

# The World is Connected

**A behind the  
scenes look at  
Sterlite Technologies'  
efforts to 'Connect  
every home on the  
Planet'**





# The World is Connected

A BEHIND THE SCENES LOOK AT  
STERLITE TECHNOLOGIES' EFFORTS TO  
'CONNECT EVERY HOME ON THE PLANET'



All rights reserved. No part of this publication may be used or reproduced in any manner whatsoever, without written permission except in the case of brief quotations embodied in critical articles or reviews.

**STERLITE TECHNOLOGIES LIMITED** ("Sterlite") [BSE: 532374, NSE: STRTECH] is a leading global provider of transmission solutions for the power and telecom industries. Equipped with a product portfolio that includes power conductors, optical fibers, telecommunication cables and a comprehensive telecom systems / solutions portfolio, Sterlite's vision is to 'Connect every home on the planet'. Sterlite is also executing multi-million dollar power transmission system projects, pan-India. [www.sterlitetechnologies.com](http://www.sterlitetechnologies.com)

**REGISTERED OFFICE:** Survey No. 68/1, Rakholi Village, Madhuban Dam Road 396 230, Union Territory of Dadra & Nagar Haveli, India.

**LOCATIONS:** China, Denmark, India, Netherlands, Russia, South Africa, Taiwan, Turkey, United Arab Emirates, United Kingdom, United States of America.

**BOARD OF DIRECTORS:** Anil Agarwal, Arun Tadarwal, A. R. Narayanaswamy, Haigreve Khaitan, Pravin Agarwal, Anand Agarwal

**CHIEF FINANCIAL OFFICER:** Anupam Jindal

**COMPANY SECRETARY:** Sandeep Deshmukh

**MANAGEMENT COMMITTEE:** Pravin Agarwal (Whole time Director), Anand Agarwal (CEO & Director), Anupam Jindal (CFO), K. S. Rao (COO – Telecom), Rajendra Mishra (COO – Power), Mandeep Bhatia (COO – Telecom Infrastructure), Pratik Agarwal (Head – Infrastructure Business), Prasanth Puliakottu (CIO), Dharmendra Jain (AVP – Finance).

**AUDITORS:** S R Batliboi & Company

**BANKERS:** Axis Bank, Bank of Baroda, Bank of India, Bank of Maharashtra, Barclays Bank, Citibank, Corporation Bank, DBS Bank, EXIM Bank, HDFC Bank, ICICI Bank, Kotak Mahindra Bank, Oriental Bank of Commerce, Punjab National Bank, State Bank of India, Union Bank, Yes Bank.

**REGISTRAR & TRANSFER AGENTS:** Karvy Compushare Private Limited, Unit – Sterlite Technologies Limited, Plot No 17 to 24, Vittalrao Nagar, Madhapur, Hyderabad – 500081, Andhra Pradesh, India. Phone: +91.40.23420818/828. Fax: +91.40.23420814. E-mail: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)

**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 that we periodically make contain forward-looking statements that set out anticipated results based on the managements 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 realised, although we believe that we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and estimates taken as assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

*Publication designed by Quadrum Solutions Private Limited. [www.quadrumltd.com](http://www.quadrumltd.com)*

*As a responsible corporate citizen, Slerlite welcomes and supports the 'Green Initiative' taken by the Ministry of Corporate Affairs, enabling the Company to effect electronic delivery of documents. This initiative will go a long way in conserving paper and also result in substantial savings on printing and posting of annual reports and other documents sent to shareholders. Members are requested to support this green initiative by updating their email addresses with the respective Depository Participants, in case of electronic shareholding; or registering their email addresses with the Company's Registrar and Transfer Agents, in case of physical shareholding. Join this cause and make the world a cleaner, greener and healthier place to live.*

# CONTENTS

Foreword	(Chairman's Message).....	5
----------	---------------------------	---

Introduction	(Letter to shareholders).....	6
--------------	-------------------------------	---

## **SECTION – I: A World of Connectivity**

Chapter 1	Connecting the World ( <i>Management Discussion and Analysis Report</i> ).....	13
-----------	---	----

Chapter 2	Tying up the numbers ( <i>Discussion on financials</i> ) .....	29
-----------	---	----

## **SECTION – II: Sterlite's Inclusive Business Approach**

Chapter 3	The Technology Interface ( <i>Innovation and technology development</i> ) .....	35
-----------	--	----

Chapter 4	The Leadership Standpoint ( <i>Human resources</i> ) .....	39
-----------	---	----

Chapter 5	The Process Network ( <i>Information technology</i> ) .....	43
-----------	--	----

Chapter 6	The Community Facet ( <i>Sustainable development</i> ) .....	45
-----------	---	----

## **SECTION – III: Sterlite’s Business Practices**

Chapter 7	Charting Progress ( <i>Directors’ report</i> ) .....	51
Chapter 8	Demonstrating the Code ( <i>Corporate governance report</i> ) .....	64
Chapter 9	Bridging the Chasm ( <i>Risk management</i> ) .....	81

## **SECTION – IV: Sterlite’s Business Progress**

Chapter 10	Auditors’ Report ( <i>Standalone</i> ) .....	87
Chapter 11	Financials ( <i>Standalone</i> ) .....	88
Chapter 12	Auditors’ Report ( <i>Consolidated</i> ) .....	127
Chapter 13	Financials ( <i>Consolidated</i> ) .....	128
Index	.....	158

## Foreword

Through human history, progress has been defined by a fundamental need for connectivity - connectivity between people, between places, in thoughts and of ideas.

The Industrial Revolution, the discovery of the structure of DNA and the invention of the 'Worldwide Web' remain amongst the milestone events that changed the course of recent history. Although these can be viewed as discrete events, when assessed holistically, it points to the reality that at a fundamental level, there exists an underlying connect without which none of the above could have been possible.

In a world that is increasingly reliant on connectivity, I believe that power and telecommunication are the two infrastructure platforms that have defined the progress of individuals, of organisations and of nations. There has been more economic progress made in the last 150 years since the commercialisation of power and telecommunication, than there has been through the last millennium.

In such dynamic global marketplaces, recognising and capitalising on market transitions before they occur provides a vital direction to an organisation's future growth strategy. Organisations need to develop and implement a multi-pronged strategy that encompasses a spectrum of aspects such as product development, research, people development, risk management, good governance standards and a responsibility to the community in which they operate.

Further, organisations have no choice but to adopt an inclusive and collaborative approach to ensure a strong connection with the needs of its stakeholders. By keeping a close ear to the ground, organisations can then make strategic decisions, investments and organisational moves to maintain their competitive advantage.

*Power and telecommunication are the two infrastructure platforms that have defined the progress of individuals, of organisations and of nations.*

'The World is Connected' is a comprehensive behind-the-scenes look at Sterlite's strategic decisions, investments, organisational capability building and business progress. Sterlite has maintained a judicious mix of facets that are critical for a successful organisation. This has resulted in sustained growth across its businesses and has strengthened its global leadership position.

Sterlite's insatiable desire for growth, backed by a clearly defined strategy and resilient demand for Sterlite's products and solutions, gives me immense optimism about the future.

**ANIL AGARWAL**

Chairman, Sterlite Technologies Limited

# Introduction

### **Sterlite strives to connect our world**

In a world obsessed with the need to interact and interconnect, power and telecommunication are two fundamental infrastructures that make this possible by augmenting individual and enterprise capabilities.

In both of these critical sectors, Sterlite has remained a significant contributor to the Indian and global economies by developing transmission solutions – connecting individuals, connecting enterprises and connecting nations.

Sterlite has maintained a keen balance in facilitating infrastructure effectiveness, whilst enhancing its business capabilities in power conductors, optical fiber, telecommunication cables, OPGW cables, data cables, telecom solutions and power grid infrastructure.

A mission to make it easier, faster and more cost-effective for service providers to build telecom and power infrastructure is what drives Sterlite's strategic decisions, investments, and organisational capability building. The Company continues to hone its intrinsic capabilities through focus on economies of scale, costs and technology advancements.

During FY11, Sterlite has achieved several noteworthy milestones that are inline with its long-term growth strategy:

- The Company achieved the highest sales volumes historically for its core businesses – power conductors, optical fibers cables.
- Good Tier-1 clients were added for all businesses, across geographies. Revenue from international sales in FY11 accounted for ₹ 700 crores, which is 31% of net revenues in FY10 and this has been achieved with a right mix of repeat orders from current customers and addition of new eminent global customers.
- The Company has enhanced its intellectual property portfolio with the grant of 7 more patents, taking the total up to 30.

### **Sterlite's business performance**

Fiscal year 2010-11 closed with net revenue of ₹ 2,263 crores, EBITDA of ₹ 282 crores, PAT of ₹ 141 crores and EBITDA margin of 12%. The telecom business had revenues of ₹ 657 crores





at an EBITDA margin of 26% and the power business had revenues of ₹ 1,606 crores at an EBITDA margin of 7%.

Diluted EPS for the full year stands at ₹ 3.72 against ₹ 7.34 in the last year. At its meeting held on April 29, 2011, the Board of Directors of the Company recommended a dividend of 25% for the year, subject to approval from shareholders.

*Globally, the power and telecommunication sectors have shown tremendous resilience, fuelled by large and coordinated stimulus from federal governments. This heralds the next wave of connectivity through broadband and power grids across the world.*

Sterlite's achievements have been recognised with 18 awards during the year for excellence in human resources, financial reporting, environmental conservation, product sales and system integration. These awards include the '5th Employer Branding Awards 2010-11', '6th RASBIC Awards 2010-11', 'Global HR Excellence Awards 2010-11', 'LACP Spotlight Awards 2010', '2009/10 Vision Awards', '10th Greentech Environmental Excellence Award 2010', 'National Telecom Award 2010', 'Star Performer Silver Shield' and 'V&D100 Award 2010'.

Sterlite commences financial year 2011-12 with a strong order book of about ₹ 2,200 crores which is represented by a balanced mix of orders from prominent utilities like Power Grid Corporation of India, state transmission companies, electricity boards and telecommunication service providers from across the globe. A bulk of this order book would be executed during FY12.

### **Sterlite remains committed to develop infrastructure, to make the world even more connected**

Sterlite's success comes from recognising and capitalising on market transitions before they occur. Sterlite's goal is to capture these market transitions as per applications desired by its clients, and by recognising major technologies and markets, that would play a crucial role in the future of power and telecommunications.

Globally, the power and telecommunication sectors have shown tremendous resilience, fuelled by large and coordinated stimulus from federal governments. This heralds the next wave of connectivity through broadband and power grids across the world.

*A mission to make it easier, faster and more cost-effective for service providers to build telecom and power infrastructure is what drives Sterlite's strategic decisions, investments and organisational capability building.*

To fuel this growing need for critical transmission solutions, Sterlite has undertaken capacity enhancements of its power conductors to 200,000 MT and optical fiber to 20 million-km, with project completion well on track. Further, Sterlite has agreed to form a joint venture company Jiangsu Sterlite Tongguang Fiber Company Limited in China to manufacture, market and distribute optical fiber used in the production of fiber optic cables.

With a resolute belief that the right infrastructure is crucial to India's future economic progress, Sterlite recently made its foray in the transmission grid ownership space. During FY11, the Company won two new projects for development of India's transmission systems on 'Build, Own, Operate and Maintain' (BOOM) basis. Sterlite now has a portfolio of three projects with a total value of about ₹ 4,000 crores (~US\$ 900 Million) for power transmission systems with a network of about 2,200 km of transmission lines and 2 substations.

To address the critical challenges in improving efficiencies in new telecom and power infrastructure, Sterlite increased the breadth of its portfolio by introducing new products and solutions like bend-free fiber, OPGW cables and fiber connectivity solutions.

Sterlite also entered into a strategic relationship with CTC Cable Corporation, USA for manufacture specialty ACCC® power conductors for the Indian market. These conductors would offer India a unique ability to increase the current carrying capacity of existing lines and to significantly improve the overall economics on new lines.

Sterlite has had several significant achievements in FY11 that have paved the path for its sustained growth and for a world that is even more connected.

#### **Pravin Agarwal**

Whole time Director  
Sterlite Technologies Limited

#### **Anand Agarwal**

Chief Executive Officer  
Sterlite Technologies Limited

# Keynotes

## **A closer look at some of the milestones that Sterlite achieved this year.**

- Net revenues of ₹ 2,263 crores, EBITDA of ₹ 282 crores, PAT of ₹ 141 crores.
  - EBITDA margin of 12%.
  - Diluted EPS of ₹ 3.72.
  - Strong order book of about ₹ 2,200 crores, as on March 31, 2011.
  - Total portfolio of three projects valued at ₹ 4,000 crores, for development of power transmission systems on 'Build, Own, Operate and Maintain' (BOOM) basis.
- 
- Highest ever sales and production volumes for power conductors, optical fiber and fiber optic cables.
  - Good tier-1 clients added for all businesses, across geographies.
  - International sales revenues are 31% of net revenues.
  - New launches include OPGW cables, high ampacity conductors, bend-free optical fiber and fiber connectivity solutions.
  - 7 additional patents granted.
  - Capacity expansions on track for optical fiber, fiber optic cables, power conductors.
  - Joint venture agreement in China for manufacture and sale of optical fiber.
  - Strategic relationship with CTC Cable Corporation, USA for manufacture specialty ACCC® power conductors for the Indian market.
  - Awards: 5th Employer Branding Awards 2010-11, 6th RASBIC Awards 2010-11, Global HR Excellence Awards 2010-11, LACP Spotlight Awards 2010, 2009/10 Vision Awards, 10th Greentech Environmental Excellence Award 2010, National Telecom Award 2010, Star Performer Silver Shield and V&D100 Award 2010.

## Five years at a glance

	2006-07	2007-08	2008-09	2009-10	2010-11
₹ in crores (Except earning per share)					
Net revenues	1,198	1,686	2,289	2,432	2,263
EBITDA	116	201	240	404	282
EBIT	85	164	198	356	226
PAT	51	101	90	246	141
Diluted EPS (₹)	1.57	3.09	2.78	7.34	3.72
US\$ in Million					
Net revenues	266	375	509	540	503
EBITDA	26	45	53	90	63
EBIT	19	36	44	79	50
PAT	11	22	20	55	31
*Conversion rate US\$ 1 = ₹ 45					
Ratios					
EBITDA Margin (%)	9.7	11.9	10.4	16.6	12.5
EBIT Margin (%)	7.1	9.7	8.6	14.6	10.0
PAT Margin (%)	4.2	6.0	3.9	10.1	6.2
Effective Tax Rate (%)	4.2	22.8	18.0	22.5	21.1
Capital Employed (₹ in crores)	1,001	1,203	1,173	1,274	1,656
ROCE (%)	8.5	13.6	16.9	27.9	13.6
Interest Coverage Ratio	3.7	5.7	2.7	9.3	4.8
Working Capital Ratio	3.2	3.1	1.8	1.9	1.9
Debt Equity Ratio	1.4	1.2	0.8	0.4	0.6

---

SECTION - I

---

# A World of Connectivity

---



## CHAPTER 1

# Connecting the World

**Evolution of  
long distance  
communication**

3000 BC: *Smoke  
Signals and Drums for  
signalling*

2400 BC: *First written  
form of postal system*

1400 AD: *Printing  
press*

1848: *Telephone*

1896: *Radio*

1927: *Television*

1969: *Computer  
networks*

1983: *Internet*

Early 1990s: *Mobile  
network*

Late 1990s: *Mobile  
2G, 2.5G networks*

2000s: *Mobile 3G  
networks*

Through the history of mankind, the greatest fear for any living soul has been that of seclusion – a fear that runs at the basic root level of any individual being.

History is interspersed with numerous examples of forced seclusions and exiles. Even today, a remote thought of living one day of your life without your everyday gadgets like phone, laptop, television or radio appears no less than a punishment of exile. The underlying fear still remains the same – to be left out and not be connected.

*Connectivity has been one of the  
fundamental drivers for all inventions  
and technological innovations to bring a  
perceptible change in the lives of people.*

Human beings are inherently social animals and the very basic need of connectivity runs deep in their psychological framework. Whether it is the need to be connected with people, with the world around them, with ideas or even with their own thoughts, connectivity is the single most important driver for their survival and evolution. The rapid global rush to becoming social through technology is mind-boggling. People love being social. Sharing thoughts and personal information has gone from 'no way' to 'OK' in a very short period.

This connectivity not only helps to make us who we are in evolutionary terms, but it also helps to define who we become as individuals. It is evident that connectivity has been one of the fundamental drivers for all inventions and technological innovations to bring a perceptible change in the lives of people.



In the present context of our discussion, we look at connectivity in the realms of the physical media that plays an integral role in ensuring the faster and easier access to make the world a one big connected family. As we dwell further to explore this in context of human evolution, we find that telecommunication and power have been the two most important enablers to create a world that is connected.

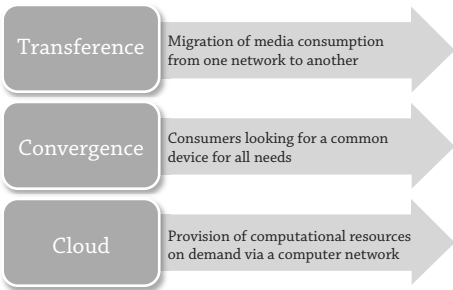
*Way back in late 90's Sterlite Technologies recognised this underlying need of the human mankind and has been striving since then to make the world a one big connected place to live in.*

**Telecommunication: Revolutionising the way people connect**

Communication is the central phenomenon on which the tenets of connectivity lie. This tool for connectivity has been in a continuous evolution phase and technology has been a major driver for revolutionising the path of this evolution.

The way the telecommunication industry has evolved in the last decade, it has given a new dimension to the word 'connectivity'. It has transcended physical barriers and moved the world into a virtually connected space. The distance does not matter anymore. Whether it is organisation, an individual or even a country, the ability to access the world is just a click away.

**The next decade (2011-2020)**



The next decade is set to bring a new wave in the world of telecommunication. Three big-ticket concepts are expected to have a deep impact on the telecommunication environment across the globe.

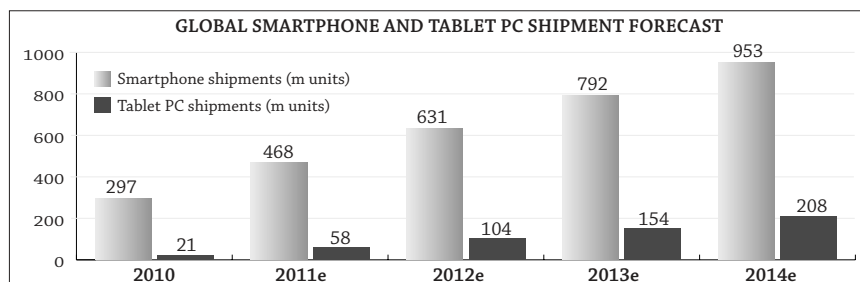
**Transference** in the context of telecommunication refers to the migration of media consumption from one network to another; for instance consumers

migrating their live television minutes from the broadcast network to video on demand or Internet. The huge explosion in mobile data traffic during the last year is a classic case in this regard. The traffic increased more rapidly than it would have through organic growth, because of the migration of laptops and other portables to the mobile network. Secondly, there is the transference of expectations from one network to another. Again, mobile is a key example of this: User expectations of an open access Internet with fast response times have put traffic pressure on mobile network infrastructures.



**Convergence** is another one of the important trends that we saw building up at the start of this decade. There is an evident paradigm shift in how communication devices are seen today. Consumers not only want mobile devices for the Internet but instead they want to have a host of services combined into one device. Apart from the regular Internet applications, with the advent of smart-phones and tablet PCs, mobile devices serve a lot of purposes in everyday life from reading e-books to playing games, from listening to music to watching movies, from finding a restaurant nearby on maps to learning foreign languages.

A proof for the same is the growing shipments of smart phones and tablet PCs. Gartner forecasts a CAGR of 30% in smart phones and 75% in tablet PCs.

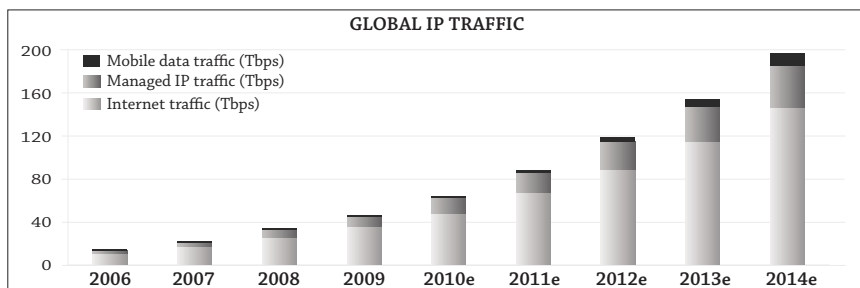


Source – Gartner

**Cloud computing** is yet another evolution in the making. People within the industry are also keeping a close watch on these developments, as this is a phenomenon that can make or break some parts of the value chain. Cloud computing refers to the provision of computational resources on demand via a computer network, hence offering the potential to do more over a network. While this gives the consumers a cost-effective solution, it does increase the traffic load on the networks.

## Growing Global IP traffic

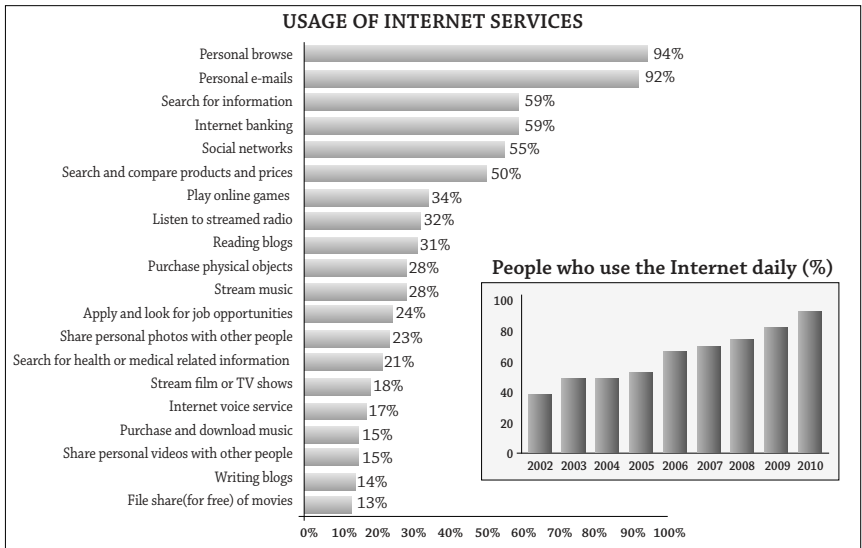
Technology has been playing a crucial role in the evolution of telecommunication that has resulted in an exponential surge in the IP traffic across the globe in the last 10 years. The global IP traffic has almost doubled every two years in the past and is expected to emulate the growth in the future. The global bandwidth consumption in the year 2010 was close to 60 Tbps of which the Internet traffic accounted for 75%.



Source – CISCO Visual Networking Index, 2010

**“I need the Internet 24x7”:** The Internet has over the last 10 years been the main driving factor in the growth of IP traffic and will continue to be so in the years to come.

The Internet is now an integral part of our daily lives. What was considered to be a luxury a few years ago is now becoming a necessity with consumers needing to be connected everywhere and all the time. Changing lifestyles, explosion of content and information, virtualisation all is propelling the daily usage of the Internet. A recent study done in the US, UK and Sweden among 15 to 69 year olds shows that the daily usage of the Internet increased to 90% in 2010 from 36% in 2002.



Source – Ericsson Global Infocom web study, 2010

Browsing and e-mail usage are still the most common activities on the Internet, though many people use it for shopping, chatting, reading blogs, social networking, watching videos and listening to music. Practical aspects of our daily life like banking, shopping research, purchasing goods and services are also served by extensive usage of the Internet.

Devices such as the iPhone and the iPad have led to ordinary consumers accessing data services in a meaningful manner for the first time. The average bandwidth/home (throughput) required per home is on the rise. The table shows the estimated requirement for a home through usage of main forms of smart and computing devices.

Laptop	0.5 Mbps (e-mail)
Home security	1 Mbps
HDTV #1	5 Mbps (streaming HD video)
Tablet	4 Mbps (two-way video teleconf.)
PC	5 Mbps (downloading large files)
4G Smart Phone 2	1 Mbps (browsing)
HDTV #2	5 Mbps (Streaming HD video)
Required throughput	21.5 Mbps

↑  
Assumes simultaneous usage

Source: Credit Suisse

*Apart from the fundamental drivers of growth for Internet, we are also witnessing several key technology enablers that are creating a technology landscape conducive for IP traffic growth.*

Social networking is now a new age phenomenon that is driving Internet usage like never before. Websites like Facebook, Twitter and Orkut have now turned into an online platform for sharing your everyday lives with your chosen contacts. It has also led to a surge of online social communities catering to



basic entertainment to providing an outlet to share views and opinions on a mass scale on social and political issues. Mobile social networking is entering a golden era. In the next 2-3 years, the lines between social mobile and social web will blur.

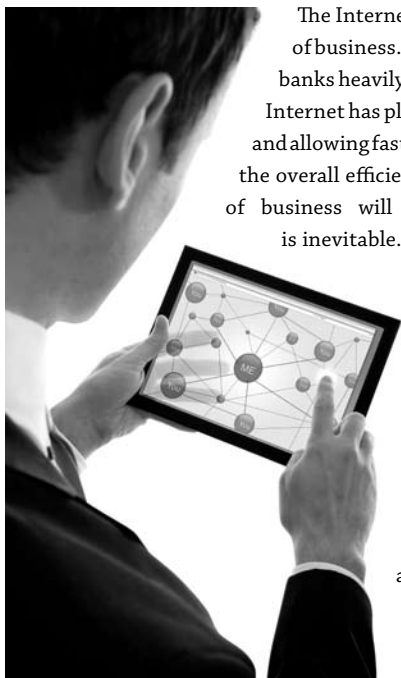
Internet Video is evolving from a niche service to a mainstream high-quality commercial offering and expanding the overall communications market in the process. Video over broadband is a new medium, and historically new media almost always generate new forms of content (it just takes some time). In the next 3-5 years, the growth of Internet Video will continue to accelerate, hitting the sweet spot in the s-curve of adoption. Hence, video traffic will drive the overall volume of Internet usage.

### Global Consumer Internet Traffic

By sub-segment (PB per month)

	2010	2011E	2012E	2013E	2014E	2015E	CAGR 2010-2015
<b>Total Video</b>	<b>5,116</b>	<b>8,628</b>	<b>12,812</b>	<b>17,931</b>	<b>24,142</b>	<b>31,523</b>	<b>44%</b>
YoY Growth	72.5%	68.6%	48.5%	40.0%	34.6%	30.6%	
% of Total Consumer Traffic		48%	52%	55%	57%	59%	
<b>Total Non-Video</b>	<b>7,568</b>	<b>9,464</b>	<b>11,733</b>	<b>14,429</b>	<b>17,927</b>	<b>22,229</b>	<b>24%</b>
YoY Growth	26.9%	25.1%	24.0%	23.0%	24.2%	24.0%	
% of Total Consumer Traffic		52%	48%	45%	43%	41%	
<b>Total Consumer Internet Traffic</b>	<b>12,684</b>	<b>18,092</b>	<b>24,545</b>	<b>32,360</b>	<b>42,069</b>	<b>53,752</b>	<b>33%</b>
YoY Growth		42.6%	35.7%	31.8%	30.0%	27.8%	

Source: Cisco: University of Minnesota, company reports and Oppenheimer & Co. Inc. estimates.



The Internet today is also the prerequisite to serve the needs of business. Business competitiveness in today's environment banks heavily on access of timely and accurate information. The Internet has played a crucial role in breaking the physical barriers and allowing fast access to information and data thereby improving the overall efficiency and productivity levels. As the requirements of business will grow, the growth in Internet consumption is inevitable.

The role of the Internet in disaster management is also becoming very crucial. Like America's 9/11, Japan's 3/11 saw the wireless voice network falling prey to congestion, while emails and messages were flowing smoothly. In times like these, communication and information became lifelines as much as electricity and water. Within minutes of the earthquake in Japan, Google Japan turned its attention from search to rescue. Online services like 'person finder' were set up, allowing anyone to enter names into an online registry to report the missing, search for people or confirming if

someone is safe – with interfaces in eight languages. All this represents a new form of data driven humanitarian assistance.

Apart from the fundamental drivers of growth for the Internet, we are also witnessing several key technology enablers that are creating a technology landscape conducive for IP traffic growth.

*The Internet is now an integral part of our daily lives. What was considered to be a luxury a few years ago is now becoming a necessity with consumers needing to be connected everywhere and all the time.*

**Increasing broadband speed:** The average global residential Internet connection download speed is 35 times faster in 2010 (4.4 megabits per second) than in the year 2000 (127 kilobits per second). Broadband speed improvement results in increased consumption and usage of high-bandwidth content and applications. Cisco forecasts that the global average broadband speed will continue to grow and will quadruple from 2009 to 2014, leading to exponentially faster download time.

**Increasing computing power:** A multi-core system with a 64-bit operating system can make use of 4 billion times the RAM, compared to a 32-bit system. Once software

is developed to take full advantage of the new processing capabilities, each core has the potential to generate as much traffic as a single PC. Smart phones available in the market have a lot of computing power.

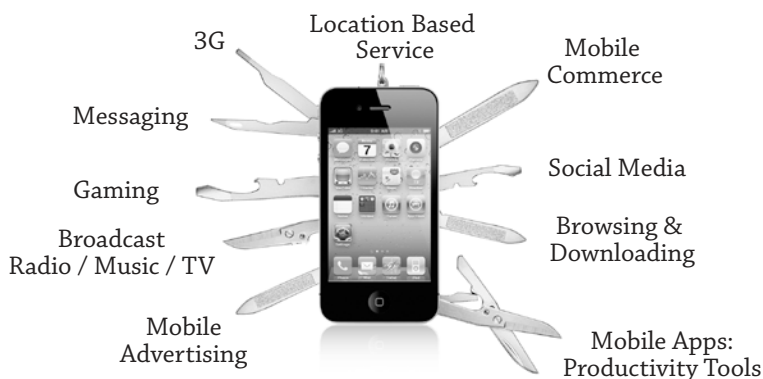
	<b>iPhone 4</b>	<b>Desktop computer 10 years ago</b>
Processor	unnamed	Intel Pentium 3
Date or release	June '10	early 1999 to 2003
Clock speed	1 GHz	450 MHz to 1.4 GHz
RAM	512 MB	512 MB
Storage memory	16-32 GB	15-32 GB

All in all the exponential increase in Internet traffic can be explained by the multiplication effect of the two metrics involved – increase in the minutes of use and increase in the bytes used per minute.

## **Mobile data traffic – It's not just about SMS anymore**

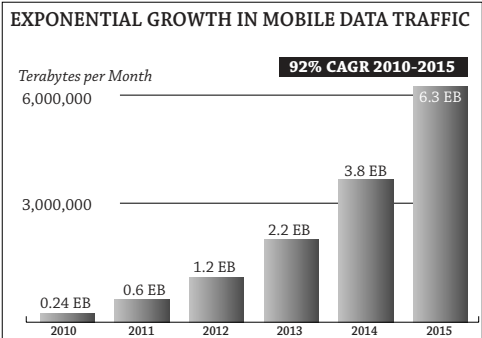
Mobile users expect to be able to stay connected with family, friends and work in real time – anywhere and anytime. As smart-phones have become a mainstream product, mobile communication has evolved into much more than just voice and text messages.

### **MOBILE DEVICE & MVAS: AN INFORMATION SWISS ARMY KNIFE**



Users now demand multi-dimensional services – e-mail, instant messaging, photograph and video sharing, social networking, blogging and a host of other applications. The smart phone of today is an 'Information Swiss knife'.

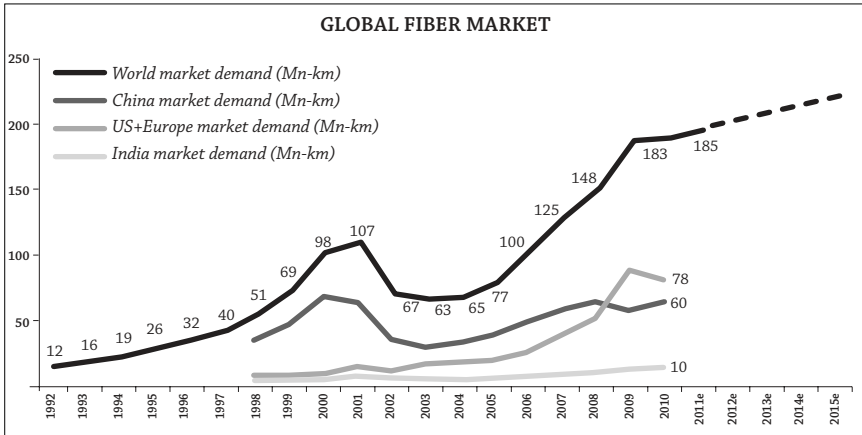
Conventionally, a mobile user starts using Entertainment VAS first. As they evolve and become more mature, comes the usage of information VAS while mCommerce tops the hierarchy among conventional VAS categories. Mobile Apps, the most recent category tops the complexity of service as well as need evolved and involved mobile user. The chart, depicts relation between maturity of mobile user and complexity of VAS they use.



Source: CISCO Visual Networking Index Mobile, 2011

communication was conceived, though the commercial use happened much later. Optical fibers are widely used in fiber optic communications, which permits transmission over longer distances and at higher bandwidths (data rates) than other forms of communication.

When we talk about a network backbone capable of transmitting data across the globe in real time, the sole medium capable of making it possible is optical fiber. As communication has evolved over the past two decades, both in quality and quantity. The case for deploying more fiber has also increased. This can be better judged by simply having a look at the fiber deployments that have taken place in the last twenty years.



Source – CRU and Industry estimates

The fiber industry has grown at a steady pace and is expected to continue along a similar path. As per estimates from CRU, the global fiber demand last year was about 185 million-fkm. If we observe the fiber deployment pattern globally over the last 20 years, different regions have contributed to the growth in fiber demand at periodic intervals depending upon the stage of network evolution they were in. The last few years have seen a mammoth growth in fiber deployments in China on the backdrop of their 3G infrastructure build up. China presently accounts for around 40% of the global fiber demand.



We believe that the India market with the highest number of wireless subscribers, is also at an inflection point of growth and should witness good growth in fiber deployments in the next 2-3 years as the bandwidth demand increases riding on the data ridden 3G technology. A bulk of this demand is expected to flow in for connecting the existing 300,000 towers with fiber, which are currently using microwave transmission.

*As more and more data gets consumed, the bandwidth requirement continues to surge that puts a strain on existing networks. Optical fiber comes as a saviour as the only medium that can support such high data traffic flow.*

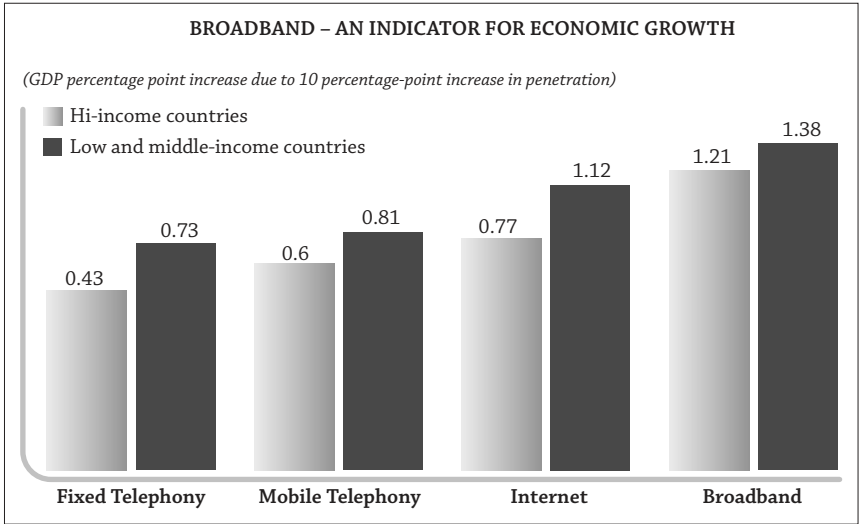
At the very fundamental level, the growth in fiber demand can be correlated to the growth in global bandwidth. As more and more data gets consumed, the bandwidth requirement continues to surge putting a strain on existing networks. Optical fiber has emerged as a saviour because it is the only medium that can support such high data traffic flow.

Another interesting development that was witnessed last year, was the increasing amount of recognition given by governments around the globe to broadband as an important driver of national economy. Broadband penetration has become one of the key national indicators for an economy. Governments have realised this and are creating appropriate broadband infrastructure.

Broadband is increasingly viewed as the ‘fourth utility’ alongside water, heating and electricity. The power of broadband has been confirmed by a recent research, which shows that broadband fosters GDP growth, creates jobs and stimulates innovation, while enabling improvements in education, healthcare and other social services.

To realise these benefits, governments in many countries are setting up high-speed broadband infrastructures and implementing tightly focused broadband plans. These are leading to fiber deployment closer to the user. As the traffic per user and the number of users are increasing, there are bottleneck in the networks as they get closer to the user. To tackle this issue fiber is being deployed till a point much closer to the end consumer than what it was a few years ago.

Many countries like Australia, South Korea, U.K., India etc. have already established their national broadband plans which talk about incremental fiber deployments.



Source – Booz and Company and Industry estimates

An analysis by the World Bank found that in developing economies, every 10% increase in broadband penetration accelerated economic growth by about 1.38 percentage points – more than the increase of 1.21 percentage points for developed economies.

