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Enhancing
stakeholder value



Sterlite Industries (India) Limited
Annual report 2006-07

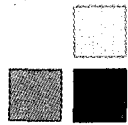
Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



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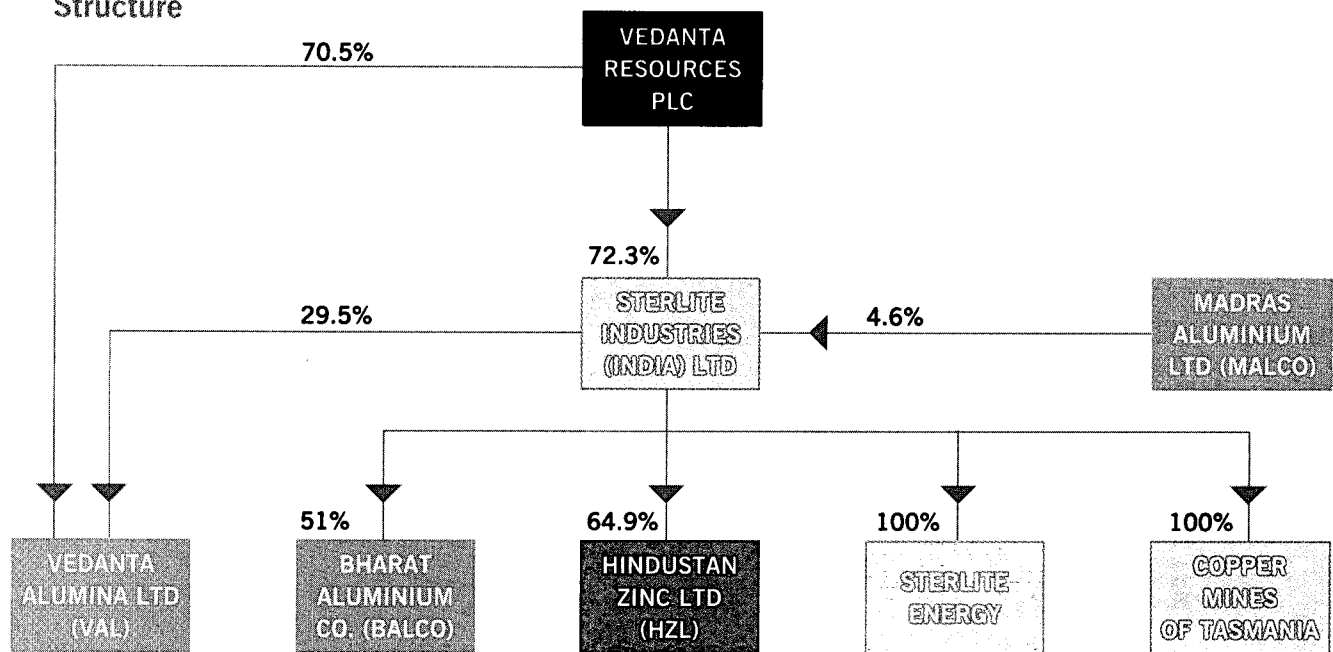
Enhancing stakeholder value

At Sterlite Industries (India) Limited, we recognise that an interplay of respect, responsiveness and responsibility enhances value not just for our shareholders but for all our stakeholders, whether they are vendors, customers, employees, neighbours or the community at large.

Sterlite Industries (India) Ltd. is a subsidiary of Vedanta Resources Plc., a London-based diversified metals and mining company. Sterlite is India's leading non-ferrous metal and mining company based on net sales with operations in aluminium, copper, zinc and lead.

Sterlite is also one of the fastest-growing large private sector companies in India. Our five-year topline CAGR is 141% between 2003 to 2007.

