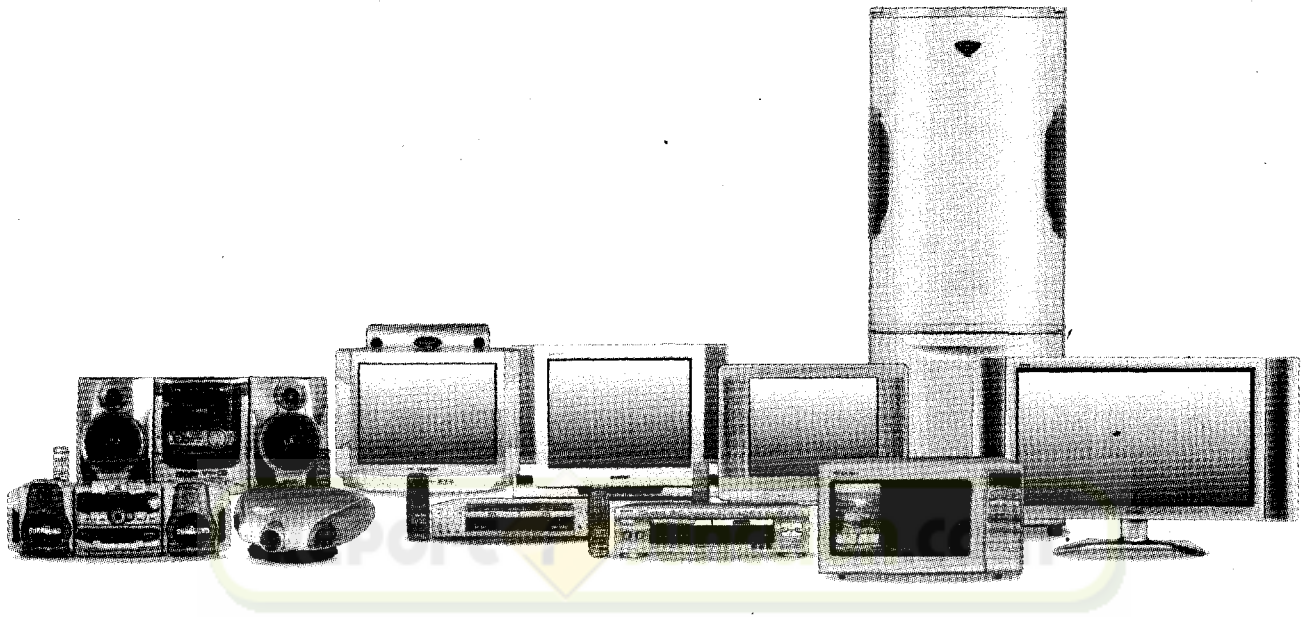


**19th Annual Report
2003-2004**



SHARP

Sharp Minds, Sharp Products



KALYANI SHARP INDIA LIMITED

BOARD OF DIRECTORS

Mr. B.N. KALYANI
[Chairman]

Mr. S. S. VAIDYA

Mr. K. KAWABE

Mr. H. KUBO

Mr. T. YAMAZAKI
(Managing Director)
appointed w.e.f. July 1, 2004

Mr. M. DATE
(Managing Director)
ceased w.e.f. July 1, 2004

Mr. N. YANAGISHITA
[Executive Director]

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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NOTICE

Notice is hereby given that the 19th 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 Wednesday, the 15th day of September, 2004 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 2004 and the Profit and Loss Account for the year ended on 31st March 2004 and the Reports of the Directors and of the Auditors.
2. To appoint a Director in place of Mr. K. Kakita, who retires by rotation but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. M. Shiino, 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. N. YANAGISHITA, 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. T. YAMAZAKI, 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. H. KUBO, 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 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. NAOHIRO YANAGISHITA AS EXECUTIVE DIRECTOR OF THE COMPANY FOR A PERIOD OF THREE YEARS WITH EFFECT FROM JULY 25, 2003, ON THE FOLLOWING REMUNERATION :

1. SALARY OF RS.50,000 (RUPEES FIFTY 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 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

KALYANI SHARP INDIA LIMITED

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. N. YANAGISHITA AS MINIMUM REMUNERATION NOTWITHSTANDING THAT IN ANY FINANCIAL YEAR OF THE COMPANY DURING THE TERM OF MR. N. YANAGISHITA'S OFFICE AS EXECUTIVE 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. N. YANAGISHITA 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 EXECUTIVE DIRECTOR 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 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. T. YAMAZAKI (I) AS EXECUTIVE DIRECTOR OF THE COMPANY FROM APRIL 1, 2004 TO JUNE 30, 2004 AND (II) AS MANAGING DIRECTOR OF THE COMPANY FOR THE PERIOD FROM JULY 1, 2004 TO MARCH 31, 2007 ON THE FOLLOWING TERMS OF 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. CAR WITH DRIVER.
5. FREE TELEPHONE FACILITY AT RESIDENCE.
6. REIMBURSEMENT OF ACTUAL TRAVELLING EXPENSES WHILE RETURNING TO JAPAN.
7. 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.

