SESA GOA LIMITED

42nd Annual Report

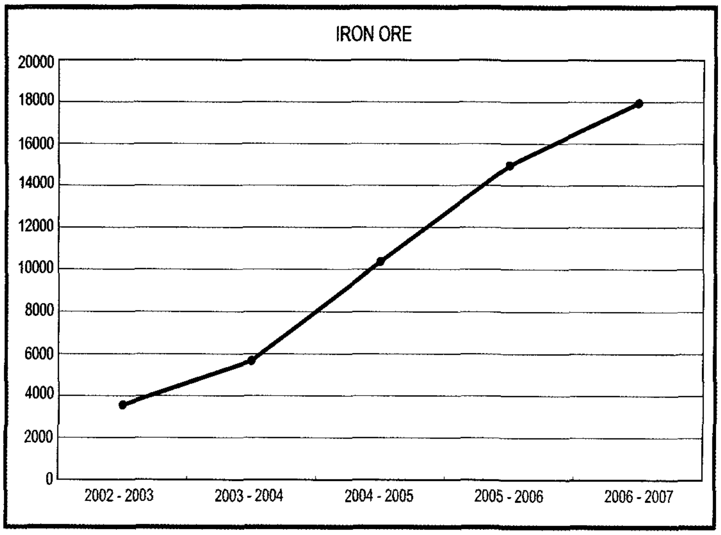
2006-2007

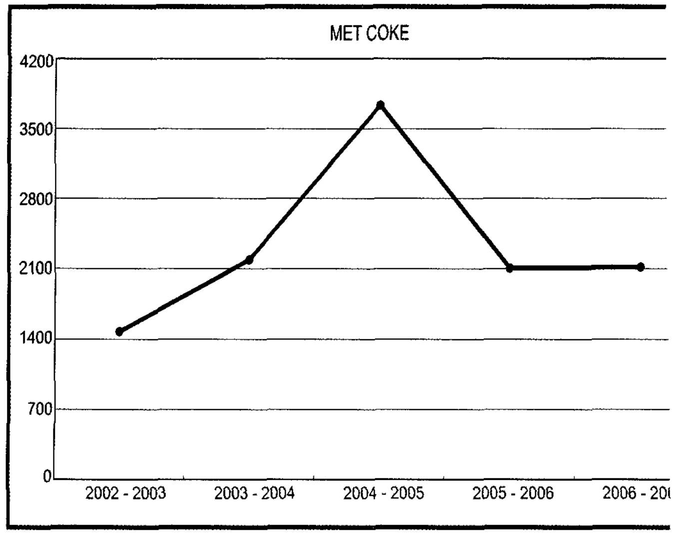
SESA GROUP

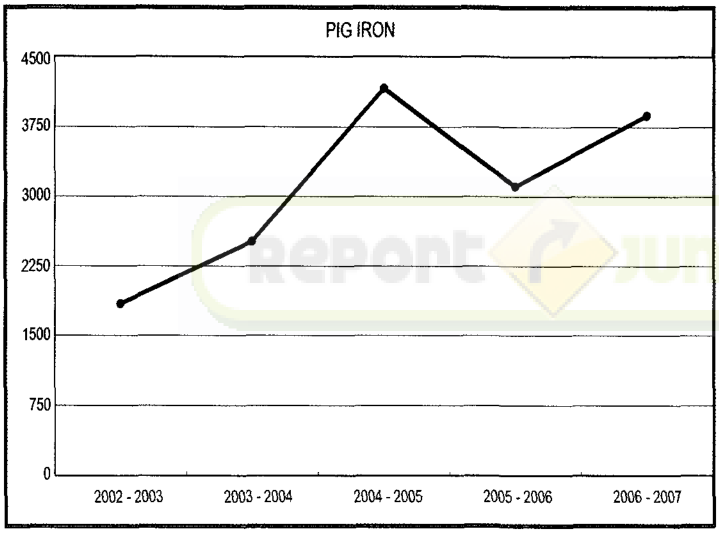
SESA GROUP: BUSINESS PERFORMANCE

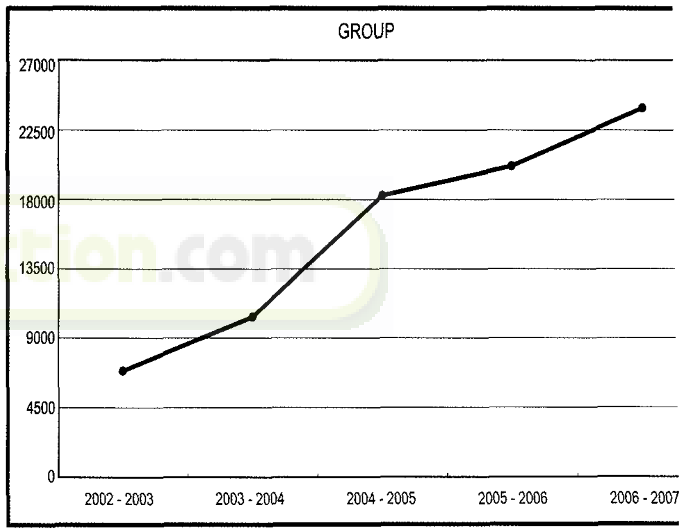
SEGMENT WISE REVENUE (Including Inter-Segment)

Rupees in Million





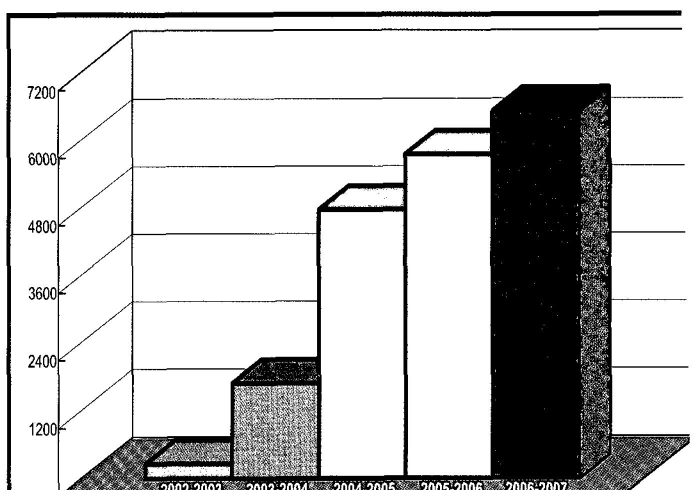




SESA GROUP: CONSOLIDATED BUSINESS PERFORMANCE

Rupees in Million

Revenue



Profit after taxes

SESA GOA LIMITED

REGISTERED OFFICE :

Sesa Ghor, 20 EDC Complex, Patto, Panaji, Goa – 403 001

DIRECTORS :

S. D. Kulkarni	Chairman
K. R. V. Subrahmanian	
P. G. Kakodkar	
G. D. Kamat	
M. D. Phal	
A. Pradhan	Wholetime Director
H. P. U. K. Nair	Wholetime Director
A. K. Rai	Wholetime Director
P. K. Mukherjee	Managing Director

SECRETARY :

C. D. Chitnis

AUDITORS :

S. J. Thaly & Co.
Chartered Accountants
Panaji, Goa – 403 001

BANKERS :

Canara Bank
State Bank of India
ICICI Bank Limited
Axis Bank Limited
Corporation Bank

MINING AND OTHER ESTABLISHMENTS :

In the states of Goa, Karnataka and Orissa of India

SESA GROUP
SESA GOA

SESA GROUP
SESA INDUSTRIES

CONTENTS

SESA GROUP

SESA GOA LIMITED

Registered Office: Sesa Ghor, 20 EDC Complex, Patto, Panaji, Goa – 403 001

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Forty-Second Annual General Meeting of SESA GOA LIMITED will be held on Saturday, the 29th September, 2007 at 11.00 a.m. at Dinanath Mangeshkar Kala Mandir Auditorium at Kala Academy, Panaji, Goa, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Mr. P. G. Kakodkar who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. M. D. Phal who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board
SESA GOA LIMITED

Place : Panaji, Goa – 403 001
Dated : 21st July, 2007

C. D. CHITNIS
SECRETARY & GM-LEGAL

NOTES:

a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

b) The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, 25th September, 2007 to Wednesday, 26th September, 2007 (both days inclusive).

c) Payment of dividend on equity shares, as declared at the meeting, will be made to those members whose names appear on the Company's Register of Members as on 24th September, 2007. Members are requested to notify immediately any change in their address.

d) In accordance with the provisions of Section 205-A of the Companies Act, 1956, the Company has from time to time, transferred unclaimed dividends relating to the years up to and including 1994-1995 to the General Revenue Account of the Central Government.

