



**STERLITE**  
OPTICAL TECHNOLOGIES LIMITED



*Annual Report 2002-2003*




**STERLITE**

OPTICAL TECHNOLOGIES LIMITED

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## Board of Directors

**Anil Agarwal**  
*Chairman*

**Sandeep Junnarkar**  
**Gautam Doshi**  
**Arun Tadarwal**  
**Haigreve Khaitan**  
**Dr. Anand Agarwal**  
**Navin Agarwal**

**L. Ramkumar**  
*Chief Executive Officer*

### Auditors

Deloitte Haskins & Sell  
Chartered Accountants

### Bankers

ABN AMRO Bank N.Y.  
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) 22881568/69, 22844668  
Fax: (022) 22825484

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) 28215168, 28348218, 28215991, 28329828  
Fax: (022) 28375646  
E-mail: sharepro@vsnl.com



## Chairman's Message



The past one year has been a very difficult one for the telecommunications industry the world over with drastically reduced spending in telecommunications infrastructure. The situation was exacerbated by the collapse of several large and small companies and lack of investor confidence.

This scenario has affected your Company as well with declining volumes and realisations for its *products and services, both in the domestic and international markets.*

As I had indicated last year, we have concentrated our attention fully on cost reduction in all areas and these measures have borne fruit and has enabled us mitigate the adverse business environment impact. Cost reduction will continue to be our key focus.

Coupled with this, will be our commitment to Research and Development. I am glad to report that your Company has received some global patents for its products, which will go a long way in enhancing market penetration in international markets.

I must, at this juncture mention about the unstinting efforts of all our employees and managers during this difficult period. Our talent pool is amongst the best in the world and it will be our duty to nurture it for posterity.

While the immediate business prospects are not very encouraging, I reiterate that your Company has the necessary wherewithal to tide over this difficult period and emerge stronger and we are all committed to making this happen.

I also take this opportunity to thank all our stakeholders for their support and encouragement.

ANIL AGARWAL



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## Directors' Report

To the Members,  
Your Directors present herewith the Fourth Annual Report together with the audited accounts of the Company for the year ended 31st March, 2003.

### FINANCIAL RESULTS

(Rupees in Million)

Particulars	Year ended 31st March, 2003	Year ended 31st March, 2002
Income from Operations	1,789.9	7,698.7
Less : Interdivisional Transfers	462.2	626.4
Net Income from Operations	1,327.7	7,072.3
Profit/(Loss) before interest, depreciation & tax	(335.4)	1,650.0
Less : Interest	248.8	149.2
Gross Profit/(Loss)	(584.2)	1,500.8
Less : Depreciation	276.9	214.1
Provision for Taxation :		
– Current Tax	0.2	120.0
– Deferred Tax	—	165.0
Profit/(Loss) for the year	(861.3)	1,001.7
Amount available for appropriation	1,428.3	2,754.8
Appropriation :		
Debenture Redemption Reserve	10.0	365.0
General Reserve	—	100.2
Balance carried forward to next year	1,418.3	2,289.6

### TURNOVER AND PROFIT

During the year under review, income from operations aggregated Rs. 1,789.9 million and your Company incurred a loss of Rs. 335.4 million before interest, depreciation and tax as against an income of Rs. 7,698.7 million and profit before depreciation, interest and tax of Rs. 1,650.0 million for the previous year ended 31st March, 2002.

Net loss for the year after tax aggregated Rs. 861.3 million compared to a net profit after tax of Rs. 1,001.7 million for the previous year ended 31st March, 2002.

### DIVIDEND

In view of the continuing adverse market conditions for the Company's products, both in the domestic and international markets, and to conserve cash resources of the Company, your Directors do not recommend any dividend for the financial year ended 31st March, 2003.

### OPERATIONS REVIEW

The year under review was marked by the continuing slow down in the global telecommunication sector. The global market for optical fiber was at best stagnant with no new optical fiber deployment especially in the USA, the largest market. Further, the domestic market too witnessed reduction in volumes and lower prices. These factors affected the Company's sales volumes, realisations and margins considerably.

#### Optical Fiber Business

Your Company is the only integrated manufacturer of optical fiber in the country with a manufacturing capacity of 4.0 million kilometer (km) and a strong Research and Development focus. This has provided your Company with a competitive cost advantage compared to other players in the domestic market.

The reduction in fiber prices in the international as well as the domestic markets resulted in lower realisations and severe margin pressure in the optical fiber business. Your Company supplied a major portion of its production in the domestic market, which was relatively better compared to the international scenario. However, optical fiber cable prices in the domestic market continued to be depressed and was less than half of the prices of the previous year.