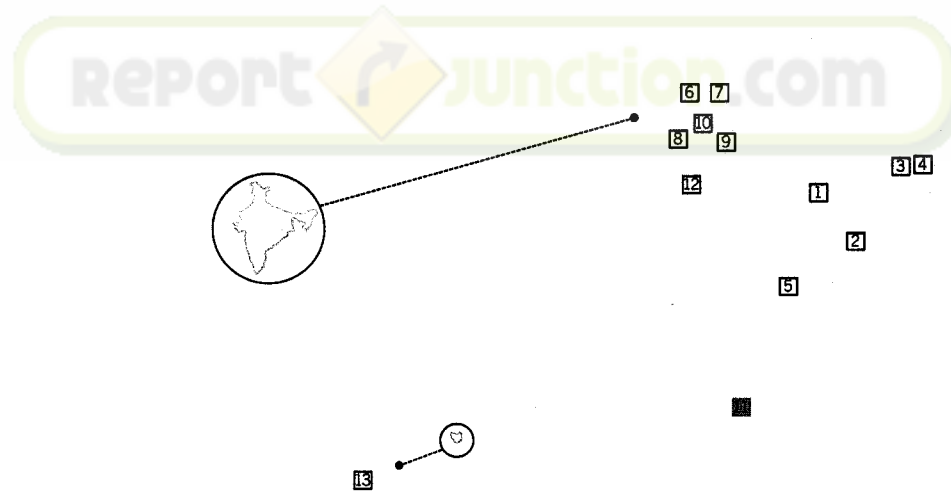
Structure



*As on March 31, 2007

Major operating companies

Our operations



INDIA

Aluminium

- 1 Korba smelter complex (BALCO) 345,000 tpa
- 2 Lanjigarh alumina refinery (VAL) 1-1.4 mtpa
- 3 Jharsuguda aluminium project (VAL) 500,000 tpa

Commercial Energy

- 4 Sterlite Energy 2400 MW (IPP)

Zinc

- 5 Vizag smelter (HZL) 56,000 tpa
- 6 Rampura Agucha mine (HZL)
- 7 Chanderiya smelter complex 275,000 tpa zinc 85,000 tpa lead
- 8 Debari smelter (HZL) 80,000 tpa
- 9 Rajpura Dariba mine (HZL)
- 10 Zawar mine (HZL)

Copper

- 11 Tuticorin smelter (Sterlite) 400,000 tpa
- 12 Silvassa refinery (Sterlite) and rod plant

AUSTRALIA

- 13 Mt Lyell Mine

Corporate information

Board of Directors

Mr. Anil Agarwal

Chairman

Mr. Navin Agarwal

Executive Vice-Chairman

Mr. Dwarka Prasad Agarwal

Mr. Ishwarlal Patwari

Mr. Sandeep Junnarkar

Mr. Gautam Doshi

Mr. Berjis Desai

Mr. Kuldip Kumar Kaura

Managing Director

Mr. Tarun Jain

Whole-time Director

Company Secretary

Mr. S Varadharajan

Auditors

M/s Chaturvedi & Shah - Mumbai

M/s Das & Prasad - Kolkata

Registered Office

STERLITE INDUSTRIES (INDIA) LIMITED,
SIPCOT Industrial Complex,
Madurai By Pass Road, T V Puram P.O.,
Tuticorin - 628 002, Tamil Nadu, India

Corporate Office

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

Transfer Agents

Karvy Computershare Private Limited,

Plot No 17 - 24, Vittal Rao Nagar,

Cyberabad, Madhapur, Hyderabad - 500 081

Phone - 040 23420815 - 824, Fax - 040 23420814

E-mail - mailmanager@karvy.com

Bankers

ABN Amro Bank

Bank of India

CALYON Bank

Central Bank of India

CITI Bank

DBS Bank Ltd.

Deutsche Bank AG

HDFC Bank Ltd.

HSBC

ICICI Bank Ltd.

IDBI Bank Ltd

ING Vysya Bank Ltd.

Oriental Bank of Commerce

Standard Chartered Bank

State Bank of India

Syndicate Bank

Bank of Maharashtra

Corporation Bank

Union Bank of India

Milestones

1989

Integrated backwards into the manufacture of copper rods

1995

Commissioned a smelter in Tuticorin and a refinery in Silvassa

2000

Acquired copper mines in Australia

2001

Acquired BALCO

2002

Acquired Hindustan Zinc

2005

Commissioned 300 ktpa smelter and refinery in Tuticorin

2006

Enhanced smelter and refinery capacity to 400 ktpa

2007

Listed in NYSE

Consolidated performance (Rs. cr)

Operational

Aluminium

Significant progress in:

- Attaining full capacity at the new Korba smelter, now fully stabilised
- Commissioning of the first stream of the Lanjigarh aluminium refinery and the charging of bauxite.