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. T. YAMAZAKI AS MINIMUM REMUNERATION NOTWITHSTANDING THAT IN ANY FINANCIAL YEAR OF THE COMPANY DURING THE TERM OF MR. T. YAMAZAKI'S OFFICE AS EXECUTIVE DIRECTOR AND 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. T. YAMAZAKI 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 MR. T. YAMAZAKI IS NOT IN EXCESS OF THE CONSENT GIVEN BY THE FOREGOING 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.
JULY 7, 2004

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 8th day of September, 2004 to Wednesday, the 15th day of September, 2004 (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 15th day of September, 2004 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 9 referred to in the accompanying Notice dated July 7, 2004.

ITEM NO.5 to 7 :

The Board of Directors, at its Meeting held on July 25, 2003 appointed Mr. N. Yanagishita, on April 1, 2004 appointed Mr. T. Yamazaki and on May 25, 2004 appointed Mr. H. Kubo 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. N. Yanagishita, Mr. T. Yamazaki and Mr. H. Kubo as the Directors of the Company at the ensuing Annual General Meeting.

Mr. N. Yanagishita has more than 20 years of experience and is very knowledgeable in Finance, Marketing and Administration fields. He has also been appointed as an Executive Director of the Company for a period of three years with effect from July 25, 2003.

Mr. T. Yamazaki has more than 23 years of experience and is very knowledgeable in Sales and Marketing field. He has also been appointed as an Executive Director of the Company for a period of three years with effect from April 1, 2004.

Mr. H. Kubo has more than 28 years of experience and is very knowledgeable in 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. N. Yanagishita and Mr. T. Yamazaki 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. H. Kubo may be deemed to be concerned with or interested in the Resolution.

ITEM NO.8 :

Sharp Corporation, Japan has recalled Mr. K. Ohira for utilizing his services at their Corporate Auditor Department. Accordingly, Mr. K. Ohira tendered his resignation as a Director as well as Whole-time Director (Finance & Administration) of the Company effective from July 25, 2003.

In place of Mr. K. Ohira, Sharp Corporation recommended the appointment of Mr. N. Yanagishita as an Executive Director of the Company for a period of three years effective from July 25, 2003.

The Board of Directors of the Company appointed Mr. N. Yanagishita as an Executive Director of the Company for a period of three years with effect from July 25, 2003, subject to the approval of the Members, and the Central Government and such other approvals as may be required 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. N. Yanagishita's office as an Executive Director of the Company, the Salary and Perquisites as set out in the resolution be paid or granted to Mr. N. Yanagishita as minimum remuneration.

The Government of India, Ministry of Finance, Department of Company Affairs (DCA), New Delhi, has then given its approval under letter No.1/269/2003-CL.VII dated April 1, 2004 to the appointment of Mr. N. Yanagishita as an Executive Director of the Company and payment of remuneration as detailed in the resolution for a period of three years from July 25, 2003 to July 24, 2006. It is stated in the said approval letter dated April 1, 2004 that the remuneration approved is subject to the approval of the Company in General Meeting as required by sub-section(1) of Section 309 of the Act.

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. N. Yanagishita as an Executive 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 Executive 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. N. Yanagishita has more than 20 years of experience and is very knowledgeable in the Finance, Marketing and Administration fields. The Board feels that his association with the Company as Executive Director will be of great help in further growth of the Company.

The Directors recommend the Resolution for acceptance by the Members.

Mr. N. Yanagishita 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

Sharp Corporation, Japan has recalled Mr. K. Usumura for utilizing his services at their Production Engineering Department, AV systems Group, Tochigi. Accordingly, Mr. K. Usumura tendered his resignation as a Director as well as Whole-time Director (Technical) of the Company effective from April 1, 2004.

