

# CONNECTING

EVERY HOME ON THE PLANET



## Expanding into a shrinking world

**FEATURE STORY:**  
THE NUMBER GAME

**LEADER SPEAK:**  
FROM THE CHAIRMAN'S DESK

  
**Sterlite**

**STERLITE TECHNOLOGIES LIMITED**  
**ANNUAL REPORT 2011-2012**  
sterlitechtechnologies.com

**REGISTERED OFFICE:**

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

**LOCATIONS:**

China, India, Netherlands, Russia, South Africa, Turkey, Vietnam, United Arab Emirates, United Kingdom, United States of America.

**BOARD OF DIRECTORS:**

Anil Agarwal, Arun Tadarwal, A. R. Narayanaswamy, Haigreave Khaitan, Pravin Agarwal, Anand Agarwal.

**CHIEF FINANCIAL OFFICER:** Anupam Jindal

**COMPANY SECRETARY:** Sandeep Deshmukh

**MANAGEMENT COMMITTEE:**

Pravin Agarwal (Whole time Director), Anand Agarwal (CEO & Whole time Director), Anupam Jindal (CFO), K. S. Rao (COO – Telecom Business & Power Conductors), Rajendra Mishra (Vice President – Strategic Business Initiatives and Head Power Cables Business), Pratik Agarwal (Head – Infrastructure Business), Ajay Bhardwaj (COO – Grid Business), Vijay Jain (COO – Networks Business), Prasanth Puliakottu (CIO), Dharmendra Jain (AVP – Finance), Rajagopalan Paliyath (Vice President – Human Resources), Ankit Agarwal (Vice President – Business Development).

**AUDITORS:** S R Batliboi & Company

**BANKERS:**

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

**REGISTRAR & TRANSFER AGENTS:**

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**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 in 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 in accurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

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# From the Chairman's desk

“

Sterlite continues to be a global provider of choice for all our customers to help them build infrastructure highways for data and energy transmission.”

In today's dynamic business environment, change is the only constant. The year gone by has seen much volatility and uncertainty in global markets – be it the Euro zone debt crisis or the natural disaster in Japan – the repercussions were not limited to geographical boundaries. In today's virtually connected world, unlike in the distant past, no country, economy or person is insulated from the situations or happenings in even the remotest parts of the globe. Gone are the days when it took days, even months for news to travel from one part of the world to another. Today, we are in an era where information travels at the speed of light and its impact and influence are felt all over almost instantaneously.

The phenomenon will last forever, the world will continue to shrink and at the fulcrum of this change lies the fundamental need for connectivity. It is highly exciting times that we live in today, where connectivity is encouraging collaboration and inclusiveness like never before. There exists great opportunities for a company that is at the forefront of providing transmission solutions to address the connectivity needs of the power and telecom sectors; and the story only gets bigger and better. The vision of our company is to 'Connect every home on the planet', which forms the basic tenet for all our business offerings. We endeavour to continue to be, a global provider of choice for all our customers to help them build infrastructure highways for data and energy transmission.

Over the last 24 years, we have grown from being a small localised player to becoming a globally recognised brand, with physical presence in over 10 countries and a client footprint across 75 countries. Today, we are one of the few global companies who offer a unique mix of data and energy products and solutions. Alongside this journey into new markets, we have embarked on a new journey: the journey of excellence. As a company we have all agreed to have only one core value – which is to deliver excellence to all our stakeholders in everything we do.

Excellence as a concept is not only limited to business processes but also extends to our long-standing commitment to sustainable development. Conducting business in a responsible manner is an ethos that all our businesses and employees are committed to stand up to. We continue to endeavour to build products that are more efficient and would help reduce the global carbon footprint. We also remain committed to the community around us and constantly endeavour to increase our level of engagement with them.

In this journey of growth through excellence, the most important stakeholders have been our employees. The success that we have achieved and the growth that we have seen, is in no small measure the result of their contribution and the guidance provided by our able leadership team. On behalf of the board I would like to thank you, our

dear employees for the sincere efforts each of you have put in towards our company's goals. It is these efforts that have ascertained Sterlite's growth from a products manufacturer to an organisation capable of delivering products, solutions and infrastructure to the telecom and power sectors.

## Outlook

As infrastructure has become the new hallmark against which countries measure their standards of development, the medium- and long-term demands in both the telecommunication and power sectors will continue to be strong.

Today, we continue to live in a world which is virtually getting larger and bigger, while at the physical level, it continues to shrink; I am optimistic about Sterlite's robust business model, backed by an insatiable desire for growth.

**Anil Agarwal**

Chairman, Board of Directors  
Sterlite Technologies Limited

# Looking back

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

## BUSINESS HIGHLIGHTS

- Good Tier-1 clients added for all businesses across geographies.
- Market entry into new geographies like North America and Latin America.
- Sterlite places orders for Transmission lines (765 kV) which are part of its overall BOOM portfolio of 3 UMTF projects for supplies of equipment and EPC of two 1500 MVA (765/400kV) substations.
- Sterlite power conductors selected by PGCIL for high voltage & green energy transmission systems.
- Focused efforts in product development have led to the introduction of ACCC conductors, G657 optical fiber and blown fiber optic cables.
- Awards: Top 100 CISO Awards, EMC<sup>2</sup> Cloud Pioneer Awards.
- The Company exited the year at capacities of 160,000 MT for power conductors and over 12 million km for optical fibers. The capacity expansion of 20 million kms for optical fiber is on schedule.

## Sterlite Technologies chosen to enhance network for promotion of Higher Education in India

**MAY 24, 2011:** Sterlite Technologies Limited has been chosen by Bharat Sanchar Nigam Limited (BSNL) to enhance its network for promotion of Higher Education in India.

The scope of the project includes establishment of world-class connectivity for 120 universities across the country. This infrastructure would act as an information backbone, enabling every university in the network to function as an E-University. This platform would facilitate high bandwidth data transmission that is essential for video-based and e-learning.

Sterlite would connect 30 universities to this backbone during FY12 and the remaining 90 universities by FY14 and would manage the network for five years thereafter.

This project is part of the 'National Mission on Education through Information and Communication and Technology (ICT)' undertaken by the Ministry of Human Resource Development (MHRD), Government of India.

## Sterlite awards contracts worth ₹ 500 Crores

**SEPTEMBER 7, 2011:** Sterlite Grid Limited, a wholly owned subsidiary of Sterlite Technologies Limited, has recently awarded contracts through International Competitive Bidding (ICB) to Hyundai Heavy Industries Company Ltd (South Korea), Baoding Tianwei Baobian Electric Company Ltd. (China) and Areva T&D India Ltd. for supplies of equipment (like 765 kV Transformers & Shunt Reactors) and Engineering, Procurement and Construction (EPC) of two 1500 MVA (765/400kV) substations. The total value of these contracts amounts to ₹ 500 Crores. These sub-stations would be set up at Bhopal (Madhya Pradesh) and at Dhule (Maharashtra). The sub-stations are part of the

transmission systems strengthening project awarded to Sterlite Grid Limited on a 'Build, Own, Operate and Maintain' (B00M) 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.

The project involves establishment of four 765 kV Single Circuit transmission lines, two 400 kV Double Circuit transmission lines (total line length of 1,000 km) and two 765/400 kV substations for strengthening the transmission system in the Indian states of Madhya Pradesh, Maharashtra and Gujarat.

## Sterlite Technologies wins contract to implement a central office broadband system for BSNL

**SEPTEMBER 21, 2011:** Sterlite Technologies Limited has received a contract from BSNL, for deployment of a central office broadband system in telecom circles, pan India. The Company would install and commission the system within FY13 and would manage this network for 7 years thereafter. The system, once completed, would be capable of handling about 1.6 million broadband connections.

## Sterlite Technologies lends its Midas touch to India's Formula 1 race track

**OCTOBER 28, 2011:** Sterlite Technologies Limited manufactured and supplied a diverse range of fibre optic cables for the first-ever Formula One (F1) race held in India at the Buddh International circuit (Greater Noida). The Sterlite fibre optic cables used for indoor deployment — installed within the stadium control centre, in the spectator stands, on the racetrack and in pit stops — have been designed with LSZH (low smoke zero halogen) for the outer jacketing. These cables enabled installation flexibility and played a major part in critical functions such as signalling, barrier actuation and close-circuit television.

## Sterlite Grid places orders for four Transmission lines (765 kV) which are part of its overall B00M portfolio of 3 UMTF projects

**JANUARY 18, 2012:** Sterlite Grid Limited, a wholly owned subsidiary of Sterlite Technologies Limited, announced placement of orders for its 765 kV transmission lines with M/s. KEC Ltd and Simplex Infrastructure Ltd.

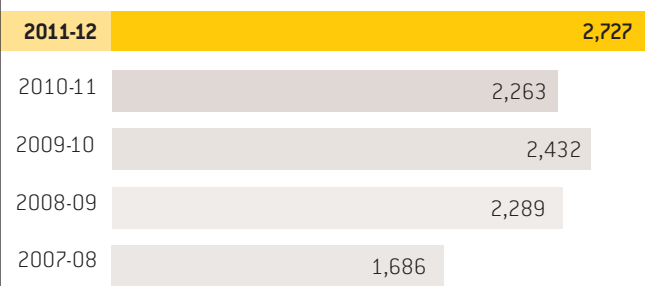
The contract, which was signed on January 17, 2012, is part of an investment by Sterlite Grid for its project that involves establishment of four 765 kV Single Circuit transmission lines, and two 765 kV substations for strengthening the Western Region.

## Sterlite power conductors selected for high voltage & green energy transmission systems

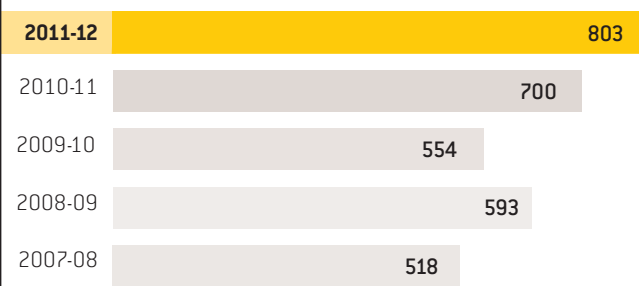
**AUGUST 27, 2011:** Sterlite Technologies Limited has received two new contracts from Power Grid Corporation of India (PGCIL) for manufacture and supply of power conductors. The first contract is for Sterlite power conductors that would be used in the 765kV double circuit Champa-Raipur Pooling Station Transmission Line in the Indian State of Chhattisgarh. This is one of India's first double circuit transmission systems being developed by a public sector company, designed for high voltage power transmission. This contract puts Sterlite in the unique position of being closely associated with development of the first 765kV double circuit lines in the public and private power sectors in India. The second contract is for Sterlite power conductors that would be used in the 400kV Kishanganj-Patna Line. This transmission system is intended to evacuate power from hydroelectric generation projects in Sikkim, to the Northern and Western regions of India. This project complements the Ministry of Power's focus on green energy, generated from renewable natural resources. These contracts valued at about ₹ 225 Crores, are part of a total bank of new orders valued at about ₹ 450 Crores that Sterlite has received since July 1, 2011.

# Powered by growth. Driven by performance.

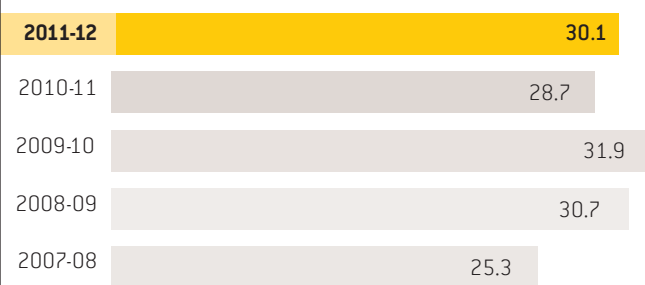
## NET REVENUES (₹ In Crores)



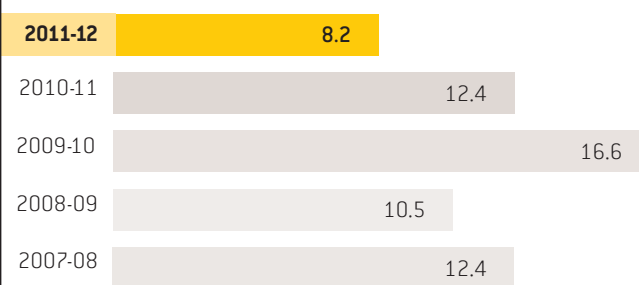
## EXPORTS (₹ In Crores)



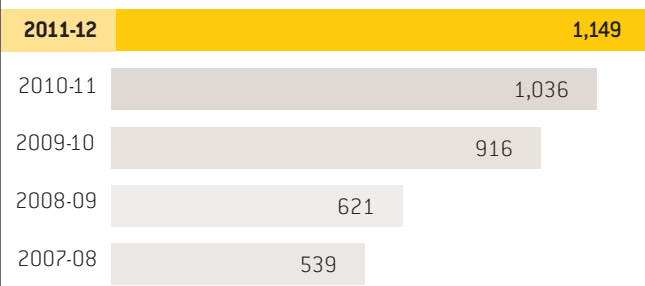
## GROSS MARGIN (%)



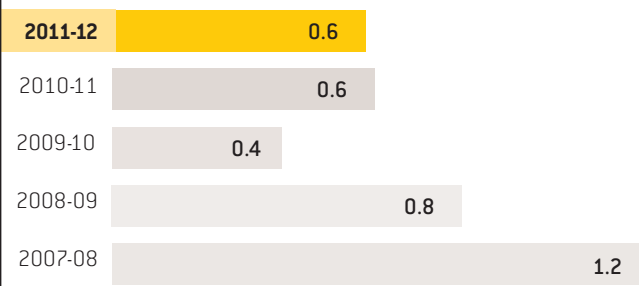
## EBITDA (%)



## NET WORTH (₹ In Crores)



## DEBT/EQUITY RATIO



**Note:** All graphs are for Standalone Financials

	2007-08	2008-09	2009-10	2010-11	2011-12
<b>₹ IN CRORES</b>					
Net Revenues	1,686	2,289	2,432	2,263	<b>2,727</b>
EBITDA	201	240	404	282	<b>223</b>
PBDT	168	150	366	234	<b>128</b>
PAT	101	90	246	141	<b>44</b>
Diluted EPS (₹)	3.09	2.78	7.34	3.72	<b>1.11</b>
<b>US\$ IN MILLION</b>					
Net Revenues	337.2	457.8	486.3	452.5	<b>545.5</b>
EBITDA	40.2	48.1	80.8	56.3	<b>44.6</b>
PBDT	33.5	30.0	73.1	46.8	<b>25.6</b>
PAT	20.1	18.0	49.2	28.1	<b>8.8</b>
<b>RATIOS</b>					
EBITDA Margin	12.4	10.5	16.6	12.4	<b>8.2</b>
PBDT Margin	9.9	6.5	15.0	10.4	<b>4.7</b>
PAT Margin	6.0	3.9	10.1	6.2	<b>1.6</b>
Effective Tax Rate (%)	22.8	18	22.5	21.1	<b>22.8</b>
Capital Employed (INR Crores)	1,241	1,173	1,334	1,722	<b>1,813</b>
Return on Capital Employed (%)	13.8	16.9	26.6	13.1	<b>8.4</b>
Debt Equity Ratio	1.2	0.8	0.4	0.6	<b>0.6</b>

**Notes:**

$ROCE = EBIT / \text{Capital Employed}$

$\text{Interest Coverage Ratio} = EBIT / \text{Interest}$

$\text{Working Capital Ratio} = \text{Current Assets} / \text{Current Liabilities}$

$\text{Debt Equity Ratio} = \text{Debt} / \text{Net Worth}$

Conversion rate 1US\$ = ₹50



Net revenues of  
**₹ 2,727**  
 Crores in FY 2012

# Letter to shareholders



“

We successfully expanded our resources and markets, optimised operations and undertook several strategic initiatives to prepare the Company for a better future.”

Dear Shareholders,

We are happy to present the Annual Report for FY11-12. The year was filled with new opportunities, reflection, optimism and some disappointments all bundled together.

While the financial performance was not as per our expectations, we successfully expanded our resources and markets, optimised operations and undertook several strategic initiatives to prepare the company for a better future. In line with our strategic objective of global leadership, we further entrenched our market presence in new geographies like North America and Latin America. Our model continues to be that of a products and solutions provider in the telecommunications and power industries helping our customers to serve the high-capacity data and energy transmission needs of the end user.

With manufacturing concentrated in India and China, offices in 10 countries, we have managed to increase our market presence in over 75 countries. The company continues to maintain leadership position

in the home market, with increasing global market share in its two core offerings – optical fiber and overhead transmission conductors. Further, we remain focused on investing in research and development, developing new products and application engineering to meet changing needs of the customers.

On the financial front, we closed the year with revenues of ₹ 2,727 Crores, EBITDA of ₹ 223 Crores and Net Profit of ₹ 44 Crores. Diluted EPS for the year stands at ₹ 1.11 against ₹ 3.72 in the last year. At its meeting held on April 29, 2011, the Board of Directors of the Company recommended a dividend of 15% for the year, subject to the approval from shareholders.

Amidst a tough operating environment and increased competition, we managed to grow our revenues by around 20% supported by volume growth in both our core product lines. The operating profits have showed gradual improvement quarter on quarter, reflected in an improved second half of the year as compared to the first half. The international sales also grew in line with

total sales contributing 29% to the topline. We added over fifty new clients to our customer portfolio and ventured into new markets like Argentina, Mexico, and Canada to name a few. 11 more patents were added during the year taking our total intellectual portfolio of patents to 44. We continue to add to our experience pool from across the globe with 590 talent acquisitions during the year taking our employee strength to 1,376. Amongst the few awards and recognition accorded to the company, the notable ones were Top 100 CISO Awards and EMC<sup>2</sup> Cloud Pioneer Awards for excellence in system integration.

Specific to the power segment, we witnessed a modest growth of 10% in our overhead conductor volumes. The transmission industry is slowly witnessing a shift towards high-end new age conductors, which offer better operational efficiencies by reducing transmission losses. During the year, the company also extended its offerings in this segment by developing HTLS (High Temperature Low Sag) conductors like ACSS and ACCC and also adding OPGW and Extra High Voltage cables to the portfolio.

We strongly believe that these additions to our product portfolio will strengthen our position in this sector and help us garner a larger share of our customer capex.

In the Telecom Segment, Sterlite provides telecom operators in India and across the globe with a range of connectivity products like optical fiber, optical fiber cables, and structured data cables along with connectivity solutions. The year saw the launch of new products namely G657 optical fiber and blown fiber optic cables. Our existing facility in Aurangabad had a capacity of 12 million km of Optical fiber at the end of 2011-12. During the last year we also started the construction of the optical fiber manufacturing facility in China for drawing of fiber. This is part of a joint venture between Sterlite and Tongguang Group of China viz Jiangsu Sterlite Tongguang Fiber Co. Ltd. (JSTFCL). The project is moving as per schedule and the commencement of commercial production is expected by the last quarter of FY13.

With the underlying belief that infrastructure development will have a crucial role to play in the future economic progress of the country, Sterlite had made its foray into the transmission grid ownership, two years ago. Today, Sterlite holds a portfolio of three transmission projects on a Build Operate Own and Maintain (BOOM) basis namely East-North Interconnection Company Limited (ENICL), Jabalpur Transmission Company Limited (JTCL) and Bhopal Dhule Transmission Company Limited (BDTCL). The projects with a combined investment

size of about ₹ 4,000 Crores will start generating revenues partially from FY 14 and fully from FY 15. The three projects are at various stages of execution as per schedule with revenues expected from the committed timeline.

As we move into FY 13, we remain focused on our long-term strategic and financial objectives. In our journey so far, we believe that we have created a strong foundation for profitable growth backed by strong fundamentals.

In the coming year, our focus would be on the following areas to deliver sustainable value to our stakeholders

- Continued volume growth, capitalising on organic expansions
- Increased offerings to our customers by adding new products that ride on innovation and application engineering
- Strengthened global presence by entering into new geographies and expanding our customer portfolio

We are working diligently towards achieving our core value of 'Excellence' in all our businesses and all aspects of each business. We strongly believe that our commitment towards 'Excellence' will create sustainable value for all our stakeholders who have supported us in our journey so far. We appreciate your support, trust and the continued long-term association with us.



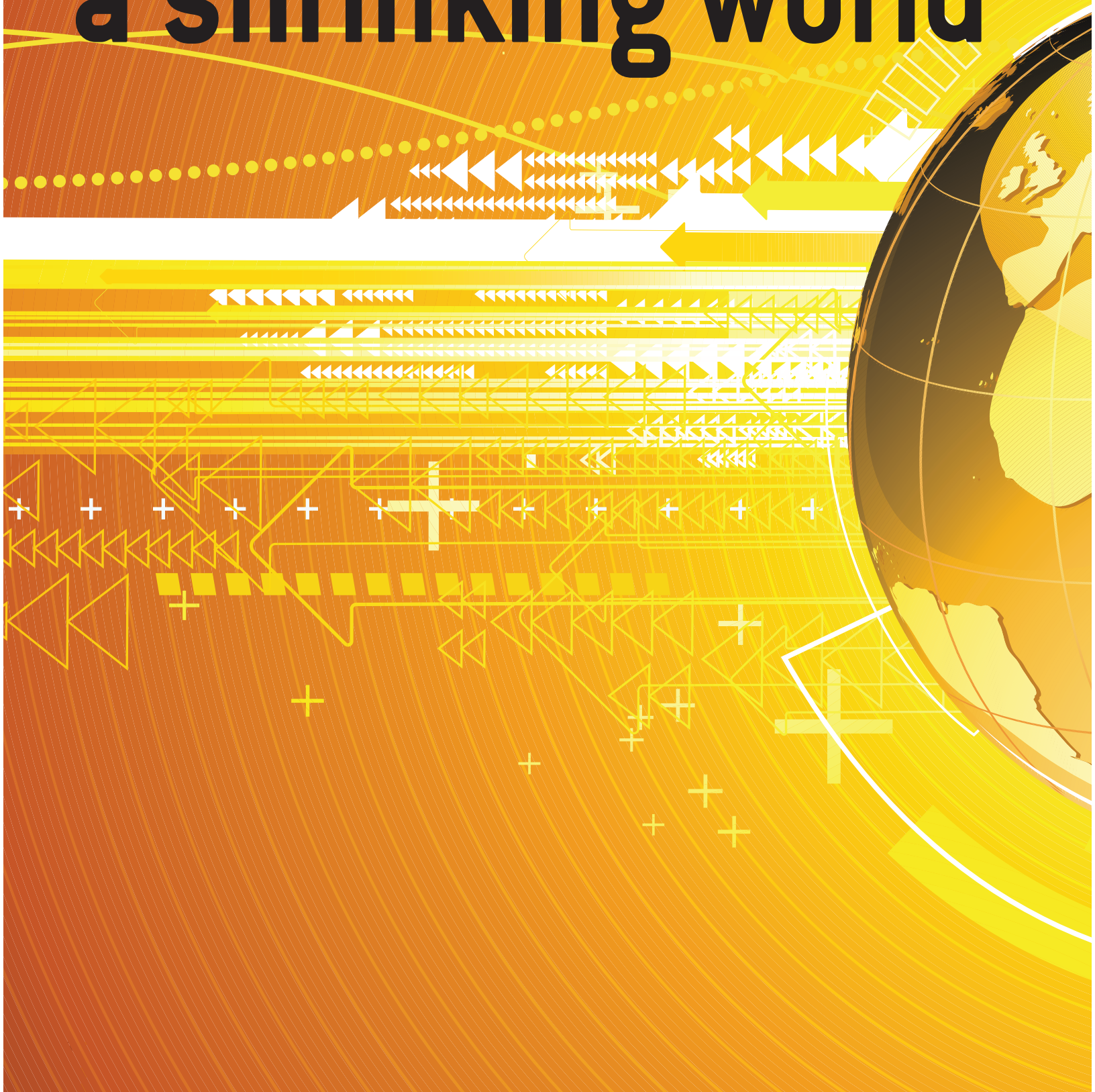
11 more patents were added during the year taking our total intellectual portfolio of patents to 44.



**Pravin Agarwal**  
Whole-time Director

**Anand Agarwal**  
Chief Executive Officer

# Expanding into **a shrinking world**



By **Abhas Tripathi & Vishal Aggarwal** - Investor relation and corporate strategy.

Way back in 1988, Stephen Hawking - the legendary scientist, philosopher and astronomer - came up with his masterpiece “A Brief History of Time: From the Big Bang to Black Holes”. While the book was primarily aimed at educating and demystifying the complex phenomenon of start and end of the universe, one of the underlying messages he brought forth was the infiniteness of space and time.

This proposition may sound overwhelming for a human mind to appreciate in totality; however, if one tries to draw a parallel of this in ones daily life, there appears an interesting correlation. In the realms of the virtual mind space, the world has been expanding. To put it more simply, the world as we see today is much bigger than what we knew years ago. Almost 100 years ago, the world for most of us would have centered around the city/country we have resided in. Fast forward these 100 years, and the perception of world would have drastically changed for the same person.

So, what is it that is bringing this change in our perception of the world as we complete a decade in the 21st century?

Technology; we believe is the single most determining contributor in expanding the horizons of our thoughts and opening our mind to endless possibilities that were once never envisaged. Technology is the enabler which is driving the way communication and information is disseminated which breaks through geographical barriers, time and distance, thus enlarging our view of the world we live in.

Paradoxically one may argue that if technology has played the role of bringing people closer and reduced the travel time, then the world should essentially be shrinking day by day. Objectively, they are just two sides of the same coin; however *the reality is that we live in a world which is virtually getting larger, while at the physical level, it continues to be shrinking.*

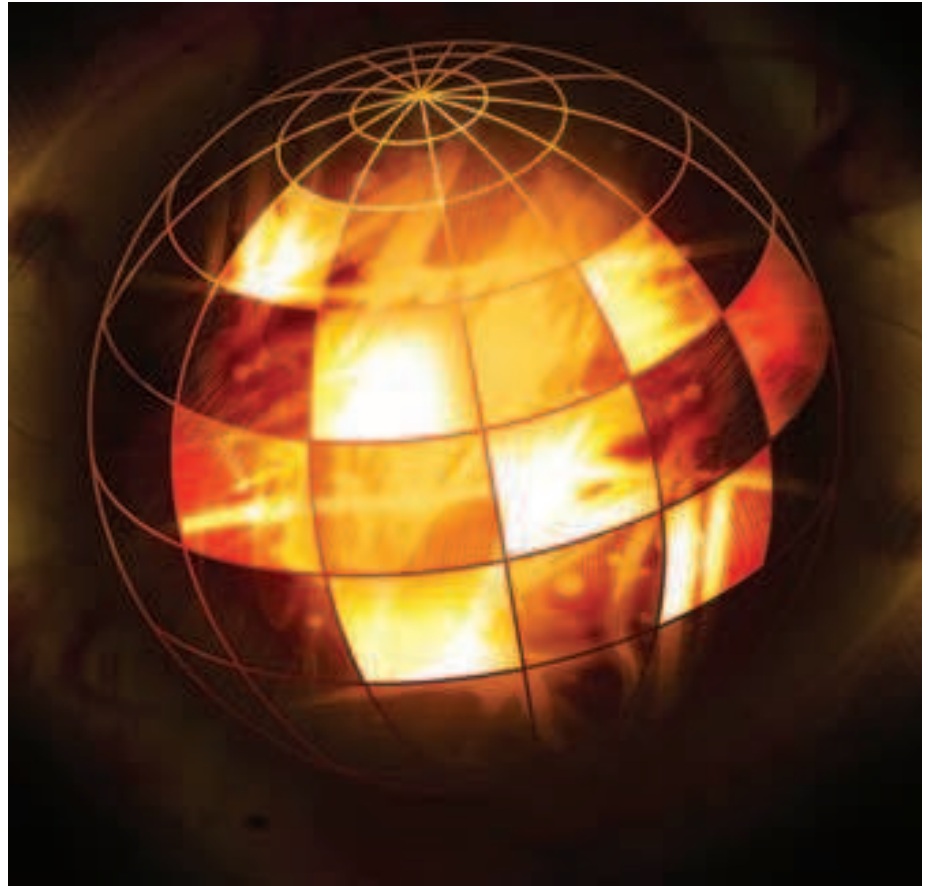
For instance, we don't have to wait for our newspaper vendor every morning to know what happened the day before. Live information is available at the click of a button. When the Pope steps out on his balcony, we can see him just as clearly as the people milling around him. Distance has become a thing of the past. News travels at lightning speed, and technology has virtually outplayed the relevance of physical presence.

“

The reality is that we live in a world which is virtually getting larger, while at the physical level, it continues to be shrinking.”

In this dynamic era of a shrinking/expanding world, there is one company which continues to do its humble bit in helping people adapt to the changing the world.

**Sterlite Technologies Limited** a leading global provider of transmission solutions,






with a vision of **“Connecting every home on the planet”**, has been at the forefront of addressing the connectivity needs of the Telecom and Power sector.

Sterlite offers a diversified portfolio of products and solutions catering to both these sectors. Since beginning, the endeavour has been to enable the utilities

in providing faster, efficient and optimal medium of transmission for data and energy transfer. The recent foray of the company into the power transmission infrastructure space is another big leap in that direction, where we have taken one step forward to be in the driver's seat by setting up one of the largest private transmission networks in the country.

## Sterlite Technologies Limited

 Telecom	 Power	 Infrastructure
Optical fiber	Power conductors	Power transmission projects (BOOM)
Fiber optic cables	Power cables	
System integration	OPGW	
Passive solutions	Rods & accessories	



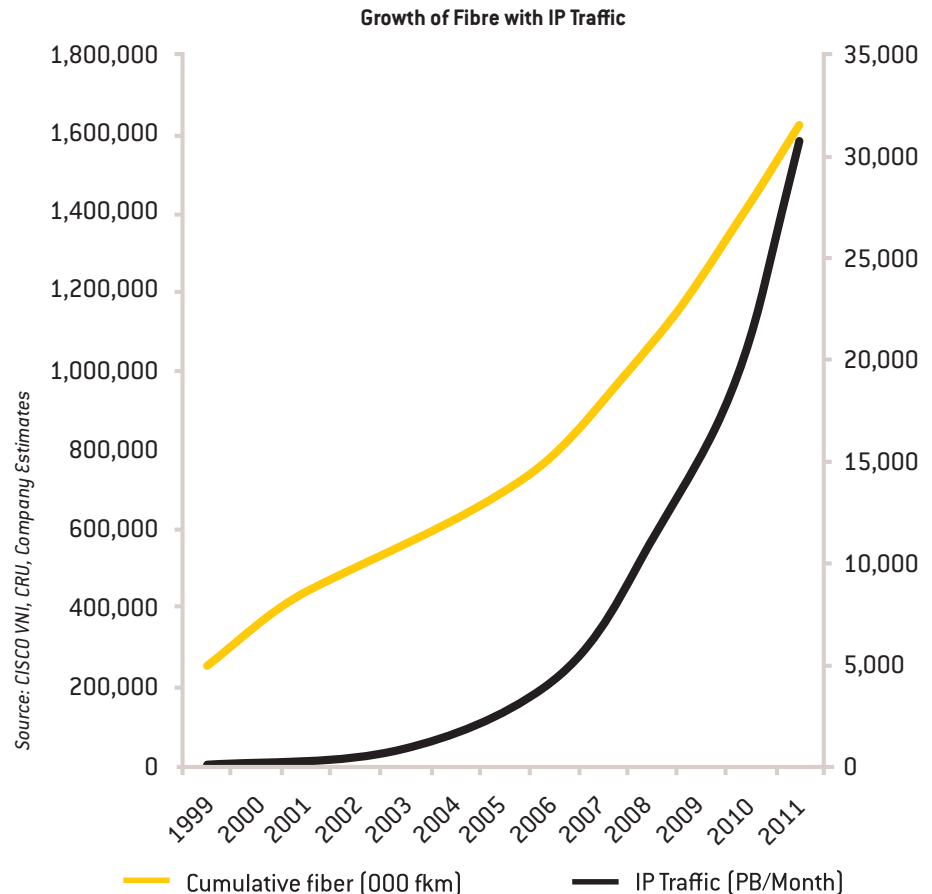
number of networked devices is expected to be double the world's population. And by the time we reach 2015, it would take five years to view all the video content crossing IP networks each second.

What many don't see is that the increase in mobile devices also has had a tremendous impact on the amount of data traffic crossing the network. It's a little easier to comprehend once we think about all that's done on a connected device like a smartphone. Listening to music, watching videos, downloading photos, playing online games, refreshing Twitter feeds and status updates – all of these activities generate network traffic.

### Back to the Future

Internet history reveals a strong correlation between how much bandwidth consumers have at their disposal and the development of content, service and device ecosystems. Whole new communication and business models have been made possible by increases in broadband access speeds. Back in 1996, CEOs from major software companies, including Oracle, put forward the idea of network computing, which is the storing and running of applications on a server in a network. The idea was great, but dial-up Internet speeds were not. The concept of network computing was shelved.

Fast forward over a decade and the accessing and sharing of resources on servers in a network — or cloud computing — is becoming a reality for users equipped with very high speed broadband. Striking changes in communications usage have also taken place for the home user. Over a decade ago, a phone ringing over a dial up connection usually resulted in a dropped connection. Consumers today would balk at such levels of service. Instead their requirements are growing in line with the simultaneous use of several residential broadband applications. And there is no reason why the consumers' demands will not grow, with the next stage of evolution in content delivery and interactive video broadband services, demanding more



capacity than today's legacy networks can provide. If service providers are to avoid their customers cancelling their subscription and switching to competition, they will need to invest in infrastructure that can cope with huge capacity requirements from both fixed and wireless usage.

The question still remains..... are the networks of today equipped to handle this explosion in data traffic as anticipated and meet the consumer expectations for immediate access from multiple devices?



By the time we reach 2015, it would take five years to view all the video content crossing IP networks each second.



It shouldn't come as a surprise that the answer is 'no'.

It is therefore natural that the networks of tomorrow be built on a robust transmission media which offers limitless potential to address the growing bandwidth traffic and fiber comes in as a natural saviour.

Whether IP Traffic drives the deployment of fiber or whether fiber deployment leads to increased IP traffic has always invoked conflicting views. As one of the top five global manufacturers of Optical fiber, Sterlite Technologies has always operated from a premise that there exists a strong positive correlation between the cumulative fiber deployments in the world viz-a-viz the global IP traffic in the past.

What is clear though and has unanimous agreement of all industry experts is that fiber today is the only medium which can prepare the networks to handle the bandwidth explosion in years to come.



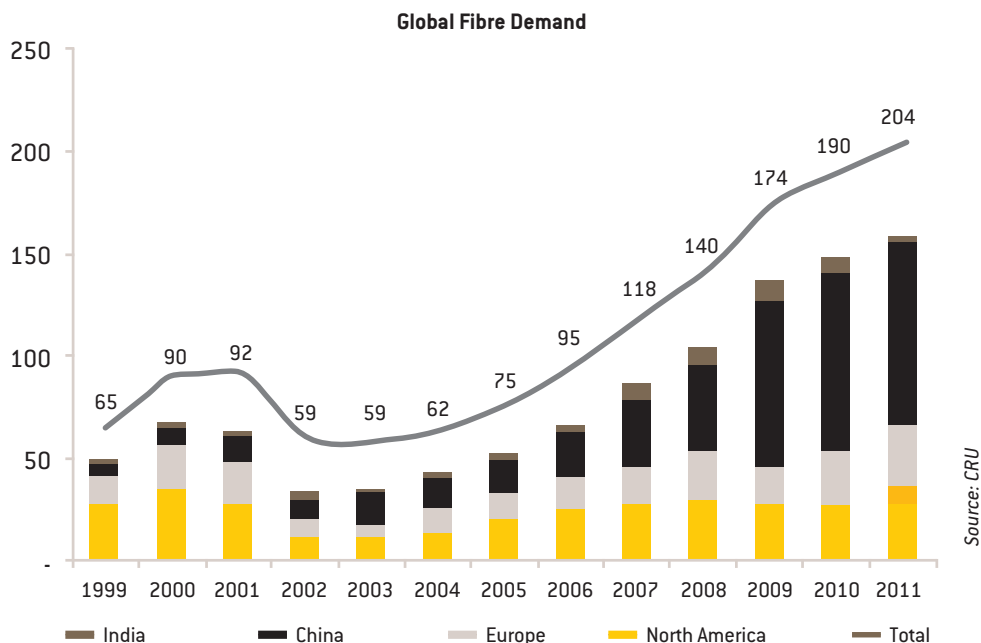
As more and more data gets consumed, the bandwidth requirement continues to surge putting a strain on existing networks. Optical fiber is the only medium that can support such high data traffic flow.

#### Optical Fiber: The medium for transmitting high-speed data

Though early form of optical fiber was developed in 1950's, it was nearly a decade later that the thought of using optical fibers for communication was conceived though the commercial use happened much later. Optical fibers is what 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 increased. This can be better appreciated by mapping the fiber deployments that have taken place in the last ten years.

The fiber industry has grown at a steady pace post the 2001 Internet bubble and continues to do so even now. As per estimates from CRU, the global fiber demand last year was about 215 million-fkm which is the highest ever showcasing a growth of about 10% over previous year.

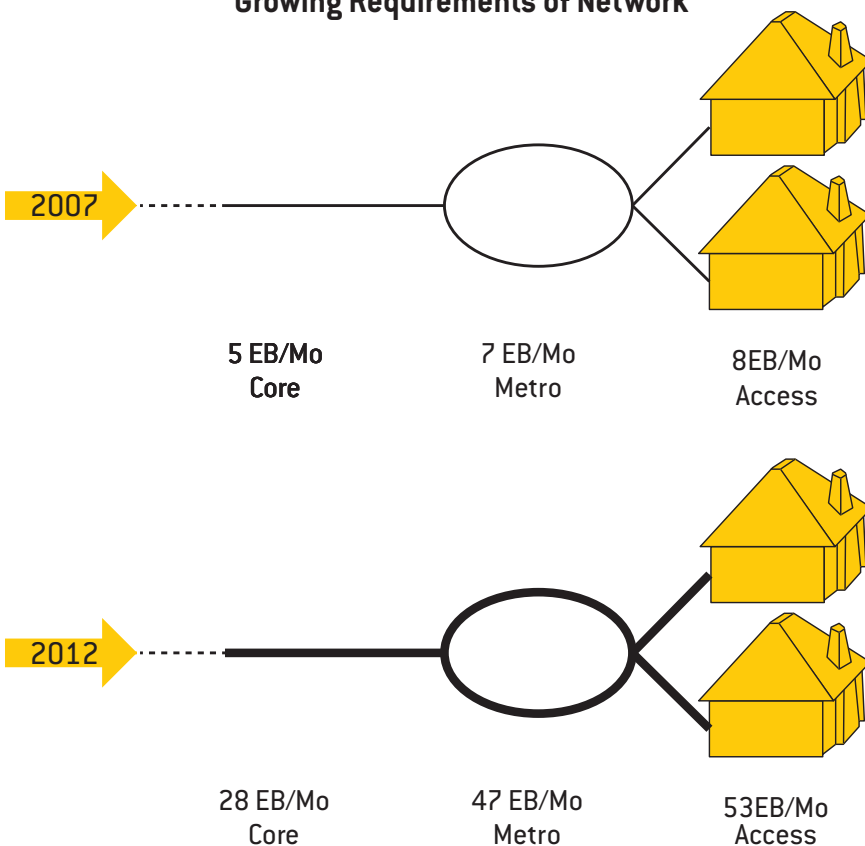
If we observe the fiber deployment pattern globally, different regions have contributed to the growth in fiber demand at periodic intervals depending upon the respective stage of network evolution in



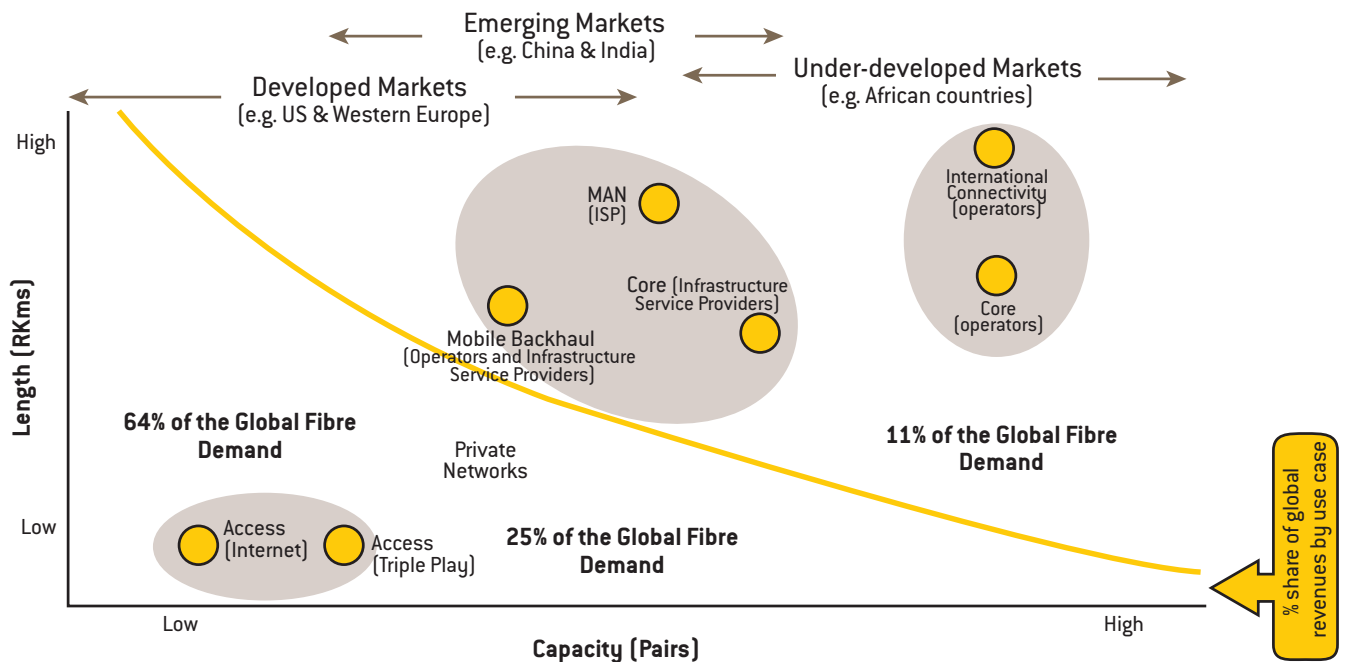
that region. The last few years have seen mammoth growth in fiber deployments in China on the backdrop of the 3G infrastructure build up. China presently accounts for around 45% of the global fiber demand. We believe that India market

with the highest number of wireless subscribers is also at an inflexion point of growth and should witness strong growth in fiber deployments in the next few years to come.