Your Company produced 1.72 million km of optical fiber compared to 1.73 million km of optical fiber in the previous year. Production of optical fiber cables aggregated 0.25 million fiber kilometer (fkm) compared to 0.33 million fkm in the previous year. Your Company continues to be the largest manufacturer of optical fiber products in India.

The global market for optical fiber continues to be weak with significantly lower deployment. Pricing and margins therefore, continue to be under pressure. While optical fiber prices have stabilised to a reasonable extent, any significant improvement in realisations seems unlikely in the near future.

Given the continuing weak market conditions for optical fiber and fiber products in the global markets, the 100% Export Oriented Unit (EOU) operations of your Company have become uneconomical. Consequently, the Company decided to convert the EOU into a Domestic Tariff Area (DTA) plant and has received "in-principle" approval for conversion of its 100% EOU into a DTA plant in terms of the Export Import Policy 1997-2002. Under the approval, your Company has received a licence under the Export Promotion Capital Goods (EPCG) Scheme.

Your Company has received a show cause cum demand notice from the Central Excise and Customs Authorities for payment of Rs. 1,706.63 million together with interest and penalty, if any, on excise and customs duties on alleged use of imported machinery of the EOU for production and sale of optical fiber in the DTA. This has been contested by the Company. The Company has, in the meanwhile, paid Rs. 30 million to the Central Excise and Customs Authorities without any prejudice to its rights and recourse to available legal remedies.

**Jelly Filled Telephone Cables (JFTC)**

During the year under review, your Company produced a mere 0.2 million conductor kilometer (mckm) compared to 4.20 mckm in the previous year. The lower volume is on account of non-acceptance of JFTC order from Bharat Sanchar Nigam Limited (BSNL) due to unremunerative pricing. The JFTC business faces increased business risk primarily due to the expected lower demand from BSNL, the principal customer for the entire domestic JFTC industry. Stringent cost control will form the cornerstone of your Company's strategy to protect margins in the JFTC business. The Company does not expect any significant improvement in either volumes or prices of JFTC in the current year.

**RESEARCH AND DEVELOPMENT (R&D)**

Research & Development continues to be the backbone of your Company especially in optical fiber and fiber products. Your Company has invested significant time and resources in creating a structured process for conducting product development, process improvement and cost reduction projects. Your Company's R&D activity also includes continuous improvement and enhancement of existing manufacturing processes with a focus on cost reduction and quality improvements. These efforts have resulted in reducing the total manufacturing cost of fiber and have mitigated the impact of lower volumes and prices and consequently the losses to some extent.

**GROUP**

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

- Volcan Holdings Limited, Bahamas
- Twinstar Holdings Limited, Mauritius
- Twinstar International Limited, Mauritius
- Mr. Dwarkaprasad Agarwal
- Mr. Agnivesh Agarwal

**EMPLOYEE STOCK OPTION PLAN**

Your Company had, on February 19, 2000, granted 86,850 stock options at an exercise price of Rs. 300 per option to the employees under the 'Employees Stock Option Plan' (the Plan). Out of 86,850 options vested in the employees of the Company, 36,675 options have been exercised for equity shares and balance 50,175 options have lapsed. The Plan has since been terminated at the end of the 3 year period i.e., February 18, 2003. The disclosure required to be made under the Securities and Exchange Board of India (Employees 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.

**FINANCE**

During FY2003, your Company's primary focus has been on reduction of borrowing cost both for short-term and long-term loans. High cost debt aggregating worth Rs. 470 million was repaid.

Your Company's investment of Rs. 5 million in Sterlite Opportunities and Ventures Limited (SOVL) has been divested. Further, subsequent to the year end, your Company's advance of Rs. 1,125 million towards share application money (pending allotment) in SOVL has also been received.

The repayment of debt and additional borrowings at lower rates of interest have resulted in the average interest cost declining to 9.14% during the year.

**LISTING**

Your Company's shares are listed on the Stock Exchanges at Mumbai, Delhi, Calcutta, Ahmedabad and the National Stock Exchange and trading is permitted only in the dematerialised mode. Shareholders are therefore, requested to dematerialise their physical holding in order to facilitate trading. Given the marginal trading volumes in the regional stock exchanges at Delhi, Calcutta and Ahmedabad, and the fact that electronic connectivity has enabled trading at the Mumbai Stock Exchange and the National Stock Exchange from even remote locations, your Company proposes to delist from the Delhi, Calcutta and Ahmedabad bourses. This will require members' approval, which is intended to be sought at the ensuing Annual General Meeting.

