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AGM	<input checked="" type="checkbox"/>		SHI	<input checked="" type="checkbox"/>
TE	<input checked="" type="checkbox"/>			

## 12th Annual Report 1996-97

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**SHARP**

**KALYANI SHARP INDIA LIMITED**

KALYANI SHARP INDIA LIMITED

**SHARP****BOARD OF DIRECTORS**

Mr. B. N. KALYANI  
[Chairman]

Dr. NEELKANTH A. KALYANI

Mr. S. S. MARATHE

Mr. H. R. PUJARI  
[ICICI Nominee]

Mr. PRADEEP BHARGAVA

Mr. M. AKAMATSU

Mr. Y. OKAMOTO

Mr. H. HIBI

Mr. M. TAKAFUKU  
[Managing Director]

Mr. S. KOJIMA  
[Whole-time Director  
(Finance & Administration)]

Mr. J. KONO  
[Whole-time Director  
(Technical)]

**BANKERS**

STATE BANK OF INDIA  
BANK OF INDIA  
THE BANK OF TOKYO-MITSUBISHI, LTD.  
THE SANWA BANK LTD.

**SOLICITORS & ADVOCATES**

CRAWFORD BAYLEY & CO.

**AUDITORS**

ARTHUR ANDERSEN & ASSOCIATES  
Chartered Accountants

**REGISTERED OFFICE**

Gat No. 686/4, Koregaon Bhima,  
Tal. Sirur, Dist. Pune 412 216.

**REGISTRARS & TRANSFER AGENTS**

MCS Limited,  
116/118, Akshay Complex,  
Off Dhole Patil Road,  
Near Ganesh Mandir,  
Pune 411 001.

## KALYANI SHARP INDIA LIMITED

Registered Office : Gat No.686/4, Koregaon Bhima, Taluka Sirur, District Pune 412 216.

### NOTICE :

Notice is hereby given that the 12th Annual General Meeting of the Members of Kalyani Sharp India Limited will be held at the Registered Office of the Company at Gat No.686/4, Koregaon Bhima, Taluka Sirur, District Pune 412 216 on Saturday, the 13th day of September, 1997 at 11.00 a.m. (I.S.T.) to transact the following business :

#### ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1997, and the Profit and Loss Account for the year ended on 31st March, 1997 and the Reports of the Directors and of the Auditors.
2. To appoint a Director in place of Mr. Pradeep Bhargava, who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. M. Akamatsu, who retires by rotation, but being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY RESOLUTION :  

"RESOLVED THAT THE COMPANY'S AUDITORS, M/S. ARTHUR ANDERSEN & ASSOCIATES, CHARTERED ACCOUNTANTS, BOMBAY, BE AND THEY ARE HEREBY RE-APPOINTED AS AUDITORS OF THE COMPANY TO HOLD OFFICE FROM THE CONCLUSION OF THIS MEETING UNTIL THE CONCLUSION OF THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY AND THAT THE BOARD OF DIRECTORS BE AND IS HEREBY AUTHORISED TO FIX THEIR REMUNERATION FOR THE PERIOD."

#### SPECIAL BUSINESS :

5. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY RESOLUTION :  

"RESOLVED THAT MR. J. KONO, WHO WAS APPOINTED AS AN ADDITIONAL DIRECTOR OF THE COMPANY BY THE BOARD OF DIRECTORS AND WHO HOLDS OFFICE UPTO THE DATE OF THIS ANNUAL GENERAL MEETING OF THE COMPANY UNDER SECTION 260 OF THE COMPANIES ACT, 1956

AND IN RESPECT OF WHOM THE COMPANY HAS RECEIVED A NOTICE IN WRITING FROM A MEMBER, PROPOSING HIM AS A CANDIDATE FOR THE OFFICE OF A DIRECTOR, BE AND IS HEREBY APPOINTED AS A DIRECTOR OF THE COMPANY."

6. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT MR. Y. OKAMOTO, WHO WAS APPOINTED AS AN ADDITIONAL DIRECTOR OF THE COMPANY BY THE BOARD OF DIRECTORS AND WHO HOLDS OFFICE UPTO THE DATE OF THIS ANNUAL GENERAL MEETING OF THE COMPANY UNDER SECTION 260 OF THE COMPANIES ACT, 1956 AND IN RESPECT OF WHOM THE COMPANY HAS RECEIVED A NOTICE IN WRITING FROM A MEMBER, PROPOSING HIM AS A CANDIDATE FOR THE OFFICE OF A DIRECTOR, BE AND IS HEREBY APPOINTED AS A DIRECTOR OF THE COMPANY, LIABLE TO RETIRE BY ROTATION."

7. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT MR. H. HIBI, WHO WAS APPOINTED AS AN ADDITIONAL DIRECTOR OF THE COMPANY BY THE BOARD OF DIRECTORS AND WHO HOLDS OFFICE UPTO THE DATE OF THIS ANNUAL GENERAL MEETING OF THE COMPANY UNDER SECTION 260 OF THE COMPANIES ACT, 1956 AND IN RESPECT OF WHOM THE COMPANY HAS RECEIVED A NOTICE IN WRITING FROM A MEMBER, PROPOSING HIM AS A CANDIDATE FOR THE OFFICE OF A DIRECTOR, BE AND IS HEREBY APPOINTED AS A DIRECTOR OF THE COMPANY, LIABLE TO RETIRE BY ROTATION."

By Order of the Board of Directors

For KALYANI SHARP INDIA LIMITED

Gat No.686/4,  
Koregaon Bhima,  
Taluka Sirur,  
District Pune 412 216.  
June 28, 1997.

**M. R. PATWARDHAN**  
COMPANY SECRETARY

**KALYANI SHARP INDIA LIMITED****SHARP****NOTES :**

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Special Business under Item Nos. 5 to 7 of the Notice to be transacted at the Annual General Meeting is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
3. Members are requested to advise the Registrars &

Transfer Agents, MCS Limited, 116/118, Akshay Complex, Off Dhole Patil Road, Near Ganesh Mandir, Pune 411 001, immediately of any change in their addresses.

4. The Share Transfer Books and the Register of Members of the Company will remain closed from Friday, the 29th day of August, 1997 to Saturday, the 13th day of September, 1997 (both days inclusive).
5. Documents referred to in any of the Items of the Notice are available for inspection at the Registered Office of the Company on any working day upto 13th day of September, 1997 during business hours of the Company.

**ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173 OF THE COMPANIES ACT, 1956. :**

The following Explanatory Statement sets out as required by Section 173 of the Companies Act, 1956, all the material facts relating to the Special Business under Item Nos.5 to 7 referred to in the accompanying Notice dated June 28, 1997.

**ITEM NO.5 :**

The Board of Directors, at its meeting held on October 19, 1996, had appointed Mr. J. Kono as an Additional Director of the Company. In terms of Section 260 of the Companies Act, 1956 and Article 141 of the Articles of Association of the Company, he holds office only till the date of this Annual General Meeting. The Company has received a Notice in writing from a Member pursuant to Section 257 of the Companies Act, 1956, alongwith a deposit of Rs.500/-, proposing the candidature of Mr. J. Kono as a Director of the Company at the ensuing Annual General Meeting.

Mr. J. Kono has more than 28 years of experience and is very knowledgeable in the Electronics field. He has also been appointed as Whole-time Director (Technical) of the Company for a period of three years with effect from November 1, 1996.

The Directors recommend the Resolution for acceptance by the Members.

None of the Directors of the Company other than Mr. J. Kono, may be deemed to be concerned with or interested in the Resolution.

**ITEM NO.6 :**

The Board of Directors, at its meeting held on June 28, 1997, had appointed Mr. Y. Okamoto as an Additional Director of the Company. In terms of Section 260 of the Companies Act, 1956 and Article 141 of the Articles of Association of the Company, he holds office only till the date of this Annual General Meeting. The Company has received a Notice in writing from a Member pursuant to Section 257 of the Companies Act, 1956, alongwith a deposit of Rs.500/-, proposing the candidature of

Mr. Y. Okamoto as a Director of the Company at the ensuing Annual General Meeting.

Mr. Y. Okamoto is Deputy General Manager, Video Systems Division of Sharp Corporation, Japan. It is considered desirable that the Company should continue to have the benefit of his experience and advice and accordingly, the resolution for his appointment as Director is recommended to the Members for approval.

None of the Directors of the Company other than Mr. Y. Okamoto, may be deemed to be concerned with or interested in the Resolution.