#### Growing Requirements of Network



## Deployment by Fibre Length and Capacity Across Various Markets



Source: Analysis Mason, Industry Estimates

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 which in turn puts a strain on existing networks. Optical fiber comes as a saviour as the only medium that can support such high data traffic flow.

Broadly speaking the requirement for fiber can stem from any of the following three elements of the network: **the core network, the metro network and the access network.**

**1. Core network:** Most of the developed economies today as well as the highly growing developing economies like India and China today already have in place, what we call the core network or the backbone network which is a long distance network connecting cities within a country or connecting different countries. For many underdeveloped/developing economies today this network does not exist or exists in parts and it comes as a basic need to build this network in order to enable communication of cities with other cities or countries. Optical fiber is the most preferred

transmission media for building the cross country networks.

**2. Metro network:** With a core network in place, countries embark upon the next stage of developing their wireless networks and fixed wireline networks across cities. As these networks grow, evolve and advance over time, adding more and more users, it becomes impossible to provide the consumers with desired service levels. Thus this part of the network becomes a bottleneck requiring continuous improvement in

“The future of broadband infrastructure depends on further collaboration between application and content providers and telecom operators and a deeper understanding of how they interplay to each other’s benefit.”

network infrastructure. Today, there is no other medium which can handle this capacity constraint better than fiber, thus requiring fiber to be deployed in the metro network. This fiber may be used for mobile backhaul network connecting the wireless towers or it can be used for connecting the exchanges in the city enhancing the wireline networks.

**3. Access network:** In developed parts of the world where the network is strong in both the backbone and backhaul the next stage in network evolution comes with strengthening the network close to the end user.

Fiber deployments in this part of the network, reaching closer to the user are in common parlance referred to as FTTH [Fiber to the home] with some variants like FTTC [Fiber to the curb], FTTB [Fiber to the building] etc giving rise to the general term FTTx which we talk about in the next section.

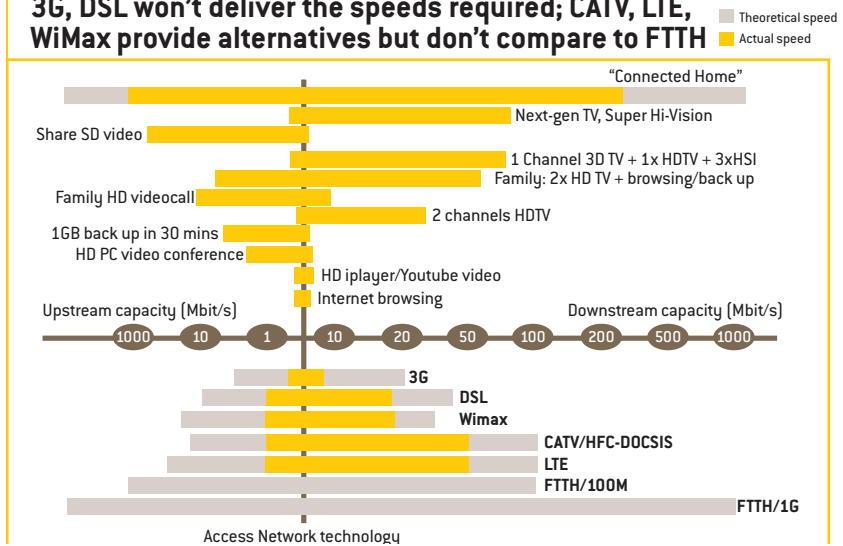
### FTTH: Shaping the Future of a Content-based World

Lately the word ‘fibre’ has started to become ubiquitous in advertisements for broadband. It’s a synonym for the future, for speed and quality.

The reason for the unabashed excitement about FTTH is due to the fact that the theoretical capacity of FTTH technologies is miles above what wireless has to offer. Another method of comparison is the fact that in the case of wireless technologies the actual capacity is much lower than the theoretical capacity and is affected to a great deal by factors like distance, obstructions in the form of buildings etc. Hence, to offer Next-gen services the only medium capable of supporting the network capacity is FTTH.

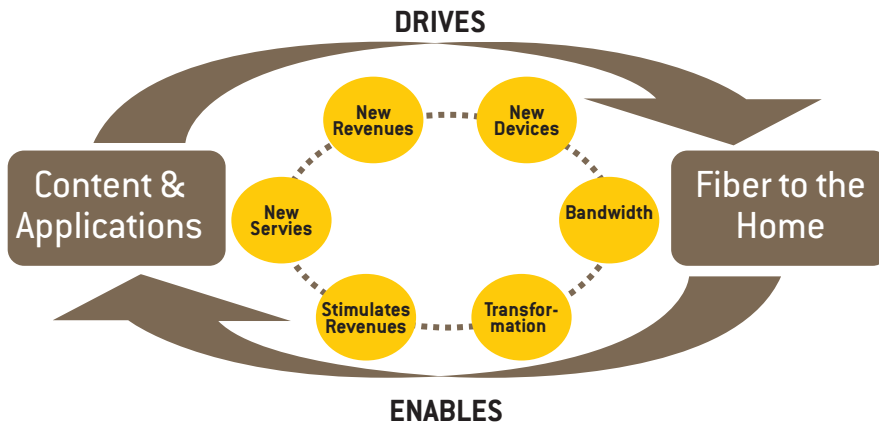
Telecom operators, application and content providers have come a long way in building relationships with each other in recent years. Yet the next major investment in broadband networks will demand even more: The future of broadband infrastructure depends on further collaboration between application

### 3G, DSL won't deliver the speeds required; CATV, LTE, WiMax provide alternatives but don't compare to FTTH



appliances and revolutionise housework: Fortunately the creators of yesterday's power generators laid an infrastructure that could accommodate a century of

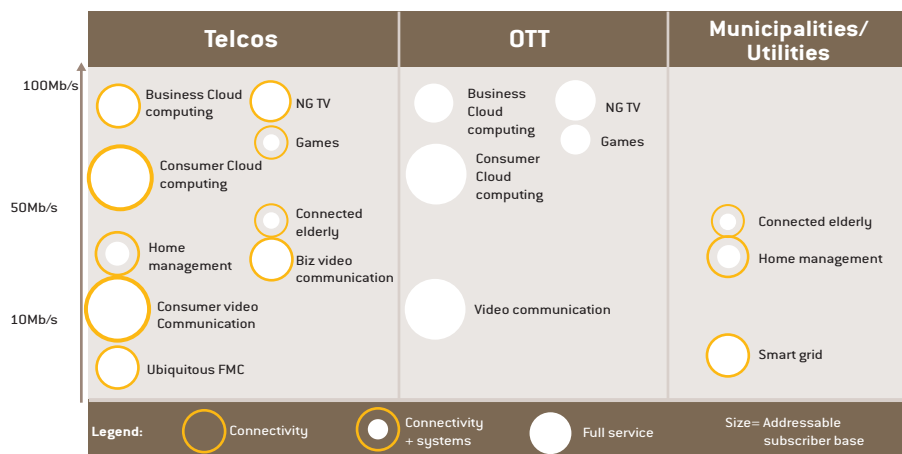
New services create new revenue streams, encourage adoption of new devices, change end-user behavior and drive the need for increased bandwidth capacity. In return, network upgrades accommodate content and application growth, spur new services and open the door to new business opportunities.



growth. Today's investors in broadband need to take a similar leap and create a sustainable, flexible infrastructure that can accommodate new, unexpected services and ways of doing business. Despite concerns over how actors will share both the cost of infrastructure and the benefit of new revenue flows, it remains in everyone's interest that FTTH networks are built. Telcos will be able to offer new, differentiated products and reduce the congestion on their networks that the growing consumer demand for HD video streaming and fixed-mobile convergence brings. Content, Internet and application companies will be able to create truly interactive products and services. And not building FTTH networks puts today's owners of copper networks at risk of falling behind competing mobile and cable network operators.

and content providers and telecom operators and a deeper understanding of how they interplay to each other's benefit.

The last decade demonstrated how innovation in broadband communications can rapidly reshape the way a society communicates, works and entertains. Today, we are on the brink of much greater change. After all, only a few people building power stations in the early 20th century could have imagined the extent to which electricity networks would drive new industries for domestic

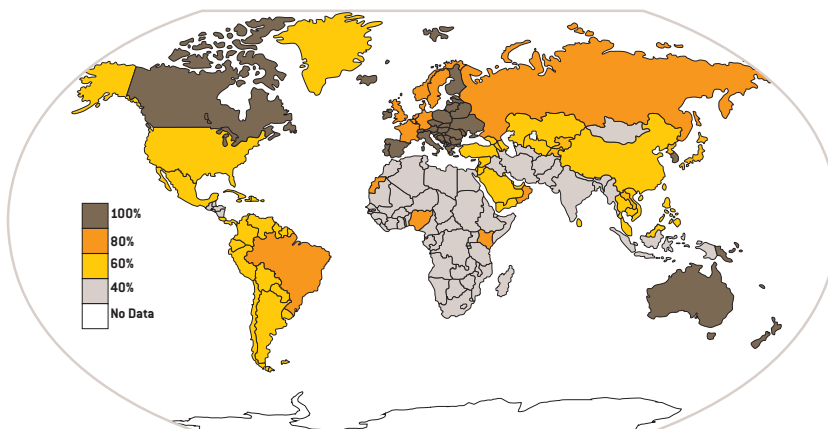


A new generation of content and applications opens opportunities for all players to engage on different levels in defining the best business model. The value proposition of different services is based on their market potential, revenue opportunity and end-user requirements such as security, privacy, reliance, cost vs. quality preference etc.

When we talk about the access network it is useful to see how countries across the globe pan out in terms of internet connectivity. Further, there is a lot of diversity in the profiles of nations with some having internet penetration that is as high as 100% while others are closer to nil. This again re-emphasises the fact that depending on the stage of network evolution, economies across the globe will have distinctive requirements.

It is no surprise then that we see a higher FTTH penetration for countries that already have the basic internet infrastructure in place and higher level of internet penetration.

### Internet penetration - an indicator of access networks across the world



Source: International Telecommunications Union

Developed countries in Asia primarily in South East Asia such as South Korea and Japan have the highest subscribers and are also expected to grow at a much faster rate than expected from other economies of the world. Latin America and Africa lag in FTTH penetration and this trend is expected to continue for a few years, as they are at that stage of network evolution where their primary requirement is getting the backbone network ready before moving on to backhaul or the access

networks. What is interesting to note is, for economies that are still at a nascent stage of their network evolution, it will take some time before they make a step towards a FTTH infrastructure. However, for other economies the pace at which they are advancing towards FTTH maturity [Defined as minimum 20% household penetration of fiber] is quite astounding. European Union, US and Australia are the major regions which are next in line.

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Beyond 2022
Japan																	
Korea																	
China																	
Taiwan																	
Australia																	
USA																	
Canada																	
India																	
European Union																	
Russia																	
France																	
Germany																	
Italy																	
UK																	
Spain																	
Sweden																	
Netherlands																	
Portugal																	
Switzerland																	
Denmark																	

Source: FTTH Council

This is a good representative of the year which will trigger fiber requirements for several economies. Investments in fiber networks is a cyclical phenomenon and each cycle takes anywhere between 2 and 5 years depending upon the type and scale of investment. In this context, the FTTH maturity matrix for various countries will boost our confidence in terms of the growing fiber demand from FTTH in the next decade, which is about 60-70% of the total fiber demand.

#### Initiatives across the globe

Not only are private telecom operators making these investments, but Governments globally realise the importance of broadband for their economies. Studies also reveal a positive correlation between broadband penetration and GDP growth for different economies as depicted below -

Region	Impact on GDP growth for each 1% change of broadband penetration
5 OECD countries with penetration higher than 30%	0.023
8 OECD countries with penetration between 20% and 30%	0.014
8 OECD countries with penetration under 17%	0.008
Countries of medium and low economic development	0.138
Latin America and the Caribbean	0.016
<b>India</b>	<b>0.031</b>

Source: International Telecommunication Union - Impact of Broadband on the economy

Consequently, the last few years have witnessed quite a few initiatives across geographies by both private players as well as government bodies. All of these will have a direct impact on the fiber demand in the coming years.

**Australia:** Australia's National Broadband Network is a next-generation broadband network designed for Australia's future needs. Work has already begun on the NBN and, by the end of the ten year rollout; NBN plans to connect all Australian premises to this new high-speed broadband network. 93 per cent of Australian homes, schools and businesses will have access to the NBN through optic fiber to the premises, capable of providing broadband speeds of up to one gigabit per second. As a part of this project more than 3.5 million homes, schools, hospitals and businesses will have, or be on the way to having, access to high-speed optic fiber services over the next three years.

“The Government of India has approved the National Optical Fiber Network (NOFN) for providing Broadband connectivity to 250,000 Panchayats. The project is estimated to involve more than 100,000 km of optical cable routes.”

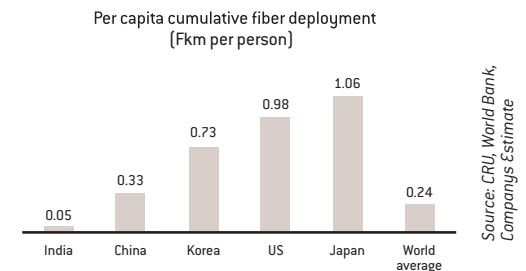
**UK:** UK government is committed to delivering the best superfast broadband network by 2015 and to do this it has

allocated £ 530 million during the current Spending Review period to stimulate commercial investment to roll out high speed broadband in rural communities. The ambition is to provide superfast broadband to at least 90 per cent of premises in the UK and to provide universal access to standard broadband with a speed of at least 2Mbps.

**Europe:** The European commission has a proposal to contribute € 9 Billion to fund pan-European projects that would support broadband services. The funding is to be committed between 2014 and 2020 and will include grants, and both debt and equity financing. The commissions' memo said this financing could leverage € 50 to 100 billion additional public and private investment, which represents a substantial part of the total estimated for Europe to meet the EC's long-term "Digital Agenda" targets.

**US:** Connecting America - The National Broadband Plan is a FCC (Federal Communications Commission) plan which deals with improving broadband Internet access throughout the United States with a goal of providing 100 million American households with access to 100 Mbit/s connections by 2020.

**China:** Early this year, the Chinese government published the "12th five year



plan" and greatly boosted the nationwide broadband/FTTH construction. In the next 5 years, China will see the fastest growth of FTTH penetration rate and enjoy the most FTTH users in the world. Broadband development is a part of China's 12th Five-Year Plan (2011-15), which will increase the country's average broadband speed to 20 megabytes per second by the end of 2015. China's three telecom carriers will implement the plan and invest more in the industry.

#### Growth drivers in the home market – India

In terms of fiber deployments, India lags far behind other major economies of the world even though it has a similar ecosystem of wireless networks and subscribers. This means that the scope for fiber deployment in India is immense. Apart from these macro factors, there are a few other factors that also will lead to increase fiber demand in the next 2-3 years.

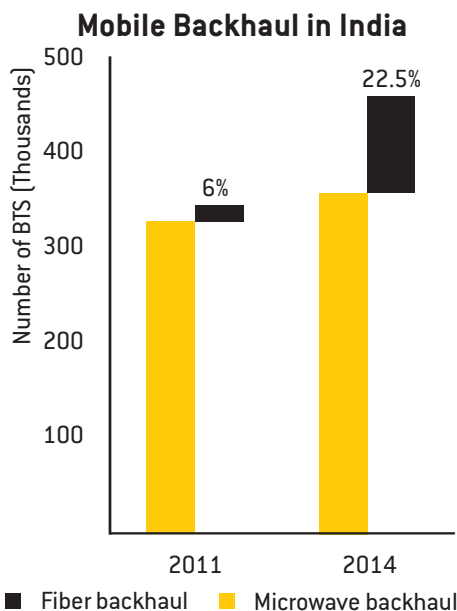
**National Broadband Plan:** The Government of India has approved a scheme for creation of the National Optical Fiber Network (NOFN) for providing Broadband connectivity to 250,000 Panchayats on 25th October 2011. The project is estimated to involve more than 100,000 km of optical cable routes and US\$ 4 billion in funding. The implementation framework,

budget, technology architecture and other issues related to NOFN are being worked out by the High level Committee (HLC) constituted by the Department of Telecom (DoT). To move the project forward an SPV has been incorporated named 'Bharat Broadband Network Limited' (BBNL) which will be the executing agency for the project and will use the capabilities of three prominent telecom PSUs to implement the project. To grant right of way, a draft tripartite MoU (among GOI, the SPV and the State Government) has been sent to the State Governments and Union Territories for their concurrence. Universal Service Obligation Fund (DOT), BBNL, BSNL, Rail Tel, Power Grid and Telecom Players, USPs and content providers, along with State Governments, will work on the Pilot Trials.

**Defense network:** A large-scale fiber optic network project that has been delayed is the defense network which was expected to get underway in India earlier this year. A nationwide backbone for India's defense agencies has been promised to a secure fiber network in exchange for giving up RF spectrum to be auctioned to 3G operators in 2010. India's telecom commission has also approved additional funding as requested by BSNL, national operator and the company that will be responsible for building the fiber network. The proposal envisages a network to be laid out over 60,000 km to provide connectivity for 129 army, 162 air force and 33 navy stations.

**Mobile backhaul:** With the rise of wireless subscribers in the country and the data usage increasing significantly, currently India's network is getting choked at the mobile backhaul level. Today almost 95% of the country base terminal stations are connected through microwave which is not able to support the bandwidth explosion. It is expected that the transition to fiber as the connecting medium for the nation's backhaul network will begin in the next 1-2 years leading to an added fiber demand in the country.

All these developments and growing consumer needs for bandwidth hungry



Source: Analysis by Mason, Industry Estimates

applications are clear indicators of robust investments in telecom network infrastructure to be built in years to come. Fiber will continue to play a dominant role in the network infrastructure requirements and we anticipate a steady growth for the next 4-5 years in this segment.

The future as we see isn't about mobile, it's about mobility. With mobility, performance is also of paramount importance. Companies like Sterlite, will continue to have a strong thrust towards the enabling the networks of today to be ready for the needs of tomorrow.

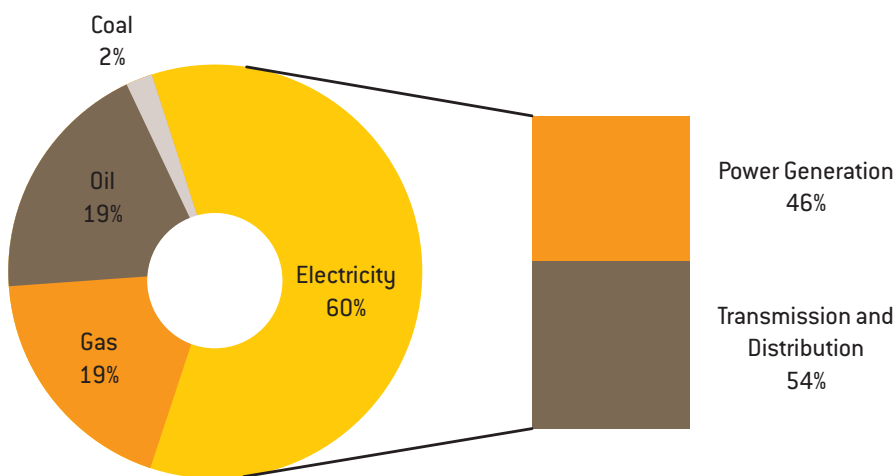
## POWER SEGMENT

### Energy as an integral part of our lives.

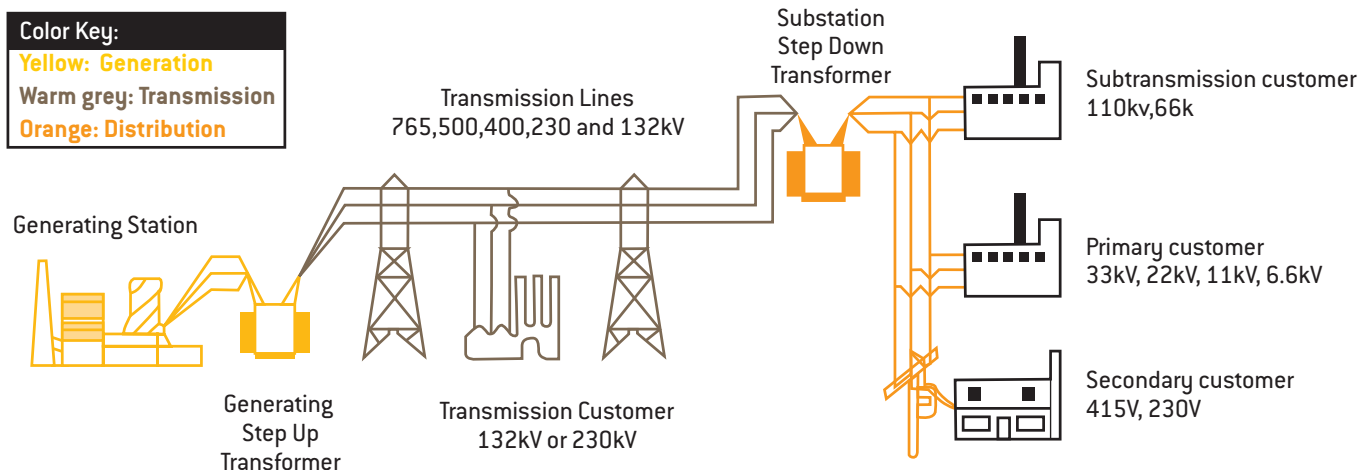
If Abraham Maslow had to rework on his famous Maslow's Hierarchy of Needs in today's context, it is quite likely that he may be tempted to include energy as one of the basic needs at the physiological level. Energy has become as essential a commodity in our lives as the need for food, water and shelter. Energy is now almost an integral input to the delivery of every basic service we rely on. Whether it is basic raw material or the goods manufactured from them, or the delivery and maintenance of any service like health, education, entertainment and recreation, energy is required as a basic input. Energy allows us access and mobility, and for almost all technological innovations in the past decade, the underlying need for energy is an implied one. As the influence of energy continues to increase in our lives to power practically all aspects of our lives, it is but natural that with growing global population the global energy demand is projected to grow significantly into the future. Industry experts project that by the year 2030, world-wide energy demand will be at least twice today's level.

In a broader context, energy can be classified into electricity, gas and oil depending upon the end usage.

### Cumulative Investment in Energy (2001-2030) \$ 16 Trillion



Source: International Atomic Energy Agency

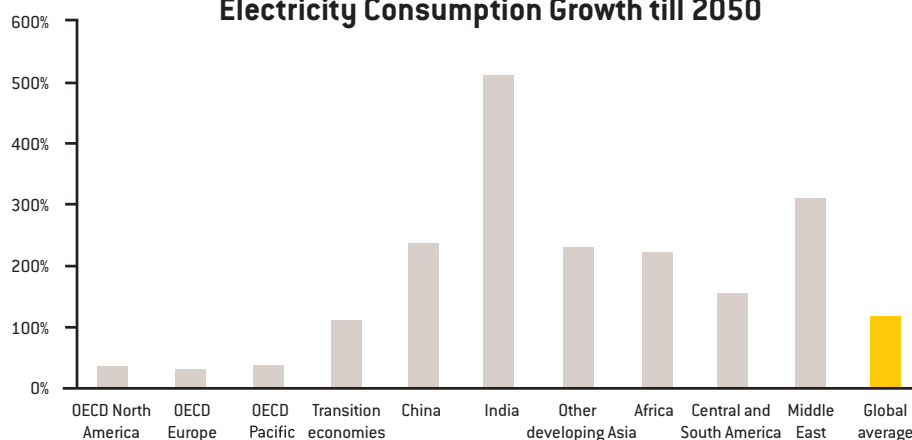


The global consumption of electricity has been increasing faster than the overall energy consumption because of the versatile nature of the production of electricity, as well as its consumption. The cumulative investments in energy sector from 2001-2030 are expected to be around \$ 16 Trillion of which 60% is estimated to be for electricity.

#### Power value chain

After years of neglect, transmission systems all over the world are getting much-needed attention. Driven by policy initiatives and a renewed industry focus, significant capital investments are being made to expand and extend transmission grids. Thousands of miles of new transmission lines are being built and existing systems are being retrofitted to add new capacity and greater monitoring capabilities. Sterlite's focus in

#### Electricity Consumption Growth till 2050



the power value chain continues to be on transmission, which is a vital link between the generation and distribution utilities for power to reach the end customer.

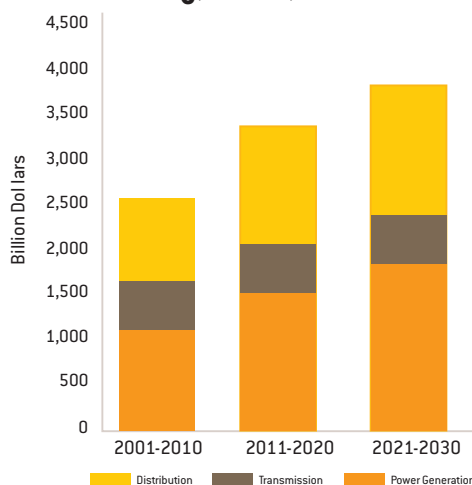
Many different forces are driving these developments. In some countries, burgeoning populations and thriving economies are increasing the demand supply gap in electricity. Even where demand is relatively flat, renewable energy and smart grids have created the need for increased transmission capacity. In North America, Europe, and many other regions, cross-border transmission projects are being developed to relieve power shortages as well as feed competitive electricity markets. All the above combined are expected to take the annual transmission expenditures steadily from \$ 48.4 billion in 2010 to a high point of \$ 57.9 billion in 2017 with the cumulative investments till 2020 to the tune of \$ 600 Billion.

#### Disparity in electricity consumption

Drilling a level deeper from the global view and looking at different regions of the world, there is a lot of disparity between different geographies of the world in terms of electricity consumption. The map below highlights this disparity. An estimated 79 per cent of the people in the Third World — the 50 poorest nations — have no access to electricity, despite decades of international development work. The total

**“** An estimated 79 per cent of the people in the Third World have no access to electricity, despite decades of international development work. **”**

#### Investment in Electricity, World, 2001-2030





Source: National Geographic

number of individuals without electric power is estimated at 1.5 billion, or a quarter of the world's population. Bulk of this population is concentrated mostly in Africa and southern Asia. A quarter of the world is even disconnected from debates over clean energy because their reality is much more basic than that. Even the growth rates expected for the different geographies are different in terms of electricity consumption projections for the year 2050. Emerging economies like Africa and Middle East are expected to have a much higher growth in the electricity consumption as compared to the developed world, owing to the fact that the current base levels are much smaller than the developed economies of North America and Europe. The two biggest nations of the world China and India are expected to surpass the developed world as well as other emerging economies in terms of electricity consumption growth, with India leading the way. Both India and China although quite prominent on the world map in terms of annual electricity consumption, are

nowhere close to the per capita electricity consumption of developed economies. The scale although large for these nations, is not enough to match the population.

The per capita consumption across the world, especially for India and China is expected to grow at a rapid pace. This coupled with the growing population in these countries will create an insatiable hunger for power across the globe.

#### The home market: India

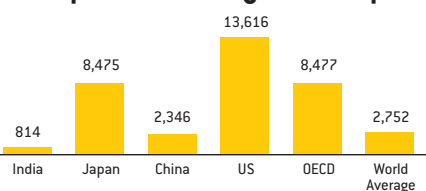
Growth of the power sector has been one of the instrumental factors in the economic development of India. Growth in production of electricity has been integral to the growth in all the sectors of economy

in the successive five years plans. Over the years, the installed capacity of power generation has increased to about 200 GW from a meager 1,713 MW in 1950 leading to consequential increase in overall electricity generation from about 5.1 Billion kwh to 789 Billion kwh in 2010-11.

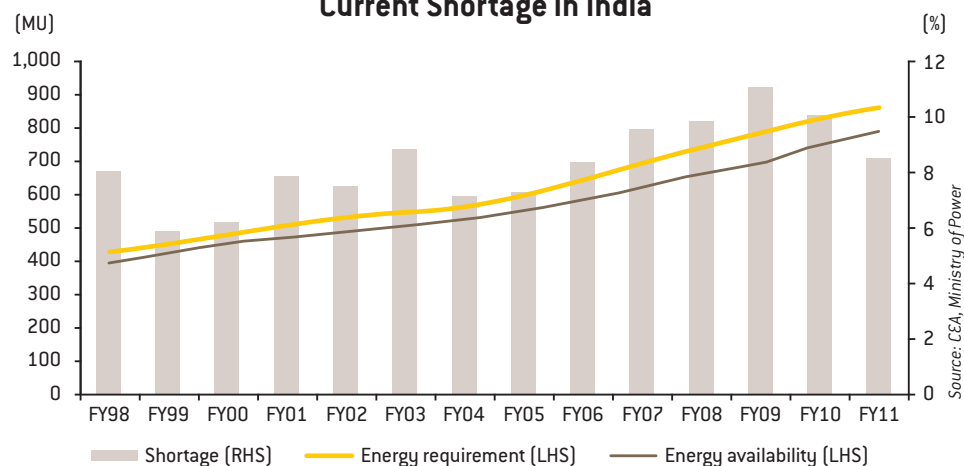
Today, about 90% of the villages have been electrified. However, the country continues to have mismatch between demand and supply and experiences high energy and peak shortages. India is also one of the major economies of the world which is not able to meet the demand created within the country, even though it is among the top generators of electricity in the world.

#### Per Capita Electricity Consumption

Source: International Energy Agency (2009), India - Ministry of Power (2011)

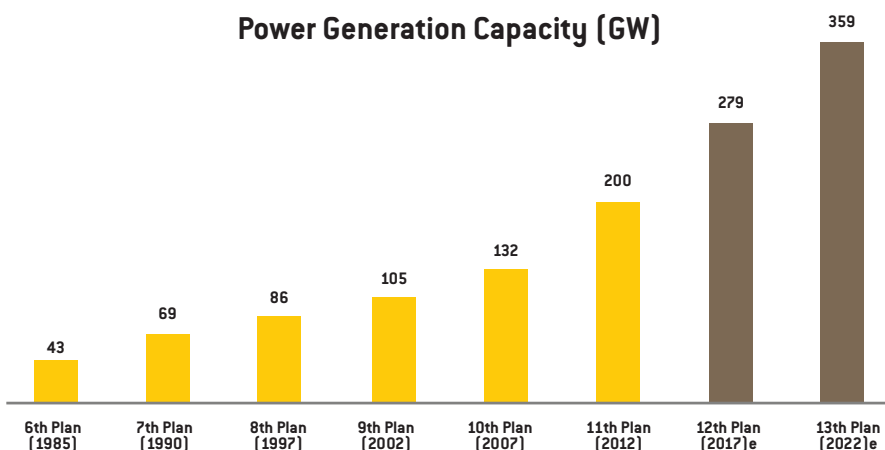


#### Current Shortage in India



Source: CEA, Ministry of Power

### Power Generation Capacity (GW)



from the growth of the transmission lines in the country. The transmission network of India has undergone expansion at a CAGR of 6% since 1985. The government's 12th and 13th five year plans continue to be aggressive in the transmission space as well and hopefully with higher achievement of the upcoming plans, the nation should witness strong growth in the transmission lines network for the country.

Source: CEA, The Ministry of Power

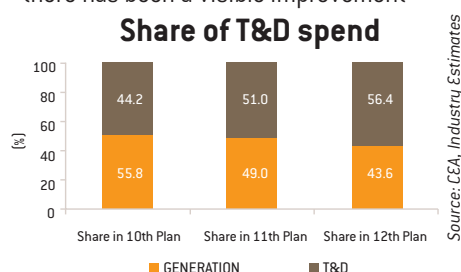
Another very clear trend of the sector that

In order to bridge this gap, there has been a continuous addition in power generation capacity over the last two decades. India's generation capacity has been growing at a CAGR of 6% since 1985. The last 5 year plan i.e. the 11th plan saw a capacity addition of over 70 GW, which was almost 50% of the total generation capacity at the end of the 10th plan.

The per capita consumption of electricity in the country also increased from 15 kWh in 1950 to about 814 kWh in 2011 but still remains quite low in comparison with the rest of the world. To bridge this gap, aggressive capacity additions are expected to continue in the country. Even the expected investments in power sector as per government's five year plans (generation capacity of 79 post the 12th plan in 2017 and 80 post the 13th plan in 2022) clearly indicate this trend going forward.

### Increasing Investments in transmission space

Traditionally, the government of India has been focusing on augmenting India's generation capacity and the investment on transmission and distribution has lagged the investment on generation. However, there has been a visible improvement



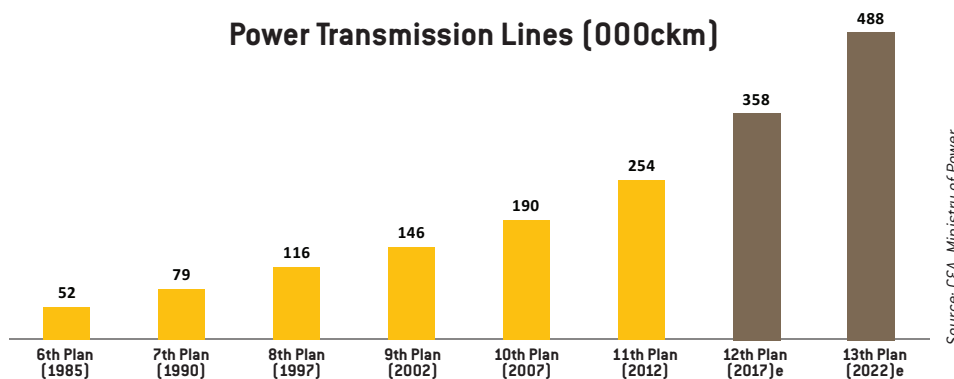
Source: CEA, Industry Estimates

to that effect in the 11th plan and it is expected to improve further going forward in the 12th plan.

In the past, transmission planning was done with respect to generation and focused on setting up transmission systems that could evacuate power safely. However, with the changing scenario, the focus in transmission sector has been towards integrated system planning because generation capacities are distributed unevenly in different regions. While thermal capacity is in the eastern region, hydro capacity is concentrated in the Northern and North-Eastern regions. A strengthened national level transmission grid has been the need of the hour to balance this generation and consumption mismatch in different regions of the country.

Though lagging behind the generation sector, the transmission sector in the country has seen a tremendous improvement and significant investments in infrastructure. This is quite apparent

### Power Transmission Lines (000ckm)

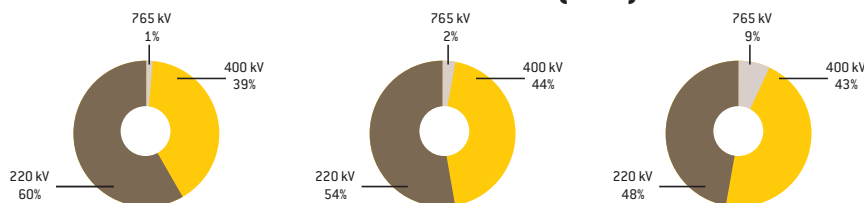


Source: CEA, Ministry of Power

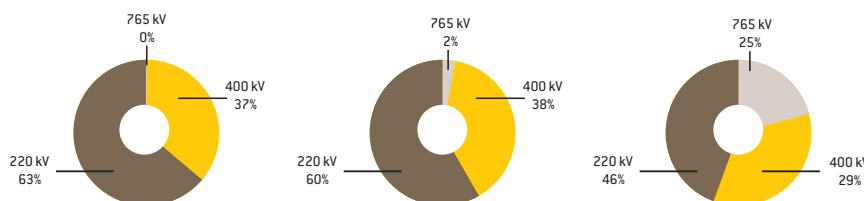
is visible is the gradual shift towards high and extra high voltage transmission lines. High voltage lines are quintessential for not only reducing transmission losses but also for carrying bulk power with less number of ground transmission towers. On the backdrop of shooting real estate prices and right of way issues, this has become one of the critical decision parameters in planning and laying of the transmission network.

“Today, about 90% of the villages have been electrified. However, the country continues to have mismatch between demand and supply and experiences high energy and peak shortages.”

## Transmission Lines (ckm)



## Substations (MVA)



### Power Grid Corporation of India: Navratna of Transmission sector

Power Grid Corporation of India Limited (PGCIL) the central transmission utility of the country and the 3rd largest transmission utility in the world has been playing a pioneering role in developing the transmission infrastructure of the country. As the single national utility, they are also entrusted with the responsibility of controlling and supervising the national and interregional grid planning and management. With a transmission network spanning 93,000 ckt. kms and 150 electrical sub-stations with a transformation capacity of 125,000 MVA, the company currently owns and operates more than 95% of India's interstate and inter-regional electric power transmission systems and transmits 51% of the power generated in India. Even with opening of this sector for private participation, PGCIL is likely to maintain its predominant position in years to follow, given its

expertise in execution and operational capabilities, largest pool of skilled human capital and the highly capital intensive nature of the business.

It is also worthwhile to note that historically PGCIL has been much disciplined with respect to achievement of its capex plans in the successive five year plans. The utility achieved a commendable 100% achievement of its 11th five year plan estimate.

Going forward, PGCIL plans to invest ₹ 1 trillion over the next five years during the 12th plan to augment and strengthen the transmission infrastructure.

### Private participation in Transmission

In the recent past, the focus in the country has been on privatisation in a wide range of sectors. This comes against the backdrop of inefficiencies which has crept into the system over the years with the government having monopoly in some of the sectors. In the power sector, for instance, the focus has been on power generation, which was opened to private investments during the liberalisation period. Meanwhile, the increased activity of private players in transmission and distribution has been more of a recent phenomenon.

