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CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DEV	<input checked="" type="checkbox"/>
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AGM	<input checked="" type="checkbox"/>		IN	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>

**13th Annual report
1997-98**

SHARP

Sharp Minds, Sharp Products



KALYANI SHARP INDIA LIMITED

KALYANI SHARP INDIA LIMITED**SHARP****BOARD OF DIRECTORS****Mr. B.N. KALYANI***[Chairman]***Mr. S.S. MARATHE****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 13th 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 29th day of August, 1998 at 11.00 a.m. (I.S.T.) to transact the following business :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1998, and the Profit and Loss Account for the year ended on 31st March, 1998 and the Reports of the Directors and of the Auditors.
2. To appoint a Director in place of Mr. B.N. Kalyani, who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. S. Kojima, 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."

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 10, 1998.

M.R. PATWARDHAN
COMPANY SECRETARY

NOTES :

1. **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.**
2. 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.
3. The Share Transfer Books and the Register of Members of the Company will remain closed from Friday, the 14th day of August, 1998 to Saturday, the 29th day of August, 1998 (both days inclusive).
4. 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 29th day of August, 1998 during business hours of the Company.

KALYANI SHARP INDIA LIMITED

SHARP**DIRECTORS' REPORT**

To,
The Members,

Your Directors have pleasure in presenting their Thirteenth Report together with the Audited Statement of Accounts for the year ended on March 31, 1998.

1. FINANCIAL RESULTS :

	Year ended on March 31, 1998	(Rs. in Million) Previous Year ended on March 31, 1997
Sales and Service, net		
Domestic	1,737.444	1,608.004
Export	938.723	1,181.290
Total	2,676.167	2,789.294
Other Income	11.945	12.490
Profit before Interest and Depreciation	160.127	178.565
Less : Interest	87.114	117.612
Depreciation	56.860	55.306
Profit for the year before tax	16.153	5.647
Provision for Taxation	—	—
Net Profit for the year	16.153	5.647
Profit and (Loss) Account, beginning of the year	(158.124)	(162.671)
Profit/(Loss) available for appropriation	(141.971)	(157.024)
Transfer to Debenture Redemption Reserve	(1.100)	(1.100)
Profit and (Loss) Account, end of the year	(143.071)	(158.124)

PROFITABILITY :

The total sales and service income of the Company during the year under review showed a marginal decrease over the previous year, however, the Company improved its sale in the domestic market by 8%. Though actual export sale in quantity is lower by 6%, the sales value of export is reduced more, mainly because of change in the model-mix and the pricing as per the international requirements.

Though margins continued to remain under pressure due to severe competition and price reduction trend in the domestic market amongst the Indian and foreign brands, your Company earned a higher net profit of Rs. 16.153 Million against a net profit of Rs. 5.647 Million earned during the previous year, showing a rise of 286% over the previous year.

Despite pressure on the sales prices and increase in advertisement and discount costs required to be incurred for remaining competitive in the domestic market, the initiatives taken by your Company like improvement in

the domestic sale of Colour Televisions (CTVs) and Video Cassette Recorders (VCRs) / Video Cassette Players (VCPs), noteworthy reduction in interest cost through better management of current assets and improved budgetary controls on the revenue costs, have helped in improving the profitability of the Company.

2. OPERATIONS :

Your Company could sell more CTVs in the domestic market due to various efforts taken by the Company and growth witnessed in the demand for CTV during the year under review. Under SHARP brand, new CTV models, a VCP model in the domestic market and new VCR models for exports having better features were introduced. Your Company continued to show an impressive performance of VCR / VCP exports mainly to USA from its 100% Export Oriented Unit (EOU). There is an improvement in sale of SHARP brand traded products like LCD, Viewcams, although the sale of fax machines continued to remain at the level of the

KALYANI SHARP INDIA LIMITED

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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 10, 1998.

M.R. PATWARDHAN
COMPANY SECRETARY

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KALYANI SHARP INDIA LIMITED**SHARP**

previous year.

Your Company has always given emphasis on the quality aspects covering all the areas of its operations and your Company continues to hold the prestigious ISO 9002 - 1994 certification issued by Standardisation Testing and Quality Certification Directorate, Department of Electronics, Government of India.

3. MARKETING OPERATIONS :

The domestic demand for CTVs continued to show a growth during the year under review. The market grew by about 20% in volume. The growth was primarily seen in the low price segment and to some extent, in the top end segment. Although the CTV market has grown in volume, the growth in terms of value may be lower.

As was observed in the previous year, the domestic market is still crowded by many strong international and Indian brands and the market is witnessing a trend of spending more money on advertisement, reduction in prices, various exchange offers and also shifting market share amongst the brands.

The beginning of 1998-99 presents not very encouraging picture as the counter movement of CTVs is reported quite low and the domestic economy is facing a slowdown under many of its segments.

