

Auditors' Report

TO,
THE MEMBERS OF STERLITE INDUSTRIES (INDIA) LIMITED

1. We have audited the attached Balance Sheet of 'STERLITE INDUSTRIES (INDIA) LIMITED' ("the Company"), as at 31 March 2010, the Profit and Loss Account and also the Cash Flow Statement of the Company 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 from 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, 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 the paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) 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;
 - b) 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;
 - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956. Additionally, the Company has chosen to early adopt Accounting Standard 30, "Financial Instruments: Recognition and Measurement" and limited revisions arising out from the Announcement of the Institute of Chartered Accountants of India on 29 March 2008 as stated in Note 6 of Schedule 21;
 - e) On the basis of the written representations received from the directors as on 31 March 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;
 - f) 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 give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For CHATURVEDI & SHAH
Chartered Accountants
(Registration No.: 101720W)

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No.: 117366W)

R. Koria
Partner
Membership No. 35629

Shyamak R. Tata
Partner
Membership No. 38320

MUMBAI, 26 APRIL, 2010

Annexure to the Auditors' Report (Referred to in paragraph 3 of our report of even date)

- (i) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The Company has a programme of physical verification of its fixed assets in a three year period which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with such programme, the fixed assets were not due for verification by the Management during the year.
 - (c) In our opinion and according to the information and explanations given to us, the Company has not made any substantial disposal of fixed assets during the year and going concern status of the Company is not affected.
- (ii) In respect of its inventories:
 - (a) As explained to us, inventory has been physically verified during the year by the management at reasonable intervals.
 - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion, and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iii) In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
 - (a) The Company has granted loans to three parties during the year. At the year-end, the outstanding balances of such loans aggregated Rs. 11,591.08 Crore and the maximum amount involved during the year was Rs. 11,591.08 Crore.
 - (b) In our opinion, the rate of interest and other terms and conditions of such loans are, *prima facie* not prejudicial to the interests of the Company.
 - (c) The loans given were not due for repayment at year end. In respect of payment of interest, these parties have been generally regular in payment. In respect of one of these parties, interest amounting to Rs. 59.57 Crore was due and outstanding at year end.
 - (d) The loans given were not due for repayment, therefore the question of overdue principal amount does not arise. There was no overdue interest at the year end except from one party amounting to Rs. 59.57 Crore and the said amount has since been recovered.
 - (e) The Company has not taken any loans, secured or unsecured from companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, hence requirement of clauses 4(iii)(f) and (g) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- (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 with regard to purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in such internal control system.
- (v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
 - (b) Where each of such transaction is in excess of Rs.5 Lakh in respect of any party, the transactions have been made at prices which appear reasonable as per information available with the Company.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from the public and hence directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA of the Companies Act, 1956 and rules framed there under are not applicable for the year under audit.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- (viii) We are informed by the management that Central Government has prescribed the maintenance of Cost Records under section 209 (1) (d) of the Companies Act, 1956, in respect of manufacturing of copper and sulphuric acid. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion that, *prima facie* the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate.
- (ix) According to the information and explanations given to us, and the records of the Company examined by us:
 - (a) The Company has generally been regular in depositing with appropriate authorities undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service Tax, Custom Duty, Excise Duty and any other material statutory dues applicable to it. Further, since the Central Government has till date not

Annexure to Auditors' Report continued

prescribed the amount of cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

- (b) There were no undisputed amounts payable in respect of Income-tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty and other material statutory dues in arrears as at 31 March 2010 for a period of more than six months from the date they became payable, except Rs. 1.01 Crore in respect of Investor Education and Protection Fund, which is held in abeyance due to pending legal case.

- (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty and Excise Duty which have not been deposited as on 31st March, 2010 on account of disputes are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which amount relates	Amount involved (Rs. in Crore)
Income Tax Act, 1961	Income Tax	Income Tax Appellate Tribunal	1989-90 to 1998-1999	11.26
		Commissioner of Income Tax (Appeals)	2002-2003	0.20
		Commissioner of Income Tax (Appeals)	2000-2001	0.83
		Income Tax Appellate Tribunal	2003-2004	30.36
		Commissioner of Income Tax (Appeals)	2005-2006	16.65
Service Tax Under Finance Act, 1994	Service Tax	Custom Excise Service Tax Appellate Tribunal	2002-2003 to 2006-2007	15.73
		Commissioner Central Excise (Appeals)	2005-2006 to 2006-2007	0.05
		Custom Excise Service Tax Appellate Tribunal	2006-2007 to 2008-2009	2.79
Central Excise Act, 1944	Excise Duty	Custom Excise Service Tax Appellate Tribunal	1993-1994 to 2007-2008	38.23
		High Court	1995-1996 & 1996-1997	0.04
		Commissioner Central Excise (Appeals)	2001-2002 to 2008-2009	0.12
Tamilnadu General Sales Tax Act, 1959	Sales Tax	High Court	1997-1998 & 1998-1999	2.05
Central Sales Tax Act, 1956	Sales Tax	High Court	1996-1997 to 2000-2001	2.20
Tamilnadu VAT Act, 2007	Sales Tax	Deputy Commissioner of Commercial Tax (Appeals)	2006-2007	3.01
Tamilnadu Tax and Consumption or Sale of Electricity Act, 2003	Generation Tax	High Court	2003-2004 to 2008-2009	14.81
Customs Act, 1962	Custom Duty	Custom Excise Service Tax Appellate Tribunal	2004-2005	6.23
		Commissioner Customs (Appeals)	2005-2006	3.97
Total				148.53

- (x) The Company does not have accumulated losses at the end of financial year. It has not incurred any cash losses during the financial year covered by the audit and in the immediately preceding financial year.

- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.

- (xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debenture and other securities.

- (xiii) In our opinion, the Company is not a chit fund, a nidhi or a

mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order 2003 are not applicable.

- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in shares, securities, debentures & other investments. The Company has maintained proper records of transactions and contracts in respect of shares, securities, debentures and other investments and timely entries have been made therein. All shares, securities, debentures and other investments have been held by the Company in its own name.

- (xv) According to the information and explanations given by the management, the Company has given guarantees for loans taken by others from banks and financial institutions as

mentioned in note 32 (g) of Schedule 21. The guarantees outstanding as at year end are for subsidiary companies and an associate company, which according to the information and explanations given to us, are *prima facie* not prejudicial to the interest of the Company.

- (xvi) According to the information and explanations given to us, no term loans are raised during the year by the Company therefore question of utilization for stated purpose does not arise.
- (xvii) On the basis of review of utilization of funds, which is based on overall examinations of the Balance Sheet of the Company as at 31 March 2010, related information as made available to us and as represented to us by the Management, we are of the opinion that funds raised on short-term basis have not *prima facie* been used during the year for long-term investment.
- (xviii) During the year the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any secured debentures during the year under audit.
- (xx) We have verified the end use of moneys raised by right issues of equity shares and American Depository Shares (ADS) represented by equity shares and the same has been disclosed in the note no. 20 and 2(i) & (iii) respectively, of schedule 21 to notes forming part of accounts.
- (xxi) According to the information and explanations given by the management, we report that no material fraud on or by the Company has been noticed or reported during the course of our audit.

For CHATURVEDI & SHAH **For DELOITTE HASKINS & SELLS**
Chartered Accountants Chartered Accountants
(Registration No.: 101720W) (Registration No.: 117366W)

R. Koria
Partner
Membership No. 35629

Shyamak R. Tata
Partner
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MUMBAI, 26 APRIL 2010