**ITEM NO.7 :**

The Board of Directors, at its meeting held on June 28, 1997, had appointed Mr. H. Hibi as an Additional Director of the Company. In terms of Section 260 of the Companies Act, 1956 and Article 141 of the Articles of Association of the Company, he holds office only till the date of this Annual General Meeting. The Company has received a Notice in writing from a Member pursuant to Section 257 of the Companies Act, 1956, alongwith a deposit of Rs.500/-, proposing the candidature of Mr. H. Hibi as a Director of the Company at the ensuing Annual General Meeting.

Mr. H. Hibi is Deputy General Manager, TV Systems Division of Sharp Corporation, Japan. It is considered desirable that the Company should continue to have the benefit of his experience and advice and accordingly, the resolution for his appointment as Director is recommended to the Members for approval.

None of the Directors of the Company other than Mr. H. Hibi, may be deemed to be concerned with or interested in the Resolution.

By Order of the Board of Directors  
**For KALYANI SHARP INDIA LIMITED**

Gat No.686/4,  
Koregaon Bhima,  
Taluka Sirur,  
District Pune 412 216.  
June 28, 1997.

**M. R. PATWARDHAN**  
**COMPANY SECRETARY**

## KALYANI SHARP INDIA LIMITED

**SHARP****DIRECTORS' REPORT**

To,  
The Members,

Your Directors have pleasure in presenting their Twelfth Report together with the Audited Statement of Accounts for the year ended on March 31, 1997.

**1. FINANCIAL RESULTS :**

	Year ended on March 31, 1997	(Rs. in Million) Previous year ended on March 31, 1996
Sales and service, net		
Domestic	1,608.004	1,188.033
Export	1,181.290	412.060
Total	2,789.294	1,600.093
Other income	12.490	3.798
Profit before Interest and Depreciation	178.565	101.406
Less : Interest	117.612	146.998
Depreciation	55.306	33.911
Profit/(Loss) for the year before tax	5.647	(79.503)
Unusual items adjustments (net)	—	11.034
Provision for Taxation	—	—
Net Profit/(Loss)	5.647	(68.469)
Profit and (Loss) Account, beginning of the year	(162.671)	(93.102)
Profit/(Loss) available for appropriation	(157.024)	(161.571)
Transfer to Debenture Redemption Reserve	(1.100)	(1.100)
Profit and (Loss) Account, end of the year	(158.124)	(162.671)

**PROFITABILITY :**

The Sales and Service Income of the Company during the year under review showed an increase of 74% over the previous year. The domestic sales of your Company increased by 35% over the previous year. The export sales, based on full year of operation of Export Oriented Unit (EOU), are Rs.1181.290 Million as against Rs.412.060 Million during the four months operation of the previous year. Though margins in the domestic business continued to remain under pressure due to intensified competition amongst Indian and foreign brands, your Company earned a net profit of Rs.5.647 Million as against a net loss of Rs.68.469 Million incurred during the previous year.

Apart from increase in the sales volume, reduction in the interest cost has helped in improving the profitability.

**2. OPERATIONS :**

The demand for consumer electronic products in general and Colour Televisions (CTVs) in particular continued to show a growth during the year under review. Your Company introduced, under SHARP brand, new CTV models in the domestic market and VCR models for exports having attractive features. You are aware that the Company had converted one of its DTA unit for the manufacture of VCRs into 100% EOU in December 1995. During the year under review which is the very first full year of operation of EOU, the Company

**KALYANI SHARP INDIA LIMITED****SHARP**

achieved full utilisation of the installed capacity of EOU. The production of CTVs also showed a growth of 33% over the previous year. SHARP brand imported Fax machines were introduced on trading basis during the year under review along with earlier introduced imported SHARP traded products viz., LCD Projectors, Viewcams, Audios etc.

Your Company has always given emphasis on the quality aspects of manufacturing processes and the Board is pleased to inform that the Company has been awarded the prestigious ISO 9002:1994 certification by Standardisation Testing and Quality Certification Directorate, Department of Electronics, Government of India.

**3. MARKETING OPERATIONS :**

CTV market showed a growth of 20% as against a growth of 25% during the previous year. However, the growth in the sale at the dealer's counter to the ultimate customer is lower. The market also witnessed intense competition, entry of more foreign brands and there are now 14 strong brands operating in the domestic market. Some brands are spending more on advertising and offering more incentives to the customers for grabbing the market share in already crowded market. The domestic market is also witnessing shifting of market share amongst the brands. Against such a background, your Company was able to show a growth of 30 % in CTV sales over the previous year.

