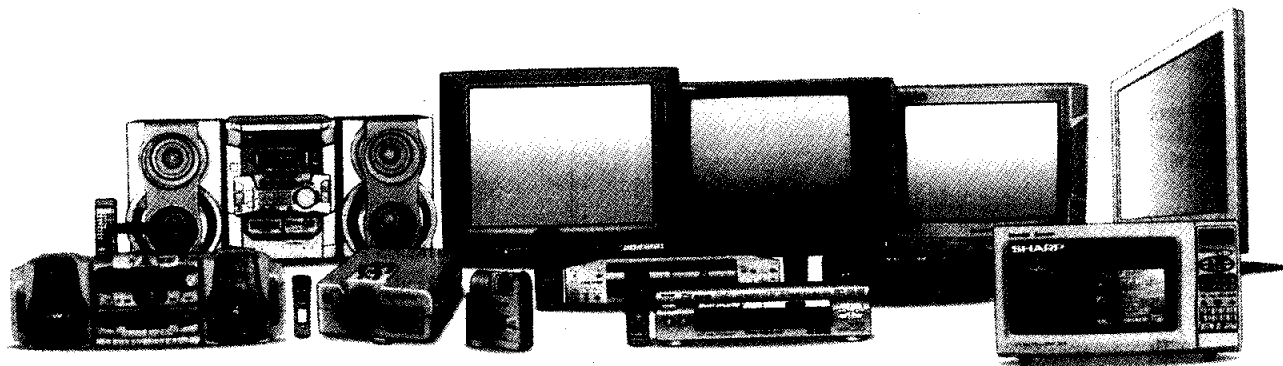


**17th Annual report
2001-2002**



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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. N. IWATA
[Managing Director]

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

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

Mr. K. KAKITA

MR. M. SHIINO

BANKERS

STATE BANK OF INDIA
BANK OF INDIA
THE BANK OF TOKYO-MITSUBISHI LTD.
UFJ BANK LIMITED.
THE MIZUHO CORPORATE BANK LTD.
CITI BANK N.A.

SOLICITORS & ADVOCATES

CRAWFORD BAYLEY & CO., MUMBAI

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 17th 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 Friday, the 26th day of July, 2002 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 2002 and the Profit and Loss Account for the year ended on 31st March 2002 and the Reports of the Directors and of the Auditors.
2. To appoint a Director in place of Mr. M. Morita, who retires by rotation but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. H. Wada, 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 M/S. S.R. BATLIBOI & CO. CHARTERED ACCOUNTANTS, PUNE, BE AND ARE HEREBY 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 & 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. K. OHIRA, 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. K. KAKITA, 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. M. SHINO, 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."

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

"RESOLVED THAT PURSUANT TO THE PROVISIONS OF SECTIONS 198, 269, 309 AND OTHER APPLICABLE PROVISIONS, IF ANY, OF THE COMPANIES ACT, 1956, AND SUBJECT TO OTHER APPROVALS AS MAY BE REQUIRED, AND SUCH MODIFICATIONS AND CONDITIONS, IF ANY, AS THE CENTRAL GOVERNMENT MAY IMPOSE AND WHICH THE BOARD OF DIRECTORS OF THE COMPANY IN THEIR DISCRETION ARE HEREBY AUTHORISED TO ACCEPT ALL SUCH APPROVALS BEING READ WITH ARTICLES 173, 175 AND 176 OF THE ARTICLES OF ASSOCIATION OF THE COMPANY, CONSENT OF THE COMPANY BE AND IS HEREBY ACCORDED TO THE APPOINTMENT OF MR. KENJI OHIRA AS WHOLE-TIME DIRECTOR (FINANCE & ADMINISTRATION) OF THE COMPANY FOR A PERIOD OF THREE YEARS WITH EFFECT FROM AUGUST 24, 2001, ON THE FOLLOWING REMUNERATION :