Although the sector was open to private sector investment since 1998, there was only one operational PPP project prior to

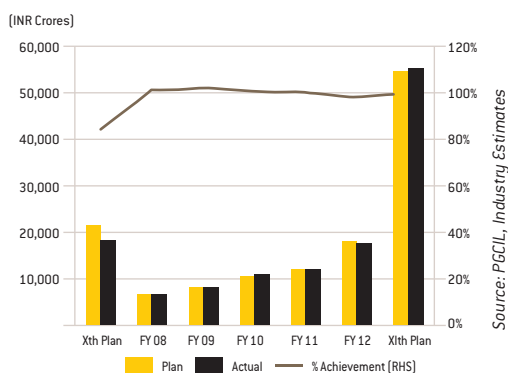
the XI Plan. In the XI Plan, an investment of ₹ 20,000 crore was envisioned from the private sector directed towards expanding the inter-state transmission network. Several PPP projects were awarded by state utilities including Haryana, Rajasthan, Maharashtra, etc. We expect private sector contribution to significantly increase going forward, driven by expected bids from UMPPs in the XII Plan period and financial distress faced by several state utilities. After initial hiccups, this sector seems to be picking up momentum with private sector participation in the development of the country's transmission infrastructure. Today, even though private investments in power transmission are limited, and nowhere close to what is seen in power

“Going forward, PGCIL plans to invest ₹ 1 trillion over the next five years during the 12th plan to augment and strengthen the transmission infrastructure.”

generation projects, a good beginning has been made. The success stories of private power transmission, though few, are diverse – ranging from transnational transmission projects to large inter-regional schemes, percolating even to inter-state power transmission lines. Thus, the evolving policy framework for private power transmission infrastructure appears to have reached a point of stability. Apart from central agencies, several state government agencies are also becoming increasingly proactive in their endeavour of creating the much needed power transmission infrastructure, fully realising that private capital and enterprises are indispensable.

The power ministry's move of setting up inter-state high voltage transmission lines

### PGCIL'S Capex Track Record



Source: PGCIL, Industry Estimates

Date	SPV	Agency	kV	Estimated Investment (INR Crores)	Length (km)	Developer
Oct-09	East North Interconnection Co. Ltd.	PFC	400	1,000	450	Sterlite Technologies
Apr-10	Talcher-II Transmission Co. Ltd.	REC	400	1,500	592	Reliance Power Transmission
May-10	North Karanpura Transmission Co. Ltd.	REC	400	2,000	1,045	Reliance Power Transmission
Jan-11	Jabalpur Transmission Co. Ltd.	PFC	765	1,300	635	Sterlite Technologies
Jan-11	Raichur Sholapur Transmission Co. Ltd.	REC	765	350	210	Patel Engineering + Simplex Infrastructure + BS Transcomm
Feb-11	Bhopal Dhule Transmission Co. Ltd.	PFC	765	1,700	1,000	Sterlite Technologies
Apr-12	Vemagiri Transmission Co. Ltd.	REC	765	1,400	600	Power Grid Corporation of India Limited
Apr-12	Nagapattinam Madhugiri Transmission Co. Ltd.	PFC	765	1,400	650	Power Grid Corporation of India Limited

Source: Sterlite

through tariff-based competitive bidding route has also been a defining moment in India's power transmission history. Realising that the central transmission utility PGCIL might be unable to match pace with the brisk addition of power generation capacity, the Union power ministry, in 2006, issued guidelines for building transmission lines by private sector entities, awarded through the competitive bidding route.

Rural Electrification Corporation (REC) and Power Finance Corporation (PFC) were appointed as nodal agencies. At the outset, 14 transmission schemes were proposed with many of them part of the proposed National Grid.

The process got off to a very shaky start and stumbled its way forward, without any demonstrable progress for nearly two years. But success came only in October 2009 with Power Finance Corporation Ltd. awarding the country's first inter-state power transmission, the East-North Interconnection Project, to Sterlite Technologies Ltd. Thereafter the momentum has continued and is expected to pick up in the near future.

Going forward, the opportunity for private investment in inter-state transmission lines is huge, given the sheer lack of inter-regional transfer capacity. Even for intra-state lines, there is immense potential given the rapid growth in power generation projects. State transmission companies have traditionally focused on building and maintaining transmission infrastructure for their own generation plants. Now with private sector enterprise accounting for an

“The technology shift in the transmission sector is evident with extra high voltage transmission taking a larger share in total transmission pie enhancing the operational efficiency of the existing and new infrastructure.”

increasing proportion in upcoming power generation capacity, the involvement of private sector on the transmission side is inevitable. State government utilities would also need to channelise private capital either through minority joint ventures or through projects awarded through competitive bidding.

The impact of private sector involvement on the quality of power transmission infrastructure can be quite favourable in the times to come. Going by past precedents, private sector inclusion has almost always defined a paradigm shift in technology in the sectors opened for them. Power transmission is no exception. Experts feel that in the coming years, 765kV would be the norm for inter-state as well as intra-state transmission lines, as against 400kV and 220kV today, given the advent of private sector. This would result in lower technical losses, apart from mitigating land and right of way related concerns.

In essence, the transmission sector in the country is all set to grow from its current base levels and we envisage an equal role to be played by the government and



private sector in driving the same. The demand is based on fundamental drivers of increased consumption of electricity and higher role of private sector envisaged in this space. The technology shift is also evident with the extra high voltage transmission taking a larger share in total transmission pie which will enhance the operational efficiency of the existing and new infrastructure to be laid.

#### Developments in the power transmission sector across the globe.

Significant developments are also seen taking place in other parts of the world which augurs well for the transmission sector at large. The developed countries of North America and Europe have largely realigned their long-term energy policies, which now revolve around renewable energy. Though the importance of renewable energy has been growing in the past few years, it gained monumental significance in 2011 following Japan's Fukushima nuclear meltdown. Along with this the development of ultra high voltage (UHV) technologies continue to be the core focus of countries like China and India where the focus is largely towards ensuring power for all. Meanwhile, the need for transmission infrastructure is

spread across geographies though the reasons may vary in scale and magnitude:

**North America:** According to Fraser Institute, electricity grids across North America (Canada, the US and Mexico) need an investment of USD1 trillion by 2020 to support the growing demand for power. These investments are necessary to improve grid reliability, reduce the possibility of blackouts, and check power rates. In Canada, Alberta's ISO Alberta Electric System Operator (AESO) has already released the draft version of its long-term plan for 2011, according to which, the state needs CAD13.5 billion in investments to construct new transmission lines. Of this, CAD8.3 billion is for 50 regional projects, while the remaining CAD5.2 billion is for the four transmission projects identified as critical transmission infrastructure (CTI) by the province in 2009. The investments have been necessitated by the fact that transmission capacity addition has not kept pace with load growth or generation development in the past decade.

**Brazil:** Brazil continued to be a major centre for action. During 2011, Brazilian utility sector regulator Aneel concluded

three transmission auctions (in June, September and December). However, the scope of projects and the investments involved were much higher at almost 3 times. The 2011 auctions involved a total of 3,870 km of transmission lines and 30 substations, aggregating BRL5.13 billion in investments. The Brazilian Institute of Environment and Natural Resources (IBAMA) states that the new regulations will bring greater legal certainty to future infrastructure projects. According to IBAMA, over 32,450 km of transmission lines will need to be licensed over the next ten years.

**Europe:** The European Union's (EU) energy investments are being defined by objectives of energy security, renewable energy, energy efficiency, interconnected energy networks, and an efficient internal energy market. Transmission network investments are thus getting a high priority in the scheme of things. A concerted policy effort is observed in steps such as earmarking high priority regional interconnection projects and enabling key financial facilities. To improve financial access, the European Commission in October 2011 approved a multi-year financial

framework for the period 2014-20. This funding, termed as Connecting Europe Facility (CEF), will provide a EUR50 billion for the trans-European infrastructure priorities in energy, transport and telecommunications.

**United Kingdom:** In line with the renewable energy targets set under the European Union's (EU) 'climate and energy package', the United Kingdom (UK) has set itself a target to increase the share of renewable energy sources in its gross final consumption of energy from 1.3 per cent in 2005 to 15 per cent in 2020, and to generate nearly 30 per cent. To achieve this, the country is implementing various projects aimed at large-scale integration of renewable energy sources under its plans to add around 29 GW of generation capacity over the next five years. To connect it to the national grid, UK is building the transmission lines and other

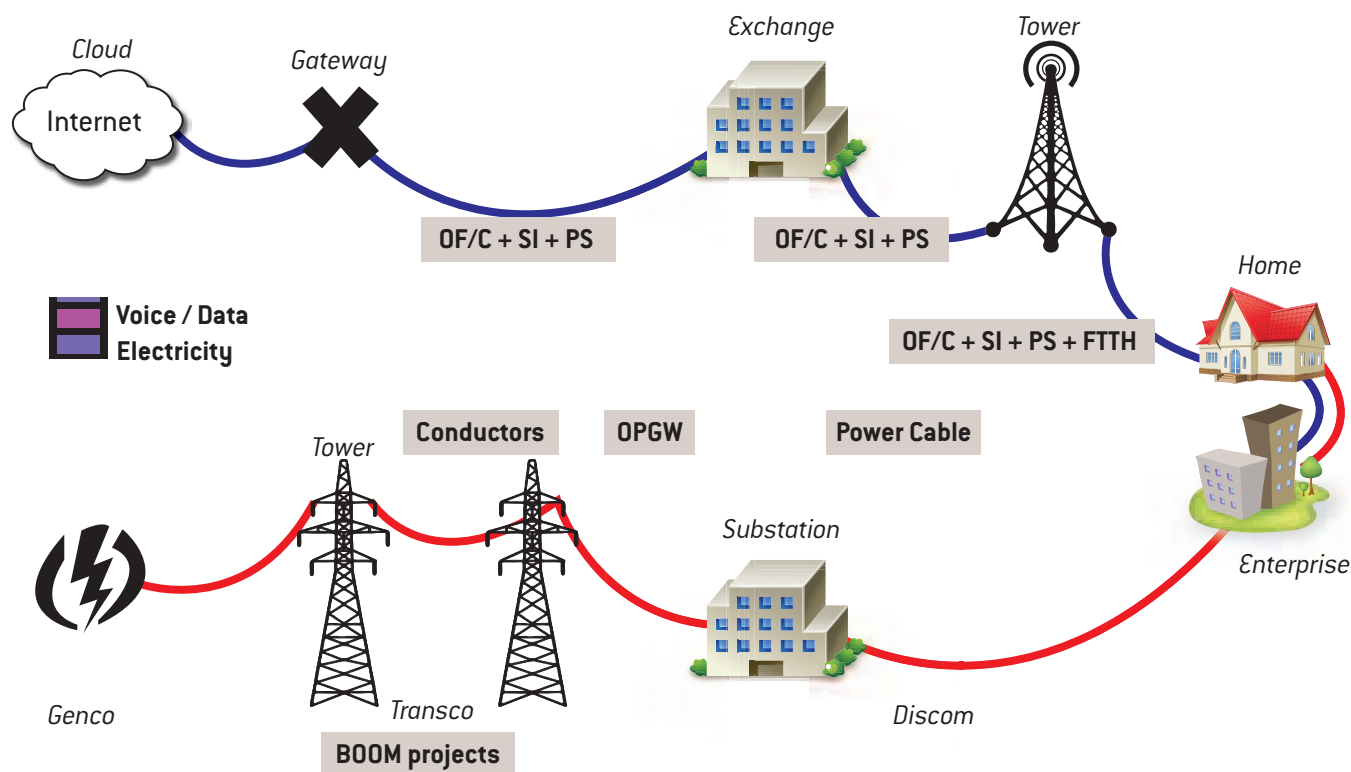
requisite infrastructure, estimated to cost GBP15 billion. With an existing estimated 24,340 km of transmission network, it plans to lay 7,300 km of transmission lines by 2015 to integrate all the new foreign renewable energy sources projects with its grid.

**China:** With renewable energy becoming an indispensable aspect of all future energy policies of Asia Pacific countries, development of smart grid and energy storage projects to integrate renewable energy also gained momentum during 2011. China's SGCC announced its plans to invest CNY1.6 trillion in the construction of national smart grid systems during 2011-2015. The company plans to set up over 5,000 intelligent power grid substations, 1,195 electric vehicle (EV) charging stations as well as 400,000 EV charging posts by the end of 2015. Sterlite has been at the forefront in leading the

transmission sector growth as the largest conductor manufacturer in the world. With 3 manufacturing sites in the country, we have been helping the transmission utilities build their infrastructure by providing a diversified portfolio of high performance conductors suiting different applications.

Sterlite has also placed itself at the leadership position in the private transmission space by bagging three UMTF projects opened for private participation. Sterlite remains committed to playing a pivotal role in building the transmission highways for data and energy flow. Over the years it has evolved from being a pure play product provider to build a suite of offerings aimed at creating and improving transmission networks world over. ■

### A relook at our business identity



OF/C - Optical fibre/Optical fibre cable, SI - System integration, PS - Passive solutions, FTTH - Fibre to the home

Our model is to help our customers in serving the need of power & data, for end users

# Let's talk about numbers

## Financials at a Glance

	2010-11	2011-12	Growth
Net Revenue (₹ Crores)	2,263	2,727	21%
EBITDA (₹ Crores)	282	223	-21%
Net Profit (₹ Crores)	141	44	-69%
EBITDA Margin (%)	12.5	8.2	—
Net Profit Margin (%)	6.2	1.6	—
EPS (₹)	3.7	1.1	-70%
ROCE (%)	13.6	8.1	

### Net Revenues

Revenues for the year grew at about 21% from ₹ 2,263 Crores in FY 2010-11 to ₹ 2,727 Crores in FY 2011-12. The growth in revenue is on a global level wherein all core businesses contributed modestly.

The revenue of Power Transmission Business grew in FY 2011-12 at ₹ 1,923 Crores as compared to ₹ 1,606 Crores in FY 2010-11. This constitutes an increase of 20% which is on account of the increase in volumes by 9% and increased realizations driven by increased metal prices. Volume for the year was 135,650 MT as against last year's volume of 124,650 MT.

The Telecom Business witnessed a growth of 22% from ₹ 657 Crores in FY 2010-11 to ₹ 804 Crores in 2011-12. Sales volumes of Optical Fiber in 10-11 was 8.8 million-fkm as against 11.7 million-fkm in FY 11-12, translating into a growth rate of 33% year-on-year. In the optical fiber cables business, we did volumes of about 3.6 million-fkm this year, which is slightly lower than last year's level.

Exports for the year grew substantially from ₹ 700 Crores in FY 2010-11 to ₹ 803 Crores in the year gone by, showing a modest growth of 15% year-on-year. Exports as a percentage to the overall revenue were 30% in FY 2011-12 as compared to 31% in FY 2010-11. Exports in the Power Transmission Segment degrew

by 18% from ₹ 330 Crores in FY 2010-11 to ₹ 271 Crores in FY 2011-12. Telecom showed a growth of 44% from ₹ 370 Crores in FY 2010-11 to ₹ 531 Crores in FY 2011-12.

The growth in exports has been mainly due to expanding our reach to various countries in Africa, Europe, Middle East and Americas.

### Profitability

The earnings before interest, depreciation, tax and amortisation (EBITDA) of the company declined by 21% from ₹ 282 Crores in FY 2010-11 to ₹ 223 Crores in FY 2011-12. In terms of percentage, this translated into an EBITDA margin of 8.2% in FY 2011-12 as against 12.5% in FY 2010-11. The de-growth in EBITDA this year has been primarily due to reduction in the sales margin in Power Transmission Business and steep increase in input cost in the optical fiber and optic fiber cable businesses as compared to increase in realisation.

EBITDA of the power transmission business de-grew to ₹ 84 Crores in FY 2011-12 from ₹ 114 Crores in FY 2010-11 showing a decrease of 26% in spite of increase in volume by 9%. This was mainly due to lower margin as compared to last year, and higher costs of oil based inputs such as furnace oil and freight.

The EBITDA of telecom business also

showed a decline of 17% from ₹ 168 Crores in FY 2010-11 to ₹ 139 Crores in FY 2011-12. In this segment, the impact of higher volume in optical fiber was largely compensated by lower realisation and higher input costs as compared to the last year. In terms of profitability, Telecom's EBITDA for the year FY 2011-12 is lower at 17.3% as compared to 25.6% in the previous year. The interest costs saw an increase from ₹ 47 Crores for the year FY 2010-11 to ₹ 95 Crores for the year FY 2011-12. The increase is a combined effect of high interest rates, higher working capital and additional interest burden of the equity infusion towards BOOM projects.

The depreciation for the year was ₹ 71 Crores/₹ 56 Crores in the previous year, mainly due to merger of Sterlite Infratech Limited (100% subsidiary) and capitalisation of some plant and machinery for capacity expansion.

Tax expenses for the year at ₹ 13 Crores were lower than the previous year's tax expenses of ₹ 38 Crores on account of lower profit before tax. However, the effective tax rate for the year remained at approx 23% level against 21% in the previous year, mainly due to continued tax benefits in one of the major manufacturing locations.

The net profit for the year consequently decreased by 69% from ₹ 141 Crores in FY 2010-11 to ₹ 44 Crores in FY 2011-12.

## Dividend

In continuation of the progressive dividend policy, the Board of Directors have recommended an equity dividend of 15% subject to the approval of shareholders.

## Balance Sheet

### Gross block and capital work-in-progress

The company has been expanding its facilities to meet the increase in demand in both the telecom and power businesses. For the year, net block grew from ₹ 706 Crores as on March 31, 2011 to ₹ 967 Crores as on March 31, 2012.

The capital work-in-progress stood at ₹ 41 Crores at the end of FY 2011-12 as against ₹ 130 Crores at the end of FY 2010-11. This is on account of the on-going expansion at its 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 financial year FY 2012-13.

### Borrowings, Cash & Bank Balance

The debt of the company increased from ₹ 620 Crores as on March 31, 2011 to ₹ 664 Crores as on March 31, 2012. The total cash and Bank balance at the end of the year was ₹ 185 Crores in FY 2011-12 as against ₹ 49 Crores at the end of FY 2010-11.

The net borrowing (net of Cash and bank balances and equivalents) was ₹ 479 Crores as on March 31, 2012 against ₹ 571 Crores, showing reduction of ₹ 92 Crores in the borrowing during the year in spite of funding of subsidiaries by ₹ 184 Crores in the form of debt and equity, taking the total funding to subsidiary at ₹ 337 Crores against ₹ 184 Crores as at the end of FY 10-11. The reduction in the borrowing is mainly because of conversion of preferential allotment into equity resulting into cash inflow of ₹ 81 Crores.

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

Working capital	[₹ in Crores]	
	Mar '12	Mar '11
Inventories	273	191
Sundry Debtors	784	867
Cash and Bank Balances	185	49
Loans and Advances	371	462
(A) Total Current Assets	1,613	1,569
(B) Total Current Liabilities	896	792
Working Capital (A)-(B)	717	777

The Debt-Equity ratio of the company stood at 0.57 as at end of FY 2011-12 on a standalone basis.

The net working capital cycle after reducing advances given to subsidiaries worth ₹ 161 Crores stood at 50 days in FY 2011-12 as against 94 days in FY 2010-11. During the year, the working capital has reduced as compared to the previous year, mainly due to improvement in collection cycle, at the year end.

Current ratio of the Company stood at 1.80 times in FY 2011-12 as compared to 1.98 times in FY 2010-11. ■

# Talent identification and development program

This case study shows how Sterlite Technologies Limited established a talent identification and development program wherein select groups of employees were identified to play a pivotal role in their own career development. The program also included a robust implementation and review mechanism for Individual Development. This approach helped address competency gaps with a focus on priority areas, equip individuals to become strong facilitators for the effectiveness of self and build a more robust/agile and wholesome talent pool – equipping Sterlite for the next phase of growth.

In today's dynamic business scenario it is becoming imperative for organisations to re-examine how they run and grow business. Towards this, most global organisations are relooking at how they would like to identify, develop and capitalise on their key talent pool.

At Sterlite Technologies Limited (STL), identification and grooming of young talent, is part of the overall business strategy. The organisation's talent management approach is reflective of this belief, where structured avenues are created for overall employee development. All initiatives are designed to ensure delivery of sustainable business results & fulfilling the long-term vision of the organisation.

## **Sterlite's STRIKER Program**

Embodying Sterlite's philosophy of 'people first', and with a view to ensure that key talent is provided ample opportunity to evolve exponentially, the Striker Program was initiated in 2010. This is essentially a development program wherein select groups of employees are identified to participate in Sterlite's exclusive career development initiative.

The objective of the programme is to enable employees to unleash the extraordinary facet of their personality and identify the potential within them and enable them to develop further to deliver

the roles and responsibilities for today and tomorrow. This will not only benefit the individuals but will also provide the organisation with a leadership pipeline to support future growth.

Employees from junior and middle management are the prime beneficiaries of this program. Participation in the programme is by invitation, for employees fulfilling certain pre-determined



The programme enables employees to unleash the extraordinary facet of their personality and identify the potential within them to develop further to deliver the roles and responsibilities for today and tomorrow.



qualification criteria. The uniqueness of this initiative is that each participant is assessed on competencies for leadership roles two levels above their current level, considering that this is a leadership development initiative and the incumbents are being prepared to take on higher roles for the future.

## **Approach**

The first part of this initiative comprised of a 2-day development centre that included simulations through in-basket exercises, business games, role plays, case studies and behavioral event interviews. Participants are also taken through psychometric testing prior to the development centre. On the second day, participants are offered feedback on their areas of strength and improvement. Verbal and non-verbal feedback from the participants allows the facilitators to determine if the feedback has been well received and enables them to provide clarity and direction as required.

The facilitator and participant also engage in a discussion on how the participant will go about working on the identified areas of development. After the development centre, each individual is given a detailed report comprising of:

- Participant's competency profile
- Overall rating against each of the leadership competencies



- Specific strengths & areas of improvement
- Psychometric profile of the individual participant

Based on the above, Individual Development Plans (IDP) are drafted for every participant to address the competency gaps identified from the development centre. An IDP typically focused on two competencies, which emerged as areas of improvement during the development centre. One of the fundamental premise on which the individual development plan is based; is that the individual is the primary beneficiary of the said exercise and therefore responsibility of working on the IDP is of that of the individual, aided by the manager/organisation.

As part of the development plan

individuals are also provided with relevant reading material and live on-the-job projects, through which to work on the identified competencies. The development plans are monitored at regular intervals with the participant's line manager, HR representative and project managers; where projects were performed in cross-functional areas. Participants also showcase and present the progress on their IDPs which is reviewed by a panel of internal referees.

From the overall assessment of all the participants, common areas of improvement were identified.

To address these common gaps, two, dedicated, time bound and structured interventions with specific focus on facilitation skills to enhance the effectiveness and efficiency of the teams and business were designed. Considering

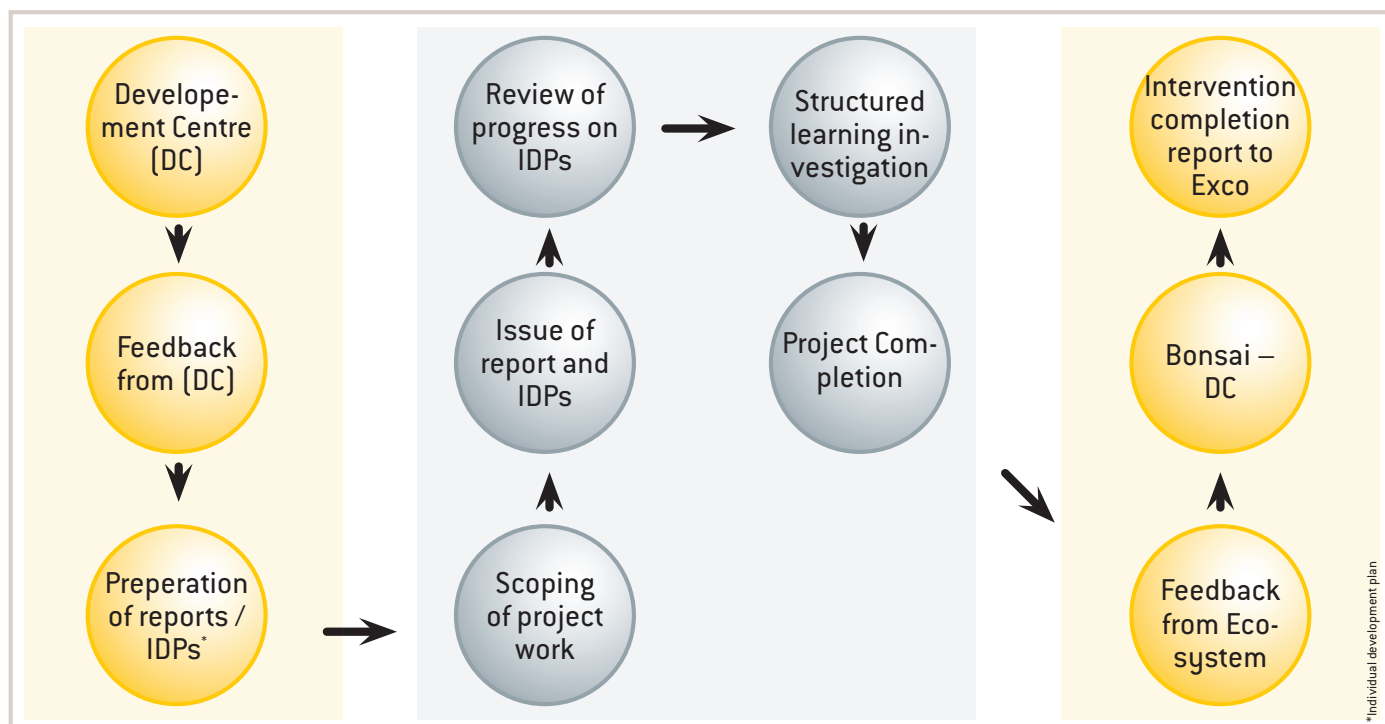
the diverse levels of the participants two separate programs were designed: one targeting the junior management and the second targeting middle management.

### **Managerial effectiveness program for junior management:**

**THE MANAGERIAL EFFECTIVENESS PROGRAM** is designed to help individuals understand their role as a manager in today's changing business scenario. The program is also focused on building of skills and attitude required to be successful people managers and builders of teams. The program also touches upon building facilitation and effective communication skills.

### **LEADERSHIP EFFECTIVENESS PROGRAM FOR THE MIDDLE MANAGEMENT LEVELS:**

The leadership effectiveness program focuses on the role of leaders in today's changing business scenario, building the



### Implementation Methodology

right attitude and aptitude to succeed as leaders in global organisations, creating a culture of performance based on cost, time, speed and engagement enrolment. It also covers facilitation; orienting the participants on nuances of coaching and mentoring and usage in the workplace.

Both the above mentioned programs support the growth of the organisation by creating successful managers and leaders who will grow far beyond their current roles



The fundamental premise on which the IDP is based; is that the individual is the primary beneficiary and therefore responsibility is of that of the individual, aided by the manager / organisation.



and responsibilities; equip individuals to become strong facilitators for the effectiveness of self or team to enable them to unleash their potential and contribute as successful 'Business Leaders of Tomorrow' in a global work environment.

#### Current Status

At the time of going into print, Sterlite had covered over 90 employees in this intervention, and were planning a bonsai development centre to determine the improvements in the competency levels post the individual and group developmental initiatives.

#### The Striker Advantage

In order to ensure that the intended benefits of the program are accrued to the individual participants and the organisation, Sterlite has put together the following manifesto. The Strikers will:

- Get preference in consideration for key roles / opportunities within the company. While filling in any key role, and in case of new opportunities arising within STL, employees identified as 'Sterlite Strikers' will be given first preference. Only if the position is not filled up will the position be opened up to the rest of the employees.

- Enjoy focused management attention towards their development needs
- Will be provided frequent exposure to management and executive committees within the organization : a half yearly structured interaction of the 'Sterlite Strikers' with STL's senior leadership team
- Will benefit from exposure to industry best practices through study missions / conferences / conventions etc
- Will be given opportunity to heighten knowledge and hone skills through attending unique business programs Effectiveness augmentation through internal / external coaching
- Will be given Fast Track opportunities for growth

Sterlite's striker program promises to build a more robust / agile and wholesome talent pool; equipping Sterlite for the next phase of growth. Further, it has been designed to create self awareness in the participants on their behavioural competencies; allowing them to leverage their strengths and work on their weaknesses for overall effectiveness. ■

# Going carbon neutral

Sterlite Technologies Limited (STL) strives to neutralise its carbon footprint by utilising natural gas instead of furnace oil.

Climate Change regulations are now a certainty. It is a foregone conclusion now that they are going to impact the businesses significantly and put institutions at unforeseen risks. It is imperative for institutions to start developing a strategy for managing those risks. An ideal starting point would be to calculate the total greenhouse gas emissions from the institution's operations, commonly called as Carbon footprint. Even as the debate continues, Sterlite Technologies Limited (STL) is moving ahead full steam on its plans to not only reduce carbon footprint but also emerge as a Carbon Neutral enterprise in days to come.

Since the past two decades, Sterlite has developed its technical expertise in the manufacture of bare overhead power conductors and proven its capabilities in developing solutions that have been tested and certified by leading independent laboratories across the globe. The company has three fully equipped plants to manufacture transmission & distribution line conductors.

In one of its power conductor manufacturing facilities in Rakholi (in the Union Territory of Dadra and Nagar Haveli) Sterlite has recently switched from furnace oil to gas. This new project - a first of its kind in India - will use natural gas as fuel directly in the melting furnace and incinerate the same to produce aluminium rods from aluminium ingots. This initiative will not only generate attractive savings in energy costs but also increases energy efficiency.

## Scale of energy saving and fuel change

This initiative was put in place in view of the rising fuel costs and the recent fuel crisis. Set up with an investment of close to ₹ 100

lakhs, this project involved modification of the existing boiler to install the "gassifier" unit and piping; and has already reduced our furnace oil consumption for steam generation by 50%. Given Sterlite's concern towards the environment, it has also invested in elaborate scrubbing and particle separation technology to ensure that exhaust from the boilers does not carry any unburnt particulate matter.

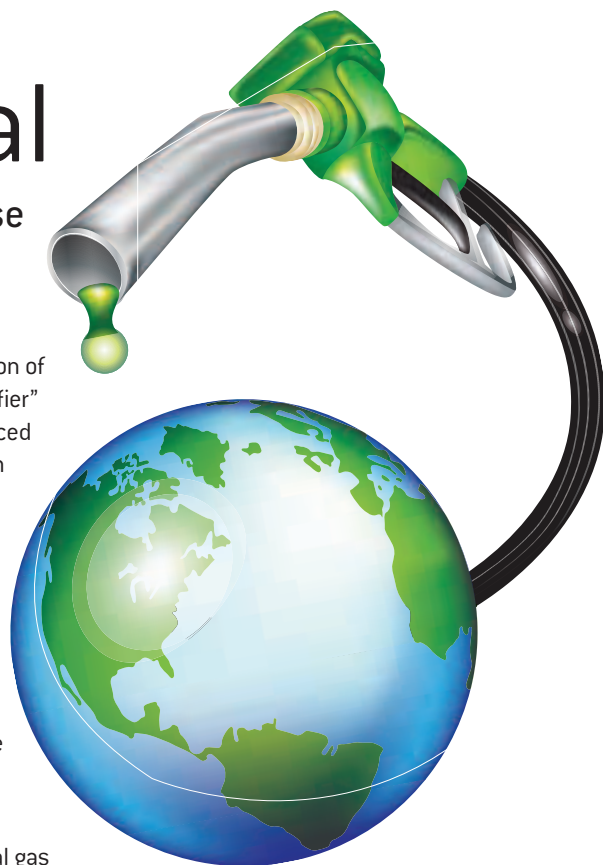
There are multi-fold benefits that have accrued to sterlite as a result of this initiative, some of which include:

- Reduction in air pollution: Natural gas is the cleanest of all the fossil fuels. Composed primarily of methane, the main products of the combustion of natural gas are carbon dioxide and water vapor, the same compounds we exhale when we breathe. Coal and oil are composed of much more complex molecules, with a higher carbon ratio and higher nitrogen and sulfur contents. This means that when combusted, coal and oil release higher levels of harmful emissions, including a higher ratio of carbon emissions, nitrogen oxides (NO<sub>x</sub>), and sulfur dioxide (SO<sub>2</sub>). Coal and fuel oil also release ash particles into the environment, substances that do not burn but instead are carried into the atmosphere and contribute to pollution. The combustion of natural gas, on the other hand, releases very small amounts of sulfur dioxide and nitrogen oxides, virtually no ash or particulate matter, and lower levels of carbon dioxide, carbon monoxide, and other reactive hydrocarbons.
- Decrease in risks resulting from storage: Safety is improved as natural gas is available via a pipeline on

demand and there is no need to store the same.

- Ease of operation and better housekeeping: Switching to natural gas eliminates the need for an underground storage tank - eliminating the threat of oil spills, soil contamination and costly environmental clean-up. Or if the oil tank is above ground, switching to natural gas eliminates worry about spills or corrosion of the tank.
- No adulteration of fuel in case of Natural Gas.
- No road transportation required: Natural Gas is delivered through pipes directly to the plant; which means there is no road transportation; this means the cost and pollution associated with the same is reduced.

In conclusion, the switch from furnace oil to gas has helped Sterlite Technologies Ltd apply green manufacturing principles which has led to reduction in energy consumption. ■



# Impacting 100,000 lives

Sterlite's Mobile Dispensary celebrates its 6th year in operation...has impacted over a lakh lives in 27 villages.



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. Sterlite consciously works with communities in and around its facilities and geographic 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, especially primary healthcare.

## Realities on the ground

The Union Territory of Dadra and Nagar Haveli is composed of about 72 villages. The population in this area is almost 62% from the tribal communities. More than half the population did not have accessible primary health care services within 10 km of their residences.

## Sterlite's sustainable development initiative

Realising the critical need of the local population in Dadra & Nagar Haveli for

primary health care services, Sterlite initiated a mobile dispensary project in 2006, as part of its Sustainable Development Program. Sterlite has partnered with The Indian Red Cross Society. The Mobile Dispensary is a classic "Public-Private partnership" project undertaken in collaboration with the local government and The Indian Red Cross Society to provide primary healthcare services via a mobile dispensary. For the project the vehicle for the dispensary has been availed through the Member of Parliament Local Area Development

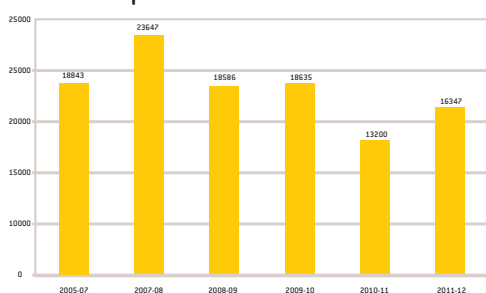
(MPLAD) scheme with Sterlite taking care of the operating costs and the Indian Red Cross Society implementing the project.

Since its initiation, the project has consistently received very encouraging feedback from the people who have accessed this service. Says Bebiben, a resident of Kanadi village, "The medicines supplied are effective. I am very grateful that I have a qualified doctor's service available at my doorstep when I need it. This saves me time and cost as I do not need to travel."

In 2011, Sterlite has also commissioned an independent, 3rd party impact assessment study under Dr. Dhruv Mankad, a Community and Public Health Expert, to conduct for the Mobile Dispensary Project.

The Impact Assessment (IA) study of the project summarised that the Sterlite Mobile Dispensary has provided health services to a population of approximately 22,000 persons residing in 27 villages which are remote and difficult to access.

**Mobile Dispensary: Year wise patients covered status**



# Enriching the community

As a pro-active and responsible corporate, Sterlite Technologies Limited continues to preempt social and environmental factors that would influence its businesses in the long term and proactively prepare for those changes. Sterlite undertakes various activities based on an assessment of needs and aspirations of the community. With a commitment to invest 1% of its annual net profit towards corporate social responsibility; the focus of Sterlite's CSR initiatives continues to be environment, healthcare, education and overall community development.

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.

The company's sustainable development initiatives span villages in the remotest locations in Maharashtra, Haridwar and the Union Territory of Dadra and Nagar Haveli.

Some of the environment management initiatives comprise:

- The construction of over 10 check dams in drought-stricken villages, which are now capable of storing about 50 TCM of water, radically changing the economic potential of the villages
- Plantation of more than 4.5 hectares; which was undertaking considering the pressing need for greening

The health initiatives comprise:

- 730 cataract operations for the underprivileged
- Hearing aids for 100 hearing-impaired children. In addition, we also conducted a health and nutrition camp attended by 300 villagers;
- Construction of potable water and sanitation facilities, which benefits over 300 individuals

The company continues supporting education and women's empowerment. Our initiatives in training in tailoring, manufacture of cottage industry products and teaching empowered 200 underprivileged women. The management and the teams remain committed to these projects striving towards positive community impact. ■

The dispensary has had a significant impact on the lives of more than a lakh beneficiaries by providing reliable, easily accessible and free of cost primary medical care at the doorstep. It has treated simple illnesses like scabies, diarrhea, fever, malaria and cough. As a result, there has been a saving of ₹ 300 to ₹ 600 per episode of illness for each of the beneficiaries. Additionally corporate volunteers from Sterlite also visit the villages to ensure proper functioning of the mobile dispensary and understand the difficulties faced by the villagers. Periodic preventive awareness programmes are organized, for the villagers to educate them about

## Mobile dispensary

**Objective:** Improve health standards of poor & underprivileged villagers

**Initiation:** March 2006

**Partner:** Indian Red Cross Society (IRCS)

**Impact:** 27 villages in & around Silvassa, covering over 100,000 patients in 77 months

**Finances:** Annual financial outflow towards the project by Sterlite Technologies ₹13.20 lakh



various ailments and overall health and hygiene. Says Col Anil Tewari, Sterlite Technologies Ltd., who was responsible for the project at Silvassa, "The aim of the project is to improve quality of life of the surrounding areas and sensitising the society towards building a healthier and happier nation. We believe that the programme has been

beneficial towards improving the welfare of the community it is supposed to serve. Sterlite has transformed its role into that of a catalyst, by empowering the community to be responsible for its own health." Sterlite is further exploring opportunities to replicate this CSR model in and around its facilities and geographic radius of influence. ■

# Capacity Planning and Scheduling System

At Sterlite Technologies Ltd.'s Fibre Optic Cables facility, Silvassa, SAP has been integrated with Advanced Planning & Capacity scheduling tool on private cloud. It incorporates the load forecast feature that helps predict production lead times and provide reliable delivery dates.

## Key business and technical challenges

Sterlite's Fibre Optic cables plant in Silvassa; highlighted the need for a specialist planning and scheduling system to work in partnership with its existing ERP system to increase productivity and further reduce inventory levels and become even leaner.

capacity and shop floor schedules simultaneously to meet customer demand "on-time" at the lowest costs. Further, the tool has a drag and drop interaction with the gantt chart, thereby allowing flexibility in scheduling and allows for use of alternative strategies such as change in priority or adding planned maintenance.

- Raw Materials
- Store Receipts

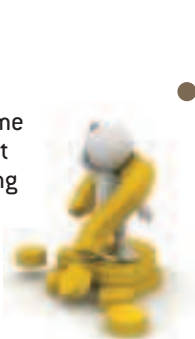
## The impact

Capacity Planning and Scheduling System makes the entire production plan visible to the entire team. Capacity planning is done by backward starting with the due date of the order, the length of the operation; which is calculated based on the start and finish time of the last operation. Continuing to work backward in time, the start and finish of the next to last operation is calculated, often using a delay time between operations to approximate the time the operation would wait in queue due to constraints.

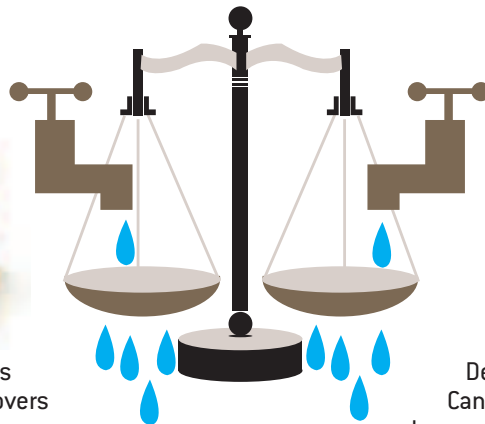
The sum of operation set up, run, and teardown times on routing operations are used to determine the load of the operation on the resource or resources. Alternatively, the length of the operation can be specified in another variable. Typically, the load time is then spread out over the length of the operation to determine the timing over which resources are required.

When capacity planning, the availability of resources is determined using shop calendars and shifts, labor staffing levels and quantities of machines and tooling. Using reports and time series graphs, the capacity planning load is then compared to the availability of the resources. This provides the planner with a complete picture of demand, capacity, resource usage and operation sequence, as well as the expected completion time for each operation in a gantt chart.

