



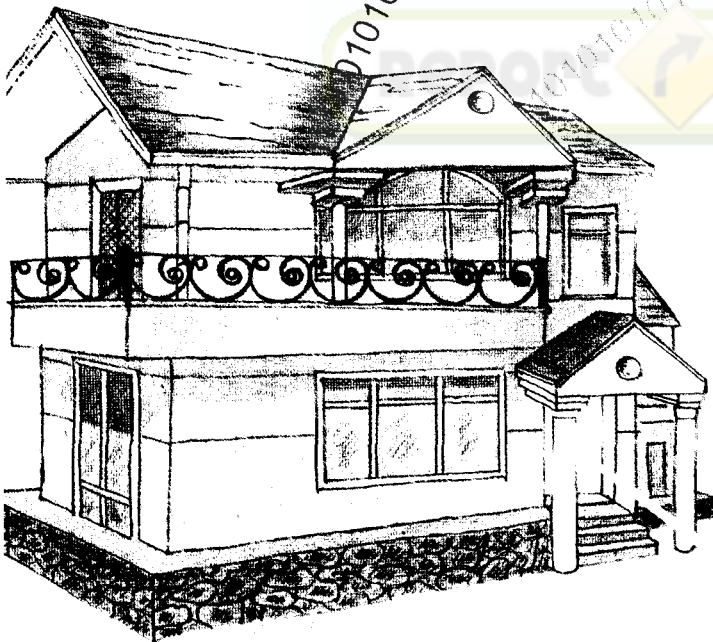
Video conferencing



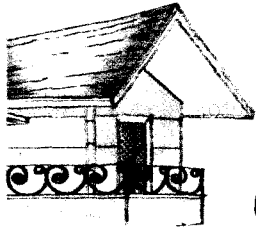
Video telephony



High speed gaming



Fiber to every Home



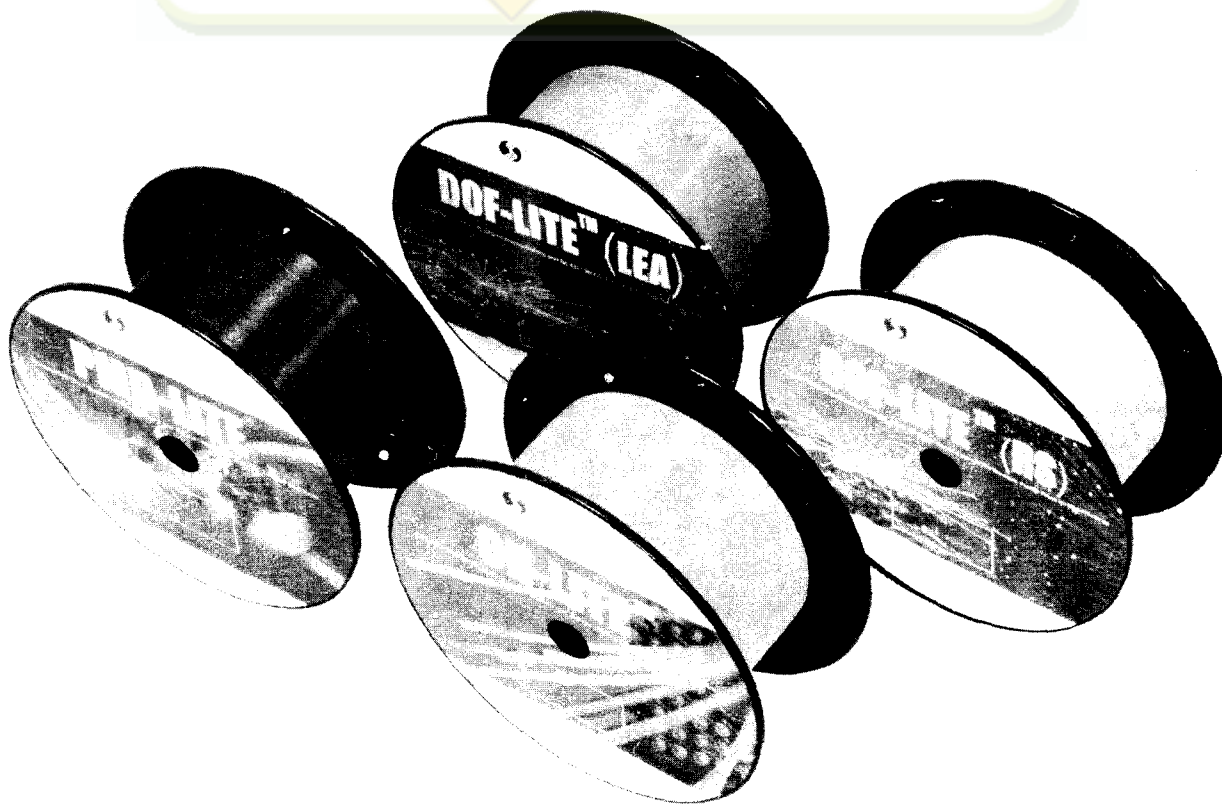
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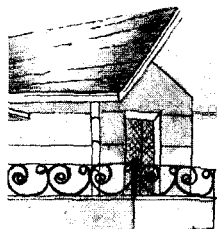
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Highlights 2005 - 06