e) In accordance with the provisions of Section 205A (5) read with Section 205C of the Companies Act, 1956, the amount of dividend for the Financial Year ended 31st March, 2000 which remained unpaid and unclaimed for a period of 7 years from the date of transfer to the Unpaid Dividend Account of the Company has been transferred to the Investor Education and Protection Fund established by the Central Government.

f) Pursuant to the provisions of Section 205A (5) read with Section 205C of the Companies Act, 1956 the amount of dividends for the Financial Year ended 31st March, 2001 and thereafter which remain unpaid and unclaimed for a period of 7 years from the date of transfer to the Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund established by the Central Government. Shareholders, who have not yet encashed their dividend warrants for the Financial Year ended 31st March, 2001 or any subsequent financial years are requested to make their claim to the Company without delay. According to the relevant provisions of the Companies Act, 1956 no claim shall lie against the said Fund or the Company for the amounts of dividend so transferred to the said Fund.

g) Members are requested to bring their Admission Slips along with copy of the Report and Accounts to the Annual General Meeting.

h) Members, who wish to obtain any information on the Company or view the accounts for the Financial Year ended 31st March, 2007 may visit the Company's corporate website www.sesagoa.com or send their queries atleast 10 days before the Annual General Meeting to the Company Secretary at the Registered Office of the Company.

i) The information as required to be provided under the Listing Agreement with the Stock Exchanges, regarding the Directors who are proposed to be appointed/re-appointed is given hereunder:

i) Name : Mr. Pandurang Ghanasham Kakodkar.

Age : 70 years.

Qualifications : M.A. (Economics).

Expertise : Retired Chairman of State Bank of India, the biggest Commercial Bank in the Country. He is currently I.T. and Banking Consultant.

Shareholding : Nil

Other Directorships / Committee Memberships :

Sr. No.	Name of the Company	Position Held	Committee Type	Membership Status
1.	Goa Carbon Ltd.	Director	Remuneration Audit	Member Member
2.	Uttam Galva Steel Ltd.	Director	Audit	Member
3.	Financial Technologies (India) Ltd.	Director	Audit	Member
4.	Mastek Ltd.	Director	Audit Compensation	Chairman Member
5.	Hexaware Technologies Ltd.	Director	–	–
6.	Fomento Resorts and Hotels Ltd.	Director	–	–
7.	Centrum Finance Ltd.	Director	–	–
8.	Sesa Industries Ltd.	Director	–	–
9.	Auditime Information Systems (I) Private Ltd.	Director	–	–
10.	SBI Funds Management Pvt. Ltd.	Director	–	–
11.	Multi Commodity Exchange of India Ltd.	Director	–	–
12.	IBX Forex Ltd.	Director	–	–
13.	Ratnakar Bank Ltd.	Director	–	–

ii) Name : Mr. Madhukar Dattatray Phal

Age : 58 years.

Qualifications : M.A. in Personnel Management & Industrial Relations from Tata Institute of Social Sciences, Mumbai.

Expertise : 32 years experience in Human Resources function.

5 years i.e. 1972-77 as Organising Instructor, Civil Defence Corps, Mumbai.

2 years i.e. 1979-81 as Assistant Personnel Officer, Cosme Matias Menezes Group of Companies, Goa.

2 years i.e. 1981-83 as Personnel Officer, Mandovi Pellets Limited, Goa.

7 years i.e. 1983-90 as Deputy General Manager – Personnel & Administration, Narmada Cement Company, Mumbai.

11 years i.e. 1990-2001 General Manager – Human Resources, Sesa Goa Limited, Goa.

Wholetime Director of Sesa Industries Limited since 1-1-2002.

Shareholding : NIL

Other Directorships/ Committee Memberships :

Sr. No.	Name of the Company	Position Held	Committee Type	Membership Status
1.	Sesa Industries Limited	Wholetime Director	–	–
2.	Sesa Community Development Foundation	Director	–	–

DIRECTORS' REPORT

To the Members,

The Board of Directors present the Annual Report of the Company together with the Audited Statements of Accounts for the Financial Year ended 31st March, 2007.

The entire shareholding of Company's principal shareholder, FINCO, U.K. held by Earlyguard Ltd., subsidiary of Mitsui, was acquired (on 23rd April, 2007) by two wholly owned subsidiary Companies of Vedanta Resources plc, U.K. Your Company consequently, has become a subsidiary of the Vedanta Group, an Indian business house with significant interest in non-ferrous metal sector, i.e. Aluminum, Zinc and Copper.