**Capacity**  
Start time  
Routes  
Shifts/Overtime  
Sub contract  
Batch splitting



**Breakdowns**  
Scrap, changeovers  
Bottlenecks



**Demand**  
Customer orders  
Stock orders  
Urgent orders

**Deliveries**  
Cancellations  
Inaccurate forecasts

## Project concept

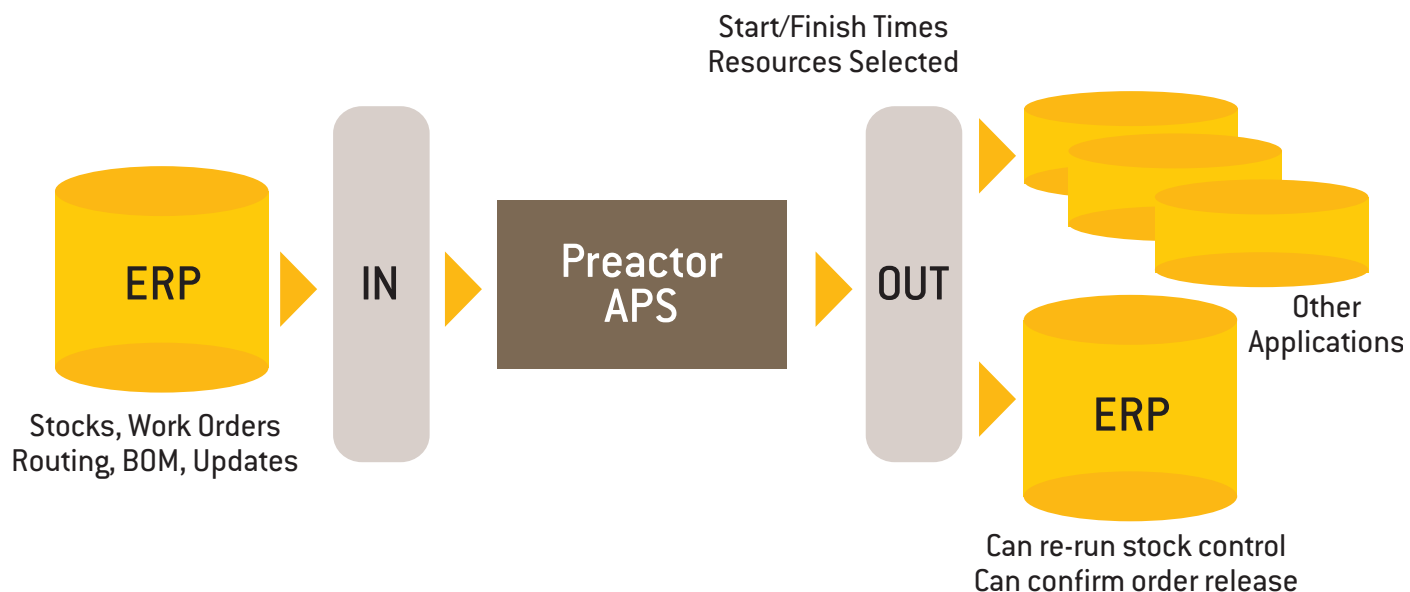
A capacity planning and scheduling solution was developed and customised keeping in mind that scheduling systems need 'in memory data' to aid scheduling speed whereas SAP systems and other ERPs are more transactional based.

The result of the development was an easy-to-use production scheduling solution that quickly produces accurate schedules taking into account machines, personnel, tooling and inventory constraints. The software enables the production team to balance material,

Advanced Capacity Planning and Scheduling Solution is used for planning and scheduling the machines of the Plant. This system is totally integrated with SAP and CRM for data extraction.

The in-house interface has been developed whereby data from SAP & CRM is passed easily between the systems without affecting the other performance. This system is integrated with SAP, and there are 4 major categories of data flowing:

- Orders
- Masters



The system also has the ability to make ad-hoc enquiries to establish when an order can be shipped. In addition, the System offers Capable to Promise, CTP [generally defined as taking into account the current status of production and the finite capacity of resources]. This solution enables one to do real-time, on-demand CTP.

The accuracy of current and projected capacity utilisation provides valuable information to the production team and sales team. Now the production team can identify a specific window, whereby it knows that it can comfortably beat the

industry average for a certain product, and for how long. The System also has a simulation module, where all departments can evaluate the production, forecast material requirement and commit the delivery dates to the customer.

The biggest advantage is the ability to forecast the load on each machine, and thereby predict production lead times and have reliable delivery dates. Further, on-time delivery performance is up and machine utilization has been increased.

Some of the measurable benefits of the project include:

- Improvement in productivity,
- Reduction in make-span time
- Reduction in WIP that slow down production flow
- Improvement in customer service through increased on-time deliveries

Further, new customisations & solutions can be upgraded in newer versions, and easily deployed. ■

*Sterlite Technologies Limited was awarded the EMC<sup>2</sup> Cloud Pioneer Award in 2011 for the integration of SAP with Advanced Planning & Capacity Scheduling tool on private cloud.*



# “Innovating to add value”

Our in-house correspondent, Sarita Kutty caught up with **Dr. Badri Gomatam**, *Chief Technology Officer, Telecom Business at Sterlite Technologies Limited*, to get insights on key aspects of research and technology development, which determines an organisation’s global competitiveness in the technology space.

**Sarita :** *Why are innovations important for Sterlite Technologies Limited?*

**Dr. Badri :** The telecommunication network operators and service providers in India are strongly focused on the roll-out out of broadband services. Against this background, the telecom cables industry, which has seen appreciable growth over the past several years, is set for even stronger growth going forward. In addition to India, high-growth emerging markets are also rapidly gaining momentum in fiber connectivity. Sterlite Technologies is well positioned to capitalise on this opportunity. We are one of the most integrated fiber companies globally and the only company outside of the US, Europe and Japan that makes its own telecommunication grade glass. Sterlite Technologies therefore, has an inherent strength to constantly push the envelope in the development and manufacture of such a high technology product. With our global footprint, innovation via R&D is important to help us leverage this strength in the highly competitive global marketplace.

**Sarita :** *Can you tell us about Sterlite’s R&D initiatives?*

**Dr. Badri :** The ‘Sterlite Centre of Excellence’ at Aurangabad is growing rapidly. We are focused on designing and developing new products, continuous enhancement of our existing portfolio, applications and network engineering and intellectual property. In addition, we continue to further our objectives in fundamental research in fiber optics, glass science and optical communications with a clear long-term roadmap. Sterlite’s ideology on research and product development is that it needs to be integrated with manufacturing operations and should be relevant to the evolving application needs of its clients.





This year saw the launch of several new products including a new bend-insensitive fiber for FTTx applications (G657 optical fiber) as well as blown fiber optic cables. Sterlite continues to grow its basket of patents, during the year, 11 more patents were added taking our total portfolio of patents to 44. To date, Sterlite's technology development team has filed over 100 patent applications for innovations in its products and processes and the Company is confident that the next fiscal would see the fruition of several more patent grants.

**Sarita : What trends do you see impacting innovation and how?**

**Dr. Badri :** With our global footprint and the current pace of growth in the optical fiber industry, we serve a diverse customer base with a sophisticated and varied set of requirements, beside those who demand the highest quality with shorter development cycles. These trends are firmly understood, absorbed and drive our innovation programs, talent management and team development processes.

**Sarita : What type of talent is required to make this happen?**

**Dr. Badri :** From a global perspective, India continues to be a sought after destination for innovation in high technology. We are clearly in a strong position in our industry to leverage this trend. 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 to customers and anticipating their future needs. At the Sterlite 'Centre of Excellence', our team comprises international experts and a talent pool of India's best minds, inducted from premier technology institutions. Every technologist at Sterlite understands the realities of commercial manufacturing through daily exposure to "real world" issues of production and in doing so has a more pragmatic and acute awareness of "design for manufacture", excellence in quality and ultimately, customer delight.

**Sarita : Finally, how do you measure success and global competitiveness?**

**Dr. Badri :** Success is market-driven. We believe in offering products and solutions that are futuristic and forward-looking. Today, there is a marked shift in FTTH as the

key demand driver for optical fiber across the globe. FTTH and broadband products and solutions are definitely a key focus for our Company. Our sales & business development teams based in the China, Eastern Europe, Latin America, South East Asia, Middle East and Africa ensure that we keep abreast of application trends within the region, provide inputs to our product development teams and pro-actively initiate product approvals, to address our clients' future requirements. The bottom line is we need to make our customers successful in the long-term, while maintaining demand for their products. And, this is the only guaranteed means of maintaining Sterlite's success nationally, regionally and globally. ■

*Dr. Badri Gomatam has over 18 years of product development, R&D and business development experience in inter-disciplinary areas of Optical Communications, Integrated Circuits, Optoelectronic components and Microwave engineering. Dr. Gomatam received his Ph.D. in 1993 from the University of Massachusetts, Amherst. Responsible for the Sterlite 'Centre of Excellence'.*

# LTE vs WiMax: Will it outdo the other?

By Vijay Jain, COO – Networks Business

The future of the mobile broadband market is shaping up right before our eyes, with both the Long Term Evolution (LTE) and Worldwide Interoperability for Microwave Access (WiMAX) technologies promising to deliver the internet to your mobile phone at speeds that might give your home broadband connection a case of “bandwidth envy.”

4G seems to be the logical successor to 3G. While the third generation of cell phones sought to fix the problems of 2G such as weaker signals in less populated areas as well as patchy networks in urban areas, the 4G technology is all set to mark distinctly improved transmission rate that will allow for cell phones to become much more detailed. The line between a PDA and a cell phone will further be blurred, as applications on cell phones will get even more complicated. Voice quality will be much more improved, and less erratic with signal strength.

## The battle of wireless technologies

Today, WiMax is competing with many other wireless technologies for the tightest grip on the next generation of wireless networks. All of the technologies deal with the same inverse relationship between mobility and speed. The greater the mobility, the less the speed, and vice versa. On this scale, WiMax is at what would be considered an equilibrium.

UMTS is a technology that provides a down-link with data transmission of 14.4 Mbps, and has a circuit optimised for voice and video traffic. It can be considered in direct competition with WiMax, and has taken a strong hold on communication technologies in Europe. France and Finland especially have made strong

investments in this technology, and have blocked frequency allocation requests made by WiMax. UMTS is more mobile than WiMAX, but sacrifices speed to do so. LTE is a form of broadband optimised for wide area mobile voice communications. Like WiMAX, LTE uses different technology than previous cell phone systems, and therefore cannot share current cellular spectrums. The MIMO process is also deployed to increase speed and data capacity.

## Decoding LTE and Wi-Max

Both are 4G technologies designed to move data rather than voice. Both are IP networks based on OFDM (Orthogonal Frequency Division Multiplexing) technology. WiMax, promotes the conformance and interoperability of the IEEE 802.16 standard, depending on the spectrum allotted for WiMax deployments and how the network is configured. This can mean a WiMax network is cheaper to build and offers peak wireless data speeds of up to 60 Mbps on the downstream and 25 Mbps for sending data upstream.

On the other hand, LTE includes substantial changes to both sides of the mobile network – both the radio access network and the core network. But while it will require significant capital investment, LTE is expected to unlock new revenue streams and provide better competitive positioning by allowing mobile network operators to offer broadband services and a better quality of service in a way that greatly improves the efficient use of network resources.

This means, LTE can ferry data to you at download speeds of 100 Mbps and support upload speeds of 50 Mbps. That means you can download about two 5-minute MP3 files every second. Think about that. Sure, it would only take WiMAX about seven minutes to download a single 5-minute MP3 file, which is still fast, but it's nowhere near the theoretical scale of LTE.

## The Indian scenario

LTE is shaping the future of next generation technology in India, and as per the industry report India is the first country to launch LTE commercially in 2012 and leapfrogging ahead of European countries.

LTE is the technology around which the broadband wireless and mobile networks will evolve in the next 4-5 years. It is mostly in LTE that the current R&D is focused on - from developing products on LTE technology to enhancing the technology itself. India has a vast base of telecom professionals who have been working on 2G and 3G and are now moving onto 4G areas.

## Evolution of LTE technologies

LTE is the fastest mounting next generation mobile technology and the industry is heavily committed to commercially launch this technology. As



per industry reports, LTE subscribers are expected to reach 380 million in more than 80 plus networks by 2015 worldwide.

LTE evolution in India will deliver users the maximum benefits of faster data speeds and new services by creating a new radio access technology that is optimised for IP based traffic and offer network operators a simple upgrade path from 3G networks. LTE will compress more bits of data into the same amount of spectrum as 3G and HSPA networks, translating into increased data speeds and increased capacity. LTE will be used for mobile, fixed and portable wireless broadband access, and will offer a number of benefits to operators, aimed at increasing capacity, reducing network complexity & thus lowering deployment and operational costs. It will enable operators to meet the growing demand for mobile data solutions, making it possible for richer services to be delivered to consumers more cost effectively.

### The suitability of WiMax

As a technology, WiMAX offers symmetrical broadband rates, low latency levels and supports advanced quality of service (QoS) mechanisms for applications, such as VoIP, video streaming and video conferencing. Integrating with old technologies such as Wi-Fi, and using upgraded technology, a faster, more secure, and wider wireless network is becoming very affordable for many people. WiMAX is currently being used in Australia, Austria, Brazil, Croatia, Columbia, Ireland, Finland, France, Georgia, Slovakia, the UK, and the United States. WiMAX promises to bring 40 Mbps transfers up to a radius of three to ten kilometers. Mobile WiMAX plans to achieve 15 Mbps of up to three kilometers [Gartner Research].

However, a serious problem faced by WiMAX broadband wireless has been radio interference. This interference between cell-sites is known as cell-to-cell suppression, and has been known since the early developments of this technology. Cell-sites need to be “tuned”, which is time consuming and can cost from one to three thousand dollars per tuning.

### What does the future hold?

Not only in India, but globally, LTE is being



adopted by the telecom operators. In the U.S, recently Sprint announced that they would not produce WiMAX handsets beyond the end of 2012. On the other hand, WiMAX is a success in Pakistan. But India is a different market. The services offered by LTE networks will come at a much lower cost than say a WiMax network, as the

home LTE device has built in Wi-Fi, and a computer can plug directly into it via an Ethernet connection. While many more communication service providers will come on LTE platform and trigger the price war, the telecom industry keenly monitor the debate between competing broadband internet technologies WiMAX and LTE. ■

# Growing private sector enterprise in transmission sector

By Ajay Bharadwaj, COO – Grid Business

The Electricity Act 2003 has put in place several changes at regulatory, institutional and structural level in the Indian power sector. This has led to an increase in private sector participation especially in generation, transmission and distribution. Despite facing problems on various fronts like environmental clearances, availability of land and fuel linkages, private players entered the power generation sector with much fanfare, as there was no requirement of licensing for power generation. Consequently, the private sector would contribute to nearly 50% of the capacity addition in the XI Plan.

However, the role of the private sector in transmission and distribution sector is still limited due to licensing and legacy, among other issues. Private sector participation in transmission is an evolving concept and it needs strong regulatory, institutional frame work in place to create a level playing field to attract best managerial and capital management techniques from private sector, which in turn will lead to healthy growth of the sector and help keep pace with growth demands of the economy.

## XII plan: Plan for capacity addition

The XII plan has an ambitious target of adding more than 80,000 MW (Fig. 1) in new capacities as well as expand the inter-regional capacities to more than 30,000 MW, which require equally fast development of transmission grid.

The XII plan envisages an addition of 120,000 Circuit Km (Fig. 2) of new transmission lines entailing an investment of more than \$ 100 billion over next 5 years. Similarly, in the XII plan, an investment of \$ 1 Trillion (Fig. 3) is expected in Infrastructure sector to meet the GDP growth demand of 8-9% over the plan period. Private sector is required

to contribute 50% of this investment in infrastructure increasing its contribution from current plan level of around 25%- 30%. One can expect similar level participation from private sector in transmission sector

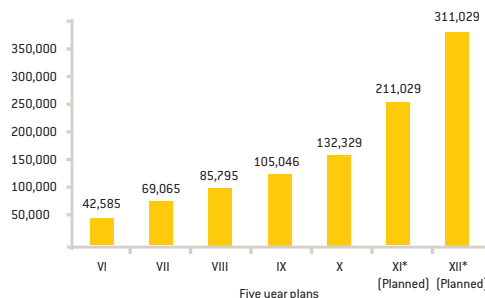


Fig. 1: Growth of Power generation installed capacity (MW)

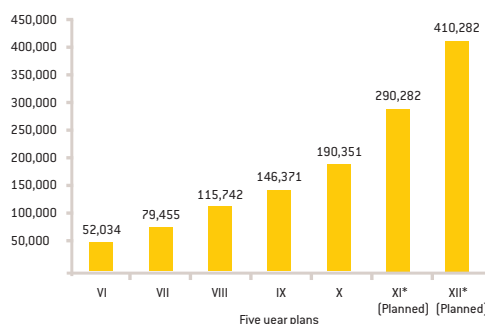


Fig. 2: Growth of Transmission lines (ckm)

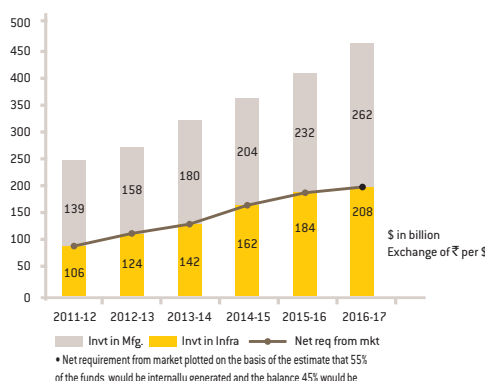


Fig. 3: Total investment in 12th plan

to meet the line and sub-station addition targets in addition to contribution by central and state utilities.

## Measures to increase private sector participation

In order to galvanise the private sector to make such huge investment in a consistent and profitable manner, we need to streamline various procedures and increase private sector participation in various power system planning and development activities. Some of the measures which can pave the way for higher participation of private sector in transmission business are discussed below:

- Long Term Visibility of Transmission Project pipeline:** Any business which requires such huge investments needs long term planning and execution strategies by the developers and investors. However, currently the transmission developers have to depend on periodic announcements by Bulk Power Consumers (BPCs) through tenders for definitive market assessment. Even the packaging philosophy of BPC is unclear. The bidding process takes inordinately long time as BPC is still trying to micro-specify various technical and commercial aspects. It is essential that CEA and CTU develop a mechanism which should enable private sector to have a better visibility of order pipeline to allow them to plan better & consistently.
- More Flexibility on Technical aspects:** The current bidding process puts a strict control on the technical specification and the whole process is reminiscent of EPC procurement methods while passing on all the risks related to right of way, length of line, terrain etc. to the

developers. Such an approach severely restricts full expression of private sector entrepreneurial spirit and also assumes that specified parameters are the best and only way of transferring power from point A to B. It is desirable that developers have bigger say and participation in planning process and also have more flexibility on technical aspects. This will allow quicker induction of new technologies and practices in the Indian Power sector and will overall bring down the lifetime cost of the transmission assets.

- **Level Playing Field:** Lack of visibility of the order pipeline and piecemeal release of tenders by BPCs coupled with long bidding process has led to unhealthy competition in this critical sector. This is not in the long term interest of the sector. Transmission is a natural monopoly. Any failure or delay in completing a transmission sector affects many more generation projects and consumers while if a generation project is delayed its impact is limited. Hence, it is critical to set right the criteria for selection. This coupled with short bidding process will create a level playing field for entry of reliable players with proven track record of delivering large infrastructure projects in time.

### The way forward

It is too simplistic to say that addressing our power transmission issues will make everything else easy. However, we should also realise that any delay or failure in developing transmission projects will only increase the risk of the country being dependent on resources that are ever more expensive to secure. Every delay only entrenches us more deeply as members of the fossil fuel third world. And while the private sector is keen on investing in the transmission sector, it has to increase its involvement many times more to meet the country's ambitious growth plans in the power sector. A quick resolution to the intertwined issues discussed here will go a long way in accelerating the contribution of private sector in a healthy and consistent manner. ■





## 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 and also the Chairman of Sterlite Industries (India) Limited. He has over three decades of experience in business strategy, general management and commercial matters.



## 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 for the growth of telecom and power businesses. His rich experience in general management and commercial matters spans about three decades.



## Arun Tadarwal

Non-Executive & Independent Director

Arun Tadarwal, partner of Tadarwal & Tadarwal, 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.



## A. R. Narayanaswamy

Non-Executive & Independent Director

A. R. Narayanaswamy is a Chartered Accountant and Management Consultant with over 35 years of industry experience. He is a Fellow Member of The Institute of Chartered Accountants of India and provides consulting services in accounting, financial management and information technology across several industry verticals.



## Haigreve Khaitan

Non-Executive & Independent Director

Haigreve Khaitan is a Corporate and Commercial lawyer and a Senior Partner of Khaitan & Co. He joined Khaitan & Co in the year 1988 and heads Khaitan & Co's Mergers & Acquisitions (M&A) practice. He comes highly recommended by world's leading law chambers / legal accreditation bodies as one of the leading lawyers in India and as the leading lawyer for project finance in Asia. He is on the Board of directors of various leading companies.



## 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.

# Directors' Report

To the Members,

Your Directors are pleased to present the Annual Report for the financial year 2011-12 together with the audited accounts of the Company for the year ended March 31, 2012.

## FINANCIAL RESULTS

	[₹ in Crores]	
Particulars	2011-12	2010-11
Net Revenue	2,727	2,263
Profit / (Loss) before Interest, Depreciation & Tax	223	282
Less: Interest	95	47
Less: Depreciation	71	56
Net Profit/(Loss) before taxation	57	178
Provision for Taxation:		
Current Tax	18	32
Earlier Year Tax / (Written Back)	5	—
Minimum Alternative Tax eligible for Set Off	(18)	(0.2)
Deferred Tax (Credit)	8	6
Net Profit / (Loss) for the year after tax	44	141
Net Profit / (Loss) for the year after tax (after prior period depreciation)	44	141
Balance carried forward from previous year	712	608
Amount available for appropriation	756	749
<b>APPROPRIATIONS</b>		
Transfer to General Reserve	2	14
Proposed Dividend	12	20
Provision for Tax on Dividend	2	3.1
Balance carried forward to the next year	740	712

## PERFORMANCE

Fiscal year 2011-12 closed with Revenues of ₹ 2,727 Crores, EBITDA of ₹ 223 Crores, PAT of ₹ 44 Crores and EBITDA margins of 8.2 %. The telecom business earned revenues of ₹ 804 Crores at an EBITDA margin of 17.3% and the power business earned revenues of ₹ 1,923 Crores at an EBITDA margin of 4.4%.

During the year, good Tier-1 clients were added for all businesses, across geographies. Revenue from international sales in FY 12 accounted for ₹ 803 Crores, which is 29% of net revenues in FY 12 and this has been achieved with a right mix of repeat orders from current clients and addition of new eminent global clients.

During the year, Sterlite increased the breadth of its portfolio by introducing new products and solutions etc. The Company has enhanced its intellectual property portfolio with the grant of 11 more patents, taking the total up to 44.

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

## DIVIDEND

The Board of Directors are pleased to recommend a dividend of 15% (₹ 0.30 per share of ₹ 2/- each) for the financial year

2011-12. The distribution of dividend will result in payout of ₹ 11.80 Crores excluding tax on dividend.

## EMPLOYEES STOCK OPTION SCHEME

As the members are aware, the Company had launched Employee Stock Option Schemes for the employees in June 2006 (ESOP 2006) and June 2010 (ESOP 2010) respectively, 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 22,24,000 options were granted on December 29, 2011 under ESOP 2010.

## SUBSIDIARY COMPANIES

The Company has ten Subsidiary Companies, the details of which are given below:

### a. Sterlite Display Technologies Private Limited (SDTPL)

The Company is currently exploring on new business opportunities including liquid crystal display (LCD) glass manufacturing and other related products.

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

To achieve operational efficiencies, the management decided to merge SITL in the Company. The Hon'ble Court vide its order dated October 21, 2011 approved the Amalgamation wherein the appointed date was April 1, 2011 which is now in effect.

**c. Sterlite Grid Limited (SGL)**

During the year under review, the name and legal status of Sterlite Transmission Projects Private Limited was changed to Sterlite Grid Limited (SGL). SGL is a wholly owned subsidiary of the Company incorporated as Special Purpose Vehicle for transmission projects. SGL is currently executing two mega power transmission projects via its fully owned subsidiary companies Bhopal Dhule Transmission Company Limited (BDTCL) and Jabalpur Transmission Company Limited (JTCL). Sterlite Grid's current transmission portfolio consists of a network of about 2200 kilometers of transmission lines and 2 substations in the States of Maharashtra, Gujarat, Madhya Pradesh, Chhattisgarh, West Bengal, Bihar and Assam.

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

ENICL 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, under construction phase, is on schedule with expected commencement date before March 2013.

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

BDTCL 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 and the Company would operate and maintain the same for a minimum tenure of 35 years. The project, under construction phase, is on schedule with expected commencement date before March 2014.

**f. Jabalpur Transmission Company Limited (JTCL)**

JTCL 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 and the Company would operate and maintain the same for a minimum tenure of 35 years. The project, under construction phase, is on schedule with expected commencement date before March 2014.

**g. Jiangsu Sterlite Tongguang Fiber Co. Ltd. (JSTFCL)**

The Company is a Joint Venture with Tongguang Group of China to set up an Optical Fiber Manufacturing Facility in China. During the year under review JSTFCL has started construction of the factory along with required ancillary

facilities. The Project is moving as per Schedule and the commencement of commercial production is expected during second half of this financial year.

**h. Sterlite Networks Limited (SNL)**

SNL is a 100% wholly owned subsidiary of the Company that undertakes business operations in the telecom sector. It serves as an infrastructure provider, providing dark fibre, right of way, duct space, tower (IP Category 1), electronic mail and voice mail services. Major highlights during the year include 25,000 homes connected through networks, launch of the 'FiON' brand, and partnership with BSNL for its FTTH rollout in Chennai.

**i. Sterlite Global Ventures (Mauritius) Limited (SGVML)**

SGVML holds downstream investments of the Company made in Jiangsu Sterlite Tongguang Fiber Co. Ltd.

**j. Sterlite Technologies American, LLC (STA)**

STA is a limited liability corporation set up in USA to carry and manage the business operations in the Americas geographies. The Company will be operational during the current year.

**k. Sterlite Technologies Europe Ventures Limited - Cyprus (STEVL)**

STEVL, incorporated in Cyprus is a 100% wholly owned subsidiary of the Company, with an objective to carry on business operations in the European Union.

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 registered office at Sterlite Technologies Limited, Survey No. 68/1, Rakholi Village, Madhuban Dam Road, Silvassa – 396230 Union Territory of Dadra & Nagar Haveli, India. The Company shall furnish a hard copy of details of accounts of subsidiaries to any shareholder on demand. The annual accounts of the subsidiary companies will also be available on the Website of the Company [www.sterlitetechnologies.com](http://www.sterlitetechnologies.com)

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, Disclosure on "related party transaction", 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. 44 in 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 Hon'ble Supreme Court considering that the departmental appeal against the CESTAT order was still pending before the High Court, disposed of the Special Leave Petition of the Company and 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. Arun Todarwal and Mr. A. R. Narayanaswamy 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 on March 31, 2012 and of the profit of the Company for the financial year ended March 31, 2012;
- 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.

**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, Electric Cables & Conductors for 2010-11. The due date for filing the above cost audit reports was September 30, 2011; the actual date of filing was September 9, 2011. The Company has reappointed M/s. Ashwin Solanki & Associates, Cost Accountants for the FY 2011-12.

**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 Registered Office of the Company.

**ABRIDGED REPORT**

Physical (Hard) Copy of the statement containing the salient features of all the documents, as prescribed in sub-clause (iv) of clause (b) of proviso to Section 219 of the Companies Act, 1956, read with Clause 32 of the Listing Agreement, is being sent to all shareholders of the Company who have not registered their email address(es) for the purpose. Any shareholder interested in obtaining physical copies of full annual report 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. 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

**Pravin Agarwal**

Whole-time Director

**Anand Agarwal**

CEO & Whole-time Director

Place: Pune

Date: April 26, 2012

## 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, 2012.

### 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 optimise the same by reengineering. Machine modifications to conserve energy consumption included modification of air pipeline, 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; for example the power conductor's facility at Rakholi started usage of Natural Gas as an alternative fuel to furnace oil.

#### B. Additional investments and proposals, if any, being implemented for reduction of energy consumption:

- i) 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.

- ii) Harmonic Filters to be installed, resulting in approximately 5% of power saving.
- iii) Elimination of Furnace oil Usage by improving the Grid power Utilisation.

### 2. TECHNOLOGY ABSORPTION

#### A. Specific areas in which the Company carried out R&D:

- i) Development of specialised conductor products such as dull conductors that offer superior ampacity and improve the efficiency in high current transmission, ECO conductors for low loss, particularly for wind energy, super thermal alloy conductor and ACSS/ TW conductor that can carry up to 100% more current compared with ASCR of the same size and can operate at temperatures up to 250°C, with zero creep and low susceptibility to Aeolian vibration fatigue.
- ii) Development of CAT6A, CAT7 with high fibre count (96F-288F) very small diameter, lightweight and flexible fiber optic cables (i.e: Microduct Fiber Optic Cables) that are suitable for indoor-outdoor duct installation in subducts within existing ducts.
- iii) 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.
- iv) Development of Cat6a and Cat7 with FTP i.e. screened version of products for Cat cables will take copper to 40G compliance.
- v) Development of a new family of ITU-T G.657 standards compliant bend-insensitive fiber with low attenuation and improved bend sensitivity for Fiber-to-the-Home (FTTH) Networks.

- vi) Engineering improvements in existing manufacturing equipment aimed at improving process efficiency and productivity.
- vii) Development of Hybrid drums to eliminate wood consumption in packaging.

#### 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.
- iii) Bend insensitive fibers will provide cable customers to provision and end-customers to access the phenomenal capacity of optical fiber for in-home and/or business applications such as high-definition video, high speed Ethernet and a superior Internet experience at affordable rates.
- iv) Reduction in damage during transportation by hybrid drum.

##### Benefits to Sterlite:

- i) Introduction of specialised products developed through the year, have enabled Sterlite gain market access through product differentiation.
- ii) For the first time, new product sales of 6-7% of annual revenue were realised.

#### 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.
- iv) Simulation lab for 10 G and 40 G compliance.

#### D. Expenditure of R&D

- i) Capital: Nil
- ii) Recurring: ₹ 7.17 Crores
- iii) Total: ₹ 7.17 Crores

- iv) Total R&D expenditure as a percentage of total turnover: 0.26%

#### 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. Power through open access technology absorbed, adopted and innovative means of power purchase through Bilateral trading incorporated, resulting in savings of ₹ 1 Crore per month of power cost. In future, load enhancement will accrue savings of ₹ 2 Crores per month.

Baghouse Technology for collection of SiO<sub>2</sub> adopted, creating green environment and opportunity to generate revenue from waste.

HCl scrubbing through Ammonia-most efficient Gas - Gas reaction is the greatest innovation leading to reducing the hazardous waste and consumption of water effectively bring savings of approx ₹ 3 Crores per annum.

Installation of Flowmeters on Gas delivery system to check excess consumption and leakages, resulting in savings of ₹ 5 Crores per annum.

In-house SiCl<sub>4</sub> generation (backward integration) has resulted in savings of ₹ 2 Crores per month.

- 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 development of exports is covered in Directors' Report and Management Discussion & Analysis Report.

Foreign Exchange Earned: ₹ 813.25 Crores

Foreign Exchange Outgo: ₹ 67.80 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 on March 31, 2012 for Employee Stock Option Scheme, 2006 and 2010 as required under Clause 12 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999.

Sr. No.	Particulars	2006 Scheme		2010 Scheme
1	Options Granted	Total 69,46,750 options were granted as on March 31, 2012 the details of which are as follows:		First Grant of 22,24,000 options were made on December 29, 2011.
		Date of Grant	No. of Options	
		14.06. 2006	23,28,500	
		19.03 2007	6,36,000	
		28.09.2007	13,07,750	
		14.06.2008	2,55,500	
		26.06.2009	24,19,000	
2	Pricing formula	Options vest at a nominal value i.e. ₹ 2 per option.		
3	Options vested	26,22,918		N.A.
4	Options exercised	25,41,988		N.A.
5	Total number of ordinary shares arising as a result of exercise of Options	25,41,988		N.A.
6	Options Lapsed	39,19,260		N.A.
7	Variation of terms of option	None		None
8	Money raised by exercise of option	₹ 25,41,988/-		N.A.
9	Total number of options in force	5,24,087		N.A.
10	Employee-wise details of options granted to			
I.	Number of options granted to Senior Managerial Personnel Dr. Anand Agarwal CEO & Whole-time Director	3,79,500		1,00,000
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		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		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]	₹ 1.11		₹ 1.11
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) Weighted Average Fair value (per option)	₹ 2 ₹ 35.23		₹ 2 ₹ 25.87
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		28.00
	2. Risk Free Interest rate (%)	6.05		8.33
	3. Expected Life (yrs)	3.5		1.5
	4. Expected Volatility (%)	77.57		48.31
	5. Expected Dividend Yield (%)	0.60		0.73
	6. The price of underlying share at the time of grant (₹)	35.23		25.87

# Corporate Governance Report

## 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 behavior.

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 behavior.

Excellence is our only core value. If the infrastructures that we help service providers to build have to be excellent, we need to provide them with excellent products, made in excellent facilities, packed in an excellent manner, transported through excellent logistics, accompanied by excellent documentation and supported by client service.

Similar to our personal performance monitoring, wherein our focus is towards being outstanding or excellent, all our products and business processes need to be 'Excellent' - first in our own perception, and then in our customers' perception.

So, as we move forward, 'Excellence' will be the unique value for Sterlite - which drives us, and against which we measure ourselves.

The Company has a three-tier governance structure:

<b>Strategic supervision</b>	The Board of Directors occupies the topmost tier in the governance structure. It plays the 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.
<b>Strategic management</b>	The Executive Committee is composed of the senior management of the Company and operates upon the directions of the Board.
<b>Executive management</b>	The function of the Management Committee is to execute and realise the goals that are laid down by the Board and the Executive 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 the absence of Mr. Anil Agarwal, the meetings are 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 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. All Non-Executive Directors are liable to retire by rotation. The appointment

of the Whole-time Directors, including the tenure and terms of remuneration are also approved by the members. 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, 2012.

During the financial year 2011-12, five meetings of the Board of Directors were held on April 29, 2011; July 29, 2011; October 20, 2011; December 29, 2011 and January 25, 2012. 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 <sup>1</sup>	Committee Memberships (Chairmanships) in other Companies <sup>3</sup>	Number of shares held in the Company
Anil Agarwal	Non-Executive Chairman	00	No	04	Nil	Nil
Arun Tadarwal <sup>2</sup>	Non-Executive	05	Yes	09	07	925
Haigreve Khaitan <sup>2</sup>	Non-Executive	02	No	17	08	Nil
A. R. Narayanaswamy <sup>2</sup>	Non-Executive	05	No	05	01 (03)	Nil
Pravin Agarwal	Whole-time Director	05	Yes	09	Nil	Nil
Anand Agarwal	CEO & Whole-time Director	05	Yes	08	Nil	160000

1 All public, private, foreign, Section 25 Companies are included.

2 Independent Directors.

3 Includes only Audit and Investors' Grievance Committees.

### 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 45 of 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 the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
  6. Reviewing with management, the periodical financial statements.
  7. Reviewing with the management, external and internal auditors, the adequacy of internal control systems, frequency of internal audit, significant findings by internal auditors and follow up there on.
  8. Discussion with external auditors, nature and scope of audit as well as have post-audit discussions.
  9. Reviewing the Company's financial and risk management policies.
  10. Reviewing Whistle Blower Mechanism.
  11. 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.

12. Reviewing of financial statements and investments made by subsidiary companies.
13. Look into the reasons for any substantial defaults in payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividend) and creditors, if any;
14. Reviewing the effectiveness of the system for monitoring compliance with laws and regulations.
15. Approving the appointment of CFO after assessing the qualification, experience and background etc of the candidate.

#### COMPOSITION AND MEETINGS

The Audit Committee comprises 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 Tadarwal, 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 2011-12 on April 29, 2011; July 29, 2011; October 20, 2011 and January 25, 2012. The Composition of the Audit Committee and attendance at committee meetings is as follows:

Name	Category	Number of Meetings attended
Arun Tadarwal, Chairman	Non-Executive & Independent	04
Haigreve Khaitan	Non-Executive & Independent	02
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, Internal Auditor and CFO. 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 and 2010 of the Company.

#### COMPOSITION AND MEETINGS

The Committee comprises three Non-Executive Directors, who are Independent. Mr. Arun Tadarwal 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 2011-12 on July 29, 2011 and December 29, 2011. The Composition of the Remuneration/Compensation Committee and attendance at Committee meetings is as follows:

Name	Category	Number of Meetings attended
Arun Tadarwal, Chairman	Non-Executive & Independent	02
Haigreve Khaitan	Non-Executive & Independent	01
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). The remuneration by way of commission to the non-executive directors is decided by the Board of Directors and distributed to them based on their participation and contribution at the Board and certain Committee meetings as well as time spent on operational matters other than at meetings. On September 20, 2011, 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 2011-12. The break-up of remuneration actually paid to directors (excluding provisions, if any) during FY 2011-12 is as follows:

(₹ In Lacs)

Director	Salary	Perquisites & Incentives	Commission Payable	Sitting Fee	Total
Anil Agarwal	—	—	—	—	—
Arun Tadarwal	—	—	5.00	2.00	7.00
Haigreve Khaitan	—	—	5.00	0.70	5.70
A. R. Narayanaswamy	—	—	5.00	2.00	7.00
Pravin Agarwal	258.35	389.35	—	—	647.70
Anand Agarwal	45.95	167.90	—	—	213.85

**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 second tranche of 27,680 options were vested, in respect of which equal number of shares was allotted to Dr. Anand Agarwal. Further, on December 29, 2011, under ESOP 2010 Scheme, Dr. Anand Agarwal has been granted 1,00,000 Stock Options, each option convertible in one equity share of ₹ 2 each subject to performance conditions.

**SHAREHOLDERS' / INVESTORS' GRIEVANCES COMMITTEE**

The Shareholders' / Investors' Grievances Committee oversees redressal of shareholders' grievances. The Committee comprises 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 2011-12 on April 29, 2011; July 29, 2011; October 20, 2011 and January 25, 2012. During the year the Company received 349 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 Tadarwal	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

Director & Profile	Date of Birth	Date of joining the Board of the Company	Shareholding in the Company either in his own name or in the name of others and having beneficial interest, as on March 31, 2012	Directorships including Memberships and Chairmanships of Committees
<p>Mr. Arun Tadarwal:</p> <p>Mr. Arun Tadarwal is a Non-Executive Director of the Company. He has profound knowledge in areas like Finance, Management Consultancy and Audit. He is a partner of Tadarwal &amp; Tadarwal, a Chartered Accountant Firm.</p>	June 16, 1957	January 25, 2003	925	<p>Welspun India Limited</p> <ul style="list-style-type: none"> <li>– Audit Committee (Member)</li> </ul> <p>Welspun Global Brands</p> <ul style="list-style-type: none"> <li>– Audit Committee (Member)</li> <li>– Shareholder's &amp; Investor's Grievances Committee (Member)</li> </ul> <p>Welspun Investments &amp; Commercials Limited</p> <ul style="list-style-type: none"> <li>– Audit Committee (Member)</li> <li>– Shareholder's &amp; Investor's Grievances Committee (Member)</li> </ul> <p>Anuh Pharma Limited</p> <ul style="list-style-type: none"> <li>– Audit Committee (Member)</li> </ul> <p>Graviss Hospitality Limited</p> <p>Graviss Hotels &amp; Resorts Ltd.</p> <p>Lakecity Ventures Private Limited</p> <p>Srei Mutual Fund Trust Private Limited</p> <p>Tadarwal Consultants FZC, U.A.E.</p>
<p>Mr. A. R. Narayanaswamy:</p> <p>Mr. A. R. Narayanaswamy is a Chartered Accountant and Management Consultant. He is a Fellow Member of The Institute of Chartered Accountants of India and provides consulting services in Accounting, Financial Management and Information Technology across several Industry verticals.</p>	December 22, 1951	April 30, 2007	Nil	<p>Hindustan Zinc Ltd.</p> <ul style="list-style-type: none"> <li>– Audit Committee - Chairman</li> <li>– Shareholder &amp; Investor Grievance Committee - Chairman</li> </ul> <p>Sterlite Industries (India) Limited</p> <ul style="list-style-type: none"> <li>– Audit Committee - Vice Chairman</li> </ul> <p>IBIS Systems &amp; Solutions Pvt. Ltd.</p> <p>IBIS Softec Solutions Pvt. Ltd.</p> <p>IBIS Logistics Pvt. Ltd.</p>
<p>Mr. Pravin Agarwal:</p> <p>Mr. Pravin Agarwal has been closely involved with Sterlite Group's Operations in India since its inception and has been instrumental in growing telecom and power business. His rich experience in general management and commercial matters spans over three decades.</p>	October 16, 1954	January 29, 2004	Nil	<p>Sterlite Grid Limited</p> <p>Sterlite Networks Limited</p> <p>PJPA Realty Private Limited</p> <p>Sterlite Display Technologies Private Limited</p> <p>Sterlite Global Ventures (Mauritius) Limited</p> <p>Jiangsu Sterlite Tongguang Fiber Company Limited</p>
<p>Dr. Anand Agarwal:</p> <p>Dr. Anand Agarwal joined Sterlite in 1995 and has held various positions, including manufacturing, quality assurance and business development. Prior to joining Sterlite he has 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.</p>	August 7, 1967	July 30, 2003	1,60,000	<p>Sterlite Grid Limited</p> <p>Sterlite Networks Limited</p> <p>Sterlite Display Technologies Private Limited</p> <p>Sterlite Global Ventures (Mauritius) Limited</p> <p>Sterlite Technologies Europe Ventures Limited</p>

## VI. GENERAL BODY MEETINGS

Details of last three Annual General Meetings Date	Location	Time	Special Resolutions Passed
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 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>
Sept. 20, 2011	Survey No. 68/1, Madhuban Dam Road, Rakholi – 396230, Union Territory of Dadra & Nagar Haveli, India.	12:30 pm	<ul style="list-style-type: none"> <li>• Payment of Commission to Non – Executive Directors.</li> </ul>

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 2011-12 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 the 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 the last three years.