1. SALARY OF RS.45,000 (RUPEES FORTY FIVE THOUSAND ONLY) PER MONTH.
2. RENT FREE FURNISHED RESIDENTIAL ACCOMODATION TOGETHER WITH NECESSITIES INCLUDING GAS, ELECTRICITY, WATER ETC.
3. REIMBURSEMENT OF MEDICAL EXPENSES ACTUALLY INCURRED FOR SELF, WIFE AND DEPENDENT CHILDREN.
4. FEES FOR TWO CLUBS.
5. CAR WITH DRIVER.
6. FREE TELEPHONE FACILITY AT RESIDENCE.
7. REIMBURSEMENT OF ACTUAL TRAVELLING EXPENSES FOR SHIFTING FROM JAPAN TO PUNE AND ALSO WHILE RETURNING TO JAPAN.
8. ONE MONTHS' LEAVE WITH FULL PAY FOR EVERY 11 MONTHS SUBJECT TO THE CONDITION THAT LEAVE ACCUMULATED BUT NOT AVAILED WILL NOT BE ALLOWED TO BE ENCASHED.
9. PASSAGE BENEFITS FOR SELF, WIFE AND DEPENDENT CHILDREN TO AND FROM JAPAN AT REASONABLE INTERVALS BUT NOT MORE FREQUENT THAN ONCE IN A YEAR BY BUSINESS CLASS.
10. REIMBURSEMENT OF ACTUAL EXPENSES ON EDUCATION UPTO RS.5,000/- PER MONTH PER CHILD IN CASE OF CHILDREN STUDYING IN INDIA. SUCH REIMBURSEMENT SHALL BE ADMISSIBLE UPTO A MAXIMUM OF TWO CHILDREN.

FURTHER RESOLVED THAT SUBJECT TO THE APPROVAL OF THE CENTRAL GOVERNMENT UNDER SECTION 198 READ WITH SECTION 309(3) AND OTHER APPLICABLE PROVISIONS, IF ANY, OF THE COMPANIES ACT, 1956, THE SALARY AND PERQUISITES, BENEFITS AND AMENITIES AS SET OUT ABOVE BE PAID OR GRANTED TO MR. KENJI OHIRA AS MINIMUM REMUNERATION NOTWITHSTANDING THAT IN ANY FINANCIAL YEAR OF THE COMPANY DURING THE TERM OF MR. KENJI OHIRA'S OFFICE AS WHOLE-TIME DIRECTOR (FINANCE & ADMINISTRATION) OF

KALYANI SHARP INDIA LIMITED**SHARP**

THE COMPANY, THE COMPANY HAS MADE NO PROFITS OR THE PROFITS MADE ARE INADEQUATE.

FURTHER RESOLVED THAT THE BOARD OF DIRECTORS OF THE COMPANY BE AND IS HEREBY AUTHORISED AND EMPOWERED TO MAKE SUCH MODIFICATIONS IN THE TERMS OF PAYMENT OF REMUNERATION TO MR. KENJI OHIRA BY WAY OF GOVERNMENT GUIDELINES OR INSTRUCTIONS OR APPROVALS, THE INTENTION BEING THAT NO FURTHER APPROVAL OF THE COMPANY WILL BE REQUIRED SO LONG AS REMUNERATION OF THE WHOLE-TIME DIRECTOR (FINANCE & ADMINISTRATION) IS NOT IN EXCESS OF THE CONSENT GIVEN BY THE FOREGOING RESOLUTION."

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

"RESOLVED THAT PURSUANT TO THE PROVISIONS OF SECTIONS 198, 269, 309 READ WITH SCHEDULE XIII AND OTHER APPLICABLE PROVISIONS, IF ANY, OF THE COMPANIES ACT, 1956 AND SUBJECT TO SUCH OTHER APPROVALS, AS MAY BE REQUIRED, CONSENT OF THE COMPANY BE AND IS HEREBY ACCORDED TO THE RE-APPOINTMENT OF MR. NOBUHIKO IWATA AS MANAGING DIRECTOR OF THE COMPANY FOR A FURTHER PERIOD OF ONE YEAR, WITH EFFECT FROM **NOVEMBER 1, 2001 TO OCTOBER 31, 2002**, ON THE FOLLOWING REMUNERATION:

1. SALARY OF RS.52,000 (RUPEES FIFTY TWO THOUSAND ONLY) PER MONTH.
2. RENT FREE FURNISHED RESIDENTIAL ACCOMODATION TOGETHER WITH NECESSITIES INCLUDING GAS, ELECTRICITY, WATER, ETC.
3. REIMBURSEMENT OF MEDICAL EXPENSES FOR SELF, WIFE AND DEPENDENT CHILDREN UPTO ONE MONTHS' SALARY.
4. FEES FOR TWO CLUBS UPTO RS.20,000/-.
5. CAR WITH DRIVER.
6. FREE TELEPHONE FACILITY AT RESIDENCE.
7. REIMBURSEMENT OF ACTUAL TRAVELLING EXPENSES WHILE RETURNING TO JAPAN.
8. ONE MONTH'S LEAVE WITH FULL PAY FOR EVERY 11 MONTHS SUBJECT TO THE CONDITION THAT LEAVE ACCUMULATED BUT NOT AVAILED WILL NOT BE ALLOWED TO BE ENCASHED.
9. PASSAGE BENEFITS FOR SELF, WIFE AND DEPENDENT CHILDREN TO AND FROM JAPAN AT REASONABLE INTERVALS BUT NOT MORE FREQUENT THAN ONCE IN A YEAR BY BUSINESS CLASS.
10. REIMBURSEMENT OF ACTUAL EXPENSES ON EDUCATION UPTO RS.5,000/- PER MONTH PER CHILD IN CASE OF CHILDREN STUDYING IN INDIA. SUCH REIMBURSEMENT SHALL BE ADMISSIBLE UPTO A MAXIMUM OF TWO CHILDREN.

FURTHER RESOLVED THAT THE SALARY AND PERQUISITES, BENEFITS AND AMENITIES AS SET OUT ABOVE BE PAID OR GRANTED TO MR. NOBUHIKO IWATA AS MINIMUM REMUNERATION NOTWITHSTANDING THAT

IN ANY FINANCIAL YEAR OF THE COMPANY DURING THE TERM OF MR.NOBUHIKO IWATA'S OFFICE AS MANAGING DIRECTOR OF THE COMPANY, THE COMPANY HAS MADE NO PROFITS OR THE PROFITS MADE ARE INADEQUATE.

FURTHER RESOLVED THAT THE BOARD OF DIRECTORS OF THE COMPANY BE AND IS HEREBY AUTHORISED AND EMPOWERED TO MAKE SUCH MODIFICATIONS IN TERMS OF THE PAYMENT OF REMUNERATION TO MR. N. IWATA AS MAY BE REQUIRED UNDER THE COMPANIES ACT, 1956 OR BECOME PERMISSIBLE BY ANY AMENDMENTS TO SCHEDULE XIII OF THE COMPANIES ACT, 1956 OR BY WAY OF ANY GOVERNMENT GUIDELINES OR INSTRUCTIONS, THE INTENTION BEING THAT NO FURTHER APPROVAL OF THE COMPANY WILL BE REQUIRED SO LONG AS REMUNERATION OF THE MANAGING DIRECTOR IS NOT IN EXCESS OF THE MAXIMUM PERMISSIBLE UNDER RELEVANT LAW, RULES, REGULATIONS, GUIDELINES OR INSTRUCTIONS AS MAY BE PROMULGATED OR ISSUED AFTER THE DATE OF THIS MEETING."

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

Gat No.686/4,
Koregaon Bhima,
Taluka Sirur,
District Pune 412 216.
May 29, 2002.

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 to 9 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 notify any change of address to their Depository Participants (DPs) in respect of their electronic share accounts and to the Registrars & Transfer Agents, MCS Limited, 116/118, Akshay Complex, Off Dhole Patil Road, Near Ganesh Mandir, Pune 411 001, in respect of their physical share folios.
4. The Share Transfer Books and the Register of Members of the Company will remain closed from Wednesday, the 17th day of July, 2002 to Friday, the 26th day of July, 2002 (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 26th day of July, 2002 during the business hours of the Company.
6. The Members are requested to intimate the Company for consolidation of multiple Folios, if any.
7. As per the provisions of the Companies Act, 1956, facility for making nominations is now available to individuals holding shares in the Company. The Nomination Form-2B prescribed by the Government can be obtained from the Share Department of the Company.

