



STERLITE
OPTICAL TECHNOLOGIES LIMITED

Annual Report 2001-2002

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Board of Directors

Anil Agarwal

Chairman

Sandeep Junnarkar

Gautam Doshi

Navin Agarwal

Whole-time Director

L. Ramkumar

Chief Executive Officer

Solicitors & Advocates

Kanga & Company

Auditors

Deloitte Haskins & Sells

Chartered Accountants

Bankers

ABN AMRO Bank N.V.

Credit Lyonnais

HDFC Bank Limited

ICICI Bank Limited

Punjab National Bank

State Bank of India

Registrar and Transfer Agents

M/s. Sharepro Services

(Unit: Sterlite Optical Technologies Limited)

912, Raheja Centre, Free Press Journal Road,
Nariman Point, Mumbai 400 021.

Tel.: (022) 2881568/69, 2844668

Fax: (022) 2825484

M/s. Sharepro Services

(Unit: Sterlite Optical Technologies Limited)

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

Tel.: (022) 8215168, 8348218, 8215991, 8329828

Fax: (022) 8375646

E-mail: sharepro@vsnl.com

Notice

NOTICE IS HEREBY GIVEN THAT THE THIRD ANNUAL GENERAL MEETING OF STERLITE OPTICAL TECHNOLOGIES LIMITED WILL BE HELD AT B-10/4, WALUJ MIDC INDUSTRIAL AREA, WALUJ, DISTRICT AURANGABAD 431 133, MAHARASHTRA ON SATURDAY, 28TH SEPTEMBER, 2002 AT 2.30 P.M. TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

1. To receive and adopt the Balance Sheet as at 31st March, 2002, the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Sandeep H. Junnarkar who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of the Third Annual General Meeting up to the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board of Directors,

ANIL AGARWAL
Chairman

Mumbai; 5th August, 2002

Registered Office:

E-1, Waluj MIDC Industrial Area,
Waluj, District Aurangabad 431 136.

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, 14th September, 2002 to Saturday, 28th September, 2002 (both days inclusive).
3. Members are requested to:
 - a) Notify the change in their addresses, if any, with Pin Code numbers to the Company's Registrar and Share Transfer Agents M/s. Sharepro Services at their office addresses at 912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai 400 021 OR Satam Estate, 3rd Floor, Above Bank of Baroda, Chakala, Andheri (East), Mumbai 400 099.
 - b) Bring their copy of the Annual Report and Attendance Slip with them at the Annual General Meeting.
 - c) Quote their Ledger Folio Number/DP Identity and Client Identity Numbers in all their correspondences with the Company or its Registrar and Share Transfer Agents.
4. The information and/or details to be provided, under Clause 49 of the Listing Agreement pertaining to Corporate Governance, in respect of Mr. Sandeep H. Junnarkar, Director of the Company coming up for re-appointment at the ensuing Annual General Meeting is as under:

Mr. Sandeep H. Junnarkar, Partner of Kanga & Co., a law firm based in India, is a Solicitor by profession. Mr. Junnarkar holds a Bachelors Degree in Science and also a Bachelors Degree in law from the University of Bombay. He passed his Solicitor's exam in 1977 from Bombay Incorporated Law Society, Mumbai. Mr. Junnarkar's experience of over 20 years in the legal profession is rich and varied. Mr. Junnarkar joined the Board of Directors of the Company on 23rd February, 2001. Mr. Junnarkar is on the Board of various large Organisations which include Ambuja Cement India Limited, Ambuja Cement Rajasthan Limited (also member of Remuneration Committee) IL&FS Asset Management Company Limited (also member of Remuneration Committee), Indian Petrochemicals Corporation Limited, Jai Corp Limited, Reliance Capital Limited (also member of Audit Committee), Reliance Entertainment Private Limited, Reliance Industrial Infrastructure Limited (also member of Audit Committee, Remuneration Committee and Shareholders/Investors Grievance Committee), Reliance Industrial Investments & Holdings Limited, Reliance Life Insurance Limited, Reliance Ports and Terminals Limited, Sterlite Industries (India) Limited (also member of Audit Committee and Shareholders/Investors Grievance Committee), Sunshield Chemicals Limited and Tilaknagar Industries Limited.



Chairman's Message



Dear Shareholder,

The financial year 2001-2002 has been a difficult year for the country with the GDP growth falling to around 4% well below the targeted level of 8% in the current economic plan of the Government. Growth in the telecommunication sector was stagnant and there was a general feeling of instability throughout the year.

Your Company had anticipated the global slow down and the entire focus was on cost reduction to compete with the global players in the industry. Cost consciousness is the key to the success of your Company and our focus of being the lowest cost producer is becoming more and more of a reality.

While there will be ups and downs in business, our focus on costs, increased volumes and commitment to quality will enable us to continue to create value for our stakeholders.