**FIXED DEPOSITS**

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

**BUYBACK OF SHARES**

Though the Members had approved a resolution authorising the Board of Directors of the Company to implement a Buyback of its fully paid equity shares of Rs. 5/- each for an amount not exceeding Rs. 250/- per share and Rs. 800 million in the aggregate, which due to adverse business conditions, the Company has decided not to go ahead with the buy-back proposal.

**DIRECTORS**

Mr. Arun Todarwal, practising Chartered Accountant and Managing Partner of M/s. Todarwal and Todarwal, Chartered Accountants was appointed as Director on the Board of your Company on January 25, 2003. Mr. Todarwal holds office till the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. Gautam Doshi, Director, 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;


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- 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, 2003 and of the loss of the Company for the financial year ended 31st March, 2003;
- 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.

**PARTICULARS OF 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 are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the 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, 2003 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 : 30th June, 2003

**Anil Agarwal**  
Chairman

## ADDENDUM TO THE DIRECTORS' REPORT

**To The Members**

Your Directors wish to bring to your attention the following events that have taken place subsequent to the date of approval of the Directors' Report and the audited financial statements of the Company for the financial year ended 31st March, 2003 by the Board of Directors at the meeting held on 30th April, 2003.

The Board of Directors at their meeting held on 30th July, 2003 appointed Dr. Anand Agarwal and Mr. Haigreve Khaitan as Additional Directors of the Company in accordance with Article 82(1) of the Articles of Association of the Company and Section 260 of the Companies Act, 1956. Messrs Agarwal and Khaitan hold office up to the date of the ensuing Annual General Meeting in terms of Section 260 of the Companies Act.

Mr. Anil Agarwal – Chairman, Mr. Sandeep Junnarkar and Mr. Gautam Doshi, Directors of the Company have resigned from the office of Chairman and Director respectively with effect from the conclusion of the Board Meeting held on 30th July, 2003.

Further, Mr. Navin Agarwal resigned from the office of Whole Time Director of the Company with effect from 30th July, 2003 and was appointed as Additional Director of the Company in accordance with Article 82(1) of the Articles of Association of the Company and Section 260 of the Companies Act, 1956. Mr. Navin Agarwal holds office up to the date of the ensuing Annual General Meeting in terms of Section 260 of the Companies Act.

The Board of Directors, at their meeting held on 31st July, 2003 have taken note of the said resignations and place on record their deep appreciation of the services and guidance given by Mr. Anil Agarwal, Mr. Sandeep Junnarkar and Mr. Gautam Doshi.

Following the resignations, no Director of the Company is liable to retire by rotation at the ensuing Annual General Meeting.

For and on behalf of the Board of Directors,

**Navin Agarwal**  
Director



## Annexure I to the Directors' Report 2002-2003

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

	<b>Sterlite Industries (India) Limited &amp; Sterlite Optical Technologies Limited</b>	<b>Sterlite Optical Technologies Limited</b>
(A) Options Granted	209,550	86,850
(B) The Pricing Formula	The options were Priced at a discount of 50% to 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 the 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% to 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 the 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	209,550	86,850
(D) Options exercised	79,996	36,675
(E) The total number of shares arising as a result of exercise of options	79,996	36,675
(F) Variation of terms of options	No variation	No variation
(G) Money realised by exercise of options	Rs. 23,998,800	Rs. 19,999,000
(H) Total number of options in force (till Feb. 18, 2003)	112,279	47,675
(I) Employee wise details of option 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
(J) Options lapsed (on termination of Scheme)	129,554	50,175
(K) Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with International Accounting Standard (IAS) 33		(Rs. 15.38)

### Notes :

- During the financial year 1999 – 2000, Sterlite Industries (India) Limited (SIIL) had adopted an Employees' Stock Option Plan (the Plan). On 19th February, 2000, SIIL under the Plan granted 2,09,550 options at a price of Rs. 300 per option to its employees.
- Pursuant to Scheme of Arrangement sanctioned by the Honourable High Court of Judicature at Bombay, the Telecom business of SIIL was transferred to Sterlite Optical Technologies Limited (SOTL) as a going concern effective July 1, 2000 and 86,850 options were held by the employees of SIIL who were transferred to SOTL.
- The Plan has since terminated at the end of 3 years on 18th February, 2003 and unexercised options have lapsed.

### CERTIFICATE

Sterlite Optical Technologies Limited (the "Company") was incorporated on 25th 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 (SIIL) was transferred to the Company as a going concern with effect from 1st July, 2000.