Sterlite Technologies, one of few global fully integrated manufacturers of optical fiber has been instrumental in providing transmission products and solutions to cater to the network infrastructure requirements of new age communication.

Like broadband penetration another key indicator for any economy today is power consumption. A brief review of the history and in particular the Industrial Revolution makes it quite apparent that economic growth is inextricably linked to energy. As energy is tied to our economy, our future is dependent upon equitable access to energy.

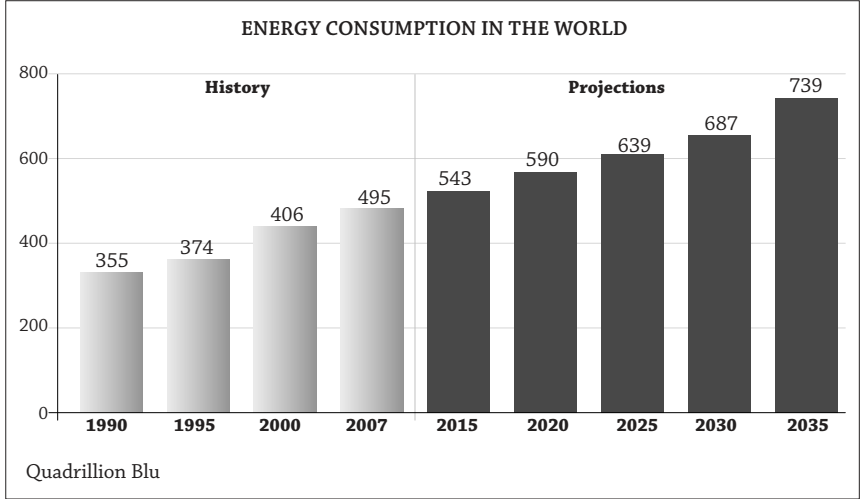




**Energy: The backbone of all connectivity**

Energy has been universally recognised as one of the most important inputs for economic growth and human development. There is a strong two-way relationship between economic development and energy consumption. On one hand, growth of an economy, with its global competitiveness, hinges on the availability of cost-effective and environmentally benign energy sources, and on the other hand, the level of economic development has been observed to be reliant on the energy demand.

Challenges are particularly apparent in the electricity sector, with electricity consumption growing faster than primary energy production. Electricity production across the globe is still highly dependent on fossil fuels – a scarce natural resource. All of this is pushing the case for increasing the share of renewable sources in the total energy generation.



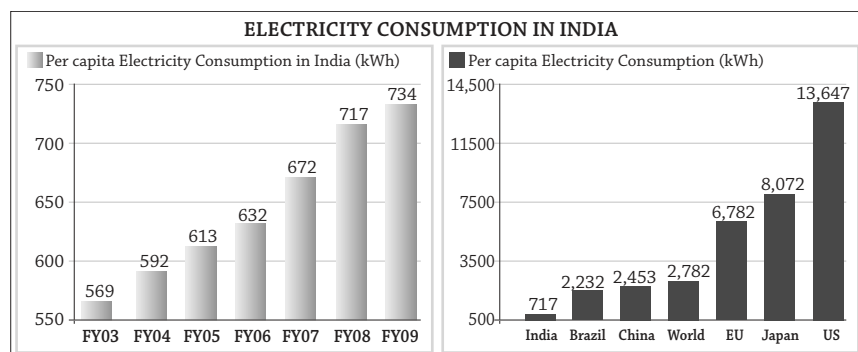
Source: EIA – International Energy Outlook, 2010

The growth in energy consumption is a natural phenomenon as it is directly linked to the population growth and growth in per capita consumption of electricity.

## Developing nations: To drive demand at an accelerated pace

Despite rising energy use across the world, many poor households in developing countries still have no access to modern energy services. IEA estimates that 1.4 billion people across the globe, which is an astonishing 20% of the global population, still lack access to electricity. India is the world's 6th largest energy consumer, accounting for 3.4% of global energy consumption by more than 17% of global population. The estimated demand supply gap hovers around 20% as per conservative estimates, which is quite striking for an economy growing at 8% year on year. According to the Planning Commission of India, 600 million people, roughly half the population, are still off the electric grid.

Due to the fast-paced growth of India's economy, the country's energy demand has grown an average of 3.6% per annum over the past 30 years.



Source: Central Electricity Authority (CEA), International Energy Agency (IEA)

In December 2010, the installed power generation capacity of India stood at 165,000 MW and per capita energy consumption stood at 612 kWh.

The Government of India has an ambitious mission of 'POWER FOR ALL BY 2012'. This mission would require that the installed generation capacity should be at least 200,000 MW by 2012 from the present level of 165,000 MW. Power requirement will double by 2020 to 400,000 MW.

To cater to this growing energy requirement across the globe, investments in new generation facilities are inevitable. The investments in generation has to be supported with equal if not more investments to build a robust transmission and distribution (T&D) network.

Global electricity sector investment is anticipated to reach US\$ 10 Trillion by 2030. More than US\$ 5 trillion will be used to invest in transmission and distribution networks.

The transmission of electricity is typically defined as the bulk transfer of power over a long distance at a high voltage, generally 132 KV and above. A reliable transmission and distribution system is important for the proper and efficient transfer of power from

generating stations to load centres and beyond. A transmission and distribution (T&D) system is typically comprised of transmission lines, sub-stations, switching stations, transformers and distribution lines.

*For emerging economies like India, where the T&D investments in past have not matched the generation investments, there is an increasing need felt for building new infrastructures or ramping up existing ones.*

As the developing economies across the globe gear up with new generation capacities to meet the energy requirements, there will be incremental investments in the T&D infrastructure. We are also seeing a renewed momentum in T&D infrastructure build up in some of the developed parts of the world. The usual life of a transmission line is around 30-35 years. Many of these developed nations are now nearing the end of T&D infrastructure and many state and national transmission utilities in these countries are now planning investments to upgrade or set up new grids. The renewable energy installations are also demanding new T&D infrastructures to evacuate power from the new generating stations.

#### **Some key developments in the global transmission & distribution space**

The US government is offering various incentives and stimulus packages for increasing investments in the transmission systems. The American Reinvestment and Recovery Act of 2009 is facilitating a US\$ 11 billion investment in the T&D grid.

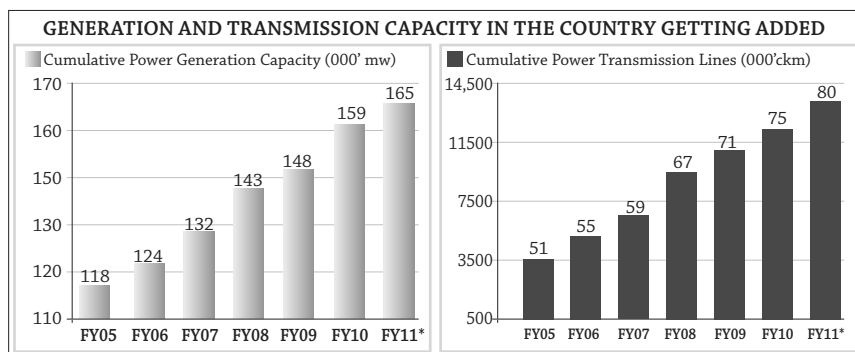


Russia's Ministry of Energy has estimated that the Russian power grids may need RUB 20 Trillion (US\$ 700 billion) investments by 2030, of which RUB 11 Trillion (US\$ 385 billion) would be needed in the next ten years.

China's Guangdong province plans to invest US\$ 28 billion in construction and technology upgrade of its power grid by 2015. It plans to add between 2011 and 2015, 164 GW of transformer capacity and 26,000 km of cables.

In Mexico, the national grid is owned and operated by The Commission Federal de Electricidad (CFE). As per the CFE, about US\$ 10 billion of investments will be required in the transmission sector by 2018 to meet the growing demand for power. In its recent investment plan for 2009-18, CFE has planned for construction of more than 12,400 miles of new transmission lines for grid expansion, which includes more than 3,700 miles in the next three years.

For emerging economies like India, where the T&D investments in past have not matched the generation investments, there is an increasing need felt for building new infrastructures or ramping up existing ones. Huge investments are planned to build inter-regional transmission networks to optimise and balance the supply demand gap on the load centres. This ensures an uninterrupted supply of power to a load centre, even if there is a failure at the local generating station or a maintenance shutdown. In addition, power can be transmitted through an alternative route if a particular section of the transmission system is unavailable.



Source: Central Electricity Authority (CEA) and Industry estimates

As per India's 12th Five Year Plan (2012-17), the total addition in generation capacities is targeted at 100 GW. This new generation capacity would require an addition of transmission systems for the evacuation of power and expansion of the national grid (expansion of interregional transmission systems and system strengthening schemes). After a decade of underinvestment in the transmission and distribution space, the 11th Plan and 12th Plans are more progressive for this segment. This is clearly evident from the fact that the share of expenditure on T&D in the 11th Plan and 12th Plans is 51% and 56.4%, respectively, as compared to the 44.2% share in the 10th Plan. Transmission capex in the 11th plan has increased to ₹ 1,400 billion from ₹ 983 billion in the 10th plan. The bulk of the investments in

the transmission segment are being done by PGCIL (40%) and SEBs, while the private sector constitutes only a small proportion. Based on preliminary estimates, transmission spending is expected to increase to ₹ 2,400 billion (up by 71%) in the 12th plan.

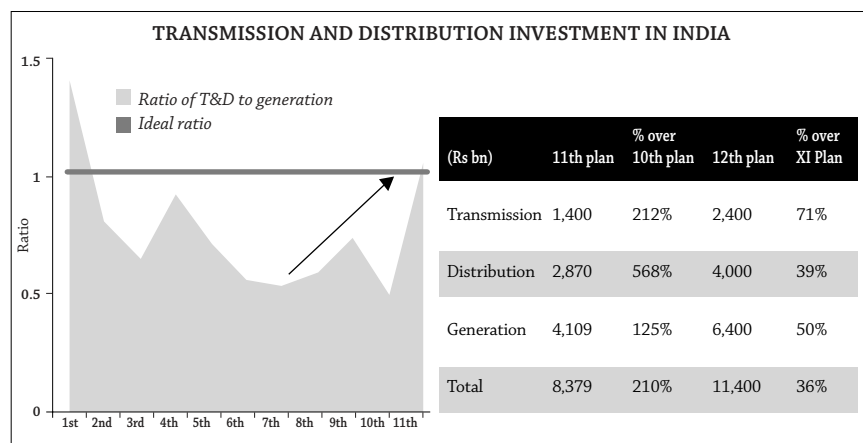
PGCIL, the nodal transmission utility in the country continues with its mega plan of building a pan-India, high capacity transmission network in the country. Though historically, the Company has underachieved from its planned targets, however we are seeing improvement in % achievement year on year.

In the 12th plan PGCIL plans to spend ₹ 1,200 billion for:

- Enhancing the capacity of the interregional transmission grid from 37,000 MVA to 75,000 MVA.
- Building a High Capacity Transmission Corridor (HCTC) which will help transport electricity to the main load centres from 48 new IPPs located in coal belt coastal areas and hydroelectric-rich areas. PGCIL plans to spend ₹ 496.3 billion, on HCTC of which ₹ 300.7 billion, 60% of the total, is expected to be spent on transmission lines.

After the State Electricity Board (SEB) unbundling process, state utilities are also investing in transmission infrastructure. The state grids are being upgraded or revamped after years of neglect and lack of investment. Rising power requirements have forced many State Transmission Utilities (STUs) to set up high capacity intra-state power transmission systems. Based on the mid-term appraisal of the 11th plan, SEBs are expected to spend ₹ 1,835.7 billion on the power sector. As per preliminary estimates, SEBs will have to spend ₹ 1,000 billion on transmission and distribution infrastructure during the 12th plan.

The opening up of power sector with the enactment of Electricity Act, 2003 was one of important steps towards bridging the gap between demand-supply of power in the country. The Private sector in the country responded with keen interest and has been very active in investing and setting up new generation facilities.



Source – Ministry of Power

On similar lines, the government decided to open up the transmission space for private players by introducing Independent Private Transmission Company (IPTC) projects. The state transmission utilities (STUs, SEBs or their successor entities) and the central transmission utility (Power Grid) identify transmission projects for the intrastate and the inter-state/inter-regional transmission of power respectively.

The STUs and the Central Transmission Utility (CTU) could invite private companies to implement these projects through an IPTC or on a joint venture basis. The role of the IPTC would be to construct, own and maintain transmission systems. Operations of the grid, including load despatch, scheduling and monitoring will be undertaken by the STUs and the CTU at the intrastate and inter-state/inter-regional levels, respectively. The CTU and STUs would be involved in the development phase for obtaining project approvals and various regulatory and statutory clearances.

Opening up of this space has invited interest of many private players in the country and they are actively participating in the competitive bidding process to become a part of T&D infrastructure build up in the country.

In the 11th Plan, investment of ₹ 20,000 crores has been envisioned from the private sector directed towards expanding interstate transmission network. Several PPP projects have been awarded by state utilities including Haryana, Rajasthan, Maharashtra, etc. Of the 11th Plan investment target, about 50% of the orders have been placed by the end of FY10. In the 12th Plan, the quantum of private sector investment is expected to increase to ₹ 30,000 crores.

**Sterlite has been playing a pivotal role over the last few years in building the Transmission infrastructure in the country and today is the largest manufacturer globally for overhead transmission conductors. The Company has also taken the lead to participate as infrastructure owners by taking a portfolio of 3 Ultra mega transmission projects (with combined investments of about US\$ 1 billion) and is poised to play a leading role in growing transmission space in the country and globally.**

### **Capitalising on opportunities**

In the dynamic global marketplaces, recognising and capitalising on market transitions before they occur provides a vital direction to an organisation's future growth strategy.

To remain successful, organisations need to develop and implement a multi-pronged strategy that encompasses a spectrum of aspects such as product development, research, people development, risk management, good governance standards and a responsibility to the community in which they operate.

## CHAPTER 2

## Tying up the numbers

**Financials at a glance**

	2010-11	2009-10
Net Revenue (₹ crores)	2,263	2,432
EBITDA (₹ crores)	282	404
Net Profit (₹ crores)	141	246
EBITDA Margin (%)	12.4	16.6
Net Profit Margin (%)	6.2	10.1
EPS (₹)	3.7	7.3
ROCE (%)	13.6	27.9

**Net Revenues**

Revenue for the year was ₹ 2,263 crores, down 7% from ₹ 2,432 crores in 2009-10. While the revenue from the products businesses remained flat, the decline in the total revenue was due to marginal sales in the telecom system integration segment, as compared to over ₹ 300 crores in the previous fiscal.

The revenue from the Power Transmission Business grew to ₹ 1,606 crores from ₹ 1,525 crores in 2009-10. Whilst sales volumes for this business remain almost flat at about 124,650 MT in 2010-11 versus about 124,570 MT in 2009-10, marginal increase in revenue was mainly on account of higher aluminum prices.

Sales volume of fiber optic cables in 2010-11 increased substantially by 37% to 3.7 million-fkm from 2.7 million-fkm in the previous fiscal. Sales volume of optical fiber in 2010-11 increased marginally by 6% to 8.8 million-fkm from 8.3 million-fkm in 2009-10. However due to the reduction in realisations for optical fiber and fiber optic cables, the overall revenue in the combined business segment remained almost flat. The overall telecom business showed de-growth of 28% from ₹ 907 crores in 2009-10 to ₹ 657 crores in 2010-11.

The growth in international sales revenues was robust at 26% year on year. International sales revenues grew substantially from ₹ 554 crores in 2009-10 to ₹ 700 crores. As a percentage to the overall revenue, this was 31% in 2010-11 as compared to 23% in

2009-10. The growth in international revenues has been mainly due to the expansion of the client footprint in Africa, Europe, Middle East and America.

### **Profitability**

The earnings before interest, depreciation, tax and amortisation (EBITDA) of the Company were ₹ 404 crores in 2009-10 from ₹ 282 crores in 2010-11. In terms of percentage, this translated into an EBITDA margin of 12.4% in 2010-11 against 16.6% in 2009-10. The de-growth in EBITDA this year has been primarily due to a reduction in the sales margins in the Power Transmission Business and decline in realisations for optical fiber and fiber optic cable products.

EBITDA of the power transmission business was ₹ 114 crores in 2010-11 as against ₹ 206 crores in 2009-10. This showed a decrease despite achievement of the same volume as in the previous fiscal. This was mainly due to a lower margin as compared to the last year, higher costs of oil based inputs such as furnace oil and freight.

EBITDA of telecom business also showed a decline from ₹ 198 crores in 2009-10 to ₹ 168 crores in 2010-11. In this segment, the impact of higher volume in optical fiber and fiber optic cable was largely compensated by lower sales realisation and higher input costs as compared to the last year. In terms of profitability, EBITDA for the telecom business in the year 2010-11 is higher at 25.6% as compared to 21.8% in the previous year.

The interest costs saw an increase from ₹ 38 crores for the year 2009-10 to ₹ 47 crores for the year 2010-11. This has mainly due to increase in working capital during the year as well as higher rates of interest prevailing during the year.

Depreciation for the year was ₹ 56 crores vs ₹ 48 crores in the previous year, mainly due to the capitalisation of some plant and machinery on account of the capacity expansions executed during the year.

*The growth in international revenues has been mainly due to the expansion of the client footprint in Africa, Europe, Middle East and America.*

Tax expenses for the year at ₹ 38 crores were lower than the previous year's tax expenses of ₹ 71 crores on account of lower profit before tax, however the effective tax rate for the year remained lower at approx 21% versus 22% in the previous year, mainly due to the continued tax benefits at one of the major manufacturing locations.

The net profit after tax for the year thus has decreased by 43% from ₹ 246 crores in 2009-10 to ₹ 141 crores in 2010-11.

### **Dividend**

In continuation of the progressive dividend policy, the Board of Directors has recommended an equity dividend of 25%, subject to the approval of the shareholders.



## Balance Sheet

### Gross Block and Capital work-in-progress

The Company has been expanding its facilities to meet the increase in the demand in both the telecom and power businesses. For the year, gross block grew from ₹ 1,095 crores as on March 31, 2010 to ₹ 1,180 crores as on March 31, 2011.

The capital work-in-progress stood at ₹ 161 crores at the end of 2010-11 against ₹ 57 crores at the end of 2009-10. This was on account of the on-going expansion projects for power conductors, optical fiber and power cables facilities. It is expected that majority of the ongoing expansion projects would be completed and commissioned by end of next financial year 2012.

### Borrowings, Cash & Bank Balance

The debt of the Company increased from ₹ 358 crores as on March 31, 2010 to ₹ 620 crores as on March 31, 2011. Total cash and bank balance as at the end of the year was ₹ 130 crores in 2010-11 against ₹ 210 crores as at the end of 2009-10. The total investments for the year 2010-11 stood at ₹ 109 crores including ₹ 9 crores towards investments in various subsidiaries. In the previous year, the investments were ₹ 106 crores including ₹ 6 crores towards investments in various subsidiaries. All the liquid investments have been made in the debt denominated mutual funds.

Thus the net borrowing (net of Cash and bank balances and equivalents) was ₹ 390 crores as at March 31 2011 as against ₹ 48 crores, showing an increase of ₹ 342 crores in the borrowing during the year. The increase in the borrowing is mainly due to higher working capital and advances given to its subsidiaries towards various projects undertaken.

The Company does not have any long-term debt on its standalone balance sheet.

The Debt-Equity ratio of the Company stood at 0.59 as at end of 2010-11 on standalone basis.



## Working Capital

₹ crores

	March 2011	March 2010
Inventories	191	171
Sundry Debtors	867	629
Cash and Bank Balances	130	210
Loans and Advances	350	156
(A) Total Current Assets	1,538	1,166
(B) Total Current Liabilities	792	621
Working Capital (A)-(B)	746	545

The net working capital cycle after reducing advances given to subsidiaries worth ₹ 144 crores stood at 80 days in 2010-11 as against 46 days in 2009-10. During the year, the working capital has increased as compared to the previous year, mainly due to longer collection cycle as well as higher prices of the commodity, resulting in higher involvement in inventory as well as receivables.

Current ratio of the Company stood at 1.94 times in 2010-11 as compared to 1.88 times in 2009-10.

## Cash Flow

Cash Flow Statement	March 2011	March 2010
		₹ crores
Opening Cash and Cash Equivalents	4	2
Cash Flows From:		
(a) Operating Activities	74	347
(b) Investing Activities	(258)	(225)
(c) Financing Activities	194	(120)
Closing Cash and Cash Equivalents	14	4

The cash flow generated from operations was utilised by the Company to fund the capex for capacity expansion projects.

## Return on Capital Employed & Net Worth

Due to reduction in profitability and increase in borrowing, Return on Capital Employed (RoCE) for the year reduced from 27.9% in 2009-10 to 13.4%.

The net worth of the Company increased by 13% from ₹ 916 crores as on March 31, 2010 to ₹ 1,036 crores as on March 31, 2011. Of this, Equity Capital comprised ₹ 71 crores.

During the year there was no major change in the share capital except for some shares issued to the eligible employees under the prevailing Employee Stock Option (ESOP) scheme. As at the end of March 31, 2011, there are 3,65,00,000 warrants pending for conversion, which were issued to the promoters under Preferential Allotment in the year 2009-10. An amount of ₹ 27 crores has been received as Application Money and lying as at March 31, 2011. These warrants are due for conversion in the year 2011-12.

---

SECTION - II

---

# Sterlite's Inclusive Business Approach

---



CHAPTER 3

---

# The Technology Interface

**Triggers for innovation and technology development**

To be a successful global high-technology supplier, technology development must be focused on the means through which the organisation can support its clients' needs. Moreover, organisations are required to continually provide more functionality, more data and easier utility of data at an ever-decreasing cost.

The bottom line is organisations need to make customers successful in the long-term, whilst maintaining demand for their products. Easier said than done. No single effort alone can accomplish this.

Companies must focus on product cost reduction through manufacturing innovation in materials and processes. They need to evolve novel new product designs, that can eliminate significant cost elements of a network. They need to have a visionary understanding of how networks need to evolve and how markets anticipate and accommodate disruptive technologies in their future planning.

Effective business practices need to be propagated, to minimise the 'growing pains' characteristic of disruptive revolutionary change in customers' business and personal lives.

At the *Sterlite Center of Excellence*, these are the core team's daily challenges. At Sterlite, this team comprises international experts and a talent pool of India's best minds, inducted from premium technology institutions.

Making Sterlite's customers successful in their business is the only guaranteed means of maintaining Sterlite's success nationally, regionally and globally.

**Process for research and technology development**

A successful R&D programme includes creating a challenging and rewarding environment that encourages innovation, attention to detail and supporting innovative thinking in technology and manufacturing, while listening and acting on customers needs and desires, and anticipating their future needs.

Sounds complex? A holistic process in research and technology development can be elaborated through Sterlite's approach.



Sterlite recognises the value of the human mind and its abilities. Sterlite has accelerated its efforts in this area with the formation of the *Sterlite Centre of Excellence* with state-of-the-art, dedicated R&D resource and facilities and an expanded technical team to further leverage capabilities in support of Sterlite.

While forward thinking 'blue sky', R&D is planned for this group, technologists at Sterlite understand that what supports its customers are today and tomorrow's product advances and manufacturing advances through technology innovation and application.

*Organisations need to make customers successful in the long-term, whilst maintaining demand for their products.*

Unlike many R&D institutions in academic and industrial environments – every technologist at Sterlite understands the realities of commercial manufacturing though daily exposure to 'real world issues' of production and in so doing has a more pragmatic and acute awareness of 'design for manufacture' and client impacts. This results in products that have lower capital expenditure and operating expenditure than competitors and are more easily deployed.

From implementing new manufacturing processes like six sigma and lean manufacturing, to project management tools that ensure that cost is minimised and quality is maximised, the *Sterlite Centre of Excellence* continually innovates and makes advances in support of the Company's customers.

Sterlite recognises that knowledge, efficiency and effectiveness are not the sole domain of its people. The Company has created strong bonds across the elite of Indian and overseas academic research groups to help keep 'ahead of the curve'. Not only does this provide additional valuable insights technologically, these relationships foster stronger bonds and mental stimulation. This also provides opportunities for academic institutions to gain a 'real world' appreciation for the application of their technology and hone additional career opportunities for their students.

## **Benefits in protecting intellectual property**

At a broad level, Intellectual Property (IP) refers to a number of distinct types of novel and commercially valuable creations of the mind for which property rights are recognised and can be protected through provisions of law. In the technology space, IP commonly includes copyrights, trademarks, patents, industrial design rights and trade secrets.

Typically, these exclusive rights allow owners of intellectual property to benefit from the property they have created, providing a financial incentive for the creation of and investment in intellectual property, and, in case of patents, through the recovery of associated research and development costs, by legally protecting these intellectual efforts through exclusive rights to use the advances in product.

However in reality, the benefits of protecting IP can be more closely linked with the industry lifecycle. For products that are launched in the introduction or growth stages of an industry, IP protection allows price premiums that accelerate the recovery of the organisation's R&D investment that supported these novel technology advances. However in mature industries, such as fiber optics and power conductors, IP manifests itself in an organisation's need for rapid global market penetration.

A metric of success in Sterlite's technology development programme is the fact that the Company has an enviable patent portfolio of 30 patents granted in India and globally. This has enabled Sterlite to gain inroads into several focus markets and to acquire quantifiable market shares.

## **Development of a technology roadmap**

To be a long-term global leader in any technology or market, an organisation needs to be able to anticipate the future needs of the industry and its customers, and be a first responder to these needs at the right time. Given the long development time for new technology to evolve from the laboratory to the factory floor, an organisation that is responsive to its customers' immediate needs must anticipate them many years in advance.

Apart from divining this future through psychic means, a technology leader must find reliable means through which this future can be determined with confidence. This requires the vision, experience and technology mastery of the technology teams in a disciplined process through which present trends are extrapolated and disruptive technologies anticipated and evaluated to define key technology initiatives for the future.



This is not ‘ivory tower’ visioning, but it requires true client focus in which many skills apart from technology prowess are employed – active attention to customers’ needs, pains and desires. It is an unsaid given that the organisation has to put into place an innovative and knowledgeable technology team that is capable of converting these needs/pains/wants into technology developments and then execute these efficiently.

The planning becomes the technology roadmap for the organisation. This is a long-term plan to fulfill these client needs/desires etc., reduced to an actionable set of internal initiatives in technology development plans. This should be linked intrinsically into manufacturing development plans for reducing cost and adding technology features.

*To be a long-term global leader in any technology or market, an organisation needs to be able to anticipate the future needs of the industry and its customers, and be a first responder to these needs at the right time.*

### **Ensuring global competitiveness**

Based on the knowledge, expertise and innovative talent acquired over two decades, Sterlite understands the market. More importantly, Sterlite listens to its clients.

This guarantees that not only will Sterlite’s customers get the products they need today but in the future, when they have new demands on product performance and cost, Sterlite would be the first to offer a solution and waiting to be challenged once again, to solve their next generation of ‘pains’.



CHAPTER 4

---

# The Leadership Standpoint

Change is much more rapid today. The world is more dynamic, making it harder to maintain the static state in which one stays at the head of affairs. No matter how successful or seemingly secure any business appears, there are no longer periods of calm seas for leaders in any industry. As per recent study by the Harvard Business School, more than half the companies that were industry leaders in 1955 were still industry leaders in 1990. But more than two-thirds of the 1990 industry leaders no longer existed by 2004.

As geographical borders diminish in importance, in the world of global business, assimilation takes on a whole new perspective. Leaders are plagued with the toughest question of them all; how they will get an employee sitting in a corner in India to align himself with the global corporate performance of a company located elsewhere in the world? The reverse is equally critical — for example, getting an individual in China to align himself with the overall growth that an Indian company would be having in India. Today if any organisation wants not only to survive, but also to thrive. It needs to include its workforce in its global story.

*As per recent study by the Harvard Business School, more than half the companies that were industry leaders in 1955 were still industry leaders in 1990. But more than two-thirds of the 1990 industry leaders no longer existed by 2004.*

As is evident, the way we do business is rapidly changing and so is the definition of corporate leadership. It is no longer enough to be a strategist and visionary; it is equally important to build trust with stakeholders and connect with employees. Furthermore, to make an enduring impact, leadership effectiveness needs to start at the top and percolate down, becoming part of the organisation's culture, including structures, processes, and systems.

Today, one of the biggest challenges corporate leaders face is balancing the need to increase shareholder value while simultaneously providing a work environment that truly engages the passion and commitment of its employees – to persuade and inspire others in the pursuit of common goals; to mobilise energy through sharing a vision and building consensus and encouraging teams by touching the heart and generating positive emotions.



As is evident, the bar for corporate leadership is constantly being raised. Today's leader, whether it's the head of the entire business, or the head of a business unit, has to be innovative, inspiring, entrepreneurial, global, inclusive and think about new strategies while preserving current business. Moreover, he or she has to have significant intellectual capacity to be able to do all of this at once.

In this multi-faceted global workplace, the role of leaders has taken on a whole new dimension. Today's leader is someone who listens well, engages in deep dialogue without getting stuck, can effectively motivate and inspire, and provides a team with thoughtful vision and strategic direction. Being mentally flexible with sensitivity to different cultures and the humility to understand the minor nuances of these is equally important. All this calls for an exceptionally open mind and also the ability to zoom in from a large global perspective to nitty-gritty details in the immediate here and now.

*The 21st Century leadership is all about thought leadership; an occasional act that all employees can show even if they have no inclination to be a manager.*

It is equally important for these, leaders to be committed to the development and growth of people and recognise that for organisations to grow and evolve to take on the next big wave, their people also need to grow materially, personally, professionally and spiritually as part of their own evolution.

The requirements business is placing on its leaders are also constantly changing. Most leaders recognise today's challenges but do not know how to respond because they are unable to think differently about their role. Traditional leadership attitudes and behaviours have trapped them in an outdated meaning of leadership where their thoughts and actions are ineffective in dealing with 21st Century complexity.

*The best leaders had been, and continue to be, distinguished by their ability to unleash the very best from their workforce. They lead people to seek their mutual maximum potential together and co-create success.*

Recognising all these challenges, Sterlite Technologies has enhanced the focus on leadership development; both for existing and future leaders. Towards strengthening the leadership team and equipping them to deal with the new age challenges, the company conscientiously decided to run a long term leadership intervention – focusing on wholesome leadership.

Sterlite's 'Parivartan Wholesome Leadership Development Program' is a long-term intervention designed to cover every aspect of being a successful leader from self-awareness, building teams, creating a supportive and enabling eco-system, to building a performance culture and finally delivering value to business. This program demands a high level of individual ownership and commitment from the participants and their seniors.

The best leaders had been, and continue to be, distinguished by their ability to unleash the very best from their workforce. They lead people to seek their mutual maximum potential together and co-create success. The most critical responsibility leaders have is to help their people flip the switch of engagement towards realising their potential as human beings. When leaders create a context for people to realise their potential, they also set in motion a cyclical effect that elicits people's best selves; that induces the fulfillment we all feel when we overcome significant challenges and realise our potential.

Towards this the Company has taken on a number of initiatives towards building a strong second line leadership pipeline and equipping the identified persons to take on leadership roles in the medium to long-term. The 'Sterlite Striker Program' has been one such initiative conceived to identify the potential within the individual employee and channelise it in the right direction to enable them to develop and grow, to deliver the role and responsibilities for today and tomorrow. It also strengthens the critical role holders and future leaders in areas of people development and leadership skills. This program includes a development centre and structured learning interventions; comprising self-learning, project work and group interventions.

In today's fluid and dynamic environment where innovation rules, leadership is no longer a fixed role. Leadership can be an occasional act that can come from any direction including outside the group. Showing leadership essentially means convincing others to change



direction. Leadership and management are often perceived to be the same thing. We need to ensure that management takes its rightful place as a constructive force for getting the best out of people and managing all resources along the lines of investment, to get the best possible return.

The 21st Century leadership is all about thought leadership; an occasional act that all employees can show even if they have no inclination to be a manager.

CHAPTER 5

---

# The Process Network

As businesses grow beyond the conventional boundaries of region and geography and physical structure, it becomes imperative for the support functions like information technology to keep pace.

Services have to be available throughout the enterprise in a seamless manner irrespective of whether the corporate office, a manufacturing plant or a 2 person SOHO. This provides a twin challenge for the company's Information Technology function. First is to ensure that the reach of the IT function grows along side the business. The second is to manage the security challenges arising out the greater boundary and increased access. Information security is vital for protecting the confidentiality, integrity, and availability of computer systems, resources, and data; to ensure business continuity.

Gartner claims that in the year 2011 IT organisations world over will spend around 18 percent of their total IT spend on the cloud and virtualisation. Seen from the perspective of enterprise IT, the 'cloud' has the potential to be a game changer. Both, commercially as well as technically the benefits of the 'cloud' are difficult to beat. It has the capability to provide best of the breed solutions at a fraction of the cost of similar non-cloud solutions.

Sterlite has begun to harness the power of the 'cloud' in a major way and the Company is one of the first large manufacturing enterprises in India to have shifted Collaboration (which includes Email) totally to the cloud. Users are empowered to use a suite of cloud based communication technologies that includes e-mail, personal video chat, real-time document sharing, online calendars, personal information portals and much more. All of this takes place in a safe and secure manner with the highest forms of encryption.

Sterlite has also enabled the use of cloud services for online meetings, training sessions, pre-sales and sales information systems and for tracking of business projects. All of these applications are hosted on public cloud and are accessible to Sterlite employees from across the world. Employee performance management and business analytics systems are also hosted on a private cloud.

In such scenarios of extensive use of cloud-based services, the effectiveness of IT Security systems need to be thoroughly evaluated. Since services run on Internet, enterprises



need to install robust and high-end perimeter firewalls at all its locations. These firewalls are controlled centrally and all data passing through is logged and recorded. Sterlite's central Unified Threat Management (UTM) system for enterprise grade protection, won it an award for 'Firewall Implementation' at an enterprise level at the 'Top 100 CISO Awards 2011'.

Along with cloud, there also needs to be enterprise-level implementation of 'Desktop Virtualisation' technology. It has been seen that the average percentage utilisation of the processors of servers and desktops is in the region of 10-15% (desktops) to 30-40% (servers). This figure is likely to come down further as computer hardware becomes more and more powerful.

Virtualisation is a technique of using one single physical machine for multiple applications. Users work from their local machine, whilst all programs, applications, processes, and data used are kept and run centrally. Virtualisation increases the utilisation of computer hardware manifold leading to increased return on investment and decreased total cost-of-ownership.

*As businesses grow beyond the conventional boundaries of region and geography and physical structure, it becomes imperative for the support functions like information technology to keep pace.*

Other than the commercial advantages, Virtualisation also makes administration and management of servers easier and more efficient. It makes IT more responsive and agile. Whenever requirements for new servers come up, they can be provisioned virtually in minutes instead of days or weeks, which might be required in the case of a physical server. This is a step forward in adoption of 'greener IT' with enhanced information security.

Sterlite is one of the first adopters of this technology in India and the Company received an award for 'Desktop Virtualisation Implementation' at its newly commissioned optical fiber facility at Aurangabad at the 'Top 100 CISO Awards 2011'.

Everything, from business applications to the IT infrastructure has to work all the time, in all places, under all conditions. By using cloud computing and virtualisation Sterlite has taken the first steps towards this objective.

Sterlite continues to build transparency within its systems and enhance value to its stakeholders. Implementation of a high level of automation in business processes, through the use of information technology, continues to be a company-wide key focus area.

CHAPTER 6

---

# The Community Facet

Businesses today have a greater responsibility than ever before to enhance society's overall well being, in context of their own longevity and sustained growth.

Today's need of business demands that sustainable development efforts encompass responsibility to clients, suppliers and employees, respecting their dignity, recognising their merit, assuring equal opportunity, compensating them fairly, providing them with a safe working environment and competent management whose actions are just and ethical, and helping them fulfill their family responsibilities.

Sustainable development (SD) has been defined in many ways, but the most frequently quoted definition is from 'Our Common Future', also known as the Brundtland Report (1987).

*"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts:*

- *the concept of needs, in particular the essential needs of the world's poor, to which overriding priority should be given; and*
- *the idea of limitations imposed by the state of technology and social organisation on the environment's ability to meet present and future needs."*

All definitions of sustainable development require that we see the world as a system – a system that connects space; and a system that connects time.

The paradigm prevalent in the 1960s & 1970s was epitomised by Milton Friedman's famous quote 'The Social Responsibility of Business is to increase its profits'. Since then, the Limits to Growth Report of the Club of Rome, 1972, the Stockholm Conference on Human Environment, 1972, the Brundtland Commission Report, 1987, the UN Conference on Environment and Development, 1992, the Kyoto Climate Change Protocol, 1997 and the Johannesburg Conference of 2002 have firmly established the importance of Sustainable Development.

The reason why the needs of the world's lesser privileged are to be given top priority is evident. For businesses to prosper and grow, they need people (as potential clients) with disposable incomes having aspirations of leading a better life. If there is widespread poverty, to whom

would businesses sell their products and services to? Besides, very high inequalities of income threaten the stability and strength of the social fabric. The reason for the judicious use of resources too is evident. At present, individuals and enterprise can only use the resources of the planet, to fulfill needs and requirements. The resources available are obviously limited and are needed by all life on Earth. We have inherited these resources from our ancestors and need to pass them on to our descendants. Hence there is an implicit need to use resources judiciously and carefully since we are their custodians.

*Today's need of business demands that sustainable development efforts encompass responsibility to clients, suppliers and employees.*

The interconnectedness of our lives and lifestyles with the environment and the various biotic and abiotic systems is now very well understood, though we often tend to ignore it in the mad rush to lead a better quality of life.