KALYANI SHARP INDIA LIMITED**SHARP****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 to 9 referred to in the accompanying Notice dated May 29, 2002.

ITEM NOS. 5, 6 & 7:

The Board of Directors, at its Meeting held on August 24, 2001 appointed Mr. K. Ohira and on January 21, 2002 appointed Mr. K. Kakita and Mr. M. Shiino 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. K. Ohira, Mr. K. Kakita and Mr. M. Shiino as the Directors of the Company at the ensuing Annual General Meeting.

Mr. K. Ohira has more than 32 years of experience and is very knowledgeable in the Finance, Accounts & Administration field. He has also been appointed as Whole-time Director (Finance & Administration) of the Company for a period of three years with effect from August 24, 2001.

Mr. Kazuo Kakita is a Joint General Manager, The Mizuho Corporate Bank Limited, Mumbai, and has a wide experience in banking field.

Mr. M. Shiino is a Joint General Manager, UFJ Bank Limited, New Delhi and has a wide experience in banking field.

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. K. Ohira as the recipient of the remuneration may be regarded as concerned with or interested in the Resolution. No other Director of the Company is interested in the Resolutions.

Mr. K. Kakita and Mr. M. Shiino may be deemed to be concerned with or interested in the Resolution.

ITEM NO.8 :

Sharp Corporation, Japan deputed Mr. K. Ohira as Whole-time Director (Finance & Administration) of the Company for a period of three years effective from August 24, 2001. Sharp Corporation recalled Mr. K. Katsuki for utilising his services at their International Business Group. Accordingly, Mr. K. Katsuki tendered his resignation as a Director as well as Whole-time Director (Finance & Administration) of the Company effective from August 24, 2001.

In place of Mr. K. Katsuki, Sharp Corporation recommended the appointment of Mr. K. Ohira as Whole-time Director (Finance & Administration) of the Company for a period of three years effective from August 24, 2001. The Board of Directors of the Company appointed Mr. K. Ohira as Whole-time Director (Finance & Administration) of the Company for a period of three years with effect from August 24, 2001, subject to the approval of the Members and the Central Government and such other approvals as may be required, on the remuneration set out in the resolution.

The Government of India, Department of Company Affairs, has given its approval under letter No.1/283/2001-CL.VII dated January 24, 2002, further amended by its letter dated April 12, 2002 to the appointment of and remuneration payable to Mr. K. Ohira, as detailed in the Resolution.

Approval of the Government of India covers payment of remuneration to Mr. K. Ohira by way of minimum remuneration as well. As to the payment of minimum remuneration, in the event of loss or inadequacy of profits in any year during the term of appointment, the Government of India has directed that payment of minimum remuneration shall be limited to the ceilings prescribed in Section II of Part II of Schedule XIII of the Companies Act, 1956.

The approval of the Government of India, Department of Company Affairs is subject to the approval of the Company in General Meeting unless already approved.

Approval of the Members under Section 198, 269 and 309 of the Companies Act, 1956, and other relevant provisions thereof is now sought to the appointment of Mr. K. Ohira as Whole-time Director (Finance & Administration) of the Company and to the payment of remuneration to him. The powers to be conferred by the Board to the Whole-time Director (Finance & Administration) shall be subject to Article 176 and the tenure of three years shall be subject to Article 173 of the Articles of Association of the Company.

Mr. K. Ohira has more than 32 years of experience and is very knowledgeable in the Finance, Accounts & Administration field. The Board feels that his association with the Company as Whole-time Director (Finance & Administration) will be of great help in further growth of the Company.

The Directors recommend the Resolution for acceptance by the Members.

Mr. K. Ohira as the recipient of the remuneration may be regarded as concerned with or interested in the Resolution. No other Director of the Company is interested in the Resolution.