4. EXPORTS :

Your Company commenced VCR export activity since December 1995 by converting one of its manufacturing units into 100% EOU. Since then, export performance showed a growth in quantitative terms and is now settled at the current level. During the year under review, your Company exported 294,146 Nos. of VCR / VCPs valued at US \$ 25.412 Million (Rs. 938.723 Million) as per the requirements of Sharp Corporation, Japan, as against 313,633 Nos. valued at US \$ 33.162 Million (Rs. 1181.290 Million) during the previous year. The sales quantity and value of VCR / VCP exports during the year under review is lower than the previous year mainly because of change in model-mix, lower prices and sales quantity as per the international requirements. Most of the export is to USA.

5. EXPANSION AND DIVERSIFICATION :

For increasing the domestic market share, your Company is expanding not only the product range but also the sales network. This year, your Company is planning to introduce seven new models from 14" to 29" for widening its CTV model range from premium models to economy models. To expand your Company's sales turnover, your Company is now entering the field of Audio products. Your Company is also expanding its dealer network especially in the Northern and Eastern Regions which shall help to increase the market share of CTV in those parts of India.

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, 1998 as per Letter of Offer dated October 19, 1995 and actual

KALYANI SHARP INDIA LIMITED**SHARP**

performance is given hereunder -

i. 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.

ii. Projections V/s. Performance :

(Rs. in Million)

	Projections	Actuals
Gross Sales	4803.607	2854.084
Profit After Tax	120.607	16.153

Variation between Projected and Actual Performance is mainly on account of :

- a) The actual Export sales of VCRs / VCPs were 294,146 Nos. against Projections of 350,000 Nos. Further, the sales value of export 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 180,000 Nos. and the actual was 120,566 Nos. as the rate of projected rise in the domestic demand for the Company's products not materialised.
 - Sales quantity and prices were under pressure because of entry of more foreign brands resulting into higher competition.
 - Indian Rupee depreciated at accelerated speed than envisaged, resulting in higher cost of production.
- c) Consequently, the profit was lower than projected due to the main reasons explained under (a) & (b).

10. DIRECTORS :

Dr. N.A. Kalyani resigned from the Board with effect from February 11, 1998. Dr. Kalyani was associated with the Company since its inception and has contributed immensely in the growth of the Company. The Directors place on record their sincere

appreciation for the useful contribution made by Dr. Kalyani during his association with the Board.

Mr. Pradeep Bhargava resigned from the Board with effect from October 13, 1997. The Directors place on record their sincere appreciation for the useful contribution made by Mr. Pradeep Bhargava during his association with the Board.

The nomination of Mr. H. R. Pujari on the Board of the Company was withdrawn by The Industrial Credit & Investment Corporation Of India Limited (ICICI) with effect from February 28, 1998, in line with the Heads of Agreement entered into between the Company and ICICI. The Directors place on record their sincere appreciation for his active participation, valuable guidance and contribution during his association with the Board.

In accordance with the provisions of the Companies Act, 1956 and of the Articles of Association of the Company, Mr. B.N. Kalyani and Mr. S. Kojima, 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 10, 1998.

**B.N. KALYANI
CHAIRMAN**

KALYANI SHARP INDIA LIMITED

SHARP**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, 1998.

A. CONSERVATION OF ENERGY :

- (a) Energy Conservation measures taken :
- i) Electronic ballasts for low power consumption are installed in florescent lamps in 3 shift working area.
 - ii) Electrical power consumption controlled by installing devices like Timers, Limit Switches, PLC, Capacitors and Auto temperature controllers.
- (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 :
Though the 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. Different areas in which R & D carried out by the Company :
 - a) Conversion of existing Colour Television with remote control to Hyperband tuner, 100 channel models.
 - b) Development of new models with latest features having screen sizes of 14", 20", 21", 25" and 29".
 - c) Development of low cost models in 14" and 20" screen size.
 - d) Introduction of new VCR and VCP models in export / domestic market.
 - e) Indigenisation of portable Audio and Compact Mini - CD Systems.
2. Benefits derived as a result of the above R & D :
 - a) Better customer acceptance by virtue of releasing new models with latest features and styles.
 - b) Through continuous interaction with Marketing, Servicing and Quality Assurance Departments, quality and reliability of the products have improved.
 - c) Alternate use of many old inventory items have been found, thus bringing down inventory and interest burden.
 - d) Indigenisation has led to substantial saving of foreign exchange.
3. Future plan of action :
 - a) New CTV Models (14" to 29") meeting international standards as well as specific requirements of Indian market will be developed.
 - b) Low cost CTV models (14" & 20") are being developed for mass consumption.
 - c) Indigenisation of VCR, CTV and Audio models to bring down cost.
 - d) Indigenisation of portable and CD Mini System Audio models.
 - e) Design and development of new Audio models catering to specific requirement of Indian market.