Against the backdrop of these macro issues, businesses can no longer look at themselves as the mere producers and marketers of goods and services. Businesses are now answerable to stakeholders like clients to whom they need to show increasing responsibility for their goods and services. Businesses are answerable to the government and need to comply with the laws of the land they operate in.





Businesses are answerable to suppliers whom they should treat fairly. Further, businesses need to associate with suppliers who reflect the organisation's belief in upholding human rights and eradicating child labour.

Businesses are answerable to employees, by respecting their dignity, recognising their merit, assuring equal opportunity, compensating them fairly and providing them with a safe working environment.

*Sustainable development is coming into its own, as a force to drive competitiveness and to keep ahead in the race for global market leadership.*

While utilising scarce and non-renewable resources, businesses need to be aware not only of how the quantum of resources they consume, but also be aware about the resource pool remaining for their future consumption, for other industry players and for future generations.

As a proactive and responsible corporate, Sterlite continues to preempt social and environmental factors that would influence its businesses in the long-term and proactively prepare for those changes. Sterlite consciously works with communities in and around its facilities and geographia radius of influence, with a clear goal – to give back to society in such a way that needs of the weaker sections are responded to and improvements made in the quality of their lives.

Sterlite's sustainable development focus encompasses environmental protection, resource repletion, health and empowerment through education, working in partnership with credible non-profit organisations on a wide spectrum of related projects.

#### **(a) Environmental protection and resource replenishment**

One of Sterlite's core manufacturing facilities is located in the drought prone Aurangabad district. The use of water being an integral part of any manufacturing operations, Sterlite wanted to ensure that it could offset some of the water consumed by the facility was replenished for the use of the local community, that is predominantly depended on agriculture as a means of sustenance.

Sterlite therefore constructed 17 check-dams, conserving 98 thousand cubic metres (TCM) of water. This has improved availability of drinking water, increased area under rabi (winter) crops and improved the availability of ground water as seen from the increase in water availability in wells located to the downstream of these check-dams.

Further, manufacturing operations have an intrinsic higher carbon footprint. Sterlite has made efforts to offset some of this carbon footprint through planting over 6,500 saplings in the immediate vicinity and the access routes to its facility.



### **(b) Improvement in standard of health**

Another of Sterlite's manufacturing facilities is located in Silvassa and a sizable population of the unskilled workforce from the local community is associated with the Company's operations at the facilities or through ancillary units. Sterlite realised the need to positively impact the overall standard of health of the local community.

Sterlite commissioned a mobile dispensary at Silvassa as medical services were not easily accessible to the lesser privileged. To date, health services have been provided to over 94,000 people living in 21 villages.

Sterlite also sponsored 500 cataract operations for the underprivileged aged living in villages around Aurangabad. The restoration of sight has enabled them to lead more active, independent and fulfilling lives.

### **(c) Empowerment through education**

Sterlite also has a strong belief that communities can develop and sustain, if their citizens are adequately empowered with knowledge and skill sets. Sterlite has sponsored courses in home nursing and computer education for various sections of underprivileged society.

Evidently, the responsibility of businesses towards the community is now wider and deeper than ever before. Businesses are realising that ingraining of a culture of mutual respect for the environment, resources and individuals, would help to develop brand value that would build a strong position to beat less adaptive competitors.

Sustainable development is coming into its own, as a force to drive competitiveness and to keep ahead in the race for global market leadership.

---

SECTION - III

---

# Sterlite's Business Practices

---



CHAPTER 7

# Charting Progress

To the Members,

Your Directors are pleased to present the Annual Report together with the audited accounts of the Company for the year ended March 31, 2011.

## FINANCIAL RESULTS

(₹ in crores)

Particulars	2010-11	2009-10
Net Revenue	2,263	2,432
Profit / (Loss) before Interest, Depreciation & Tax	282	404
Less: Interest	47	38
Less: Depreciation	56	48
Net Profit/(Loss) before taxation	178	318
Provision for Taxation:		
Current Tax	32	58
Earlier Year Tax / (Written Back)	–	11
Minimum Alternative Tax eligible for Set Off	(0.2)	(2.0)
Deferred Tax (Credit)	6	4
Net Profit /(Loss) for the year after tax	141	246
Net Profit /(Loss) for the year after tax (after prior period depreciation)	141	246
Balance carried forward from previous year	608	407
Amount available for appropriation	749	654
<b>APPROPRIATIONS</b>		
Transfer to General Reserve	14	25
Proposed Dividend	20	18
Provision for Tax for Dividend	3.1	3.0
Balance carried forward to the next year	712	608

### PERFORMANCE

Fiscal year 2010-11 closed with revenues of ₹ 2,263 crores, EBITDA of ₹ 282 crores, PAT of ₹ 141 crores and EBITDA margins of 12%. The telecom business revenues of ₹ 657 crores at an EBITDA margin of 26% and the power business revenues of ₹ 1,606 crores at an EBITDA margin of 7%.

The Company achieved the highest sales volumes historically for all its core businesses – power conductors, optical fibers and telecommunication cables.

During the year, good Tier-1 clients were added for all businesses, across geographies. Revenue from international sales in FY11 accounted for ₹ 700 crores, which is 31% of net revenues in FY10 and this has been achieved with a right mix of repeat orders from current clients and addition of new eminent global clients.

Sterlite has achieved its target capacity expansion of 160,000 MT for power conductors, through productivity enhancements at its facilities at Rakholi and Haridwar and with the set-up of a green-field facility at Jharsuguda, Orissa.

The Company's ongoing capital project for capacity enhancement of optical fiber to 20 million-km is well on track for completion and is expected to be fully operational during FY12.

As part of its efforts to enhance its global footprint, Sterlite formed a joint venture company *Jiangsu Sterlite Tongguang Fiber Company Limited* in China to manufacture, market and distribute optical fiber used in the production of fiber optic cables.

During the year, Sterlite increased the breadth of its portfolio by introducing new products and solutions like bend-free fiber, OPGW cables and FTTx solutions. The Company has enhanced its intellectual property portfolio with the grant of 7 more patents, taking the total up to 30.

A detailed analysis of the Company's operations and segment-wise performance is covered under 'Management Discussion and Analysis Report'.

### DIVIDEND

The Board of Directors are pleased to recommend a dividend of 25% (₹ 0.50 per share of ₹ 2/- each) for the financial year 2010-11. The distribution of dividend will result in payout of ₹ 19.65 crores excluding tax on dividend.

### SHIFTING OF REGISTERED OFFICE FROM STATE OF MAHARASHTRA TO THE UNION TERRITORY OF DADRA AND NAGAR HAVELI

The shareholders of the Company had approved by postal ballot, shifting of the registered office of the Company from the State of Maharashtra to the Union Territory of Dadra and Nagar Haveli. The Company Law Board vide its order dated June 30, 2010 confirmed the same.

### INFUSION OF FUNDS BY PROMOTERS

Since 2006, your promoters have been supporting the business by infusing funds in the form of contributing to equity. Pursuant to the shareholders approval, the Company had on October 8, 2009 made a preferential allotment of 73,00,000 warrants, convertible into equity shares to Twin Star Overseas Limited, a promoter entity, as per SEBI Guidelines.

On April 7, 2011, 18,250,000 equity shares were allotted (after considering share split from face value of ₹ 5 each to ₹ 2 each) to promoters and also equal number of equity shares were allotted as bonus shares (in the ratio of 1:1) pursuant to approval of shareholders. The total holding of Twin Star Overseas Limited, after conversion and bonus has increased from 17,29,02,750 equity shares (48.52%) to 20,94,02,750 equity shares (53.31%).

### EMPLOYEES STOCK OPTION SCHEME

The Company had launched an Employee Stock Option Scheme for the employees (ESOP-2006) in June 2006 in line with Company's philosophy of sharing benefits of growth with the growth drivers. The details of the options vested during the year under review are provided in Annexure-II to this report, as required under Clause 12 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999. During the year, no fresh options were granted.

### SUBSIDIARY COMPANIES

As at year-end, the Company has eight Subsidiary Companies, the details of which are given below:

(a) **Sterlite Display Technologies Private Limited (formally, Sterlite Infrastructure Private Limited)**

During the year, the Company increased its holding in Sterlite Display Technologies Private Limited (SDTPL) from 58.70% to 85.34%.

SDTPL initially had plans to enter into a business of a telecom service provider. The Company is currently working on various growth opportunities including liquid crystal displays (LCDs) glass manufacturing and other related products.

(b) **Sterlite Infra-Tech Limited**

As reported in the previous year's report, Sterlite Infra-Tech Limited (SITL) was floated for capacity expansion of optical fiber manufacturing under the SEZ scheme. The manufacturing facility at Shendra, Aurangabad is in the final stage of completion and is expected to begin commercial production in first quarter of financial year 2011-12.

(c) **Sterlite Transmission Projects Private Limited**

During the year, the Company floated wholly-owned subsidiary viz. Sterlite Transmission Projects Private Limited (STPPL) with the objective of consolidating all the bulk power transmission business under one entity.

STPPL has been aggressively participating in competitive bidding process under Independent Power Transmission model. STPPL was awarded two mega projects to establish the Transmission System associated with "System Strengthening Common for Western Region & Northern Region" and "System Strengthening for Western Region", by PFC Consulting Limited, a subsidiary of Power Finance Corporation of India Limited.

(d) **East-North Interconnection Company Limited**

As reported in the previous year, East-North Interconnection Company Limited (ENICL), a special purpose vehicle created for the East-North interconnection mega transmission

project was acquired during FY10. The project involves establishment of two 400 kV Double Circuit transmission lines that would respectively connect the Indian states of Assam with West Bengal and Bihar.

The project has been awarded on a 'Build, Own, Operate and Maintain' (BOOM) basis, wherein the transmission lines would be commissioned within 3 years and the Company would operate and maintain the same for a minimum tenure of 25 years.

During the year, ENICL successfully achieved the financial closure of ₹ 700 crores Debt Syndication for the said project.

(e) **Bhopal Dhule Transmission Company Limited**

STPPL acquired the entire holding of Bhopal Dhule Transmission Company Limited (BDTCL) from PFC Consulting Limited, a subsidiary of Power Finance Corporation of India. BDTCL is a special purpose vehicle created for the Project to establish the Transmission System associated with 'System Strengthening for Western Region'. This project involves establishment of four 765 kV Single Circuit and two 400 kV Double Circuit transmission lines that would strengthen the transmission system in the Indian states of Madhya Pradesh, Maharashtra and Gujarat.

The project has been awarded on a 'Build, Own, Operate and Maintain' (BOOM) basis, wherein the transmission lines would be commissioned within 3 years and the Company would operate and maintain the same for a minimum tenure of 35 years thereafter.

(f) **Jabalpur Transmission Company Limited**

STPPL also acquired the entire holding of Jabalpur Transmission Company Limited (JTCL) from PFC Consulting Limited, a subsidiary of Power Finance Corporation of India. JTCL is a special purpose vehicle created for the Project to establish the Transmission System associated with 'System Strengthening Common for Western Region & Northern Region'. This project involves establishment of a 765 kV Double Circuit and a 765 kV Single Circuit transmission line each, that would strengthen the transmission system in the Indian states of Chhattisgarh and Madhya Pradesh.

The project has been awarded on a 'Build, Own, Operate and Maintain' (BOOM) basis, wherein the transmission lines would be commissioned within 3 years and the Company would operate and maintain the same for a minimum tenure of 35 years thereafter.

(g) **Jiangsu Sterlite Tongguang Fiber Co. Limited**

The Company has entered into Joint Venture with Tongguang Group of China to set up an optical fiber manufacturing facility in China. For this purpose a Joint Venture entity by the name Jiangsu Sterlite Tongguang Fiber Co. Limited (JSTFCL) was incorporated in January 2011. JSTFCL is expected to start commercial production during second half of the current Financial Year.

(h) **Sterlite Global Ventures (Mauritius) Limited**

The Company floated a special purpose vehicle named Sterlite Global Ventures (Mauritius) Limited (SGVML) to hold downstream investments in overseas subsidiaries of the Company, including Jiangsu Sterlite Tongguang Fiber Co. Limited.



In terms of the directions under Section 212(8) of the Companies Act, 1956, issued by the Ministry of Corporate Affairs vide General Circular No. 2/2011 dated February 8, 2011 granting general exemption from applicability of Section 212 of the Companies Act, 1956 in relation to subsidiaries; copies of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the Subsidiary Companies have not been attached with the Balance Sheet of the Company.

The Company undertakes that the annual accounts of the subsidiary companies and the related detailed information will be made available, upon request, to the members seeking such information at any point of time. The annual accounts of the subsidiary companies will also be kept for inspection by any member at head office at Sterlite Technologies Limited, 4th Floor, Godrej Millennium, 9, Koregaon Road, Pune 411001, Maharashtra, India. The Company shall furnish a hard copy of details of accounts of subsidiaries to any shareholder on demand.

The consolidated financial statements, in terms of Clause 32 of the Listing Agreement and in terms of Accounting Standard 21 as prescribed by Companies (Accounting Standards) Rules, 2006 issued by Ministry of Corporate Affairs and duly audited by Statutory Auditors, also forms part of this Annual Report.

#### **EXPLANATION ON AUDITOR'S COMMENT**

The remark of Auditors at Para 4 (vi) & (vii) of the Auditor's Report over Note No. 8 in Schedule 21 on Notes to Accounts regarding demand of excise duty and penalty amounting to ₹ 188 crores is self-explanatory and does not require further comment.

In the year 2004-05 CESTAT upheld the demand of ₹ 188 crores and interest thereon for alleged breach of norms pertaining to Export Oriented Unit (EOU). The Company had filed an appeal before the Hon'ble High Court of Bombay against this order. The Department had also made an appeal against the same CESTAT order before the High Court of Bombay. The Company's appeal against this order was dismissed by the Hon'ble High Court on the grounds that appeal is not maintainable in High Court, however without prejudice to the rights of the Company. Subsequently, the Company had filed a Special Leave Petition (SLP) and appeal before the Supreme Court of India which was admitted by the Court. Hon'ble Supreme Court has also maintained the stay granted by Hon'ble High Court.

The SLP came up for final hearing in February 2011 when it was pointed out to the Court that the departmental appeal against the CESTAT order was still pending before the High Court. The Hon'ble Supreme Court while disposing of the Special Leave Petition of the Company directed that the records of the departmental appeal be transferred to the Supreme Court and both the Appeals i.e. Departmental Appeal as well as Civil Appeal of the Company be heard together by the Supreme Court.

Based on merits of the case and the legal opinion obtained, the management believes that the Company has a strong case and it has been carrying adequate provisions for contingencies in the Books of Account in this matter and does not require any further provisioning.

### **FIXED DEPOSITS**

During the year, the Company has not accepted any deposits from the public or otherwise in terms of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposit) Rules, 1975.

### **DIRECTORS**

By virtue of Section 255 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Anil Agarwal and Mr. Haigreve Khaitan retire by rotation at the ensuing Annual General Meeting. A brief resume, expertise, shareholding in your Company and details of other directorships of these directors are given in the Corporate Governance Report.

### **MANAGEMENT DISCUSSION AND ANALYSIS**

The report on Management Discussion and Analysis has been attached and forms part of the Annual Report.

### **CORPORATE GOVERNANCE**

The report on Corporate Governance along with the Certificate from the Statutory Auditors certifying the compliance of corporate governance enumerated in Clause 49 of the Listing Agreement with the Stock Exchanges is included in the Annual Report.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors confirm that:

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) They have selected such accounting policies and applied them consistently, and made judgments 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 March 31, 2011 and of the profit of the Company for the financial year ended March 31, 2011;
- iii) They have 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 have prepared the accounts on a 'going concern' basis.

### **GROUP**

The persons constituting group within definition of 'group' for the purpose of Regulation 3(1) (e)(i) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 include the following:

1. Volcan Investments Limited, Bahamas
2. Twin Star Overseas Limited, Mauritius
3. Mr. Dwarkaprasad Agarwal
4. Mr. Agnivesh Agarwal

## **STATUTORY AUDITORS**

M/s S. R. Batliboi & Co., Chartered Accountants hold office till the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received intimation to the effect that, proposed re-appointment, if made, would be within the prescribed limit under Section 224(1B) of the Companies Act, 1956.

## **COST AUDITORS**

The Company had appointed M/s Ashwin Solanki & Associates, Cost Accountants, to audit the cost accounts related to the Company's products, namely, Electric Cables & Conductors, for 2009-10. The due date for filing the above cost audit reports was September 30, 2010; the actual date of filing was September 7, 2010. The Company has reappointed M/s Ashwin Solanki & Associates, Cost Accountants, for the Financial Year 2010-11.

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

The particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo as 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 given as Annexure I 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, 2011 forms 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.

## **ACKNOWLEDGEMENT**

Your Directors take on record their sincere appreciation to the contributions made by the employees through their hard work, dedication, competence, support and co-operation towards the progress of your Company. Last but not the least, your Directors are also thankful for consistent co-operation and assistance received from its investors, business associates, customers, vendors, bankers, regulatory and government authorities.

For and on behalf of the Board of Directors

Mumbai  
April 29, 2011

**Anil Agarwal**  
Chairman

## Annexure I to the Directors' Report

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 Companies (Disclosure of Particulars in the report of Directors) Rules, 1988 for the year ended March 31, 2011.

### 1. CONSERVATION OF ENERGY

- A. The Company adopted the following measures on energy conservation:
- i) Conservation in electricity consumption: Implementation of various energy saving mechanisms such as roof insulation, CFL lamps, additional capacitors, auto timers for air-conditioning and street lighting. Additional mechanisms were implemented to effectively curtail energy losses such as the installation of variable frequency drives, etc.
  - ii) Optimisation of energy consumption: Various power audits were done internally and with external consultants to assess energy consumption during various manufacturing sub-processes and to optimize the same by reengineering. Machine modifications to conserve energy consumption included redesign of cooling tower water supply systems, VFC installation, replacement of DC motors with AC motors, improved control systems on compressed air reduction on various manufacturing lines, to state a few.
  - iii) Conservation of furnace oil: Various engineering and process efficiency improvements were implemented across locations, that saved a cumulative of more than 200 kilolitres of furnace oil per annum.
- B. Additional investments and proposals, if any, being implemented for reduction of energy consumption:
- i) Implementation of SCADA for energy monitoring through digital power meters, to assess scope of further reduction in energy consumption.
  - ii) Detailed review of power distribution system, compressed air system, chilled water system, extruders and heaters, and plant lighting system to identify and implement improvements to reduce consumption of power, implementation of various energy saving mechanisms.
  - iii) Improve carbon footprint by 10% per year from current levels by implementation of concepts of 'jumbo packs' of raw materials and by encouraging suppliers to follow carbon reduction at their facilities.

### 2. TECHNOLOGY ABSORPTION

- A. Specific areas in which the Company carried out R&D:
- i) Development of specialized conductor products such as trapezoidal wire conductors for low loss power transmission, annealed conductors for high temperature transmission and dull conductors that offer superior ampacity and improve the efficiency in high current transmission.
  - ii) Development of low fiber count (<12F) very small diameter, lightweight and flexible fiber optic cables (i.e: Microdrop Fiber Optic Cables) that are suitable for FTTH drop in duct, aerial and direct buried installations.

- iii) Development of Cat6a and Cat7 with FTP i.e. screened version of products for Cat cables will take copper to 40G compliance.
  - iv) Development of new types of fiber with low attenuation and for FTTH networks with low micro bend radius.
  - v) Development of Super Thermal Alloy and new special grade Rod (High UTS Alloy Armor rod, EC R8 rod) used in conductor manufacturing.
  - vi) Engineering improvements in existing manufacturing equipment aimed at improving process efficiency and productivity.
- B. Benefits derived as a result of above R&D
- Benefits to customers:
- i) High temperature conductors like annealed conductors and special low loss conductors offer superior thermal resistance and improve the efficiency in high current transmission.
  - ii) Microduct Fiber Optic Cables save about 8% of the total capex for the customer, on account of reduced installation costs.
- Benefits to Sterlite:
- Introduction of specialized products developed through the year, have enabled Sterlite gain market access through product differentiation.
- C. Future plan on R&D
- i) Focus on improving efficiency of manufacturing processes of existing product lines.
  - ii) Develop products that would serve the needs of customers' product deployment and applications.
  - iii) Proactively assess future market applications and initiate development of products to meet customers' future needs.
- D. Expenditure of R&D
- i) Capital: Nil
  - ii) Recurring: ₹ 4.57 crores
  - iii) Total: ₹ 4.57 crores
  - iv) Total R&D expenditure as a percentage of total turnover: 0.20%

### 3. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

- i) 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.
- ii) Benefits derived as a result of the efforts e.g., product improvement, cost reduction, product development: The Company is engaged in that business where product obsolescence is inherent. The efforts made for product improvement/development help Company not only to offer better value-added products to its customers but also gain access to new markets.
- iii) Information regarding technology imported during last 5 years: The Company has not imported any technology.

#### 4. FOREIGN EXCHANGE EARNING AND OUTGO

Discussion on activities relating to exports development of exports is covered in Directors' Report and Management Discussion & Analysis Report.

Foreign Exchange Earned: ₹ 792.70 crores

Foreign Exchange Outgo: ₹ 510.49 crores

The Company does not fall in the list of industries which are required to give details of power and fuel consumption as per "Form A" of Companies (Disclosure of Particulars in the Report of Directors) Rules, 1998.

## Annexure II to the Directors' Report

Statement as at March 31, 2011 as required under Clause 12 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999.

1. Options granted	Total 69,46,750 options were granted as on March 31, 2011 <ul style="list-style-type: none"> <li>• 23,28,500 options were granted on June 14, 2006</li> <li>• 6,36,000 options were granted on March 19, 2007</li> <li>• 13,07,750 options were granted on September 28, 2007</li> <li>• 2,55,500 options were granted on June 14, 2008</li> <li>• 24,19,000 options were granted on June 26, 2009</li> </ul>
2. Pricing formula	Options vest at a nominal value i.e. ₹ 2 per option
3. Options vested	23,04,172
4. Options exercised	21,59,294
5. Total number of ordinary shares arising as a result of exercise of options	21,59,294
6. Options lapsed	37,96,519
7. Variation of terms of option	None
8. Money raised by exercise of option	₹ 21,59,294/-
9. Total number of options in force	8,46,059

10. Employee wise details of options granted to		
I. Number of options granted to Senior Managerial Personnel		
i. Dr. Anand Agarwal	CEO & Whole-time Director	3,79,500
ii. Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.		None
iii. Identified employees who were Options during any one year, equal to or exceeding 1% of issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.		None
11. Diluted earnings per share pursuant to issue of ordinary shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 "Earnings Per Share)		₹ 3.72
12. Method of Calculation of Employee Compensation Cost		
The Company has used fair market value method for calculation of compensation cost, using the Black Scholes Option Pricing Model.		
13. Weighted average exercise price and weighted average fair values of options granted for options whose exercise price either equals or exceeds or is less than the market price of the stock.		
Weighted Average exercise price (per option) – ₹ 2		
Weighted Average Fair value (per option) – ₹ 35.23		
14. A description of method and significant assumptions used during the year to estimate the fair values of options		
The fair value of each option is estimate using the Black Scholes Option Pricing model after applying following weighted average assumptions		
1. Market Price (₹)		36.65
2. Risk Free Interest rate (%)		5.61
3. Expected Life (yrs)		1.5
4. Expected Volatility (%)		97.30
5. Expected Dividend Yield (%)		0.60
6. The price of underlying share at the time of grant (₹)		35.23



### ANIL AGARWAL

*Non-Executive Chairman*

Anil Agarwal founded the Sterlite Group in 1976 and has been overseeing its operations since its inception. He is the Executive Chairman of Vedanta Resources Plc. He is also Chairman of Sterlite Industries (India) Limited, Bharat Aluminium Company Limited (BALCO) and Sterlite Energy Limited. Anil Agarwal is the Director at Vedanta Aluminium Limited. He has over three decades of experience in business strategy, general management and commercial matters.



### ARUN TODARWAL

*Non-Executive & Independent Director*

Arun Todarwal, partner of Todarwal & Todarwal, a Mumbai-based firm of Chartered Accountants, is a member of The Institute of Chartered Accountants of India. He has a rich and varied experience spanning over three decades in Management Consultancy, Finance and Audit.



### HAIGREVE KHAITAN

*Non-Executive & Independent Director*

Haigreve Khaitan, partner of Khaitan & Co. a Mumbai-based firm of lawyers, holds a bachelors degree in legislative laws. He has varied experience spanning a decade in commercial and corporate laws, tax laws, mergers and acquisitions, restructuring, foreign collaboration and licensing.



### PRAVIN AGARWAL

*Whole-time Director*

Pravin Agarwal has been closely involved with the Sterlite Group's operations in India since its inception and has been instrumental in growing the telecom and power businesses. His rich experience in general management and commercial matters spans about three decades.



### A. R. NARAYANASWAMY

*Non-Executive & Independent Director*

A. R. Narayanaswamy is a Chartered Accountant and Management Consultant providing Management, Financial and Information Technology consulting services to Corporates in pharmaceutical, chemical, engineering and hospitality verticals. His experience spans over three decades.



### ANAND AGARWAL

*CEO & Whole-time Director*

Anand Agarwal joined Sterlite in 1995 and has held various positions, including manufacturing, quality assurance and business development. Prior to joining Sterlite, he worked with Siemens.

He completed his B. Tech in metallurgical engineering from IIT Kanpur and was awarded Masters and PhD from the Rensselaer Polytechnic Institute, USA.



# Demonstrating the Code

## I. PHILOSOPHY OF THE COMPANY ON CODE OF GOVERNANCE

Corporate Governance represents the value, ethical and moral framework under which business decisions are taken. The investors want to be sure that not only is their capital handled effectively and adds to the creation of wealth, but the business decisions are also taken in a manner which is not illegal or involving moral hazard.

***All actions and strategic plans are directed towards delivering value to all stakeholders, as well as conform to the highest standards of corporate behaviour.***

Your Company perceives good corporate governance practices as a key to sustainable corporate growth and long-term shareholder value creation. The primary objective is to develop and adhere to a corporate culture of harmonious and transparent functioning, increasing employee and client satisfaction and enhancing shareholders’ wealth by developing capabilities and identifying opportunities that best serve the goal of value creation. All actions and strategic plans are directed towards delivering value to all stakeholders, as well as conform to the highest standards of corporate behaviour. The five core values that drive the Company’s business are:

- Excellence: Strive relentlessly and constantly improve ourselves in our offerings
- Creativity: Allow minds to reach beyond conventional and predictable solutions
- Integrity: Conduct our business fairly, with honesty and transparency
- Responsibility: For our words and actions
- Respect: For our employees, business partners and stakeholders

The Company has three-tier governance structure:

- Strategic supervision: The Board of Directors occupies the topmost tier in the governance structure. It plays a role of strategic supervision that is devoid of involvement in the task of strategic management of the Company; The Board lays down strategic goals and exercises control to ensure that the Company is progressing to fulfill stakeholders’ aspirations.
- Strategic management: The Management Committee is composed of the senior management of the Company and operates upon the directions of the Board.
- Executive management: The function of executive management is to execute and realize the goals that are laid down by the Board and the Corporate Management Committee.

## II. BOARD OF DIRECTORS

The Board of Directors consists of two Whole-time Directors and four Non-Executive Directors. Three Non-Executive Directors are also Independent Directors. Mr. Anil Agarwal is a Non-Executive Chairman. In absence of Mr. Anil Agarwal, the meetings were chaired by Mr. Pravin Agarwal, Whole-time Director. The Board composition is in compliance with the requirements of Clause 49 of the Listing Agreement, requiring that not less than half the Board of Directors should consist of Independent Directors. All the Independent Directors have confirmed that they meet the 'independence' criteria as mentioned under Clause 49 of the Listing Agreement. None of the Directors on the Company's Board is a Member of more than ten Committees and Chairman of more than five Committees (Audit Committee and Investors' Grievance Committee) across all the companies in which he is a Director. All the Directors have made necessary disclosures regarding Committee positions held by them in other companies and do not hold the office of Director in more than fifteen public companies. The required information as enumerated in Annexure IA to Clause 49 of the listing agreement is made available to the Board of Directors for discussions and consideration at Board Meetings. The Board reviews the declaration made by the Chief Executive Officer regarding compliance with all applicable laws on a quarterly basis as also steps taken to remediate instances of non-compliance. Chief Executive Officer and Chief Financial Officer have certified to the Board in accordance with Clause 49V of the Listing Agreement pertaining to CEO and CFO certification for the Financial Year ended March 31, 2011.

During financial year 2010-11 seven meetings of Board of Directors were held on April 3, 2010, April 22, 2010, July 17, 2010, September 23, 2010, October 21, 2010, December 13, 2010 and January 28, 2011. The maximum time-gap between any two consecutive meetings did not exceed four months. The composition of the Board of Directors, attendance of the Directors in Board Meetings and Annual General Meeting and their shareholding details in the Company are as follows:

Name	Designation	Board Meetings attended	Attendance at the Last AGM	Directorships in other Companies*	Committee Memberships & (Chairmanships) in other Companies	Number of shares held in the Company
Anil Agarwal	Non-Executive Chairman	01	No	05	Nil	Nil
Arun Tadarwal **	Non-Executive	07	Yes	09	11	925
Haigreave Khaitan**	Non-Executive	02	No	18	14	Nil
A. R. Narayanaswamy**	Non-Executive	06	No	05	Nil (04)	Nil
Pravin Agarwal	Whole-time Director	07	Yes	10	Nil	Nil
Anand Agarwal	CEO & Whole-time Director	07	Yes	07	Nil	132,320

\* all public limited companies, whether listed or not, private limited companies, foreign companies, companies under Section 25 of the Companies Act are included.

\*\* Independent Directors

### **DIRECTORS WITH MATERIALLY SIGNIFICANT, PECUNIARY OR BUSINESS RELATIONSHIP WITH THE COMPANY**

As required under Accounting Standard 18, transactions with related parties are furnished under Note 15 of Schedule 21 – Notes to the Accounts. There are no transactions of material nature with the Promoters, Directors or their relatives, etc. that may have potential conflict with the interest of the Company.

Disclosures have been received from Directors and Senior Management relating to the financial transactions in which they or their relatives may have personal interest. However, none of these transactions have a potential conflict with the interest of the Company at large.

### **III. COMMITTEES OF THE BOARD AUDIT COMMITTEE**

The Company has the Audit Committee constituted in accordance with the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement entered into with the Stock Exchanges. The primary objective of the Audit Committee of the Board of Directors of your Company is to discharge responsibilities relating to accounting and reporting of financial practices adopted by the Company and its subsidiaries, surveillance of internal controls as well as accounting and audit activities.

The terms of reference of the Audit Committee include:

1. Review of the Company's financial reporting process and the disclosure of its financial information.
2. Reviewing the adequacy of internal audit function, the structure of the internal audit department, reporting structure coverage and frequency of internal audit.
3. Recommending the appointment and removal of statutory auditor and the fixation of audit fees and other related payments.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, focusing primarily on:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report.
  - b. Compliance with accounting standards and changes in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on exercise of judgment by Management.
  - d. Audit Qualifications and significant adjustments arising out of audit.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any related party transactions.
5. Reviewing with management, the periodical financial statements.
6. Reviewing with management, external and internal auditors, the adequacy of internal control systems, frequency of internal audit, significant findings by internal auditors and follow-up thereon.
7. Discussion with external auditors, nature and scope of audit as well as have post-audit discussions.
8. Reviewing the Company's financial and risk management policies.
9. Reviewing Whistle Blower Mechanism.
10. Reviewing Management Discussion and Analysis Report, Statement of significant related party transactions submitted by the management; Management letters / letters of internal control weaknesses issued by the statutory auditors, if any; Internal audit reports relating to internal control weaknesses.

## 11. Reviewing of financial statements and investments made by subsidiary companies.

**Composition and Meetings**

The Audit Committee comprises of three Non-Executive Directors who are independent and one Executive Director. The representatives of internal and statutory auditors are permanent invitees of the Audit Committee. Mr. Arun Todarwal, Chairman of the Committee (Non-Executive, Independent Director) is a Chartered Accountant and has accounting and financial expertise. The other Committee members are financially literate. The quorum of the Committee is two members or one-third of its members, whichever is higher which should include two independent directors.

The Chairman of the Audit Committee also attended the last Annual General Meeting of the Company. The Audit Committee met four times during the year 2010-11 on April 22, 2010, July 17, 2010, October 21, 2010 and January 28, 2011. The Composition of the Audit Committee and attendance at committee meetings is as follows:

Name	Category	Number of meetings attended
Arun Todarwal, Chairman	Non-Executive & Independent	04
Haigreve Khaitan	Non-Executive & Independent	—
A. R. Narayanaswamy	Non-Executive & Independent	04
Pravin Agarwal	Whole-time Director	04

The Committee meetings are usually attended by the Executive Directors, the Statutory Auditor and the Internal Auditor. The Business and Operation Heads are also invited to the meetings, as required. The Company Secretary acts as the Secretary to the Audit Committee. The Internal Audit function reports to the Audit Committee to ensure its independence.

**REMUNERATION / COMPENSATION COMMITTEE**

The Remuneration / Compensation Committee discharges Board's responsibilities relating to compensation of Company's Executive Directors. The Committee has an overall responsibility for approving and evaluating the compensation plans, policies and programs of the Executive Directors. This Committee has also been empowered to administer Employees Stock Option Scheme, 2006 of the Company.

**Composition and Meetings**

The Committee comprises of three Non-Executive Directors, who are Independent. Mr. Arun Todarwal is the Chairman of the Committee. The Chairman of the Remuneration Committee was present at the last Annual General Meeting.

The Committee met two times during the year 2010-11 on April 22, 2010 and October 21, 2010. The Composition of the Remuneration / Compensation Committee and attendance at Committee meetings is as follows:

Name	Category	Number of meetings attended
Arun Todarwal, Chairman	Non-Executive & Independent	02
Haigreve Khaitan	Non-Executive & Independent	—
A. R. Narayanaswamy	Non-Executive & Independent	02

### Details of Remuneration paid to the Directors

Mr. Pravin Agarwal and Dr. Anand Agarwal are the two Executive Directors of the Company. Mr. Pravin Agarwal was appointed as Whole-time Director of the Company for a period of 3 years with effect from October 30, 2009. As per the terms of appointment, the agreement can be terminated by giving 90 days notice or equivalent pay by either of the sides. Dr. Anand Agarwal was appointed as Whole-time Director and designated as Chief Executive Officer of the Company for a period of 3 years with effect from July 30, 2009. As per the terms of appointment, the agreement can be terminated by giving 90 days notice or equivalent pay by either of the sides.

A sitting fee of ₹ 20,000/- for attendance at each meeting of the Board and ₹ 10,000/- for Audit Committee, Investors' Grievance Committee and Remuneration/Compensation Committee is paid to its Members (excluding Executive Directors). On September 25, 2006, the Members had approved the payment of remuneration by way of commission to the Non-Executive directors of the Company, of a sum not exceeding 1% per annum of the net profits of the Company, calculated in accordance with the provisions of the Companies Act, 1956, for a period of 5 years commencing from Financial Year 2006-07. The break-up of remuneration actually paid to directors (excluding provisions, if any) during FY 2010-11 is as follows:

(₹ In Lacs)

Director	Salary	Perquisites	Incentive/ Commission	Sitting Fee	Total
Anil Agarwal	-	-	-	-	-
Arun Tadarwal	-	-	4.00	2.40	6.40
Haigreve Khaitan	-	-	4.00	0.40	4.40
A. R. Narayanaswamy	-	-	4.00	2.20	6.20
Pravin Agarwal	207.68	306.24	45.19	-	559.11
Anand Agarwal	37.51	100.69	40.12	-	178.32

#### Notes:

- Under ESOP-2006 Scheme, Dr. Anand Agarwal was granted 1,73,000 Stock options in June 2009, each option convertible in one equity share of ₹ 2 each. Out of these, 1,38,400 options are eligible for vesting during a period of five years, as per the scheme. During the year under review, the first tranche of 69,200 options vested, in respect of which equal number of shares were allotted to Dr. Anand Agarwal.
- As approved by the Board of Directors in the meeting held on April 29, 2011, commission of ₹ 4 lacs each is payable to Mr. Arun Tadarwal, Mr. Haigreve Khaitan and Mr. A. R. Narayanaswamy for financial year 2010-11.

### SHAREHOLDERS' / INVESTORS' GRIEVANCES COMMITTEE

The Shareholders' / Investors' Grievances Committee oversees redressal of shareholders' grievances. The Committee comprises of Mr. A. R. Narayanaswamy (Chairman), Mr. Arun Tadarwal and Mr. Pravin Agarwal as the members. The Company Secretary is the Compliance Officer of the Committee. The Committee met four times during the year

2010-11 on April 22, 2010, July 17, 2010, October 21, 2010 and January 28, 2011. During the year the Company received 613 complaints for various matters like non-receipt of share certificates, non-issue of duplicate certificates, rejection of demat request, etc. All the complaints were resolved by the Company to the satisfaction of investors.

The details of Committee meetings and attendance of Directors are as under:

Name	Category	No. of meetings attended
A.R. Narayanaswamy, Chairman	Non-Executive & Independent	04
Arun Todarwal	Non-Executive & Independent	04
Pravin Agarwal	Whole-time Director	04

#### IV. SUBSIDIARY COMPANIES

The Company does not have any material non-listed subsidiary company and hence, it is not required to have an Independent Director of the Company on the Board of such subsidiary company. Significant issues pertaining to subsidiary companies are also discussed at Audit Committee meetings. Apart from disclosures made in the Directors' Report, there were no strategic investments made by the Company's non-listed subsidiaries during the year under review.