ITEM NO.9 :

As the Members are aware, the Board of Directors by its Resolution passed at its Meeting held on October 22, 2001 had re-appointed Mr. N. Iwata as Managing Director of the Company for a further period of one year with effect from November 1, 2001 to October 31, 2002 subject to the approval of the Members in the General Meeting.

In the event of the Company making no profits or the profits made are inadequate in any financial year during the term of Mr. N. Iwata's office as Managing Director of the Company, the Salary and the Perquisites as set out in the resolution be paid or granted to Mr. N. Iwata as minimum remuneration.

Under Section 198, 269, 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the re-appointment of Mr. N. Iwata and the remuneration payable to him as Managing Director requires the approval of the Members in the General Meeting.

The powers conferred by the Board to the Managing Director shall be subject to Article 176 and the tenure of one year shall be subject to Article 173 of the Company's Articles of Association.

The Directors recommend the Resolution for acceptance by the Members.

Mr. N. Iwata as the recipient of the remuneration may be regarded as concerned with or interested in the Resolution. No other Director of the Company is 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.
May 29, 2002.

M.R. PATWARDHAN
COMPANY SECRETARY

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

To,

The Members,

Your Directors have pleasure in presenting their Seventeenth Report together with the Audited Statement of Accounts for the year ended on March 31, 2002.

1. FINANCIAL RESULTS :

	(Rs.in Million)	
	Year ended	Previous Year ended
	March 31, 2002	March 31, 2001
INCOME		
Sales and services, net		
Domestic	2,247.108	2,456.834
Export	353.616	468.750
	2,600.724	2,925.584
Other income	12.863	20.491
	2,613.587	2,946.075
EXPENDITURE		
Manufacturing and other expenses	2,471.588	2,726.781
Depreciation	71.177	78.630
Interest expense	68.930	96.610
	2,611.695	2,902.021
PROFIT BEFORE TAX	1.892	44.054
PROVISION FOR TAX		
Current tax	(0.210)	(3.960)
Deferred tax	(0.712)	—
NET PROFIT FOR THE YEAR	0.970	40.094
PROFIT AND LOSS ACCOUNT, beginning of the year	25.123	(14.971)
Transfer from		
Debenture redemption reserve	8.800	—
Investment allowance reserve	0.250	—
Adjustment for opening deferred tax liability	(16.049)	—
PROFIT AND LOSS ACCOUNT, end of the year	19.094	25.123

2. PROFITABILITY :

Net Sales and Service Income during the year under review showed a decrease of 11.1% over the previous year. The domestic sales have decreased by 8.5% due to combined effect of reduction in CTV, VCR, AUDIO sales and increase in turnover of LCD projectors. The exports have shown decline of 24.6% mainly because of overall sluggish market situation and reduction in selling prices as per the international requirements.

In order to improve the margins your company has introduced various measures such as cost reduction in the areas of operating expenses, interest, manpower, etc. and improvement in sales realisation, better model mix.

During the year under review, your company has earned a Net profit of Rs. 0.970 million after providing for current and deferred tax.

3. OPERATIONS :

Due to sluggish market situation, there is overall reduction in demand for consumer electronics goods. The market has witnessed flat growth for consecutive second year and shift in demands for consumer goods from urban to rural areas. This has resulted in shift in demands for lower end economy models. To adjust itself in this changed environment your company has introduced new low end models of CTVs and is hopeful of increase in sale in the coming years.

4. EXPORTS :

Your Company commenced VCR export activity in December 1995 and has been a leading exporter of VCR to Western countries like U.S.A.

During the year under review, your Company exported 180334 Nos. of VCRs/VCPs valued at US \$7.433 Million (Rs.353.616 Million) as against 216,454 Nos. valued at US \$10.278 Million (Rs.468.750 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.

5. CERTIFICATES AND MARKS :

Your Company continues to hold the prestigious Certificate for Quality Management System as per ISO 9001 : 2000 and the Company has been recently granted Certificate for Environmental Management System as per ISO 14001 : 1996 in the month of February 2002 by Standardization, Testing and Quality Certification (STQC) Directorate, Department of Information Technology, Government of India.