- Revenue up by 68%, EBITDA & PAT increased by 76% and 299% respectively over the last fiscal
- EPS Rs. 7.27 (each share of face value of Rs.5)
- 15 patents filed for product and process innovations
- 6 new products launched for Access, Premise & Fiber-to-the-Home applications
- New business segment evolved, focusing on Access products and solutions
- Winner of the 'Deloitte Technology Fast 500 Asia Pacific Award 2005'

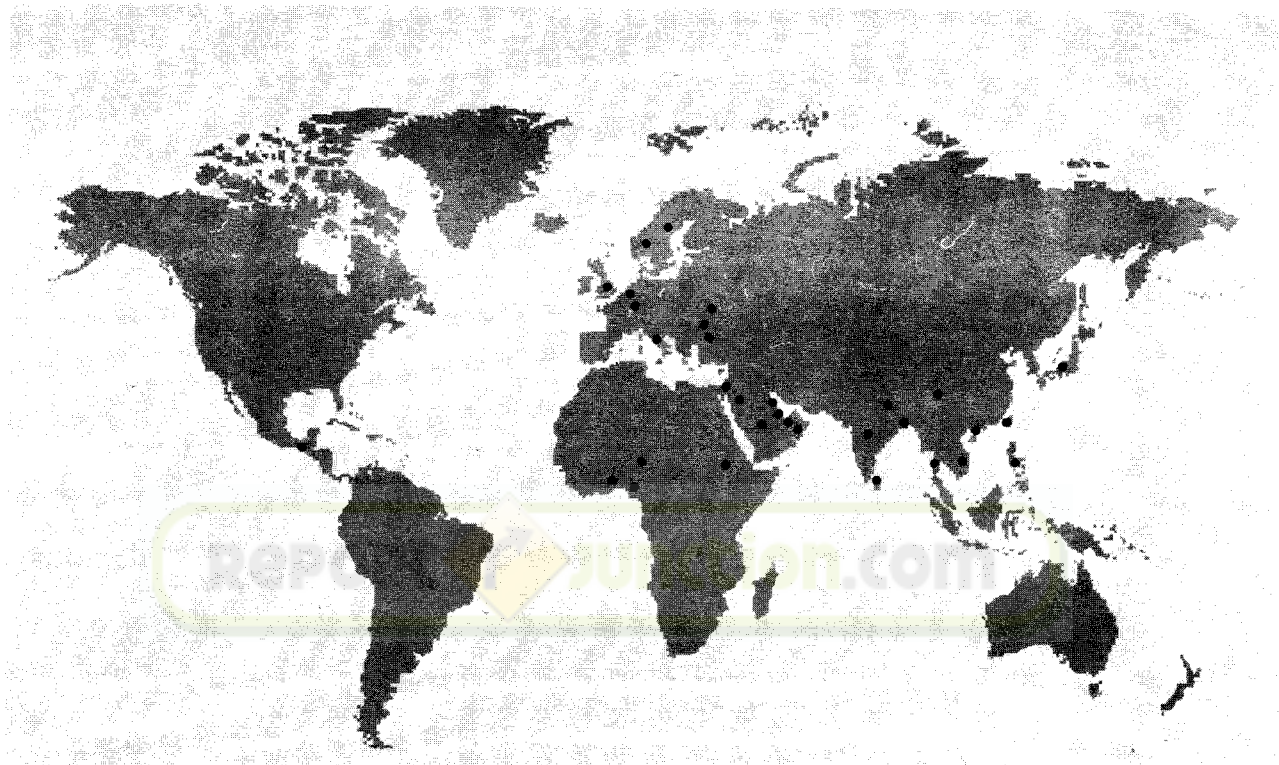
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Our Global Market