Your Company has expanded its Optical Fibre manufacturing capacity from 1.8 million FKM in the previous year to 4 million FKM in the current year. R&D continues to be a key area and is accorded the highest importance.

For implementing all these measures we have a dedicated and committed human resources pool. There is considerable talent and knowledge base. A perfect combination of youth and experience is being nurtured and developed to become the future leaders of your Company.

I take this opportunity to thank all our stakeholders on my behalf and on behalf of my colleagues for their unstinted support and encouragement and I look forward to our continued relationship in the years to come.

ANIL AGARWAL

Directors' Report

To the Members,

Your Directors have pleasure in presenting the Third Annual Report together with the Audited Accounts for the year ended 31st March, 2002.

FINANCIAL RESULTS

(Rupees in Million)

Particulars	Year ended 31st March, 2002	Nine Months ended 31st March, 2001
Income from operations	7,698.7	7,943.1
Profit before interest, depreciation & tax	1,650.0	2,821.7
Less: Interest	149.2	242.7
Gross Profit	1,500.8	2,579.0
Less: Depreciation	214.1	142.6
Provision for taxation:		
Current Tax	120.0	180.0
Deferred Tax	165.0	—
Profit for the year	1,001.7	2,256.4
Amount available for appropriation	2,754.8	2,256.4
Appropriation:		
Debenture Redemption Reserve	365.0	—
General Reserve	100.2	225.6
Proposed Dividend on equity shares (including corporate tax on dividend)	—	277.7
Balance carried forward to next year	2,289.6	1,753.1

TURNOVER AND PROFIT

During the year under review, your Company achieved sales turnover of Rs.7,624.2 million and profit before interest, depreciation and tax of Rs.1,650 million as against Rs.7,781.5 million and Rs.2,821.7 million, respectively for the nine month period ended 31st March, 2001.

Profit after tax was Rs.1,001.7 million as against Rs.2,256.4 million for the nine month period ended 31st March, 2001.

DIVIDEND

In view of the adverse market conditions for the Company's products in the current financial year and to conserve the cash resources of the Company, your directors do not recommend any dividend for the financial year ended 31st March, 2002.

OPERATIONS REVIEW

The year under review was marked by the slow down in the global economy and the telecom sector was no exception to it. The global market for optical fibre was stagnant with no new optical fibre deployment especially in the USA, the largest market. This affected the Company's realisations and margins.

Optical Fibre Business

Your Company enjoys the advantage of being the only integrated manufacturer of optical fibre in the Country. The manufacturing capacity for the optical fibre business has been enhanced from 1.8 million fibre kilometer to 4 million fibre kilometer.

The reduction in fibre prices in the international market resulted in lower realisations and margins in the optical fibre business. Your Company supplied a major portion of its production in the domestic market which witnessed a steady growth due to higher outlay in the telecom sector. However, the optical fibre cable prices in the domestic market was around 27% lower as compared to the previous year prices. The lower realisations was mitigated partially due to higher yields and better cost control.

Your Company produced 1.73 million fibre kilometer of optical fibre as compared to 0.92 million fibre



kilometer in the previous nine month period. Production of optical fibre cables aggregated to 0.33 million fibre kilometer as compared to 0.44 million fibre kilometer in the previous nine month period. Your Company continues to be the largest manufacturer of optical fibre products in India.

The global market for optical fibre continues to be weak with lower deployment. Pricing and margins therefore continue to be under pressure. Any significant improvement in the realisation seems to be unlikely in the near future.

Jelly Filled Telephone Cables (JFTC)

Your Company continues to be the largest supplier of jelly filled telephone cables in the Country. During the year under review, your Company produced 41.99 lakh cable kilometer of JFTC as compared to 15.72 lakh cable kilometer in the previous nine month period.

The JFTC business faces increased business risk scenario primarily because of the lower demand from Bharat Sanchar Nigam Limited, the principal customer for the domestic JFTC industry.

RESEARCH AND DEVELOPMENT (R&D)

Research & Development continues to be the backbone of your Company's growth strategy.

Your Company has invested significant time and resources in creating an infrastructure for enhancing development projects. Your Company's R&D also includes continuous improvement and enhancement of existing manufacturing processes to achieve and reduce cost of its products.

LISTING

Your Company's shares continue to be listed on the Stock Exchanges at Mumbai, Delhi, Kolkata, Ahmedabad and the National Stock Exchange.

FIXED DEPOSITS

Your Company has not accepted any Fixed Deposits during the year.

EMPLOYEE STOCK OPTION SCHEME

The disclosure required to be made under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is annexed hereto and forms a part of the Directors' Report. The Certificate of the Auditors as required under the said guidelines is also attached.