### iii) **The Company has adopted a 'Whistleblower Policy', which has been communicated to all 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 victimisation, subsequent discrimination or disadvantage. The policy encourages the employees to raise concerns within the Company rather than overlooking a problem. All Complaints under this policy are reported to the Director - Management Assurance, who is independent of operating management and businesses. 'Complaints' can also be sent to the designated E-mail ID: stl.whistleblower@vedanta.co.in. The Director - Management Assurance reviews the**

'Complaint', and may investigate it himself or may assign another person to investigate, or assist in investigating the 'Complaint'. At least once in every six months and whenever else as deemed necessary, Director - Management Assurance submits a report to the Audit Committee and any other member of Company management that the Audit Committee directs to receive such report, that summarises each 'Complaint' made within the last 12 months. 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 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 amended its 'Code of Business Conduct & Ethics' to meet the changing internal and external environment for its employees at all levels including Senior Management and Directors. The revised Code has been effective from January 25, 2012 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 organisation, 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 AUDIT

- 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 Audit 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 dematerialised 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 – Wednesday, September 12, 2012 Time – 12.30 p.m. Survey No. 68/1, Rakholi Village, Madhuban Dam Road, Silvassa – 396230 Union Territory of Dadra & Nagar Haveli, INDIA
------------------------	---

Book Closure Dates:	September 06, 2012 to September 12, 2012 (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 2012-13

### (Financial Year – Ending March 31)

First Quarter Results	End of July 2012
Half Yearly Results	End of October 2012
Third Quarter Results	End of January 2013
Fourth Quarter/Annual Results	April/May 2013

## Listing of shares on Stock Exchanges

The equity shares of the Company are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. Application for delisting from Calcutta Stock Exchange was approved during the year under review and the same is effective from December 16, 2011. Annual listing fees for the financial year ended March 31, 2012 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

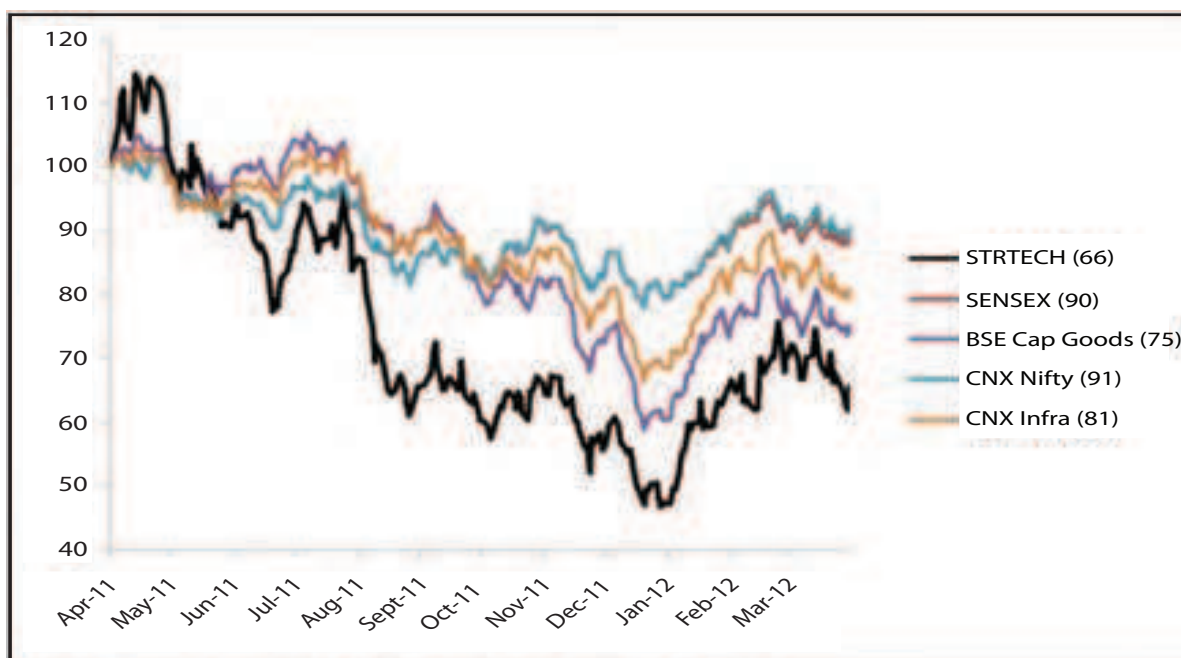
Stock Price data for the period April 1, 2011 to March 31, 2012 is as detailed below:

MONTH	Monthly High (₹) NSE	Monthly Low (₹) NSE	Monthly High (₹) BSE	Monthly Low (₹) BSE
Apr-11	71.00	57.60	70.90	53.30
May-11	63.50	53.10	63.40	54.10
Jun-11	57.55	45.65	57.50	45.70
Jul-11	58.75	49.50	58.75	49.60
Aug-11	53.25	36.00	53.25	36.20
Sep-11	44.20	35.90	44.10	36.00
Oct-11	40.65	34.05	40.90	34.20
Nov-11	40.80	29.60	41.00	29.70
Dec-11	37.35	27.40	37.35	27.45
Jan-12	41.10	27.90	41.05	39.45
Feb-12	47.00	35.20	46.95	36.30
Mar-12	46.90	36.40	46.40	39.30

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 on March 31, 2012

Range of Shares	Number of Shareholders	% of Shareholders	Number of Shares	% of Equity
1 to 5,000	141977	95.88	5,65,30,599	14.37
5,001 to 10,000	3593	2.43	1,32,29,295	3.36
10,001 to 20,000	1388	0.94	99,61,903	2.53
20,001 to 30,000	371	0.25	46,41,841	1.18
30,001 to 40,000	210	0.14	36,94,298	0.94
40,001 to 50,000	146	0.10	33,98,277	0.86
50,001 to 100,000	211	0.14	74,07,445	1.88
100,001 & Above	176	0.12	29,44,01,165	74.86
<b>TOTAL</b>	<b>1,47,452</b>	<b>100.00</b>	<b>39,32,64,823</b>	<b>100.00</b>

## Equity holding pattern as on March 31, 2012

Category	As on March 31, 2012	
	Number of Shares	% of Equity
Promoter Group	215094855	54.69
Banks, Directors, Mutual Funds, Trusts, UTI, LIC, Govt. & Insurance Companies	38798447	9.87
Foreign Bodies Corporates, FIIs and NRIs	14124175	3.59
Indian Financial Institutions and Foreign Nationals	239178	0.07
Bodies Corporates	23007090	5.85
Individuals (Public) & HUFs	101187603	25.73
Clearing Members	813475	0.21
<b>TOTAL</b>	<b>393264823</b>	<b>100.00</b>

## DEMATERIALISATION OF SHARES AND LIQUIDITY

The Company's equity shares are compulsorily traded in the electronic form. As on March 31, 2012, 382,955,121 shares representing 97.38% 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
- Dividend for the year 2010-11: Due for transfer from October 25, 2018

**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.

**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 authorised 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 30514113 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	<ul style="list-style-type: none"> <li>– E2, E3, MIDC, Waluj, Aurangabad – 431136</li> <li>– AL-23, Shendra MIDC SEZ, Aurangabad – 431 201, Maharashtra, India</li> </ul>
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, Waghdera Road, Dadra – 396191, Union Territory of Dadra & Nagar Haveli, India
Power 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>
Power Cables Business	No 5, Vardhaman Industrial Estate Haridwar – 249402 Uttaranchal, India

**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 2011-12.

**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. Whistleblower Mechanism**

The Company has a Whistleblower Policy and the appropriate mechanism is 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, 2012.

**For Sterlite Technologies Limited**

Place: Pune  
Date: April 26, 2012

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

**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, 2012, 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.**  
Firm Registration No. 301003E  
Chartered Accountants

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

Place: Pune  
Date: April 26, 2012

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# Risk Management

Sterlite is subject to a variety of risks and uncertainties which are no different than any other company in general and our competitors in particular. Such risks are the result of not only the business environment within which we operate but also of other factors over which we have little or no control. Sterlite is committed to effective management of risks across the organisation 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 stakeholder's value.

The risks are identified through a formal risk management programme with the active involvement of business managers and senior management. 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 their 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 institutionalised. 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 very few barriers to capacity expansion by existing players or entry of large MNCs with inorganic growth strategies. Globally, most of the contracts are finalised through the competitive bidding process. Whilst the Company dominates in this segment, it does not have much pricing power on account of price undercuts as increased through increased competition and entry of new players. To overcome this, the 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 innovative product design that help customer reduce their cost of project, customising a basket of products that suit customers' needs and introducing enhanced features in products or services to improve value proposition to the customers.

Additionally, the Company undertakes product approvals from new Tier 1 customers to increase its market share 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, Sterlite maintains a very strong focus on continuous innovation processes and hence has been introducing technologically improved products in the market in which it operates. This strategy has helped limiting the risk involved with obsolescence of products. The company strives to introduce future-proof products and solutions to exceed stringent global standards and specifications.

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

## Commodity Risks

The Company is exposed to the risk of price fluctuation on raw materials & energy resources. Aluminium & alloys make for a significant part of the Company's raw material purchases. As a market leader in the industry, the Company has strong policies and systems in place to minimise the price risk of its main raw material aluminium to a large extent. The Company effectively manages the price variation risk in aluminium by fully passing on the movement in prices to the customers or hedging the risk on LME or primary suppliers. In addition, furnace oil prices are also linked to crude oil prices, which are influenced by the global demand supply and 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 has limited control over passing on the adverse variations in the price of some of the raw material and energy costs to the customers and this in turn may have negative impact on the Company's profitability.

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 minimising the effect of increase in prices of raw material.

## Financial Risks

### - Liquidity Risks

The Company requires funds both for short-term operational needs as well as for long-term investment programs mainly in growth projects. The continued global financial uncertainty has significantly restricted the supply of credit in the market. Banks and financial institutions have also tightened lending norms. Sterlite aims to minimise 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 us 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 at a Standalone level. However, the Company has secured long-term finance in its subsidiary for the project being executed. The Company through its subsidiary also has a few more projects, for which it is in the process of securing long-term finance. Any adverse market condition in the banking or financial segment may affect the financial closure adversely. The Company is in the advanced stage of securing long-term funds on the strength of the project itself and hopeful of achieving the same within the current year.

#### - Interest Risk

The Company is exposed to interest rate fluctuations in both 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 borrowing is largely linked to MIBOR and the rate is linked to prevailing US Dollar LIBOR for foreign currency borrowings.

#### - 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

The company has multiple manufacturing facilities in India, with a significant portion (69%) of the revenue 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 the 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.

The presence of the Company in two verticals "Power" and "Telecom" provides some insulation by division of the risk. 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 the Indian private sector and maintains a strong focus on emerging economies. 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. These legal, fiscal and other regulatory regimes of the country play a crucial role in the performance of the Company. Any changes in government policies with respect to import tariffs or export incentives can pose risks to the Company and can also affect the competitiveness of our product in those countries and in turn affect the performance of the Company.

There are a few legal cases against the Company at various stages related to custom duty, excise duty, taxation, commercial or 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 which may have a bearing on our business.

#### Project Execution Risk

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

#### Human Resource Risk

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

#### Counter-party Risks

We are exposed to counter-party risks on our receivables and investments. We have clearly defined policies to mitigate these risks. Limits are defined for exposure to individual customers and the exposure is strictly monitored on an ongoing basis. Moreover, given the diverse nature of our businesses, trade receivables are spread over a number of customers with no significant concentration of the credit risk.

Cash and liquid investments are held primarily in debt mutual funds and banks with high credit ratings, approved by CRISIL. Emphasis is given to the security of investments. ■

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# 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, 2012 and also the Statement of Profit and Loss 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 (Auditor's 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, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the balance sheet, statement of profit and loss 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, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 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 8, 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, 2011) 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 8 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, we are unable to comment on the adequacy of the provisions made towards the amount of excise/custom duty payable. Our audit report on the financial statements for the year ended March 31, 2011 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 except for the possible effect of the matter described 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, 2012;
  - b) in the case of the statement of profit and loss, 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 Number: 301003E  
Chartered Accountants

**per Arvind Sethi**

Partner

Membership Number: 89802

Place: Pune

Date: April 26, 2012

## 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. No material discrepancies were noticed on such verification.
- (c) There was no disposal of a substantial part 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) (a) According to the information and explanations given to us, 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. Accordingly, the provisions of clauses 4(iii) (b), (c), (d) (f) and (g) of the Order are not applicable to the Company and hence not commented upon.
- (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, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the company in respect of these areas.
- (v) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clauses 4(v) (a) and (b) of the Order are not applicable to the Company and hence not commented upon.
- (vi) The Company has not accepted any deposits from the public. Accordingly, the provisions of clause 4(vi) of the Order are not applicable to the Company and hence not commented upon.
- (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, related to the manufacture 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) 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 have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few cases.*
- (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 material 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:

Name of the statute	Nature of dues	Amount (₹ in Crores)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Excise Duty	188.00	2001-2003	Supreme Court
		1.42	2001-2003	CESTAT
		28.22	2001-2003	CESTAT
		3.06	2001-2003	CESTAT
		3.39	2001-2003	CESTAT
		13.00	2001-2002	CESTAT
		11.09	2006-2008	CESTAT
Customs Act, 1962	Custom Duty	5.24	2001-2003	CESTAT
		62.00	2001-2004	CESTAT

- (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 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.* The Company did not have any outstanding dues in respect of debentures during the year.
- (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. Accordingly, the provisions of clause 4(xii) of the Order are not applicable to the Company and hence not commented upon.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4(xiii) of the Order 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. Accordingly, the provisions of clause 4(xvi) of the Order are not applicable to the Company and hence not commented upon.
- (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 funds amounting to ₹ 231.56 Crores raised on short term basis in the form of working capital facilities and buyers credit arrangements have been used for long-term investments representing acquisition of tangible assets, investments in subsidiaries and long term loans to subsidiaries.*
- (xviii) The Company has made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the Company.
- (xix) The Company did not have any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable to the Company and hence not commented upon.
- (xx) The Company has not raised any money through public issue during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable to the Company and hence not commented upon.
- (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 Number: 301003E

Chartered Accountants

**per Arvind Sethi**

Partner

Membership Number: 89802

Place: Pune

Date: April 26, 2012

## Balance Sheet as on 31 March, 2012

(All amounts in ₹ Crores unless otherwise stated)

Particulars	Note	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3	78.65	71.28
Reserves and surplus	4	1,070.23	937.50
Money received against share warrants		—	27.10
		<b>1,148.88</b>	<b>1,035.88</b>
<b>Share application money pending allotment</b>	42	<b>0.00</b>	<b>0.02</b>
<b>Non-current liabilities</b>			
Long-term borrowings	5	—	0.14
Deferred tax liabilities (net)	6	73.52	66.01
Trade payables	7	19.42	32.07
Long-term provisions	8	39.71	13.35
		<b>132.65</b>	<b>111.57</b>
<b>Current liabilities</b>			
Short-term borrowings	9	664.37	619.58
Trade payables	10	521.17	424.89
Other current liabilities	10	314.27	298.88
Short-term provisions	8	15.17	23.23
		<b>1,514.98</b>	<b>1,366.58</b>
<b>TOTAL</b>		<b>2,796.51</b>	<b>2,514.05</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	11	953.01	698.18
Intangible assets	11	5.95	7.99
Capital work-in-progress		41.08	129.96
Fixed assets held for sale		8.05	—
		<b>1,008.09</b>	<b>836.13</b>
Non-current investments	12	176.34	8.84
Long-term loans and advances	13	225.15	205.03
Trade receivables	14	117.22	19.88
Other non-current assets	15	—	80.98
		<b>1,526.80</b>	<b>1,150.86</b>
<b>Current assets</b>			
Current investments	16	—	100.00
Inventories	17	272.70	191.38
Trade receivables	14	666.75	846.62
Cash and bank balances	18	184.77	49.08
Short-term loans and advances	13	137.14	176.10
Other current assets	15	8.35	0.01
		<b>1,269.71</b>	<b>1,363.19</b>
<b>TOTAL</b>		<b>2,796.51</b>	<b>2,514.05</b>
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

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

Firm Registration Number: 301003E

Chartered Accountants

per **Arvind Sethi**

Partner

Membership Number: 89802

Place: Pune

Date: April 26, 2012

For and on behalf of the board of directors of Sterlite Technologies Limited

**Pravin Agarwal**

Whole-time Director

**Anupam Jindal**

Chief Financial Officer

**Anand Agarwal**

CEO & Whole-time Director

**Sandeep Deshmukh**

Company Secretary

# Statement of Profit and Loss for the Year Ended 31 March, 2012

(All amounts in ₹ Crores unless otherwise stated)

Particulars	Note	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>INCOME</b>			
Revenue from operations (gross)	19	2,804.62	2,316.69
Less: Excise duty	19	77.15	54.14
Revenue from operations (net)		2,727.47	2,262.55
Other income	20	23.67	15.97
<b>Total revenue (I)</b>		<b>2,751.14</b>	<b>2,278.52</b>
<b>EXPENSES</b>			
Cost of raw material and components consumed	21	1,905.00	1,571.20
Purchase of traded goods		54.57	14.13
Increase in inventories of finished goods work-in-progress and traded goods	22	(56.02)	(30.93)
Employee benefits expense	23	98.70	82.56
Other expenses	24	525.66	359.95
<b>Total (II)</b>		<b>2,527.91</b>	<b>1,996.91</b>
Earnings before interest, tax, depreciation and amortisation (EBITDA) (I) - (II)		223.23	281.61
Depreciation and amortisation expense	25	71.36	56.01
Finance costs	26	95.10	47.41
<b>Profit before tax</b>		<b>56.77</b>	<b>178.19</b>
<b>Tax expenses:</b>			
Current tax		18.30	32.03
Less: MAT credit entitlement		(18.30)	(0.22)
Net current tax expense		—	31.81
Deferred tax		7.50	5.85
Income tax for earlier years		5.43	—
<b>Total tax expenses</b>		<b>12.93</b>	<b>37.66</b>
<b>Profit for the year</b>		<b>43.84</b>	<b>140.53</b>
Earnings per equity share [nominal value per share ₹ 2 (31 March, 2011: ₹ 2)]	27		
<b>Basic</b>			
Computed on the basis of profit for the year (₹)		1.12	3.95
<b>Diluted</b>			
Computed on the basis of profit for the year (₹)		1.11	3.72
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

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

Firm Registration Number: 301003E  
Chartered Accountants

per **Arvind Sethi**

Partner

Membership Number: 89802

Place: Pune

Date: April 26, 2012

For and on behalf of the board of directors of Sterlite Technologies Limited

**Pravin Agarwal**

Whole-time Director

**Anupam Jindal**

Chief Financial Officer

**Anand Agarwal**

CEO & Whole-time Director

**Sandeep Deshmukh**

Company Secretary

## Cash Flow Statement for the Year Ended 31 March, 2012

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>A. Cash flow from operating activities</b>		
Net profit as per statement of profit and loss	43.84	140.53
Adjustment for taxation	12.93	37.66
<b>Profit before tax</b>	<b>56.77</b>	<b>178.19</b>
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation and impairment	71.36	56.01
Provision for doubtful debts	9.98	0.95
Bad debts written off/(written back)	1.06	(0.02)
Provision for contingencies	20.46	—
Provision for contingencies no longer required written back	—	(15.00)
Provision for other than temporary diminution in value of investment	4.26	—
Loss on sale of assets	2.43	0.28
Employees stock option expenses amortised	1.00	2.02
Income from investments	(9.11)	(1.41)
Interest and finance charges	95.10	47.41
Interest income	(14.34)	(9.56)
Unrealised exchange differences	8.36	(7.99)
	<b>190.56</b>	<b>72.69</b>
<b>Operating profit before working capital changes</b>	<b>247.33</b>	<b>250.88</b>
Movements in working capital:		
Increase/(decrease) in trade payables	55.52	34.20
Increase/(decrease) in long-term provisions	2.28	2.24
Increase/(decrease) in short-term provisions	(0.22)	(1.65)
Increase/(decrease) in other current liabilities	2.46	155.35
Decrease/(increase) in trade receivables	89.47	(234.61)
Decrease/(increase) in inventories	(79.84)	(20.47)
Decrease/(increase) in long-term loans and advances	(2.93)	(0.01)
Decrease/(increase) in short-term loans and advances	40.07	(74.98)
Change in working capital	<b>106.81</b>	<b>(139.93)</b>
Cash generated from operations	<b>354.14</b>	<b>110.95</b>
Direct taxes paid (Net of refunds)	(16.05)	(37.20)
<b>Net cash flow from operating activities</b>	<b>338.09</b>	<b>73.75</b>
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets, including intangible assets & Capital work-in-progress	(150.13)	(244.87)
Proceeds from sale of fixed assets	2.01	5.05
Purchase of long term investments	(105.19)	(2.73)
Proceeds of long-term investments	109.11	—
(Purchase)/Proceeds of current investments (net)	—	1.41
Share application money pending allotment in subsidiaries	—	(91.41)
Investment in bank deposits (original maturity of more than three months)	—	(460.55)
Redemption of bank deposits (original maturity of more than three months)	35.53	549.94
Advances given to subsidiaries	(136.57)	(24.32)
Repayment of advances from subsidiaries	6.80	—
Advance received from subsidiaries	1.23	—
Interest received	6.01	9.89
<b>Net cash flow used in investing activities</b>	<b>(231.20)</b>	<b>(257.59)</b>

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>C. Cash flow from financing activities</b>		
Proceeds of issue of shares against share warrants	81.30	—
Repayment of long-term borrowings	(0.05)	(0.07)
Proceeds/(repayment) of short term borrowings (net)	(9.72)	269.50
Proceeds of share application money	0.00	0.01
Proceeds of issue of shares against employee stock options	0.03	0.09
Interest paid	(66.30)	(55.21)
Dividend paid on equity shares	(18.73)	(17.78)
Tax on equity dividend paid	(3.20)	(2.96)
<b>Net cash flow from/(used in) financing activities</b>	<b>(16.67)</b>	<b>193.58</b>
<b>Net increase in cash and cash equivalents</b>	<b>90.22</b>	<b>9.74</b>
<b>Cash and cash equivalents as at beginning of year</b>	<b>14.08</b>	<b>4.34</b>
<b>Cash and cash equivalents taken over on amalgamation of subsidiary (refer note 43)</b>	<b>0.02</b>	<b>—</b>
<b>Cash and cash equivalents as at year end *</b>	<b>104.32</b>	<b>14.08</b>
* The Cash and cash equivalents include balance of ₹ 1.02 Crores (31 March, 2011: 0.09 Crores) which are not available for use by the company.		
<b>Components of cash and cash equivalents:</b>		
	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Balances with banks:</b>		
On current accounts	8.25	13.94
Deposit with original maturity of less than 3 months	95.00	—
On unpaid dividend account	1.02	0.09
<b>Cash in hand</b>	<b>0.05</b>	<b>0.05</b>
<b>Total cash and cash equivalents (note 18)</b>	<b>104.32</b>	<b>14.08</b>

As per our report of even date

For S.R. Batliboi &amp; Co.

Firm Registration Number: 301003E

Chartered Accountants

per Arvind Sethi

Partner

Membership Number: 89802

Place: Pune

Date: April 26, 2012

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

Pravin Agarwal

Whole-time Director

Anupam Jindal

Chief Financial Officer

Anand Agarwal

CEO &amp; Whole-time Director

Sandeep Deshmukh

Company Secretary

# Notes to financial statements for the year ended 31 March, 2012

## NOTE 1. CORPORATE INFORMATION

Sterlite Technologies Limited (the company) is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed on two stock exchanges in India. The company is primarily engaged in the manufacture and sale of Power and Telecom products and solutions. Telecom products and solutions mainly include integrated optical fiber, other telecom products such as fiber optical cables, copper telecom cables, structured data cables, access equipments, fiber connectivity and system integration solution offerings for telecom networks and other service providers. Power products and solutions mainly include power transmission conductors and cables.

## NOTE 2. BASIS OF PREPARATION

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention, except in case of assets which have been impaired.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year, except for the change in accounting policy explained below.

### NOTE 2.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Change in accounting policies

##### *Presentation and disclosure of financial statements*

During the year ended 31 March, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

#### (b) Use of estimates

The preparation of financial statements in conformity with the Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. 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) Tangible fixed assets

Fixed assets, are stated at cost (net of cenvat), net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

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 there to. Income earned during the construction period is deducted from the total of the indirect expenditure.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

#### (d) Depreciation on tangible fixed assets

- (i) Depreciation on tangible 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 capital and insurance spares is amortised over a period of four years.

#### (e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets,

excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

Intangible assets are amortised on a straight line basis over a period of five years. Intangible assets not yet available for use are tested for impairment annually, either individually or at the cash-generating unit level. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

#### *Research and development costs*

Revenue expenditure on research and development is expensed as incurred.

#### **(f) Leases**

##### *Where the company is lessee*

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

#### **(g) Borrowing costs**

Borrowing cost includes interest, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

#### **(h) Impairment of tangible and intangible assets**

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses are recognised in the statement of profit and loss.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss.

#### **(i) Investments**

Investments, which are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried in the financial statements 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 the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

**(j) Inventories**

Raw materials, components, stores and spares and traded goods are valued at lower of cost and net realisable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost of raw materials, components and stores and spares, packing material, work in progress and finished goods is determined on a weighted average basis except in case of inventory for aluminium conductors in the power product and solutions business, wherein the cost is determined on specific identification method based on costing details of each project.

Work-in-progress and finished goods are valued at lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

Traded goods are valued at lower of cost and net realisable value. Cost is determined on weighted average basis and includes all cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

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.

**(k) Revenue recognition**

Revenue is recognised to the extent it is probable that the economic benefits will flow to the company and that the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue from sale of goods is recognised when all the significant risks and rewards of ownership of the goods have been passed to the buyer. The company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year. Sales are net of quantity discount. Freight charged on sales and recovered is included as a part of revenue.

*Income from services*

Revenues from services are recognised pro-rata over the period of the contract as and when services are rendered. The company collects service tax on behalf of the government and, therefore, it is not an economic benefit flowing to the company. Hence, it is excluded from revenue.

*Interest*

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

*Dividends*

Dividend income is recognised when the company's right to receive dividend is established by the reporting date.

*Export incentives*

Export incentive benefits consist of duty drawback, high value added licenses and DEPB entitlements. These are recognised on the basis of receipt of proof of export.

**(l) Foreign currency translation***Foreign currency transactions and balances***(i) Initial recognition**

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) Conversion**

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

**(iii) Forward exchange contracts entered into to hedge foreign currency risk of an existing asset/liability**

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

*Translation of integral and non-integral foreign operation*

The company classifies all its foreign operations as either “integral foreign operations” or “non-integral foreign operations.”

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the company itself.

The assets and liabilities of a non-integral foreign operation are translated into the reporting currency at the exchange rate prevailing at the reporting date. Their statement of profit and loss are translated at exchange rates prevailing at the dates of transactions or weighted average monthly rates, where such rates approximate the exchange rate at the date of transaction. The exchange differences arising on translation are accumulated in the foreign currency translation reserve. On disposal of a non-integral foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognised in the statement of profit and loss.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

**(m) Retirement and other employee benefits**

Retirement benefit in the form of provident fund and superannuation fund are defined contribution schemes. The contributions to the provident fund and superannuation fund are charged to the statement of profit and loss for the year when the contributions are due. The company has no obligation, other than the contribution payable to the provident Fund and superannuation fund.

The company operates a defined benefit plan in the form of gratuity for its employees. The cost of providing benefits under the plan is determined on the basis of actuarial valuation at each year-end. Actuarial valuation is carried out using the projected unit credit method. Actuarial gains and losses for the defined benefit plan are recognised in full in the period in which they occur in the statement of profit and loss.

Accumulated leave, which is expected to be utilised within the next 12 months, is treated as short-term employee benefit. The company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method as at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

**(n) Income Tax**

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognised for all taxable timing differences. Deferred tax assets are recognised for deductible timing differences 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 situations where the company has unabsorbed depreciation or 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.

In the situations where the company is entitled to a tax holiday no deferred tax (asset or liability) is recognised in respect of timing differences which reverse during the tax holiday period, to the extent the company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognised in the year in which the timing differences originate. However, the company restricts recognition of 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. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

At each reporting date, the company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax asset 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 reporting date. The company writes-down the carrying amount of 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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The company recognises MAT credit available as an asset only to the extent that there is convincing evidence that the company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognises MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of MAT under the Income Tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

**(o) Employee stock compensation cost**

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.

**(p) Earning Per Share**

Basic earnings per share are calculated 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 equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**(q) Provisions**

A provision is recognised when the company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Where the company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss, net of any reimbursement.

**(r) Contingent liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The company does not recognise a contingent liability but discloses its existence in the financial statements.

**(s) Cash and cash equivalents**

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

**(t) Derivative instruments**

In accordance with the ICAI announcement, derivative contracts, other than foreign currency forward contracts covered under AS 11 "The Effects of Changes in Foreign Exchange Rates", are marked to market on a portfolio basis, and the net loss, if any, after considering the offsetting effect of gain on the underlying hedged item, is charged to the statement of profit and loss. Net gain, if any, after considering the offsetting effect of loss on the underlying hedged item, is ignored.

Gains and losses from designated and effective hedging instruments are included in the same line as the gains and losses from the hedged items such as sales revenue or cost of goods sold as the case may be. Gains and losses on other derivatives are included in other income or other expenditure as the case may be.

The company enters into commodity futures contracts (aluminium contracts) against future sales transactions. These commodity futures 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 aluminium 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 the Statement of profit and loss on conclusion of the future sales transactions.

**(u) Amalgamation accounting**

The company treats an amalgamation in the nature of merger if it satisfies all the following criteria:

- (i) All the assets and liabilities of the transferor company become, after amalgamation, the assets and liabilities of the transferee company.
- (ii) Shareholders holding not less than 90% of the face value of the equity shares of the transferor company (other than the equity shares already held therein, immediately before the amalgamation, by the transferee company or its subsidiaries or their nominees) become equity shareholders of the transferee company.
- (iii) The consideration for amalgamation receivable by those equity shareholders of the transferor company who agree to become shareholders of the transferee company is discharged by the transferee company wholly by the issue of equity shares, except that cash may be paid in respect of any fractional shares.
- (iv) The business of the transferor company is intended to be carried on, after the amalgamation, by the transferee company.
- (v) The transferee company does not intend to make any adjustment to the book values of the assets and liabilities of the transferor company, except to ensure uniformity of accounting policies.

All other amalgamations are in the nature of purchase.

The company accounts for all amalgamations in the nature of merger using the pooling of interest method. The application of this method requires the company to recognise any non-cash element of the consideration at fair value. The company recognises assets, liabilities and reserves, whether capital or revenue, of the transferor company at their existing carrying amounts and in the same form as at the date of the amalgamation. The balance in the statement of profit and loss of the transferor company is transferred to the general reserve. The difference between the amount recorded as share capital issued, plus any additional consideration in the form of cash or other assets, and the amount of share capital of the transferor company is adjusted in reserves.

**(v) Measurement of EBITDA**

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the company has elected to present earnings before interest, tax, depreciation and amortisation (EBITDA) as a separate line item on the face of the statement of profit and loss. The company measures EBITDA on the basis of profit/(loss) from continuing operations. In its measurement, the company does not include depreciation and amortisation expense, finance costs and tax expense.

### Note 3: Share Capital

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Authorised shares (No. Crores)		
75.00 (31 March, 2011: 75.00) equity shares of ₹ 2 each	150.00	150.00
Issued, subscribed and fully paid-up shares (No. Crores)		
39.33 (31 March, 2011: 35.64) equity shares of ₹ 2 each (fully paid-up)	78.65	71.28
<b>Total issued, subscribed and fully paid-up share capital</b>	<b>78.65</b>	<b>71.28</b>

#### a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

	31 March, 2012		31 March, 2011	
	Nos. in Crores	₹ in Crores	Nos. in Crores	₹ in Crores
At the beginning of the year	35.64	71.28	35.55	71.10
Issue during the year - exercise of share warrants*	1.83	3.65	—	—
Issued during the year - ESOP	0.02	0.04	0.04	0.09
Issued during the year - bonus on share warrants and ESOP	1.84	3.69	0.04	0.09
<b>Outstanding at the end of the year</b>	<b>39.33</b>	<b>78.65</b>	<b>35.64</b>	<b>71.28</b>

\* During the year the company has issued 3.65 Crores equity shares (including 1.83 Crores bonus shares) of ₹ 2 each to Twin Star Overseas Limited on exercise of share warrants.

#### b. Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of ₹ 2 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees.

The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 March, 2012, the amount of per share dividend recognised as distributions to equity shareholders was ₹ 0.30 (31 March, 2011: ₹ 0.50).

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

#### c. Shares held by holding company and their subsidiaries/associates:

	31 March, 2012		31 March, 2011	
	Nos. in Crores	% holding	Nos. in Crores	% holding
<b>Holding company</b>				
Twin Star Overseas Limited, Mauritius	20.94	53.25%	17.29	48.52%
<b>Subsidiary of Volcan Investments Limited, Bahamas (Ultimate Holding Company)</b>				
Sterlite Industries (I) Limited	0.43	1.08%	0.43	1.20%
<b>Associate of ultimate holding company</b>				
Madras Aluminium Company Limited	0.05	0.13%	0.05	0.14%

- d. **Aggregate number of bonus shares issued, share issued for consideration other than cash during the period of five years immediately preceding the reporting date:**

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Equity shares allotted as fully paid bonus shares by capitalisation of securities premium	19.66	17.82

In addition, the company has issued total 1,270,994 shares [31 March, 2011: 1,079,647 shares] during the period of five years immediately preceding the reporting date on exercise of options granted under the employee stock option plan (ESOP) wherein part consideration was received in the form of employee services.

- e. **Detail of shareholders holding more than 5% of shares in the company**

	31 March, 2012		31 March, 2011	
	Nos. in Crores	% holding	Nos. in Crores	% holding
1. Twin Star Overseas Limited (Holding Company)	20.94	53.25%	17.29	48.52%
2. Life Insurance Corporation of India	2.13	5.41%	2.13	5.97%

- f. **Shares reserved for issue under options:**

For details of shares reserved for issue under the employee stock option (ESOP) plan of the company, refer note 29.

## Note 4: Reserves and Surplus

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Capital reserve</b>	0.04	0.04
<b>Securities premium account</b>		
Balance as per last financial statements	93.96	91.10
Add: Premium on issue of shares in exercise of share warrants	104.75	—
Add: Additions on ESOPs exercised	1.35	2.95
Less: Utilised for issue of bonus shares	3.69	0.09
<b>Closing balance</b>	196.37	93.96
<b>Employee stock option outstanding</b>		
Balance as per last financial statements	2.98	3.91
Add: Employees stock option expenses for the year	1.00	2.02
Less: Transferred to securities premium account	1.35	2.95
<b>Closing balance</b>	2.63	2.98
<b>General reserve</b>		
Balance as per last financial statements	128.78	114.72
Add: Amount transferred from surplus balance in the statement of profit and loss	2.19	14.06
<b>Closing balance</b>	130.97	128.78
<b>Surplus in the statement of profit and loss</b>		
Balance as per last financial statements	711.74	608.05
Transfer on amalgamation of subsidiary (refer note 43)	0.55	—
Profit for the year	43.84	140.53
Less: Appropriations		
Proposed final equity dividend (amount per share ₹ 0.30 (31 March, 2011: ₹ 0.50))	11.81	19.65
Tax on proposed equity dividend	1.91	3.13
Transfer to general reserve	2.19	14.06
Total appropriations	15.91	36.84
<b>Net surplus in the statement of profit and loss</b>	740.22	711.74
<b>Total reserves and surplus</b>	1,070.23	937.50

**Note 5: Long-Term Borrowings**

	Non-current portion		Current maturities	
	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Deferred payment liabilities</b>				
Sales tax loan (Interest free) (unsecured)	—	0.14	<b>0.14</b>	0.05
	—	0.14	<b>0.14</b>	0.05
<b>The above amount includes</b>				
Secured borrowings	—	—	—	—
Unsecured borrowings	—	0.14	<b>0.14</b>	0.05
Amount disclosed under the head “other current liabilities” (note 10)	—	—	<b>0.14</b>	0.05
<b>Net amount</b>	—	0.14	—	—

**Note 6: Deferred Tax Liabilities (Net)**

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Deferred tax liability</b>		
Fixed assets: Impact of difference between tax depreciation and depreciation/amortisation for the financial reporting	<b>95.40</b>	82.18
Others	<b>2.12</b>	—
<b>Gross deferred tax liability</b>	<b>97.52</b>	82.18
<b>Deferred tax assets</b>		
Provision for doubtful debts and advances	<b>14.86</b>	11.63
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	<b>2.14</b>	1.38
Provision for litigations/contingencies	<b>7.00</b>	3.16
<b>Gross deferred tax assets</b>	<b>24.00</b>	16.17
<b>Net deferred tax liability</b>	<b>73.52</b>	66.01

**Note 7: Other Long-Term Liabilities**

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Trade payables	<b>19.42</b>	32.07
	<b>19.42</b>	32.07

## Note 8: Provisions

	Long-term		Short-term	
	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Provision for employee benefits</b>				
Provision for gratuity (refer note 28)	3.81	1.90	—	—
Provision for leave benefits	2.33	1.95	0.47	0.39
	6.14	3.85	0.47	0.39
<b>Other provisions</b>				
Provision for income tax (net of advance income tax)	3.61	—	1.00	—
Provision for litigations/contingencies	29.96	9.50	—	—
Proposed equity dividend	—	—	11.80	19.65
Provision for tax on proposed equity dividend	—	—	1.90	3.19
	33.57	9.50	14.70	22.84
<b>Total</b>	<b>39.71</b>	<b>13.35</b>	<b>15.17</b>	<b>23.23</b>

### Provision for litigations/contingencies

The company had made a provision of ₹ 9.50 Crores towards contingencies in the earlier years in respect of various disputed claims against the company as described in note 33 and note 44(A), the timing of outflow and quantum of which is presently unascertainable. The management has decided to increase the provision by ₹ 20.46 Crores as on March 31, 2012.

## Note 9: Short-Term Borrowings

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Cash credit from banks (secured)	16.14	89.41
Working capital demand loan from banks (secured)	65.00	105.00
Other loan from banks (unsecured)	583.23	425.17
<b>TOTAL</b>	<b>664.37</b>	<b>619.58</b>
<b>The above amount includes</b>		
Secured borrowings	81.14	194.41
Unsecured borrowings	583.23	425.17
<b>Net Amount</b>	<b>664.37</b>	<b>619.58</b>

### Note:

Cash credit and working capital demand loans from banks are secured by hypothecation of raw materials, work-in-progress, finished goods and trade receivables.

The cash credit is repayable on demand and carries interest @ 10-14%.

Working capital demand loans from banks carries interest @ 8-12%.

Other loans from banks include buyer's credit arrangements and export bill discounting. They are repaid/rolled over after a period of six months and carries interest @ 2-4% (excluding hedging premium).