Supplies of Fiber Optic Products to over 30 countries



- Exports to over 30 countries across the globe
- YoY increase in export revenues by 147%
- Product approvals & accreditations received in over 10 countries across Europe and Asia

A Solution For Every Customer

Long Haul & Regional Network



- Complete range of Terrestrial Fiber Optic Cables
- Complete range of G.652 & G.655 Optical Fibers

Metropolitan & Local Access Network



- Plenum Cables / Fiber Cables / Drop Cables
- Copper Cables: Foam Skin & Solid PE Insulated

Premise Network

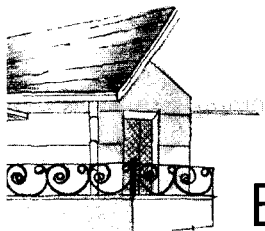


- Fiber Cables to the Desk / Customer Premise Equipment
- Structured Cabling Solutions: Cat 3, Cat 5e, Cat 6

Sterilite Optical Technologies Ltd Annual Report 2005 - 06

Period	Gross Turnover (Rs. in Million)
01-02	7300
02-03	1400
03-04	1000
04-05	3800
05-06	6200

Year	EBITDA (Rs. in Million)
01-02	1550
02-03	-150
03-04	350
04-05	450
05-06	900



Board of Directors



Mr. Navin Agarwal - Non-Executive Director

Mr. Navin Agarwal has been overseeing the Sterlite Group's operations in India for many years. He has over 20 years of experience of general management and commercial matters, having been involved in Sterlite since its inception.



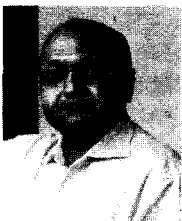
Mr. Arun Tadarwal - Non-Executive & Independent Director

Mr. Arun Tadarwal, Partner of Tadarwal & Tadarwal, a firm of Chartered Accountants based in Mumbai, holds a Bachelors Degree in Commerce and is a member of The Institute of Chartered Accountants of India. Mr. Tadarwal has rich and varied experience spanning over two decades in Finance and Audit.



Mr. Haigreave Khaitan - Non-Executive & Independent Director

Mr. Haigreave Khaitan, Partner of Khaitan & Co, a firm of Lawyers based in Mumbai, holds a Bachelors Degree in Legislative Laws. Mr. Khaitan has varied experience spanning over 8 years in Commercial and Corporate laws, Tax laws, Mergers and Acquisitions, Restructuring, Foreign Collaboration, Licensing etc. He is also a member of the Board of various reputed companies.



Mr. Pravin Agarwal - Non-Executive Director

Mr. Pravin Agarwal holds a Bachelors Degree in Commerce. Mr. Pravin Agarwal has rich experience in the Industry spanning over 25 years. Mr. Agarwal is a Whole time Director of The Madras Aluminium Company Limited. Mr. Pravin Agarwal has been overseeing the Sterlite Group's operations in India for many years and he is actively involved in the operations of Sterlite's Transmission Business Division.



Dr. Anand Agarwal - CEO & Whole time Director

Dr. Anand Agarwal is responsible for Sterlite's range of Telecom Products; which include Optical Fiber, Fiber Optic Cables, Copper Telecommunication Cables, LAN Cables, Access Products and Solutions. Anand joined Sterlite in 1995 and has held various positions including manufacturing, quality assurance and business development. Prior to joining the Sterlite Group, Anand worked with Siemens. Anand holds a Bachelor of Technology degree in Metallurgical Engineering from the Indian Institute of Technology (IIT Kanpur); and his Master's degree and PhD in Materials Engineering from the Rensselaer Polytechnic Institute, USA.

CEO's Message



We are glad to present the Annual Report for the Year 2005-06.

The past year has proved to be a transition year for Sterlite Optical Technologies Ltd - the year in which we believe we have proven our ability to transform and to position ourselves for future growth while staying committed to our core values- Excellence, Creativity, Integrity, Responsibility and Respect.

Your Company's revenues increased by 68% to Rs. 6,239 million in 2005-06 compared with Rs. 3,707 million in 2004-05. The net profit was Rs. 408 million as compared to a net profit of Rs. 102 million in the last fiscal.

Through the year, we continued with our focus on leveraging on our strategic differentiator of being the only integrated manufacturer of optical fiber in India. We also continued our focus on increasing the market size and consolidating our market share for Telecom Cables in India. Additionally, to cater to the unfulfilled and huge market gap of last-mile connectivity solution providers and customer premise equipment providers in India, we evolved a new business segment focussing on access products and solutions.

