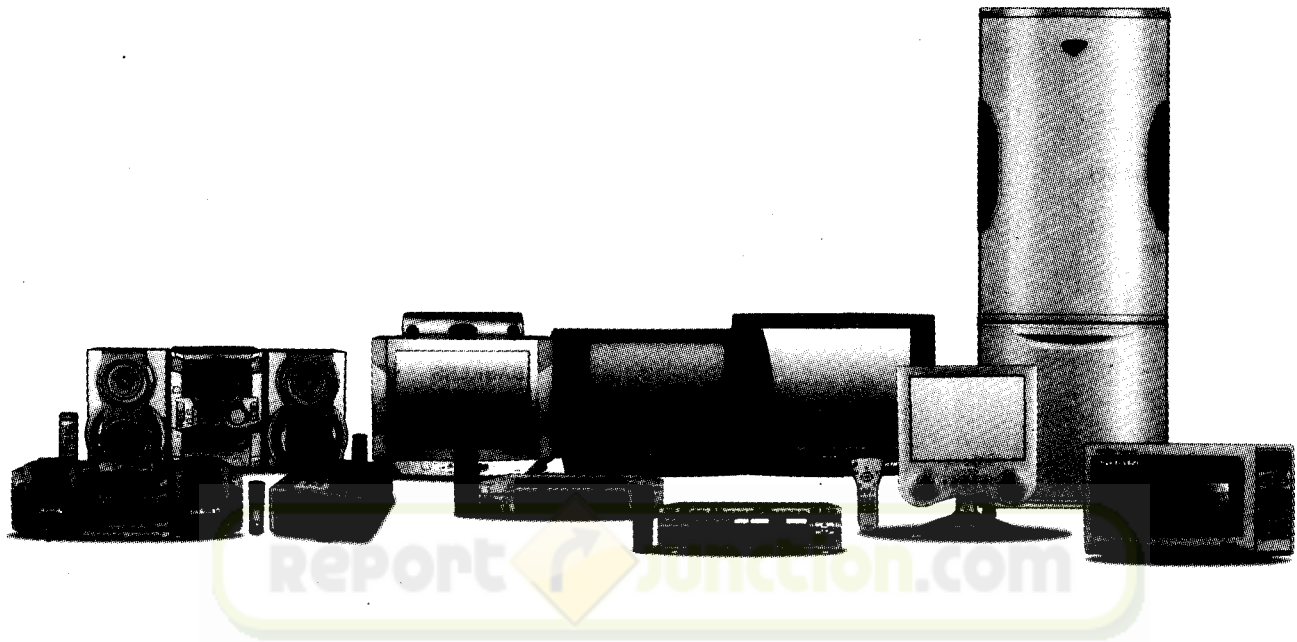
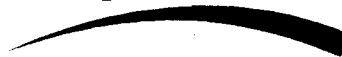


***18th Annual report
2002-2003***



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. K. KAWABE

Mr. M. HOSHINO

Mr. M. DATE
[Managing Director]

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

Mr. K. USUMURA
[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

S. R. BATLIBOI & CO.

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 **18th 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 25th day of July, 2003 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 2003 and the Profit and Loss Account for the year ended on 31st March 2003 and the Reports of the Directors and of the Auditors.
2. To appoint a Director in place of Mr. B.N. Kalayni, who retires by rotation but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. S.S. Vaidya, 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. S.R. BATLIBOI & CO., CHARTERED ACCOUNTANTS, PUNE, BE AND 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. M. DATE, 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. USUMURA, 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."
7. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY RESOLUTION :
 "RESOLVED THAT MR. K. KAWABE, 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 MR. M. HOSHINO, 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."
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 AND OTHER APPLICABLE PROVISIONS, IF ANY, OF THE COMPANIES ACT, 1956, AND SUBJECT TO THE 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. MASASHI DATE AS MANAGING DIRECTOR OF THE COMPANY FOR A PERIOD OF THREE YEARS WITH EFFECT FROM JULY 26, 2002, ON THE FOLLOWING REMUNERATION :
 1. SALARY OF RS.52 000 (RUPEES FIFTY TWO THOUSAND ONLY) PER MONTH.
 2. RENT FREE FURNISHED RESIDENTIAL ACCOMMODATION 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 FOR SHIFTING FROM JAPAN TO PUNE AND ALSO 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 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. M. DATE AS MINIMUM REMUNERATION NOTWITHSTANDING THAT IN ANY FINANCIAL YEAR OF THE COMPANY DURING THE TERM OF MR. M. DATE'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 AND REMUNERATION COMMITTEE 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. M. DATE 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 MANAGING DIRECTOR IS NOT IN EXCESS OF THE CONSENT GIVEN BY THE FOREGOING RESOLUTION."