**Note 10: Other Current Liabilities**

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Trade payables (including acceptances)		
(i) Micro, medium and small enterprises (refer note 36)	0.01	0.01
(ii) Others	521.16	424.88
<b>Other liabilities</b>		
Current maturities of long-term borrowings (refer note 5)	0.14	0.05
Interest accrued but not due	6.65	1.35
Unclaimed dividend	1.02	0.09
Advance from customers	202.16	154.45
Interest free deposit from customers	0.16	0.05
Interest free deposit from vendors	0.30	0.67
Sundry creditors for capital goods purchased	32.03	30.69
Service tax payable	0.94	0.79
TDS payable	2.17	1.86
Value added tax payable	15.44	15.64
Central sales tax payable	4.17	3.11
Others	49.09	90.13
	<b>314.27</b>	<b>298.88</b>
	<b>835.44</b>	<b>723.77</b>

## Note 11: Tangible and Intangible Assets

₹ in Crores

Nature of assets	GROSS BLOCK				DEPRECIATION/AMORTISATION					IMPAIRMENT			NET BLOCK		
	As on 01.04.2011	Additions*	Deletions/ Adjustment	Transfer to Assets held for sale	As on 31.03.2012	As on 01.04.2011	Additions	Deletions/ Adjustment	Transfer to Assets held for sale	As on 31.03.2012	As on 01.04.2011	During the year	Deletions/ Reversals	As on 31.03.2012	As on 31.03.2011
<b>Tangible assets</b>															
Freehold land	38.20	0.16	—	5.50	32.86	—	—	—	—	—	—	—	—	32.86	38.20
Leasehold land**	18.24	17.96	0.01	—	36.19	0.68	0.29	—	—	0.97	—	—	—	35.22	17.56
Building #	117.13	59.53	2.32	3.07	171.27	26.47	4.94	1.13	0.72	29.56	—	—	—	141.71	90.66
Plant and machinery	926.59	240.62	45.61	—	1,121.60	361.07	58.55	16.20	—	403.42	53.42	—	26.72	691.48	512.11
Furniture and fixtures	7.13	2.94	1.05	0.07	8.95	2.32	0.63	0.54	0.04	2.37	—	—	—	6.58	4.81
Data processing equipment	14.74	2.55	0.56	—	16.73	10.62	1.54	0.49	—	11.67	—	—	—	5.06	4.12
Office equipment	5.24	1.09	0.47	0.28	5.58	1.86	0.32	0.16	0.11	1.91	0.05	—	—	3.62	3.33
Electric fittings	36.16	12.28	0.35	—	48.09	13.30	2.25	0.12	—	15.43	0.45	—	—	32.21	22.42
Vehicles	5.67	0.40	0.85	—	5.22	0.70	0.52	0.27	—	0.95	—	—	—	4.27	4.97
<b>Sub-total</b>	1,169.10	337.53	51.22	8.92	1,446.49	417.02	69.04	18.91	0.87	466.28	53.92	—	26.72	953.01	698.18
<b>Intangible assets</b>															
Software/licences	2.11	0.26	—	—	2.37	0.90	0.46	—	—	1.36	—	—	—	1.01	1.20
Patents	9.31	—	—	—	9.31	2.51	1.86	—	—	4.37	—	—	—	4.94	6.79
<b>Sub -total</b>	11.42	0.26	—	—	11.68	3.41	2.32	—	—	5.73	—	—	—	5.95	7.99
<b>Total</b>	1,180.52	337.79	51.22	8.92	1,458.17	420.43	71.36	18.91	0.87	472.01	53.92	—	26.72	958.96	706.17
<b>Capital work in progress</b>															
	—	—	—	—	—	—	—	—	—	—	—	—	—	41.08	129.96
<b>Total</b>	1,180.52	337.79	51.22	8.92	1,458.17	420.43	71.36	18.91	0.87	472.01	53.92	—	26.72	1,000.04	836.13
Previous year	1,094.61	141.08	55.17	—	1,180.52	409.18	56.01	44.76	—	420.43	59.00	—	5.08	836.13	—

\* Refer note 31 for amount of expenses capitalised during the year.

\*\* Includes leasehold land of ₹ 8.40 Crores capitalised during the year for which the company has obtained possession and the execution of lease deeds in the favour of the company is in progress.

# Building includes those constructed on leasehold land.

Gross block ₹ 71.20 Crores (31 March, 2011: ₹ 37.14 Crores).

Depreciation charge for the year ₹ 2.12 Crores (31 March, 2011: ₹ 0.99 Crores).

Accumulated depreciation charge ₹ 4.95 Crores (31 March, 2011: ₹ 2.83 Crores).

Net block ₹ 66.25 Crores (31 March, 2011: ₹ 34.31 Crores).

## Note 12: Non-Current Investments

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Trade investment (valued at cost unless stated otherwise)</b>		
<b>Investment in subsidiaries</b>		
<b>Equity instruments (unquoted)</b>		
8,730,000 (31 March, 2011: 8,730,000) equity shares of Sterlite Display Technologies Private Limited of ₹ 10 each fully paid-up.	4.47	8.73
(At cost less provision for other than temporary diminution in value ₹ 4.26 Crores (31 March, 2011: Nil)		
Nil (31 March, 2011: 50,000) equity shares of Sterlite Infra-Tech Limited of ₹ 10 each fully paid up (Refer note 43)	—	0.05
50,000 (31 March, 2011: 50,000) equity shares of East North Interconnection Company Limited of ₹ 10 each fully paid-up	0.05	0.05
100,000 (31 March, 2011: 10,000) equity shares of Sterlite Grid Limited (Formerly known as Sterlite Transmission Projects Private Limited) of ₹ 10 each fully paid-up	15.10	0.01
5,625,001 (31 March, 2011: 1) equity shares of Sterlite Global Ventures (Mauritius) Limited of USD 1 each fully paid-up	26.66	0.00
10,000 (31 March, 2011: Nil) equity share of Sterlite Americas LLC of USD 1 each fully paid-up	0.05	—
50,000 (31 March, 2011: Nil) equity shares of Sterlite Networks Limited of ₹ 10 each fully paid-up	0.05	—
<b>Debentures (unquoted)</b>		
950,000 (31 March, 2011: Nil) 0.01% compulsorily convertible debentures of ₹ 10 each of East North Interconnection Company Limited	129.96	—
<b>Aggregate amount of unquoted investments</b>	<b>176.34</b>	<b>8.84</b>
Aggregate provision for diminution in value of investments	4.26	—

## Note 13: Loans and Advances

Particulars	Non-current		Current	
	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Capital advance (unsecured, considered good) (A)</b>	<b>14.03</b>	30.80	—	—
<b>Security deposits (unsecured, considered good) (B)</b>	<b>0.63</b>	—	3.34	5.72
<b>Loan and advance to related parties (note 35)</b>				
(Unsecured considered good) (C)	136.35	52.75	0.00	—
<b>Advances recoverable in cash or kind (unsecured)</b>				
Considered good	—	—	95.89	131.40
Considered doubtful	0.12	—	—	—
	0.12	—	95.89	131.40
Provision for doubtful advances	0.12	—	—	—
<b>(D)</b>	<b>—</b>	—	<b>95.89</b>	131.40

Particulars	Non-current		Current	
	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Other loans and advances (unsecured, considered good)</b>				
Share application money pending allotment in subsidiaries	24.79	91.41	—	—
Advance income taxes, including TDS [net of provision]	—	3.07	0.00	—
Minimum alternate tax credit entitlement	45.30	27.00	—	—
Balances with Central excise authorities	—	—	17.21	25.33
Other advances	4.05	—	20.70	13.65
<b>(E)</b>	<b>74.14</b>	<b>121.48</b>	<b>37.91</b>	<b>38.98</b>
<b>Total (A + B + C + D + E)</b>	<b>225.15</b>	<b>205.03</b>	<b>137.14</b>	<b>176.10</b>

The provision for tax has been made in accordance with provisions of Section 115 JB (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.

## Note 14: Trade Receivables

(Unsecured)

Particulars	Non-current		Current	
	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>				
— Considered good	87.05	19.88	36.43	244.54
— Considered doubtful	49.24	39.24	—	—
	136.29	59.12	36.43	244.54
Less: provision for doubtful receivables	49.24	39.24	—	—
<b>(A)</b>	<b>87.05</b>	<b>19.88</b>	<b>36.43</b>	<b>244.54</b>
<b>Other receivables</b>				
— Considered good	30.17	—	630.32	602.08
<b>(B)</b>	<b>30.17</b>	<b>—</b>	<b>630.32</b>	<b>602.08</b>
<b>Total (A+B)</b>	<b>117.22</b>	<b>19.88</b>	<b>666.75</b>	<b>846.62</b>

## Note 15: Other Assets

Particulars	Non-current		Current	
	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Non-current bank balance (refer note 18)	—	80.98	—	—
Interest accrued on fixed deposits	—	—	8.35	0.01
<b>Total</b>	<b>—</b>	<b>80.98</b>	<b>8.35</b>	<b>0.01</b>

## Note 16: Current Investments

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Current portion of long-term investments (valued at cost)</b>		
Nil (31 March, 2011: ₹ 10 Crores) units of ₹ 10/- each of Religare Fixed Maturity Plan- Series II	—	100.00
	—	100.00
Aggregate amount of quoted investments (market value ₹ Nil (31 March, 2011: ₹ 107.20 Crores))	—	100.00

## Note 17: Inventories

(Valued at lower of cost and net realisable value)

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Raw materials and components (Includes in transit ₹ 12.53 Crores (31 March, 2011: ₹ 11.19 Crores)) (refer note 21)	93.77	75.39
Work-in-progress (refer note 21)	46.19	32.06
Finished goods (refer note 21)	99.87	62.46
Traded goods (including in transit ₹ Nil (31 March, 2011: ₹ Nil)) (refer note 21)	4.68	0.20
Stores, spares, packing materials and others	28.19	21.27
<b>Total</b>	<b>272.70</b>	<b>191.38</b>

## Note 18: Cash and Bank Balances

Particulars	Non-current		Current	
	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Cash and cash equivalents</b>				
Balance with banks:				
On current accounts	—	—	8.25	13.94
Deposit with original maturity of less than 3 months	—	—	95.00	—
On unpaid dividend account	—	—	1.02	0.09
Cash in hand	—	—	0.05	0.05
	—	—	104.32	14.08
<b>Other bank balances</b>				
Deposit with original maturity for more than 12 months	—	80.98	80.45	—
Deposit with original maturity for more than 3 months but less than 12 months	—	—	—	35.00
	—	80.98	80.45	35.00
Amount disclosed under non current assets (refer note 15)	—	(80.98)	—	—
	—	—	184.77	49.08

**Note 19: Revenue from Operations**

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Sale of product</b>		
Finished goods	2,683.74	2,227.28
Traded goods	63.04	24.41
<b>Sale of Services</b>	3.04	1.09
<b>Other operating revenue</b>		
Scrap sales	15.32	13.28
Export incentive	39.48	50.63
<b>Revenue from operations (gross)</b>	2,804.62	2,316.69
Less: excise duty #	77.15	54.14
<b>Revenue from operations (net)</b>	2,727.47	2,262.55

# Excise duty on sales amounting to ₹ 77.15 Crores (31 March, 2011: ₹ 54.14 Crores) has been reduced from sales in the statement of profit and loss and excise duty on increase/decrease in stock amounting to (₹ 2.87 Crores) (31 March, 2011: ₹ 3.50 Crores) has been considered as (income)/expense in note 24 of financial statements.

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Details of products sold</b>		
<b>Finished goods sold</b>		
Power transmission conductors	1,940.80	1,604.79
Optical fibre	296.31	183.21
Fibre optic cables	310.60	332.00
Copper telecom cables	124.07	103.14
Others	11.96	4.14
	2,683.74	2,227.28
<b>Traded goods sold</b>		
Broadband access network equipment - DSLAM	43.03	—
Next generation play network (GPON) equipment	—	24.41
Others	20.01	—
	63.04	24.41
<b>Details of services rendered</b>		
Installation and commissioning services for broadband network setup	1.76	—
Others	1.28	1.09
	3.04	1.09

**Note 20: Other Income**

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Interest income on</b>		
Bank deposits	8.63	3.99
Long-term investments	9.11	—
Current investments	—	1.41
Others	5.71	5.57
Miscellaneous income	0.22	5.00
	23.67	15.97

**Note 21: Cost of Raw Material and Components Consumed**

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Inventory at the beginning of the year	75.39	91.26
Addition due to amalgamation (refer note 43)	1.11	—
Add: Purchases	1,922.27	1,555.33
	<u>1,998.77</u>	<u>1,646.59</u>
Less: Inventory at the end of the year	93.77	75.39
Cost of raw material and components consumed	<u>1,905.00</u>	<u>1,571.20</u>

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Detail of raw material and components consumed</b>		
Aluminum/alloy	1,436.79	1,175.13
Copper rods	75.22	65.25
Polyethylene compounds	28.63	29.77
Galvanised steel wire/steel tape	145.72	103.32
Silicon tetrachloride	32.00	22.35
Resin	28.29	21.69
Others	158.35	153.69
<b>Total</b>	<u>1,905.00</u>	<u>1,571.20</u>

**Note 22: Increase in Inventories**

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Opening inventories:</b>		
Traded goods	0.20	0.35
Work-in-progress	32.06	31.90
Finished goods	62.46	31.54
	<u>94.72</u>	<u>63.79</u>
<b>Closing inventories:</b>		
Traded goods	4.68	0.20
Work-in-progress	46.19	32.06
Finished goods	99.87	62.46
	<u>150.74</u>	<u>94.72</u>
Increase in inventories	<u>(56.02)</u>	<u>(30.93)</u>

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Detail of purchase of traded goods</b>		
Broadband access network equipment	35.20	—
Next generation play network (GPON) equipment	—	14.13
Others	19.37	—
	<u>54.57</u>	<u>14.13</u>

**Note 23: Employee Benefit Expense**

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Salaries, wages and bonus	86.10	72.41
Contribution to provident fund and superannuation funds	3.33	3.21
Employees stock option expenses (refer note 29)	1.00	2.02
Gratuity expenses (refer note 28)	1.77	0.30
Staff welfare expenses	6.50	4.62
	<b>98.70</b>	<b>82.56</b>

**Note 24: Other Expenses**

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
(Increase)/decrease of excise duty on inventory	(2.87)	3.50
Consumption of stores and spares	42.95	30.45
Power, fuel and water	127.29	96.90
Repairs and maintenance		
– Building	1.35	2.55
– Machinery	10.90	6.84
– Others	–	0.30
Carriage inwards	1.90	0.92
Consumption of packing materials	85.60	64.28
Sales commission (other than sole selling agent)	17.49	11.46
Sales promotion	5.42	6.36
Carriage outwards	72.27	70.34
Rent	4.31	3.05
Insurance	5.95	4.96
Rates and taxes	1.68	0.91
Travelling and conveyance	18.31	15.64
Loss on sale of fixed assets, net	2.43	0.28
Bad debts/advances written off	1.06	(0.02)
Provision for doubtful debts and advances	9.98	0.95
Provision for contingencies	20.46	–
Provision for diminution in value of investment in subsidiary company	4.26	–
Directors sitting fee and commission	0.17	0.17
Payment to auditor (Refer details below)	0.79	0.58
Miscellaneous expenses	86.79	34.96
Research and development expenses		
– Salaries, wages and bonus	0.73	0.95
– Raw materials consumed	3.95	2.35
– General expenses	2.49	1.27
	<b>525.66</b>	<b>359.95</b>
Payment to auditor		
As auditor:		
Audit fee	0.60	0.42
Tax audit fee	0.08	0.08
In other capacity:		
Other services (certification fees)	0.01	0.03
Reimbursement of expenses	0.10	0.05
	<b>0.79</b>	<b>0.58</b>

**Note 25: Depreciation and Amortisation Expense**

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Depreciation of tangible assets	69.04	53.79
Amortisation of intangible assets	2.32	2.22
	<b>71.36</b>	<b>56.01</b>

**Note 26: Finance Cost**

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Interest		
— On fixed loans	—	4.11
— Others	59.54	18.85
Bank charges	8.76	8.62
Exchange difference to the extent considered as an adjustment to borrowing costs	26.80	15.83
	<b>95.10</b>	<b>47.41</b>

**Note 27: Earning per Share**

The following reflects in profit and share data used in the basic and diluted EPS computation.

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Profit for the year	43.84	140.53
<b>Weighted average number of equity shares in calculating basic EPS</b>	<b>39.25</b>	<b>35.60</b>
<b>Effect of dilution:</b>		
Employee stock options outstanding during the year	0.13	0.09
Share warrants outstanding during the year	0.07	2.09
<b>Weighted average number of equity shares in calculating diluted EPS</b>	<b>39.45</b>	<b>37.78</b>
Earnings per share		
Basic (on nominal value of ₹ 2 Per Share) Rupees/share	1.12	3.95
Diluted (on nominal value of ₹ 2 Per Share) Rupees/share	1.11	3.72

**Note 28: Gratuity**

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:**

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Defined benefit obligation at the beginning of the year	3.69	3.23
Current service cost	0.71	0.48
Interest cost	0.31	0.27
Actuarial (gain)/loss	0.84	(0.16)
Past service cost	—	—
Benefits paid	(0.87)	(0.13)
Defined benefit obligation, at the end of the year	<b>4.68</b>	<b>3.69</b>

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

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Fair value of plan assets at the beginning of the year	1.78	1.62
Expected return on plan assets	0.14	0.14
Contribution by employer	—	0.01
Benefits paid	(0.87)	(0.13)
Actuarial gain/(loss)	(0.13)	0.14
Fair value of plan assets at the end of the year	0.92	1.78

\* The company expects to contribute ₹ Nil (₹ Nil) to its defined benefit gratuity plan in 2012-13.

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

Particulars	31 March, 2012 %	31 March, 2011 %
Investment with insurer (Life Insurance Corporation of India)	100	100

**Details of defined benefit obligation**

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Present value of defined benefit obligation	4.68	3.69
Fair value of plan assets	0.92	1.78
Plan liability	3.76	1.91

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

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Current service cost	0.71	0.48
Interest cost on benefit obligation	0.31	0.27
Net actuarial (gain)/loss recognised	0.97	(0.30)
Expected return on plan assets	(0.14)	(0.14)
Contribution by employer	—	(0.01)
Net benefit expense	1.85	0.30

**Amounts for the current and previous periods are as follows:**

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores	31 March, 2010 ₹ in Crores	31 March, 2009 ₹ in Crores	31 March, 2008 ₹ in Crores
Defined benefit obligation	4.68	3.69	3.23	2.34	1.89
Plan assets	0.92	1.78	1.62	1.73	2.14
Surplus/(deficit)	3.76	1.91	1.61	0.61	(0.25)
Experience adjustments on plan liabilities	0.13	(0.06)	0.70	—	—
Experience adjustments on plan assets	(0.14)	(0.14)	1.31	—	—

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

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Discount rate	8.50%	8.50%
Expected rate of return on plan asset	8.60%	8.00%
Employee turnover	2.00%	2.00%
Actual rate of return on plan assets	9.30%	9.30%

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.

## Note 29: Employee Stock Option Scheme

The company has granted employees stock options plan, 2006 (ESOP) and employees stock options plan, 2010 (ESOP) to its employees pursuant to the resolution passed by the shareholders at the extraordinary general meeting held on March 13, 2006 and annual general meeting held on July 14, 2010 respectively. 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 six grants vide their meeting held on June 14, 2006; March 19, 2007; September 28, 2007; June 14, 2008; June 26, 2009 and December 29, 2011. 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.

The company has charged ₹ 1.00 Crores (₹ 2.02 Crores) to the statement of profit and loss in respect of options granted under ESOP scheme 2006 and options granted under ESOP scheme 2010.

Other details of the options granted under ESOP scheme 2006 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	11,64,250	3,18,000	6,53,875	1,27,750	12,09,500
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

Other details of the options granted under ESOP scheme 2010 are as follows:

Particulars	Grant 1*
Date of grant	29-Dec-11
Number of options granted	22,24,000
Method of settlement	Equity
Vesting period (years)	5
Exercise period	1
Vesting conditions	Business performance

The details of the activity under ESOP scheme 2006 have been summarised below:

Particulars	31 March, 2012		31 March, 2011	
	Number of options	Weighted average exercise price (₹)	Number of options	Weighted average exercise price (₹)
Outstanding at the beginning of the year	5,19,654	2.00	12,53,548	2.00
Granted during the year	Nil	—	Nil	—
Forfeited during the year	Nil	—	Nil	—
Exercised during the year	1,91,347	2.00	4,31,810	2.00
Expired during the year	52,694	2.00	3,02,085	2.00
Outstanding at the end of the year	2,75,613	2.00	5,19,654	1.00
Exercisable at the end of the year	61,367	2.00	96,625	2.00
Weighted average remaining contractual life (in years)	1.24		1.70	—
Weighted average fair value of options granted	35.23		35.23	

The outstanding ESOPs as above are entitled to bonus in the ratio of 1:1.

The weighted average share price on the year ended March 31, 2012 was ₹ 46.18 (31 March, 2011 ₹ 86.97).

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	Vest 2	Vest 3
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)	1.50	2.50	3.50
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>		

Date of grant: March 19, 2007	Vest 1	Vest 2
Variables	June 19, 2008	June 14, 2009
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	34.61	34.47
Vesting percentage	60.00%	40.00%
<b>Option fair value</b>	<b>34.55</b>	

Date of grant: September 28, 2007	Vest 1	Vest 2
Variables	September 28, 2008	June 14, 2009
Weighted average stock price	47.46	47.46
Expected volatility (**)	56.69%	60.98%
Risk free rate	7.20%	7.29%
Exercise price (₹ Per Option)	1	1
Time to maturity (years)	1.50	2.21
Dividend yield	0.51%	0.51%
<b>Outputs</b>		
Option fair value	46.20	46.08
Vesting percentage	50.00%	50.00%
<b>Option fair value</b>	<b>46.14</b>	

Date of grant: June 14, 2008	Vest 1
Variables	June 14, 2009
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	38.53
Vesting percentage	100.00%
<b>Option fair value</b>	<b>38.53</b>

Date of grant: June 26, 2009	Vest 1	Vest 2	Vest 3	Vest 4	Vest 5
Variables	June 26, 2010	June 26, 2011	June 25, 2012	June 25, 2013	June 25, 2014
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)	1.50	2.50	3.50	4.50	5.50
Dividend yield	0.60%	0.60%	0.60%	0.60%	0.60%
<b>Outputs</b>					
Option fair value	35.40	35.24	35.08	34.93	34.77
Vesting percentage	50.00%	20.00%	10.00%	10.00%	10.00%
<b>Option fair value</b>	<b>35.23</b>				

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 details of the activity under ESOP scheme 2010 have been summarised below:

Particulars	31 March, 2012		31 March, 2011	
	Number of options	Weighted average exercise price (₹)	Number of options	Weighted average exercise price (₹)
Outstanding at the beginning of the year	Nil	Nil	NA	NA
Granted during the year	22,24,000	2	NA	NA
Forfeited during the year	—	—	NA	NA
Exercised during the year	—	—	NA	NA
Expired during the year	1,68,000	2	NA	NA
Outstanding at the end of the year	20,56,000	2	NA	NA
Exercisable at the end of the year	Nil	—	NA	NA
Weighted average remaining contractual life (in years)	1.85		NA	NA
Weighted average fair value of options granted	25.87		NA	NA

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

Date of grant: December 29, 2011	Vest 1	Vest 2	Vest 3	Vest 4	Vest 5
Variables	December 29, 2012	December 29, 2013	December 29, 2014	December 29, 2015	December 29, 2016
Weighted average stock price	28.00	28.00	28.00	28.00	28.00
Expected volatility (*)	48.31%	47.36%	64.15%	68.63%	65.78%
Risk free rate	8.33%	8.34%	8.35%	8.37%	8.39%
Exercise price (₹ Per Option)	2	2	2	2	2
Time to maturity (years)	1.50	2.50	3.50	4.50	5.51
Dividend yield	0.73%	0.73%	0.73%	0.73%	0.73%
<b>Outputs</b>					
Option Fair Value	25.93	25.87	25.82	25.78	25.70
Vesting Percentage	50.00%	20.00%	10.00%	10.00%	10.00%
<b>Options Fair Value</b>	<b>25.87</b>				

(\*) 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.

### Note 30: Operating Lease

The company has taken office buildings on operating lease. The lease terms are for periods of three to nine 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:

- Lease payments recognised in the statement of profit and loss for the year is ₹ 4.31 Crores (31 March, 2011: ₹ 3.05 Crores).
- The future minimum lease payments payable over the next one year is ₹ 2.64 Crores (31 March, 2011: ₹ 1.55 Crores).
- The future minimum lease payments payable later than one year but not later than five year is ₹ 1.65 Crores (31 March, 2011: ₹ 2.66 Crores).

### Note 31: Capitalisation of Expenditure

During the year, the company has capitalised the following expenses to the cost of fixed assets/capital work-in-progress (CWIP). Consequently, expenses disclosed under the respective notes are net of amounts capitalised by the company.

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Salaries, wages and bonus	8.56	1.35
Consumption of stores and spares	0.30	—
Power and fuel	1.00	0.36
Finance cost	5.22	3.00
Other expenses	10.51	1.93
Foreign exchange (gain)/loss	—	1.15
Total	25.59	7.79

### Note 32: Capital Commitments

- Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) are ₹ 38.07 Crores (31 March, 2011: ₹ 52.65 Crores).
- As on March 31, 2012, the Company has commitments of ₹ 897.18 Crores (31 March, 2011: ₹ 1,126.59 Crores) relating to further investments in subsidiaries.

### Note 33: Contingent Liabilities

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
1) Disputed liabilities in appeal		
a) Sales tax	0.43	0.59
b) Excise duty (Including excise duty case in supreme court, refer note 8 & note 44(A))	248.18	247.07
c) Customs duty	67.24	74.31
d) Service tax	—	2.48
e) Income tax	6.92	11.26
f) Claims lodged by a bank against the company (*)	18.87	18.87
g) Claims against the company not acknowledged as debt	22.32	19.80
2) Outstanding amount of export obligation against advance licence	36.58	87.19
3) The company has given corporate guarantee to the Income Tax department on behalf of group companies. The outstanding amount is ₹ 114.00 Crores (31 March, 2011: ₹ 114.00 Crores) on this account as at the year-end.		
4) The company has given corporate guarantee to long term transmission customers and State Bank of India on behalf of its subsidiary company. The outstanding amount is ₹ 119.59 Crores (31 March, 2011: ₹ 30.00 Crores) 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 practical 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.

## Note 34: Derivative Instruments

The company has entered into the following derivative instruments:

- a) The following are the outstanding foreign currency forward exchange/futures contracts entered into by the Company, for hedge purpose, as on March 31, 2012:

Purpose	Foreign currency (in Crores)	Amount (in Crores)	Buy/Sell	No. of contracts (Quantity)
<b>March 31, 2012</b>				
Hedge of payables and buyers credit	US \$ 12.79	670.32	Buy	308
Hedge of trade receivables and highly probable foreign currency sale	US \$ 16.29	832.07	Sell	208
Hedge of payables and buyers credit	EUR 0.64	44.02	Buy	11
Hedge of trade receivables and highly probable foreign currency sale	EUR 1.71	117.71	Sell	39
Hedge of payables and buyers credit	GBP 0.03	2.32	Buy	1
Hedge of trade receivables and highly probable foreign currency sale	GBP 0.71	57.44	Sell	11
<b>March 31, 2011</b>				
Hedge of payables and buyers credit	US \$ 12.22	558.52	Buy	284
Hedge of trade receivables and highly probable foreign currency sale	US \$ 12.61	577.23	Sell	171
Hedge of payables and buyers credit	EUR 0.51	32.07	Buy	14
Hedge of trade receivables and highly probable foreign currency sale	EUR 1.65	98.26	Sell	32
Hedge of trade receivables and highly probable foreign currency sale	AED 0.07	0.92	Sell	4
Hedge of trade receivables and highly probable foreign currency sale	GBP 0.86	66.12	Sell	2

- 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:

Category		31 March, 2012		31 March, 2011	
		Foreign currency (in Crores)	Amount (in Crores)	Foreign currency (in Crores)	Amount (in Crores)
Export of goods	US \$	—	—	0.00	0.10
Export of goods	EUR	—	—	0.00	0.02
Export of goods	ETB	0.00	0.01	—	—
Export of goods	AED	—	—	0.02	0.19
Export of goods	AUD	0.02	1.17	—	—
Export of goods	ZAR	—	—	0.01	0.04
Advance to suppliers	US \$	0.01	0.73	0.10	4.46
Advance to suppliers	EUR	0.03	1.93	0.01	0.45
Advance to suppliers	GBP	—	—	0.00	0.04
Advance to suppliers	CNY	—	—	0.01	0.10
Balance with banks	US \$	0.01	0.31	0.00	0.22
Balance with banks	EUR	0.01	0.95	0.01	0.82
Balance with banks	GBP	0.04	2.90	0.02	1.69
Balance with banks	CNY	0.03	0.21	0.02	0.16
Balance with banks	ZAR	0.01	0.07	0.01	0.05
Balance with banks	ETB	0.05	0.15	0.27	1.00

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

Category	Currency type	31 March, 2012		31 March, 2011	
		Foreign currency (in Crores)	Amount (in Crores)	Foreign currency (in Crores)	Amount (in Crores)
Import of goods and services	US \$	0.21	10.53	0.32	14.15
Import of goods and services	EUR	0.04	2.49	0.07	4.24
Import of goods and services	GBP	0.02	1.42	0.00	0.13
Import of goods and services	CHF	0.00	0.03	—	—
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	ZAR	0.01	0.04	—	—
Advance from customer	US \$	0.30	15.26	0.02	1.11
Advance from customer	EUR	—	—	0.00	0.07
Advance from customer	ETB	0.03	0.08	0.03	0.10

## c) Commodity futures contracts to hedge against fluctuation in commodity prices (aluminium):

The following are the outstanding future contracts entered into by the company as on 31 March 2012:

Year	No. of contracts	Contracted quantity (MT)	Buy/sell
31 March, 2012	25	22,200	Buy
31 March, 2012	8	7,875	Sell
31 March, 2011	86	43,590	Buy

**Note 35: Details of Loans and Advances given to Subsidiaries**

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

Name of Subsidiary	31 March, 2012		31 March, 2011	
	Outstanding amount	Maximum balance	Outstanding amount	Maximum balance
Sterlite Display Technologies Private Limited	Nil	6.16	6.16	6.16
Sterlite Infra-Tech Limited (refer note 43)	Nil	Nil	46.17	46.17
Sterlite Global Ventures (Mauritius) Limited	0.77	1.20	0.42	0.42
Sterlite Grid Limited (Formerly known as Sterlite Transmission Projects Private Limited)	97.83	97.83	Nil	Nil
East North Interconnection Company Limited	33.04	33.04	Nil	Nil
Sterlite Americas LLC	0.61	0.61	Nil	Nil
Sterlite Networks Limited	4.10	4.10	Nil	Nil

**Note 36: Detail of dues to Micro and Small Enterprises as defined under MSMED Act, 2006**

Description	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
(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.		
Principal amount due to micro and small enterprises	0.01	0.01
Interest due on above	0.00*	0.00*
(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*	0.00*
(iv) The amount of interest accrued and remaining unpaid at the end of each accounting year.	0.00*	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 Development Act, 2006 is ₹ 0.00 Crores (31 March, 2011 ₹ 0.03 Crores) and same is not accrued in the books of accounts. During, the year 2011-2012 the company has not received any confirmation for Micro, Small and Medium enterprise.

**Note 37: Value of Imports Calculated on CIF Basis**

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Raw materials	540.67	372.85
Components and spare parts	12.00	12.29
Capital goods	25.58	78.50
	<u>578.25</u>	<u>463.64</u>

**Note 38: Expenditure in Foreign Currency (Accrual Basis)**

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Travel	11.23	3.69
Sales commission	7.02	5.43
Interest and bank charges	7.22	3.53
Royalty	2.61	1.18
Others	39.72	24.37
	<u>67.80</u>	<u>38.20</u>

**Note 39: Imported and Indigenous Raw Materials, Components and Spare Parts Consumed**

Particulars	% of total consumption 31 March, 2012	Value (₹ in Crores) 31 March, 2012	% of total consumption 31 March, 2011	Value (₹ in Crores) 31 March, 2011
<b>Raw material</b>				
Imported	25.41	484.10	25.84	405.95
Indigenous	74.59	1,420.90	74.16	1,165.25
	100.00	1,905.00	100.00	1,571.20
<b>Components and spare parts</b>				
Imported	21.35	9.17	79.77	24.29
Indigenous	78.65	33.78	20.23	6.16
	100.00	42.95	100.00	30.45

**Note 40: Net Dividend Remitted in Foreign Exchange**

Year of remittance (ending on)	31 March, 2012	31 March, 2011
Period to which it relates	1 April, 2010 to 31 March, 2011	1 April, 2009 to 31 March, 2010
Number of non-resident shareholders	1	1
Number of equity shares held on which dividend was due	20,94,02,750	17,29,02,750
Amount remitted, net of tax ₹ in Crores	10.47	8.65

**Note 41: Earnings in Foreign Currency (Accrual Basis)**

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
F.O.B. value of exports	813.25	699.85
F.O.B. value of deemed exports	205.14	92.85

**Note 42: Share Application Money**

Share application money pertains to the amount of exercise price of ₹ 2 per share for 22,822 ESOPs for which equity shares have been subsequently allotted on April 17, 2012.

**Note 43: Accounting for Amalgamation**

The Hon'ble High Court of judicature at Mumbai vide its Order dated October 21, 2011 approved the Scheme of Amalgamation of Sterlite Infra-Tech Limited (100% Subsidiary of the company) with the company. The subsidiary was engaged in the manufacture of optical fibre. The appointed date as per the Scheme of Amalgamation is April 1, 2011. Sterlite Infra-Tech Limited stands amalgamated with the company effective from the appointed date. The company has accounted for the amalgamation under the pooling of interests method. The impact of amalgamation has been given in the financial statements w.e.f. April 01, 2011.

Particulars	₹ in Crores
<b>Assets</b>	
Tangible fixed assets (including CWIP)	93.08
Inventories	1.46
Loans and advances	1.77
Cash and bank balances	0.02
<b>Total assets (A)</b>	96.33
<b>Liabilities</b>	
Short-term borrowing	31.01
Current liabilities	18.25
Provisions	0.30
Loan from holding company (eliminated on amalgamation)	46.17
<b>Total liabilities (B)</b>	95.73
<b>Net assets (share capital and reserves) (A-B)</b>	0.60

## Note 44: Other Notes

- A. The company had in an earlier year received an order of CESTAT upholding the demand of ₹ 188 Crores (including penalties and excluding interest) [31 March 2011: ₹ 188 Crores] 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 ₹ 4.50 Crores made by the company against the above demand is adequate. The management is confident of a favourable order and hence no further provision is considered against the said demand.
- B. There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

## Note 45: 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) Subsidiaries

Sterlite Display Technologies Private Limited  
 Sterlite Infra-Tech Limited (refer note 43)  
 East North Interconnection Company Limited  
 Sterlite Grid Limited (Formerly known as 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  
 Sterlite Networks Limited  
 Sterlite Technologies Americas, LLC  
 Sterlite Technologies Europe Ventures Limited

#### (ii) Key management personnel (KMP)

Mr. Pravin Agarwal  
 Dr. Anand Agarwal

#### (iii) Entities where key management personnel/relative of key management personnel have significant influence (EKMP)

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

#### (iv) Holding Company

Volcan Investments Limited (Ultimate holding company)  
 Twin Star Overseas Limited (Immediate holding company)

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

₹ in Crores

S. No.	Particulars	Subsidiaries		Holding Company		KMP		EKMP	
		11-12	10-11	11-12	10-11	11-12	10-11	11-12	10-11
1.	Remuneration	—	—	—	—	5.37	8.11	—	—
2.	Salary Advance	—	—	—	—	3.21	—	—	—
3.	Issue of equity shares	—	—	3.65	—	—	—	—	—
4.	Securities premium received on equity shares issued	—	—	104.75	—	—	—	—	—
5.	Dividend paid	—	—	10.47	8.65	—	—	—	—
6.	Investment during the year in equity shares	41.85	2.73	—	—	—	—	—	—
7.	Share application money paid	—	91.41	—	—	—	—	—	—
8.	Investment in compulsorily convertible debentures	129.96	—	—	—	—	—	—	—
9.	Loans and advances given	128.74	43.93	—	—	—	—	—	—
10.	Repayment of loans/advances from subsidiary	6.80	21.87	—	—	—	—	—	—
11.	Advance received from subsidiary	1.23	—	—	—	—	—	—	—
12.	Interest charged on loans	4.84	2.24	—	—	—	—	—	—
13.	Management fees charged/(paid)	3.00	—	—	—	—	—	[0.48]	—
14.	Sale of fixed assets	0.70	3.75	—	—	—	—	—	—
15.	Purchase of goods	—	—	—	—	—	—	919.41	624.55
16.	Sale of goods (net of excise duty)	111.19	0.43	—	—	—	—	47.29	24.31
17.	Interest paid	—	—	—	—	—	—	1.68	0.79
18.	Expenses incurred	—	—	—	—	—	—	1.98	0.85
19.	Advance received against supplies	10.83	19.01	—	—	—	—	—	—
<b>Outstanding Balances</b>									
1.	Advance outstanding against supplies	10.83	19.01	—	—	—	—	—	—
2.	Loans/advance receivables	136.35	52.75	—	—	3.21	—	—	—
3.	Debtors/(creditors)	19.75	0.48	—	—	—	—	20.99	[1.52]
4.	Share application money pending allotment	24.79	91.41	—	—	—	—	—	—

\* Includes expenses incurred on behalf of subsidiaries and recoverable from them.

## Disclosure in respect of material related party transaction during the year:

S. No.	Particulars	Relationship	31 March, 2012	31 March, 2011
1.	<b>Remuneration</b>			
	Mr. Pravin Agarwal	KMP	3.14	5.59
	Dr. Anand Agarwal	KMP	2.23	2.52
2.	<b>Salary Advance</b>			
	Mr. Pravin Agarwal	KMP	3.21	—
3.	<b>Issue of equity shares</b>			
	Twin Star Overseas Limited	Holding Company	3.65	—
4.	<b>Securities premium received on equity shares issued</b>			
	Twin Star Overseas Limited	Holding Company	104.75	—
5.	<b>Dividend paid</b>			
	Twin Star Overseas Limited	Holding Company	10.47	8.65
6.	<b>Investment during the year in equity shares</b>			
	Sterlite Global Ventures (Mauritius) Limited	Subsidiary	26.66	0.00
	Sterlite Display Technologies Private Limited	Subsidiary	—	2.72
	Sterlite Grid Limited	Subsidiary	15.09	0.01
7.	<b>Share application money paid</b>			
	East North Interconnection Company Limited	Subsidiary	—	51.57
	Sterlite Grid Limited	Subsidiary	—	39.84

8.	<b>Investment in Compulsorily Convertible Debentures</b>			
	East North Interconnection Company Limited	Subsidiary	129.96	—
9.	<b>Loans and Advance given</b>			
	East North Interconnection Company Limited	Subsidiary	29.77	
	Sterlite Grid Limited	Subsidiary	97.53	
	Sterlite Display Technologies Private Limited	Subsidiary	—	6.16
	Sterlite Infra-Tech Limited (refer note 43)	Subsidiary	—	37.35
10.	<b>Repayment of loans/advances from subsidiary</b>			
	Sterlite Display Technologies Private Limited	Subsidiary	6.16	—
	East North Interconnection Company Limited	Subsidiary	—	21.87
11.	<b>Advance received from subsidiary</b>			
	Sterlite Display Technologies Private Limited	Subsidiary	1.23	—
12.	<b>Interest charged on loans</b>			
	Sterlite Grid Limited	Subsidiary	4.53	—
	Sterlite Infra-Tech Limited (refer note 43)	Subsidiary	—	2.24
13.	<b>Management fees charged/(paid)</b>			
	East North Interconnection Company Limited	Subsidiary	3.00	—
	Vedanta Resources PLC	EKMP	(0.48)	—
14.	<b>Sale of fixed assets</b>			
	East North Interconnection Company Limited	Subsidiary	0.70	—
	Sterlite Infra-Tech Limited (refer note 43)	Subsidiary	—	3.75
15.	<b>Purchase of goods</b>			
	Vedanta Aluminium Limited	EKMP	706.12	483.88
	Bharat Aluminium Company Limited	EKMP	125.20	90.53
16.	<b>Sale of goods (net of excise duty)</b>			
	East North Interconnection Company Limited	Subsidiary	100.57	0.43
	Sterlite Energy Limited	EKMP	46.74	24.31
17.	<b>Interest paid</b>			
	Vedanta Aluminium Limited	EKMP	1.03	0.65
	Bharat Aluminium Company Limited	EKMP	0.62	0.11
18.	<b>Expenses incurred</b>			
	Vedanta Aluminium Limited	EKMP	1.70	0.21
	Sterlite Industries (India) Limited	EKMP	0.14	0.64
19.	<b>Advance received against supplies</b>			
	East North Interconnection Company Limited	Subsidiary	10.83	19.01

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.