In place of Mr. K. Usumura, Sharp Corporation recommended the appointment of Mr. T. Yamazaki as an Executive Director of the Company. Further, Sharp Corporation vide its communication dated June 17, 2004 recalled Mr. M. Date, Managing Director of the Company for utilising his services at their Asia, Oceania Operations, International Business Group. Accordingly, Mr. M. Date

tendered his resignation as a Director as well as Managing Director of the Company effective from July 1, 2004. In the said communication, Sharp Corporation recommended re-designation of Mr. T. Yamazaki and his appointment as Managing Director of the Company. In the said communication dated June 17, 2004, it was mentioned by Sharp Corporation that Mr. T. Yamazaki's appointment as Executive Director will be from April 1, 2004 to June 30, 2004 and as Managing Director of the Company from July 1, 2004 to March 31, 2007. Accordingly the Board of Directors of the Company at its meeting held on July 7, 2004 have approved re-designation of Mr. T. Yamazaki and have appointed Mr. T. Yamazaki as Managing Director of the Company for the period from July 1, 2004 to March 31, 2007 subject to the approval of the Members and the Central Government and such other approvals as may be required 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. T. Yamazaki's office as Executive Director and Managing Director of the Company, the Salary and Perquisites as set out in the resolution be paid or granted to Mr. T. Yamazaki as minimum remuneration.

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. T. Yamazaki (1) as an Executive

Director of the Company from April 1, 2004 to June 30, 2004 and (2) as Managing Director for the period from July 1, 2004 to March 31, 2007 and to the payment of remuneration to him as detailed in the Resolution. The powers to be conferred by the Board to Mr. T. Yamazaki 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. T. Yamazaki has more than 23 years of experience and is very knowledgeable in the Sales and Marketing field. The Board feels that his association with the Company will be of great help in further growth of the Company.

The Directors recommend the Resolution for acceptance by the Members.

Mr. T. Yamazaki 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.
JULY 7, 2004

M.R. PATWARDHAN
COMPANY SECRETARY

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

To,

The Members,

Your Directors have pleasure in presenting their Nineteenth Report together with the Audited Statement of Accounts for the year ended on March 31, 2004.

1. FINANCIAL RESULTS :

	Rs. in Million	
	Year ended March 31, 2004	Previous Year ended March 31, 2003
INCOME		
Sales and services, (Gross)		
Domestic	1,293.848	1,789.313
Export	2.915	218.473
	<u>1,296.763</u>	<u>2,007.786</u>
Less : Excise Duty	(134.918)	(170.366)
Sales and Service income (Net)	1,161.845	1,837.420
Other Income	9.062	7.280
	<u>1,170.907</u>	<u>1,844.700</u>
EXPENDITURE		
Manufacturing and other expenses	1,141.619	1,723.222
Depreciation	51.848	71.165
Interest expense	32.079	48.770
	<u>1,225.546</u>	<u>1,843.157</u>
PROFIT BEFORE TAX	(54.639)	1.543
PROVISION FOR TAX		
Current tax	(0.041)	(0.184)
Deferred tax	10.478	(2.556)
NET PROFIT /(LOSS) FOR THE YEAR	(44.202)	(1.197)
PROFIT AND LOSS ACCOUNT,		
beginning of the year	17.897	19.094
PROFIT AND LOSS ACCOUNT,		
end of the year	<u>(26.305)</u>	<u>17.897</u>

2. OPERATIONS :

Gross sales and service income during the year under review declined by 35.4% over the previous year. The domestic sales were lower by 27.7% due to overall decline in sales of CTV, VCR, AUDIO, LCD Projectors and Microwave ovens.

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 phasing out some of its audio models and VCR/VCPs, Voluntary Retirement Scheme (VRS) for the bargainable employees, cost reduction in the areas of operating expenses, interest, manpower, etc. and improvement in sales realization and better model-mix.

Your company has incurred a loss of Rs.44.202 millions after tax during the year under review.

3. EXPORT ORIENTED UNIT :

Due to adverse market conditions, your Company decided to discontinue Export Oriented Unit (EOU) operations. Your company has completed the formalities for de-bonding the EOU unit and is expecting the final de-bonding certificate from the concerned Government authorities in due course.

4. CERTIFICATES AND MARKS :

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

5. MARKETING OPERATIONS :

Consumer Electronics and Durable Industry had another eventful year in 2003-04.

Reeling under a high base of 2002-03 (which witnessed almost 20% growth), Colour TV could not sustain growth levels of yesteryears and had to take a dip of about 10% in 2003-04. It also witnessed shifting of Brand positions and market shares in many product categories and erosion in prices.

Audio product category also witnessed steep demand drop in 2003-04.

Microwave Oven market continued to grow (with a low base level) in 2003-04 but with a significant shift towards low priced combination models.