The performance of all its subsidiaries is also periodically reviewed by the Board. The minutes of all the subsidiary companies are placed before the Board of Directors of the Company and the attention of the Directors is drawn to significant transactions and arrangements entered into by the subsidiary companies.

#### V. PROFILE OF DIRECTORS TO BE REAPPOINTED

- Mr. Anil Agarwal** founded the Sterlite Group in 1976 and has been overseeing the operations since its inception. He is the Executive Chairman of the Vedanta Resources Plc. He has over 30 years of experience in business strategy, general management and commercial matters. The details of Mr. Anil Agarwal and his directorships and memberships / chairmanships of committees in other companies are as under:

1. Date of birth	September 7, 1952
2. Date of joining the Board of the Company	October 30, 2006
3. Shareholding in the Company either in his own name or in the name of others and having beneficial interest, as on March 31, 2011	Nil
4. Directorships including memberships and Chairmanships of Committees	<ol style="list-style-type: none"> <li>1. Bharat Aluminium Company Limited</li> <li>2. Sterlite Industries (India) Limited</li> <li>3. Vedanta Aluminium Limited</li> <li>4. Vedanta Resources Plc, UK</li> <li>5. Sterlite Energy Limited</li> </ol>

2. **Mr. Haigreave Khaitan** is a Partner of Khaitan & Co., a Mumbai based firm of Lawyers, holds a bachelors degree in legislative laws. He has varied experience in commercial and corporate laws, tax laws, mergers and acquisitions, restructuring, foreign coloration, licensing etc. The details of Mr. Haigreave Khaitan and his directorships and memberships of committees in other companies are as under:

1. Date of birth	July 13, 1970
2. Date of joining the Board of the Company	July 30, 2003
3. Shareholding in the Company either in his own name or in the name of others and having beneficial interest, as on March 31, 2011	Nil
4. Directorships including memberships and Chairmanships of Committees	<ol style="list-style-type: none"> <li>1. Bajaj Corp Limited</li> <li>2. Ceat Limited</li> <li>3. Harrisons Malayalam Limited Remuneration Committee (member) Audit Committee (member)</li> <li>4. Inox Leisure Limited Audit Committee (member)</li> <li>5. Ispat Industries Limited</li> <li>6. National Engineering Industries Ltd. Remuneration Committee (member) Audit Committee (member) Shareholders' Grievance Committee (member)</li> <li>7. Jindal Steel &amp; Power Limited Audit Committee (member)</li> <li>8. Rama Newsprint &amp; Papers Limited Shareholders' Grievance Committee (member) Share Transfer Committee (member)</li> <li>9. The Oudh Sugar Mills Limited</li> <li>10. Xpro India Limited Share Transfer Committee (member)</li> <li>11. AVTEC Limited Audit Committee (member)</li> <li>12. Bennett, Coleman &amp; Co. Limited Audit Committee (member)</li> <li>13. BTS Investment Advisors Pvt. Ltd.</li> <li>14. Great Eastern Energy Corporation Ltd. Remuneration Committee (member) Compensation Committee (member)</li> <li>15. I.G.E. (India) Limited</li> <li>16. Khaitan Consultants Limited</li> <li>17. The Madras Aluminium Company Limited</li> <li>18. Vinar Systems Private Limited</li> </ol>



**VI. GENERAL BODY MEETINGS**

Details of last three Annual General Meetings

<b>Date</b>	<b>Location</b>	<b>Time</b>	<b>Special resolutions passed</b>
August 8, 2008	E-1, Waluj MIDC Industrial Area, Aurangabad 431136 Maharashtra, India	11:00 am	NIL
July 24, 2009	E-1, Waluj MIDC Industrial Area, Aurangabad 431136 Maharashtra, India	11:00 am	<ul style="list-style-type: none"> <li>• Appointment of Mr. Pravin Agarwal as Whole time Director.</li> <li>• Appointment of Dr. Anand Agarwal as Whole-time Director.</li> <li>• Issue of 73,00,000 (1,82,50,000*) Warrants to Promoters and its Associates on preferential basis</li> </ul>
July 14, 2010	E-1, Waluj MIDC Industrial Area, Aurangabad 431136 Maharashtra, India	11:00 am	<ul style="list-style-type: none"> <li>• Approval of Employees Stock Option Scheme 2010</li> </ul>

\* After share split from ₹ 5 per share to ₹ 2 per share.

All resolutions moved at the last Annual General Meeting were passed by a show of hands by the requisite majority of members attending the meeting. None of the items to be transacted at the ensuing meeting is required to be passed by postal ballot.

Details of resolutions passed by Postal Ballot – None of the transactions during the Financial Year 2010-11 were required to be passed through Postal Ballot.

**VII. DISCLOSURES**

i) Disclosures on materially significant related party transactions

There were no transactions with the Promoters, Directors and management during the period, which would have potential conflict with the interests of the Company at large.

ii) Details of non-compliance by the Company, Penalties and Strictures imposed on the Company by Stock Exchange, SEBI or any Statutory Authorities or any matter related to capital market in last three years.

There was no non-compliance by the Company and Penalties and Strictures imposed on the Company by Stock Exchange, SEBI or any Statutory Authorities or any matter related to capital market in last three years.

iii) The Company has adopted a 'Whistleblower Policy', which has been communicated to all the employees along with Code of Business Conduct &

Ethics. The Whistleblower policy is the mechanism to help the employees to raise their concerns about any malpractice, impropriety, abuse or wrongdoing at an early stage and in the right way, without fear of victimization, subsequent discrimination or disadvantage. The policy encourages the employees to raise concerns within the Company than overlooking a problem. Group Management Assurance Services - Head has been designated as Ombudsman in the Policy. The Company has created a special e-mail Id to enable the employees to report their concerns. The Ombudsman who is responsible to submit his report to the Audit Committee does the investigation in the reported concerns. Disciplinary action, if required, is determined by the Audit Committee. The Whistleblower Policy also contains mechanism of redressal available for an employee, if he/she feels that he/she has been retaliated against due to disclosure of concern. No person has been denied access to the Audit Committee. The Whistleblower policy has also been extended to the external stakeholders like vendors, customers, etc.

- iv) The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreements executed with the Stock Exchanges. Comments on adoption of non-mandatory requirements are given at the end of this report.

### **VIII. IMPLEMENTATION OF CODE OF CONDUCT**

The Company has adopted the 'Code of Business Conduct & Ethics' for its employees at all levels including Senior Management and Directors. The Code has been effective from April 1, 2005 and is shared with employees and directors of the Company. The Code has also been posted on the Company's website. The Code serves as a guide to the employees of the Company to make informed and prudent decisions and act on them. As required under Clause 49 of the Listing Agreement, the affirmation of compliance with the Code from Directors and Senior Management personnel has been obtained for this financial year.

Further, the Company is committed to maintaining a productive environment for all its employees at various levels in the organization, free of sexual harassment & discrimination on the basis of gender. Towards this the Company has framed the 'Policy on prevention and prohibition of sexual harassment'.

### **IX. COMPLIANCE WITH SEBI (PROHIBITION OF INSIDER TRADING) REGULATIONS, 2002**

Considering the amendments to these Regulations in 2008, the Board of Directors in their meeting held on October 20, 2009 had approved amended code of conduct namely 'Code of Conduct for Prevention of Insider Trading and the Code of Corporate Disclosure Practices' for Directors, Officers and Designated Employees for dealing in shares of the Company. The amended Code is being implemented with effect from October 20, 2009. Various forms have been designed to receive periodical information from the Directors, Officers and Designated Employees of the Company, as required in terms of these Regulations. Further, the Trading Window for dealing in shares of the Company has been closed for the Directors and employees of the Company as per the Insider Trading Code in force in the Company.

**X. SECRETARIAL CERTIFICATION**

- Pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates, on half-yearly basis, have been issued by a Company Secretary-in-Practice for due compliance of share transfer formalities by the Company.
- A qualified Practicing Company Secretary carried out a Secretarial Certification to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the aggregate of the total number of shares in physical form and the total number of shares in dematerialized form (held with NSDL and CDSL).

**XI. MEANS OF COMMUNICATION**

- Quarterly Financial Results are published in English in the All-India Edition of The Business Standard or The Economic Times and are also published in Gujarati or English, in the Surat Edition of Divya Bhaskar.
- Results are also posted on the Company's website: [www.sterlitetechnologies.com](http://www.sterlitetechnologies.com)
- The Company also displays official news releases and the presentations made to institutional investors or to analysts on the website.
- Management Discussion & Analysis is a part of the Annual Report.

**XII. GENERAL SHAREHOLDER INFORMATION**

Annual General Meeting:	Day, Date – Tuesday, September 20, 2011 Time – 12.30 pm. Survey No. 68/1, Rakholi Village, Madhuban Dam Road, Silvassa – 396230 Union Territory of Dadra & Nagar Haveli, INDIA.
Book Closure Dates:	September 13, 2011 to September 20, 2011 (both days inclusive)
Dividend Payment Date:	Dividend, if declared in the Annual General Meeting will be paid within the statutory time limits.

Financial Calendar for financial year 2011-12 (Financial Year – Ending March 31)

First Quarter Results	End of July 2011
Half-yearly Results	End of October 2011
Third Quarter Results	End of January 2012
Fourth Quarter/Annual Results	April/May 2012

**Listing of shares on Stock Exchanges**

The equity shares of the Company are listed on Bombay Stock Exchange Limited, National Stock Exchange of India Limited. Application for delisting from Calcutta Stock Exchange is pending for approval. Annual listing fees for the financial year ended March 31, 2011

# DEMONSTRATING THE CODE

have been paid to Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The Stock Codes of the Exchanges are as under:

Exchange	Code
BSE	532374
NSE	STRTECH

## Stock Price Data

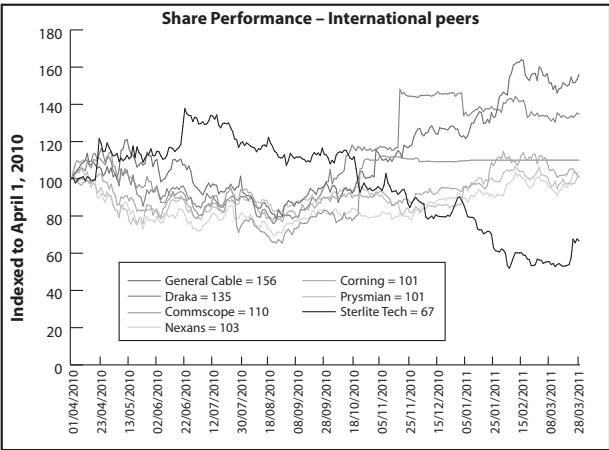
Stock Price data for the period April 1, 2010 to March 31, 2011 was as detailed below –

Month	Monthly High (₹) NSE	Monthly Low (₹) NSE	Monthly High (₹) BSE	Monthly Low (₹) BSE
Apr-10	110.80	85.25	108.70	82.30
May-10	105.90	91.10	105.80	93.80
Jun-10	124.15	96.25	123.90	95.90
Jul-10	119.75	90.50	119.75	102.10
Aug-10	108.70	96.35	124.20	96.40
Sep-10	103.35	93.50	103.25	93.75
Oct-10	104.35	80.70	104.45	80.65
Nov-10	92.25	70.50	92.10	70.75
Dec-10	80.80	67.15	80.90	67.00
Jan-11	80.40	51.30	80.25	52.00
Feb-11	55.75	44.60	55.70	44.60
Mar-11	62.00	45.25	61.95	45.30

Sources: Data Compiled from BSE & NSE official websites.

## Stock Performance

The performance of the Company's stock prices is given in the charts below:



**Distribution of Share holding as at March 31, 2011**

<b>Range of Shares</b>	<b>Number of Shareholders</b>	<b>% of Shareholders</b>	<b>Number of Shares</b>	<b>% of Equity</b>
1 to 5,000	1,41,891	96.23	5,51,91,627	15.49
5,001 to 10,000	3,361	2.28	1,24,55,001	3.49
10,001 to 20,000	1,224	0.83	88,26,873	2.48
20,001 to 30,000	297	0.20	37,14,766	1.04
30,001 to 40,000	172	0.12	30,54,657	0.86
40,001 to 50,000	135	0.09	31,28,943	0.88
50,001 to 100,000	192	0.13	65,91,248	1.85
100,001 & Above	180	0.12	26,34,19,014	73.91
<b>TOTAL</b>	<b>1,47,452</b>	<b>100.00</b>	<b>35,63,82,129</b>	<b>100.00</b>

**Equity holding pattern as on March 31, 2011**

<b>Category</b>	<b>As on March 31, 2011</b>	
	<b>Number of Shares</b>	<b>% of Equity</b>
Promoter Group	178,662,100	50.13
Banks, Mutual Funds, Trusts and UTI	22,019,147	6.18
Foreign Bodies Corporates, FIIs and NRIs	15,216,715	4.27
Financial Institutions	22,349,090	6.27
Bodies Corporates	23,211,473	6.51
Individuals (Public), HUFs & Govt.	94,010,158	26.38
Clearing Members	913,446	0.26
<b>TOTAL</b>	<b>356,382,129</b>	<b>100.00</b>

**Dematerialization of shares and liquidity**

The Company's equity shares are compulsorily traded in the electronic form. As at March 31, 2011, 34,57,58,224 shares representing 97.02% of total equity capital was held in electronic form. The Shareholders can hold the shares in demat form either through NSDL or CDSL. The ISIN number allotted to the Company is INE089C01029.

**Unpaid / unclaimed dividend**

In terms of section 205A and 205C of the Companies Act, 1956, the Company is required to transfer the amount of dividend remaining unclaimed for a period of seven years from the date of transfer to the unpaid dividend account to the Investor Education and protection Fund (IEPF). Unclaimed dividend(s) will be transferred to IEPF, within a period as stipulated under the Companies Act, 1956, as under:

- Dividend for the year 2005-06: Due for transfer from September 23, 2013
- Dividend for the year 2006-07: Due for transfer from August 17, 2014
- Dividend for the year 2007-08: Due for transfer from September 13, 2015
- Dividend for the year 2008-09: Due for transfer from August 29, 2016
- Dividend for the year 2009-10: Due for transfer from August 19, 2017

### **Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date & likely impact on equity -**

The Company has not issued any GDRs and ADRs and hence there are no outstanding GDRs/ADRs.

On October 8, 2009, the Company had issued 73,00,000 share warrants of ₹ 5/- each (convertible within 18 months) at a price of ₹ 148.50 per warrant to Twin Star Overseas Limited, a Promoter of the Company. After taking into effect stock split from ₹ 5/- each to ₹ 2/- each and bonus issue in the ratio of 1:1, the number of Warrants as on March 31, 2011 are 36,500,000 of ₹ 2/- each. On April 7, 2011, 1,82,50,000 share warrants were converted into equity shares and equal number of bonus share were also allotted.

### **Share Transfer System**

Two Directors and some Executives of the Company have been given powers to deal with all the matters related to transfers, transmission, issuance of duplicate share/debenture certificates, split and/or consolidation requests. In addition, the Company Secretary and authorized officials of the Registrar and Transfer Agents of the Company have been given powers to endorse registration of transfers on share certificates. The Company's shares being in compulsory demat list are also transferred through the depository system. The Company has entered into agreements with both the depositories NSDL & CDSL.

Karvy Computershare Private Limited, Hyderabad is the Registrar and Transfer Agent for both physical and electronic mode of transfer of shares. Transfers for shares held in the physical mode are approved on a 10 days cycle. Physical Shares sent for transfer are duly transferred within 10-15 days of receipt of documents, if found in order. Shares under objection are returned within 7-10 days.

### **Registrar & Transfer Agents**

Karvy Computershare Private Limited, Hyderabad is the Registrar and Transfer Agent of the Company:

Shareholders, beneficial owners and Depository Participants, (DPs) can send / deliver the documents / correspondence relating to the Company's share transfer activity, etc. to Karvy Computershare Private Limited at the following address:

### **Karvy Computershare Private Limited**

(Unit – Sterlite Technologies Limited)

Plot No. 17 to 24, Vittalrao Nagar,

Madhapur, Hyderabad – 500 081, India

Tel: +91-40-44655000 to 16

Fax: +91-40-23420814

E-mail: einward.ris@karvy.com

Shareholders' correspondence should be addressed to the Company's Registrar and Transfer Agents at the above-mentioned address. In case of unresolved complaints, the members may also write to the Company Secretary at the office of the Company as detailed below:

**Sterlite Technologies Limited**

4th Floor Godrej Millennium  
9 Koregaon Road, Pune - 411 001  
Maharashtra, India  
Phone: +91-20-30514000  
Fax: +91-20-26138083  
E-mail: communications@sterlite.com

**Registered Office:**

Survey No. 68/1, Rakholi Village, Madhuban Dam Road, Silvassa – 396230, Union Territory of Dadra & Nagar Haveli, India.

**Plant Locations**

Optical Fiber	E2, E3, MIDC, Waluj, Aurangabad-431136, India
Fiber Optic Cables & OPGW Cables	Survey No. 68/1, Rakholi Village, Madhuban Dam Road, Silvassa-396230, Union Territory of Dadra & Nagar Haveli, India
Copper Telecom Cables & Structured Data Cables	Survey No. 33/1/1, Waghdara Road, Dadra-396191, Union Territory of Dadra & Nagar Haveli, India
Power Transmission Conductors	<ul style="list-style-type: none"> <li>– Survey No. 99, Rakholi Village, Madhuban Dam Road, Silvassa – 396230, Union Territory of Dadra &amp; Nagar Haveli, India</li> <li>– Plot 2D, Sector 10, IIE SIDCUL, Haridwar-249403, India.</li> <li>– Burkhamunda, Jharsuguda, Orissa-768202, India.</li> </ul>

**The status of compliance in respect of non-mandatory requirements of Clause 49 of Listing Agreement is as follows:**

**1. The Board**

Mr. Anil Agarwal is the Non-Executive Chairman of the Board. As the Chairman has a separate office, the Company does not reimburse expenses incurred by him for maintenance of a separate Chairman's office. None of the Independent Directors of the Company have tenure, in the aggregate, exceeding a period of nine years, on the Board of a Company. The independent directors have the requisite qualifications and experience, which would be of use to the Company and which, in its opinion, would enable such directors to contribute effectively to the Company's business.

### **2. Remuneration Committee**

Details are given under the heading 'Remuneration/Compensation Committee'.

### **3. Shareholder Rights**

The Company publishes its results in the newspapers having nationwide circulation. Also results are uploaded on Company's website. The copy of results is furnished to all the shareholders who request for the same. Therefore Company does not circulate the half-yearly results to its shareholders.

### **4. Audit Qualifications**

Please refer to the explanation by the Board of Directors in the Directors' Report, on the qualification of auditors on the accounts for the financial year 2010-11.

### **5. Training of Board Members**

The Directors interact with the management on any and every information that may be required by them in a very free and open manner. The Independent Directors are encouraged to attend training programs that may be of relevance and interest to the Directors in discharging their responsibilities to the Company's stakeholders.

### **6. Mechanism for evaluating non-executive Board members**

The performance evaluation of non-executive Board members is done by the Board annually based on criteria of attendance and contributions at Board/Committee Meetings as also for the role played other than at Meetings. However, no formal recording of evaluation is done.

### **7. Whistle Blower Mechanism**

The Company has a Whistle-Blower Policy and the appropriate mechanism in place, which has been discussed in this report.



**DECLARATION**

In accordance with Clause 49 of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct and Business Ethics of the Company for the Financial Year ended March 31, 2011.

For Sterlite Technologies Limited

**Dr. Anand Agarwal**

CEO & Whole-time Director

Place: Mumbai

Date: April 29, 2011

# Auditors' Certificate On Corporate Governance

To

The Members of Sterlite Technologies Limited

We have examined the compliance of conditions of corporate governance by Sterlite Technologies Limited, for the year ended on March 31, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**For S. R. Batliboi & Co.**

Firms Registration No. 301003E

Chartered Accountants

**Per Arvind Sethi**

Partner

Membership No.: 89802

Place: Mumbai

Date: April 29, 2011

## CHAPTER 9

# Bridging the Chasm

**Risk management at Sterlite**

Sterlite is committed to effective management of risks across the organization by aligning its risk management strategy to its business objectives. Sterlite does this through instituting a risk management structure for timely identification, assessment, mitigating, monitoring and reporting of risks early on for achievement of its business objectives and enhanced stakeholders value.

The risk management framework acts as an effective tool in mitigating the various risks that the Company's businesses are exposed to in the course of operations as well as in strategic actions. Further, Sterlite's risk management practices also seek to enhance the long-term competitive advantage to the Company on a sustainable basis.

**Internal control systems and their adequacy**

The Company has strong internal control systems for business processes, with regards to efficiency of operations, financial reporting and controls, compliance with applicable laws and regulations, etc. Clearly defined roles and responsibilities for all managerial positions have also been institutionalized. All operating parameters are monitored and controlled. Regular internal audits and checks ensure that responsibilities are executed effectively. The Audit Committee of the Board of Directors periodically reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening these.

**Market and competition risks**

The market is highly competitive with few barriers to capacity expansion by existing players or entry of large MNCs with inorganic growth strategies. Globally, most of the contracts are finalized through a competitive bidding process. Whilst Company dominates in this segment, it does not have much pricing power on account of price undercuts through increased competition and entry of new market players. To overcome this, Company is expanding its capacity and continues to focus on increasing its market share through access to new markets and enhancing its client footprint.

Being a part of the capital goods industry, the growth of the Company primarily depends on capital expenditure plans in the power and telecom segments. Any slowdown or delay in capital expenditure plans by these utilities and service providers could adversely impact the Company's growth.

Sterlite manages this by taking various initiatives in technology and product development, taking into consideration the needs of customers. Some of these initiatives include product design that helps customer reduce their cost of project, customizing a basket of products that suit customer's needs and by introducing enhanced features in products or services to improve value proposition to the customer.

Additionally, the Company undertakes product approvals from new Tier 1 customers to increase its market reach, commensurate with its increased manufacturing capacity. As these initiatives require investment of significant time and resources, any delay or failure in this poses risks for the Company.

### **Product obsolescence risks**

In the fast changing world a new technically improved variant of product could put the Company's prospects at risk. In order to mitigate this, Sterlite maintains a very strong focus on continuous innovation processes and hence has been introducing technologically improved products to the markets in which it operates. This strategy has helped limit the risk involved with obsolescence of products. The Company strives to introduce future-proof products and solutions to exceed stringent global standards and specifications.

Company has a technically qualified team that constantly interacts with customers to understand their future needs and analyzes application trends. Their inputs are an important initiator for research and product development. Sterlite also interacts with research institutions to understanding the latest advances in technology.

*Sterlite's risk management practices also seek to enhance the long-term competitive advantage to the Company on a sustainable basis.*

### **Commodity risks**

The Company is exposed to the risk of price fluctuation on raw materials & energy resources. However, considering the normal correlation in the prices of raw material and finished goods, the risk is reduced to large extent. Aluminum & alloys make up significant part of the Company's raw material purchases. In addition furnace oil prices are also linked to the crude oil prices, which are influenced by the global demand and supply & outlook of the economy and could vary significantly. These price variations, if not managed adequately, could affect the profitability of the Company significantly.

The Company effectively manages the price variation risk in the aluminum by fully passing on the movement in prices to customers or by hedging the risk on LME or primary suppliers. The Company's policy of backward integration into critical manufacturing materials (e.g.: Hydrogen, Oxygen, Silicon Tetrachloride for optical fiber and optical fiber for Fiber optic cables) helps in minimizing the effect of increase in prices of raw material.

### **Financial risks**

- **Liquidity risk**

The Company requires funds both for short-term operational needs, as well as for

long-term investment programs mainly in growth projects. The recent global financial uncertainty has significantly restricted the supply of credit. Banks and financial institutions have also tightened lending norms. Sterlite aims to minimize these risks by generating sufficient cash flows from its current operations which in addition to available cash and cash equivalents, liquid investments and sufficient committed fund facilities, will provide liquidity both in the short-term as well as in the long-term.

The balance sheet is strong and gives the Company sufficient headroom for raising further debt, should the need arise. Sterlite maintains a healthy debt-equity ratio as well as maintains the flexibility in its financial structure to alter this ratio when the need arises. Currently the Company does not have any long-term debt as at the end of the year. This positions the Company in a very strongly, to leverage its balance sheet in case of suppressed financial markets.

- **Interest risk**

The Company is exposed to the interest rate fluctuations in domestic and foreign currency borrowings. It uses a judicious mix of fixed and floating rate debts and rupee and foreign currency borrowing within the stipulated parameters, to mitigate the interest rate risk. This also helps to have a lower blended rate of interest. The rate of interest for Rupee borrowings is largely linked to MIBOR and the rate is linked to prevailing US Dollar LIBOR for foreign currency borrowings.

*The presence of the Company in the two verticals “Power” and “Telecom” provides some insulation by division of the risks.*

- **Foreign currency risk**

The Company’s policy is to hedge all long-term foreign exchange risks as well as short-term exposures within the defined parameters. The long-term foreign exchange liability is fully hedged and hedges are on held to maturity basis. Within foreign currency, there are two major risk categories - risk associated with the operations of the Company such as purchase or sale in foreign currency and risk associated with the borrowing of the Company denominated in the foreign currency. The Company has a defined & proven policy to manage both kinds of risk and this is reviewed frequently in the light of major developments in economic and global scenarios.

**Economic and political risks**

Sterlite has multiple manufacturing facilities in India. A significant portion (69%) of Company’s revenue is earned from sales to customers within India including Tier-1 public and private sector clients. The balance revenue is earned through sales in international markets. Performance and growth of the Company’s business is dependent on the health and stability of the Indian and global economies. The risks arising out of any downturn in the economic conditions of in global markets could have adverse impact on the performance of the Company. Government utilities are major customers of the Company and any delay in capex allocation by the Government and utility incumbents, could adversely impact the Company’s growth.



## BRIDGING THE CHASM

---

The presence of the Company in the two verticals “Power” and “Telecom” provides some insulation by division of the risks. To reduce the risk of customer concentration, Sterlite has been increasing its customer base to non-government utilities within India and in overseas markets. Further, the Company has added various good Tier-1 clients for all businesses across geographies, has made a strong entry into Indian private sector and maintains a strong focus on emerging countries. This significantly reduces the risk of dependence on one particular geography or customer.

### **Legal and regulatory risks**

Sterlite has multiple manufacturing facilities in India and has a diversified customer base across the world. As a result, the Company is subject to federal, regional, state and local laws and regulations in each country in which it operates. The legal, fiscal and other regulatory regimes of these countries play a crucial role on the performance of the Company. Any changes in Government policies with respect to import tariffs or export incentives can pose risks to the Company. This can also affect the competitiveness of its products in those countries and in turn affect the performance of the Company.

There are few legal cases against the Company that are subjudice. These relate to custom duty, excise duty, taxation, commercial and other legal disputes. Any adverse result in such cases may also affect the profitability of the Company.

Some of the above risks are beyond the control of the Company. The Company continues to actively review and monitor these risks as these may have a bearing on its business.

*Some of the risks are beyond the control of the Company. The Company continues to actively review and monitor these risks that may have a bearing on its business.*

### **Project execution risks**

As capacity expansions continue to remain a priority for the Company, execution success for large capex projects is exposed to the risk of overrun in time and in cost. Project execution is largely dependent upon project management skills, timely delivery by the equipment suppliers and adherence to schedule by civil contractors. Any delay in project implementation would erode revenues and profit for that period. Sterlite has set up a dedicated project implementation team to continuously review project execution, to ensure that the implementation schedules and budgets are adhered to.

### **Human resource risks**

The Company's ability to deliver value is defined by its ability to attract, to train, to motivate, to empower and to retain the best professional talent. These abilities have to be developed across the Company's rapidly expanding operations. Company continuously benchmarks human resource policies and practices with the best in the industry and carries out the necessary improvements to attract and retain the best talent.



SECTION - IV

# Sterlite's Business Progress





## Auditors' Report

To

The Members of **Sterlite Technologies Limited**

1. We have audited the attached Balance Sheet of Sterlite Technologies Limited ('the Company') as at March 31, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub Section (3C) of Section 211 of the Companies Act, 1956;
  - v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director

in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

- vi. *As stated in Note no. 8 of Schedule 21, the Company had in an earlier year received an order of CESTAT upholding a demand of ₹ 188 crores (including penalties and excluding interest) (₹ 188 crores as at March 31, 2010) in a pending excise/custom matter. The Company's appeal against this order with the Honourable Supreme Court has been admitted. Based on the current status and legal advice received, provision for liability as recorded and disclosed in Note no. 8 of Schedule 21 in the accompanying financial statements is considered adequate by Management. In the event the decision of the Honourable Supreme Court goes against the Company on any of the grounds of appeal, additional provision against the said demand may be required. Pending disposal of the matter by the Honourable Supreme Court, the amount of excise/custom duty payable, if any, is currently unascertainable. Our audit report on the financial statements for the years ended March 31, 2009 and March 31, 2010 were qualified in respect of this matter.*
- vii. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and subject to the effect of the matter referred to in paragraph vi above give a true and fair view in conformity with the accounting principles generally accepted in India;
  - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
  - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For S. R. Batliboi & Co.**

Firm Registration No. 301003E

Chartered Accountants

**per Arvind Sethi**

Partner

Membership No.: 89802

Place : Mumbai

Date : April 29, 2011

## Annexure referred to in paragraph 3 of our report of even date Re: Sterlite Technologies Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) As informed, the Company has not granted or taken any loans, secured or unsecured to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As a result, provisions of paragraphs 4(iii) (b), (c), (d), (f) and (g) of the Companies (Auditors' Report) Order, 2003 (as amended) are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company.
- (v) As informed, the Company has not entered into any contracts or arrangements to which the provisions of Section 301 of the Companies Act, 1956 apply. As a result, provisions of paragraphs 4(v) (a) and (b) of the Companies (Auditors' Report) Order, 2003 (as amended) are not applicable to the Company.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 in respect of "Power Cables and Conductors", and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.  
  
Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

## STANDALONE ACCOUNTS

Name of the statute	Nature of dues	Amount (including interest and penalty) (₹ in crores)	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax Act, 1956	Sales Tax	0.59	1997-2001	Sales Tax Appellate Tribunal
Central Excise Act, 1944	Excise Duty	1.23	1994-1997	Commissioner (Appeal)
		0.59	1994-2003	CESTAT
		1.98	1994-2003	Commissioner (Appeals)
		0.16	1995-1996	Assistant Commissioner
		20.61	2000-2001	CESTAT
		42.16	2001-2003	CESTAT
		188.67	2001-2002	Supreme Court
		11.96	2004-2005	CESTAT
Customs Act, 1962	Custom Duty	0.08	2009-2010	CESTAT
		0.60	2001-2008	Commissioner (Appeals)
		68.43	1992-2005	CESTAT
		4.92	2001-2003	Commissioner
Service Tax Act, 1994	Service Tax	2.45	2000-2008	Commissioner
		0.03	2009-2010	Commissioner

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by Management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank. *As stated in Note 8, Schedule 21 the Company continues to dispute amounts aggregating to ₹ 18.87 crores debited by one of the banks in the earlier year, towards import consignments under Letters of Credit not accepted by the Company, owing to discrepancies in documents. Since the matter is in dispute, we are unable to determine whether there is a default in repayment of dues to the said bank.*
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company, in its own name.
- (xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by others

- from banks, the terms and conditions whereof, in our opinion are not prima-facie prejudicial to the interest of the Company.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, during the period covered by our audit report, the Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For S. R. Batliboi & Co.**  
Firm Registration No. 301003E  
Chartered Accountants

**per Arvind Sethi**  
Partner  
Membership No.: 89802

Place : Mumbai  
Date : April 29, 2011

# FINANCIALS

## Balance Sheet

(₹ in crores)

	Schedule	As at March 31, 2011	As at March 31, 2010
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
Share Capital	1	71.28	71.10
Share Application Money Pending Allotment		27.12	27.11
Employee Stock Option Outstanding	2	2.98	3.91
Reserves & Surplus	3	934.52	813.91
		<b>1,035.90</b>	<b>916.03</b>
<b>2. Loan Funds</b>			
Secured Loans	4	174.98	232.30
Unsecured Loans	5	444.79	125.86
		<b>619.77</b>	<b>358.16</b>
<b>3. Deferred Tax Liability (Net)</b>		66.01	60.16
(Refer Note 3, Schedule 21)			
<b>Total</b>		<b>1,721.68</b>	<b>1,334.35</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets and Intangibles</b>	6		
Gross Block		1,180.52	1,094.61
Less: Accumulated Depreciation and Impairment		474.35	468.18
Net Block		706.17	626.43
Capital Work-in-Progress including Capital Advances		160.76	56.97
		<b>866.93</b>	<b>683.40</b>
<b>2. Investments</b>	7	108.84	106.11
<b>3. Current Assets, Loans and Advances</b>			
Inventories	8	191.38	170.91
Sundry Debtors	9	866.50	628.97
Cash and Bank Balances	10	130.06	209.71
Loans and Advances	11	350.34	156.66
		<b>1,538.28</b>	<b>1,166.25</b>
<b>Less: Current Liabilities and Provisions:</b>			
Current Liabilities	12	755.79	570.35
Provisions	13	36.58	51.06
		<b>792.37</b>	<b>621.41</b>
<b>Net Current Assets</b>		745.91	544.84
<b>Total</b>		<b>1,721.68</b>	<b>1,334.35</b>
<b>Notes to Accounts</b>	21		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our attached report of even date

For and on behalf of the Board of Directors  
of Sterlite Technologies Limited

**For S. R. Batliboi & Co.**

Firm Registration No. 301003E  
Chartered Accountants

**Pravin Agarwal**

Whole-time Director

**Anand Agarwal**

CEO & Whole-time Director

**Anupam Jindal**

Chief Financial Officer

**Sandeep Deshmukh**

Company Secretary

**per Arvind Sethi**

Partner

Membership Number: 89802

Place : Mumbai

Date : April 29, 2011

## STANDALONE ACCOUNTS

### Profit and Loss Account

(₹ in crores)

	Schedule	Year Ended March 31, 2011	Year Ended March 31, 2010
<b>I. INCOME</b>			
Turnover (Gross)		2,316.69	2,495.50
Less: Excise Duty (Refer Note 31, Schedule 21)		<u>54.14</u>	<u>63.87</u>
Turnover (Net)		<b>2,262.55</b>	<b>2,431.63</b>
Other Income	14	15.97	22.88
	<b>Total</b>	<b><u>2,278.52</u></b>	<b><u>2,454.51</u></b>
<b>II. EXPENDITURE</b>			
Manufacturing and Other Expenses	15	1,785.59	1,813.05
Personnel Expenses	16	82.56	58.01
Selling and Distribution Expenses	17	93.00	78.36
Administration and General Expenses	18	31.19	95.28
Research and Development Expenses	19	4.57	5.98
Interest and Finance charges	20	47.41	38.12
		<b><u>2,044.32</u></b>	<b><u>2,088.80</u></b>
<b>PROFIT BEFORE DEPRECIATION AND TAXATION</b>		234.20	365.71
Depreciation and Amortisation		<u>56.01</u>	<u>48.26</u>
<b>PROFIT BEFORE TAXATION</b>		<b><u>178.19</u></b>	<b><u>317.45</u></b>
Provision for taxation			
– Current Tax		32.03	58.24
– Minimum Alternate Tax Credit Eligible for Set Off (Refer Note 7, Schedule 21)		(0.22)	(2.00)
– Provision for earlier years		—	10.93
– Deferred Tax Charge, Net (Refer Note 3, Schedule 21)		5.85	4.21
<b>NET PROFIT</b>		<b><u>140.53</u></b>	<b><u>246.07</u></b>
Balance brought forward from previous year		608.05	407.39
<b>AMOUNT AVAILABLE FOR APPROPRIATIONS</b>		<b><u>748.58</u></b>	<b><u>653.46</u></b>
<b>APPROPRIATIONS</b>			
Transfer to General Reserve		14.06	24.61
Proposed Dividend on Equity Shares ₹ 0.50 Per Share (₹ 0.50 Per Share)		19.65	17.78
Tax on Proposed Dividend		3.13	3.02
<b>Surplus carried to Balance Sheet</b>		<b><u>711.74</u></b>	<b><u>608.05</u></b>
<b>Earnings Per Share</b> [Nominal value of Shares ₹ 2 (₹ 2)] (Refer Note 17, Schedule 21)			
Basic		3.95	7.61
Diluted		3.72	7.34
<b>Notes to Accounts</b>	21		

The schedules referred to above and notes to accounts form an integral part of the Profit and Loss Account.

