's statement

I am delighted to communicate with you following a year of strong growth. Revenues from operations for the year ended 31 March 2006 were Rs. 7,504 crore compared with Rs. 3,992 crore in the previous year, an increase of 88% while profits after taxes was Rs. 511 crore, an increase of 382% over Rs. 106 crore in the previous year.

Report

junction



Our strong results were due to significant volume expansions in 2006, our relentless focus on enhancing operational efficiencies and the increase in commodity prices.

During the year under review, we commissioned the expanded Tuticorin copper smelter with capital costs and time frames superior than the established industry norms, helping us enhance value in the immediate and also laying the foundation for sustainability over the coming years.

Going ahead, we believe volume growth, productivity gains and other continuous improvement initiatives will enable us to retain our status as one of the lowest cost global refiners of copper.

Demand and markets

The growth that we reported in 2005-06 was achieved against the background of a favourable economic and industrial climate the world over. The demand for metals, including copper, strengthened on account of increased industrial and infrastructure activity in the emerging markets. The ongoing buoyancy is being largely derived out of Asia where countries like China and India reported a strong and sustained economic upturn.

India is an attractive destination for metal producers for a number of reasons: it is a natural resources hub, possesses a capability to commission capacities at attractive capital costs and provides access to a rapidly growing domestic as well as contiguous Asian markets.

The recently announced 2007 Union Budget

promised an extension of the various policies that stimulate economic growth and encourage inward investment through enhanced budgetary allocations for infrastructure spending, specifically in the area of roads, ports, telecommunications and urban infrastructure. These measures are expected to sustain the demand growth for metals within the country in the coming years.

Growth

We are attractively placed to capitalise on this robustness of the Indian economy. We possess expanded capacities across copper smelting, refining and rod manufacturing that will enable us to respond comprehensively and successively to the growing demand for copper within India and the world. This proactive investment in our business will translate into a stronger leadership position within India.

The industry scenario within India appears positive for an important downstream reason: there is a burgeoning demand for electrical equipment, transformers and wiring applications across all sectors within India, riding the government's priority in strengthening the country's power infrastructure.

Also at the basis of this growth is the responsible management of our Group finances, reflected most prominently in our conservative gearing ratio.

Sustainable and responsible development

Sustainable development resides at the core of our business strategy. While on one hand, we are

At our company, the concept of sustainable development is not only limited to clean processes and practices; it extends to taking an involved interest in making a difference in the quality of the lives of our stakeholders as well.

humbled by the vast impact of our industry in the everyday lives of people, on the other, we recognise the potential impact of our business on the environment and the occupational hazards that it poses for communities and habitats living in the vicinity of our manufacturing operations.

As a result, our concept of sustainable development reconciles the conservation of natural resources like water and energy at one level and minimal disturbance in the lives of our external stakeholders at the other. To achieve this visibly and sustainably, we have prudently invested in energy efficient and environmentally friendly technologies.

At our company, the concept of sustainable development is not only limited to clean processes and practices; it extends to taking an involved interest in making a difference in the quality of the lives of our stakeholders as well. As an extension, we are deeply associated with the concept of micro-enterprise for women through self-help groups (SHGs) in Tuticorin and other locations covering over 1,800 women across 121 SHGs. This association is relevant: it empowers women, disadvantaged for generations, in achieving financial and economic independence and in turn, inspires them to play an active role in the onward development of their families and communities. This involvement is extending our influence from the lowest common denominator upwards.

We also recognise that even as we represent

isolated pools of prosperity, there are entire communities right around us with the barest access to education and health care. So relevantly, we continue to support the cause of children's education through *Bal Wadis*, supplemented with midday meal schemes and regular health checkups. As an extension, we provide quality health care in our state-of-the-art hospitals and clinics at our various operating locations as well as through mobile health camps conducted in neighbouring villages.

At our company, this community-enriching approach is not ad hoc or arbitrary; it is intrinsic and based around a policy framework supported by a robust implementation and governance structure. This makes all our work in the area of sustainable development sustainable in itself, creating a case for the widest good for the largest number for years to come.



People

The successes that I have been able to report in this statement are due to the outstanding commitment and contribution of our employees and I wish to thank them on behalf of the entire Board. 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 have translated into a high sense of motivation, commitment and enthusiasm. Our hands-on participative management style has enriched our organisational culture and values across all levels. We have created an attractive working environment with competitive incentive arrangements, placing us among the most preferred employers in India.

Outlook

In the last 12 months, Sterlite has invested in projects that I am optimistic will enhance stakeholder value across the foreseeable future. The combination of a favourable economic climate, the robust growth in metal demand and our increased volumes gives me the optimism that we are well on our way to making this value enhancement a vibrant reality.

Anil Agarwal

Chairman



Business profile and position

Sterlite Industries (India) Ltd. ('Sterlite' or 'the company') is the principal subsidiary of Vedanta Resources plc (Bloomberg: VED LN), a diversified and integrated FTSE 100 metals and mining company, with principal operations located in India and Zambia.

Sterlite is among the leading copper producers in India. It was India's first private sector company to set up a copper smelter and refinery and operate the largest continuous cast copper rod capacity plants. It was also the first Indian company with an LME registration on all its manufactured and traded copper brands.

Today, Sterlite's copper operations include the following:

- A smelter, refinery, phosphoric acid plant and copper rod plant at Tuticorin in Southern India

- A refinery and two copper rod plants at Silvassa in Western India, and
- 100% owned subsidiary copper mine in Australia.

Sterlite also has an aluminium conductor business, consisting of two power transmission aluminium conductor plants. Sterlite's main products, copper cathodes and copper rods meet global quality benchmarks.