BUYBACK OF SHARES

Your Company had at its Second Annual General Meeting held on 29th September, 2001 passed a resolution authorising the Board to implement the Buyback of its fully paid equity shares of Rs.5/- each for an amount not exceeding Rs.250/- per share and Rs.80 Crores in the aggregate. However, your Company has not yet purchased any of its shares back from the Shareholders under the said resolution.

INVESTMENT IN STERLITE OPPORTUNITIES AND VENTURES LIMITED (SOVL)

During the year, your Company invested in 5,00,000 fully paid equity shares of Rs.10/- each for cash at par of SOVL. Subsequent to the year end, your Company has advanced an amount of Rs.1,950 million to SOVL as share application money for which allotment is pending. SOVL, is a Special Purpose Vehicle jointly promoted by Sterlite Industries (India) Limited and your Company. SOVL was incorporated with the objective of acquiring companies in business in which the Sterlite Group has interest. SOVL has recently acquired 46% equity stake in Hindustan Zinc Limited through the disinvestment programme of the Government of India (26%) and an open offer to the public (20%).

DIRECTORS

Mr. Ashok Panjwani and Dr. Mansoor Saifi resigned from the Board of Directors effective 30th October, 2001. The Board places on record its appreciation of the contributions made by Mr. Panjwani and Dr. Saifi to the growth of the Company.

Mr. Sandeep H. Junnarkar retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

CORPORATE GOVERNANCE

The Report on Corporate Governance as prescribed by the Listing Agreement is annexed and forms a part of the Annual Report. The Auditors Certificate on compliance of the provisions of Corporate Governance as mentioned in the Listing Agreement is also attached.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards had been followed;
- ii) they had selected such accounting policies and applied them 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 as at 31st March, 2002 and of the profit of the Company for the financial year ended 31st March, 2002;
- iii) they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) they had prepared the accounts on a "going concern" basis.

AUDITORS

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

Our statutory auditors, M/s. Deloitte Haskins & Sells retire at the ensuing Annual General Meeting and are eligible for re-appointment.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The particulars prescribed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Directors) Rules 1988, is annexed hereto and forms a part of the Directors' Report.

PARTICULARS OF EMPLOYEES

The particulars of employees as required under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is annexed hereto and forms a part of the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts is being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Deputy Company 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 of the Company's wholly owned subsidiaries, along with the Reports of the Board of Directors and the Auditors' thereon for the financial year ended 31st March, 2002 are annexed.

ACKNOWLEDGEMENTS

Your Directors gratefully acknowledge the contributions made by the employees towards the success of your Company. Your Directors are also thankful for the co-operation and assistance received from financial institutions, banks, Central and State Government Departments and local authorities.

For and on behalf of the Board of Directors,

Place : Mumbai
Dated : 5th August, 2002

Anil Agarwal
Chairman



Annexure I to the Directors' Report

Information to be disclosed under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

	Sterlite Industries (India) Limited and Sterlite Optical Technologies Limited	Sterlite Optical Technologies Limited
A) Options Granted	209,550	86,850
B) The Pricing Formula	The options were Priced at a discount of 50% of the lower of (1) the average of the daily fair market value over a period of 8 calendar weeks preceding the date of grant of options; and (2) the average of the daily fair market value over a period of 2 calendar weeks preceding the date of grant of options.	The options were Priced at a discount of 50% of the lower of (1) the average of the daily fair market value over a period of 8 calendar weeks preceding the date of grant of options; and (2) the average of the daily fair market value over a period of 2 calendar weeks preceding the date of grant of options.
C) Options vested	202,025	84,350
D) Options exercised	79,996	36,675
E) The Total number of shares arising as a result of exercise of option	79,996	36,675
F) Options lapsed	7,525	2,500
G) Variation of terms of options	No variations	No variations
H) Money realised by exercise of options (Rs.)	23,998,800	19,999,000
I) Total number of options in force	122,029	47,675
J) Employee wise details of options granted to:		
1) Senior Managerial Personnel	60,746	28,425
2) Any other employee who received a grant in any one year of option amounting to 5% or more of options granted during the year.	Nil	Nil
3) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	Nil	Nil
K) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with International Accounting Standard (IAS) 33. (Rs.)		17.89

Notes:

- During the Financial Year 1999-2000 Sterlite Industries (India) Limited (SIIL) had adopted an Employees Stock Option Plan (the Plan). On 9th February, 2000 SIIL granted 209,550 options at a price of Rs.300/- per option to its employees.
- Pursuant to a Scheme of Arrangement sanctioned by the Hon'ble High Court of Judicature at Bombay, the telecom divisions of SIIL were transferred to the Company as a going concern effective 1st July, 2000. Following the transfer of the division, the employees of the telecom divisions of SIIL were also transferred to the Company. The employee option holders, whether transferred to the Company or remaining with SIIL were then entitled to exercise stapled options to purchase one equity share each of SIIL and the Company based on the options originally granted to them. Accordingly, of the total options granted by the Company, 86,850 options were held by the employees of SIIL who were transferred to the Company.