Copper

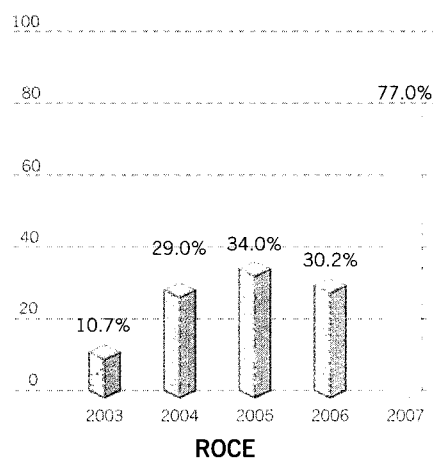
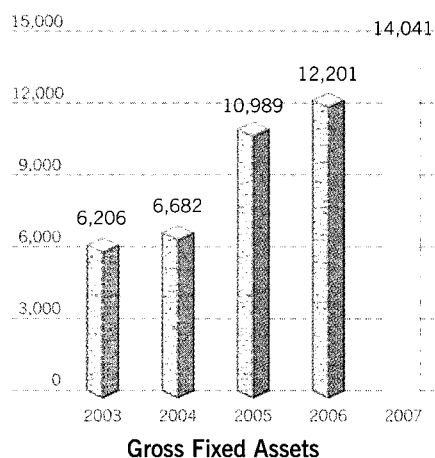
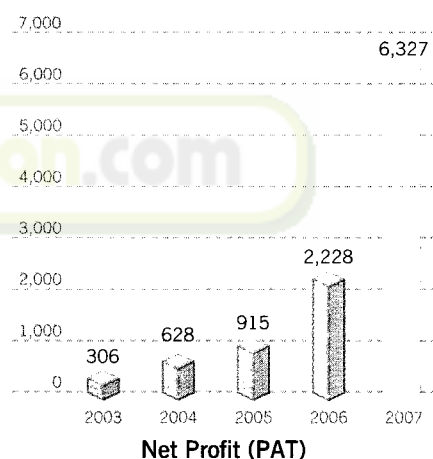
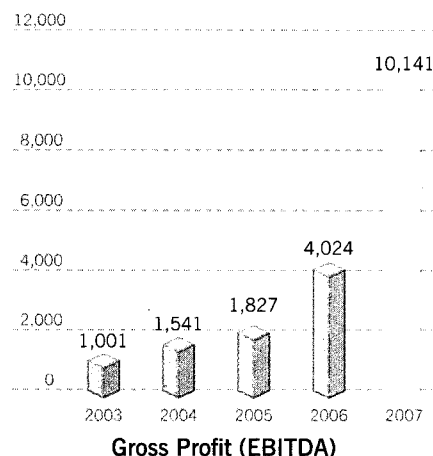
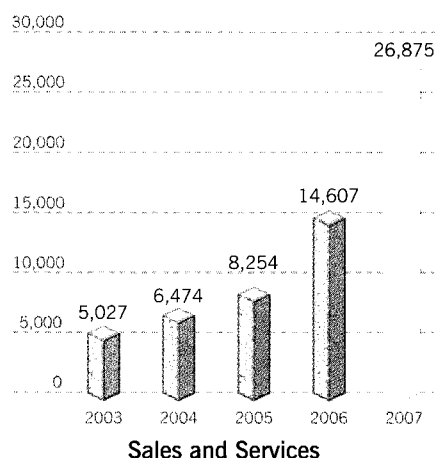
- Completion of the debottlenecking initiative at Tuticorin, increasing capacity by 100,000 tpa