Products of your Company which are exported to U.S.A. bear UL mark, authorized by Underwriters Laboratory of U.S.A. and this mark indicates that products conform to respective safety standards.

6. MARKETING OPERATIONS :

The industry has seen another year of difficult times. The industry had to contend with unsold inventories, severe erosion in prices and contribution resulting from sluggish demand growth in value terms. The retail trade has also come under severe strain with operating margins steadily going down. Vast majority of retail dealers have inadequate funds in their business. While the number of brands, variety of products and variety of models have gone up, there has been no significant infusion of funds in the retail trade. The retail trade heavily depends on rolling and finds it difficult to hold on in non-buoyant market conditions. The mortality rate in the retail trade has gone up significantly and the industry and trade will have to confront lot of turbulence as a result of this.

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 CTV models from 14" to 29" including Pure Flat type. Your Company is planning to add new category of Audio/Video products like LCD TV, MP 3 Player, D-Combos and household appliances into the product range.

8. INDUSTRIAL RELATIONS :

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

9. 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**.

10. 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.

11. DIRECTORS :

Mr. Y. Sakamoto resigned from the Board as a Director of the Company with effect from July 24, 2001. The Directors place on record their sincere appreciation for the useful contribution

made by Mr. Y. Sakamoto during his tenure as a Director. Mr. T. Kuroda was appointed as an Additional Director of the Company on the same day.

Mr. K. Katsuki resigned from the Board as a Director as well as Whole-time Director (Finance & Administration) of the Company with effect from August 24, 2001. The Directors place on record their sincere appreciation for the useful contribution made by Mr. K. Katsuki during his tenure as Whole-time Director (Finance & Administration) of the Company.

Mr. K. Ohira was appointed as an Additional Director of the Company with effect from August 24, 2001. He was also appointed as Whole-time Director (Finance & Administration) of the Company for a period of three years with effect from August 24, 2001. The Central Government has approved the appointment and remuneration of Mr. K. Ohira.

Mr. T. Kuroda resigned as a Director of the Company with effect from October 20, 2001. The Directors place on record their sincere appreciation for the useful contribution made by Mr. T. Kuroda during his tenure as a Director.

Mr. N. Iwata was re-appointed as Managing Director of the Company for a further period of one year from November 1, 2001 to October 31, 2002.

Mr. K. Kakita and Mr. M. Shiino were appointed as Additional Directors of the Company with effect from January 21, 2002.

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

12. 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:

- that in the preparation of the accounts for the financial year ended March 31, 2002, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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;

- 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;

- that the Directors have prepared the accounts for the financial year ended March 31, 2002 on a 'going concern' basis.

13. AUDITORS :

The present Auditors of the Company, M/s. Arthur Andersen & Associates, Chartered Accountants, Mumbai, who vacate Office at the conclusion of the ensuing Annual General Meeting, have expressed inability for re-appointment as Auditors of the Company. A special notice has been received from one of the Shareholders proposing the name of M/s. S.R. Batliboi & Co., Chartered Accountants, Pune, for being appointed as Auditors of the Company in place of the retiring Auditors.

You are requested to appoint M/s S.R. Batliboi & Co. Chartered Accountants, Pune, as Auditors for the current year to hold Office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting.

14. 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 : May 29, 2002.

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 2002.

A. CONSERVATION OF ENERGY:

- Energy Conservation measures taken :
 - Electronics Ballasts for low power consumption are installed in florescent lamps in additional 3 shift working area like Auto Insertion Room, Security and Canteen.
 - Electric power consumption controlled by installing devices like Timers, Limit Switches, PLC, Capacitors and Auto temperature controllers.
 - Ventilation plant use is optimised and circulating fans added for energy conservation.
- Additional investments and proposals, if any, being implemented for reduction of consumption of energy :
Production line and Office area energy-saving Tube light system is being considered.
- 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 8% on total bill, reduction in tariff bills achieved to the level of 12.5%.
- 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) :

- R & D activities were successfully carried out in the following areas to launch various new products:
 - Introduction of 14", 20", 21", 25" and 29" models, both FFST and pure flat types.