In fiscal 2000, SIIL adopted a stock option plan for its employees. Following the separation, employee option holders, whether transferred to the Company or remaining with SIIL, were entitled under the scheme of arrangement to exercise stapled options to purchase one equity share each of the Company and SIIL 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 (Employees Stock Option Scheme and Employees 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 : 30th April, 2003


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## Annexure II to the Directors' Report 2002-2003

Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as per Section 217(1)(a) 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, 2003.

### (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) Savings in power through usage of CPP-VAM chiller.
- (ii) Optimisation of lighting fixtures in administrative areas
- (iii) Installation of autpoweroff for electrical energy conservation
- (iv) Daily monitoring of fuel consumption and loss for the CPP
- (v) Energy saving in utility by proper machine planning

### (B) Technology Absorption :

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

- (i) Developed new product line DOF - LITE with two variants LEA and RS
- (ii) Developed new product line MULTI - LITE with variants 50 and 62.5
- (iii) Enhanced capability of our product PMD - LITE by improving on PMD performance
- (iv) Two patents on our product DOF - LITE RS has been granted
- (v) Two patent applications have been filed

#### (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 :

#### (a) Efforts, in brief, made towards technology absorption, adoption 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.

#### (b) 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.

#### (c) Information regarding technology imported during last 5 years

No technology has been imported by the Company.

### (D) Foreign Exchange Earnings and Outgo :

1. Foreign Exchange Earned
2. Outgo of Foreign Exchange

Rs. Million  
295.6  
1072.6

#### FORM A

#### Form of disclosure of particulars with respect to Conservation of Energy

Power & Fuel Consumption	Unit	Total
Electricity		
— Purchased Unit	Million Units	7.65
— Total Amount (excl. demand charges)	Rs. million	21.36
— Rate / Unit	Rs.	2.79
— Own Generation	Million Units	20.29
— Unit generated per unit of Fuel		4.20
— Cost / Unit	Rs.	2.54
Diesel Oil		
— Quantity	Kilo Litre	105.86
— Total Amount	Rs. million	2.09
— Average Cost per Litre	Rs.	19.71
Furnace Oil		
— Quantity	Kilo Litre	4,780.59
— Total Amount	Rs. million	51.06
— Average Cost per Litre	Rs.	10.68





## Corporate Governance Report

### Company's Philosophy

Your Company believes in maintaining the highest level of transparency and accountability in its functioning and the dissemination of information to all its constituents. Your Company constantly reviews its systems and procedures for ensuring compliance and to institutionalise good corporate governance practices.

### BOARD OF DIRECTORS

#### (i) Composition of Board of Directors as at 31st March, 2003

The Board of Directors consists of a Chairman, one Whole Time Director and three other Directors. The Whole Time Director is an Executive Director while the Chairman and the other three Directors are Non Executive Directors. The three Non Executive Directors are also Independent Directors.

The composition of the Board of Directors is as follows:

Sr. No.	Name	Designation	Category	No. of Directorships in other Companies	No. of Committee Memberships held in other Companies	No. of Committee Chairmanship held in other Companies
1.	Mr. Anil Agarwal	Chairman	Non Executive	15	1	None
2.	Mr. Sandeep Junnarkar	Director Independent	Non Executive & Independent	15	9	None
3.	Mr. Gautam Doshi	Director Independent	Non Executive & Independent	15	7	3
4.	Mr. Navin Agarwal	Whole-time Director	Executive	13	4	1
5.	Mr. Arun Tadarwal	Director	Non Executive & Independent	None	None	None

#### (ii) Changes in the Composition of Directors during the year

Mr. Arun Tadarwal, was appointed as Additional Director by the Board of Directors at its meeting held on 25th January, 2003. He holds office up to the date of ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

Meetings Held In Financial Year 2002-03

The Board of Directors meets at least once in a quarter to review the Company's performance and financial results and more often, if considered necessary, to transact any other business. During FY2003, 5 Board meetings were held on 29th April 2002, 31st July 2002, 5th August 2002, 27th November 2002 and 25th January 2003.

The previous Annual General Meeting of the Company was held on 28th September, 2002. Following are the details of attendance of Directors at Board and General Meetings held during FY2003.

Sr. No.	Name	No. of Board Meetings attended	Attendance at last AGM
1.	Mr. Anil Agarwal	1	No
2.	Mr. Sandeep H. Junnarkar	5	No
3.	Mr. Gautam Doshi	5	Yes
4.	Mr. Navin Agarwal	5	No
5.	Mr. Arun Tadarwal *	1	NA

\* w.e.f. 25th January, 2003.