Sustained competitive initiatives and aggression by major players resulted in :

- Continuous price erosion.
- Shifting of brand position.
- Severe pressure on profitability.

With CTV almost having become a commodity product, efficacy of operations has become highly dependant on high volume and the break even benchmark for economies of scale has almost tripled or quadrupled over the years. Evaluating its position viz-a-viz competition, your Company had opted to optimise its resources to get the best possible results, avoiding high-risk path. The Company continues to evolve and implement strategies appropriate for its position so as to get best possible results and to avoid financial risks.

Your Company is taking various measures including restructuring of sales network, changes in model mix, widening of product mix and strengthening of Brand power to regain its position and be on growth path.

SHARP internationally is the Technology Leader and No. 1 Manufacturer of Liquid Crystal Display (LCD) devices. Taking advantage of this, the Company is focussing on building LCD TV Brand in India as a major growth area.

6. INDUSTRIAL RELATIONS :

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

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

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

8. PARTICULARS OF EMPLOYEES :

During the year under review, no employee employed through out 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.

9. DIRECTORS :

Mr. Kenji Ohira resigned from the Board as a Director as well as Whole-time Director (Finance & Administration) with

effect from July 25, 2003. The Directors place on record their sincere appreciation for the useful contribution made by Mr. K. Ohira during his tenure as Whole-time Director (Finance & Administration).

Mr. N. Yanagishita was appointed as an Additional Director with effect from July 25, 2003. He was also appointed as an Executive Director for a period of three years with effect from July 25, 2003.

Mr. Kiichi Usumura resigned from the Board as a Director as well as Whole-time Director (Technical) with effect from April 1, 2004. The Directors place on record their sincere appreciation for the useful contribution made by Mr. K. Usumura during his tenure as Whole-time Director (Technical).

Mr. T. Yamazaki was appointed as an Additional Director with effect from April 1, 2004. He was also appointed as an Executive Director for a period of three years with effect from April 1, 2004.

Mr. M. Hoshino resigned from the Board as a Director with effect from May 25, 2004. The Directors place on record their sincere appreciation for the useful contribution made by Mr. M. Hoshino during his tenure as a Director. Mr. H. Kubo was appointed as an Additional Director on the same day.

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

10. 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, 2004, 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, 2004 on a 'going concern' basis.

11. AUDITORS :

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

12. ACKNOWLEDGEMENTS :

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

For and on behalf of the Board of Directors

PUNE.
Dated : May 31, 2004.

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 2004.

A) CONSERVATION OF ENERGY :

a) Energy Conservation measures taken :

- i) As a phased manner programme, High lumen fluorescent lamps and mirror optic reflectors are utilised in office and production area and reducing no. of fluorescent lamps, without compromising intensity of light reduced power consumption.
- ii) Energy Audit was conducted and as an effect, electric power consumption was controlled by installing devices like Timers, Limit Switches, PLC, Capacitors, Auto Temperature Controllers, High Lumens Fluorescent Lamps and Mirror Optic Reflectors etc. Electrical Load has been reduced, by replacing appropriate capacity drives.
- iii) Ventilation Plant, Environmental Test Chambers, 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 :

As a manner programme, in Production and Office area, Mirror Optic Reflectors and High Lumen Fluorescent Lamps are being provided with effective lumens and to reduce the required tube light fittings.

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, as effect, reduction in tariff bills is achieved to the level of 22.9% and Energy units reduced to the level of 25.46%.

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

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

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

- Introduction of 14", 20" and 21" FFST models.
- Development of new CTV chassis with advance features.
- Introduction of 21" CTV model with sound output 1200W PMPO, MEGA-BASS features.

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

- Continuous interaction with Marketing, Servicing and Quality Assurance departments and customers helps to improve quality, reliability, and better features of the product.
- Cost reduction by virtue of higher degree of integration and productivity.

3. Future plan of action :

- 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.
- Indigenisation of CTV models to bring down the cost.

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.4,484,676 |
| c) Total | Rs.4,484,676 |
| d) Total R&D Expenditure as a percentage of total turnover | 0.348% |

Technology absorption, adoption and innovation :**1. Efforts, in brief, made towards technology absorption, adoption and innovation :**

Your Company has a very good R&D set up backed by Engineering Centre. Your 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.	1998-99	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.	1998-99	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 : Nil****(g) Total Foreign exchange used and earned :**

USED : Rs.314,050,394 (includes CIF value of Imports, Royalty, Travelling and Bills Negotiation charges)
EARNED: Rs.2,916,747

For and on behalf of the Board of Directors