The merger of the Subsidiary Company, Sesa Industries Limited (SIL) with the Company, is still pending for approval of the High Court of Bombay at Goa owing to objection from one shareholder of SIL. In future, on receipt of the requisite approval, the Annual Audited Accounts incorporating the merger effective 1st April, 2005, together with Annual Reports will have to be placed again for your approval. This report is drawn for the Company on a stand-alone basis

FINANCIAL RESULTS

	2006-2007 (Rs. in million)	2005-2006 (Rs. in million)
Profit before provisions for depreciation and tax	**9311.250**	8317.407
(Less): Depreciation	**(312.787)**	(246.585)
Provision for Tax		
– Current Tax	**(2877.000)**	(2681.600)
– Deferred Tax	**(52.000)**	14.000
– Fringe Benefit Tax	**(5.400)**	(9.200)
Profit after depreciation & Tax	**6064.063**	5394.022
Add: Balance brought forward from the preceding year	**515.854**	417.134
Profit available for appropriation	**6579.917**	5811.156
Appropriations		
Interim Dividend	**590.430**	590.430
Proposed Final Dividend	**984.051**	984.051
Tax on Distributed Profit	**250.047**	220.821
General Reserve	**4250.000**	3500.000
Balance carried to Balance Sheet	**505.389**	515.854
	6579.917	5811.156

A consolidated financial statement of the Company, as per requirements of the Listing Agreement, is included in this Annual Report. The consolidated profit after tax for the Group is Rs. 6,510 million for the year ended 31st March, 2007 as against the corresponding figure of Rs. 5,748 million for the previous year – an increase of 13% .

DIVIDEND

The Board of Directors has recommended a Final Dividend of Rs. 25/- per share for the year 2006-07 in addition to the interim dividend of Rs.15/- per share declared and paid during the year.

The same amount of interim and final dividend per equity share would also be payable to recipients of the Company shares on approval of merger of SIL with the company out of the appropriable profit of the merged company for the year. It may be recalled that similar distribution of dividend would be required out of the appropriable profit of the merged company for the earlier year ended 31st March, 2006.

OPERATIONS

A summary of the Sales Turnover and the working results is given below:

	2006-2007		2005-2006	
(All money values are net of freight)	**Qty. in million Tonnes**	**Value in million Rs.**	Qty. in million Tonnes	Value in million Rs.
Sales of Iron Ore	**10.871**	**17,660**	9.558	14,764
Direct Exports	**7.664**	**13,880**	6.828	11,652
Indirect Exports (through local exporters)	**2.459**	**2,668**	2.160	2,427
Other Sales	**0.748**	**1,112**	0.570	685
Sale of metallurgical coke	**0.237**	**2,030**	0.243	2,098
Profit after Tax		**6,064**		5,394

There was an increase in the international benchmark price of iron ore by 19% on FOB basis during the year under review. However, the net realization of the company on iron ore sales has increased by about 6% on an average on account of the following factors:-

a) A smaller increase in price from the Chinese customers under term contracts due to contractual price being already higher than the Japanese benchmark price.
b) Stable spot price in Chinese market.
c) Increase in sales of low grade ore with lower realization.
   Partly offset by
d) Higher exchange rate realized on an average.

The increase in volume of iron ore sales during the year under review is primarily on account of higher volume of low grade ore from Goa/Karnataka and increased volume from the state of Orissa. You will be happy to note that your company had started shipments to South Korea on a regular basis from Goa during the year under review.

The coke business suffered loss during the year under review also primarily due to further reduction in average price realization in line with international price of metallurgical coke which has shown a huge down turn in view of abnormally low benchmark landed price of Chinese coke as compared to the previous year.

During 2006 the world steel crude production has gone up by about 9% from 1.13 billion tonnes in 2005 to 1.24 billion tonnes. This increase in production was again led by China – Chinese production of crude steel has gone up by about 18% to about 420 Mt. Crude steel production in India has gone up by about 8% to 44 Mt. approx. Consequently, the strong demand for iron ore continued inspite of increased supply from Australia and Brazil. On y-o-y basis the spot market price for most part of the year was lower than that in the previous year but still at a premium over the benchmark price. About 30% of the direct and indirect exports of your company are linked to spot prices. In the Orissa sector, the cost of road transportation continued to remain very high because of pressure on the logistics and hence, inspite of all direct and indirect exports from Orissa being linked to spot prices, the margin from Orissa sector continues to be the lowest. The geographical distribution of the direct/indirect exports of the company during the year under review was: China - 58%, followed by Japan 12%, Europe 11%, Pakistan 8%, South Korea 4% and domestic sales 7%.