KALYANI SHARP INDIA LIMITED

SHARP

- b) Development of new CTV chassis having advanced features.
 c) Introduction of new VCR model for export and domestic market.
 d) Development of portable Audio, CD/VCD and MP3 based mini component systems.
 e) Introduction of several new models of Microwave Oven including convenient half-pint ones.
2. Benefits derived as a result of the above R & D :
- a) Better customer acceptance as a result of new style in step with preference for pure flat televisions.
 b) Through continuous interaction with Marketing, Servicing and Quality Assurance Departments, quality and reliability of the products have improved. Consequently, we could continue 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.
 e) Cost reduction by virtue of higher degree of integration and productivity.
3. Future Plan of action :
- a) Development of new CTV models in 14" to 29" sizes (both conventional and pure flat types) to meet specific requirements of changing Indian market.
 b) Launching of eco-friendly LCD CTV / Plasma TV in sizes of 13" to 28".
 c) Indigenisation of CTV, VCR and Audio models to bring down the cost.
 d) Development and introduction of single CD, 3-CD changer, double cassette Audio; premium Dolby pro-logic system; MP3/DVD/SACD/CD-RW Players.
 e) Development of Small Audio as well as CD Mini Component and Mini Component with VCD / MP3 for specific Indian market need.
 f) Introduction of 1 bit component system.
- Technology and Know-how for development activities are being absorbed through training of engineers at Japan / Malaysia and Sharp Corporation's Engineers are being invited to India.
4. Expenditure on R & D :
- | | | |
|--|-----|-----------|
| a) Capital | Rs. | Nil |
| b) Recurring | Rs. | 6,584,152 |
| c) Total | Rs. | 6,584,152 |
| d) Total R&D Expenditure as a percentage of total turnover | | 0.254% |

Technology absorption, adaptation and innovation:

1. 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 international laboratories is sought whenever needed.
2. Benefits derived as a result of the above efforts e.g. improvement in product performance and reliability, cost reduction, product innovation, import substitution etc.
 - Self reliance in product designing / engineering.
 - Cost reduction in imports and material.
 - Customer satisfaction.
3. 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
A. VCR :			
Design, specifications and testing of 2/4 head VCR / VCP for export (NTSC System) as well as domestic (PAL System) market.	1996-97	Yes	—
B. CTV :			
(i) Design, specification and testing of 14" to 29" size CTV with some exclusive features.	1996-97	Yes	—
(ii) Technical expertise for evaluation and indigenisation of critical components.			
(iii) Technical training for smooth transfer of technology.			
C. AUDIO :			
Design, development, evaluation of CD/VCD based Audio Systems.	1998-99	Yes	—
Environment and reliability testing facility.			

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

- (f) 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.
- (g) Total Foreign exchange used and earned :
 USED : Rs.838,113,566 (on CIF basis and Travel)
 EARNED: Rs.351,690,726

For and on behalf of the
Board of Directors

PUNE
Dated : May 29, 2002.

B.N. KALYANI
CHAIRMAN

MANAGEMENT DISCUSSION & ANALYSIS REPORT**1) INDUSTRY STRUCTURE AND DEVELOPMENTS :**

The annual turnover of Consumer Electronics and Durables industry is estimated at about Rs. 17000+crores. About 15% of this is accounted for by small appliances. Amongst the consumer electronics products colour television is the largest product segment.

The positive factors in favour of the industry are:

- Increase in number of households due to increased trend of nuclear families.
- Increased availability of Hire Purchase finance.
- Social changes resulting in increase in conspicuous consumption.
- Proliferation of media and explosion of TV channels and their reach.

The factors adversely affecting the industry are:

- The developments in the manufacturing sector, resulting in loss of jobs and fear of uncertainties in the consumer's mind.
- Status in the financial markets.
- Poor price realisation by farming households for their produce.
- Propensity for wasteful expenditure by urban households.
- Continuance of grey market.
- Availability of low quality cheap imported electronic goods and components for TV, VCD players, Audios etc.