## Note 46: Segment Reporting

As permitted by paragraph 4 of Accounting Standard-17 (AS-17), 'Segment Reporting', if a single financial report contains both consolidated financial statements and the separate financial statements of the parent, segment information need be presented only on the basis of the consolidated financial statements. Thus, disclosures required by AS-17 are given in the consolidated financial statements.

As per our report of even date

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

Firm Registration Number: 301003E

Chartered Accountants

per **Arvind Sethi**

Partner

Membership Number: 89802

Place: Pune

Date: April 26, 2012

For and on behalf of the board of directors of Sterlite Technologies Limited

**Pravin Agarwal**

Whole-time Director

**Anupam Jindal**

Chief Financial Officer

**Anand Agarwal**

CEO & Whole-time Director

**Sandeep Deshmukh**

Company Secretary

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

Relating to Subsidiary Companies

₹ in Crores

	Sterlite Display Technologies Private Limited	Sterlite Grid Limited	East North Interconnection Company Limited	Bhopal Dhule Transmission Company Limited*	Jabalpur Transmission Company Limited*	Sterlite Networks Limited	Sterlite Global Venture (Mauritius) Limited	Jiangsu Sterlite Tongguang Fiber Co. Limited*	Sterlite Technologies Europe Ventures Limited	Sterlite Americas LLC
1. Financial Year of the subsidiaries company ended on	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012	31st March, 2012	31st December, 2011
2. Shares of the Subsidiary Company held on that date and extent of holding										
(a) Equity shares of ₹ 10 each	87,30,000	1,00,000	50,000	50,000	50,000	50,000	—	—	—	—
(b) Equity shares of \$ 1 each	—	—	—	—	—	—	56,25,001	56,25,000	—	10,000
(c) Equity shares of Euro 1 each	—	—	—	—	—	—	—	—	1,000	—
Extent of holding	85.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	75.0%	100.0%	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 deal with the holding company's account (₹ in Crores)										
a) For the financial year of the subsidiary	(3.60)	(0.98)	(0.07)	(0.03)	(0.04)	(0.03)	(0.12)	(0.58)	—	(1.01)
b) For the previous financial year of the subsidiary since it became subsidiary of the holding company	0.16	(0.16)	(0.05)	—	—	—	—	—	—	—
ii) Deal with the holding company's account (₹ in Crores)										
a) For the financial year of the subsidiary	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) For the previous financial year of the subsidiary since it became subsidiary of the holding company	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
4. Material changes, if any, between the end of the financial year of the subsidiary company and holding company	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

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

PRAVIN AGARWAL  
Whole-time Director

ANAND AGARWAL  
CEO & Whole-time Director

ANUPAM JINDAL  
Chief Financial Officer

Place: Pune  
Date: April 26, 2012

SANDEEP DESHMUKH  
Company Secretary

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

Relating to Subsidiary Companies, in accordance with General Circular No.: 02/2011 dated February 8, 2011 from the Ministry of Corporate Affairs

₹ in Crores

Name of the Subsidiary	Sterlite Display Technologies Private Limited	India	Sterlite Grid Limited	India	East North Interconnection Company Limited	India	Bhopal Dhule Transmission Company Limited	India	Jabalpur Transmission Company Limited	Sterlite Networks Limited	Mauritius	Jiangsu Sterlite Tongguang Fiber Co. Limited	Sterlite Technologies Europe Ventures Limited	Sterlite Americas LLC
1. Country of Incorporation	India	India	India	India	India	India	India	India	India	India	Mauritius	China	Cyprus	USA
2. Reporting Currency	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR	US\$	RMB	Euro	US\$
3. Exchange Rate as at March 31, 2012 (INR)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	51.16	8.11	68.34	51.16
4. Capital	10.23	0.10	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	26.66	35.54	—	0.05
5. Reserves	(7.53)	13.86	(0.16)	(0.03)	(0.04)	(0.03)	(0.03)	(0.04)	(0.04)	(0.03)	(0.12)	(0.58)	—	(1.01)
6. Total Assets	3.01	137.56	634.32	83.46	53.27	83.46	83.46	53.27	53.27	13.59	26.68	36.03	—	2.64
7. Total Liabilities	3.01	137.56	634.32	83.46	53.27	83.46	83.46	53.27	53.27	13.59	0.14	1.07	—	3.60
8. Investments (except in case of Investments in the Subsidiaries)	—	—	13.00	—	—	—	—	—	—	—	—	—	—	—
9. Turnover/Total Income	0.36	11.70	—	—	—	—	—	—	—	—	—	—	—	—
10. Profit/(Loss) Before Taxation	(4.22)	(0.98)	(0.07)	(0.03)	(0.04)	(0.03)	(0.03)	(0.04)	(0.04)	(0.03)	(0.00)	(1.24)	—	(3.33)
11. Provision for Taxation	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12. Profit/(Loss) After Taxation	(4.22)	(0.98)	(0.07)	(0.03)	(0.04)	(0.03)	(0.03)	(0.04)	(0.04)	(0.03)	0.00	(1.24)	—	—
13. Proposed Dividend	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

For and on behalf of the Board of Directors 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: Pune  
Date: July 27, 2012

# Auditor's Report

To

The Board of Directors **Sterlite Technologies Limited**

1. We have audited the attached consolidated Balance Sheet of Sterlite Technologies Limited ['the Company'], and its subsidiaries ['the Group'], as at March 31, 2012, and also the statement of consolidated profit and loss 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 Sterlite Global Ventures (Mauritius) Limited, and Sterlite Technologies Americas LLC whose financial statements reflects Group's share of total assets of ₹ 29.32 Crores as at March 31, 2012, Group's share of total revenue of ₹ 2.53 Crores and Group's share of net cash inflows amounting to ₹ 2.01 Crores for the year then ended. These financial statements and other financial information have been certified by the management, and our opinion is based solely on the management certified accounts.
4. We did not audit the financial statements of Jiangsu Sterlite & Tongguang Optical Fibres Co Ltd whose audited financial statements reflects Group's share of total assets of ₹ 36.03 Crores as at March 31, 2012, Group's total revenue of ₹ 3.17 Crores and Group's share of net cash inflows amounting to ₹ 28.39 Crores for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us by Management, and our opinion is based solely on the reports of the other auditors.
5. *As stated in Note 8, 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, 2011] 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 8 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, we are unable to comment on the adequacy of the provisions made towards the amount of excise/custom duty payable. Our audit report on the standalone and consolidated financial statements for the year ended March 31, 2011 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, *except for the possible effect of the matter described 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, 2012;
  - (b) in the case of the statement of consolidated profit and loss, 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 Number: 301003E

Chartered Accountants

**per Arvind Sethi**

Partner

Membership Number: 89802

Place: Pune

Date: April 26, 2012

## Consolidated Balance Sheet as on 31 March, 2012

(All amounts in ₹ Crores unless otherwise stated)

Particulars	Note	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3	78.65	71.28
Reserves and surplus	4	1,066.20	938.22
Money received against share warrants		—	27.10
		<b>1,144.85</b>	<b>1,036.60</b>
<b>Share application money pending allotment</b>		<b>0.00</b>	<b>0.02</b>
<b>Minority interest</b>		<b>9.14</b>	<b>1.02</b>
<b>Non-current liabilities</b>			
Long-term borrowings	5	372.00	117.14
Deferred tax liabilities (net)	6	73.51	66.01
Trade payables	7	19.43	32.07
Other long-term liabilities	7	40.33	—
Long-term provisions	8	39.85	13.35
		<b>545.12</b>	<b>228.57</b>
<b>Current liabilities</b>			
Short-term borrowings	9	664.37	650.59
Trade payables	10	538.35	430.02
Other current liabilities	10	376.30	297.80
Short-term provisions	8	15.30	23.53
		<b>1,594.32</b>	<b>1,401.94</b>
<b>TOTAL</b>		<b>3,293.43</b>	<b>2,668.15</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	11		
Tangible assets		957.96	698.32
Intangible assets		6.29	8.01
Capital work-in-progress		712.93	263.36
Fixed assets held for sale		8.05	—
		<b>1,685.23</b>	<b>969.69</b>
Goodwill		3.35	3.35
Long-term loans and advances	12	123.66	159.43
Trade receivable	13	117.22	19.88
Other non-current assets	14	—	80.98
		<b>1,929.46</b>	<b>1,233.33</b>
<b>Current assets</b>			
Current investments	15	13.00	112.00
Inventories	16	272.07	192.84
Trade receivables	13	668.71	846.62
Cash and bank balances	17	216.24	99.97
Short-term loans and advances	12	185.44	183.38
Other current assets	14	8.51	0.01
		<b>1,363.97</b>	<b>1,434.82</b>
<b>TOTAL</b>		<b>3,293.43</b>	<b>2,668.15</b>
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date

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

Firm Registration Number: 301003E

Chartered Accountants

per **Arvind Sethi**

Partner

Membership Number: 89802

Place: Pune

Date: April 26, 2012

For and on behalf of the board of directors of Sterlite Technologies Limited

**Pravin Agarwal**

Whole-time Director

**Anupam Jindal**

Chief Financial Officer

**Anand Agarwal**

CEO & Whole-time Director

**Sandeep Deshmukh**

Company Secretary

## Consolidated Statement of Profit and Loss for the Year Ended 31 March, 2012

(All amounts in ₹ Crores unless otherwise stated)

Particulars	Note	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>INCOME</b>			
Revenue from operations (gross)	18	2,698.90	2,316.26
Less : excise duty	18	77.15	54.14
Revenue from operations (net)		2,621.75	2,262.12
Other income	19	27.14	14.96
<b>Total revenue (I)</b>		<b>2,648.89</b>	<b>2,277.08</b>
<b>EXPENSES</b>			
Cost of raw material and components consumed	20	1,800.39	1,570.76
Purchase of traded goods		54.57	14.24
Increase in inventories of finished goods, work-in-progress and traded goods	21	(55.26)	(30.93)
Employee benefits expense	22	99.83	82.58
Other expenses	23	533.63	359.92
<b>Total (II)</b>		<b>2,433.16</b>	<b>1,996.57</b>
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA) (I) - (II)</b>		<b>215.73</b>	<b>280.51</b>
Depreciation and amortisation expense	24	71.53	56.03
Finance costs	25	92.40	45.17
<b>Profit before tax</b>		<b>51.80</b>	<b>179.31</b>
<b>Tax expense:</b>			
Current tax		18.30	32.33
Less: MAT credit entitlement		(18.30)	(0.22)
Net current tax expense		—	32.11
Deferred tax		7.50	5.85
Income tax for earlier years		5.43	—
<b>Total tax expenses</b>		<b>12.93</b>	<b>37.96</b>
<b>Profit for the year</b>		<b>38.87</b>	<b>141.35</b>
Minority interest		(0.77)	0.11
<b>Profit for the year after minority interest</b>		<b>39.64</b>	<b>141.24</b>
Earnings per equity share [nominal value of share ₹ 2 (31 March, 2011: ₹ 2)]	26		
<b>Basic</b>			
Computed on the basis of profit for the year (₹)		1.01	3.97
<b>Diluted</b>			
Computed on the basis of profit for the year (₹)		1.00	3.74
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date

For and on behalf of the board of directors of Sterlite Technologies Limited

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

Firm Registration Number: 301003E

Chartered Accountants

per **Arvind Sethi**

Partner

Membership Number: 89802

**Pravin Agarwal**

Whole-time Director

**Anand Agarwal**

CEO & Whole-time Director

Place: Pune

Date: April 26, 2012

**Anupam Jindal**

Chief Financial Officer

**Sandeep Deshmukh**

Company Secretary

## Consolidated Cash Flow Statement for the Year Ended 31 March, 2012

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>A. Cash flow from operating activities</b>		
Net Profit as per consolidated statement of profit and loss	38.87	141.35
Adjustment for taxation	12.93	37.96
<b>Profit before tax</b>	<b>51.80</b>	<b>179.31</b>
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation and amortisation expense	71.53	56.03
Provision for doubtful debts	9.98	0.95
Bad debts written off/(written back)	1.06	(0.02)
Provision for contingencies	20.46	—
Provision for contingencies no longer required written back	—	(15.00)
Loss on sale of assets	6.69	0.28
Employees stock option expenses amortised	1.00	2.02
Income from investments	(9.11)	(1.76)
Interest and finance charges	92.40	45.17
Interest income	(14.34)	(7.32)
Exchange differences	10.13	(7.99)
	<b>189.80</b>	<b>72.36</b>
<b>Operating profit before working capital changes</b>	<b>241.60</b>	<b>251.67</b>
Movements in working capital :		
Increase/(decrease) in trade payables	67.55	22.48
Increase/(decrease) in long-term provisions	2.42	2.23
Increase/(decrease) in short-term provisions	0.21	(1.65)
Increase/(decrease) in other current liabilities	25.92	168.65
Increase/(decrease) in other long-term liabilities	0.01	—
Decrease/(increase) in trade receivables	87.51	(234.60)
Decrease/(increase) in inventories	(79.23)	(21.93)
Decrease/(increase) in long-term loans and advances	(5.16)	(0.32)
Decrease/(increase) in short-term loans and advances	(1.00)	(80.10)
Decrease/(increase) in other current assets	(0.16)	—
Decrease/(increase) in other non-current assets	—	—
Change in working capital	<b>98.07</b>	<b>(145.24)</b>
Cash generated from operations	<b>339.67</b>	<b>106.41</b>
Direct taxes paid (net of refunds)	<b>(16.35)</b>	<b>(36.95)</b>
<b>Net cash flow from operating activities</b>	<b>323.32</b>	<b>69.46</b>
	—	—
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets, including intangible assets, CWIP	(653.42)	(448.72)
Proceeds from sale of fixed assets	1.30	5.05
Purchase of long term investments	—	(2.73)
Proceeds of long term investments	109.11	—
Purchase of current investments (net)	(1.00)	(3.26)
Investments in bank deposits (original maturity of more than three months)	—	(507.55)
Redemption of bank deposits (original maturity of more than three months)	82.53	549.94
Interest received	6.07	7.58
<b>Net cash flow used in investing activities</b>	<b>(455.42)</b>	<b>(399.69)</b>

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>C. Cash flow from financing activities</b>		
Proceeds of issue of shares against share warrants	81.30	—
Increase in minority interest	8.89	—
Proceeds of long-term borrowings	255.00	—
Repayment of long-term borrowings	(0.05)	(0.06)
Proceeds/(repayment) of short term borrowings (net)	(9.72)	416.93
Proceeds of share application money	0.00	0.01
Proceeds of issue of shares against employee stock options	0.03	0.09
Interest paid	(63.60)	(52.97)
Dividend paid on equity shares	(18.73)	(17.78)
Tax on equity dividend paid	(3.20)	(2.96)
<b>Net cash flow from/(used in) financing activities</b>	<b>249.92</b>	<b>343.26</b>
<b>Net increase in cash and cash equivalents</b>	<b>117.82</b>	<b>13.03</b>
<b>Cash and cash equivalents as at beginning of year</b>	<b>17.97</b>	<b>4.94</b>
<b>Cash and cash equivalents as at year end*</b>	<b>135.79</b>	<b>17.97</b>
* The cash and cash equivalents include balance of ₹ 1.02 Crores (31 March: ₹ 0.09 Crore) which are not available for use by the company/group.		
<b>Components of cash and cash equivalents:</b>		
	<b>31 March, 2012 ₹ in Crores</b>	<b>31 March, 2011 ₹ in Crores</b>
<b>Balance with banks:</b>		
On current accounts	39.71	17.83
Deposit with original maturity of less than 3 months	95.00	—
On unpaid dividend account	1.02	0.09
<b>Cash in hand</b>	<b>0.06</b>	<b>0.05</b>
<b>Total cash and cash Equivalents (refer note 17)</b>	<b>135.79</b>	<b>17.97</b>

As per our report of even date

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

**For S.R. Batliboi & Co.**Firm Registration Number: 301003E  
Chartered Accountantsper **Arvind Sethi**

Partner

Membership Number: 89802

Place: Pune

Date: April 26, 2012

**Pravin Agarwal**

Whole-time Director

**Anupam Jindal**

Chief Financial Officer

**Anand Agarwal**

CEO &amp; Whole-time Director

**Sandeep Deshmukh**

Company Secretary

# Notes to consolidated financial statements for the year ended 31 March, 2012

## 1. Corporate information

Sterlite Technologies Limited (hereinafter referred to as the 'company') and its subsidiaries (together referred to as 'the Group') is primarily engaged in the manufacture and sale of Power and Telecom products and solutions and setting up of transmission and distribution networks. Telecom products and solutions mainly include integrated optical fiber, other telecom products such as fiber optical cables, copper telecom cables, structured data cables, access equipments, fiber connectivity and system integration solution offerings for telecom networks and other service providers. Power products and solutions mainly include power transmission conductors and cables.

## 2. Basis of consolidation

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 except for the change in accounting policy explained below and 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 excess of the cost to the company of its investment in the subsidiary over the company's portion of equity of the subsidiary on the acquisition date is recognised in the financial statements as goodwill and is tested for impairment annually. The excess of company's portion of equity of the subsidiary over the cost of investment therein is treated as capital reserve.
- (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. year ended March 31, 2012.

### 2.1 Summary of significant accounting policies

#### (a) Change in accounting policy

Presentation and disclosure of financial statements

During the year ended 31 March, 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the group, for preparation and presentation of its consolidated financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of consolidated financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The group has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

#### (b) Use of estimates

The preparation of financial statements in conformity with the Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. 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) Tangible fixed assets

Fixed assets, are stated at cost (net of cenvat), net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed

assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of consolidated profit and loss for the period during which such expenses are incurred.

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 there to. Income earned during the construction period is deducted from the total of the indirect expenditure.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of consolidated profit and loss when the asset is derecognised.

**(d) Depreciation on tangible fixed assets**

- 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.

**(e) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of consolidated profit and loss in the year in which the expenditure is incurred.

Intangible assets are amortised on a straight line basis over a period of five years. Intangible assets not yet available for use are tested for impairment annually, either individually or at the cash-generating unit level. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of consolidated profit and loss when the asset is derecognised.

Research and development costs

Revenue expenditure on research and development is expensed as incurred.

**(f) Leases**

*Where the group is lessee*

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the statement of consolidated profit and loss on a straight-line basis over the lease term.

**(g) Borrowing costs**

Borrowing cost includes interest, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

**(h) Impairment of tangible and intangible assets**

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses are recognised in the statement of consolidated profit and loss.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss.

**(i) Investments**

Investments, which are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried in the financial statements 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 the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of consolidated profit and loss.

**(j) Inventories**

Raw materials, components, stores and spares and traded goods are valued at lower of cost and net realisable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost of raw materials, components and stores and spares is determined on a weighted average basis except in case of inventory for aluminium conductors in the power product and solutions business, wherein the cost is determined on specific identification method based on costing details of each project.

Work-in-progress and finished goods are valued at lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty and is determined on a weighted average basis.

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.

**(k) Revenue recognition**

Revenue is recognised to the extent it is probable that the economic benefits will flow to the group and that the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue from sale of goods is recognised when all the significant risks and rewards of ownership of the goods have been passed to the buyer. The group collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the group. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year. Sales are net of quantity discounts. Freight charged on sales and recovered is included as a part of revenue.

*Income from services*

Revenues from services are recognised pro-rata over the period of the contract as and when services are rendered. The group collects service tax on behalf of the government and, therefore, it is not an economic benefit flowing to the group. Hence, it is excluded from revenue.

*Interest*

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

*Dividends*

Dividend income is recognised when the group's right to receive dividend is established by the reporting date.

*Export incentives*

Export incentive benefits consist of duty drawback, high value added licenses and DEPB entitlements. These are recognised on the basis of receipt of proof of export.

**(l) Foreign currency translation***Foreign currency transactions and balances*

- (i) Initial recognition  
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) Conversion  
Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.
- (iii) Forward exchange contracts entered into to hedge foreign currency risk of an existing asset/liability  
The premium or discount arising at the inception of forward exchange contract is amortised and recognised as an expense/income over the life of the contract. Exchange differences on such contracts, are recognised in the statement of consolidated profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward exchange contract is also recognised as income or as expense for the period. None of the foreign exchange contracts are taken for trading or speculation purpose.

*Translation of integral and non-integral foreign operation*

The group classifies all its foreign operations as either “integral foreign operations” or “non-integral foreign operations.”

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the group itself.

The assets and liabilities of a non-integral foreign operation are translated into the reporting currency at the exchange rate prevailing at the reporting date. Their statement of profit and loss are translated at exchange rates prevailing at the dates of transactions or weighted average weekly rates, where such rates approximate the exchange rate at the date of transaction. The exchange differences arising on translation are accumulated in the foreign currency translation reserve. On disposal of a non-integral foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognised in the statement of consolidated profit and loss.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

**(m) Retirement and other employee benefits**

Retirement benefit in the form of provident fund and superannuation fund are defined contribution schemes. The contributions to the provident fund and superannuation fund are charged to the statement of consolidated profit and loss for the year when the contributions are due. The group has no obligation, other than the contribution payable to the provident fund and superannuation funds.

The group operates a defined benefit plan in the form of gratuity for its employees. The cost of providing benefits under the plan is determined on the basis of actuarial valuation at each year-end. Actuarial valuation is carried out using the projected unit credit method. Actuarial gains and losses for the defined benefit plan are recognised in full in the period in which they occur in the statement of consolidated profit and loss.

Accumulated leave, which is expected to be utilised within the next 12 months, is treated as short-term employee benefit. The group measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of consolidated profit and loss and are not deferred.

**(n) Income taxes**

Tax expenses comprise current and deferred taxes. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognised for all taxable timing differences. Deferred tax assets are recognised for deductible timing differences 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 situations where the group has unabsorbed depreciation or 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.

In the situations where the group is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognised in respect of timing differences which reverse during the tax holiday period, to the extent the group's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognised in the year in which the timing differences originate. However, the group restricts recognition of 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. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

At each reporting date, the group re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax asset 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 reporting date. The group writes-down the carrying amount of 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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

Minimum alternate tax (MAT) paid in a year is charged to the statement of consolidated profit and loss as current tax. The group recognises MAT credit available as an asset only to the extent that there is convincing evidence that the group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the group recognises MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of consolidated profit and loss and shown as "MAT Credit Entitlement." The group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the group does not have convincing evidence that it will pay normal tax during the specified period.

**(o) Employee stock compensation cost**

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 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.

**(p) Earnings Per Share**

Basic earnings per share are calculated 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 equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**(q) Provisions**

A provision is recognised when the group has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Where the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of consolidated profit and loss net of any reimbursement.

**(r) Contingent liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The group does not recognise a contingent liability but discloses its existence in the financial statements.

**(s) Cash and cash equivalents**

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

**(t) Derivative instruments**

In accordance with the ICAI announcement, derivative contracts, other than foreign currency forward contracts covered under AS 11, are marked to market on a portfolio basis, and the net loss, if any, after considering the offsetting effect of gain on the underlying hedged item, is charged to the consolidated statement of profit and loss. Net gain, if any, after considering the offsetting effect of loss on the underlying hedged item, is ignored.

Gains and losses from designated and effective hedging instruments are included in the same line as the gains and losses from the hedged items such as sales revenue or cost of goods sold as the case may be. Gains and losses on other derivatives are included in other income or other expenditure as the case may be.

The group enters into commodity futures contracts (aluminum contracts) against future sales transactions. These commodity futures 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 consolidated profit and loss account on conclusion of the future sales transactions.

**(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 statements of the group as a whole.

**(v) Measurement of EBITDA**

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the group has elected to present earnings before interest, tax, depreciation and amortisation expense (EBITDA) as a separate line item on the face of the statement of consolidated profit and loss. The group measures EBITDA on the basis of profit/(loss) from continuing operations. In its measurement, the group does not include depreciation and amortisation expense, finance costs and tax expenses.

### Note 3: Share Capital

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Authorised shares (No. Crores)		
75.00 (31 March, 2011: 75.00) equity shares of ₹ 2 each	150.00	150.00
Issued, subscribed and fully paid-up shares (No. Crores)		
39.33 (31 March, 2011: 35.64) equity shares of ₹ 2 each (fully paid-up)	78.65	71.28
<b>Total</b>	<b>78.65</b>	<b>71.28</b>

**a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period.**

	31 March, 2012		31 March, 2011	
	Nos. in Crores	₹ in Crores	Nos. in Crores	₹ in Crores
At the beginning of the year	35.64	71.28	35.55	71.10
Issue during the year - exercise of share warrants*	1.83	3.65	—	—
Issued during the year - ESOP	0.02	0.04	0.04	0.09
Issued during the year - bonus on share warrants and ESOP	1.84	3.69	0.04	0.09
<b>Outstanding at the end of the year</b>	<b>39.33</b>	<b>78.65</b>	<b>35.64</b>	<b>71.28</b>

\* During the year the company has issued 3.65 Crores equity shares (including 1.83 Crores bonus shares) of ₹ 2 each to Twin Star Overseas Limited on exercise of share warrants.

**b. Terms/rights attached to equity shares**

The company has only one class of equity shares having a par value of ₹ 2 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees.

The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 March, 2012, the amount of per share dividend recognised as distributions to equity shareholders was ₹ 0.30 (31 March, 2011 : ₹ 0.50).

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**c. Shares held by holding company and their subsidiaries/associates:**

	31 March, 2012		31 March, 2011	
	Nos. in Crores	% holding	Nos. in Crores	% holding
<b>Holding company</b>				
Twin Star Overseas Limited	20.94	53.25%	17.29	48.52%
<b>Subsidiary of Volcan Investments Limited, Bahamas (Ultimate Holding Company)</b>				
Sterlite Industries (I) Limited	0.43	1.08%	0.43	1.20%
<b>Associate of ultimate holding company</b>				
Madras Aluminium Company Limited	0.05	0.13%	0.05	0.14%

- d. **Aggregate number of bonus shares issued, share issued for consideration other than cash during the period of five years immediately preceding the reporting date:**

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Equity shares allotted as fully paid bonus shares by capitalisation of securities premium	19.66	17.82

In addition company has issued total 1,270,994 shares (31 March, 2011: 1,079,647 shares) during the period of five years immediately preceding the reporting date on exercise of options granted under the employee stock option plan (ESOP) wherein part consideration was received in form of employee services.

- e. **Detail of shareholders holding more than 5% of shares in the company**

	31 March, 2012		31 March, 2011	
	Nos. in Crores	% holding	Nos. in Crores	% holding
1. Twin Star Overseas Limited (Holding Company)	20.94	53.25%	17.29	48.52%
2. Life Insurance Corporation of India	2.13	5.41%	2.13	5.97%

- f. **Shares reserved for issue under options:**

For details of shares reserved for issue under the employee stock option (ESOP) plan of the company, refer note 29.

## Note 4: Reserves and Surplus

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Capital reserve</b>	0.04	0.04
<b>Securities premium account</b>		
Balance as per last financial statements	93.96	91.10
Add: Premium on issue of shares in exercise of share warrants	104.75	—
Add: Additions on ESOPs exercised	1.35	2.95
Less: Utilised for issue of bonus shares	3.69	0.09
<b>Closing balance</b>	196.37	93.96
<b>Employee stock option outstanding</b>		
Balance as per last financial statements	2.98	3.91
Add: Employees stock option expenses for the year	1.00	2.02
Less: Transferred to securities premium account	1.35	2.95
<b>Closing balance</b>	2.63	2.98
<b>General reserve</b>		
Balance as per last financial statements	128.78	114.72
Add: Amount transferred from surplus balance in the statement of profit and loss	2.19	14.06
<b>Closing balance</b>	130.97	128.78
<b>Surplus in the statement of profit and loss</b>		
Balance as per last financial statements	712.46	608.06
Profit for the year	39.64	141.24
Less: Appropriations		
Proposed final equity dividend (amount per share ₹ 0.30 (31 March, 2011: ₹ 0.50))	11.81	19.65
Tax on proposed equity dividend	1.91	3.13
Transfer to general reserve	2.19	14.06
Total appropriations	15.91	36.84
<b>Net surplus in the statement of profit and loss</b>	736.19	712.46
<b>Total reserves and surplus</b>	1,066.20	938.22

## Note 5: Long-term Borrowings

	Non-current portion		Current maturities	
	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Term Loans:</b>				
Indian rupee term loan from bank (secured)	372.00	117.00	—	—
<b>Deferred payment liabilities</b>				
Sales tax loan (interest free) (unsecured)	—	0.19	0.14	—
	<b>372.00</b>	<b>117.19</b>	<b>0.14</b>	—
<b>The above amount includes</b>				
Secured borrowings	372.00	117.00	—	—
Unsecured borrowings	—	0.19	0.14	—
Amount disclosed under the head "other current liabilities" (note 10)	—	0.05	0.14	—
<b>Net amount</b>	<b>372.00</b>	<b>117.14</b>	<b>—</b>	—

Indian rupee loan from banks carries interest @ BPLR + 2.5% p.a. 65% of total loan amount is repayable in 47 quarterly installments of ₹ 23.42 Crores from the end of moratorium period. Balance 35% of the total loan amount shall be repayable as a bullet repayment at the end of 11.75 years from the end of Moratorium period.

## Note 6: Deferred Tax Liabilities (Net)

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Deferred tax liability</b>		
Fixed assets: Impact of difference between tax depreciation and depreciation/amortisation for the financial reporting	95.40	82.18
Others	2.11	—
	<b>97.51</b>	<b>82.18</b>
<b>Gross deferred tax liability</b>		
Deferred tax assets		
Provision for doubtful debts and advances	14.86	11.63
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	2.14	1.38
Provision for contingencies	7.00	3.16
	<b>24.00</b>	<b>16.17</b>
<b>Gross deferred tax assets</b>		
<b>Net deferred tax liability</b>	<b>73.51</b>	<b>66.01</b>
<b>Deferred tax charge for the year</b>		
Closing deferred tax liability, net	73.51	66.01
Less: opening deferred tax liability, net	66.01	60.16
<b>Deferred tax charge for the year</b>	<b>7.50</b>	<b>5.85</b>

## Note 7: Other Long-term Liabilities

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Trade payables	19.43	32.07
Sundry creditors for capital goods purchased	40.33	—
	<b>59.76</b>	<b>32.07</b>

## Note 8: Provisions

	Long-term		Short-term	
	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Provision for employee benefits</b>				
Provision for gratuity (note 28)	3.95	1.90	—	—
Provision for leave benefits	2.33	1.95	0.60	0.39
	6.28	3.85	0.60	0.39
<b>Other provisions</b>				
Provision for taxation	3.61	—	1.00	0.30
Provision for litigations/contingencies	29.96	9.50	—	—
Proposed equity dividend	—	—	11.80	19.65
Provision for tax on proposed equity dividend	—	—	1.90	3.19
	33.57	9.50	14.70	23.14
	39.85	13.35	15.30	23.53

### Provision for litigations/contingencies

The company had made a provision of ₹ 9.50 Crores towards contingencies in the earlier years in respect of various disputed claims against the company as described in note 33 and note 37(A), the timing of outflow and quantum of which is presently unascertainable. The group management has decided to increase the provision by ₹ 20.46 Crores as at March 31, 2012.

## Note 9: Short-term Borrowings

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Cash credit from banks (secured)	16.14	89.41
Working capital demand loan from banks (secured)	65.00	105.16
Other loan from banks (unsecured)	583.23	426.02
	664.37	650.59
<b>The above amount includes</b>		
Secured borrowings	81.14	194.57
Unsecured borrowings	583.23	456.02
<b>Net amount</b>	664.37	650.59

### Note:

Cash credit and working capital demand loans from banks are secured by hypothecation of raw materials, work in progress, finished goods and trade receivables.

The cash credit is repayable on demand and carries interest @ 10-14%.

Working capital demand loans from banks carries interest @ 8-12%.

Other loans from banks include buyer's credit arrangements and export bill discounting. They are repaid/rolled over after a period of six months and carries interest @ 2-4% (excluding hedging premium).

**Note 10: Other Current Liabilities**

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Trade payables (including acceptances)		
(i) Micro, medium and small enterprises (refer note 35)	0.04	0.01
(ii) Others	538.31	430.01
<b>Other liabilities</b>		
Current maturities of long-term borrowings (refer note 5)	0.14	0.05
Interest accrued but not due on borrowings	6.65	1.35
Unclaimed dividend	1.02	0.09
Advance from customers	202.16	135.44
Interest free deposit from customers	0.16	0.05
Interest free deposit from vendors	0.30	0.67
Sundry creditors for capital goods purchased	89.40	43.14
Service tax payable	1.50	0.89
TDS payable	4.88	6.22
Value added tax payable	15.44	15.64
Central sales tax payable	4.17	3.11
Others	50.48	91.17
	<b>376.30</b>	<b>297.80</b>
	<b>914.65</b>	<b>727.83</b>

## Note 11: Tangible and Intangible Assets

₹ in Crores

Nature of assets	GROSS BLOCK				DEPRECIATION/AMORTISATION				IMPAIRMENT			NET BLOCK		
	As at 01.04.2011	Additions*	Deletions/ Adjustment	Transfer to Assets held for sale	As on 31.03.2012	As at 01.04.2011	For the year	Deletions/ Adjustment	Transfer to Assets held for sale	As at 31.03.2012	During the year	Deletions/ Reversals	As at 31.03.2012	As at 31.03.2011
<b>Tangible assets</b>														
Freehold land	38.20	1.72	—	5.50	34.42	—	—	—	—	—	—	—	34.42	38.20
Leasehold land**	18.24	19.19	0.01	—	37.42	0.68	0.34	—	—	1.02	—	—	36.40	17.56
Building #	117.13	59.93	0.78	3.07	173.21	26.47	4.95	0.29	0.72	30.41	—	—	142.79	90.66
Plant and machinery	926.55	240.62	45.61	—	1,121.56	361.06	58.55	16.20	—	403.40	—	26.72	691.44	518.08
Furniture and fixtures	7.17	3.33	1.05	0.07	9.38	2.33	0.66	0.54	0.04	2.41	—	—	6.97	4.84
Data processing equipments	14.87	2.94	0.56	—	17.25	10.63	1.58	0.49	—	11.72	—	—	5.53	4.24
Office equipments	5.25	1.24	0.47	0.28	5.74	1.86	0.33	0.16	0.11	1.92	—	—	3.77	3.34
Electrical installations	36.18	12.35	0.35	—	48.18	13.30	2.25	0.12	—	15.43	—	—	32.29	22.44
Vehicles	5.66	0.49	0.85	—	5.30	0.70	0.52	0.27	—	0.95	—	—	4.35	4.96
<b>Sub-total</b>	1,169.25	341.80	49.67	8.92	1,452.46	417.03	69.17	18.07	0.87	467.26	—	26.72	957.96	698.32
<b>Intangible assets</b>														
Software and licences	2.13	0.57	—	—	2.70	0.90	0.48	—	—	1.38	—	—	1.33	1.21
Patents	9.32	—	—	—	9.32	2.51	1.86	—	—	4.37	—	—	4.96	6.80
Sub -total	11.45	0.57	—	—	12.02	3.41	2.34	—	—	5.75	—	—	6.29	8.01
<b>Total</b>	1,180.70	342.37	49.67	8.92	1,464.48	420.44	71.51	18.07	0.87	473.01	—	26.72	964.27	706.34
Capital work-in-progress	1,180.70	342.37	49.67	8.92	1,464.48	420.44	71.51	18.07	0.87	473.01	—	26.72	1,677.19	969.70
<b>Total</b>	1,094.61	141.26	55.17	—	1,180.70	409.18	56.03	44.76	—	420.45	—	5.08	969.70	—
Previous year														

\* Refer note 31 for amount of expenses capitalised during the year.

\*\* Includes leasehold land of ₹ 8.40 Crores capitalised during the year for which the company has obtained possession and the execution of lease deeds in the favour of the company is in progress.

# Building includes those constructed on leasehold land.

Gross block ₹ 71.20 Crores [31 March, 2011: ₹ 37.14 Crores].

Depreciation charge for the year ₹ 2.12 Crores [31 March, 2011: ₹ 0.99 Crores].

Accumulated depreciation charge ₹ 4.95 Crores [31 March, 2011: ₹ 2.83 Crores].

Net block ₹ 66.25 Crores [31 March, 2011: ₹ 34.31 Crores].

**Note 12: Loans and Advances**

	Non-current		Current	
	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Capital advance</b>				
Secured, considered good	57.88	74.91	—	—
Unsecured, considered good	15.24	54.37	0.00	—
(A)	73.12	129.28	0.00	—
<b>Security deposit (unsecured, considered good) (B)</b>	1.19	0.08	3.38	6.47
<b>Advances receivable in cash or kind</b>				
Unsecured, considered good	—	—	96.67	136.87
Considered doubtful	0.12	—	—	—
	0.12	—	96.67	136.87
Provision for doubtful advances	0.12	—	—	—
(C)	—	—	96.67	136.87
<b>Other loans and advances (unsecured, considered good)</b>				
Advance income taxes, including TDS [net of provision]	—	3.07	1.24	—
Minimum Alternate tax credit entitlement	45.30	27.00	—	—
Interest accrued on investments	—	—	—	0.06
Balances with central excise authorities	—	—	17.85	25.50
Other advances	4.05	—	66.30	14.48
(D)	49.35	30.07	85.39	40.05
<b>Total (A+B+C+D)</b>	<b>123.66</b>	<b>159.43</b>	<b>185.44</b>	<b>183.38</b>

**Note 13: Trade Receivables**

	Non-current		Current	
	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>				
— Unsecured, considered good	87.05	19.88	36.43	244.54
— Considered doubtful	49.24	39.24	—	—
	136.29	59.12	36.43	244.54
Less: provision for doubtful receivables	49.24	39.24	—	—
(A)	87.05	19.88	36.43	244.54
<b>Other receivables</b>				
— Unsecured, considered good	30.17	—	632.28	602.08
(B)	30.17	—	632.28	602.08
<b>Total (A+B)</b>	<b>117.22</b>	<b>19.88</b>	<b>668.71</b>	<b>846.62</b>

**Note 14: Other Assets**

	Non-current		Current	
	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Non-current bank balance (refer note 17)	—	80.98	—	—
Interest accrued on fixed deposits	—	—	8.35	0.01
Others	—	—	0.16	—
<b>Total</b>	<b>—</b>	<b>80.98</b>	<b>8.51</b>	<b>0.01</b>

**Note 15: Current Investments**

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Current portion of long-term investment (valued at cost)</b>		
Nil (31 March, 2011: 10 Crore) units of ₹ 10/- each of Religare Fixed Maturity Plan- Series II	—	100.00
<b>Current investments (valued at lower of cost and fair value)</b>		
(Other than trade, quoted)		
Nil Units (31 March, 2011: 0.41 Crores units) of Reliance Medium Fund Daily Dividend Plan	—	7.00
Nil units (31 March, 2011: 0.24 Crores units) of ₹ 10/-each of Birla Sun Life Cash Manager-IP- Growth	—	4.00
Nil units (31 March, 2011: 0.10 Crores units) of ₹ 10/-each of SBI-SHF-Ultra Short Term Fund- IP-Daily Dividend	—	1.00
0.23 Crores units (31 March, 2011 : nil unit) ₹ 10/- each of Reliance Liquid Fund - Treasury Plan-IP-Growth	6.00	—
0.04 Crores units (31 March, 2011 : nil) units ₹ 10/- each of birla Sun Life Cash Plus -IP- Growth	7.00	—
	<b>13.00</b>	<b>112.00</b>
Aggregate amount of quoted investments [market value ₹ 13.00 Crores (31 March, 2011: ₹ 119.20 Crores)]	<b>13.00</b>	<b>112.00</b>

**Note 16: Inventories****(At lower of cost and net realisable value)**

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Raw materials and components	93.77	76.50
(Includes in transit Rs 12.53 Crores (31 March 2011: ₹ 11.19 Crores)) (refer note 20)		
Work-in-progress (refer note 21)	46.19	32.05
Finished goods (refer note 21)	99.10	62.46
Traded goods (including in transit ₹ nil (31 March 2011: ₹ nil)) (refer note 21)	4.68	0.20
Stores, spares, packing materials and others	28.33	21.62
	<b>272.07</b>	<b>192.84</b>

**Note 17: Cash and Bank Balances**

	Non-current		Current	
	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Cash and cash equivalents</b>				
Balance with banks:				
On current accounts	—	—	39.71	17.83
Deposit with original maturity of less than 3 months	—	—	95.00	—
On unpaid dividend account	—	—	1.02	0.09
Cash in hand	—	—	0.06	0.05
	—	—	135.79	17.97
Other bank balances				
Deposit with original maturity for more than 12 months	—	80.98	80.45	—
but less than 12 months	—	—	—	82.00
	—	80.98	80.45	82.00
Amount disclosed under non current assets (refer note 14)	—	(80.98)	—	—
	—	—	216.24	99.97

**Note 18: Revenue from Operations**

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Sale of products</b>		
Finished goods	2,578.02	2,226.77
Traded goods	63.04	24.49
<b>Sale of services</b>	3.04	1.09
<b>Other operating revenue</b>		
Scrap sales	15.32	13.28
Export incentives	39.48	50.63
Revenue from operations (gross)	2,698.90	2,316.26
Less: excise duty #	77.15	54.14
Revenue from operations (net)	2,621.75	2,262.12

# Excise duty on sales amounting to ₹ 77.15 Crores (31 March, 2011: ₹ 54.14 Crores) has been reduced from sales in statement of consolidated profit and loss and excise duty on increase/decrease in stock amounting to ₹ (2.87 Crores) (31 March, 2011: ₹ 3.50 Crores) has been considered as (income)/expense in note 23 of consolidated financial statements.