As per our attached report of even date

For and on behalf of the Board of Directors  
of Sterlite Technologies Limited

**For S. R. Batliboi & Co.**  
Firm Registration No. 301003E  
Chartered Accountants

**Pravin Agarwal**  
Whole-time Director  
  
**Anupam Jindal**  
Chief Financial Officer

**Anand Agarwal**  
CEO & Whole-time Director  
  
**Sandeep Deshmukh**  
Company Secretary

**per Arvind Sethi**  
Partner  
Membership Number: 89802  
  
Place : Mumbai  
Date : April 29, 2011

## FINANCIALS

### Schedules forming part of the Balance Sheet

(₹ in crores)

	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 1: SHARE CAPITAL</b>		
<b>Authorised</b>		
75,00,00,000 (75,00,00,000) Equity Shares of ₹ 2 each (₹ 2 each)	150.00	150.00
	<b>150.00</b>	<b>150.00</b>
<b>Issued, Subscribed &amp; paid-up</b>		
35,63,82,129 (35,55,18,510) Equity Shares of ₹ 2 each		
fully paid-up (₹ 2 each)	71.28	71.10
<b>Total</b>	<b>71.28</b>	<b>71.10</b>

Of the above:

- 1) 139,781,397 (139,781,397 of ₹ 2 each fully paid-up) Equity Shares of ₹ 2 each were allotted to the shareholders of Sterlite Industries (I) Ltd. upon demerger pursuant to the scheme of arrangement sanctioned by the Honourable High Court of Judicature at Bombay, being shares issued for consideration other than cash.
- 2) During the financial year 2009-10, 16,125,000 Share Warrants were converted into 32,250,000 fully paid-up Equity Shares of ₹ 2 each, which includes 16,125,000 Equity Shares issued as bonus shares.
- 3) During the year 863,619 of ₹ 2 each (2,159,294 Equity shares of ₹ 2 each) shares were issued to employees of the company under ESOP Scheme. For Stock Options outstanding details Refer Note 9, Schedule 21.
- 4) Of the above Equity Shares 178,191,065 shares of ₹ 2 each were allotted as fully paid-up bonus shares by utilisation of ₹ 35.64 crores from Securities Premium.

### SCHEDULE 2: EMPLOYEE STOCK OPTION OUTSTANDING

Balance as per last Balance Sheet	3.91	5.26
Add: Employees Stock Option Expenses For the year (Refer Note 9, Schedule 21)	2.02	0.73
Less: Transferred to Securities Premium Account	2.95	2.08
<b>Total</b>	<b>2.98</b>	<b>3.91</b>

## STANDALONE ACCOUNTS

### Schedules forming part of the Balance Sheet

(₹ in crores)

	As at March 31, 2011	As at March 31, 2010
--	-------------------------	-------------------------

#### **SCHEDULE 3: RESERVES & SURPLUS**

##### **Securities Premium**

Balance as per last Balance Sheet	91.10	85.87
Add: Transfer from Employee Stock Option	2.95	2.08
Add: Received during the year	—	38.70
Less: Utilised for issue of Bonus Shares	0.09	35.55
	<b>93.96</b>	<b>91.10</b>

##### **General Reserve**

Balance as per last Balance Sheet	114.72	90.11
Add: Transfer from Profit and Loss account	14.06	24.61
	<b>128.78</b>	<b>114.72</b>

##### **Capital Reserve**

Balance as per last Balance Sheet	0.04	0.04
-----------------------------------	------	------

##### **Profit & Loss Account**

Surplus as per Profit & Loss Account	711.74	608.05
--------------------------------------	--------	--------

<b>Total</b>	<b>934.52</b>	<b>813.91</b>
--------------	---------------	---------------

#### **SCHEDULE 4: SECURED LOANS**

##### **(A) Working Capital Loans**

From Banks	169.41	33.05
------------	--------	-------

##### **(B) Other Loans**

From Banks	5.57	199.25
------------	------	--------

<b>Total</b>	<b>174.98</b>	<b>232.30</b>
--------------	---------------	---------------

##### **Note:**

Working capital loans and Other loans from Banks are secured by hypothecation of Raw materials, Work-in-Progress, Finished Goods and Sundry Debtors.

#### **SCHEDULE 5 : UNSECURED LOANS**

Sales Tax Loan (Interest Free)

[(Due within one year ₹ Nil) (₹ Nil)]	0.19	0.25
---------------------------------------	------	------

##### **Short-term Loans**

From Banks	419.60	125.61
From Others	25.00	—

<b>Total</b>	<b>444.79</b>	<b>125.86</b>
--------------	---------------	---------------

## Schedules forming part of the Balance Sheet

**SCHEDULE 6: FIXED ASSETS**

Nature of Assets	GROSS BLOCK			DEPRECIATION / AMORTISATION			IMPAIRMENT			NET BLOCK			
	As at 01.04.2010	Additions	Deletions/ Adjustment	As on 31.03.2011	As at 01.04.2010	For the year	Deletions/ Adjustment	As at 31.03.2011	As at 01.04.2010	During the year	Reversals	As at 31.03.2011	As at 31.03.2010
<b>TANGIBLE ASSETS</b>													
Freehold Land	20.90	17.30	—	38.20	—	—	—	—	—	—	—	38.20	20.90
Leasehold Land	18.24	—	—	18.24	0.51	0.17	—	0.68	—	—	—	17.56	17.73
Building	105.96	11.17	—	117.13	22.90	3.57	—	26.47	—	—	—	90.66	83.06
Plant & Machinery	877.52	100.42	51.35	926.59	358.24	46.02	43.19	361.07	57.81	—	4.39	512.10	461.47
Furniture & Fixtures	5.28	1.85	—	7.13	1.98	0.34	—	2.32	—	—	—	4.81	3.30
Data Processing Equipments	13.41	1.34	0.01	14.74	9.25	1.37	—	10.62	—	—	—	4.12	4.16
Office Equipments	4.99	0.25	—	5.24	1.60	0.26	—	1.86	0.05	—	—	3.33	3.34
Electric Fittings	32.27	5.37	1.48	36.16	12.49	1.46	0.65	13.30	1.14	—	0.69	22.41	18.64
Vehicles	5.19	2.81	2.33	5.67	1.02	0.60	0.92	0.70	—	—	—	4.97	4.17
<b>INTANGIBLE ASSETS</b>													
Software/Licences	10.85	0.57	—	11.42	1.19	2.22	—	3.41	—	—	—	8.01	9.66
<b>Total</b>	<b>1,094.61</b>	<b>141.08</b>	<b>55.17</b>	<b>1,180.52</b>	<b>409.18</b>	<b>56.01</b>	<b>44.76</b>	<b>420.43</b>	<b>59.00</b>	<b>—</b>	<b>5.08</b>	<b>706.17</b>	<b>626.43</b>
<b>Capital work-in-progress [including capital advances of ₹ 30.80 crores (₹ 12.03 crores)]</b>													
<b>Total</b>	<b>1,094.61</b>	<b>141.08</b>	<b>55.17</b>	<b>1,180.52</b>	<b>409.18</b>	<b>56.01</b>	<b>44.76</b>	<b>420.43</b>	<b>59.00</b>	<b>—</b>	<b>5.08</b>	<b>866.93</b>	<b>683.40</b>
<b>Previous Year</b>	<b>976.24</b>	<b>142.88</b>	<b>24.51</b>	<b>1,094.61</b>	<b>371.92</b>	<b>48.26</b>	<b>11.00</b>	<b>409.18</b>	<b>59.00</b>	<b>—</b>	<b>—</b>	<b>626.43</b>	<b>—</b>

**Note:**

1. Refer Note 29 of Schedule 21 for amount of borrowing cost capitalised during the year.
2. Refer Note 4 of Schedule 21 for amount of exchange difference capitalised during the year.
3. Balances of Opening Gross Block and Accumulated Depreciation, as at April 1, 2010 have been re-grouped and re-arranged to match the nature of the assets capitalised.



## Schedules forming part of the Balance Sheet

(₹ in crores)

	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 7: INVESTMENTS</b>		
<b>LONG-TERM INVESTMENTS (at Cost)</b>		
<b>Other than Trade (Unquoted)</b>		
In Equity Shares of Subsidiary Companies		
87,30,000 (60,05,200) Equity Shares of Sterlite Display Technologies Private Limited (Formerly known as Sterlite Infrastructure Private Limited) of ₹ 10 each fully paid-up.	8.73	6.01
50,000 (50,000) Equity Share of Sterlite Infra Tech Limited of ₹ 10 each fully paid-up	0.05	0.05
50,000 (50,000) Equity Share of East North Interconnection Company Limited of ₹ 10 each fully paid-up	0.05	0.05
10,000 (Nil) Equity Share of Sterlite Transmission Projects Private Limited of ₹ 10 each fully paid-up	0.01	—
1 (Nil) Equity Share of Sterlite Global Ventures (Mauritius) Limited of USD 1 each fully paid up*	0.00	—
<b>Other than Trade (Quoted)</b>		
10,00,00,000 (10,00,00,000) units of ₹ 10/- each of Religare Fixed Maturity Plan - Series II	100.00	100.00
<b>Total</b>	<b>108.84</b>	<b>106.11</b>

Aggregate amount of quoted investments (Market Value ₹ 107.20 crores (₹ 100.37 crores))

\* Amount below ₹ 0.01 crore.

**Note:** The following Current Investments were purchased and sold during the year:

Mutual Fund Units	Face Value (₹)	Units (Nos.)	Amount in ₹
HDFC Liquid Fund Premium Plan - DDR	10	40,78,370	5,00,00,000
HDFC Floating Rate Income Fund - STP-WP-DDR	10	49,60,360	5,00,04,894
ICICI Pru Flexible Income Plan Premium - DDR	10	4,72,880	5,00,00,000
Reliance Liquid Fund-Treasury Plan - Inst-DDR	10	1,76,61,719	27,00,00,000
Reliance Money Manager Fund - Inst Plan-DDR	10	2,69,654	27,00,23,787
Birla Sun Life Cash Plus-Inst Prem - DDR	10	19,36,22,436	31,96,49,683
Birla Sun Life Cash Manager Fund - IP-DDR	10	11,49,81,066	1,15,01,55,599
Birla Sun Life Savings Fund - Inst Plan-DDR	10	16,49,64,129	1,65,07,63,045
Birla Sun Life Cash Plus - Inst Prem - Growth	10	10,12,56,393	1,53,00,00,000
Canara Robeco Liquid - IP - Growth	10	52,98,762	6,00,00,000
HDFC Cash Management Fund - Saving Plan - DDR	10	42,30,755	4,50,00,000
HDFC Liquid Fund - Growth	10	14,53,457	2,70,00,000
ICICI Prudential Liquid Super Institutional Plan - Growth	10	6,22,308	8,50,00,000
IDFC Cash Fund-Super Inst Plan C - Growth	10	1,27,63,440	14,50,00,000
Kotak Floater Long Term - Growth	10	47,59,056	7,00,00,000
Kotak Floater Short Term - DDR	10	24,71,284	2,50,00,000
Kotak Floater Short Term - Growth	10	1,40,58,549	22,50,00,000
Kotak Liquid-Inst Prem - Growth	10	2,71,79,658	51,25,00,000
Reliance Liquid Fund - Cash Plan - Growth	10	7,47,56,385	1,17,65,00,000
Reliance Liquid Fund - Treasury Plan-Inst Option - DDR	10	1,83,15,737	28,00,00,000
Reliance Liquid Fund - Treasury Plan-Inst Option - Growth	10	1,11,07,268	25,00,00,000
Religare Liquid Fund - Inst - Growth	10	3,34,24,486	42,70,00,000
Tata Liquid Super High Inv. Fund - Appreciation	10	67,038	11,50,00,000

## FINANCIALS

### Schedules forming part of the Balance Sheet

(₹ in crores)

	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 8: INVENTORIES</b>		
(At lower of cost and net realisable value)		
Raw Materials (Including Goods in Transit ₹ 11.19 crores (₹ 5.94 crores))	75.39	91.26
Work-in-Progress	32.06	31.90
Finished Goods	62.66	31.89
Stores, Spares, Packing Materials & Others	21.27	15.86
<b>Total</b>	<b>191.38</b>	<b>170.91</b>

### SCHEDULE 9: SUNDRY DEBTORS (UNSECURED)

(a) Debts Outstanding for a period exceeding six months:

– Considered good	264.42	174.77
– Considered doubtful	39.24	38.30
	<b>303.66</b>	<b>213.07</b>
Less: Provision for Doubtful Debts	39.24	38.30
	<b>264.42</b>	<b>174.77</b>

(b) Others – Considered good

	602.08	454.20
<b>Total</b>	<b>866.50</b>	<b>628.97</b>

## STANDALONE ACCOUNTS

### Schedules forming part of the Balance Sheet

(₹ in crores)

	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 10: CASH &amp; BANK BALANCES</b>		
<b>Cash in hand</b>	0.05	0.06
<b>Balance with Scheduled Banks in:</b>		
(i) Current Accounts	10.54	2.22
(ii) Deposit Accounts	115.98	205.37
(iii) Dividend Accounts**	0.09	0.09
<b>Balances with Non-Scheduled Banks in:</b>		
(i) Current Accounts*	3.40	1.97
<b>Total</b>	<b>130.06</b>	<b>209.71</b>

**\* Balance with Non-Scheduled banks is maintained with:**

Balance with Industrial Bank of China ₹ 0.16 crore (₹ 0.09 crore)

(Maximum Amount Outstanding During the year ₹ 0.28 crore) (₹ 0.29 crore)

Balance with Royal Bank of Scotland ₹ Nil crore (₹ Nil)

(Maximum Amount Outstanding During the year ₹ 1.28 crore) (₹ Nil)

Balance with Sun Trust Bank ₹ 0.22 crore (₹ 0.08)

(Maximum Amount Outstanding During the year ₹ 1.35 crore) (₹ 0.39 crore)

Balance with Commercial Bank of Ethiopia ₹ 1.00 crore (₹ 0.33 crore)

(Maximum Amount Outstanding During the year ₹ 1.00 crore) (₹ 0.41 crore)

Balance with HSBC UK ₹ 2.02 crores (₹ 1.47 crores)

(Maximum Amount Outstanding During the year ₹ 14.67 crores) (₹ 2.24 crores)

\*\* The Cash and Cash Equivalents includes balance of ₹ 0.09 crore (₹ 0.09 crore) which are not available for use by the Company.

### **SCHEDULE 11: LOANS & ADVANCES (UNSECURED CONSIDERED GOOD)**

Subsidiaries (Refer note 11, Schedule 21)	52.75	28.43
Share Application Money pending allotment in Subsidiaries	91.41	—
Advances recoverable in cash or in kind or for value to be received	131.40	57.85
Balances with Central Excise Authorities	25.33	25.03
Deposits – Others	5.72	5.06
Advance Income Taxes, including TDS [Net of Provisions ₹ 123.38 crore (₹ 91.35 crore)]	3.07	—
Minimum Alternate Tax Credit Entitlement	27.00	26.78
Interest accrued on Investments	0.01	0.34
Other Advances	13.65	13.17
<b>Total</b>	<b>350.34</b>	<b>156.66</b>

## FINANCIALS

### Schedules forming part of the Balance Sheet

(₹ in crores)

	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 12: CURRENT LIABILITIES</b>		
Acceptances	0.54	1.25
Sundry Creditors		
(i) Micro, medium and Small Enterprises (Refer Note 28, Schedule 21)	0.01	0.41
(ii) Others	487.21	441.81
Interest accrued but not due on Loans	1.35	1.33
Unclaimed Dividend (Refer Note 12, Schedule 21)	0.09	0.09
Sundry Deposits	0.71	0.42
Advance from Customers	154.45	78.74
Other Liabilities	111.43	46.30
<b>Total</b>	<b>755.79</b>	<b>570.35</b>

### SCHEDULE 13: PROVISIONS

For Taxation [Net of Advance Tax payments ₹ 126.45 crores (₹ 89.25 crores)]	—	2.10
For Contingencies	9.50	24.50
For Employee Benefits	4.24	3.66
Proposed Dividend – Equity Shares	19.65	17.78
Tax on Proposed Dividend	3.19	3.02
<b>Total</b>	<b>36.58</b>	<b>51.06</b>

#### Note:

The Company had made a provision of ₹ 24.50 crores towards contingencies in the earlier years in respect of various disputed claims against the company as described in Note 26, Schedule 21, the timing and quantum of which is presently unascertainable. This amount has been reassessed at ₹ 9.50 crores as at March 31, 2011.

## STANDALONE ACCOUNTS

### Schedules forming part of the Profit and Loss Account

(₹ in crores)

	Year ended March 31, 2011	Year ended March 31, 2010
<b>SCHEDULE 14: OTHER INCOME</b>		
Income from Mutual Fund	1.41	3.82
Profit on Sale of Asset, net	—	10.32
Unclaimed Liabilities written back	—	0.53
Interest received on Customers and Fixed Deposits [Tax Deducted at Source ₹ 0.98 crore (₹ 1.64 crores)]	9.56	7.86
Interest on Income Tax refund	—	0.02
Miscellaneous Income	5.00	0.33
<b>Total</b>	<b>15.97</b>	<b>22.88</b>

### SCHEDULE 15: MANUFACTURING AND OTHER EXPENSES

Raw materials consumed	1,585.33	1,631.28
Decrease/(Increase) in stock		
Opening Stock:		
Work-in-Progress	31.90	25.39
Finished Goods	31.89	12.60
	<b>63.79</b>	<b>37.99</b>
Closing Stock:		
Work-in-Progress	32.06	31.90
Finished Goods	62.66	31.89
	<b>94.72</b>	<b>63.79</b>
Increase in stock	(30.93)	(25.80)
Excise Duty on stocks (Refer Note 31, Schedule 21)	3.50	0.83
Stores and Spares	30.45	29.72
Power, Fuel and Water	96.90	86.08
Repairs and Maintenance		
— Building	2.55	1.58
— Machinery	6.84	7.97
— Others	0.30	—
Carriage Inward	0.92	2.31
Packing Material	64.28	55.15
Other Manufacturing Expenses	25.45	23.93
<b>Total</b>	<b>1,785.59</b>	<b>1,813.05</b>

### SCHEDULE 16: PERSONNEL EXPENSES

Salaries, Wages, Bonus and Commission	72.41	49.56
Contribution to Provident Fund and Superannuation Funds	3.21	2.93
Gratuity Expenses (Refer Note 18, Schedule 21)	0.30	1.05
Employees' Welfare and Other Amenities	4.62	3.74
Employees Stock Option Expenses (Refer Note 9, Schedule 21)	2.02	0.73
<b>Total</b>	<b>82.56</b>	<b>58.01</b>

## FINANCIALS

### Schedules forming part of the Profit and Loss Account

(₹ in crores)

	Year ended March 31, 2011	Year ended March 31, 2010
--	------------------------------	------------------------------

#### SCHEDULE 17: SELLING AND DISTRIBUTION EXPENSES

Sales Commission (Other than Sole Selling Agent)	11.46	21.83
Sales Promotion	6.36	5.58
Carriage Outward	70.34	49.06
Other Expenses	4.84	1.89
<b>Total</b>	<b>93.00</b>	<b>78.36</b>

#### SCHEDULE 18: ADMINISTRATION AND GENERAL EXPENSES

Rent	3.05	2.62
Insurance	4.96	2.84
Rates and Taxes	0.91	1.34
Conveyance and Travelling Expenses	15.64	10.42
Loss on sale of Fixed Assets	0.28	—
Bad Debts Written Off	(0.02)	1.81
Provision for Doubtful Debts	0.95	10.28
Directors Sitting Fee and Commission	0.17	0.12
General Expenses	5.25	65.85
<b>Total</b>	<b>31.19</b>	<b>95.28</b>

#### SCHEDULE 19: RESEARCH AND DEVELOPMENT EXPENSES

Salaries, Wages, Bonus and Commission	0.95	1.91
Raw materials consumed	2.35	2.86
General Expenses	1.27	1.21
<b>Total</b>	<b>4.57</b>	<b>5.98</b>

#### SCHEDULE 20: INTEREST AND FINANCE CHARGES

##### Interest

On Fixed Loans	4.11	—
Others	34.68	29.09
Bank charges	8.62	9.03
<b>Total</b>	<b>47.41</b>	<b>38.12</b>

## Schedules forming part of the Accounts

## SCHEDULE 21: NOTES TO ACCOUNTS

**1. NATURE OF OPERATIONS**

The Company is primarily engaged in the manufacture of Power Transmission and Telecom products in India. Telecom Business includes integrated Optical Fiber, Telecom Cables (Fiber Optic Cables, Copper Telecom Cables and Structured Data Cables), access equipments and integrated management business. Power Transmission Business includes power transmission conductors.

**2. SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of Preparation of Financial Statements**

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by the Companies (Accounting Standard) Rules, 2006 (as amended) ("the Rules") and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis of accounting except in case of assets which have been impaired. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

**(b) Use of Estimates**

The preparation of the financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting year. Difference between the actual result and estimates are recognised in the year in which the results are known / materialised. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

**(c) Change in Accounting Policies**

In the current year, the Company changed its method of valuation of cost of raw materials, work-in-progress and finished goods for aluminium conductors used in the power transmission business, from the weighted average method to specific identification method. The management believes that such change will result in a more appropriate presentation of consumption charge commensurate with the nature of operations of the power transmission business.

Had the Company continued to use the weighted average method of inventory valuation, the profit before tax and profit after tax would have been lower by ₹ 1.58 crores and the value of inventories would correspondingly have been lower by ₹ 1.58 crores.

**(d) Fixed Assets and Intangible Assets**

Fixed Assets are stated at cost (net of Cenvat) less accumulated depreciation and impairment. Cost comprises of the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Capital work-in-progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date.

Expenditure during the construction period incurred on projects under implementation are treated as Pre-operative expenses, pending allocation to the assets, and are included under "Capital Work in Progress".

Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to create, produce and make the asset ready for its intended use.

Intangible assets are recorded at the consideration paid for their acquisition.

**(e) Depreciation and Amortisation**

- (i) Depreciation on Fixed Assets is provided on straight line method, unless otherwise stated, pro-rata to the period of use of assets at the rates specified in Schedule XIV of the Companies Act, 1956 which represents the useful life of these assets.

## Schedules forming part of the Accounts

## SCHEDULE 21: NOTES TO ACCOUNTS

- (ii) Cost of leasehold land is amortised over the period of lease.
- (iii) Cost of acquired intangible assets is amortised over a period of five years.
- (iv) Cost of capital and insurance spares is amortised over a period of four years.

**(f) Impairment of Assets**

- (i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.
- (ii) After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.
- (iii) A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

**(g) Investments**

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried at lower of cost and fair value determined on an individual investment basis.

Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of investments.

**(h) Inventories**

Inventories of stores, spares, raw material, packing material, work-in-progress and finished goods are valued at cost or net realisable value, whichever is lower, except for scrap which is valued at net realisable value. Cost is ascertained on a weighted average cost basis, except in case of inventory for aluminium conductors in the power transmission business, wherein the cost is determined on specific identification method based on costing details of each project.

The cost of work-in-progress and finished goods includes direct materials, labor and a proportion of manufacturing overhead based on normal operating capacity. Cost of finished goods includes excise duty. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

**(i) Foreign Currency Transactions**

- (i) Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- (ii) Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.
- (iii) Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.



## Schedules forming part of the Accounts

## SCHEDULE 21: NOTES TO ACCOUNTS

- (iv) The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognised as income or as expense for the year. None of the forward exchange contracts are taken for trading or speculation purpose.

**(j) Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to profit and loss account in the period they occur. Borrowing cost consists of interest and other costs that an entity incurs in connection with borrowing of funds.

**(k) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

**Sale of Goods**

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have passed to the buyer. Sales include excise duty, sale of scrap and are net of sales tax and quantity discount. Freight charged on sales and recovered is included as part of revenue.

**Income from Services**

Income from services is recognised on pro-rata basis as and when services are rendered.

**Interest**

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

**Dividend**

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

**(l) Retirement and other Employee Benefits**

- (i) Retirement benefits in the form of Provident Fund and Superannuation Fund are defined contribution schemes and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. The company has no other obligation other than the contributions payable.
- (ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on Projected Unit Credit Method made at the end of each financial year.
- (iii) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation done as per Projected Unit Credit Method made at the end of each financial year.
- (iv) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

**(m) Employee Stock Option**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India ('ICAI'). The Company measures compensation cost relating to employee stock options using the fair value method. Compensation expense is amortised over the vesting period of the option on a straight line basis.

## Schedules forming part of the Accounts

## SCHEDULE 21: NOTES TO ACCOUNTS

**(n) Research and Development**

Revenue expenditure on research and development is expensed as incurred.

**(o) Export Incentives**

Export incentive benefits are recognised as income on the basis of receipt of proof of export.

**(p) Taxes on Income**

Tax expense comprises of current and deferred tax. Current income tax is determined as the amount of tax payable in respect of taxable income for the year based on provisions of Income Tax Act, 1961. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if legally and enforceable right exist to set off current tax asset against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In case of unabsorbed depreciation and carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum alternate tax ("MAT") credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified future period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by ICAI, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence that the MAT credit will be utilised during the specified future period.

**(q) Expenditure on new projects and substantial expansion**

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the construction costs to the extent the expenditure can be attributable to construction activity or is incidental thereto. Income earned during construction period is deducted from the total of the indirect expenditure.

**(r) Operating Leases**

Assets taken on lease under which all significant risks and rewards of ownership are effectively retained by the lessor are classified as Operating Leases. Lease payments under Operating Leases are recognised on straight line basis over the lease period unless another systematic basis is more representative of the time pattern of the users benefit.

**(s) Earnings Per Share**

The Company reports basic and diluted earnings per share in accordance with Accounting Standard ('AS')-20, Earnings per share issued by ICAI and notified under the Rules. Basic

## Schedules forming part of the Accounts

## SCHEDULE 21: NOTES TO ACCOUNTS

earning per share is computed by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of shares outstanding during the period is adjusted for any bonus shares issued during the period. Diluted earnings per share is computed by dividing the net profit or loss for the period by the weighted average number of equity shares outstanding during the period.

For computing diluted earnings per share both profit and loss for the period and weighted average number of shares are adjusted for the effects of all dilutive potential equity shares.

**(t) Cash and Cash equivalents**

Cash and Cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

**(u) Segment Reporting Policies**

The Company's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segment is based on the areas in which major operating divisions of the Company operate.

**Inter segment transfers**

The Company accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

**Allocation of common costs**

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

**Unallocated items**

The corporate and other segment includes general corporate income and expense items which are not allocated to any business segment.

**Segment policies**

The company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financials statement of the Company as a whole.

**(v) Provisions, Contingent Liabilities and Contingent Assets**

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent assets are neither recognised nor disclosed in the financial statements.

**(w) Derivative Instruments**

As per ICAI announcements, accounting for derivative contracts, other than those covered under AS 11, Effects of Changes in Foreign Exchange Rates, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge items is charged to the income statement. Net gains are ignored.

The Company enters into Commodity Futures Contracts (Aluminium Contracts) against future sales transactions. These Commodity future contracts are rolled over in case the period of the contracts is less than the period of future sales transactions. On roll over, the Company has to pay/receive the differential amount, in case aluminum prices have gone down/up (loss/profit). The Company carries the loss/profit in the balance sheet till the future sales transactions take place. This loss/profit is transferred to profit and loss account on conclusion of the future sales transactions.

## FINANCIALS

### Schedules forming part of the Accounts

#### SCHEDULE 21: NOTES TO ACCOUNTS

##### 3. DEFERRED TAX

- a) The break-up of the deferred tax liability, net as at balance sheet date are as under

(₹ in crores)

Particulars	March 31, 2011	March 31, 2010
<b>Deferred Tax Liability</b>		
(a) Depreciation	82.18	78.37
<b>Deferred Tax Assets</b>		
(a) Provision for doubtful debts	11.63	11.86
(b) On employee benefits	1.38	1.25
(c) Provision for contingencies	3.16	5.10
<b>Deferred Tax Liability (Net)</b>	<b>66.01</b>	<b>60.16</b>

- b) Deferred tax charge for the year (₹ in crores)

Particulars	March 31, 2011	March 31, 2010
Opening deferred tax liability, net	60.16	55.95
Less:-closing deferred tax liability, net	66.01	60.16
Deferred tax charge for the year	<b>5.85</b>	<b>4.21</b>

4. The amount of foreign exchange (gain)/loss adjusted during the year to the carrying cost of the fixed assets and capital work in progress is ₹ 1.15 crores (₹ 5.00 crores) and that (credited)/debited to respective heads of accounts in Profit and Loss Account is ₹ (6.73) crores (₹ 12.39 crores); premium on forward exchange contract to be recognised in the Profit and Loss account of subsequent accounting periods is ₹ 10.03 crores (₹ 5.75 crores).

##### 5. DERIVATIVE INSTRUMENTS

The company has entered into the following derivative instruments:

- (a) The following are the outstanding Forward Exchange Contracts entered into by the Company, for hedge purpose, as on March 31, 2011:

(₹ in crores)

Year	Currency type	Foreign Currency (in crores)	Amount	Buy/Sell	No. of Contracts
<b>March 31, 2011</b>	US \$	12.22	558.52	Buy	284
	US \$	12.61	577.23	Sell	171
	Euro	0.51	32.07	Buy	14
	Euro	1.65	98.26	Sell	32
	AED	0.07	0.92	Sell	4
	GBP	0.86	66.12	Sell	2
<b>March 31, 2010</b>	US \$	13.59	626.18	Buy	234
	US \$	6.91	319.41	Sell	142
	Euro	0.41	25.25	Buy	8
	Euro	0.42	26.00	Sell	20
	GBP	0.37	25.77	Sell	6

## Schedules forming part of the Accounts

## SCHEDULE 21: NOTES TO ACCOUNTS

- (b) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

**i. Amounts receivable in foreign currency on account of the following:**

Year ended	Category	Currency Type	Foreign Currency (in crores) (₹ in crores)	Amount
<b>March 31, 2011</b>	Export of goods	USD	0.00	0.10
	Export of goods	EUR	0.00	0.02
	Export of goods	AED	0.02	0.19
	Export of goods	ZAR	0.01	0.04
	Advance to Suppliers	US \$	0.10	4.46
	Advance to Suppliers	Euro	0.01	0.45
	Advance to Suppliers	GBP	0.00	0.04
	Advance to Suppliers	CNY	0.01	0.10
	Balance with Scheduled/Non-Scheduled Bank	USD	0.00	0.22
	Balance with Scheduled/Non-Scheduled Bank	Euro	0.01	0.82
	Balance with Scheduled/Non-Scheduled Bank	GBP	0.02	1.69
	Balance with Scheduled/Non-Scheduled Bank	CNY	0.02	0.16
	Balance with Scheduled/Non-Scheduled Bank	ZAR	0.01	0.05
	Balance with Scheduled/Non-Scheduled Bank	ETB	0.27	1.00
<b>March 31, 2010</b>	Export of goods	US \$	0.21	9.39
	Export of goods	Euro	0.03	1.61
	Export of goods	GBP	0.00	0.04
	Advance to Suppliers	US \$	0.17	7.32
	Advance to Suppliers	Euro	0.01	0.63
	Advance to Suppliers	GBP	0.00	0.16
	Advance to Suppliers	JPY	0.19	0.09
	Advance to Suppliers	RMB	0.00	0.01
	Advance to Suppliers	CAD	0.00	0.04
	Advance to Suppliers	AED	0.00	0.01
	Advance to Suppliers	CHF	0.00	0.03
	Balance with Scheduled/Non-Scheduled Bank	USD	0.00	0.08
	Balance with Scheduled/Non-Scheduled Bank	GBP	0.02	1.46
	Balance with Scheduled/Non-Scheduled Bank	ETB	0.07	0.33
	Balance with Scheduled/Non-Scheduled Bank	CNY	0.01	0.09

## FINANCIALS

### Schedules forming part of the Accounts

#### SCHEDULE 21: NOTES TO ACCOUNTS

##### ii. Amounts payable in foreign currency on account of the following:

Particulars	Currency Type	Foreign Currency (in crores) March 31, 2011	Amount (₹ in crores) March 31, 2011	Foreign Currency (in crores) March 31, 2010	Amount (₹ in crores) March 31, 2010
Import of goods and services	US \$	0.32	14.15	1.10	42.31
Import of goods and services	Euro	0.07	4.24	0.01	1.15
Import of goods and services	GBP	0.00	0.13	0.00	0.25
Import of goods and services	CAD	0.00	0.05	—	—
Import of goods and services	AUD	0.00	0.06	—	—
Advance from Customers	US \$	0.02	1.11	0.46	20.60
Advance from Customers	Euro	0.00	0.07	0.00	0.01
Advance from Customers	ETB	0.03	0.10	0.01	0.05

(c) Commodity Future Contracts to hedge against fluctuation in commodity prices (aluminium).

The following are the outstanding future contracts entered into by the Company as on 31st March, 2011:

Year	No. of Contracts	Contracted (MT)	Quantity Buy/Sell
March 31, 2011	86	43,590	Buy
March 31, 2010	19	3,825	Buy
	5	2,200	Sell

- In terms of accounting policy (Refer Note 2 (o) of Schedule 21) for the accrual of export incentives, estimated benefits of ₹ 50.63 crores (₹ 32.07 crores) have been taken into account under the DEPB /High Value Add Income scheme/Duty Drawback scheme. These have been grouped as part of turnover in the profit and loss account.
- The provision for tax has been made in accordance with provisions of Section 115 JB (Minimum Alternate Tax, 'MAT') of the Income Tax Act, 1961. The Company is entitled to avail Credit under Section 115JAA (1A) and accordingly it has considered MAT credit entitlement as an asset.
- The Company had in an earlier year received an order of CESTAT upholding the demand of ₹ 188 crores (including penalties and excluding interest) (₹ 188 crores as at March 31, 2010) in the pending excise/custom matters on various grounds. The Company's appeal with the Honourable High Court of Mumbai was rejected on the grounds of jurisdiction. The Company preferred an appeal with the Honourable Supreme Court of India against the order of CESTAT which has been admitted. The Company has revaluated the case on admission of appeal by the Honourable Supreme Court. Based on their appraisal of the matter, the legal advisors/consultants are of the view that under most likely event, the provision of ₹ 5 crores made by the Company against the above demand is adequate. The management is confident of a favourable order and hence no provision is considered against the said demand.

#### 9. EMPLOYEE STOCK OPTION SCHEME

The Company has granted Employees Stock Options Plan, 2006 (ESOP) to its employees pursuant to the resolution passed by the shareholders at the Extraordinary General Meeting held on March 13, 2006. The Company has followed the fair value method (Black Scholes Options Pricing Model) for the valuation of these options. The Compensation Committee of the Company has approved five grants vide their meeting held on June 14, 2006; March 19, 2007, September 28, 2007, June 14, 2008 and June 26, 2009. As per the plan, Options granted under ESOP would vest in not less than one year and not more than five years from the date of grant of such options. Vesting of options is subject to continued employment with the Company. The plan is an equity settled plan.

## Schedules forming part of the Accounts

## SCHEDULE 21: NOTES TO ACCOUNTS

The Company has charged ₹ 2.02 crores (₹ 0.73 crore) to the profit and loss account in respect of options granted under ESOP scheme 2006.

**Other details of the options are as follows:**

Particulars	Grant 1*	Grant 2*	Grant 3*	Grant 4*	Grant 5*
Date of grant	14-Jun-06	19-Mar-07	28-Sep-07	14-Jun-08	26-Jun-09
Number of options granted	2,328,500	636,000	1,307,750	255,500	2,419,000
Method of Settlement	Equity	Equity	Equity	Equity	Equity
Vesting Period (years)	3	2.25	1.71	1	5
Exercise Period	1	1	1	1	1
Vesting Conditions	Business Performance	Business Performance	Business Performance	Business Performance	Business Performance

**The details of the activity under the plan have been summarised below:**

Particulars	2010-11		2009-10	
	Number of Options	Weighted Average Exercise Price (₹)	Number of Options	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	2,507,095	1	1,820,605	1
Granted during the year	Nil	1	2,419,000	1
Forfeited during the year	Nil	—	Nil	—
Exercised during the year	863,619	1	576,775	1
Expired during the year	604,169	1	1,155,735	1
Outstanding at the end of the year	1,039,307	1	2,507,095	1
Exercisable at the end of the year	193,249	1	170,595	1
Weighted average remaining contractual life (in years)	1.70	—	1.70	—
Weighted average fair value of options granted	35.23	—	34.98	—

**The fair value as per the Black Scholes Options Pricing Model was measured based on the following input:**

Date of grant June 14, 2006	Vest 1 June 14, 2007	Vest 2 June 14, 2008	Vest 3 June 14, 2009
<b>Variables</b>			
Weighted average Stock Price	17.85	17.85	17.85
Expected volatility (**)	59.78%	58.90%	60.52%
Risk free rate	7.07%	7.16%	7.26%
Exercise price (₹ per Option)	1	1	1
Time to maturity (years)	1.5	2.5	3.5
Dividend yield	0.57%	0.57%	0.57%
<b>Outputs</b>			
Option Fair Value	16.80	16.76	16.72
Vesting Percentage	20.00%	40.00%	40.00%
<b>Option Fair Value</b>	<b>16.76</b>		

## FINANCIALS

### Schedules forming part of the Accounts

#### SCHEDULE 21: NOTES TO ACCOUNTS

<b>Date of grant</b>		
<b>March 19, 2007</b>		
<b>Variables</b>	<b>Vest 1</b>	<b>Vest 2</b>
	<b>June 19, 2008</b>	<b>June 14, 2009</b>
Weighted average stock price	35.80	35.80
Expected volatility (**)	62.90%	57.75%
Risk free rate	8.07%	8.06%
Exercise price (₹ per Option)	1	1
Time to maturity (years)	1.5	2.5
Dividend yield	0.57%	0.57%
<b>Outputs</b>		
Option fair value	<b>34.61</b>	<b>34.47</b>
Vesting percentage	<b>60.00%</b>	<b>40.00%</b>
<b>Option Fair Value</b>	<b>34.55</b>	
<b>Date of grant</b>		
<b>September 28, 2007</b>		
<b>Variables</b>	<b>Vest 1</b>	<b>Vest 2</b>
	<b>September 28, 2008</b>	<b>June 14, 2009</b>
Weighted average stock price	47.46	47.46
Expected volatility (**)	56.69%	60.98%
Risk free rate	7.20%	7.29%
Exercise price	1	1
Time to maturity (years)	1.50	2.21
Dividend yield	0.51%	0.51%
Option Fair Value	<b>46.20</b>	<b>46.08</b>
Vesting Percentage	<b>50.00%</b>	<b>50.00%</b>
<b>Option Fair Value</b>	<b>46.14</b>	
<b>Date of grant</b>		
<b>June 14, 2008</b>		
<b>Variables</b>		<b>Vest 1</b>
		<b>June 14, 2009</b>
Weighted Average Stock Price		39.70
Expected Volatility (**)		72.11%
Risk free Rate		8.34%
Exercise Price (₹ per Option)		1
Time To Maturity (years)		1.50
Dividend yield		0.49%
<b>Outputs</b>		
Option Fair Value		<b>38.53</b>
Vesting Percentage		<b>100.00%</b>
<b>Option Fair Value</b>		<b>38.53</b>



## Schedules forming part of the Accounts

## SCHEDULE 21: NOTES TO ACCOUNTS

<b>Date of grant June 26, 2009 Variables</b>	<b>Vest 1 June 26, 2010</b>	<b>Vest 2 June 26, 2011</b>	<b>Vest 3 June 25, 2012</b>	<b>Vest 4 June 25, 2013</b>	<b>Vest 5 June 25, 2014</b>
Weighted average stock price	36.65	36.65	36.65	36.65	36.65
Expected volatility (**)	97.30%	81.93%	77.57%	72.68%	70.10%
Risk free rate	5.61%	5.83%	6.05%	6.27%	6.47%
Exercise price (₹ per Option)	1	1	1	1	1
Time to maturity (years)	1.5	2.5	3.5	4.5	5.5
Dividend yield	0.60%	0.60%	0.60%	0.60%	0.60%
<b>Outputs</b>					
Option Fair Value	<b>35.40</b>	<b>35.24</b>	<b>35.08</b>	<b>34.93</b>	<b>34.77</b>
Vesting Percentage	<b>50.00%</b>	<b>20.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>
<b>Options Fair Value</b>	<b>35.23</b>				

**Notes:**

\* As approved by the Extra-Ordinary General Meeting of the company held on February 25, 2010, the Company has made sub-division of the face value of its equity share capital from ₹ 5 per share to ₹ 2 per share. Further, the company in the same meeting has approved bonus in the ratio of 1:1. Thus, ESOP data in the above table has been recalculated and presented after considering the impact of the sub-division of face value of the equity share and bonus thereon.

