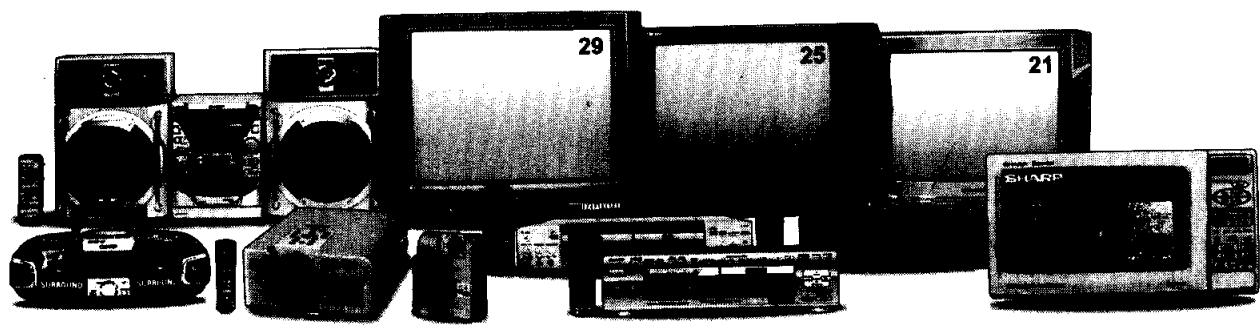


**16th Annual report
2000-2001**



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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. VAIDYA

Mr. M. MORITA

Mr. H. WADA

MR. Y. SAKAMOTO

Mr. N. IWATA
[Managing Director]

Mr. K. KATSUKI
*[Whole-time Director
(Finance & Administration)]*

Mr. R. NISHIKAWA
*[Whole-time Director
(Technical)]*

BANKERS

STATE BANK OF INDIA

BANK OF INDIA

THE BANK OF TOKYO-MITSUBISHI LTD.

THE SANWA BANK LTD.

THE FUJI BANK LTD.

CITI BANK N.A.

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.

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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 16th 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 Tuesday, the 24th day of July, 2001 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, 2001 and the Profit and Loss Account for the year ended on 31st March, 2001 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. K. Katsuki, 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, MUMBAI, 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. S.S. VAIDYA, 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."

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

"RESOLVED THAT MR. M. MORITA, 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 4, 2001.

M.R. PATWARDHAN
COMPANY SECRETARY

NOTES :

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Special Business under Item Nos.5 & 6 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

KALYANI SHARP INDIA LIMITED**SHARP**

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 Wednesday, the 18th day of July, 2001 to Tuesday, the 24th day of July, 2001 (both days inclusive).

5. **Securities & Exchange Board of India (SEBI) has included the Equity Shares of the Company in the list in which trading is compulsory for all the investors in dematerialised form w.e.f. August 28, 2000. The Company has entered into an Agreement with both the Depositories viz., National**

Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Members are therefore requested to demat their shareholding to avoid inconvenience in future.

6. 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 24th day of July, 2001 during the business hours of the Company.
7. The Members are requested to intimate the Company for consolidation of multiple Folios, if any.

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, the material facts relating to the Special Business under Item Nos.5 & 6 referred to in the accompanying Notice dated June 4, 2001.

ITEM NOS.5 & 6 :

The Board of Directors, at its Meeting held on May 7, 2001, appointed Mr. S.S. Vaidya and Mr. M. Morita as the Additional Directors of the Company. In terms of Section 260 of the Companies Act, 1956 and Article 141 of the Articles of Association of the Company, they hold office only till the date of this Annual General Meeting. The Company has received Notices in writing from the Members pursuant to Section 257 of the Companies Act, 1956 alongwith a deposit of Rs.500/-, proposing the candidature of Mr. S.S. Vaidya and Mr. M. Morita as the Directors of the Company at the ensuing Annual General Meeting.

Mr. S.S. Vaidya is a Chartered Accountant. He is a Partner of M/s. Kunte & Vaidya, Chartered Accountants, Pune. He has been in practice for over 20 years and has vast experience in Corporate &

Legal field, Tax Laws, Company Law, Foreign Exchange Laws etc.

Mr. M. Morita is Deputy General Manager, International Business Group of Sharp Corporation, Japan.

It is considered desirable that the Company should have the benefit of their experience and advice.

The Directors recommend the Resolutions for acceptance by the Members.

Mr. S.S. Vaidya and Mr. M. Morita may be deemed to be concerned with or interested in the Resolutions. No other Director of the Company is interested in the Resolutions.

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 4, 2001.

M.R. PATWARDHAN
COMPANY SECRETARY

KALYANI SHARP INDIA LIMITED**SHARP****DIRECTORS' REPORT**

To,

The Members,

Your Directors have pleasure in presenting their Sixteenth Report together with the Audited Statement of Accounts for the year ended on March 31, 2001.