10. 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. RYOICHI NISHIKAWA AS WHOLE-TIME DIRECTOR (TECHNICAL) OF THE COMPANY FOR A FURTHER PERIOD OF ONE YEAR WITH EFFECT FROM NOVEMBER 1, 2002 ON THE FOLLOWING REMUNERATION:

1. SALARY OF RS.45,000 (RUPEES FORTY FIVE THOUSAND ONLY) PER MONTH.
2. RENT FREE FURNISHED RESIDENTIAL ACCOMMODATION 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 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. R. NISHIKAWA AS MINIMUM REMUNERATION NOTWITHSTANDING THAT IN ANY FINANCIAL YEAR OF THE COMPANY DURING THE TERM OF MR. R. NISHIKAWA'S OFFICE AS WHOLE-TIME DIRECTOR (TECHNICAL) OF THE COMPANY, THE COMPANY HAS MADE NO PROFITS OR THE PROFITS MADE ARE INADEQUATE.

FURTHER RESOLVED THAT THE REMUNERATION COMMITTEE 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. R. NISHIKAWA 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 WHOLE-TIME DIRECTOR (TECHNICAL) 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."

11. 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 APPOINTMENT OF MR. KIICHI USUMURA AS WHOLE-TIME DIRECTOR (TECHNICAL) OF THE COMPANY FOR A PERIOD OF THREE YEARS WITH EFFECT FROM JANUARY 20, 2003 ON THE FOLLOWING REMUNERATION:

1. SALARY OF RS.45,000 (RUPEES FORTY FIVE THOUSAND ONLY) PER MONTH.
2. RENT FREE FURNISHED RESIDENTIAL ACCOMMODATION 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 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. K. USUMURA AS MINIMUM REMUNERATION NOTWITHSTANDING THAT IN ANY FINANCIAL YEAR OF THE COMPANY DURING THE TERM OF MR. K. USUMURA'S OFFICE AS WHOLE-TIME DIRECTOR (TECHNICAL) OF THE COMPANY, THE COMPANY HAS MADE NO PROFITS OR THE PROFITS MADE ARE INADEQUATE.

FURTHER RESOLVED THAT THE REMUNERATION COMMITTEE 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. K. USUMURA 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 WHOLE-TIME DIRECTOR (TECHNICAL) 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.
JUNE 2, 2003

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 11 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 Saturday, the 12th day of July, 2003 to Friday, the 25th day of July, 2003 (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 up to 25th day of July 2003 during the business hours of the Company.
6. 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 to 11 referred to in the accompanying Notice dated June 2, 2003.

ITEM NOS.5, 6, 7 & 8:

The Board of Directors, at its Meeting held on July 26, 2002 appointed Mr. M. Date, on January 20, 2003 appointed Mr. K. Usumura and Mr. K. Kawabe and on May 10, 2003 appointed Mr. M. Hoshino as 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 along with a deposit of Rs.500/-, proposing the candidature of Mr. M. Date, Mr. K. Usumura, Mr. K. Kawabe and Mr. M. Hoshino as the Directors of the Company at the ensuing Annual General Meeting.

Mr. M. Date has more than 26 years of experience and is very knowledgeable in the Marketing and Sales field. He has also been appointed as Managing Director of the Company for a period of three years with effect from July 26, 2002.

Mr. K. Usumura has more than 32 years of experience and is very knowledgeable in the Production Engineering field. He has also been appointed as Whole-time Director (Technical) of the Company for a period of three years with effect from January 20, 2003.

Mr. K. Kawabe has more than 3 years of experience and is very knowledgeable in the Accounts and General Administration fields.

Mr. M. Hoshino has more than 33 years of experience and is very knowledgeable in the Engineering 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. M. Date and Mr. K. Usumura as the recipients 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. Kawabe and Mr. M. Hoshino may be deemed to be concerned with or interested in the Resolutions.

ITEM NO.9 :

Sharp Corporation, Japan has recalled Mr. N. Iwata for utilizing his services at their International Business Group. Accordingly, Mr. Iwata tendered his resignation as a Director as well as Managing Director of the Company effective from July 26, 2002.

In place of Mr. N. Iwata, Sharp Corporation recommended the appointment of Mr. M. Date as Managing Director of the Company for a period of three years effective from July 26, 2002. The Board of Directors of the Company appointed Mr. M. Date as Managing Director of the Company for a period of three years with effect from July 26, 2002, subject to the approval of the Members and the Central Government

KALYANI SHARP INDIA LIMITED**SHARP**

and such other approvals as may be required, on the remuneration set out in the resolution.