The increases in railway freight and diesel have exerted maximum pressure on cost. During the year under review, the railway freight on iron ore meant for exports has increased effectively by about 20% in various ways like change in freight classification, introduction of surcharge, introduction of 'busy season pricing', etc. The government of India has imposed an export duty of Rs. 300/t. on exports of all grades of iron ore effective 1st March, 2007 and consequently, the exports made during the month of March, 2007 suffered the same.

Company's Mining equipment, processing plants, captive barge fleet and transhipper operated at the optimum level during the year. The company has also purchased four rail rakes during the year and deployed two rakes each in Orissa and Karnataka sector. The fleet of mining equipments, barges and the transhipper are continuously upgraded to reduce the cost of production. During the year under review, production and dispatch from Karnataka mines got affected for about four months for want of various permissions from various agencies inspite of all compliances by the Company.

During the year the production of metallurgical coke continued to suffer due to drop in the quality of imported coal (but still within the contractual specifications) of previous year. Consequently, the recycling of coke breeze also had to be restricted which in turn affected optimization of revenue. Although, no new order for sale of coke technology was booked during the year, there was income of Rs.72 million against the order booked two years earlier.

OUTLOOK

Forecast from various sources indicate that the demand for iron ore will continue to remain strong in the near to medium term on the back of increasing world steel production led by China. However, the effect of various measures taken by the Chinese government to curtail the growth in steel production including abolishing of export rebate will need to be watched with caution. Going by the current trend the crude steel production in China is likely to touch the level of around 500 Mt. The statistics of first six months of the current calendar year indicate that the iron ore imports by China has increased by +16% and at this rate the annual import will be in the region of 380 Mt.

On the back of buoyancy in demand, the international benchmark iron ore price has gone up by 9.5% during the current year. The spot price in Chinese market for imported ore from India has gone up during the current year as a result of strong ocean freight for Brazilian iron ore and disruption in delivery of Australian iron ore owing to port congestion. Consequently, the impact of export duty on iron ore imposed by the Indian government on spot sales has more or less been offset. However, the export duty impact on contracts with term prices is quite significant, particularly without any domestic demand at benchmark prices for company's iron ore fines and low/medium grade lumps from Goa/Karnataka.

The National Mineral Policy is yet to be formalized by government of India and in the absence of the same the procedural delay in clearance and interventions from various quarters in allotment of new mining leases continues. The environmental and forest clearance required for renewal of the existing mining leases has also become time consuming. The prospecting license obtained by the company in the year 2005 from Jharkhand government is still awaiting forest clearance. However, the company is hopeful that sooner or later, the National Mineral Policy with simplified system of approvals from various authorities would emerge and being a professional miner the company would be able to reap the benefits therefrom, which will also auger well for ensuring supply of iron ore for the projected domestic steel capacity.

Indian rupee is continuously appreciating against US $, the currency in which all international trade of iron ore takes place. Strong rupee with local inflation of 5% do not auger well for the bottom line of the company. The increasing railway freight, non-availability of rail capacity for transporting iron ore to the ports and restriction / frequent interruptions on road transportation of iron ore by various authorities do also impact the operations of the company – both volume and cost wise.

The land acquisition process to develop a dedicated road and jetty facility at Panchwadi in Goa is yet to be completed by Government of Goa – the delay is mainly due to State elections which have recently been concluded. The company is following up regularly with the authorities in this matter.

The international price of metallurgical coke is going up while the international coal price for the current year has been settled with about 15% reduction during the year. While the ocean freight for import of coal is going up, the company expects to post positive results from the coke business in the current year. The Compact Charging Project, although commissioned, is yet to stabilize. The Power Plant has also been commissioned during the current year and is expected to stabilize its operations within a few months. Both these projects on stabilization will boost the profitability of the coke business. The efforts for marketing Coke Making Technology to various parts of the world are continuing, but without much success so far. Sesa – Waste Heat Recovery Based Power Generation Project (0535) has been granted registration by the Clean Development Mechanism (CDM) Executive Board of the UNFCCC and consequently will open up additional revenue source by sale of carbon credits.