1. FINANCIAL RESULTS :

(Rs. in Million)

	Year Ended March 31, 2001	Previous Year ended on March 31, 2000
Sales and Service, net		
Domestic	2,456.834	2,654.118
Export	468.750	679.044
	2,925.584	3,333.162
Other Income	20.491	5.907
Profit before Interest and Depreciation	219.294	239.740
Less : Interest	96.610	85.941
Depreciation	78.630	60.520
Profit before Extraordinary item and tax	44.054	93.279
Extraordinary item	—	9.981
Profit before tax	44.054	83.298
Provision for Taxation	3.960	10.234
Net Profit for the year	40.094	73.064
Profit and (Loss) Account, beginning of the year	(14.971)	(88.035)
Profit / (Loss) available for appropriation	25.123	(14.971)
Transfer to Debenture Redemption Reserve	—	—
Profit and (Loss) Account, end of the year	25.123	(14.971)

2. PROFITABILITY :

The total net sales and service income of the Company during the year under review showed a decrease of 12% over the previous year. The domestic sales have decreased by 7% primarily because of reduction in CTV Sales. Though the actual export sales quantity is lower by 20% the sales value of export is reduced more, mainly because of change in model mix and the pricing as per the international requirements.

The trend of price reduction and margins under pressure due to severe competition amongst the Indian and foreign brands, continued for the current year in the domestic market. Despite pressure on the sales price and increase in advertisement and discount cost required to remain competitive in the domestic market, the initiative taken by the Company like price rationalisation, control on the

revenue costs, increase in the sales of traded products like Audio CD systems, Microwave Ovens, LCD Projectors has helped in achieving the current year profit levels.

During the year under review, your Company has earned a Net Profit of Rs.40.094 Million and wiped out all the accumulated losses as on March 31, 2001.

3. OPERATIONS :

The demand for consumer electronics in general and Colour Televisions in particular, witnessed a slow down in the absence of any major event. Your Company introduced new CTV and high end Audio models and a range of Microwave Ovens during the year. The domestic sale of imported Sharp traded products has shown a significant improvement.

4. ISO 9001 : 2000 :

Your Company has acquired the prestigious ISO 9001 : 2000 Certification issued by Standardisation Testing and Quality Certification Directorate, Department of Information Technology, Government of India, in the month of February 2001.

5. EXPORTS :

Your Company commenced VCR export activity in December 1995 and has been a leading exporter of consumer electronic products from India to Western countries like USA.

During the year under review, your Company exported 216,454 Nos. of VCRs/VCPs valued at US \$ 10.278 Million (Rs.468.750 Million) as against 268,656 Nos. valued at US \$ 15.792 Million (Rs.679.044 Million) during the previous year. The export, both in terms of quantity and value, is lower than the previous year mainly due to decrease in global demand and lower prices as per the international requirements.

6. MARKETING OPERATIONS :

Consumer Electronic industry is passing through turbulent times. After a continuous growth phase of preceding three years, consumer electronic industry had to be content with lower demand, inventory pile up, erosion in prices and realisation during the years 2000-2001. Outlook for 2001-2002 looks grim with significant drop in demand and consumer buying and competition dropping prices to unsustainable levels just to remain in the race. Both the retail market and the manufacturers face a grave shakeout. The risk of business has increased multifold both in the area of manufacturing and retailing. On a thorough analysis of the situation and the position in which your Company is in, your Company is taking steps which best suit your Company to tackle and tide over the crisis that is engulfing the industry. The steps include production cuts to adjust inventory levels, steps to improve receivables, restructuring of prices and model mix, restructuring of retail network, steps to improve retail sales etc. Your Company also needs to focus on the product profile and the brand image in order to retain its position and come on a growth path. The position of individual product groups of your Company's operation is as under :

Colour Television :

For the first time in four years, CTV market size saw substantial reduction in demand. Rough estimates indicate a drop in demand to the extent of 20-25%. There is also a major shift towards low

priced segment with premium and mid segments virtually going down. In quantity terms, your Company's CTV sale was down by 12% during the year 2000-2001. The general trend portends further drop in demand and further erosion in net realisation during the year 2001-2002.

Video Cassette Recorders (VCRs) / Video Cassette Players (VCPs) :

Added to the adverse impact of Cable TV on VCR/ VCP demand shift in customer preference in favour of VCD Players coupled with availability of cheap grey market products have hit this product category further. With no recording habits the demand for VCRs and VCPs is indicated to go down further in the Indian subcontinent.

Audio Products :

Audio Products while continuing growth in the nascent VCD segment system witnessed erosion in volume and realisation in the Two-in-One category. Your Company, though a marginal player in this product group so far, will be focussing to strengthen its base and achieve growth.

Microwave Oven :

SHARP Microwave Ovens have earned excellent user satisfaction levels in a short period. Though a growing market, prices continue to drop in this product category as well with competition making strategic moves to corner market shares. Your Company has to work towards building wider customer acceptance of its microwave oven and also to reduce input cost to address competition.

LCD Projectors :

Your Company continues to maintain respectable growth in this product category. The year 2000-2001 witnessed increased competition and drop in prices even in this product category. With the latest models and upgraded technologies, Your Company targets to expand business in this category significantly during the year 2001-2002.