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

The Government of India, (GOI), has then given its approval under letter No.1/367/2002/CL.VII dated May 5, 2003 to the appointment of Mr. M. Date, as Managing Director of the Company and payment of remuneration as detailed in the resolution for the period from July 26, 2002 up to the date of this Annual General Meeting. As required by GOI, after members' approval, a certified copy of the Resolution would be submitted to GOI, for approval for the appointment and payment of remuneration to Mr. M. Date as Managing Director of the Company for the remaining term of appointment i.e. from the date of this Annual General Meeting up to July 25, 2005.

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. M. Date as Managing Director of the Company and to the payment of remuneration to him as detailed in the Resolution. The powers to be conferred by the Board to the Managing Director 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. M. Date has more than 26 years of experience and is very knowledgeable in the Marketing and Sales field. The Board feels that his association with the Company as Managing Director will be of great help in further growth of the Company.

The Directors recommend the Resolution for acceptance by the Members.

Mr. M. Date 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.10 & 11 :

As the Members are aware, the Board of Directors by its Resolution passed at its Meeting held on October 26, 2002 had re-appointed Mr. R. Nishikawa as Whole-time Director (Technical) of the Company for a further period of one year with effect from November 1, 2002 to October 31, 2003 subject to the approval of the Members in the General Meeting and on the remuneration approved by the Remuneration Committee as set out in the resolution.

In the event of the Company making no profits or the profits made are inadequate in any financial year during the term of Mr. R. Nishikawa's office as Whole-time Director (Technical) of the Company, the Salary and Perquisites as set out in the resolution be paid or granted to Mr. R. Nishikawa as minimum remuneration.

Under Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the re-appointment of Mr. R. Nishikawa and the remuneration payable to him as

Whole-time Director (Technical) requires the approval of the Members in the General Meeting.

The powers conferred by the Board to the Whole-time Director (Technical) 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.

Sharp Corporation has recalled Mr. R. Nishikawa for utilising his services at their Overseas Manufacturing Base Administration Department, A V Systems Group (Tochigi). Accordingly, Mr. R. Nishikawa tendered his resignation as a Director as well as Whole-time Director (Technical) of the Company effective from January 20, 2003.

In place of Mr. R. Nishikawa, Sharp Corporation recommended the appointment of Mr. K. Usumura as Whole-time Director (Technical) of the Company for a period of three years effective from January 20, 2003. The Board of Directors of the Company appointed Mr. K. Usumura as Whole-time Director (Technical) of the Company for a period of three years with effect from January 20, 2003, subject to the approval of the Members in the General Meeting and on the remuneration approved by the Remuneration Committee as set out in the resolution.

In the event of the Company making no profits or the profits made are inadequate in any financial year during the term of Mr. K. Usumura's office as Whole-time Director (Technical) of the Company, the Salary and Perquisites as set out in the resolution be paid or granted to Mr. K. Usumura as minimum remuneration.

Under Sections 198, 269, 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the appointment of Mr. K. Usumura and the remuneration payable to him as Whole-time Director (Technical) requires the approval of the Members in the General Meeting.

The powers conferred by the Board to the Whole-time Director (Technical) shall be subject to Article 176 and the tenure of three years shall be subject to Article 173 of the Company's Articles of Association.

Mr. K. Usumura has more than 32 years of experience and is very knowledgeable in Production Engineering field. The Board feels that his association with the Company as Whole-time Director (Technical) will be of great help in further growth of the Company.

The Directors recommend the Resolutions for acceptance by the Members.

Mr. R. Nishikawa and Mr. K. Usumura as the recipients 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.
JUNE 2, 2003

M.R. PATWARDHAN
COMPANY SECRETARY

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

To,

The Members,

Your Directors have pleasure in presenting their Eighteenth Report together with the Audited Statement of Accounts for the year ended on March 31, 2003.

1. FINANCIAL RESULTS :

	Rs. in Million	
	Year ended	Previous Year ended
	March 31, 2003	March 31, 2002
INCOME		
Sales and services, net		
Domestic	1,789.313	2,247.108
Export	218.473	353.616
	<u>2,007.786</u>	<u>2,600.724</u>
Other Income	7.280	12.863
	<u>2,015.066</u>	<u>2,613.587</u>
EXPENDITURE		
Manufacturing and other expenses	1,893.588	2,471.588
Depreciation	71.165	71.177
Interest expense	48.770	68.930
	<u>2,013.523</u>	<u>2,611.695</u>
PROFIT BEFORE TAX	1.543	1.892
PROVISION FOR TAX		
Current tax	(0.184)	(0.210)
Deferred tax	(2.556)	(0.712)
NET PROFIT / (LOSS) FOR THE YEAR	(1.197)	0.970
PROFIT AND LOSS ACCOUNT,		
beginning of the year	19.094	25.123
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	<u>17.897</u>	<u>19.094</u>

2. OPERATIONS :

Net sales and service income during the year under review declined by 22.9% over the previous year. The domestic sales were lower by 20.4% due to overall decline in sales of CTV, VCR, AUDIO, LCD PROJECTORS and MICROWAVE OVENS. The exports declined by 38.2% mainly because of change in technology, overall sluggish market situation and lack of demand for VCR/VCP.