Structured Cabling Solutions, Fiber to the Curb/Home and last mile connectivity integration were new product initiatives, apart from the ongoing technological and operational improvements in the Company.

Based on customer inputs and the evolution of global market requirements, we strive to develop products & integrated solutions to meet telecommunication and broadband network requirements. During the year we have launched 2 new optical fiber products: BEND-LITE™ & DOF-LITE™ (Metro), designed for Fiber-to-the-Home (FTTH) and Access networks respectively.

We also launched 4 unique cabling solutions: Hybrid cable with power cable, Micro DUCT-LITE™ Fiber Optic Cable, RG59 with CAT 5e & Duplex Fiber Optic Combo Cable and Cat 5e Drop Cable for application in Access and Premise networks.

During the year, our technology development team has filed 15 patent applications for innovations in our products and processes.

Sterlite's optical fiber facility was audited by BVQI and certified for the ISO 14001:2004 Environment Management System. Our strategy of evolving cost structures has enabled us to become one of the lowest cost producers of Optical Fiber worldwide. The demand generation for our products in high-growth markets globally and the consolidation of our market share in India, has borne significant results.

Today, we have a footprint in international markets like China, the African continent, Middle East and Europe. Our cables division received repeat orders for supply of Copper Telecom Cables to Africa and significant orders for our Fiber Optic Cables from SAARC countries. We exported to more than 30 countries in 2005-06 and Siemens - Germany nominated us 'Preferred Suppliers' for fiber optic cables for their turnkey projects.

We expect the seeds sown in international markets over the past years, to continue to reap results in the forthcoming years.

The Company received the 'Deloitte Technology Fast 500 Asia Pacific Award 2005', 'Deloitte Technology Fast 50 India Award 2005', 'Amity Corporate Excellence Award 2005' and the 'V&D 100 Top Telecom Cables Company Award 2005'.

With recovery at hand, we intend to sustain this momentum and are using innovative partnerships to increase our global presence.

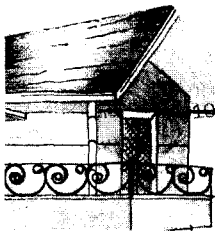
The Management Committee and I remain as confident as ever that we would continue with the same relentless focus along our path towards long-term growth; based on the strength of our culture of continuous improvement in all our business processes, the strength of our leadership team and the strength of our core value system.

I take this opportunity to thank you, our shareholders, for your confidence in the company and we look forward to continuing our service to you.

Sincerely,



Dr. Anand Agarwal
Chief Executive Officer



Management Discussion & Analysis Report

Industry Dynamics

India Rising

Among the top stories globally, is the resurgence and consistent bullishness of the Indian economy in 2005-06. The wealth of India Inc. has grown significantly across all sectors, buoyed by the strength of agricultural richness and the newfound success of the service sector. Parallel to this has been the steady performance of the Industrial sector with the 8% growth being maintained in 05-06.

GDP growth projection for the year 2006-07 is pegged at a realistic 7.5 - 8%. With the market indices scaling hitherto unknown barriers, the Market-capitalisation to GDP ratio has also improved from 0.65 to 1.02 a representation of how the capital markets are now mirroring the real economy.

A wave of Strategic Alliances and M&A activity also punctuated the year with sectors like Pharmaceuticals and IT leading the charge globally as well as others like Retail and Telecom having an influx of major players announcing their domestic plans.

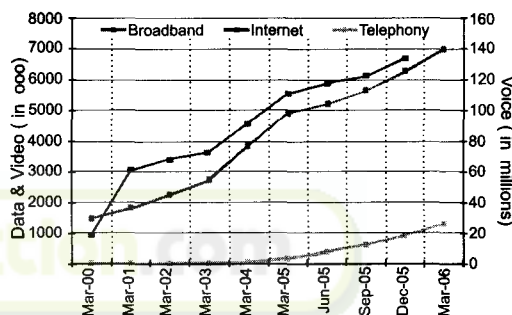
Political stability, financial potency, and a thrust towards Public-Private Partnerships encouraged connectivity by air, rail, road and telecommunication. This has helped in increasing productivity and efficiency by reducing transit time and bringing the hard-working rural India in closer contact with the managerial India.

Infrastructure projects with realistic deadlines, better communication facilities, easy availability of finance with convenient payment options and above all, an aware and demanding end-user provide all indications that trends of 2005-06 will continue in the coming years. With the strength and stability of the fundamentals in place, and a proportionate contribution by each sector, the Indian success juggernaut should continue to roll in 06-07 as it did in 05-06.