**4. EXPORTS :**

Your Company commenced VCR export activity since December 1995. Your Company is slowly becoming a production centre for export of VCRs/VCPs for global requirements of Sharp Corporation, Japan. Your Company exported 313,633 Nos. VCRs / VCPs valued at US \$ 33.162 Million (Rs.1181.290 Million) during the year under review as against export of 84,377 Nos. valued at US \$ 11.994 Million (Rs.412.060 Million) during the four months operation in the previous year. The bulk of the export of VCRs is to USA, though some quantities were also exported to countries like Australia, New Zealand, Taiwan, Singapore, Hongkong, Germany, Mexico etc.

The export activity of your Company could commence

in a very short period, expand and sustain on a large scale, only due to the active support received at every stage of export operations from Sharp Corporation, Japan.

Your Company has received an award in recognition of "Outstanding Exports" in panel of "Consumer Electronics (Non-SSI)" during the year 1995-96 constituted by Electronics and Computer Software Export Promotion Council, New Delhi.

**5. EXPANSION AND DIVERSIFICATION :**

Your Company wants to increase its market share in the domestic market and maintain the exports on a sustained basis. The trading activity is being expanded to test the domestic market.

Your Company is planning to introduce new models of CTVs in the domestic market and VCRs in the overseas and domestic markets.

**6. INDUSTRIAL RELATIONS :**

Industrial Relations continued to be peaceful during the year under review.

**7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :**

Information required under the provisions of Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Report, is given in Annexure 'A'.

**8. PARTICULARS OF EMPLOYEES :**

Information required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and forming part of the Report, is given in Annexure 'B'.

**9. COMPARISON OF PROJECTIONS AND ACTUAL PERFORMANCE :**

As required under Clause 43 of the Listing Agreement with the Stock Exchanges, the comparison of projections for the year ended March 31, 1997 as per Letter of Offer dated October 19, 1995 and actual performance is given hereunder :



**KALYANI SHARP INDIA LIMITED****SHARP****1. Projects :**

The funds of Rs.250.040 Million raised by way of Rights Issue were utilised towards the objects of the issue stated in the Letter of Offer and the Projects in respect of VCRs/VCPs/VTDM and CTVs have been completed as per the schedule.

**2. Projections V/s. Performance :**

(Rs. in Million)

	Projections	Actuals
Gross Sales	4073.921	2904.398
Profit After Tax	80.000	5.647

Variation between Projected and Actual performance is on account of :

- a) The actual Export Sales of VCRs/VCPs were 313,633 Nos. against Projections of 327,000 Nos. However, the sales value was lower mainly because of change in the model-mix as per the international requirements.
- b) The actual sales of products in the domestic market were lower than the projections.
  - Projection for domestic CTV sale was 144,000 Nos. and actual was 101,181 Nos.
  - Rate of projected rise in the domestic demand for the Company's product not materialised.
  - Sales quantity and prices were under pressure because of entry of more foreign brands resulting into higher competition.
- c) Consequently, the profit was lower than projected due to the actual sales.

**10. DIRECTORS :**

Mr. S. Nishikawa resigned from the Board as a Director as well as Whole-time Director (Technical) of the Company with effect from October 31, 1996. The Directors place on record their sincere appreciation for the useful contribution made by Mr. S. Nishikawa during his tenure as Whole-time Director (Technical) of the

Company.

Mr. J. Kono was appointed as an Additional Director of the Company with effect from October 19, 1996. He is also appointed as Whole-time Director (Technical) of the Company for a period of three years with effect from November 1, 1996. The Central Government has approved the appointment and remuneration of Mr. J. Kono.

Mr. A. Takeda resigned from the Board with effect from October 19, 1996. Mr. A. Kunikane was appointed as a Director with effect from October 19, 1996 in the casual vacancy caused by the resignation of Mr. A. Takeda. Mr. H. Hattori and Mr. A. Kunikane resigned from the Board with effect from June 28, 1997. The Directors place on record their sincere appreciation for the useful contribution made by Mr. A. Takeda, Mr. H. Hattori and Mr. A. Kunikane during their association with the Board.

Mr. Y. Okamoto and Mr. H. Hibi were appointed as Additional Directors with effect from June 28, 1997.

In accordance with the provisions of the Companies Act, 1956 and of the Articles of Association of the Company, Mr. Pradeep Bhargava and Mr. M. Akamatsu, Directors of the Company, retire by rotation and being eligible, they offer themselves for re-appointment.