The margins continued to be under pressure due to competition from Indian and Foreign Brands.

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

During the year under review, the Company earned a net profit of Rs. 1.543 million before provision for tax.

Considering the continuous decline in demand for the VCRs in the domestic as well as export market, your Company has initiated steps for discontinuation of Export Oriented Unit for VCRs and VCPs as also phasing out some of its Audio models. Your Company has also since initiated a Voluntary Retirement Scheme for the Bargainable employees. To be more competitive, your Company is introducing new models of CTVs.

3. EXPORTS :

Your Company commenced VCR export activity in December 1985 and has been a leading exporter of VCRs/VCPs to Western countries like U.S.A.

During the year under review your Company exported 112255 Nos. of VCRs/VCPs valued at US \$ 4.509 million (Rs. 218.473 million) as against 180334 Nos. valued at US \$ 7.433 million (Rs. 353.616 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.

4. EXPORT ORIENTED UNIT (EOU) :

Due to slackening in demand worldwide for VCR and stiff competition in pricing, export of VCR declined considerably. There is hardly any market for sale of VCR in the domestic market. In such situation, it was decided to discontinue EOU operations and accordingly necessary actions were initiated. The Company has received permission in principle from Development Commissioner, SEEPZ, Mumbai to de-bond the project approved for manufacture of export products. Your Company is now in the process of completing other required formalities and it is expected that the EOU would finally be de-bonded in due course.

5. CERTIFICATES AND MARKS :

Your Company continues to hold the prestigious Certificates for Quality Management System as per ISO 9001 : 2000 and the Certificate for Environmental Management System as per ISO 14001 : 1996 certified by Standardization, Testing and Quality Certification (STQC) Directorate, Department of Information Technology, Government of India.

6. MARKETING OPERATIONS :

The entertainment electronics and consumer durable industry had another eventful year. The CTV industry has by and large remained buoyant during the year with two major international events viz., Soccer World Cup in June 2002 and Cricket World Cup in February-March 2003 helping it with brisk sales. In volume terms the CTV industry recorded a growth over 20% taking the total quantity sold in the country during the year to seven million units. However the growth in volume has been achieved at the cost of price erosion and high marketing/promotion costs taking real growth in value terms to just about four percent.

CTV industry witnessed major competitive measures in the market place resulting in significant shifts in market shares. Brand power and price power were used to build positions. These factors affected the operations of your Company. Knowing the unavoidable risks involved, your Company, as in the past, choose to be non-participant in this power game and instead opted to flag its strategies appropriate for its position and circumstances.

The audio industry remained flat during the year with significant drop in demand for conventional Audios, Mono Radio Recorders, Stereo Radio Recorders and Audio CD Mini Compose. The industry continues to suffer from high inventory pile up, severe price erosion consequent to the influx of cheaper products. Your Company has been suitably adjusting its strategies to ensure profitable and effective presence in this product category.

SHARP Microwave Ovens continue to be a preferred choice with discerning customers. However, this product also continues to suffer from predator pricing. Your Company proposes to strengthen this product category to become a significant player in the coming years.

Your Company expects tough competition in the year 2003-2004 and is tailoring its strategies to keep pace with competition and remain profitable.

7. EXPANSION & DIVERSIFICATION :

During the later part of the financial year under review, the Company did test marketing of high end/high capacity refrigerators in select towns in India. The products have been well received. Your Company is now evaluating the commercial viability of importing and selling high capacity refrigerators in India on a steady basis.

Your Company is also planning to trade in LCD TVs and Plasmacluster related products like Air Purifiers, Air Conditioners.

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.

KALYANI SHARP INDIA LIMITED**SHARP****10. PARTICULARS OF EMPLOYEES :**

During the year under review, no employee employed throughout the year or part of the year was in receipt of remuneration of Rs. 24,00,000/- per year or Rs. 2,00,000/- per month or in excess thereof respectively.