**Note 19: Other Income**

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Interest income on</b>		
Bank deposits	8.63	3.99
Long-term investments	9.11	—
Current investments	—	1.76
Others	5.71	3.34
Exchange difference on translation of integral foreign operations	3.17	—
Miscellaneous income	0.52	5.87
	27.14	14.96

**Note 20: Cost of Raw Material and Components Consumed**

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Inventory at the beginning of the year	76.50	91.26
Add: purchases	1,817.66	1,555.99
	<u>1,894.16</u>	<u>1,647.26</u>
Less: Inventory at the end of the year	93.77	76.50
Cost of raw materials and components consumed	<u>1,800.39</u>	<u>1,570.76</u>

**Note 21: Increase in Inventories**

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Opening inventories:</b>		
Traded goods	0.20	0.35
Work-in-progress	32.05	31.90
Finished Goods	<u>62.46</u>	<u>31.53</u>
	94.71	63.78
<b>Closing inventories:</b>		
Traded goods	4.68	0.20
Work-in-progress	46.19	32.05
Finished goods	<u>99.10</u>	<u>62.46</u>
	149.97	94.71
Increase in inventories	<u>(55.26)</u>	<u>(30.93)</u>

**Note 22: Employee Benefit Expense**

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Salaries, wages and bonus	86.78	72.37
Contribution to provident fund and superannuation funds	3.36	3.21
Employees stock option expenses (refer note 29)	1.00	2.02
Gratuity expenses (refer note 28)	1.89	0.35
Staff welfare expenses	<u>6.80</u>	<u>4.63</u>
	<u>99.83</u>	<u>82.58</u>

**Note 23: Other Expenses**

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Consumption of stores and spares	43.01	30.45
Consumption of packing materials	85.60	64.28
(Increase)/decrease of excise duty on inventory	(2.87)	3.50
Power, fuel and water	127.29	96.90
Carriage inwards	1.90	0.92
Carriage outwards	72.27	70.34
Rent	5.09	3.05
Rates and taxes	1.77	0.91
Insurance	6.07	4.96
Repairs and maintenance		
– Building	1.36	2.55
– Machinery	10.98	6.84
– Others	–	0.30
Research and development expenses		
– Salaries, wages, bonus and commission	0.73	0.95
– Raw materials consumed	3.95	2.35
– General expenses	2.50	1.27
Sales promotion	5.63	6.37
Sales Commission (other than sole selling agent)	17.49	11.46
Travelling and conveyance	19.10	15.64
Directors sitting fee and commission	0.17	0.17
Payment to auditor	0.95	0.65
Bad debts/advances written off	1.06	(0.02)
Provision for doubtful debts and advances	9.98	0.95
Loss on sale of fixed assets	6.69	0.28
Provision for contingencies	20.46	–
Miscellaneous expenses	92.45	34.85
	<b>533.63</b>	<b>359.92</b>

**Note 24: Depreciation and Amortisation Expense**

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Depreciation of tangible assets	69.19	53.81
Amortisation of intangible assets	2.34	2.22
	<b>71.53</b>	<b>56.03</b>

**Note 25: Finance Cost**

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Interest</b>		
On fixed loans	–	4.11
Others	56.77	16.61
Bank charges	8.79	8.62
Amortisation of ancillary borrowing costs	0.04	–
Exchange difference to the extent considered as an adjustment to borrowing costs	26.80	15.83
	<b>92.40</b>	<b>45.17</b>

## Note 26: Earning per Share

The following reflects the profit and share data used in the basic and diluted EPS computation.

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>Total operations for the year</b>		
Profit after tax	39.64	141.24
<b>Weighted average number of equity shares in calculating basic EPS</b>	39.25	35.60
<b>Add: Effect of dilution:</b>		
Stock option granted under ESOP	0.13	0.09
Share warrants outstanding during the year	0.07	2.09
<b>Weighted average number of equity shares in calculating diluted EPS</b>	39.45	37.78
<b>Earnings per share</b>		
Basic (On nominal value of ₹ 2 per share) Rupees/share	1.01	3.97
Diluted (On nominal value of ₹ 2 per share) Rupees/share	1.00	3.74

## Note 27: The list of subsidiary companies which are included in the consolidation and the Company's effective holdings therein are as under:

Name of the Company	Effective ownership in subsidiaries as on 31 March, 2012	Effective ownership in subsidiaries as on 31 March, 2011	Country of incorporation
Sterlite Display Technologies Private Limited	85.34%	85.34%	India
Sterlite Infra-Tech Limited*	—	100%	India
East North Interconnection Company Limited	100%	100%	India
Sterlite Grid Limited (Formerly known as Sterlite Transmission Projects Private Limited)	100%	100%	India
Bhopal Dhule Transmission Company Limited	100%	100%	India
Jabalpur Transmission Company Limited	100%	100%	India
Sterlite Global Venture (Mauritius) Limited	100%	100%	Mauritius
Jiangsu Sterlite and Tongguang Optical Fiber Co. Limited	75%	75%	China
Sterlite Networks Limited	100%	—	India
Sterlite Technologies Americas LLC	100%	—	USA

\* Amalgamated with the Company w.e.f. April 1, 2011

## Note 28: Gratuity

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.

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

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Defined benefit obligation at the beginning of the year	3.69	3.23
Current service cost	0.52	0.48
Interest cost	0.31	0.27
Actuarial (gain)/loss	1.19	(0.16)
Past service cost	—	—
Benefits paid	(0.87)	(0.13)
Defined benefit obligation, at the end of the year	4.84	3.69

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

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Fair value of plan assets at the beginning of the year	1.78	1.62
Expected return on plan assets	0.14	0.14
Contribution by employer	—	0.01
Benefits paid	(0.87)	(0.13)
Actuarial gain/(loss)	(0.13)	0.14
Fair value of plan assets at the end of the year	0.92	1.78

\* The company expects to contribute ₹ Nil (₹ Nil) to its defined benefit gratuity plan in 2012-13.

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

Particulars	31 March, 2012 %	31 March, 2011 %
Investment with insurer (Life Insurance Corporation of India)	100	100

**Details of defined benefit obligation**

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Present value of defined benefit obligation	4.84	3.69
Fair value of plan assets	0.92	1.78
Plan liability	3.92	1.91

**Net employee benefit expense recognised in the statement of consolidated profit and loss:**

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Current service cost	0.52	0.48
Interest cost on benefit obligation	0.31	0.27
Net actuarial (gain)/loss recognised	1.32	(0.30)
Expected return on plan assets	(0.14)	(0.14)
Contribution by employer	—	(0.01)
Net benefit expense	2.01	0.30

**Amounts for the current and previous periods are as follows:**

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores	31 March, 2010 ₹ in Crores	31 March, 2009 ₹ in Crores	31 March, 2008 ₹ in Crores
Defined benefit obligation	4.84	3.69	3.23	2.34	1.89
Plan assets	0.92	1.78	1.62	1.73	2.14
Surplus/(deficit)	3.92	1.91	1.61	0.61	(0.25)
Experience adjustments on plan liabilities	0.13	(0.06)	0.70	—	—
Experience adjustments on plan assets	0.14	(0.14)	1.31	—	—

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

Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Discount rate	8.50%	8.50%
Expected rate of return on plan asset	8.60%	8.00%
Employee turnover	2.00%	2.00%
Actual rate of return on plan assets	9.30%	9.30%

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.

## Note 29: Employee Stock Option Scheme

The company has granted employees stock options plan, 2006 (ESOP) and employees stock options plan, 2010 (ESOP) to its employees pursuant to the resolution passed by the shareholders at the extraordinary general meeting held on March 13, 2006 and annual general meeting held on July 14, 2010 respectively. 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 six grants vide their meeting held on June 14, 2006; March 19, 2007, September 28, 2007, June 14, 2008, June 26, 2009 and December 29, 2011. 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.

The company has charged ₹ 1.00 Crore (₹ 2.02 Crore) to the statement of consolidated profit and loss in respect of options granted under ESOP scheme 2006 and options granted under ESOP scheme 2010.

Other details of the options granted under ESOP scheme 2006 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	11,64,250	3,18,000	6,53,875	1,27,750	12,09,500
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

Other details of the options granted under ESOP scheme 2010 are as follows:

Particulars	Grant 1*
Date of grant	29-Dec-11
Number of options granted	22,24,000
Method of settlement	Equity
Vesting period (years)	5
Exercise period	1
Vesting conditions	Business performance

The details of the activity under ESOP scheme 2006 have been summarised below:

Particulars	31 March, 2012		31 March, 2011	
	Number of options	Weighted average exercise price (₹)	Number of options	Weighted average exercise price (₹)
Outstanding at the beginning of the year	5,19,654	2.00	12,53,548	2.00
Granted during the year	Nil	—	Nil	—
Forfeited during the year	Nil	—	Nil	—
Exercised during the year	1,91,347	2.00	4,31,810	2.00
Expired during the year	52,694	2.00	3,02,085	2.00
Outstanding at the end of the year	2,75,613	2.00	5,19,654	1.00
Exercisable at the end of the year	61,367	2.00	96,625	2.00
Weighted average remaining contractual life (in years)	1.24	—	1.70	—
Weighted average fair value of options granted	35.23		35.23	

The outstanding ESOP's as above are entitled to bonus in the ratio of 1:1.

The weighted average share price on the year ended March 31, 2012 was ₹ 46.18 [31 March, 2011 ₹ 86.97].

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	Vest 2	Vest 3
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)	1.50	2.50	3.50
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>	

Date of grant: March 19, 2007	Vest 1	Vest 2
Variables	June 19, 2008	June 14, 2009
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	34.61	34.47
Vesting percentage	60.00%	40.00%
<b>Option fair value</b>	<b>34.55</b>	

Date of grant: September 28, 2007	Vest 1	Vest 2
Variables	September 28, 2008	June 14, 2009
Weighted average stock price	47.46	47.46
Expected volatility (**)	56.69%	60.98%
Risk free rate	7.20%	7.29%
Exercise price (₹ Per Option)	1	1
Time to maturity (years)	1.50	2.21
Dividend yield	0.51%	0.51%
<b>Outputs</b>		
Option fair value	46.20	46.08
Vesting percentage	50.00%	50.00%
<b>Option fair value</b>	<b>46.14</b>	

Date of grant: June 14, 2008	Vest 1
Variables	June 14, 2009
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	38.53
Vesting percentage	100.00%
<b>Option fair value</b>	<b>38.53</b>

Date of grant: June 26, 2009	Vest 1	Vest 2	Vest 3	Vest 4	Vest 5
Variables	June 26, 2010	June 26, 2011	June 25, 2012	June 25, 2013	June 25, 2014
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)	1.50	2.50	3.50	4.50	5.50
Dividend yield	0.60%	0.60%	0.60%	0.60%	0.60%
<b>Outputs</b>					
Option fair value	35.40	35.24	35.08	34.93	34.77
Vesting percentage	50.00%	20.00%	10.00%	10.00%	10.00%
<b>Option fair value</b>				<b>35.23</b>	

\* 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 details of the activity under ESOP scheme 2010 have been summarised below:

Particulars	31 March, 2012		31 March, 2011	
	Number of options	Weighted average exercise price (₹)	Number of options	Weighted average exercise price (₹)
Outstanding at the beginning of the year	Nil	Nil	NA	NA
Granted during the year	22,24,000	2	NA	NA
Forfeited during the year	—	—	NA	NA
Exercised during the year	—	—	NA	NA
Expired during the year	1,68,000	2	NA	NA
Outstanding at the end of the year	20,56,000	2	NA	NA
Exercisable at the end of the year	Nil	—	NA	NA
Weighted average remaining contractual life (in years)	1.85	—	NA	NA
Weighted average fair value of options granted	25.87	—	NA	NA

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

Date of grant: December 29, 2011	Vest 1	Vest 2	Vest 3	Vest 4	Vest 5
Variables	December 29, 2012	December 29, 2013	December 29, 2014	December 29, 2015	December 29, 2016
Weighted average stock price	28.00	28.00	28.00	28.00	28.00
Expected volatility (*)	48.31%	47.36%	64.15%	68.63%	65.78%
Risk free rate	8.33%	8.34%	8.35%	8.37%	8.39%
Exercise price (₹ Per Option)	2	2	2	2	2
Time to maturity (years)	1.50	2.50	3.50	4.50	5.51
Dividend yield	0.73%	0.73%	0.73%	0.73%	0.73%
<b>Outputs</b>					
Option Fair Value	25.93	25.87	25.82	25.78	25.70
Vesting Percentage	50.00%	20.00%	10.00%	10.00%	10.00%
<b>Options Fair Value</b>				<b>25.87</b>	

(\*) 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.

### Note 30: Operating Lease (Non-cancellable)

The company has taken office buildings on operating lease. The lease terms are for periods from three to nine years and are renewable at the option of the company. There are no escalation clauses in the lease agreements. Disclosures in respect of operating leases 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 ₹ 4.99 Crores (31 March, 2011: ₹ 3.05 Crores).
- (b) The future minimum lease payments payable over the next one year is ₹ 3.73 Crores (31 March, 2011: ₹ 1.55 Crores).
- (c) The future minimum lease payments payable later than one year but not later than five year is ₹ 3.14 Crores (31 March, 2011: ₹ 2.66 Crores).

### Note 31: Capitalisation of Expenditure

During the year, the company has capitalised the following expenses to the cost of fixed assets/capital work-in-progress (CWIP). Consequently, expenses disclosed under the respective notes are net of amounts capitalised by the company.

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
Salaries, wages and bonus (including gratuity)	13.40	3.83
Consumption of stores and spares	0.30	—
Power and fuel	1.00	0.36
Finance cost	30.41	7.19
Other expenses	25.94	11.92
Foreign exchange (gain)/loss	—	2.09
	<b>71.04</b>	<b>25.39</b>

### Note 32: Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) are ₹ 1,402.74 Crores (₹ 785.73 Crores).

### Note 33: Contingent Liabilities

	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
1) Disputed liabilities in appeal		
a) Sales tax	0.43	0.59
b) Excise duty (Including excise duty case in supreme court, refer note 8 and 37(A))	248.18	247.07
c) Customs duty	67.24	74.31
d) Service tax	—	2.48
e) Income tax	6.92	11.26
f) Claims lodged by a bank against the company (*)	18.87	18.87
g) Claims against the company not acknowledged as debt	22.32	19.80
2) Outstanding amount of export obligation against advance licence.	36.58	87.19
3) The company has given corporate guarantee to the Income Tax Department on behalf of group companies. The outstanding amount is ₹ 114.00 Crores (31 March, 2011: ₹ 114.00 Crores) on this account as at the year-end.		
4) The company has given corporate guarantee to long term transmission customers and State Bank of India on behalf of its subsidiary company. The outstanding amount is ₹ 119.59 Crores (31 March, 2011: ₹ 30.00 Crores) 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.

## Note 34: Derivative Instruments

The company has entered into the following derivative instruments:

- (a) The following are the outstanding forward exchange contracts/futures contracts entered into by the company, for hedge purpose, as on March 31, 2012:

Purpose	Foreign currency (in Crores)	Amount (in Crores)	Buy/Sell	No. of contracts (Quantity)
<b>March 31, 2012</b>				
Hedge of payables and buyers credit	US \$ 16.54	851.96	Buy	319
Hedge of trade receivables and highly probable foreign currency sale	US \$ 16.29	832.07	Sell	208
Hedge of payables and buyers credit	Euro 0.64	44.02	Buy	11
Hedge of trade receivables and highly probable foreign currency sale	Euro 1.71	117.71	Sell	39
Hedge of payables and buyers credit	GBP 0.03	2.32	Buy	1
Hedge of trade receivables and highly probable foreign currency sale	GBP 0.71	57.44	Sell	11
<b>March 31, 2011</b>				
Hedge of payables and buyers credit	US \$ 12.93	591.59	Buy	307
Hedge of trade receivables and highly probable foreign currency sale	US \$ 12.61	577.23	Sell	171
Hedge of payables and buyers credit	Euro 0.51	32.07	Buy	14
Hedge of trade receivables and highly probable foreign currency sale	Euro 1.65	98.26	Sell	32
Hedge of trade receivables and highly probable foreign currency sale	AED 0.07	0.92	Sell	2
Hedge of trade receivables and highly probable foreign currency sale	GBP 0.86	66.12	Sell	4

- 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:

Category	Currency type	31 March, 2012		31 March, 2011	
		Foreign currency (in Crores)	Amount (in Crores)	Foreign currency (in Crores)	Amount (in Crores)
Export of goods	US \$	—	—	0.00	0.10
Export of goods	EUR	—	—	0.00	0.02
Export of goods	ETB	0.00	0.01	—	—
Export of goods	AUD	0.02	1.14	—	—
Export of goods	AED	—	—	0.02	0.19
Export of goods	ZAR	—	—	0.01	0.04
Advance to suppliers	US \$	0.01	0.73	0.10	4.46
Advance to suppliers	EUR	0.03	1.93	0.01	0.45
Advance to suppliers	GBP	—	—	0.00	0.04
Advance to suppliers	CNY	—	—	0.01	0.10
Balance with banks	US \$	0.01	0.31	0.00	0.22
Balance with banks	EUR	0.01	0.95	0.01	0.82
Balance with banks	GBP	0.04	2.90	0.02	1.69
Balance with banks	CNY	0.03	0.21	0.02	0.16
Balance with banks	ZAR	0.01	0.07	0.01	0.05
Balance with banks	ETB	0.05	0.15	0.27	1.00

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

Category	Currency type	31 March, 2012		31 March, 2011	
		Foreign currency (in Crores)	Amount (in Crores)	Foreign currency (in Crores)	Amount (in Crores)
Import of goods and services	US \$	0.21	10.53	0.33	14.65
Import of goods and services	EUR	0.04	2.49	0.10	6.15
Import of goods and services	GBP	0.02	1.42	0.08	5.53
Import of goods and services	CHF	0.00	0.03	—	—
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
Import of goods and services	ZAR	0.01	0.04	—	—
Advance from customer	US \$	0.30	15.26	0.02	1.11
Advance from customer	EUR	—	—	0.00	0.07
Advance from customer	ETB	0.03	0.08	0.03	0.10

## c) Commodity futures contracts to hedge against fluctuation in commodity prices (aluminium):

The following are the outstanding future contracts entered into by the company as on 31 March, 2012:

Year	No. of contracts	Contracted quantity (MT)	Buy/sell
31 March, 2012	83	58,200	Buy
31 March, 2012	8	7,875	Sell
31 March, 2011	86	43,590	Buy

**Note 35: Detail of dues to Micro and Small Enterprises as defined under MSMED Act, 2006**

Description	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
(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.	0.04	0.01
(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*	0.00*
(iv) The amount of interest accrued and remaining unpaid at the end of each accounting year.	0.00*	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 ₹ 0.00 Crores (₹ 0.03 Crores) and same is not accrued in the books of accounts. During the year 2011-2012, the company has not received any confirmation for Micro, Small and Medium enterprise.

**Note 36: Share Application Money**

Share application money pertains to the amount of exercise price of ₹ 2 per share for 22,822 ESOPs for which equity shares have been subsequently allotted on April 17, 2012.

## Note 37: Other Notes

- A. The company had in an earlier year received an order of CESTAT upholding the demand of ₹ 188 Crores (including penalties and excluding interest) [31 March, 2011 ₹ 188 Crores] 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 ₹ 4.50 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.
- B. There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

## Note 38: Segment Reporting

The primary segment reporting format is determined to be business segments as the group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

During the current year ended March 31, 2012, the operations of the Group's Power Transmission Business have increased, and accordingly the segment reporting has been updated to include a new segment, namely the "Power Transmission Grid" which was included under "Power Transmission Business" segment during the previous year. The previous year's segment reporting numbers have been reclassified to conform to current year classification.

Further the nomenclature of the segments disclosed in the previous year has been updated as follows:

'Telecom Product Business' has been renamed as 'Telecom Product and Solutions'; and 'Power Transmission Business' has been renamed as 'Power Product and Solutions'.

The 'Telecom Product and Solutions' segment includes integrated Optical Fiber, Telecom Cables (Fiber Optic Cables, Copper Telecom Cables and Structured Data Cables), access equipments and integrated management business.

The 'Power Product and Solutions' segment includes power transmission conductors and cables.

The 'Power Transmission Grid' segment comprises of the activities pertaining to setting up of transmission and distribution networks.

The addition of the new segment has caused a reduction in the segment revenue, segment results, segment assets and segment liabilities by ₹ Nil, ₹ (1.12 Crore), ₹ 908.60 Crores, and ₹ 240.74 Crores respectively for the year ended March 31, 2012; and a reduction in the segment revenue, segment results, segment assets and segment liabilities by ₹ Nil, ₹ (0.21 Crores), ₹ 212.82 Crores and ₹ 4.61 Crores respectively for the year ended March 31, 2011 in 'Power Product and Solutions' (erstwhile 'Power Transmission Business') segment.

## Business segments

₹ in Crores

(i) Particulars	Telecom product and solutions		Power product and solutions		Power transmission grid		Unallocable		Eliminations		Total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
<b>Segment revenue</b>	<b>786.71</b>	648.03	<b>1,965.95</b>	1,604.79	—	—	—	—	<b>(108.56)</b>	(0.47)	<b>2,644.10</b>	2,252.35
Less: excise	<b>21.30</b>	20.55	<b>64.16</b>	33.63	—	—	—	—	<b>(8.31)</b>	(0.04)	<b>77.15</b>	54.14
Net revenue	<b>765.41</b>	627.48	<b>1,901.79</b>	1,571.16	—	—	—	—	<b>(100.25)</b>	(0.43)	<b>2,566.95</b>	2,198.21
<b>Segment results (PBIT)</b>	<b>88.01</b>	126.78	<b>61.75</b>	97.68	<b>(1.12)</b>	(0.21)	<b>(3.13)</b>	0.27	<b>(1.31)</b>	(0.04)	<b>144.20</b>	224.48
Less: Interest	—	—	—	—	—	—	<b>92.40</b>	45.17	—	—	<b>92.40</b>	45.17
Profit before tax	—	—	—	—	—	—	—	—	—	—	<b>51.80</b>	179.31
Provision for tax (net)	—	—	—	—	—	—	<b>12.93</b>	37.96	—	—	<b>12.93</b>	37.96
Minority interest	—	—	—	—	—	—	<b>(0.77)</b>	0.11	—	—	<b>(0.77)</b>	0.11
<b>Net profit</b>	—	—	—	—	—	—	—	—	—	—	<b>39.64</b>	141.24
Segment assets	<b>1,461.80</b>	1,326.81	<b>913.21</b>	1,072.25	<b>908.60</b>	212.82	<b>9.82</b>	56.27	—	—	<b>3,293.43</b>	2,668.15
Segment liabilities	<b>394.69</b>	316.86	<b>418.99</b>	438.06	<b>240.74</b>	4.61	<b>48.65</b>	103.26	—	—	<b>1,103.07</b>	862.79
Capital expenditure incurred	<b>49.75</b>	237.00	<b>90.78</b>	94.64	<b>566.79</b>	111.11	<b>12.85</b>	5.97	<b>19.87</b>	—	<b>740.04</b>	448.72
Depreciation	<b>49.40</b>	40.01	<b>22.02</b>	16.00	<b>0.11</b>	0.01	<b>0.01</b>	0.01	—	—	<b>71.53</b>	56.03
Significant non cash expenditure	<b>10.25</b>	0.89	<b>24.03</b>	2.40	<b>2.73</b>	—	—	—	—	—	<b>37.00</b>	3.29

## Geographical segments

The Group's secondary segments are based on the geographic distribution of activities. Revenue and receivables are specified by location of customers while the other geographic information is specified by location of the assets.

(ii) Particulars	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>(1) Segment Revenue - External turnover (Gross)</b>		
— Within India	<b>1,813.62</b>	1,520.19
— Outside India	<b>830.48</b>	732.16
<b>Total Revenue</b>	<b>2,644.10</b>	2,252.35
<b>(2) Segment Assets</b>		
— Within India	<b>2,571.54</b>	2,381.30
— Outside India	<b>721.89</b>	286.85
<b>Total Assets</b>	<b>3,293.43</b>	2,668.15
<b>(3) Capital Expenditure</b>		
— Within India	<b>738.14</b>	448.30
— Outside India	<b>1.90</b>	0.42
<b>Total Capital Expenditure</b>	<b>740.04</b>	448.72

## Note 39: 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) Key Management Personnel (KMP)**

Mr. Pravin Agarwal

Dr. Anand Agarwal

**(ii) Entities where Key Management Personnel/Relative of Key Management Personnel have significant influence (EKMP)**

Sterlite Industries (India) Limited

Fujairah Gold FZE

Bharat Aluminium Company Limited

Hindustan Zinc Limited

Sterlite Energy Limited

Vedanta Aluminium Limited

Vedanta Resources PLC

**(iii) Holding Company**

Volcan Investments Limited (ultimate holding company)

Twin Star Overseas Limited (immediate holding company)

**(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 transactions with related parties during the year and their outstanding balances are as follows:**

₹ in Crores

S. No.	Particulars	Holding company		KMP		EKMP	
		11-12	10-11	11-12	10-11	11-12	10-11
1.	Remuneration	—	—	5.37	8.11	—	—
2.	Salary Advance	—	—	3.21	—	—	—
3.	Issue of equity shares	3.65	—	—	—	—	—
4.	Securities premium received on equity shares issued	104.75	—	—	—	—	—
5.	Dividend paid	10.47	8.65	—	—	—	—
6.	Management fees charged/(paid)	—	—	—	—	(0.48)	—
7.	Purchase of goods	—	—	—	—	919.41	624.55
8.	Sale of goods (net of excise duty)	—	—	—	—	47.29	24.31
9.	Interest paid	—	—	—	—	1.68	0.79
10.	Expenses incurred	—	—	—	—	1.98	0.85
	<b>Outstanding balances</b>						
1.	Debtors/(creditors)	—	—	—	—	20.99	(1.52)
2.	Salary Advance	—	—	3.21	—	—	—

## Disclosure in respect of material related party transactions during the year:

Particulars	Relationship	31 March, 2012 ₹ in Crores	31 March, 2011 ₹ in Crores
<b>1. Remuneration</b>			
Mr. Pravin Agarwal	KMP	3.14	5.59
Dr. Anand Agarwal	KMP	2.23	2.52
<b>2. Salary Advance</b>			
Mr. Pravin Agarwal	KMP	3.21	—
<b>3. Issue of equity shares</b>			
Twin Star Overseas Limited	Holding company	3.65	—
<b>4. Securities premium received on equity shares issued</b>			
Twin Star Overseas Limited	Holding company	104.75	—
<b>5. Dividend paid</b>			
Twin Star Overseas Limited	Holding company	10.47	8.65
<b>6. Management fees charged/(paid)</b>			
Vedanta Resources PLC	EKMP	[0.48]	—
<b>7. Purchase of goods</b>			
Vedanta Aluminium Limited	EKMP	706.12	483.88
Bharat Aluminium Company Limited	EKMP	125.20	90.53
<b>8. Sale of goods (net of excise duty)</b>			
Sterlite Energy Limited	EKMP	46.74	24.31
<b>9. Interest paid</b>			
Vedanta Aluminium Limited	EKMP	1.03	0.65
Bharat Aluminium Company Limited	EKMP	0.62	0.11
<b>10. Expenses incurred</b>			
Vedanta Aluminium Limited	EKMP	1.70	0.21
Sterlite Industries (India) Limited	EKMP	0.14	0.64

**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.

As per our report of even date

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

Firm Registration Number: 301003E

Chartered Accountants

per **Arvind Sethi**

Partner

Membership Number: 89802

Place: Pune

Date: April 26, 2012

For and on behalf of the board of directors of Sterlite Technologies Limited

**Pravin Agarwal**

Whole-time Director

**Anupam Jindal**

Chief Financial Officer

**Anand Agarwal**

CEO & Whole-time Director


**Sandeep Deshmukh**

Company Secretary



# Cloud computing

Posted by **Abhas Tripathi**.  
Demystifying cloud computing



IT executives today can be forgiven if accused of having their heads in the clouds. That's because the clouds that interest them aren't of the meteorological variety; they are computing clouds. Widespread interest and even unabashed excitement about cloud computing emanates from users seeking more dynamic, resilient and cost-effective solutions which were not possible with earlier generations of technology.

In simple words, the cloud can be described as on-demand computing, for anyone with a network connection. Access to applications and data anywhere, anytime, from any device is the potential outcome.

In a way, it is like using computing power in the same way we use electricity. It makes so much sense doesn't it? When you need it, you turn it on, and when you don't, you turn it off. You only pay for what you actually use, without having to worry about sudden peaks in demand or huge upfront investment in hardware and software.

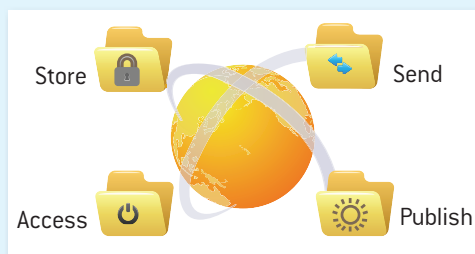
## Who's doing it?

You and I are already heavy users of

cloud-enabled services, including email, social media, online gaming, and many mobile applications. Most of us are probably making use of the cloud without even realizing that this is the case; whenever we access our Gmail accounts, or upload a photo to Facebook, we are using the cloud. Sites like Flickr and Facebook act as digital repositories for data and we can access this data from any internet-enabled device, from our iPhones to our desktop computers. In the case of Flickr and the like, storage of our digital images is, from the consumer point of view, somewhere in the cloud. We don't need to know where specifically, we just need our Flickr login credentials and a web connection. We can see the same model evident in email too.

A lot of businesses are also either already using the cloud or thinking about it. Cloud computing gives any size company the IT resources of a global player at a fraction of the cost. Instead of hiring a team of IT experts for your hardware and software, in the cloud — it's done for you.

## How does it work?



The simplest thing that a computer does is allow us to store and retrieve information. We can store our family photographs, our favorite songs, or even save movies on it. With cloud all that happens over the internet. The metaphorical cloud here refers to the internet which is used for performing tasks that we normally use a computer for. From the simplest of things like storing photos to the most complex ones like performing statistical computations, cloud offers solutions to all the problems which have been historically carried out on the physical computers in front of you.

**Pay as you go:** Cost savings are the biggest benefit of cloud computing by having the flexibility to pay for as much you use.

**Use where you go:** Accessible for any device with internet from anywhere in the world.

## Why is it significant?

While the term cloud may connote a concept to the type of computing it describes, the benefits of cloud computing to customers are very tangible.

These benefits are what brings the buzz and excitement around cloud computing. Today information technology is at crossroads once again. With every innovation — right from the introduction of the first computer — people and businesses have had choices to make: adopt now, get ready to adopt, or just wait and watch. A similar choice presents itself today: Stick to the old, or embrace the 'Cloud'. ■



# Book Review

## 'Quick quiz:

What impact has technology had on your life in the past five or ten years? You would definitely have had personal experience with: the Internet, the cell phone, and the digital camera. Each one has been a game-changer, transforming what we do, how we do it, and when and where we do it.'

**So begun Anywhere:** How Global Connectivity, is Revolutionising the Way We Do Business. This book has 12 chapters organised into four sections. The first section, 'Welcome to Anywhere', describes the transformation that is taking place as a consequence of the proliferation of broadband access to the Internet. More than just a matter of amplified speed, the ubiquitous presence of the Internet is redefining everything about our world: that is, it is fundamentally changing the nature of all human interaction.

'The truth is that we've just begun a journey that will take us to a future very different from today's sometimes rewarding, sometimes bewildering connectivity experience,' Green writes.

'It's been sparked by a potent trio of forces – a common digital network, the availability of broadband capacity, and the powerful economics of wireless transmission.'

The second section of the book, 'The Anywhere Consumer', deals with how the Internet is becoming incorporated into just about every feature of our existence. But rather than exerting a homogenising influence, Green asserts that the enhanced capabilities of the emerging technologies actually provide a more individualised and personal experience for everyone. 'It's

already very clear that while we all share basic desires like connecting with each other, there are differences in what people do and think about mobility that reflect diversity in their education, income, lifestyle, age, profession, and more,' notes Green. She sees the revolution as being more human than technological, and includes numerous case studies that serve to bring this idea to life.

Part three, 'The Anywhere Enterprise', focuses more exclusively on how broadband is significantly altering the essential nature of work. As everything continues to become more interconnected, how we accomplish our jobs will inevitably change in many ways. 'The way people work in 2020 will be profoundly different as work life becomes more thoroughly integrated and intermingled with personal life,' Green argues. 'The office will be more a choice than a necessity, because executives and managers will be able to monitor the work of their employees from any location.'

In the final section, 'Profiting from Anywhere', Green discusses how instantaneous access to information by everyone at any moment affects business strategy. The Internet has already fundamentally changed the way products and services are marketed; Green argues persuasively that so far we have seen only the tip of the iceberg. 'Beyond winning new customers within existing markets, you'll be able to take advantage of the billions of potential customers in new markets that are now joining the global digital network fabric,' she observes.

Further, one of the most important technological developments on the horizon, at least from a business perspective, seems to be 'cloud computing'. As Green notes, this involves 'moving all applications

**Author:** Emily Nagle Green is the President and CEO of Yankee Group, a global technology research company. Green also serves as Vice-Chair of the Massachusetts Innovation and Technology Exchange (MITX), the largest Internet advocacy council in the USA. She has a Bachelor's degree in linguistics from Georgetown University; her Master's is in artificial intelligence and computer graphics from the University of Pennsylvania. Published by McGraw-Hill, New York, 2010, 281 pp

and services out of the company's data center and into the network itself'. Leading-edge companies such as Amazon and Google have experienced phenomenal success by adopting cloud computing as their primary conceptual and technological framework; it is one of the innovations that make much of what Green describes possible.

As business continues to become more virtual, ensuring that personal data remain secure will become even more important than it is now, Green notes that 'many connectivity opportunities ahead will present privacy, security, and regulatory challenges in the near term, requiring the market at large to adapt'.

Green does an exceptional job of illuminating the intricacies of the 'Brave New World' we are inescapably entering in a way that is accessible to a wide range of readers, including those with minimal understanding of many of the concepts she explains. She makes absolutely no presumptions about the knowledge base of her readers and takes the time to educate those who may be unfamiliar with even the most rudimentary aspects of the technological revolution she is describing. If you have no idea what is meant by terms such as 'hot-spot', 'bundling', 'fixed/mobile convergence', or even 'broadband', you will feel that you understand them intimately by the time you finish the first part of this book. Green includes an extensive glossary of terms in the back of the book that is immensely helpful for the novice. ■

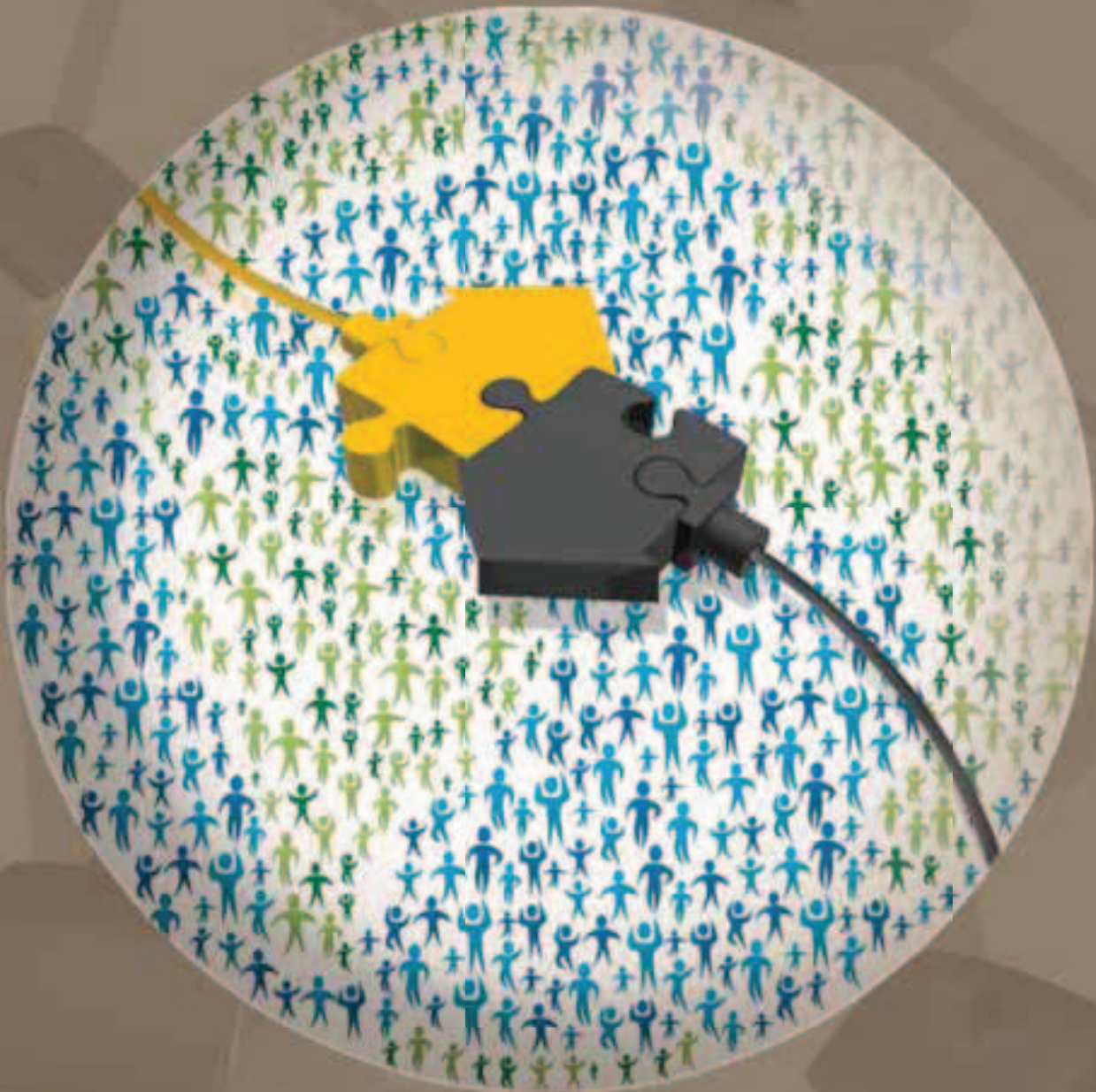
# SWIFT | RUGGED | PROGRESSIVE

Fiber optic cables deployed in India's first  
'F1' racetrack

- Critical backbone of the communication system for one of the fastest circuits in the world
- Combination of single-mode and multi-mode fibers
- Fiber optic cables designed with LSZH (Low smoke zero halogen) as outer jacketing
- Fibers maintain high environment standards to cope with extreme temperatures
- Instrumental in critical real-time applications including live telecast, CCTV, Signalling and Transmission

# Connecting

every home on the planet



Sterlite Technologies makes it easier, faster and more cost-effective  
for service providers to build telecom & power infrastructures.