CERTIFICATE

Sterlite Optical Technologies Limited (the 'Company') was incorporated on 24th March, 2000. Pursuant to a scheme of arrangement which was sanctioned by the Hon'ble High Court of Judicature at Bombay on 2nd August, 2000 the telecom business of Sterlite Industries (India) Limited was transferred to the Company as a going concern with effect from 1st July, 2000.

In fiscal 2000, Sterlite Industries (India) Limited adopted a stock option plan for its employees. Following the separation, employee option holders, whether transferred to the Company or remaining with Sterlite Industries (India) Limited, were entitled under the scheme of arrangement to exercise stapled option to purchase one equity share each of Sterlite Industries (India) Limited and the Company at the original option price of Rs. 300/-.

We have examined the books of account and relevant records and based on the information and explanations given to us, we certify that in our opinion, the Company has implemented the Employees Stock Option Scheme in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the resolution passed in the General Meeting of the demerged Company before demerger.

For Deloitte Haskins & Sells

Chartered Accountants

R. Salivati

Partner

Place : Mumbai

Dated : 29th April, 2002

Annexure II to the Directors' Report

Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Directors) Rules, 1988 for the year ended 31st March, 2002.

(A) Conservation of Energy:

Your Company continues to give high priority to conservation of energy on an ongoing basis.

(a) Some of the significant measures adopted are:

- (i) Installation of Capacitors for improvement of power factor.
- (ii) Replacement of energy efficient A.C. drives in place of D.C. drives in various motors.
- (iii) Installation of electronic ballasts in all office sections in place of conventional ballasts.
- (iv) Use of water circulation pump for cooling tower instead of a dedicated pump for cooling tower.
- (v) Installation of UV sheets to reduce lighting consumption during the day time.
- (vi) Improvement in power factor by implementation of auto power correction system and distribution of load.
- (vii) Installation of variable frequency drives for air handling units, resulting in reduction of power consumption in Air Conditioning.
- (viii) Installation of Push-pull system for reduction of Air conditioning load in Shop floor.

(B) Technology Absorption:

(a) Specific areas in which R&D is carried out by Company:

- (i) Two new Patents have been filed for new type of Fibre manufacture.
- (ii) Development of larger Preform, for enhancement of plant capacity.
- (iii) Development of new control systems for enhancing fibre draw capacity.
- (iv) Development / modification MCVD process and alternative jacketing process to reduce time cycle.
- (v) Process improvement of draw speed of optical fibre.
- (vi) Development of optic fibre having better geometrical properties for long distance transmission suitability.
- (vii) Development to reduce the splice loss for lower transmission cost.
- (viii) Manufacturing of Foam skin insulation cable.
- (ix) Indigenous development of ceramic inserted pulleys for high speed imported insulation lines.

(b) Benefits derived as a result of the above R&D:

- (i) Opportunity to compete in the foreign markets.
- (ii) Technology upgradation.
- (iii) Development of new designs in products.
- (iv) Attaining accreditation of our product from internationally recognised bodies.
- (v) Increased capacity and productivity of manufacture of optic fibre.

(c) Future Plan on R&D:

The Company's vision is to strengthen and broad base its R&D initiative and focus on new product development as a thrust area in addition to other engineering processes and upgrades.



(C) Technology absorption, adoption and innovation:**(i) Efforts, in brief, made towards technology absorption, adaptation and innovation:**

The technology used for manufacture of various products of the Company is fully absorbed and new innovations in process control, product development, cost reduction and quality improvements are being made on a continuous basis.

(ii) Benefits desired as a result of the efforts e.g. product improvement, cost reduction, product development:

Improved overall productivity, quality of the products and reduced process scrap.

(iii) Information regarding technology imported during last 5 years

No technology has been imported by the Company.

(D) Foreign Exchange Earnings and Outgo:

	<i>Rs. Million</i>
1. Foreign Exchange Earned	603.3
2. Outgo of Foreign Exchange	3027.5

Form A**Form of disclosure of particulars with respect to Conservation of Energy**

Power & Fuel Consumption	Unit	Total
Electricity		
— Purchased Unit	MWH	12,424.33
— Total Amount (excl. demand charges)	Rs. Million	37.8
— Rate / Unit	Rs.	3.04
— Own Generation	MWH	2,768.45
— Unit per unit of Fuel		3.11
— Cost / Unit	Rs.	5.73
Diesel Oil		
— Quantity	KL	731.55
— Total Amount	Rs. Million	13.0
— Average Cost per Ltr.	Rs.	17.83