11. DIRECTORS :

Mr. N. Iwata resigned from the Board as a Director as well as Managing Director with effect from July 26, 2002. The Directors place on record their sincere appreciation for the useful contribution made by Mr. N. Iwata during his tenure as Managing Director.

Mr. M. Date was appointed as an Additional Director with effect from July 26, 2002. He was also appointed as Managing Director for a period of three years with effect from July 26, 2002. The Government of India (GOI) has approved the appointment and remuneration of Mr. M. Date from July 26, 2002 up to the ensuing Annual General Meeting, vide its letter No.1/367/2002/CL.VII dated May 5, 2003. As required by GOI, after members approval, a certified copy of the resolution would be submitted to GOI for approval for the appointment and payment of remuneration to Mr. M. Date as Managing Director for the remaining term of appointment i.e. from the date of this Annual General Meeting upto July 25, 2005.

Mr. R. Nishikawa resigned from the Board as a Director as well as Whole-time Director (Technical) with effect from January 20, 2003. The Directors place on record their sincere appreciation for the useful contribution made by Mr. R. Nishikawa during his tenure as Whole-time Director (Technical).

Mr. K. Usumura was appointed as an Additional Director with effect from January 20, 2003. He was also appointed as Whole-time Director (Technical) for a period of three years with effect from January 20, 2003.

Mr. M. Morita resigned from the Board as a Director with effect from January 20, 2003. The Directors place on record their sincere appreciation for the useful contribution made by Mr. M. Morita during his tenure as a Director. Mr. K. Kawabe was appointed as an Additional Director on the same day.

Mr. H. Wada resigned from the Board as a Director with effect from April 12, 2003. The Directors place on record their sincere appreciation for the useful contribution made by Mr. H. Wada during his tenure as a Director. Mr. M. Hoshino was appointed as an Additional Director with effect from May 10, 2003.

In accordance with the provisions of the Companies Act, 1956 and of the Articles of Association, Mr. B.N. Kalyani and Mr. S.S. Vaidya, Directors, 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, 2003, 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, 2003 on a 'going concern' basis.

13. 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.

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 : June 2, 2003.

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 2003.

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

- High lumens fluorescent lamps are utilised in office & production area and power consumption is reduced by reducing number of fluorescent lamps without affecting intensity of light.
- Energy Audit was conducted & as a effect Electric power consumption was controlled by installing devices like Timers, Limit-switches, PLC, Capacitors and Auto temperature controllers etc. ETP Elect. Load has been reduced, by replacing low capacity appropriate pumps.
- Use of ventilation plant, circulating fans and A/C operations are optimised for energy conservation.

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

In production and Office area, Mirror polish reflectors are being provided for fluorescent lamps, for effective lumens and to reduce the required tube light fittings.

- 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, total bill reduction is achieved in tariff bills to the level of 21.9%.
- 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:**e) 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" and 21" FFST models.

KALYANI SHARP INDIA LIMITED**SHARP**

- b) Development of new CTV chassis having advance feature like Dynamic swap, FM transmitter, AC voltage indicator and games.
- c) Introduction of 21" CTV model with sound output 800W PMPO, MEGA-BASS features.
- d) Development of CD/VCD systems.

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

- a) Continuous interaction with Marketing, Servicing and Quality assurance departments, & customers helps to improve quality, reliability, and better features of the product.
- b) Use of non-moving and many old items brought down inventory cost.
- c) Cost reduction achieved by virtue of higher degree of integration and productivity.

3. Future plan of action :

- a) Development of new low cost CTV models with more features in 14" to 21" sizes (both conventional and pure flat types) to meet requirement of Indian market.
 - b) Indigenisation of CTV models to bring down the cost.
 - c) 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.5,450,383
- c) Total Rs.5,450,383
- d) Total R&D Expenditure as a percentage of total turnover 0.271 %

Technology absorption, adoption and innovation :**1. Efforts, in brief, made towards technology absorption, adoption 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 down, 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 plan 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.	1997-98	Yes	—
B. CTV (i) Design, specifications and testing of 14" to 29" size CTV with some exclusive features. (ii) Technical expertise and indigenisation of critical components. (iii) Technical training for smooth transfer of technology.	1997-98	Yes	—
C. AUDIO Design, development, evaluation of CD/VCD Based Audio systems. Environment and reliability testing facility.	1998-99	Yes	—

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 looking into new export opportunities.

- g) Total Foreign exchange used and earned :

USED : Rs. 459,512,968 (on CIF basis and Travel)
EARNED : Rs. 217,348,782

For and on behalf of the Board of Directors

PUNE.
Dated : June 2, 2003.

B.N. KALYANI
CHAIRMAN