(\*\*) The measure of volatility used in the above model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. The volatility periods considered above, corresponding to the respective expected lives of the different vests are prior to the grant date. The daily volatility of stock prices is considered as per the National Stock Exchange (NSE) prices over these years.

10. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of Advances) are ₹ 52.65 crores (₹ 75.58 crores.)

**11. DETAILS OF LOANS AND ADVANCES GIVEN TO SUBSIDIARIES**

The details are provided as required by schedule VI of the Companies Act, 1956 and SEBI Circular SMD/Policy/Cir-2/2003 dated 10 January, 2003 of the Listing Agreement.

Outstanding Loans/Advances given to subsidiary Sterlite Display Technologies Private Limited (formerly known as 'Sterlite Infrastructure Private Limited') is ₹ 6.16 crores (₹ Nil). The maximum amount outstanding from Sterlite Display Technologies Private Limited (formerly known as 'Sterlite Infrastructure Private Limited') during the year is ₹ 6.16 crores (₹ 0.56 crore).

Outstanding Loans/Advances (including interest) given to subsidiary Sterlite Infra-tech Limited is ₹ 46.17 crores (₹ 6.56 crores). The maximum amount outstanding from Sterlite Infra-tech Limited during the year is ₹ 46.17 crores (₹ 6.59 crores).

Outstanding Loans/Advances given to subsidiary Sterlite Global Ventures (Mauritius) Limited is ₹ 0.42 crore (₹ Nil). The maximum amount outstanding from Sterlite Global Ventures (Mauritius) Limited during the year is ₹ 0.42 crore (₹ Nil).

12. There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

## FINANCIALS

### Schedules forming part of the Accounts

#### SCHEDULE 21: NOTES TO ACCOUNTS

#### 13. PAYMENT TO AUDITORS (EXCLUDING SERVICE TAX) (₹ in crores)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
a) Audit Fees	0.42	0.37
b) Tax Audit Fees	0.08	0.03
c) Any other Capacity (Certification work)	0.03	0.02
d) Out of Pocket expenses	0.05	0.05
<b>Total</b>	<b>0.58</b>	<b>0.47</b>

#### 14. MANAGERIAL REMUNERATION (₹ in crores)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
(i) Salary	5.16	4.23
(ii) Perquisites	2.30	0.48
(iii) Contribution to superannuation fund	0.36	0.29
(iv) Contribution to provident fund	0.29	0.58
<b>Total</b>	<b>8.11</b>	<b>5.58</b>

Note: As the liability for gratuity and leave encashment are provided on an actuarial basis for the Company as a whole, the amounts pertaining to the directors are not included above.

#### 15. RELATED PARTY DISCLOSURES

Related party disclosures as required by AS-18, Related Party Disclosures issued by the ICAI and notified under Rules are given below:

##### (a) Name of related party and nature of its relationship:

##### (i) Subsidiary

Sterlite Display Technologies Private Limited (formerly known as Sterlite Infrastructure Private Limited)  
Sterlite Infratech Limited  
East North Interconnection Company Limited  
Sterlite Transmission Projects Private Limited  
Jabalpur Transmission Company Limited (\*)  
Bhopal Dhule Transmission Company Limited (\*)  
Sterlite Global Ventures (Mauritius) Limited  
Jiangsu Sterlite and Tongguang Optical Fiber Co. Limited (\*)

##### (ii) Key Management Personnel

Mr. Pravin Agarwal  
Dr. Anand Agarwal

##### (iii) Entities where Key Management Personnel / relative of key management personnel has significant influence

Sterlite Industries (India) Limited  
Fujairah Gold FZE  
Bharat Aluminium Company Limited  
Hindustan Zinc Limited  
Sterlite Energy Limited  
Vedanta Aluminium Limited

##### (iv) Investing Company

Twin Star Overseas Limited

## Schedules forming part of the Accounts

## SCHEDULE 21: NOTES TO ACCOUNTS

- (b) There are no provisions for doubtful debts or no amounts have been written off in respect of debts due to or from related parties.

(\*) No transactions have been entered into with these parties during the year.

- (c) The transactions with related parties during the year and their outstanding balances are as follows:

Sr. No. Transactions	Subsidiaries		Investing Company		Key Management Personnel		Entities where Key Management Personnel/ relative of key management personnel has significant influence	
							₹ in crores)	
	10-11	09-10	10-11	09-10	10-11	09-10	10-11	09-10
<b>Transactions during the year:</b>								
1. Remuneration	—	—	—	—	8.11	5.58	—	—
2. Investments during the year	2.73	0.10	—	—	—	—	—	—
3. Dividend paid	—	—	8.65	3.52	—	—	—	—
4. Issue of equity share capital	—	—	—	3.23	—	—	—	—
5. Equity share premium received	—	—	—	38.70	—	—	—	—
6. Share application money for warrants issued	—	—	—	27.10	—	—	—	—
7. Share application money paid	91.41	—	—	—	—	—	—	—
8. Advance given to Subsidiary	6.16	0.25	—	—	—	—	—	—
9. Repayment of advances from subsidiary	—	0.56	—	—	—	—	—	—
10. Loans given to subsidiary (net of repayment)	15.90	28.24	—	—	—	—	—	—
11. Interest charged on loans	2.24	0.19	—	—	—	—	—	—
12. Sale of Fixed Assets	3.75	—	—	—	—	—	—	—
13. Sale of bungalow	—	—	—	—	—	4.08	—	—
14. Sale of land	—	—	—	—	—	17.98	—	—
15. Purchase of Goods	—	—	—	—	—	—	624.55	723.90
16. Sale of Goods (net of excise duty)	0.43	—	—	—	—	—	24.31	13.27
17. Interest Paid/(received)	—	—	—	—	—	—	0.79	(0.18)
18. Expenses incurred	—	—	—	—	—	—	0.85	0.33
19. Advance received against supplies	19.01	—	—	—	—	—	—	—
<b>Balance outstanding as at the year end:</b>								
20. Advances receivable/(payable)	(12.85)	—	—	—	—	—	—	—
21. Loans receivable (including interest)	46.59	28.43	—	—	—	—	—	—
22. Debtors/(Creditors)	0.48	—	—	—	—	—	(1.52)	5.42
23. Share application money pending allotment	91.41	—	—	—	—	—	—	—

**Disclosure in respect of Material Related Party Transactions during the year:**

- Payment to Key Management Personnel include Mr. Pravin Agarwal ₹ 5.59 crores (₹ 4.09 crores), Dr. Anand Agarwal ₹ 2.52 crores (₹ 1.49 crores).
- Investment during the year include Sterlite Display Technologies Private Limited ₹ 2.72 crore (₹ Nil). Sterlite Infratech Limited ₹ Nil (0.05 crore), East North Interconnection Company Limited ₹ Nil (₹ 0.05 crore).

## FINANCIALS

### Schedules forming part of the Accounts

#### SCHEDULE 21: NOTES TO ACCOUNTS

3. Share application money paid include Sterlite Transmission Project Private Limited ₹ 39.84 crores (₹ Nil), East North Interconnection Company Limited ₹ 51.57 crores (₹ Nil).
4. Advances given during the year include Sterlite Display Technologies Private Limited ₹ 6.16 crores (₹ 0.25 crore).
5. Repayment of advances include Sterlite Display Technologies Private Limited ₹ Nil (₹ 0.56 crore).
6. Loans given/(repayment) during the year include Sterlite Infratech Limited ₹ 37.35 crores (₹ 6.37 crores), East North Interconnection Company Limited ₹ (21.87 crores)(₹ 21.87 crores).
7. Interest charged on loans include Sterlite Infratech Limited ₹ 2.24 crores (₹ 0.19 crore)
8. Sale of fixed assets include Sterlite Infratech Limited ₹ 3.75 crores (₹ Nil).
9. Purchase of goods include Vedanta Aluminium Limited ₹ 483.88 crores (₹ 560.06 crores), Bharat Aluminium Company Limited ₹ 90.53 crores (₹ 115.45 crores).
10. Sale of goods include Sterlite Energy Limited ₹ 24.31 crores (₹ 13.27 crores).
11. Expenses incurred include Sterlite Industries (India) Limited ₹ 0.64 crore (₹ 0.33 crore), Vedanta Aluminium Limited ₹ 0.21 crore (₹ Nil).
12. Interest include Vedanta Aluminium Limited ₹ 0.65 crore [₹ (0.26) crore], Bharat Aluminium Company Limited ₹ 0.11 crore (₹ 0.02 crore).
13. Advances received against supplies include East North Interconnection Company Limited ₹ 19.01 crores (₹ Nil).

**Note:** As the liabilities for gratuity and leave encashment are provided on an actuarial basis for the Company as a whole, the amounts pertaining to the directors are not included above.

#### 16. OPERATING LEASES

The Company has taken office buildings on operating lease. The lease term is for a period of three years and renewable at the option of the Company. There is no escalation clause in the lease agreement. Disclosures in respect of operating leases of office buildings as per the requirement of AS-19 on Leases, notified under the Rules are as under:

- (a) Lease payments recognised in the statement of Profit and Loss for the year is ₹ 3.05 crores (₹ 2.62 crores).
- (b) The future minimum lease payments payable over the next one year is ₹ 1.55 crores (₹ 0.53 crore).
- (c) The future minimum lease payments payable later than one year but not later than five year is ₹ 2.66 crores (₹ 0.54 crore).

#### 17. EARNINGS PER SHARE (EPS)

(₹ in crores)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
I. Net Profit as per Profit and Loss Account available for Equity Shareholders	140.53	246.07
II. Weighted average number of equity shares		
For Basic Earning Per share	356,000,947	323,158,397
For Diluted Earnings Per Share	377,812,579	335,267,048
III. Earnings Per Share (Weighted Average)		
Basic (On Nominal Value of ₹ 2 Per Share) Rupees/share	3.95	7.61
Diluted (On Nominal Value of ₹ 2 Per Share) Rupees/share	3.72	7.34

## Schedules forming part of the Accounts

## SCHEDULE 21: NOTES TO ACCOUNTS

- 18.** The disclosures as per AS-15, Employee benefits notified under the Rules are as follows:-

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with Life Insurance Corporation of India in the form of a qualifying insurance policy.

**Changes in the present value of the defined benefit obligation are as follows:**

(₹ in crores)		
Particulars	March 31, 2011	March 31, 2010
Defined benefit obligation at the beginning of the year	3.23	2.34
Current service cost	0.48	0.44
Interest cost	0.27	0.20
Actuarial (gain)/loss on obligation	(0.16)	0.28
Past service cost	—	0.19
Benefits paid	(0.13)	(0.22)
Defined benefit obligation, end of the year	3.69	3.23

**Changes in the fair value of plan assets are as follows:**

(₹ in crores)		
Particulars	March 31, 2011	March 31, 2010
Fair value of plan assets at the beginning of the year	1.62	1.73
Expected return on plan assets	0.14	0.14
Contribution by employer	0.01	—
Benefits paid	(0.13)	(0.22)
Actuarial gain/(loss) on plan assets	0.14	(0.03)
Fair value of plan assets at the end of the year	1.78	1.62

\* The Company expects to contribute ₹ Nil (Previous year ₹ 1.10 crores) to its defined benefit gratuity plan in 2010-11.

**The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:**

Particulars	March 31, 2011 %	March 31, 2010 %
Investment with Insurer (Life Insurance Corporation of India)	100.00	100.00

**Details of defined benefit obligation**

(₹ in crores)		
Particulars	March 31, 2011	March 31, 2010
Defined Benefit Obligation	3.69	3.23
Fair Value of Plan Assets	1.78	1.62
Plan Liability	1.91	1.61

**Net employee benefit expense recognised in the profit and loss account:**

(₹ in crores)		
Particulars	March 31, 2011	March 31, 2010
Current Service cost	0.48	0.44
Interest cost on benefit obligation	0.27	0.20
Net actuarial (gain)/loss recognised in the year	(0.30)	0.55
Expected return on plan assets	(0.14)	(0.14)
Contribution by employer	(0.01)	—
Net benefit expense	0.30	1.05

## FINANCIALS

### Schedules forming part of the Accounts

#### SCHEDULE 21: NOTES TO ACCOUNTS

**Amounts for the current and previous periods are as follows:** (₹ in crores)

Particulars	2010-11	2009-10	2008-09	2007-08	2006-07
Defined benefit obligation	3.69	3.23	2.34	1.89	1.88
Plan assets	1.78	1.62	1.73	2.14	1.64
Surplus/(deficit)	1.91	1.61	0.61	(0.25)	0.24
Experience adjustments on plan liabilities	(0.06)	0.70	—	—	—
Experience adjustments on plan assets	(0.14)	1.31	—	—	—

**The principal assumptions used in determining defined benefit obligation are shown below:**

Particulars	March 31, 2011	March 31, 2010
Discount rate	8.50%	8.25%
Expected rate of return on plan asset	8%	8%
Employee Turnover	2%	2%
Actual Rate of return on plan assets	9.30%	8%

The estimated future salary increase, considered in actuarial valuation, takes into account the effect of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. The overall expected rate of return on plan assets is determined based on the market prices prevailing as on balance sheet date, applicable to the period over which the obligation is to be settled.

#### 19. DETAILS REGARDING LICENSED/REGISTERED, INSTALLED CAPACITY AND ACTUAL PRODUCTION (AS CERTIFIED BY THE MANAGEMENT)

A. Capacity	UNIT	Licensed/Registered Capacity		Installed Capacity	
		2010-11 Per Annum	2009-10 Per Annum	2010-11 Per Annum	2009-10 Per Annum
Power Transmission Line – Distribution Conductor **	MT	N.A.	N.A.	160,000	160,000
Copper Telecom Cables	CKM	9,500,000	9,500,000	2,828,400	3,500,000
Fiber Optic cables*	FKM	5,309,059	5,309,059	4,500,000	4,500,000
Optical Fiber	KM	12,000,000	12,000,000	12,000,000	10,000,000
Broadband Access Networks	NOS.	1,500,000	1,500,000	1,000,000	1,000,000

\* Based on Average Fibre KM.

\*\* N.A. – Delicensed vide notification no. 477 (E) Dated 27th July, 1991.

B. Production (including for captive consumption)	UNIT	March 31, 2011	March 31, 2010
Copper Telecom Cables	CKM	720,524	830,750
Fiber Optic cables	FKM	3,775,878	2,732,919
Optical Fibre*	KM	9,130,523	8,283,983
Power Transmission Line – Distribution Conductor (AAC/ACSR) **	MT	125,530	126,240

\* It includes 3,742,671 KM (2,906,150 KM) produced for captive consumption

\*\* Current Year 140,952 KM (129,036 KM)

## STANDALONE ACCOUNTS

### Schedules forming part of the Accounts

#### SCHEDULE 21: NOTES TO ACCOUNTS

#### 20. QUANTITATIVE INFORMATION IN RESPECT OF OPENING STOCK, CLOSING STOCK, SALES OF FINISHED GOODS AND CONSUMPTION OF RAW MATERIALS

(₹ in crores)

a) Opening Stock	UNIT	2010-11		2009-10	
		Quantity	Value	Quantity	Value
Copper Telecom Cables	CKM	10,590	0.88	24,054	1.13
Fiber Optic cables	FKM	70,800	2.76	22,891	2.27
Optical Fibre	KM	182,297	5.41	194,037	5.60
Power Transmission Line – Distribution Conductor (AAC/ACSR) (Current year 1604 KM Previous Year is 997 KM)	MT	2,071	22.68	403	3.46
Broadband Access Networks	NOS	2,408	0.16	2,719	0.14
<b>Total</b>			<b>31.89</b>		<b>12.60</b>

(₹ in crores)

b) Closing Stock	UNIT	2010-11		2009-10	
		Quantity	Value	Quantity	Value
Copper telecom cables	CKM	19,669	2.40	10,590	0.88
Fiber optic cables	FKM	170,755	9.70	70,800	2.76
Optical fibre	KM	492,694	14.71	182,297	5.41
Power Transmission Line Conductor (AAC/ACSR) (Current year 3866 KM Previous Year is 1604 KM)	MT	2,947	35.52	2,071	22.68
Broadband Access Networks	NOS	2,408	0.33	2,408	0.16
			<b>62.66</b>		<b>31.89</b>

(₹ in crores)

c) Turnover (Gross)	UNIT	2010-11		2009-10	
		Quantity	Value	Quantity	Value
Copper Telecom Cables ***	CKM	7,21,498	107.94	8,44,214	96.96
Fibre Optic cables ***	FKM	3,675,923	350.36	2,685,010	272.80
Optical Fibre ***	KM	5,077,455	189.29	5,389,573	234.12
Power Transmission & Distribution Conductors AAC/ACSR [Current Year 138,689 KM, (128,551 KM)] ***	MT	124,653	1,607.25	124,572	1,537.04
Broadband and Access Networks *			** 29.56	**	339.89
Others			32.29		14.69
<b>Total</b>			<b>2,316.69</b>		<b>2,495.50</b>

\* Including Revenue of Integrated Management Services ₹ 26.56 crores (₹ 133.84 crores) and it includes ₹ 2.91 crores of service income for the current year (₹ 1.00 crores).

\*\* It is not practicable to furnish quantitative information in view of large number of items which differ in size and nature.

\*\*\* Export benefits earned are included as a part of turnover of respective product.

## FINANCIALS

### Schedules forming part of the Accounts

#### SCHEDULE 21: NOTES TO ACCOUNTS

(₹ in crores)

d) Raw Material Consumed	UNIT	2010-11		2009-10	
		Quantity	Value	Quantity	Value
Aluminum/Alloy	MT	1,08,721	1,175.13	1,04,903	1,025.01
Copper Rods	MT	1,685	65.25	1,744	50.41
Polyethylene Compounds	MT	4,486	29.77	3,637	22.65
Galvanised Steel Wire/Steel tape	MT	20,329	103.32	23,992	119.01
Silicon Tetrachloride	KG	3,095,191	22.35	2,805,704	26.23
Resin	KG	468,355	21.69	4,28,058	18.53
Others			167.82		369.44
			<b>1,585.33</b>		<b>1,631.28</b>

#### 21. CIF VALUE OF IMPORTS

(₹ in crores)

Particulars	2010-11	2009-10
Raw Material	372.85	593.68
Stores Spares & Consumables	12.29	10.40
Capital Goods	78.50	26.84
	<b>463.64</b>	<b>630.92</b>

#### 22. EXPENDITURE IN FOREIGN CURRENCY (ACCRUAL BASIS)

(₹ in crores)

Particulars	2010-11	2009-10
Travel	3.69	1.20
Sales Commission	5.43	4.53
Interest	3.53	3.95
Others	24.37	32.16
Royalty	1.18	2.68
	<b>38.20</b>	<b>44.52</b>

#### 23. EARNINGS IN FOREIGN CURRENCY

(₹ in crores)

Particulars	2010-11	2009-10
FOB Value of Exports	699.85	554.22
FOB Value of Deemed Exports	92.85	264.86

#### 24. VALUE OF RAW MATERIAL CONSUMED

Particulars	2010-11 (₹ in crores)	% of Total Consumption	2009-10 (₹ in crores)	% of Total Consumption
Indigenous	1,179.38	74.39	990.17	60.70
Imported	405.95	25.61	641.11	39.30
	<b>1,585.33</b>	<b>100.00</b>	<b>1,631.28</b>	<b>100.00</b>



## Schedules forming part of the Accounts

## SCHEDULE 21: NOTES TO ACCOUNTS

**25. VALUE OF COMPONENTS, STORES AND SPARE PARTS CONSUMED**

<b>Particulars</b>	<b>2010-11 (₹ in crores)</b>	<b>% of Total Consumption</b>	<b>2009-10 (₹ in crores)</b>	<b>% of Total Consumption</b>
Indigenous	24.29	79.77	22.97	77.28
Imported	6.16	20.23	6.75	22.72
	<b>30.45</b>	<b>100.00</b>	<b>29.72</b>	<b>100.00</b>

**26. CONTINGENT LIABILITIES**

(₹ in crores)

<b>Sr. No.</b>	<b>Particulars</b>	<b>2010-11</b>	<b>2009-10</b>
1.	Disputed Liabilities in Appeal		
	a) Sales Tax	0.59	0.59
	b) Excise Duty (Including Excise duty case in Supreme Court, Refer Note 8, Schedule 21)	247.07	266.69
	c) Customs Duty	74.31	74.31
	d) Service Tax	2.48	2.45
	e) Claims lodged by a Bank Against the company (*)	18.87	18.87
	f) Claims against the company not acknowledged as Debt	—	2.07
2.	Outstanding amount of Export obligation against Advance Licence	87.19	58.99
3.	The company has given Corporate Guarantee to the Income Tax Department on behalf of group companies. The outstanding amount is ₹ 114.00 crores (₹ 114.00 crores) on this account as at the year-end.		
	The company has given Corporate Guarantee to Long Term Transmission Customers on behalf of its subsidiary company. The outstanding amount is ₹ 30.00 crores (₹ Nil) on this account as at the year-end.		

The Company has not provided for disputed Sales Tax, Excise Duty, Customs Duty and Service Tax arising from disallowances made in assessments which are pending with Appellate Authorities for its decision.

It is not practicable to indicate the uncertainties which may affect the future outcome and estimate the financial effect of the above liabilities.

(\*) In an earlier year, one of the Bankers of the Company had wrongly debited an amount of ₹ 18.87 crores, towards import consignment under Letter of Credit not accepted by the Company, owing to discrepancies in the documents. The Company has filed the case against the bank in the High Court of Mumbai. The bank has also filed a claim against the Company in the Debt Recovery Tribunal. The Company does not believe that any liability will arise to the Company.

## FINANCIALS

### Schedules forming part of the Accounts

#### SCHEDULE 21: NOTES TO ACCOUNTS

- 27.** In accordance with the Notified AS-17 under the Companies (Accounting Standards) Rules, 2006 on “Segment Reporting”, issued by the Institute of Chartered Accountants of India, the Company has identified two reportable Business Segments i.e. Telecom Product Business and Power Transmission Business, which are regularly evaluated by the Management, in deciding the allocation of resources and assessment of performance. Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common cost. The segment performance as follows:

(₹ in crores)

(i) Particulars	Telecom		Transmission		Unallocable		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
<b>Segment Revenue</b>	<b>677.15</b>	<b>949.05</b>	<b>1,639.54</b>	<b>1,546.45</b>	—	—	<b>2,316.69</b>	<b>2,495.50</b>
Less: Excise	20.51	42.19	33.63	21.68	—	—	54.14	63.87
Net Revenue	656.64	906.86	1,605.91	1,524.77	—	—	2,262.55	2,431.63
<b>Segment Result (PBIT)</b>	<b>127.92</b>	<b>164.35</b>	<b>97.68</b>	<b>191.22</b>	—	—	<b>225.60</b>	<b>355.57</b>
Less: Interest	—	—	—	—	47.41	38.12	47.41	38.12
Profit Before Tax	—	—	—	—	—	—	178.19	317.45
Provision for Tax (Net)	—	—	—	—	37.66	71.38	37.66	71.38
<b>Net Profit</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>140.53</b>	<b>246.07</b>
Segment Assets	1,286.15	1,193.26	1,091.47	707.78	136.43	54.72	2,514.05	1,955.76
Segment Liabilities	298.62	449.39	457.08	120.87	102.68	111.31	858.38	681.57
Capital Expenditure Incurred	150.23	72.50	94.64	16.01	—	—	244.87	88.51
Depreciation	40.01	33.45	16.00	14.81	—	—	56.01	48.26
Significant non cash expenditure	0.89	13.72	2.40	3.62	—	(3.45)	3.29	13.89

(₹ in crores)

(ii) Particulars	2010-11	2009-10
<b>1. Segment Revenue - External Turnover</b>		
– Within India	1,533.90	1,908.55
– Outside India	782.79	586.95
<b>Total Revenue</b>	<b>2,316.69</b>	<b>2,495.50</b>
<b>2. Segment Assets</b>		
– Within India	2,227.61	1,875.22
– Outside India	286.44	80.54
<b>Total Assets</b>	<b>2,514.05</b>	<b>1,955.76</b>
<b>3. Capital Expenditure</b>		
– Within India	244.87	88.51
<b>Total Capital Expenditure</b>	<b>244.87</b>	<b>88.51</b>

#### 28. DISCLOSURE OF MICRO, SMALL AND MEDIUM ENTERPRISES -

Description	2010-11	2009-10
(i) The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year.	0.01	0.41
(ii) The amount of interest paid by the buyer in terms of Section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	—	—

## Schedules forming part of the Accounts

## SCHEDULE 21: NOTES TO ACCOUNTS

Description	2010-11	2009-10
(iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	0.00*	0.03
(iv) The amount of interest accrued and remaining unpaid at the end of each accounting year.	0.03	0.03
(v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro Small and Medium Enterprise Development Act, 2006.	—	—

\* Amount is below ₹ 0.01 crore.

Interest payable as per Section 16 of the Micro, Small and Medium Enterprises Act, 2006 is 0.03 crore (0.03 crore) and same is not accrued in the books of accounts. During, the year 2010-2011 the Company has not received any confirmation for Micro, Small and Medium enterprise.

- 29.** Expenditure of ₹ 1.88 crores (₹ 4.39 crores) and 1.12 crores (₹ 0.35 crore) on account of financing cost relating to borrowed funds for construction or acquisition of fixed assets is debited to "Fixed Assets" and "Capital work-in-Progress" respectively.

**30. REMITTANCES IN FOREIGN CURRENCY:**

On account of final dividend to non-resident shareholders

Particulars	2010-11	2009-10
No. of Shareholders	1	1
No. of Equity Shares	172,902,750	140,652,750
Amount Remitted, net of tax (₹ in crores)	8.65	3.52
Year to which it pertains	2009-10	2008-09

- 31.** Excise duty on sales amounting to ₹ 54.14 crores (₹ 63.87 crores) has been reduced from sales in profit & loss account and excise duty on increase/decrease in stock amounting to ₹ 3.50 crores (₹ 0.83 crore) has been disclosed in Schedule 15 of financial statements.

**32. PREVIOUS YEAR COMPARATIVES**

Previous Year's figures have been regrouped where necessary to confirm to current year's classification.

For and on behalf of the Board of Directors of  
Sterlite Technologies Limited

**For S. R. Batliboi & Co.**

Firm Registration No. 301003E  
Chartered Accountants

**per Arvind Sethi**

Partner

Membership Number: 89802

Place : Mumbai

Date : April 29, 2011

**Pravin Agarwal**

Whole-time Director

**Anupam Jindal**

Chief Financial Officer

**Anand Agarwal**

CEO & Whole-time Director

**Sandeep Deshmukh**

Company Secretary

## FINANCIALS

### Cash Flow Statement

(₹ in crores)

	Year ended March 31, 2011	Year ended March 31, 2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit as per Profit and Loss Account	140.53	246.07
Adjustment for Taxation	37.66	71.38
	<b>178.19</b>	<b>317.45</b>
Adjustments for :		
– Depreciation and Impairment	56.01	48.26
– Unclaimed Liability Written Back	–	(0.53)
– Provision for Doubtful Debts	0.95	10.28
– Bad Debts written off/ (written back)	(0.02)	1.81
– Provision for Contingencies	–	15.00
– Provision for Contingencies no longer required written back	(15.00)	–
– Income from Investments	(1.41)	(3.82)
– Interest and Finance Charges	47.41	38.12
– Interest Income	(9.56)	(7.86)
– Exchange difference	(7.99)	(13.12)
– (Profit) / Loss on Sale of Assets	0.28	(10.32)
– Employees Stock Option Expenses amortised	2.02	0.73
	<b>72.69</b>	<b>78.55</b>
<b>Operating profit before working capital changes</b>	<b>250.88</b>	<b>396.00</b>
Movements in working capital :		
– Increase in Sundry Debtors, Loans and Advances	(309.59)	(34.73)
– Increase in Inventories	(20.47)	(70.55)
– Increase in Current Liabilities and Provisions	190.13	111.17
Change in working capital	<b>(139.93)</b>	<b>5.89</b>
Cash generated from operations	110.95	401.89
Direct taxes Paid (Net of Refunds)	(37.20)	(55.04)
<b>Net cash flow from Operating Activities</b>	<b>73.75</b>	<b>346.85</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets (Including Capital Work in Progress)	(244.87)	(88.51)
Proceed from Sale of Fixed Assets	5.05	23.84
Purchase of Investments	(878.36)	(2,597.33)
Sale of Investments	879.77	2,587.15
Investment in Subsidiaries	(2.73)	(0.10)
Share Application Money Pending Allotment in Subsidiaries	(91.41)	–
Investment in Bank Fixed Deposits*	(460.55)	(210.20)
Redemption of Bank Fixed Deposits*	549.94	80.72
Advances to Subsidiaries (net)	(24.32)	(28.12)
Interest Received	9.89	7.56
<b>Net cash flow used in Investing Activities</b>	<b>(257.59)</b>	<b>(224.99)</b>

## STANDALONE ACCOUNTS

### Cash Flow Statement

(₹ in crores)

	Year ended March 31, 2011	Year ended March 31, 2010
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Short Term Loans	318.93	1,650.00
Repayment of Short Term Loans	(57.32)	(1,650.00)
Proceeds of Share Capital	–	41.93
Proceeds of Share Application Money	0.01	27.10
Proceeds of Employee Stock Options	0.09	0.06
Repayment of Long Term Loans	–	(138.42)
Interest paid	(47.39)	(40.74)
Dividend paid on Equity Shares (Including Dividend Distribution Tax)	(20.74)	(9.45)
<b>Net Cash flow from/ (used in) Financing Activities</b>	<b>193.58</b>	<b>(119.52)</b>
<b>Net Increase in cash and cash equivalent</b>	<b>9.74</b>	<b>2.34</b>
<b>Cash and cash equivalent as at beginning of year</b>	<b>4.34</b>	<b>2.00</b>
<b>Cash and cash equivalent as at year end **</b>	<b>14.08</b>	<b>4.34</b>
<p>* Investments in Bank Fixed Deposits having maturity of more than 3 Months have been shown under the cash flows from Investing activities.</p> <p>** The Cash and Cash Equivalents includes balance of ₹ 0.09 crore which are not available for use by the Company.</p>		
<b>Components of Cash &amp; Cash Equivalents:</b>		
Cash & Bank Balance as per Financials	130.06	209.71
Less : Fixed deposits not considered as cash equivalents	115.98	205.37
<b>Cash &amp; Cash Equivalent in Cash Flow Statement</b>	<b>14.08</b>	<b>4.34</b>

As per out attached Report of even date

For and on behalf of the Board of Directors of  
Sterlite Technologies Limited

**For S. R. Batliboi & Co.**

Firm Registration No. 301003E  
Chartered Accountants

**per Arvind Sethi**

Partner  
Membership Number: 89802  
Place : Mumbai  
Date : April 29, 2011

**Pravin Agarwal**

Whole-time Director

**Anupam Jindal**

Chief Financial Officer

**Anand Agarwal**

CEO & Whole-time Director

**Sandeep Deshmukh**

Company Secretary

# FINANCIALS

## Balance Sheet Abstract and Company's General Business Profile

### I. Registration Details

Registration No. 

1	2	5	2	2	5
---	---	---	---	---	---

 State Code 

5	4
---	---

Balance Sheet Date 

3	1
---	---

0	3
---	---

2	0	1	1
---	---	---	---

Date                      Month                      Year

### II. Capital Raised during the year (Amount in ₹ crores)

Public Issue 

			N	I	L
--	--	--	---	---	---

 Private Placement 

			N	I	L
--	--	--	---	---	---

Rights Issue 

			N	I	L
--	--	--	---	---	---

### III. Position of Mobilisation and Deployment of Funds (Amount in ₹ crores)

Total Liabilities 

		1	7	2	2
--	--	---	---	---	---

 Total Assets 

		1	7	2	2
--	--	---	---	---	---

#### Sources of Funds

Paid-up Equity Share Capital 

				7	1
--	--	--	--	---	---

 Share Warrants 

				2	7
--	--	--	--	---	---

Employee Stock Option Outstanding 

					3
--	--	--	--	--	---

 Reserve & Surplus 

			9	3	5
--	--	--	---	---	---

Secured Loans 

			1	7	5
--	--	--	---	---	---

 Unsecured Loans 

			4	4	5
--	--	--	---	---	---

Deferred Tax 

				6	6
--	--	--	--	---	---

#### Application of Funds

Net Fixed Assets 

			8	6	7
--	--	--	---	---	---

 Investments 

			1	0	9
--	--	--	---	---	---

Net Current Assets 

			7	4	6
--	--	--	---	---	---

 Miscellaneous Expenses 

			N	I	L
--	--	--	---	---	---

Accumulated Losses 

			N	I	L
--	--	--	---	---	---

### IV. Performance of Company (Amount in ₹ crores)

Turnover 

		2	2	6	2
--	--	---	---	---	---

 Profit after Tax 

			1	4	1
--	--	--	---	---	---

Other Income 

				1	6
--	--	--	--	---	---

 Earnings Per Share in ₹ 

		3	.	7	2
--	--	---	---	---	---

Total Expenditure 

		2	1	0	0
--	--	---	---	---	---

 Dividend Rate % 

				2	5
--	--	--	--	---	---

Profit before Tax 

			1	7	8
--	--	--	---	---	---

### V. Generic Names of Three Principal Products of Company

Item Code No. (ITC Code)	<table border="1" style="display: inline-table;"><tr><td>9</td><td>0</td><td>0</td><td>1</td><td></td><td>1</td><td>0</td><td>0</td><td>0</td></tr></table>	9	0	0	1		1	0	0	0
9	0	0	1		1	0	0	0		
Product Description	OPTICAL FIBER									
Item Code No. (ITC Code)	<table border="1" style="display: inline-table;"><tr><td>9</td><td>0</td><td>0</td><td>1</td><td></td><td>1</td><td>0</td><td>0</td><td>0</td></tr></table>	9	0	0	1		1	0	0	0
9	0	0	1		1	0	0	0		
Product Description	OPTICAL FIBER CABLE									
Item Code No. (ITC Code)	<table border="1" style="display: inline-table;"><tr><td>8</td><td>5</td><td>4</td><td>4</td><td></td><td>2</td><td>0</td><td>1</td><td>9</td></tr></table>	8	5	4	4		2	0	1	9
8	5	4	4		2	0	1	9		
Product Description	JELLY FILLED TELEPHONE CABLE									
Item Code No. (ITC Code)	<table border="1" style="display: inline-table;"><tr><td>7</td><td>6</td><td>1</td><td>4</td><td>1</td><td>0</td><td></td><td></td><td></td></tr></table>	7	6	1	4	1	0			
7	6	1	4	1	0					
Product Description	ALUMINIUM CONDUCTORS (AAC/ACSR)									
Item Code No. (ITC Code)	<table border="1" style="display: inline-table;"><tr><td>8</td><td>5</td><td>1</td><td>7</td><td></td><td>6</td><td>2</td><td>3</td><td>0</td></tr></table>	8	5	1	7		6	2	3	0
8	5	1	7		6	2	3	0		
Product Description	BROADBAND ACCESS NETWORKS									

For and on behalf of the Board

**Pravin Agarwal**

Whole-time Director

**Anand Agarwal**

CEO & Whole-time Director

**Anupam Jindal**

Chief Financial Officer

**Sandeep Deshmukh**

Company Secretary

Place : Mumbai

Date : April 29, 2011

# Statement Pursuant to Section 212 of the Companies Act, 1956 Relating to Subsidiary Companies

	<b>Sterlite Display Technologies Private Limited</b>	<b>Sterlite Infra-tech Limited</b>	<b>East-North Interco- nnection Limited</b>	<b>Sterlite Transmission Project Private Limited</b>	<b>Sterlite Global Ventures (Mauritius) Limited</b>	<b>Bhopal Transmission Company Limited</b>	<b>Jabalpur Transmission Company Limited</b>	<b>Jiangsu Sterlite and Tongguang optical Fiber Co. Limited</b>
1. Financial Year of the subsidiaries company ended on	31st March 2011	31st March 2011	31st March 2011	31st March 2011	31st March 2011	31st March 2011	31st March 2011	31st March 2011
2. Shares of the Subsidiary Company held on that date and extent of holding (a) Equity Shares of ₹ 10 each (expect \$ 1 each in Sterlite Global Venture (Mauritius) Limited Extent of holding	8,730,000 85.3%	50,000 100.0%	50,000 100.0%	10,000 100.0%	1 100.0%	50,000 100.0%	50,000 100.0%	— —
3. The net aggregate amount of the Subsidiary's profit/ (loss) so far as it is concerned with the members of Sterlite Technologies Limited i) Not dealt with in the Holding Company's Account (₹ in crores) a) For the financial year of the subsidiary b) For the previous financial years of the subsidiary since it became a subsidiary of the Holding Company ii) Dealt with in the Holding Company's Accounts (₹ in crores) a) For the financial year of the subsidiary b) For the previous financial years of the subsidiary since it became a subsidiary of the Holding Company 4. Material changes, if any, between the end of the financial year of the subsidiary company and the Holding Company	0.16 0.51 NIL NIL N.A.	0.87 0.56 NIL NIL N.A.	(0.05) (0.08) NIL NIL N.A.	(0.16) (0.16) NIL NIL N.A.	— — NIL NIL N.A.	— — NIL NIL N.A.	— — NIL NIL N.A.	— — NIL NIL N.A.