### COMMITTEE OF DIRECTORS

#### i) Audit Committee

The Company had constituted an Audit Committee in accordance with the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement entered with the Stock Exchanges. The committee reviews the various reports placed before it by the internal auditors of the company. The committee meets the statutory auditors periodically to review half-yearly and annual auditors' report on the financial statements and discuss their findings and suggestions. The details of the Audit Committee meetings and attendance of its members is given below:


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The Audit Committee met four times during FY2003 viz., 29th April, 2002, 31st July, 2002, 27th November, 2002 and 25th January, 2003.

Composition of Audit Committee				
Sr. No.	Name	Category	Number of Meetings held	Number of Meetings attended
1	Mr. Gautam Doshi, <i>Chairman</i>	Non-Executive & Independent	4	4
2	Mr. Anil Agarwal, <i>Member</i>	Non-Executive	4	1
3	Mr. Sandeep H. Junnarkar, <i>Member*</i>	Non-Executive & Independent	4	4
4	Arun Tadarwal**	Non-Executive & Independent	N.A.	N.A.

\* Resigned at the board meeting held on 25th January, 2003.

\*\* Appointed at the board meeting held on 25th January, 2003.

#### ii) Remuneration Committee

The Company has constituted a Remuneration Committee with Mr. Gautam Doshi as Chairman, Mr. Sandeep H. Junnarkar and Mr. Arun Tadarwal as Members. The Remuneration Committee met once during the year on 25th January, 2003, at which all the members of the committee were present.

The Chairman who is a Non Executive Director does not receive any remuneration. However, the three Non Executive Independent directors on the Board receive Rs. 5,000 each as sitting fees for attending every Board meeting.

Mr. Navin Agarwal was appointed Whole Time Director for a period of 5 years effective 1st October, 2000. The terms of appointment provide for termination notice of 90 days on either side. Mr. Agarwal receives remuneration by way of salary, perquisites and commission not exceeding 1% of the net profits. However, in the absence of profit for the year, the Remuneration Committee has approved payment of salary and perquisites not exceeding Rs. 400,000 per month to Mr. Navin Agarwal as per provisions of Schedule XIII of the Companies Act, 1956 and directed to obtain members approval for it. The Remuneration Committee has also directed the Company to obtain the necessary Central Government and Members approval for payment of salary and perquisites in excess of the limits specified in Schedule XIII of the Companies Act, 1956 to Mr. Navin Agarwal. The Company has applied to the Central Government and is seeking the Members' approval at the ensuing Annual General Meeting. Details of the remuneration sought to be paid to Mr. Navin Agarwal and the explanatory statement are available in the Notice of the Annual General Meeting sent to Members.

#### DETAILS OF REMUNERATION TO ALL DIRECTORS

The break up of remuneration paid to the Directors during financial year 2002-03 is as follows :

##### (i) Executive Director

Sr. No.	Director	Designation	Salary (Rs.)	Contribution to Provident Fund (Rs.)	Perquisite (Rs.)	Total (Rs.)
1	Mr. Navin Agarwal	Whole Time Director	4,434,000	532,080	365,410	5,331,490

##### (ii) Non Executive Directors

Remuneration paid to Non-Executive Directors for the period (including sitting fees paid for attending Committee meetings)

Sr. No.	Directors	Sitting fees (Rs.)
1	Mr. Anil Agarwal	NIL
2	Mr. Sandeep H. Junnarkar	25,000
3	Mr. Gautam Doshi*	25,000
4	Mr. Arun Tadarwal	5,000
	<b>TOTAL</b>	<b>55,000</b>

The remuneration paid to the Directors is within the ceiling prescribed under the applicable provisions of the Companies Act, 1956.

\* Mr. Gautam Doshi, Non-Executive Independent Director of the Company is a partner in RSM & Co., a firm of Chartered Accountants. Professional fees for services rendered to RSM & Co. during the year aggregated Rs. 0.25 Million.

##### (iii) Shareholders'/Investors' Grievance Committee

The Company has constituted a Shareholders'/Investors' Grievance Committee in accordance with the requirements of Clause 49 of the Listing Agreements. The Committee has been given powers to attend to investors complaints pertaining to transfers/transmission of shares, non-receipt of dividend/interest warrants and any other related matter.

Two meetings of Shareholders'/Investors' Grievance Committee were held during FY2003 viz. 29th April, 2002 and 27th November, 2002.