The industry had to contend with unsold inventories, severe erosion in prices and contribution resulting from sluggish demand growth in value terms.

The retail trade has also come under severe strain with operating margins steadily going down. Vast majority of retail dealers have inadequate funds in their business while the number of brands, variety of products and variety of models have gone up, there has been no significant infusion of funds in the retail trade. The finance of retail trade is so disorganised and secretive that it does not have access to adequate funds from the financial sector. As a result of this the retail trade heavily depends on rolling and finds it difficult to hold on in non-buoyant market conditions. The mortality rate in the retail trade has gone up significantly and the industry and trade will have to confront lot of turbulence as a result of this.

2) OPPORTUNITIES & THREATS :

It has been a difficult year for KSIL with low capacity utilisation, pressure on inventories, and receivables, significant drop in both secondary and primary sales forced upon by adverse factors such as:

- Sluggish demand growth
- Increased price war by competition
- Increased brand presence by competition.
- Increased advertising and sales promotion by competition.
- Highly demanding retail trade.
- Entry of many low priced brands with cheap products.
- Increased tendency of manufacturers sourcing from tax free zones to meet regional demands to fight competition on price.

3) PRODUCT-WISE PERFORMANCE :**COLOR TELEVISION**

While the industry had sluggish growth, KSIL suffered negative growth of 4.5% in primary sales and 6.4% in secondary sales in quantity terms. While KSIL's performance on 53 cms

segment was better, it lost out on 51cms segment and pure flat segments on account of severe price drop by competition (un-remunerative for KSIL) in the case of former and lack of appropriate model mix in the case of latter.

VCR/VCP

VCR and VCP market witnessed continued fall in demand. Change in consumer tastes, availability of cheap VCD players and softwares have virtually made the VCR/VCP disappear from the retailer's shelf. This product category does not offer any growth potential in short-term atleast.

MICROWAVE OVEN

SHARP Microwave continues to gain increased consumer acceptance. Although this is a nascent product for the Indian households, penetration would be slow on account of food habits/cooking habits and the type of food average Indian households cook and eat. We face discriminative taxation on this product in many states as compared to locally produced microwave ovens. With the market size being small and many brands in the field with a variety of models this product category has also been witnessing price / margin erosion. KSIL however, expects to achieve growth in this product category.

AUDIO PRODUCTS

Audio product witnessed maximum turbulence and shakeouts during the year. Shift in consumer tastes has severely brought down the demand for Stereo radio recorders. Maximum demand drop and price erosion was felt in Stereo radio recorders and mono radio recorders. The market also witnessed high degree of product obsolescence in the higher end audio segment with the emergence of VCD Audio Systems and MP3 enabled VCD Audio Systems. This has led to pile up of unsold inventories of high end audio systems both with the manufacturers and retailers resulting in severe price erosion with more and more customers opting for the latest versions.

KSIL also had to suffer its own share of problems in this product category. Now, with the launch of MP3 enabled VCD System range it should be possible for KSIL to improve its performance in this product category in the future.

LCD PROJECTORS

KSIL continues to relatively improve its performance in LCD Projectors. With ongoing sustained technology upgradation in the product category SHARP Projectors will continue to do well in Indian market.

4) OUTLOOK :

In the given situation your company is focusing on product profile, brand building, and product cost in a major way in order to fight the competition in the market place and achieve growth.

5) RISKS AND CONCERNS :

- Erosion in prices and contribution especially on CTV is a major problem area for KSIL. With no discernible product differentiation between brand to brand CTV has almost become a commodity. Although CTV will continue to be a major product being bought by households for years to come, KSIL is finding ways to fight the price warriors and build volumes to remain in business and achieve growth.
- Drop in demand for VCR/VCP could significantly affect KSIL's profitability and KSIL is looking for alternative products to make up for the drop and grow.
- Audio products market is highly volatile. Global changes in technology could make today's good product into tomorrow's non-moving inventory. SHARP's global knowledge and expertise to be accessed to shield KSIL from the vagaries of product obsolescence to the extent possible.