For and on behalf of the Board of Director's  
of Sterlite Technologies Limited

**Pravin Agarwal**  
Whole-time Director

**Anand Agarwal**  
CEO & Whole-time Director

**Anupam Jindal**  
Chief Financial Officer

**Sandeep Deshmukh**  
Company Secretary

Place : Mumbai  
Date : April 29, 2011





## Auditors' Report

To

The Board of Directors

Sterlite Technologies Limited

1. We have audited the attached consolidated Balance Sheet of Sterlite Technologies Limited, its subsidiaries and Joint Venture ('the Group'), as at March 31, 2011, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Sterlite Technologies Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of Jabalpur Transmission Company Limited and Bhopal Dhule Transmission Company Limited whose audited financial statements reflects Group's share of total assets of ₹ 40.82 crores as at March 31, 2011, the total revenue of ₹ Nil and net cash outflows amounting to ₹ 0.09 crores for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
4. We did not audit the financial statements of Sterlite Global Ventures (Mauritius) Limited, Jiangsu Sterlite & Tongguang Optical Fibres Co Ltd whose audited financial statements reflects Group's share of total assets of ₹ 0.42 crores as at March 31, 2011, the total revenue of ₹ Nil and net cash outflows amounting to ₹ 0.42 crores for the year then ended. These financial statements and other financial information have been prepared under the relevant applicable Generally Accepted Accounting Principles (GAAP) of the country, where the subsidiary/joint venture is registered. Adjustments have been made

to realign the accounting policies of these companies to those of the Group, which have been examined by us for the year ended March 31, 2011.

5. *As stated in Note no. 8 of Schedule 21, the Company had in an earlier year received an order of CESTAT upholding a demand of ₹188 crores (including penalties and excluding interest) (₹ 188 crores as at March 31, 2010) in a pending excise/custom matter. The Company's appeal against this order with the Honourable Supreme Court has been admitted. Based on the current status and legal advice received, provision for liability as recorded and disclosed in Note no. 8 of Schedule 21 in the accompanying financial statements is considered adequate by Management. In the event the decision of the Honourable Supreme Court goes against the Company on any of the grounds of appeal, additional provision against the said demand may be required. Pending disposal of the matter by the Honourable Supreme Court, the amount of excise / custom duty payable, if any, is currently unascertainable. Our audit report on the financial statements for the years ended March 31, 2009 and March 31, 2010 were qualified in respect of this matter.*
6. Based on our audit and on consideration of report of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements, *subject to the matter referred to in paragraph 5 above* give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2011;
  - (b) in the case of the consolidated profit and loss account, of the profits for the year ended on that date; and
  - (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

**For S.R. Batliboi & Co.**

Firm Registration No. 301003E

Chartered Accountants

**per Arvind Sethi**

Partner

Membership No.: 89802

Place : Mumbai

Date : April 29, 2011

# FINANCIALS

## Consolidated Balance Sheet

(₹ in crores)

	Schedule	As at March 31, 2011	As at March 31, 2010
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
Share Capital	1	71.28	71.10
Share Application Money Pending Allotment		27.12	27.11
Employee Stock Option Outstanding	2	2.98	3.91
Reserves and Surplus	3	935.24	813.92
		<b>1,036.62</b>	<b>916.04</b>
<b>2. Minority Interest</b>		1.02	2.75
<b>3. Loan Funds</b>			
Secured Loans	4	322.98	232.30
Unsecured Loans	5	444.79	126.42
		767.77	358.72
<b>4. Deferred Tax Liability (Net)</b> (Refer Note 4, Schedule 21)		66.01	60.16
<b>Total</b>		<b>1,871.42</b>	<b>1,337.67</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets and Intangibles</b>	6		
Gross Block		1,180.70	1,094.61
Less: Accumulated Depreciation and Impairment		474.36	468.18
Net Block		706.34	626.43
Capital Work-in-Progress including Capital Advances		392.64	85.18
		1,098.98	711.61
<b>2. Goodwill</b>		3.35	2.47
<b>3. Investments</b>	7	112.00	106.98
<b>4. Current Assets, Loans and Advances</b>			
Inventories	8	192.84	170.91
Sundry Debtors	9	866.50	628.97
Cash and Bank Balances	10	180.95	210.31
Loans and Advances	11	213.22	130.33
		1,453.51	1,140.52
<b>Less: Current Liabilities and Provisions:</b>			
Current Liabilities	12	759.84	572.85
Provisions	13	36.58	51.06
		796.42	623.91
<b>Net Current Assets</b>		657.09	516.61
<b>Total</b>		<b>1,871.42</b>	<b>1,337.67</b>
Notes to Accounts	21		

The schedules referred to above and notes to accounts form an integral part of the Consolidated Balance Sheet.

As per our attached report of even date

For and on behalf of the Board of Directors of  
Sterlite Technologies Limited

For **S. R. Batliboi & Co.**  
Firm's Registration No. 301003E  
Chartered Accountants

**Pravin Agarwal**  
Whole-time Director  
**Anupam Jindal**  
Chief Financial Officer

**Anand Agarwal**  
CEO & Whole-time Director  
**Sandeep Deshmukh**  
Company Secretary

**per Arvind Sethi**  
Partner  
Membership Number: 89802

Place : Mumbai  
Date : April 29, 2011

## CONSOLIDATED ACCOUNTS

### Consolidated Profit and Loss Account

(₹ in crores)

	Schedule	Year Ended March 31, 2011	Year Ended March 31, 2010
<b>I. INCOME</b>			
Turnover (Gross)		2,316.26	2,495.50
Less: Excise Duty (Refer Note 23, Schedule 21)		54.14	63.87
Turnover (Net)		2,262.12	2,431.63
Other Income	14	14.96	22.96
<b>Total</b>		<b>2,277.08</b>	<b>2,454.59</b>
<b>II. EXPENDITURE</b>			
Manufacturing and Other Expenses	15	1,784.82	1,813.05
Personnel Expenses	16	82.58	58.03
Selling and Distribution Expenses	17	93.06	78.36
Administration and General Expenses	18	31.54	95.49
Research and Development Expenses	19	4.57	5.98
Interest and Finance charges	20	45.17	38.12
		<b>2,041.74</b>	<b>2,089.03</b>
<b>Profit before depreciation and taxation</b>		235.34	365.56
Depreciation and Amortisation		56.03	48.26
<b>Profit before taxation</b>		<b>179.31</b>	<b>317.30</b>
Provision for taxation			
– Current Tax		32.33	58.24
– Minimum Alternate Tax Credit Eligible for Set Off (Refer Note 8, Schedule 21)		(0.22)	(2.00)
– Provision for earlier years		—	10.93
– Deferred Tax Charge, Net (Refer Note 4, Schedule 21)		5.85	4.21
<b>Net Profit</b>		<b>141.35</b>	<b>245.92</b>
– Minority Interest		0.04	0.08
– Adjustment towards Goodwill		0.07	—
<b>Profit after minority interest</b>		141.24	<b>245.84</b>
Balance brought forward from previous year		608.06	407.63
<b>Amount available for appropriations</b>		<b>749.30</b>	<b>653.47</b>
<b>Appropriations</b>			
Transfer to General Reserve		14.06	24.61
Proposed Dividend on Equity Shares ₹ 0.50 Per Share (₹ 0.50 Per Share)		19.65	17.78
Tax on Proposed Dividend		3.13	3.02
<b>Surplus carried to Balance Sheet</b>		<b>712.46</b>	<b>608.06</b>
<b>Earnings Per Share [Nominal Value of shares ₹ 2 each (₹ 2)] (Refer note 16 of Schedule 21)</b>			
Basic		3.97	7.61
Diluted		3.74	7.33
<b>Notes to Accounts</b>	21		

The schedules referred to above and notes to accounts form an integral part of the Consolidated Profit and Loss Account.

As per our attached report of even date

For and on behalf of the Board of  
Sterlite Technologies Limited

For **S. R. Batliboi & Co.**  
Firm's Registration No. 301003E  
Chartered Accountants

**Pravin Agarwal**  
Whole-time Director  
**Anupam Jindal**  
Chief Financial Officer

**Anand Agarwal**  
CEO & Whole-time Director  
**Sandeep Deshmukh**  
Company Secretary

**per Arvind Sethi**  
Partner  
Membership Number: 89802

Place : Mumbai  
Date : April 29, 2011

## FINANCIALS

### Schedules forming part of the Consolidated Balance Sheet

(₹ in crores)

	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 1: SHARE CAPITAL</b>		
<b>Authorised</b>		
75,00,00,000 (75,00,00,000) Equity Shares of ₹ 2 each	150.00	150.00
(Previous Year ₹ 2 each)	<b>150.00</b>	<b>150.00</b>
<b>Issued, Subscribed and Paid up</b>		
35,63,82,129 (35,55,18,510) Equity Shares of ₹ 2 each		
fully paid-up (Previous Year ₹ 2 each)	71.28	71.10
<b>Total</b>	<b>71.28</b>	<b>71.10</b>

Of the above:

- 1) 139,781,397 (139,781,397 of ₹ 2 each fully paid-up) Equity Shares of ₹ 2 each were allotted to the shareholders of Sterlite Industries (I) Ltd. upon demerger pursuant to the scheme of arrangement sanctioned by the Honourable High Court of Judicature at Bombay, being shares issued for consideration other than cash.
- 2) During the financial year 2009-10, 16,125,000 Share Warrants were converted into 32,250,000 fully paid-up Equity Shares of ₹ 2 each, which includes 16,125,000 Equity Shares issued as bonus shares.
- 3) During the year 863,619 of ₹ 2 each (2,159,294 Equity Shares of ₹ 2 each) shares were issued to employees of the company under ESOP Scheme. For Stock Options outstanding details Refer Note 10, Schedule 21.
- 4) Of the above Equity Shares 178,191,065 shares of 2 each were allotted as fully paid-up bonus shares by utilisation of ₹ 35.64 crores from Securities Premium.

### SCHEDULE 2: EMPLOYEE STOCK OPTION OUTSTANDING

Balance as per last Balance Sheet	3.91	5.26
Add: Employees Stock Option Expenses For the year (Refer Note 10, Schedule 21)	2.02	0.73
Less: Transferred to Securities Premium Account	2.95	2.08
<b>Total</b>	<b>2.98</b>	<b>3.91</b>

### SCHEDULE 3: RESERVES & SURPLUS

#### Securities Premium

Balance as per last Balance Sheet	91.10	85.87
Add: Transfer from Employee Stock Option	2.95	2.08
Add: Received during the year	—	38.70
Less: Utilised for issue of Bonus Shares	0.09	35.55
	<b>93.96</b>	<b>91.10</b>

## CONSOLIDATED ACCOUNTS

### Schedules forming part of the Consolidated Balance Sheet

(₹ in crores)

	As at March 31, 2011	As at March 31, 2010
--	-------------------------	-------------------------

#### **SCHEDULE 3: RESERVES & SURPLUS (Contd.)**

##### **General Reserve**

Balance as per last Balance Sheet	114.72	90.11
Add: Transfer from Profit and Loss account	14.06	24.61
	128.78	114.72

##### **Capital Reserve**

Balance as per last Balance Sheet	0.04	0.04
-----------------------------------	------	------

##### **Profit & Loss Account**

Surplus as per Profit & Loss Account	712.46	608.06
<b>Total</b>	<b>935.24</b>	<b>813.92</b>

#### **SCHEDULE 4: SECURED LOANS**

##### **(A) Working Capital Loans**

From Banks	169.56	33.05
------------	--------	-------

##### **(B) Term Loans**

From Banks	117.00	—
------------	--------	---

##### **(C) Other Loans**

From Banks	36.42	199.25
------------	-------	--------

<b>Total</b>	<b>322.98</b>	<b>232.30</b>
--------------	---------------	---------------

##### **Note:**

Working capital loans and Other loans from Banks are secured by hypothecation of Raw materials, Work-in-Progress, Finished Goods and Sundry Debtors.

#### **SCHEDULE 5: UNSECURED LOANS**

<b>Sales Tax Loan (Interest Free)</b>	0.19	0.25
[(Due within one year ₹ Nil) (₹ Nil)]		

##### **Short-term Loans**

– From Banks	419.60	126.17
– From Others	25.00	—
<b>Total</b>	<b>444.79</b>	<b>126.42</b>

## Schedules forming part of the Consolidated Balance Sheet

**SCHEDULE 6: FIXED ASSETS**

SCHEDULE 6: FIXED ASSETS														(₹ in crores)
Nature of Assets	GROSS BLOCK			DEPRECIATION/AMORTISATION			IMPAIRMENT			NET BLOCK				
	As at 01.04.2010	Additions	Deletions/ Adjustment	As on 31.03.2011	As at 01.04.2010	For the year	Deletions/ Adjustment	As at 31.03.2011	As at 01.04.2010	During the year	Reversals	As at 31.03.2011	As at 31.03.2010	
<b>TANGIBLE ASSETS</b>														
Freehold Land	20.90	17.30	—	38.20	—	—	—	—	—	—	—	38.20	20.90	
Leasehold Land	18.24	—	—	18.24	0.51	0.17	—	0.68	—	—	—	17.56	17.73	
Building	105.96	11.17	—	117.13	22.90	3.57	—	26.47	—	—	—	90.66	83.06	
Plant & Machinery	877.52	100.38	51.35	926.55	358.24	46.02	43.20	361.06	57.81	—	4.39	512.07	461.47	
Furniture & Fixtures	5.29	1.88	—	7.17	1.98	0.35	—	2.33	—	—	—	4.84	3.31	
Data Processing	13.41	1.47	0.01	14.87	9.25	1.38	0.00	10.63	—	—	—	4.24	4.16	
Equipments														
Office Equipments	4.98	0.27	0.00	5.25	1.60	0.26	0.00	1.86	0.05	—	—	3.34	3.33	
Electric Fittings	32.27	5.39	1.48	36.18	12.49	1.46	0.65	13.30	1.14	—	0.69	22.43	18.64	
Vehicles	5.19	2.80	2.33	5.66	1.02	0.60	0.92	0.70	—	—	—	4.96	4.17	
<b>INTANGIBLE ASSETS</b>														
Software/Licences	10.85	0.60	—	11.45	1.19	2.22	—	3.41	—	—	—	8.04	9.66	
<b>Total</b>	1,094.61	141.26	55.17	1,180.70	409.18	56.03	44.77	420.44	59.00	—	5.08	53.92	626.43	
<b>Capital Work-in-Progress [including capital advances of ₹ 129.28 crores (₹ 12.03 crores)]</b>														
<b>Total</b>	1,094.61	141.26	55.17	1,180.70	409.18	56.03	44.77	420.44	59.00	—	5.08	53.92	85.18	
<b>Previous Year</b>	976.24	142.88	24.51	1,094.61	371.91	48.26	10.99	409.18	59.00	—	—	59.00	711.61	
<b>Notes:</b>													—	

**Notes:**

1. Refer Note 21 of Schedule 21 for amount of borrowing cost capitalised during the year.
2. Refer Note 5 of Schedule 21 for amount of exchange difference capitalised during the year.
3. Balances of Opening Gross Block and Accumulated Depreciation, as at April 1, 2010 have been re-grouped and re-arranged to match the nature of the assets capitalised.

## CONSOLIDATED ACCOUNTS

### Schedules forming part of the Consolidated Balance Sheet

(₹ in crores)

	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 7: INVESTMENTS</b>		
<b>LONG-TERM INVESTMENTS (at Cost)</b>		
<b>Other than Trade (Quoted)</b>		
100,000,000 (100,000,000) units of ₹ 10/- each of Religare Fixed Maturity Plan-Series II	100.00	100.00
<b>CURRENT INVESTMENT (at Cost or Market Value whichever is lower) In Units of Mutual Funds (Quoted):</b>		
4,097,122.82 Units (4,081,868.81 Units) of Reliance Medium Fund Daily Dividend Plan	7.00	6.98
2,434,822.84 units (Previous Year Nil) of ₹ 10/- each of Birla Sun Life Cash Manager - IP Growth	4.00	—
999,400.36 units (Previous Year Nil) of ₹ 10/- each of SBI-SHF-Ultra Short Term Fund - IP-Daily Dividend	1.00	—
<b>Total</b>	<b>112.00</b>	<b>106.98</b>

Aggregate amount of quoted investments (Market Value ₹ 119.20 crores (₹ 107.35 crores))

Note: The following Current Investments were purchased and sold during the year :

Mutual Fund Units	Face Value (₹)	Units (Nos.)	Amount in ₹
HDFC Liquid Fund Premium Plan - DDR	10	40,78,370	5,00,00,000
HDFC Floating Rate Income Fund - STP-WP - DDR	10	49,60,360	5,00,04,894
ICICI Pru Flexible Income Plan Premium - DDR	10	4,72,880	5,00,00,000
Reliance Liquid Fund-Treasury Plan - Inst - DDR	10	1,76,61,719	27,00,00,000
Reliance Money Manager Fund - Inst Plan - DDR	10	2,69,654	27,00,23,787
Birla Sun Life Cash Plus - Inst Prem - DDR	10	19,36,22,436	31,96,49,683
Birla Sun Life Cash Manager Fund - IP - DDR	10	11,49,81,066	1,15,01,55,599
Birla Sun Life Savings Fund - Inst Plan - DDR	10	16,49,64,129	1,65,07,63,045
Birla Sun Life Cash Plus - Inst Prem - Growth	10	10,12,56,393	1,53,00,00,000
Canara Robeco Liquid - IP - Growth	10	52,98,762	6,00,00,000
HDFC Cash Management Fund - Saving Plan - DDR	10	42,30,755	4,50,00,000
HDFC Liquid Fund - Growth	10	14,53,457	2,70,00,000
ICICI Prudential Liquid Super Institutional Plan - Growth	10	6,22,308	8,50,00,000
IDFC Cash Fund-Super Inst Plan C - Growth	10	1,27,63,440	14,50,00,000
Kotak Floater Long Term - Growth	10	47,59,056	7,00,00,000
Kotak Floater Short Term - DDR	10	24,71,284	2,50,00,000
Kotak Floater Short Term - Growth	10	1,40,58,549	22,50,00,000
Kotak Liquid-Inst Prem - Growth	10	2,71,79,658	51,25,00,000
Reliance Liquid Fund - Cash Plan - Growth	10	7,47,56,385	1,17,65,00,000
Reliance Liquid Fund - Treasury Plan-Inst Option - DDR	10	1,83,15,737	28,00,00,000
Reliance Liquid Fund - Treasury Plan - Inst Option - Growth	10	1,11,07,268	25,00,00,000
Religare Liquid Fund - Inst - Growth	10	3,34,24,486	42,70,00,000
Tata Liquid Super High Inv. Fund - Appreciation	10	67,038	11,50,00,000
Reliance Medium fund daily dividend plan	10	3,30,204	37,54,780

## FINANCIALS

### Schedules forming part of the Consolidated Balance Sheet

(₹ in crores)

	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 8: INVENTORIES</b>		
(At lower of cost and net realisable value)		
Raw Materials (Including Goods in Transit ₹ 11.19 crores (₹ 5.94 crores))	76.50	91.26
Work-in-Progress	32.06	31.90
Finished Goods	62.66	31.89
Stores, Spares, Packing Materials & Others	21.62	15.86
<b>Total</b>	<b>192.84</b>	<b>170.91</b>
<b>SCHEDULE 9: SUNDRY DEBTORS (UNSECURED)</b>		
(a) <b>Debts Outstanding for a period exceeding six months:</b>		
- Considered good	264.42	174.77
- Considered doubtful	39.24	38.30
	303.66	213.07
Less: Provision for Doubtful Debts	39.24	38.30
	264.42	174.77
(b) <b>Others – Considered good</b>	602.08	454.20
<b>Total</b>	<b>866.50</b>	<b>628.97</b>



## CONSOLIDATED ACCOUNTS

### Schedules forming part of the Consolidated Balance Sheet

(₹ in crores)

	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 10: CASH &amp; BANK BALANCES</b>		
<b>Cash in hand</b>	0.05	0.06
<b>Balance with Scheduled Banks in:</b>		
(i) Current Accounts	14.43	2.82
(ii) Deposit Accounts	162.98	205.37
(iii) Dividend Accounts**	0.09	0.09
<b>Balances with Non-Scheduled Banks in:</b>		
(i) Current Accounts *	3.40	1.97
<b>Total</b>	<b>180.95</b>	<b>210.31</b>

**\* Balance with Non-Scheduled banks is maintained with:**

Balance with Industrial Bank of China ₹ 0.16 crore (₹ 0.09 crore)

(Maximum Amount Outstanding During the year ₹ 0.28 crore) (₹ 0.29 crore)

Balance with Royal Bank of Scotland ₹ Nil (₹ Nil)

(Maximum Amount Outstanding During the year ₹ 1.28 crores) (₹ Nil)

Balance with Sun Trust Bank ₹ 0.22 crore (₹ 0.08)

(Maximum Amount Outstanding During the year ₹ 1.35 crores) (₹ 0.39 crore)

Balance with Commercial Bank of Ethiopia ₹ 1.00 crore (₹ 0.33 crore)

(Maximum Amount Outstanding During the year ₹ 1.00 crore) (₹ 0.41 crore)

Balance with HSBC UK ₹ 2.02 crores (₹ 1.47 crores)

(Maximum Amount Outstanding During the year ₹ 14.67 crores) (₹ 2.24 crores)

\*\* The Cash and Cash Equivalents includes balance of ₹ 0.09 crore (₹ 0.09 crore) which are not available for use by the Group.

### **SCHEDULE 11: LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD)**

Advances recoverable in cash or in kind or for value to be received	133.80	59.70
Balances with Central Excise Authorities	25.50	25.03
Deposits - Others	6.54	5.06
Advance Income Taxes, including TDS (Net of Provisions ₹ 123.68 crores (₹ 91.35 crores))	2.77	0.25
Minimum Alternate Tax Credit Entitlement	27.00	26.78
Interest accrued on Investments	0.08	0.34
Other Advances	17.53	13.17
<b>Total</b>	<b>213.22</b>	<b>130.33</b>

## FINANCIALS

### Schedules forming part of the Consolidated Balance Sheet

(₹ in crores)

	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE 12: CURRENT LIABILITIES</b>		
Acceptances	0.54	1.25
Sundry Creditors		
(i) Micro, medium and Small Enterprises (Refer Note 20, Schedule 21)	0.01	0.41
(ii) Others	504.38	442.10
Interest accrued but not due on Loans	1.35	1.33
Unclaimed Dividend (Refer Note 12, Schedule 21)	0.09	0.09
Sundry Deposits	0.78	0.92
Advance from Customers	135.44	78.74
Other Liabilities	117.25	48.01
<b>Total</b>	<b>759.84</b>	<b>572.85</b>

### SCHEDULE 13: PROVISIONS

For Taxation [Net of Advance Tax payments ₹ 126.45 crores (₹ 89.25 crores)]	—	2.10
For Contingencies	9.50	24.50
For Employee Benefits	4.24	3.66
Proposed Dividend – Equity Shares	19.65	17.78
Tax on Proposed Dividend	3.19	3.02
<b>Total</b>	<b>36.58</b>	<b>51.06</b>

#### Note:

The Group had made a provision of ₹ 24.50 crores towards contingencies in the earlier years in respect of various disputed claims against the Group as described in Note 18, Schedule 21, the timing and quantum of which is presently unascertainable. This amount has been reassessed at ₹ 9.50 crores as at March 31, 2011.

## CONSOLIDATED ACCOUNTS

### Schedules forming part of the Consolidated Profit and Loss Account

(₹ in crores)

	Year ended March 31, 2011	Year ended March 31, 2010
<b>SCHEDULE 14: OTHER INCOME</b>		
Income from Mutual Fund	1.76	3.90
Profit on Sale of Asset, net	—	10.32
Unclaimed Liabilities written back	—	0.53
Interest received on Customers and Fixed Deposits [Tax Deducted at Source ₹ 0.98 crore (₹ 1.64 crores)]	7.32	7.86
Interest on Income Tax refund	0.01	0.02
Miscellaneous Income	5.87	0.33
<b>Total</b>	<b>14.96</b>	<b>22.96</b>

### **SCHEDULE 15: MANUFACTURING AND OTHER EXPENSES**

Raw materials consumed	1,585.00	1,631.28
Decrease/(Increase) in stock		
Opening Stock:		
Work-in-Progress	31.90	25.39
Finished Goods	31.89	12.60
	63.79	37.99
Closing Stock:		
Work-in-Progress	32.06	31.90
Finished Goods	62.66	31.89
	94.72	63.79
Increase in stock	(30.93)	(25.80)
Excise Duty on stocks (Refer Note 23, Schedule 21)	3.50	0.83
Stores and Spares	30.45	29.72
Power, Fuel and Water	96.90	86.08
Repairs and Maintenance		
— Building	2.55	1.58
— Machinery	6.84	7.97
— Others	0.30	—
Carriage Inward	0.92	2.31
Packing Material	64.28	55.15
Other Manufacturing Expenses	25.01	23.93
<b>Total</b>	<b>1,784.82</b>	<b>1,813.05</b>

### **SCHEDULE 16: PERSONNEL EXPENSES**

Salaries, Wages, Bonus and Commission	72.42	49.58
Contribution to Provident Fund and Superannuation Funds	3.21	2.93
Gratuity Expenses (Refer Note 17, Schedule 21)	0.30	1.05
Employees' Welfare and Other Amenities	4.63	3.74
Employees Stock Option Expenses (Refer Note 10, Schedule 21)	2.02	0.73
<b>Total</b>	<b>82.58</b>	<b>58.03</b>

## FINANCIALS

### Schedules forming part of the Consolidated Profit and Loss Account

(₹ in crores)

	Year ended March 31, 2011	Year ended March 31, 2010
--	------------------------------	------------------------------

#### SCHEDULE 17: SELLING AND DISTRIBUTION EXPENSES

Sales Commission (Other than Sole Selling Agent)	11.46	21.83
Sales Promotion	6.37	5.58
Carriage Outward	70.34	49.06
Other Expenses	4.89	1.89
<b>Total</b>	<b>93.06</b>	<b>78.36</b>

#### SCHEDULE 18: ADMINISTRATION AND GENERAL EXPENSES

Rent	3.05	2.62
Insurance	4.96	2.84
Rates and Taxes	0.91	1.39
Conveyance and Travelling Expenses	15.64	10.42
Loss on sale of Fixed Assets	0.28	—
Bad Debts Written Off	(0.02)	1.81
Provision for Doubtful Debts	0.95	10.28
Directors Sitting Fee and Commission	0.17	0.12
General Expenses	5.60	66.01
<b>Total</b>	<b>31.54</b>	<b>95.49</b>

#### SCHEDULE 19: RESEARCH AND DEVELOPMENT EXPENSES

Salaries, Wages, Bonus and Commission	0.95	1.91
Raw materials consumed	2.35	2.86
General Expenses	1.27	1.21
<b>Total</b>	<b>4.57</b>	<b>5.98</b>

#### SCHEDULE 20: INTEREST AND FINANCE CHARGES

##### Interest

On Fixed Loans	4.11	—
Others	32.44	29.09
Bank charges	8.62	9.03
<b>Total</b>	<b>45.17</b>	<b>38.12</b>

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

#### 1. BACKGROUND AND BASIS OF CONSOLIDATION

##### (a) Background

The Group is primarily engaged in the manufacture of Power Transmission and Telecom products in India. Telecom Business includes integrated Optical Fiber, Telecom Cables (Fiber Optic Cables, Copper Telecom Cables and Structured Data Cables), access equipments and integrated management business. Power Transmission Business includes power transmission conductors and setting up of transmission and distribution networks.

##### (b) Basis of Consolidation

The consolidated financial statements relate to Sterlite Technologies Limited (hereinafter referred to as the 'Company') and its subsidiaries (together referred to as 'the Group'). The consolidated financial statements are prepared in accordance with AS 21, Consolidated Financial Statements notified by Companies Accounting Standards Rules, 2006 as amended ('the Rules') and the relevant provisions of the Companies Act, 1956 ('the Act'). The accounting policies have been consistently applied by the Group; and the accounting policies not referred to otherwise, are in conformity with Indian Generally Accepted Accounting Principles ('Indian GAAP'). The consolidated financial statements have been prepared on the following basis:

- (i) The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating all significant intra group balances and intra group transactions and unrealised profits. Unrealised losses resulting from intragroup transactions are eliminated unless cost cannot be recovered.
- (ii) The difference of the cost to the Company of its investment in subsidiaries over its proportionate share in the equity of the investee company as at the date of acquisition of stake is recognised in the financial statements as Goodwill or Capital Reserve, as the case may be.
- (iii) The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any, are made in the consolidated financial statements and are presented in the same manner as the company's standalone financial statements.
- (iv) The financial statements of the entities used for the purpose of consolidation are drawn up to same reporting date as that of the Company i.e. Period ended March 31, 2011.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of Preparation of Financial Statements

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by the Companies (Accounting Standard) Rules, 2006 (amended) ("the rules") and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis of accounting except in case of assets which have been impaired. The accounting policies have been consistently applied by the Group except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

##### (b) Use of Estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting year. Difference between the actual result and estimates are recognised in the year in which the results are known/materialised. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

##### (c) Change in Accounting Policies:

In the current year, the Company changed its method of valuation of cost of raw materials, work-in-progress and finished goods for aluminium conductors from the weighted average method to specific identification method. The management believes that such change will result in a more appropriate presentation of consumption charge commensurate with the nature of operations of the power transmission business.

## Schedules forming part of the Consolidated Accounts

## SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

Had the Company continued to use the weighted average method of inventory valuation, the profit before tax and profit after tax would have been lower by ₹ 1.58 crore and the value of inventories would correspondingly have been lower by ₹ 1.58 crore.

**(d) Fixed Assets and Intangible Assets**

Fixed Assets are stated at cost (net of Cenvat) less accumulated depreciation and impairment. Cost comprises of the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Capital work-in-progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date.

Expenditure during the construction period incurred on projects under implementation are treated as Pre-operative expenses, pending allocation to the assets, and are included under "Capital Work in Progress".

Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to create, produce and make the asset ready for its intended use.

Intangible assets are recorded at the consideration paid for their acquisition.

**(e) Depreciation and Amortisation**

- (i) Depreciation on Fixed Assets is provided on straight line method, unless otherwise stated, pro-rata to the period of use of assets at the rates specified in Schedule XIV of the Companies Act, 1956 which represents the useful life of these assets.
- (ii) Cost of leasehold land is amortised over the period of lease.
- (iii) Cost of acquired intangible assets is amortised over a period of five years.
- (iv) Cost of capital and insurance spares is amortised over a period of four years.

**(f) Impairment of Assets**

- (i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to that asset.
- (ii) After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.
- (iii) A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

**(g) Investments**

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried at lower of cost and fair value determined for category of investments.

Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of investments.

**(h) Inventories**

Inventories of stores, spares, raw material, packing material, work-in-progress and finished goods are valued at cost or net realisable value, whichever is lower, except for scrap which is valued at net realisable value. Cost is ascertained on a weighted average cost basis except in case of inventory for aluminium conductors in the power transmission business, wherein the cost is determined on specific identification method based on costing details of each project.

The cost of work-in-progress and Finished goods includes direct materials, labor and a proportion of manufacturing overhead based on normal operating capacity. Cost of finished goods includes excise duty. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

#### (i) Foreign Currency Transactions

- (i) Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- (ii) Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.
- (iii) Exchange differences arising on the settlement of monetary items or on reporting Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.
- (iv) The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognised as income or as expense for the year. None of the forward exchange contracts are taken for trading or speculation purpose.

#### (j) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to profit and loss account. Borrowing cost consists of interest and other costs that an entity incurs in connection with borrowing of funds.

#### (k) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

##### **Sale of Goods**

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have passed to the buyer. Sales include excise duty, sale of scrap and are net of sales tax and quantity discount. Freight charged on sales and recovered is included as part of revenue.

##### **Income from Services:**

Income from services is recognised on pro-rata basis as and when services are rendered.

##### **Interest**

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

##### **Dividend**

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

#### (l) Retirement and other Employee Benefits

- (i) Retirement benefits in the form of Provident Fund and Superannuation Fund are defined contribution schemes and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. The Group has no other obligation other than the contributions payable.
- (ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on Projected Unit Credit Method made at the end of each financial year.
- (iii) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation done as per Projected Unit Credit Method made at the end of each financial year.
- (iv) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

## Schedules forming part of the Consolidated Accounts

## SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

**(m) Employee Stock Option**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants on India ('ICAI'). The Group measures compensation cost relating to employee stock options using the fair value method. Compensation expense is amortised over the vesting period of the option on a straight line basis.

**(n) Research and Development**

Revenue expenditure on research and development is expensed as incurred.

**(o) Export Incentives**

Export incentive benefits are recognised as income on the basis of receipt of proof of export.

**(p) Taxes on Income**

Tax expense comprises of current and deferred tax. Current income tax is determined as the amount of tax payable in respect of taxable income for the year based on provisions of Income Tax Act, 1961. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if legally enforceable right exist to set off current tax asset against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In case of unabsorbed depreciation and carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Group re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternate Tax ("MAT") credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified future period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the ICAI, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence that the MAT credit will be utilised during the specified future period.

**(q) Expenditure on new projects and substantial expansion**

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the construction cost to the extent the expenditure is can be attributable to construction or is incidental thereto. Income earned during construction period is deducted from the total of the indirect expenditure.

**(r) Operating Leases**

Assets taken on lease under which all significant risks and rewards of ownership are effectively retained by the lessor are classified as Operating Leases. Lease payments under Operating Leases are recognised on straight line basis over the lease period unless another systematic basis is more representative of the time pattern of the users benefit.



## Schedules forming part of the Consolidated Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

**(s) Earnings Per Share**

The Group reports basic and diluted earnings per share in accordance with Accounting Standard ('AS-20'), Earnings per share issued by ICAI and notified under the Rules. Basic earnings per share is computed by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of shares outstanding during the period is adjusted for any bonus shares issued during the period. Diluted earnings per share is computed by dividing the net profit or loss for the period by the weighted average number of equity shares outstanding during the period.

For computing diluted earnings per share both profit and loss for the year and weighted average number of shares are adjusted for the effects of all dilutive potential equity shares except where the results are anti-dilutive.

**(t) Cash and Cash equivalents**

Cash and Cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

**(u) Segment Reporting Policies**

The Group's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segment is based on the areas in which major operating divisions of the Group operate.

**Inter segment transfers:**

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

**Allocation of common costs:**

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

**Unallocated items:**

The corporate and other segment includes general corporate income and expense items which are not allocated to any business segment.

**Segment policies:**

The Group prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financials statement of the Group as a whole.

**(v) Provisions, Contingent Liabilities and Contingent Assets**

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent assets are neither recognised nor disclosed in the financial statements.

**(w) Derivative Instruments**

As per ICAI announcements, accounting for derivative contracts, other than those covered under AS 11, Effects of Changes in Foreign Exchange Rates, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge items is charged to the income statement. Net gains are ignored.

The Group enters into Commodity Futures contracts (Aluminium Contracts) against future sales transactions. These Commodity future contracts are rolled over in case the period of the contracts is less than the period of future sales transactions. On roll over, the Group has to pay/receive the differential amount, in case aluminum prices have gone down/up (loss/ profit). The Group carries the loss/profit in the balance sheet till the future sales transactions take place. This loss/profit is transferred to profit and loss account on conclusion of the future sales transactions.