Zinc

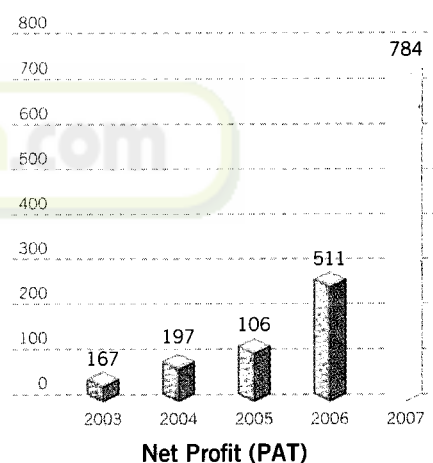
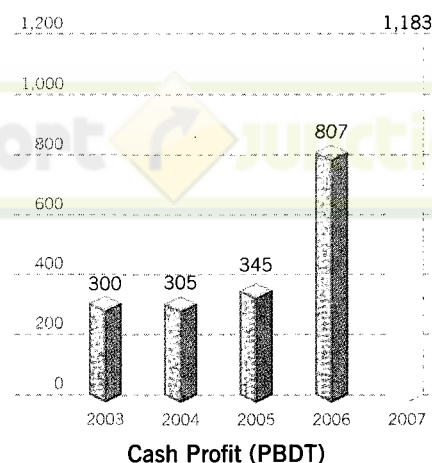
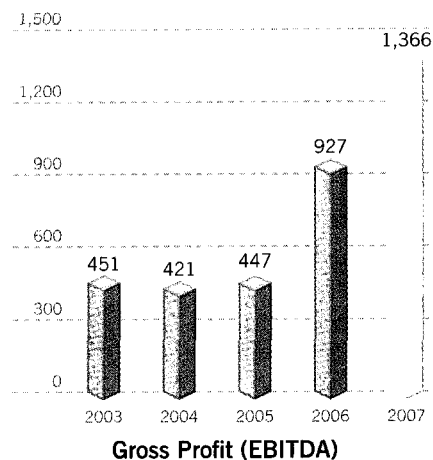
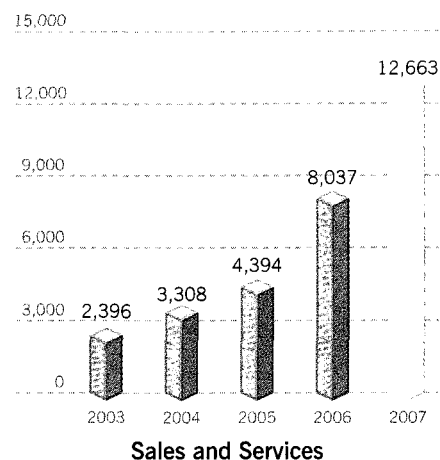
- Stabilisation of phase -I plant and currently engaged in construction of a 170,000 tpa smelter at Chanderiya
- Debottlenecking initiative across 88,000 tpa at Chanderiya and Debari

Financials

- Increased Consolidated revenue by 84% to Rs. 26,875 cr
- Increase in the consolidated Gross Profit by 152% to Rs. 10,141 cr
- Increase in the consolidated Net Profit by 184% to Rs. 6,327 cr
- Consolidated basic EPS by 165% to Rs. 78.77 per share
- Increase in ROCE to 76.97% vs 30.20% in the previous year
- Strong Balance Sheet with a net asset base of Rs. 19,135 cr



Standalone performance (Rs. cr.)

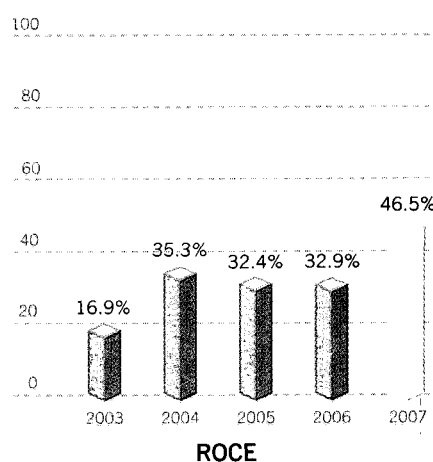
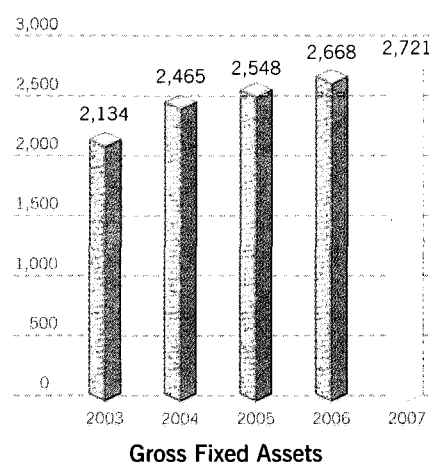


Operational

- Completion of the debottlenecking initiative at Tuticorin – increased capacity by 100,000 tpa
- Commissioning of selenium plant in May 2006

Financials

- Increased revenue by 58% to Rs. 12,663 cr
- Increase in the Gross Profit by 47% to Rs. 1,366 cr
- Increase in the Net Profit by 53% to Rs. 784 cr
- Increase in basic EPS by 52% to Rs. 14.04 per share



We are India's largest non-ferrous metals and mining company (based on net sales) and the fastest growing private sector company in India

Overview

We are India's largest non-ferrous metals and mining company (based on net sales) and the fastest growing private sector company in India (based on an increase in net sales from fiscal 2006 to 2007). In India (one of the fastest growing large economies in the world with a gross domestic product increase of slightly over 9%, from fiscal 2006 to 2007), we have three major business segments:

Copper: We are one of the three copper smelters in India, with a 42% primary market share by volume in India in fiscal 2007, according to the International Copper Promotion Council, India (ICPCI). In 2006, we were the fifth largest custom copper smelter by production volume, our Tuticorin smelter was in the lowest cost quartile in terms of all copper smelting operations worldwide and our Tuticorin and Silvassa refineries had the third

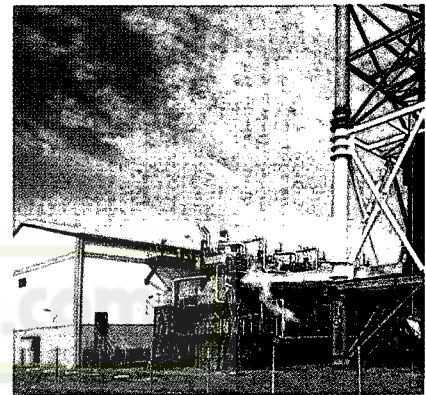
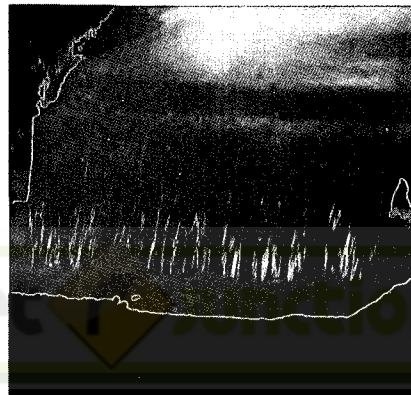
and fifth lowest costs of production, respectively, of all copper refining operations worldwide (Source: Brook Hunt & Associates Ltd., or Brook Hunt, a metals and mining consulting firm).

Zinc: Our majority-owned subsidiary Hindustan Zinc Limited (HZL), is India's only integrated zinc producer and enjoys a 61% market share by volume in India in fiscal 2007 (source: India Lead Zinc Development Association or ILZDA). HZL's Rampura Agucha zinc mine is the third largest in the world in terms of contained zinc deposits on a production basis and the fourth largest on a reserve basis. It was estimated to have the third lowest cost of producing zinc concentrate in 2006, the new Chanderiya hydrometallurgical zinc smelter was in the lowest cost quartile in terms of all zinc smelting operations worldwide in 2006 and HZL was the world's fourth largest zinc mining company in 2006 based on

mine production (source: Brook Hunt).

Aluminium: Our majority-owned subsidiary Bharat Aluminium Company Limited (BALCO) is one of the four primary producers of aluminium in India with a 25% primary market share by volume in the country in fiscal 2007, among the primary producers of the country (source: Aluminium Association of India, or AAI). BALCO was the fastest growing primary producer of aluminum in India in fiscal 2007 based on the quantity of aluminium produced as a result of the ramp-up in production at its new Korba aluminium smelter. BALCO's captive power plants provided nearly all the required power, making it an energy-integrated aluminium producer.

The new businesses we currently have an interest in or plan to develop are as follows:



Vedanta Alumina

We hold a 29.5% minority interest in Vedanta Alumina Limited, a 70.5%-owned subsidiary of our parent company Vedanta Resources Plc. Vedanta Alumina began the progressive commissioning of a new 1 mtpa alumina refinery, expandable to 1.4 mtpa, subject to government approvals, in March 2007. One of the two units of its associated captive power plant was commissioned in February 2007. Vedanta Alumina anticipates alumina production from the refinery shortly. It is also setting up a greenfield 500,000 tpa aluminium smelter together with an associated 1,215 MW captive power

plant in two phases of 250,000 tpa each. Construction of the first phase is expected to be completed in 2009 and the second phase by 2010.

Commercial Energy

We intend to develop a commercial power generation business in India that leverages our experience in building and managing captive power plants used to support our primary businesses. Our experience includes managing seven captive power plants with a total power generation capacity of 1,046 MW, six of which we built, including two thermal coal-based captive power plants with a total power generation capacity of 694 MW in the last three

years. We are investing approximately Rs. 8,189 cr to build the first phase, totalling 2,400 MW, of a thermal coal-based power facility, which we expect to complete in 2010. The project is being pursued by our wholly-owned subsidiary Sterlite Energy Limited and is expected to be completed in 2010. In addition, BALCO has entered into a memorandum of understanding under which, among other things, feasibility studies will be undertaken for a potential investment of approximately Rs. 5,000 cr to build a thermal coal-based 1,200 MW power facility.