India Calling

The Telecom Service Industry is growing annually at a rate of 30% and is now having cumulative revenues of over Rs. 900 Billion (US\$ 20 billion). This year, the contribution to India's GDP by this sector was one percent, demonstrating the growing significance of bridging the geographical divide, both for enterprises as well as for consumers.

Subscriber Numbers

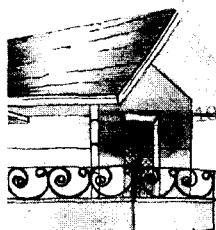


Source: TRAI, Industry figures

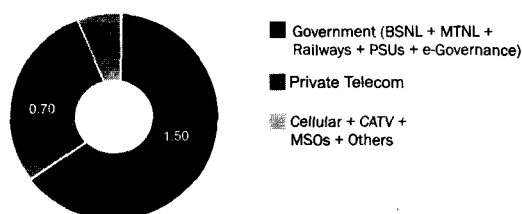
Subscriber numbers for voice connectivity have swelled to 140 million with mobile subscribers now outnumbering fixed line users by a factor of 1.8. These 90 million cellular subscribers along with the 50 million wireline users have catapulted India's tele-density to 12.73. However, the rural-urban divide is quite evident with 2 rural users for every 31 urban connections.

Another major milestone crossed this year was a total subscriber base of 1 million broadband users. With Internet penetration growing steadily to 6.7 million (end-Dec. '05), and broadband users touching 1.3 million by March 2006, the only roadblocks seem to be the low PC penetration and gradually changing regulatory scenario.

Incumbents like BSNL and MTNL are providing Broadband services at Rs. 200 per month, and private telecom service

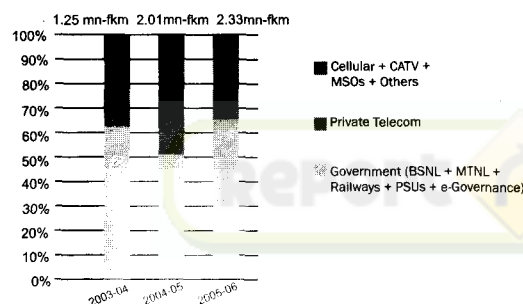


Indian Fiber Optic Market in 2005-06 (Mn-km)



(Compiled from Industry Sources)

Segmental Distribution of Optic Cables in India



(Compiled from Industry Sources)

Indian Telecom Cables Industry

Based on market information and published sources, the fiber optic industry in India showed an increase in demand in 2005-06 to about 2.33mn-KM of cabled optical fiber. This represents a CAGR of about 36% from FY 2002-03 to FY 2005-06.

The Government incumbents like BSNL, MTNL and RailTel continued to be the largest buyers of fiber optic cables, closely followed by the Indian Private Telecom Incumbents.

The Indian Government as a buyer of Fiber Optic Cables through the Telecom Incumbents & Public Sector Undertakings such as the Oil and Gas Sector, Power Sector, etc. cumulatively constituted about 65% of the total purchases of Fiber Optic Cables in India in FY 2005-06.

With the formulation of the Broadband Policy in October 2004 and the subsequent race to build networks that are capable of meeting the broadband subscriber targets laid down by the IT & Telecommunications Ministry, there was a healthy demand growth. There is also an increasing adoption of fiber-based networks by the Cable TV Segment, Multi-Service Operators (MSOs) and e-Governance State Initiatives.

In FY 2005-06, the Indian market is estimated to have consumed between 170 LCKM of Copper Telecom Cables of which BSNL and MTNL, who are the major buyers of Copper Telecom Cables collectively purchased about 130 LCKM. The balance demand was from Indian Private Telecom players.

Operational Performance, Segmental Performance and Financial Analysis

Operational Performance:

2005-06 has been an impressive year for the Company especially with the expectations of continuing with the sterling performance it had displayed last year and of holding on to its domestic market share while at the same time expanding its global footprint. The Company has been able to perform both these roles admirably which has resulted in significant increases in both revenues and net profits. The Company's revenue aggregated Rs. 6,239.3 million compared to Rs. 3,706.7 million in the previous year. Earnings before interest, depreciation, tax and provision for contingencies aggregated Rs. 832.8 million compared to a profit of Rs. 473.4 million in the previous year.

After providing Rs. 161.4 million for interest, Rs. 289.9 million for depreciation, the net profit after tax aggregated Rs. 407.7 million as compared to net profit after tax of Rs. 102.2 million in the previous year.

The Company has been able to achieve major goals that it had set for itself. The continuing improvement in the Company's