## FINANCIALS

### Schedules forming part of the Consolidated Accounts

#### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

3. The list of subsidiary companies which are included in the consolidation and the Company's effective holdings therein are as under:

<b>Name of the Company</b>	<b>Effective ownership in subsidiaries as on March 31, 2011</b>	<b>Effective ownership in subsidiaries as on March 31, 2010</b>	<b>Country of incorporation</b>
Sterlite Display Technologies Private Limited (Formerly known as Sterlite Infrastructure Private Limited)	85.34%	58.02%	India
Sterlite Infra-Tech Limited	100%	100%	India
East North Interconnection Company Limited	100%	100%	India
Sterlite Transmission Project Private Limited	100%	—	India
Sterlite Global Venture (Mauritius) Limited	100%	—	Mauritius
Jiangsu Sterlite and Tongguang Optical Fiber Co. Limited*	75%	—	China

\* There are no transactions with the Company as at and for the year ended March 31, 2011 as the Company is in the process of being set up.

#### 4. DEFERRED TAX

- a) The break-up of the deferred tax liability net as at balance sheet date are as under: -

(₹ in crores)

<b>Particulars</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
<b>DEFERRED TAX LIABILITY</b>		
(a) Depreciation	82.18	78.37
<b>DEFERRED TAX ASSETS</b>		
(a) Provision for Doubtful debts	11.63	11.86
(b) Provision for Employee benefits	1.38	1.25
(c) Provision for Contingencies	3.16	5.10
<b>DEFERRED TAX LIABILITY (NET)</b>	<b>66.01</b>	<b>60.16</b>

- b) Deferred tax charged for the year:-

(₹ in crores)

<b>Particulars</b>	<b>March 31, 2011</b>	<b>March 31, 2010</b>
Opening deferred tax liability	60.16	55.95
Less: Closing deferred tax liability	66.01	60.16
Deferred tax charge for the year	<b>5.85</b>	<b>4.21</b>

5. The amount of foreign exchange (gain)/loss adjusted during the year to the carrying cost of the fixed assets and capital work in progress is ₹ 2.09 crore (₹ 5.00 crore) and that (credited)/debited to respective heads of accounts in Profit and Loss Account is ₹ (8.04) crore (₹ (12.39) crore); premium on forward exchange contract to be recognised in the Profit and Loss account of subsequent accounting period is ₹ 10.76 crore (₹ 5.75 crore).

## CONSOLIDATED ACCOUNTS

### Schedules forming part of the Consolidated Accounts

#### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

##### 6. DERIVATIVE INSTRUMENTS:

The Group has entered into the following derivative instruments:

- (a) The following are the outstanding Forward Exchange Contracts entered into by the Group, for hedge purpose, as on March 31, 2011:

(₹ in crores)

Year	Currency type	Foreign Currency (crores)	Amount (₹ in crores)	Buy/Sell	No. of Contracts
<b>March 31, 2011</b>	US \$	12.93	591.59	Buy	307
	US \$	12.61	577.23	Sell	171
	Euro	0.51	32.07	Buy	14
	Euro	1.65	98.26	Sell	32
	AED	0.07	0.92	Sell	2
<b>March 31, 2010</b>	GBP	0.86	66.12	Sell	4
	US \$	13.59	626.18	Buy	234
	US \$	6.91	319.41	Sell	142
	Euro	0.41	25.25	Buy	8
	Euro	0.42	26.00	Sell	20
	GBP	0.37	25.77	Sell	6

- (b) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

##### i. Amounts receivable in foreign currency on account of the following:

Year ended	Category	Currency Type	Foreign Currency (in crores)	Amount (₹ in crores)
<b>March 31, 2011</b>	Export of goods	USD	0.00	0.10
	Export of goods	Euro	0.00	0.02
	Export of goods	AED	0.02	0.19
	Export of goods	ZAR	0.01	0.04
	Advance to Suppliers	US \$	0.10	4.46
	Advance to Suppliers	Euro	0.01	0.45
	Advance to Suppliers	GBP	0.00	0.04
	Advance to Suppliers	CNY	0.01	0.10
	Balance with Bank	USD	0.00	0.22
	Balance with Bank	Euro	0.01	0.82
	Balance with Bank	GBP	0.02	1.69
	Balance with Bank	CNY	0.02	0.16
	Balance with Bank	ZAR	0.01	0.05
	Balance with Bank	ETB	0.27	1.00
<b>March 31, 2010</b>	Export of goods	US \$	0.21	9.39
	Export of goods	Euro	0.03	1.61
	Export of goods	GBP	0.00	0.04
	Advance to Suppliers	US \$	0.17	7.32
	Advance to Suppliers	Euro	0.01	0.63
	Advance to Suppliers	GBP	0.00	0.16
	Advance to Suppliers	JPY	0.19	0.09
	Advance to Suppliers	RMB	0.00	0.01
	Advance to Suppliers	CAD	0.00	0.04
	Advance to Suppliers	AED	0.00	0.01
	Advance to Suppliers	CHF	0.00	0.03
	Balance with Bank	USD	0.00	0.08
	Balance with Bank	GBP	0.02	1.46
	Balance with Bank	ETB	0.07	0.33
	Balance with Bank	CNY	0.01	0.09

## FINANCIALS

### Schedules forming part of the Consolidated Accounts

#### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

##### ii. Amounts payable in foreign currency on account of the following:

Particulars	Currency Type	Foreign Currency in crores	Amount (₹ in crores)	Foreign Currency (in crores)	Amount (₹ in crores)
		March 31, 2011	March 31, 2011	March 31, 2010	March 31, 2010
Import of goods and services	US \$	0.33	14.65	1.02	42.31
Import of goods and services	Euro	0.10	6.15	0.01	1.15
Import of goods and services	GBP	0.08	5.53	0.00	0.25
Import of goods and services	CAD	0.00	0.05	-	-
Import of goods and services	AUD	0.00	0.06	-	-
Import of goods and services	JPY	0.04	0.02	-	-
Advance from Customers	US \$	0.02	1.11	0.46	20.60
Advance from Customers	Euro	0.00	0.07	0.00	0.01
Advance from Customers	ETB	0.03	0.10	0.01	0.05

- (c) Commodity Future Contracts to hedge against fluctuation in commodity prices (aluminium). The following are the outstanding future contracts entered into by the Group as on 31st March, 2011:

Year	No. of Contracts	Contracted Quantity (MT)	Buy/Sell
March 31, 2011	86	43,590	Buy
March 31, 2010	19	3,825	Buy
	5	2,200	Sell

- In terms of accounting policy (Refer Note 2 (o) of Schedule 21) for the accrual of export incentives, estimated benefits of ₹ 50.63 crores (₹ 32.07 crores) have been taken into account under the DEPB / High Value Add Income scheme /Duty Drawback scheme /Advance License Scheme. These have been grouped as part of turnover in the profit and loss account.
- In case of certain entities, the provision for tax has been made as per Minimum Alternative Tax under Section 115 JB of the Income Tax Act, 1961. Such entities are entitled to avail Credit under Section 115JAA (1A) and accordingly it has considered MAT credit entitlement as an asset.
- The Group had in an earlier year received an order of CESTAT upholding the demand of ₹ 188 crores (including penalties and excluding interest) (₹ 188 crores as at March 31, 2010) in the pending excise/custom matters on various grounds. The Group's appeal with the Honourable High Court of Mumbai was rejected on the grounds of jurisdiction. The Group preferred an appeal with the Honourable Supreme Court of India against the order of CESTAT which has been admitted. The Group has revaluated the case on admission of appeal by the Honourable Supreme Court. Based on their appraisal of the matter, the legal advisors/consultants are of the view that under most likely event, the provision of ₹ 5 crores made by the Group against the above demand is adequate. The management is confident of a favourable order and hence no provision is considered against the said demand.

#### 10. EMPLOYEE STOCK OPTION SCHEME

The Group has granted Employees Stock Options Plan, 2006 (ESOP) to its employees pursuant to the resolution passed by the shareholders at the Extraordinary General Meeting held on March 13, 2006. The Group has followed the fair value method (Black Scholes Options Pricing Model) for the valuation of these options. The Compensation Committee of the Company has approved five grants vide their meeting held on June 14, 2006; March 19, 2007, September 28, 2007, June 14, 2008 and June 26, 2009. As per the plan, Options granted under ESOP would vest in not less than one year and not more than five years from the date of grant of such options. Vesting of options is subject to continued employment with the company. The plan is an equity settled plan.

## CONSOLIDATED ACCOUNTS

### Schedules forming part of the Consolidated Accounts

#### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

The group has charged ₹ 2.02 crores (₹ 0.73 crore) to the Profit and Loss Account in respect of options granted under ESOP scheme 2006.

Other details of the options are as follows:

Particulars	Grant 1*	Grant 2*	Grant 3*	Grant 4*	Grant 5*
Date of grant	14-Jun-06	19-Mar-07	28-Sep-07	14-Jun-08	26-Jun-09
Number of options granted	2,328,500	636,000	1,307,750	255,500	24,19,000
Method of Settlement	Equity	Equity	Equity	Equity	Equity
Vesting Period (years)	3	2.25	1.71	1	5
Exercise Period	1	1	1	1	1
Vesting Conditions	Business Performance	Business Performance	Business Performance	Business Performance	Business Performance

The details of the activity under the plan have been summarised below:

	2010-11		2009-10	
	Number of Options	Weighted Average Exercise Price (₹)	Number of Options	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	2,507,095	1	1,820,605	1
Granted during the year	Nil	1	2,419,000	1
Forfeited during the year	Nil	—	Nil	—
Exercised during the year	863,619	1	576,775	1
Expired during the year	604,169	1	1,155,735	1
Outstanding at the end of the year	1,039,307	1	2,507,095	1
Exercisable at the end of the year	193,249	1	170,595	1
Weighted average remaining contractual life (in years)	1.70	—	1.70	—
Weighted average fair value of options granted	35.23		34.98	

The fair value as per the Black Scholes Options Pricing Model was measured based on the following input:

Date of grant	Vest 1	Vest 2	Vest 3
<b>June 14, 2006</b>			
Variables	June 14, 2007	June 14, 2008	June 14, 2009
Weighted average Stock Price	17.85	17.85	17.85
Expected volatility (**)	59.78%	58.90%	60.52%
Risk free rate	7.07%	7.16%	7.26%
Exercise price (₹ Per Option)	1	1	1
Time to maturity (years)	1.5	2.5	3.5
Dividend yield	0.57%	0.57%	0.57%
<b>Outputs</b>			
Option Fair Value	16.80	16.76	16.72
Vesting Percentage	20.00%	40.00%	40.00%
<b>Option Fair Value</b>		<b>16.76</b>	

## FINANCIALS

### Schedules forming part of the Consolidated Accounts

#### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

<b>Date of grant</b>	<b>Vest 1</b>	<b>Vest 2</b>
<b>March 19, 2007</b>		
<b>Variables</b>	<b>June 19, 2008</b>	<b>June 14, 2009</b>
Weighted average stock price	35.80	35.80
Expected volatility (**)	62.90%	57.75%
Risk free rate	8.07%	8.06%
Exercise price (₹ Per Option)	1	1
Time to maturity (years)	1.50	2.50
Dividend yield	0.57%	0.57%
<b>Outputs</b>		
Option fair value	<b>34.61</b>	<b>34.47</b>
Vesting percentage	<b>60.00%</b>	<b>40.00%</b>
<b>Option Fair Value</b>		<b>34.55</b>

<b>Date of grant</b>	<b>Vest 1</b>	<b>Vest 2</b>
<b>September 28, 2007</b>		
<b>Variables</b>	<b>September 28, 2008</b>	<b>June 14, 2009</b>
Weighted average stock price	47.46	47.46
Expected volatility (**)	56.69%	60.98%
Risk free rate	7.20%	7.29%
Exercise price	1	1
Time to maturity (years)	1.50	2.21
Dividend yield	0.51%	0.51%
Option Fair Value	<b>46.20</b>	<b>46.08</b>
Vesting Percentage	<b>50.00%</b>	<b>50.00%</b>
<b>Option Fair Value</b>		<b>46.14</b>

<b>Date of grant</b>	<b>Vest 1</b>
<b>June 14, 2008</b>	
<b>Variables</b>	<b>June 14, 2009</b>
Weighted Average Stock Price	39.70
Expected Volatility (**)	72.11%
Risk free Rate	8.34%
Exercise Price (₹ Per Option)	1
Time To Maturity (years)	1.50
Dividend yield	0.49%
<b>Outputs</b>	
Option Fair Value	<b>38.53</b>
Vesting Percentage	<b>100.00%</b>
<b>Option Fair Value</b>	<b>38.53</b>

## CONSOLIDATED ACCOUNTS

### Schedules forming part of the Consolidated Accounts

#### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

<b>Date of grant June 26, 2009 Variables</b>	<b>Vest 1 June 26, 2010</b>	<b>Vest 2 June 26, 2011</b>	<b>Vest 3 June 25, 2012</b>	<b>Vest 4 June 25, 2013</b>	<b>Vest 5 June 25, 2014</b>
Weighted average stock price	36.65	36.65	36.65	36.65	36.65
Expected volatility (**)	97.30%	81.93%	77.57%	72.68%	70.10%
Risk free rate	5.61%	5.83%	6.05%	6.27%	6.47%
Exercise price (₹ Per Option)	1	1	1	1	1
Time to maturity (years)	1.5	2.5	3.5	4.5	5.5
Dividend yield	0.60%	0.60%	0.60%	0.60%	0.60%
<b>Outputs</b>					
Option Fair Value	<b>35.40</b>	<b>35.24</b>	<b>35.08</b>	<b>34.93</b>	<b>34.77</b>
Vesting Percentage	<b>50.00%</b>	<b>20.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>
<b>Options Fair Value</b>			<b>35.23</b>		

**Notes: -**

\* As approved by the Extra-Ordinary General Meeting of the Company held on February 25, 2010, the Company has made sub-division of the face value of its equity share capital from ₹ 5 per share to ₹ 2 per share. Further, the Company in the same meeting has approved bonus shares in the ratio of 1:1. Thus, ESOP data in the above table has been recalculated and presented after considering the impact of the sub-division of face value of the equity share and bonus thereon.

(\*\*) The measure of volatility used in the above model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. The volatility periods considered above, corresponding to the respective expected lives of the different vests are prior to the grant date. The daily volatility of stock prices is considered as per the National Stock Exchange (NSE) prices over these years.

11. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of Advances) are ₹ 785.73 crores (Previous Year ₹ 108.15 crores.)
12. There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.
13. **MANAGERIAL REMUNERATION**

(₹ in crores)

<b>Particulars</b>	<b>Year ended March 31, 2011</b>	<b>Year ended March 31, 2010</b>
(i) Salary	5.16	4.23
(ii) Perquisites	2.30	0.48
(iii) Contribution to superannuation fund	0.36	0.29
(iv) Contribution to provident fund	0.29	0.58
<b>Total</b>	<b>8.11</b>	<b>5.58</b>

**Note:** As the liabilities for gratuity and leave encashment are provided on an actuarial basis for the Group as a whole, the amounts pertaining to the directors are not included above.

## FINANCIALS

### Schedules forming part of the Consolidated Accounts

#### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

#### 14. RELATED PARTY DISCLOSURES

Related party disclosures as required by Notified AS 18 under the Companies (Accounting Standards) Rules, 2006 "Related Party Disclosures" are given below:-

**(a) Name of related party and its relationship:**

**(i) Key Management Personnel**

Mr. Pravin Agarwal

Dr. Anand Agarwal

**(ii) Entities where Key Management Personnel/relative of key management personnel has significant influence**

Sterlite Industries (India) Limited

Fujairah Gold FZE

Bharat Aluminium Company Limited

Hindustan Zinc Limited

Sterlite Energy Limited

Vedanta Aluminium Limited

**(iii) Investing Company**

Twin Star Overseas Limited

(b) There are no provisions for doubtful debts or no amounts have been written off in respect of debts due to or from related parties.

(c) The following transactions were carried out with the related parties:

Sr. No.	Transactions	Investing Company		Key Management Personnel		Entities where Key Management Personnel/relative of key management personnel has significant influence	
		10-11	09-10	10-11	09-10	10-11	09-10
	Transactions during the year:						
1.	Remuneration	-	-	8.11	5.58	-	-
2.	Dividend paid	8.65	3.52	-	-	-	-
3.	Issue of equity share capital	-	3.23	-	-	-	-
4.	Equity share premium received	-	38.70	-	-	-	-
5.	Share application money for warrants issued	-	27.10	-	-	-	-
6.	Sale of bungalow	-	-	-	4.08	-	-
7.	Sale of land	-	-	-	17.98	-	-
8.	Purchase of Goods					624.55	723.90
9.	Sale of Goods (net of excise duty)	-	-	-	-	24.31	13.27
10.	Interest Paid/(received)					0.79	(0.18)
11.	Expenses Incurred					0.85	0.33
	<b>Balance outstanding as at the year end:</b>						
12.	Debtors/(Creditors)	-	-	-	-	(1.52)	5.42



## Schedules forming part of the Consolidated Accounts

### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

#### Disclosure in respect of Material Related Party Transaction during the year:

1. Payment to key Management Personnel include Mr. Pravin Agarwal ₹ 5.59 crores (₹ 4.09 crores), Dr. Anand Agarwal ₹ 2.52 crores (₹ 1.49 crores).
2. Purchase of goods include Vedanta Aluminium Limited ₹ 483.88 crores (₹ 560.06 crores), Bharat Aluminium Company Limited ₹ 90.53 crores (₹ 115.45 crores).
3. Sale of goods include Sterlite Energy Limited ₹ 24.31 crores (₹ 13.27 crores).
4. Expenses incurred include Sterlite Industries (India) Limited ₹ 0.64 crore (₹ 0.33 crore), Vedanta Aluminium Company Limited ₹ 0.21 crore (₹ Nil).
5. Interest include Vedanta Aluminium Limited ₹ 0.65 crore (₹ 0.26 crore), Bharat Aluminium Company Limited ₹ 0.11 crore (₹ 0.02 crore).

**Note:** As the liabilities for gratuity and leave encashment are provided on an actuarial basis for the Group as a whole, the amounts pertaining to the directors are not included above.

#### 15. OPERATING LEASES

The Company has taken office buildings on operating lease. The lease term is for a period of three years and renewable at the option of the Company. There is no escalation clause in the lease agreement. Disclosures in respect of operating leases of office buildings as per the requirement of Notified AS- 19 on Leases, notified under the Rules are as under:

- (a) Lease payments recognised in the statement of Profit and Loss for the period is ₹ 3.05 crores (₹ 2.62 crores).
- (b) The future minimum lease payments payable over the next one-year is ₹ 1.55 crores (₹ 0.53 crore).
- (c) The future minimum lease payments payable later than one year but not later than five years is ₹ 2.66 crores (₹ 0.54 crore).

#### 16. EARNINGS PER SHARE (EPS)

(₹ in crores)

Particulars		Year ended March 31, 2011	Year ended March 31, 2010
I	Net Profit as per Profit and Loss Account available for Equity Shareholders	141.24	245.84
II	Weighted average number of equity shares		
	For Basic Earning Per Share	356,000,947	323,158,397
	For Diluted Earning Per Share	377,812,579	335,267,048
III	Earnings Per Share (Weighted Average)		
	Basic (On Nominal Value of ₹ 2 Per Share)	3.97	7.61
	Rupees/share		
	Diluted (On Nominal Value of ₹ 2 Per Share)	3.74	7.33
	Rupees/share		

#### 17. The disclosures as per AS-15, Employee benefits notified under the Rules are as follows:-

The Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with Life Insurance Corporation of India in the form of a qualifying insurance policy.

## FINANCIALS

### Schedules forming part of the Consolidated Accounts

#### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

##### Changes in the present value of the defined benefit obligation are as follows:

(₹ in crores)

Particulars	March 31, 2011	March 31, 2010
Defined benefit obligation at the beginning of the year	3.23	2.34
Current service cost	0.48	0.44
Interest cost	0.27	0.20
Actuarial (gain)/loss on obligation	(0.16)	0.28
Past service cost	—	0.19
Benefits paid	(0.13)	(0.22)
Defined benefit obligation, end of the year	3.69	3.23

##### Changes in the fair value of plan assets are as follows:

(₹ in crores)

Particulars	March 31, 2011	March 31, 2010
Fair value of plan assets at the beginning of the year	1.62	1.73
Expected return on plan assets	0.14	0.14
Contribution by employer	0.01	—
Benefits paid	(0.13)	(0.22)
Actuarial gain/(loss) on plan assets	0.14	(0.03)
Fair value of plan assets at the end of the year	1.78	1.62

\* The Group expects to contribute ₹ Nil (Previous year ₹ 1.10 crores) to its defined benefit gratuity plan in 2010-11.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	March 31, 2011 %	March 31, 2010 %
Investment with Insurer (Life Insurance Corporation of India)	100.00	100.00

##### Details of defined benefit obligation

(₹ in crores)

Particulars	March 31, 2011	March 31, 2010
Defined Benefit Obligation	3.69	3.23
Fair Value of Plan Assets	1.78	1.62
Plan (Assets)/Liability	1.91	1.61

##### Net employees benefit expense recognised in the Profit and Loss Account:

(₹ in crores)

Particulars	March 31, 2011	March 31, 2010
Current Service cost	0.48	0.44
Interest cost on benefit obligation	0.27	0.20
Net actuarial (gain)/loss recognised in the year	(0.30)	0.55
Expected return on plan assets	(0.14)	(0.14)
Contribution by Employer	(0.01)	—
Net benefit expense	0.30	1.05

## CONSOLIDATED ACCOUNTS

### Schedules forming part of the Consolidated Accounts

#### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

**Amounts for the current and previous periods are as follows:**

(₹ in crores)

Particulars	2010-11	2009-10	2008-09	2007-08	2006-07
Defined benefit obligation	3.69	3.23	2.34	1.89	1.88
Plan assets	1.78	1.62	1.73	2.14	1.64
Surplus/(deficit)	1.91	1.61	0.61	(0.25)	0.24
Experience adjustments on plan liabilities	(0.06)	0.70	—	—	—
Experience adjustments on plan assets	(0.14)	1.31	—	—	—

**The principal assumptions used in determining defined benefit obligation are shown below:**

Particulars	March 31, 2011	March 31, 2010
Discount rate	8.50%	8.25%
Expected rate of return on plan asset	8.00%	8.00%
Employee Turnover	2.00%	2.00%
Actual Rate of return on plan assets	9.30%	8.00%

The estimated future salary increase, considered in actuarial valuation, takes into account the effect of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. The overall expected rate of return on plan assets is determined based on the market prices prevailing as on Balance Sheet date, applicable to the period over which the obligation is to be settled.

#### 18. CONTINGENT LIABILITIES (INCLUDING INTEREST AND PENALTY)

(₹ in crores)

Sr. No.	Particulars	2010-11	2009-10
1.	Disputed Liabilities in Appeal		
	a) Sales tax	0.59	0.59
	b) Excise duty (Including Excise Duty case in Supreme Court, Refer Note 9, Schedule 21)	247.07	266.69
	c) Customs duty	74.31	74.31
	d) Service tax	2.48	2.45
	e) Claims lodged by a Bank against the Company (*)	18.87	18.87
	f) Claims against the Company not acknowledged as debt	—	2.07
2.	Outstanding amount of Export obligation against Advance Licence	87.19	58.99
3.	The Company has given Corporate Guarantee to the Income Tax Department on behalf of group companies. The outstanding amount is ₹ 114.00 crores (₹ 114.00 crores) on this account as at the year-end.		

The Group has not provided for disputed Sales Tax, Excise Duty, Customs Duty and Service Tax arising from disallowances made in assessments which are pending with Appellate Authorities for its decision.

It is not practicable to indicate the uncertainties which may affect the future outcome and estimate the financial effect of the above liabilities.

(\*) In an earlier year, one of the Bankers of the Company had wrongly debited an amount of ₹ 18.87 crores, towards import consignment under Letter of Credit not accepted by the Company, owing to discrepancies in the documents. The Company has filed the case against the bank in the High Court of Mumbai. The bank has also filed a claim against the Company in the Debt Recovery Tribunal. The Company does not believe that any liability will arise to the Company.

## FINANCIALS

### Schedules forming part of the Consolidated Accounts

#### SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

- 19.** In accordance with the Notified AS-17 under the Companies (Accounting Standards) Rules, 2006 on "Segment Reporting", issued by the Institute of Chartered Accountants of India, the Group has identified two reportable Business Segments i.e. Telecom Product Business and Power Transmission Business, which are regularly evaluated by the Management, in deciding the allocation of resources and assessment of performance. Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common cost. The segment performance as follows:

(₹ in crores)

(i) Particulars	Telecom		Transmission		Unallocable		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
<b>Segment Revenue</b>	<b>676.72</b>	<b>949.05</b>	<b>1,639.54</b>	<b>1,546.45</b>	-	-	<b>2,316.26</b>	<b>2,495.50</b>
Less: Excise	20.51	42.19	33.63	21.68	-	-	54.14	63.87
Net Revenue	656.21	906.86	1,605.91	1,524.77	-	-	2,262.12	2,431.63
<b>Segment Results (PBIT)</b>	<b>126.74</b>	<b>164.01</b>	<b>97.47</b>	<b>191.22</b>	<b>0.27</b>	<b>0.19</b>	<b>224.48</b>	<b>355.42</b>
Less: Interest	-	-	-	-	45.17	38.12	45.17	38.12
Profit Before Tax	-	-	-	-	-	-	179.31	317.30
Provision for Tax (Net)	-	-	-	-	37.96	71.38	37.96	71.38
Profit After Tax	-	-	-	-	-	-	<b>141.35</b>	<b>245.92</b>
(Before minority interest)								
Less: Share of profit of minority	-	-	-	-	0.04	0.08	0.04	0.08
Adjustment towards goodwill	-	-	-	-	0.07	-	0.07	-
Profit after minority interest	-	-	-	-	-	-	<b>141.24</b>	<b>245.84</b>
Segment Assets	1,335.54	1,193.53	1,285.17	709.64	47.13	58.41	2,667.84	1,961.58
Segment Liabilities	316.86	449.98	442.67	122.77	102.90	111.32	862.43	684.07
Capital Expenditure Incurred	237.00	78.82	205.75	37.90	5.97	-	448.72	116.72
Depreciation	40.01	33.45	16.01	14.81	0.01	-	56.03	48.26
Significant non cash expenditure	0.89	13.72	2.40	3.62	-	(3.45)	3.29	13.89

(₹ in crores)

(ii) Particulars	2010-11	2009-10
<b>1. Segment Revenue - External Turnover</b>		
- Within India	1,533.47	1,908.55
- Outside India	782.79	586.95
<b>Total Revenue</b>	<b>2,316.26</b>	<b>2,495.50</b>
<b>2. Segment Assets</b>		
- Within India	2,380.99	1,881.04
- Outside India	286.85	80.54
<b>Total Assets</b>	<b>2,667.84</b>	<b>1,961.58</b>
<b>3. Capital Expenditure</b>		
- Within India	448.30	116.72
- Outside India	0.42	-
<b>Total Capital Expenditure</b>	<b>448.72</b>	<b>116.72</b>

Schedules forming part of the Consolidated Accounts

SCHEDULE 21: NOTES FORMING PART OF THE ACCOUNTS

**20. Disclosure of Micro, Small and Medium Enterprises**

(₹ in crores)

Description	2010-11	2009-10
(i) The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year.	0.01	0.41
(ii) The amount of interest paid by the buyer in terms of Section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	—	—
(iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	0.00*	0.03
(iv) The amount of interest accrued and remaining unpaid at the end of each accounting year.	0.03	0.03
(v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro Small and Medium Enterprise Development Act, 2006.	—	—

\* Amount is below ₹ 0.01 crore.

Interest payable as per Section 16 of the Micro, Small and Medium Enterprises Act, 2006 is ₹ 0.03 crores (₹ 0.03 crores) and same is not accrued in the books of accounts. During, the year 2010-2011 the Group has not received any confirmation for Micro, Small and Medium enterprise.

- 21.** Expenditure of ₹ 1.88 crores (₹ 4.39 crores) and ₹ 4.19 crores (₹ 0.35 crores) on account of financing cost related to borrowed funds for construction or acquisition of fixed assets is debited to "Fixed Assets" and "Capital work in Progress" respectively.
- 22.** Pre-Operative Expenses capitalised during the year to fixed assets and capital work in progress is ₹ 20.30 crores (₹ 0.41 crores).
- 23.** Excise duty on sales amounting to ₹ 54.14 crores (₹ 63.87 crores) has been reduced from sales in profit & loss account and excise duty on increase/decrease in stock amounting to ₹ 3.50 crores (₹ 0.83 crores) has been disclosed in Schedule 15 of financial statements.

**24. PREVIOUS YEAR COMPARATIVES**

Previous Year's figures have been regrouped where necessary to confirm to current year's classification.

As per our attached report of even date

For and on behalf of the Board of  
Sterlite Technologies Limited

For **S. R. Batliboi & Co.**  
Firm's Registration No. 301003E  
Chartered Accountants

**Pravin Agarwal**  
Whole-time Director

**Anand Agarwal**  
CEO & Whole-time Director

**Anupam Jindal**  
Chief Financial Officer

**Sandeep Deshmukh**  
Company Secretary

**per Arvind Sethi**

Partner  
Membership Number: 89802

Place : Mumbai  
Date : April 29, 2011

## FINANCIALS

### Cash Flow Statement

(₹ in crores)

	Year Ended March 31, 2011	Year Ended March 31, 2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit as per Profit and Loss Account	141.35	245.92
Adjustment for Taxation	37.96	71.38
	179.31	317.30
Adjustments for :		
- Depreciation and Impairment	56.03	48.26
- Unclaimed Liability Written Back	—	(0.53)
- Provision for Doubtful Debts	0.95	10.28
- Bad Debts written off/ (written back)	(0.02)	1.81
- Provision for Contingencies	—	15.00
- Provision for Contingencies no longer required written back	(15.00)	—
- Income from Investments	(1.76)	(3.90)
- Interest and Finance Charges	45.17	38.12
- Interest Income	(7.32)	(7.86)
- Exchange difference	(7.99)	(13.12)
- (Profit)/Loss on Sale of Assets	0.28	(10.32)
- Amortisation of Preliminary Expenses	—	0.09
- Employees Stock Option Expenses amortised	2.02	0.73
	72.36	78.56
<b>Operating profit before working capital changes</b>	<b>251.67</b>	<b>395.86</b>
Movements in working capital :		
- Increase in Sundry Debtors, Loans and Advances	(315.02)	(36.56)
- Increase in Inventories	(21.93)	(70.54)
- Increase in Current Liabilities and Provisions	191.69	113.66
Change in working capital	<b>(145.26)</b>	<b>6.56</b>
Cash generated from operations	106.41	402.42
Direct taxes Paid (Net of Refunds)	(36.95)	(55.29)
<b>Net cash flow from Operating Activities</b>	<b>69.46</b>	<b>347.13</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets (Including Capital Work-in-Progress)	(448.72)	(116.72)
Proceed from Sale of Fixed Assets	5.05	23.84
Purchase of Investments	(883.76)	(2,604.31)
Sale of Investments	880.50	2,593.88
Payment for acquisition of subsidiaries	(2.73)	(0.04)
Investment in Bank Fixed Deposits*	(507.55)	(210.20)
Redemption of Bank Fixed Deposits*	549.94	80.72
Interest Received	7.58	7.56
<b>Net cash flow used in Investing Activities</b>	<b>(399.69)</b>	<b>(225.27)</b>

## CONSOLIDATED ACCOUNTS

### Cash Flow Statement

(₹ in crores)

	Year Ended March 31, 2011	Year Ended March 31, 2010
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Short Term Loans (net)	409.05	—
Repayment of Other Secured Loans (net)	—	(109.98)
Proceeds of Share Capital	—	41.93
Proceeds of Share Application Money	0.01	27.10
Proceeds of Employee Stock Options	0.09	0.06
Repayment of Long Term Loans	—	(27.89)
Interest paid	(45.15)	(40.74)
Dividend paid (Including Dividend Distribution Tax)	(20.74)	(9.45)
<b>Net Cash flow from/(used) in Financing Activities</b>	<b>343.26</b>	<b>(118.97)</b>
<b>Net Increase in cash and cash equivalent</b>	<b>13.03</b>	<b>2.89</b>
<b>Cash and cash equivalent as at beginning of year</b>	<b>4.94</b>	<b>2.05</b>
<b>Cash and cash equivalent as at year end **</b>	<b>17.97</b>	<b>4.94</b>
<p>* Investments in Bank Fixed Deposits having maturity of more than 3 Months have been shown under the cash flows from Investing activities.</p> <p>** The Cash and Cash Equivalents includes balance of ₹ 0.09 crore which are not available for use by the Company.</p>		
<b>Components of Cash &amp; Cash Equivalents:</b>		
Cash & Bank Balance as per Financials	180.95	210.31
Less: Fixed deposits not considered as cash equivalents	162.98	205.37
<b>Cash &amp; Cash Equivalent in Cash Flow Statement</b>	<b>17.97</b>	<b>4.94</b>

As per our attached report of even date

For **S. R. Batliboi & Co.**  
Firm's Registration No. 301003E  
Chartered Accountants

**per Arvind Sethi**

Partner

Membership Number: 89802

Place : Mumbai

Date : April 29, 2011

For and on behalf of the Board of  
Sterlite Technologies Limited

**Pravin Agarwal**  
Whole-time Director

**Anupam Jindal**  
Chief Financial Officer

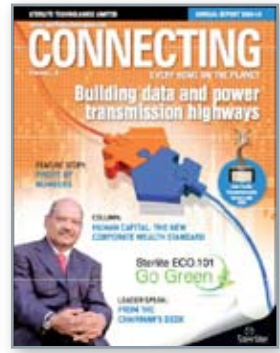
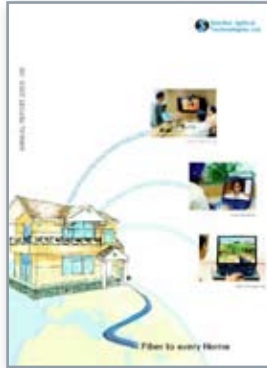
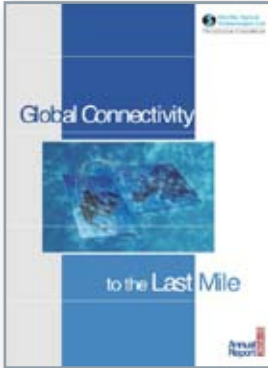
**Anand Agarwal**  
CEO & Whole-time Director

**Sandeep Deshmukh**  
Company Secretary

# Index

Audit Committee.....	66, 67	Registered office.....	52, 77
Board of Directors.....	62, 63, 65	Registrar & transfer agents .....	76
Book closure .....	73	Remuneration committee.....	67, 68
Build, Own, Operate, Maintain (BOOM).....	54	Resolutions.....	71
Capacity expansion .....	52, 53, 81, 84	Risks (Economic, political, product obsolescence, market, etc) .....	81, 82, 83, 84
Clause 12 .....	60	Secretarial certification.....	73
Clause 49 .....	65, 72, 77	Sexual harassment (policy on prevention and prohibition of ~) .....	72
Conservation of energy .....	58	Shareholders / Investors’ grievance committee.....	68
Core values.....	64	Shareholder rights .....	78
Corporate governance (philosophy on ~) .....	64	Special economic zone (SEZ) .....	53
Corporate mission.....	68	Special purpose vehicle (SPV) .....	53, 54
Dematerialization of shares .....	73, 75	Strategic management .....	64
Dividend .....	30, 52, 76	Strategic supervision .....	64
Employee stock options (ESOP).....	53	Subsidiary companies .....	53, 69
Executive management / management committee .....	64	Technology absorption .....	58, 59
Insider trading (prohibition of ~).....	72	Technology adoption .....	59
Intellectual property .....	37	Technology innovation .....	35, 59
Postal ballot.....	52, 71	Trading window.....	72
Preferential allotment.....	32, 52	Whistle blower mechanism .....	71, 72





## Awards for Sterlite's Annual Report 2009-10

'LACP 2010 Spotlight Award – Global Top 100'

'LACP 2010 Spotlight Award – Gold'

'LACP 2010 Spotlight Award – Agency Bronze Award  
(to Quadrum Solutions Pvt. Ltd.)'

'LACP 2009/10 Vision Award - 'Global Top 50'

'LACP 2009/10 Vision Award – Silver'

Sterlite's past annual reports can be viewed on

**[www.sterlitetechnologies.com](http://www.sterlitetechnologies.com)**

## THE WORLD IS CONNECTED

Through human history, progress has been defined by a fundamental need for connectivity – connectivity between people, between places, in thoughts and of ideas.

However at a more elementary level, there exist underlying infrastructures without which none of the above could have been possible.

‘The World is Connected’ explores the central themes:

- The role played by power and telecommunication as the two most fundamental economic drivers that define a nation’s progress.
- An organisation’s inclusive approach to maintain its competitive advantage in the dynamic and transient market situations experienced in the telecommunication and power sectors.
- How recognising and capitalising on market transitions before they occur, provides a vital direction to an organisation’s future growth strategy.
- Delivering sustained growth through development, implementation and dynamic monitoring of a multi-pronged organisational strategy.

‘The World is Connected’ is a comprehensive behind-the-scenes look at Sterlite’s strategic decisions, investments, organisational capability building and business progress, in its mission to create a world that is even more connected.

## WINNER OF 18 AWARDS IN 2010-11

*‘5th Employer Branding Awards 2010-11’, ‘6th RASBIC Awards 2010-11’, ‘Global HR Excellence Awards 2010-11’, ‘LACP Spotlight Awards 2010’, ‘2009/10 Vision Awards’, ‘10th Greentech Environmental Excellence Award 2010’, ‘National Telecom Award 2010’, ‘Star Performer Silver Shield’ and ‘V&D100 Award 2010’.*



[www.sterlitetechnologies.com](http://www.sterlitetechnologies.com)