7. EXPANSION & DIVERSIFICATION :

Your Company's on going programme of expanding the sales network shall continue. This year also, your Company is planning to introduce a series of new models from 14" to 29". Your Company is planning to add new category of products into the existing product range.

8. INSURANCE CLAIM :

As informed to you earlier on April 14, 1999 the Colour Television and Audio Products assembly facilities and material stores comprising building,

plant and machinery, furniture and fittings and inventories and regulatory records like Excise and Accounts, other operational records stored at the above mentioned facilities were destroyed / damaged by the fire.

The damaged fixed assets and inventories were insured with an external Insurance company. The Company's claim pending with the insurance Company for the assets damaged in the fire was confirmed by the Insurance Company at Rs.163.828 million. On March 29, 2001, your Company received Rs.152.694 Million from the Insurance company as full and final settlement of the fire Insurance claim.

9. DEMATERIALISATION OF SHARES :

Securities & Exchange Board of India (SEBI) has included the Equity Shares of your Company in the list in which Trading is compulsory for all the investors in dematerialised form w.e.f. August 28, 2000. The Company has entered into an Agreement with both the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Securities (India) Limited. The Members are therefore requested to demat their Shares to avoid inconvenience in future.

10. INDUSTRIAL RELATIONS :

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

11. 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**.

12. PARTICULARS OF EMPLOYEES :

There were no employees in the Company employed throughout the year and in receipt of remuneration more than Rs.12,00,000/- per annum or employed part of the year and in receipt of remuneration more than Rs.1,00,000/- per month. As such, disclosure of particulars required in accordance with the provisions of Section 217(2A) of The Companies Act, 1956 read with The Companies (Particulars of Employees) Rules, 1975 are not applicable for the year ended March 31, 2001.

13. DIRECTORS :

Mr. T. Noguchi resigned from the Board as a Director of the Company with effect from August

27, 2000. The Directors place on record their sincere appreciation for the useful contribution made by Mr. T. Noguchi during his tenure as a Director. Mr. T. Nakagawa was appointed as an Additional Director of the Company on the same day.

Mr. S.S. Marathe resigned from the Board as a Director of the Company with effect from February 1, 2001. The Directors place on record their sincere appreciation for his active participation, valuable guidance and useful contribution during his association with the Board.

Mr. S.S. Vaidya was appointed as an Additional Director of the Company w.e.f. May 7, 2001.

Mr. T. Nakagawa resigned from the Board as a Director of the Company with effect from May 7, 2001. The Directors place on record their sincere appreciation for the useful contribution made by Mr. T. Nakagawa during his tenure as a Director. Mr. M. Morita was appointed as an Additional Director of the Company on the same day.

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. K. Katsuki, Directors of the Company, retire by rotation and being eligible, they offer themselves for re-appointment.

14. DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

- i. that in the preparation of the accounts for the financial year ended March 31, 2001, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- iii. that the Directors 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. that the Directors have prepared the accounts for the financial year ended March 31, 2001 on a 'going concern' basis.

15. AUDIT COMMITTEE :

The Board of the Company has constituted an Audit Committee of the Directors under Section 292A of the Companies (Amendment) Act, 2000, comprising of three Directors viz., Mr. B.N. Kalyani – Chairman, Mr. N. Iwata – Managing Director and Mr. S.S. Vaidya.

16. 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.

17. 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 4, 2001.

**B.N. KALYANI
CHAIRMAN**



ANNEXURE

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, 2001.

A. CONSERVATION OF ENERGY :**a) Energy Conservation measures taken :**

- i) Electronics Ballasts for low power consumption are installed in florescent lamps in 3 shift working area.
- ii) Electric power consumption controlled by installing devices like Timers, Limit Switches, PLC, Capacitors and Auto temperature controllers.
- iii) Ventilation plant use is optimised and circulating fans added for energy conservation.

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) of above for reduction of energy consumption and consequent impact on the cost of production of goods :

Optimum utilisation of electrical consumption is ensured, and inspite of hike in electrical tariff by 5.6% on total bill. The increase in cost of energy has been limited to 2.9%. 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.

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B. TECHNOLOGY ABSORPTION:**Research and Development (R & D) :****1. R & D activities were successfully carried out in the following areas :**

- a) Introduction of 14", 20", 21", 25" and 29" models.
- b) Development of new CTV chassis having advanced features.
- c) Introduction of new VCR model for export and VCR/VCP for domestic market.
- d) Development of portable Audio, CD/VCD based mini component systems.
- e) Introduction of VCD / DVD players and Microwave Oven.

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

- a) Customer acceptance to new CTV design style and futuristic features.
- b) Through continuous interaction with Marketing, Servicing and Quality Assurance Departments, quality and reliability of the products have improved. We are confident to provide 7 years warranty.
- c) Alternate use of many old items from inventory brought down inventory and interest burden.
- d) Substantial savings of Foreign Exchange by virtue of indigenisation in CTV and Audio Products.

3. Future Plan of action :

- a) Development of new CTV models in 14" to 29" (both conventional and pure flat types) to meet specific requirements of changing Indian market.