**11. AUDITORS :**

You are requested to re-appoint Auditors for the current year to hold the office from the conclusion of the ensuing Annual General Meeting until conclusion of the next Annual General Meeting.

**12. ACKNOWLEDGEMENTS :**

Your Directors wish to place on record their appreciation for the help and guidance offered by the Promoters, Bharat Forge Limited and Collaborators, Sharp Corporation, Japan as well as co-operation extended by Banks and Financial Institutions. Your Directors also express their deep appreciation of the unstinted efforts and contribution made by the employees at all levels.

**For and on behalf of the  
Board of Directors**

Pune.  
Dated : June 28, 1997.

**B.N. KALYANI  
CHAIRMAN**

## ANNEXURE 'A'

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1997.

**A. CONSERVATION OF ENERGY :**

## (a) Energy Conservation measures taken :

Electrical power consumption is controlled by installing power saving devices like Auto Temperature Controllers, Timers, Limit Switches, PLCs and Capacitors.

## (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :

At present no additional investment for reduction in power consumption is under consideration.

## (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

Eventhough, optimum utilisation of electrical consumption is ensured, due to increase in tariff, and production level, the cost of energy is increased. However, attempt is made to reduce its impact on the cost of production of goods.

## (d) Total Energy Consumption and Energy Consumption per unit of production as per Form-A of the Annexure to the Rules in respect of Industries specified in the Schedule thereto :

Not applicable as the industry is not covered under the list of specified industries.

**B. TECHNOLOGY ABSORPTION :**

Research and Development (R & D) :

## 1. Specific areas in which R &amp; D carried out by the Company :

- a) 36 cms, 51 cms, 53 cms (2 R Type) and 25" Colour TVs with Remote Control.
- b) Development of Colour TVs with Hyper Band Tuner (100 Channel) using existing chassis.
- c) 14" and 20" Colour TV with low cost chassis.
- d) New concept of Top Dome Speaker Colour TV models are being developed.
- e) Introduction of new process by which quality of product is improved.
- f) VCR component localization for export models.

## 2. Benefits derived as a result of the above R &amp; D :

- a) New models with latest features introduced.
- b) Quality & Reliability of the product improved.
- c) Better Inventory Control and hence reduction in interest burden.
- d) Saving in foreign exchange through localization.

## 3. Future plan of action :

- a) New CTV Models (36 cms, 51 cms, 53 cms, 63 cms and 70 cms) with international standards are being developed.
- b) Use of CAD for development to minimise time and improve accuracy.
- c) New development for lower cost models.
- d) New models of VCR component localization for export to USA and other countries.

Technology and Know-how for development activities is being absorbed through training of engineers at Japan and Sharp Corporation's Engineers and Designers visit to India.



**KALYANI SHARP INDIA LIMITED****SHARP**

## 4. Expenditure on R &amp; D :

(a) Capital	Rs.	Nil
(b) Recurring	Rs.	4,150,341
(c) Total	Rs.	4,150,341
(d) Total R & D Expenditure as a percentage of total turnover		0.143 %

**Technology absorption, adaptation and innovation :**

- Efforts, in brief, made towards technology absorption, adaptation and innovation :  
The Company has a very good R & D set up backed by Engineering centre. The Company has set up international standard manufacturing facilities with dependable quality assurance system. Assistance from domestic as well as from international laboratories is sought wherever needed.
- Benefits derived as a result of the above efforts e.g., product performance improvement, cost reduction, product development, import substitution etc.
  - Self reliance in product designing / engineering.
  - Cost reduction in imports and material.
  - Customer satisfaction.
- In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) :

Technology imported	Year of import	Has technology been fully absorbed?	If not fully absorbed areas where this has not taken place, reasons therefor and future plans of action
For VCR : Mass manufacturing technology for VCR production under Phase I & II.	1991-92	Yes	—

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO :**

- Activities relating to exports, initiatives taken to increase exports, development and new export markets for products and services and export plans :  
As a part of future growth strategy, your Company is gearing up for substantial exports on sustained basis.
- Total Foreign exchange used and earned :
 

USED	:	Rs.1,511,556,746 (on CIF basis and Travel)
EARNED	:	Rs.1,181,289,956 (on FOB basis)

For and on behalf of the  
Board of Directors

Pune.  
Dated : June 28, 1997.

**B.N. KALYANI**  
**CHAIRMAN**