

22nd Annual Report 2006-2007



SHARP

SHARP INDIA LIMITED

BOARD OF DIRECTORS

T. MORI
[Chairman]

T. YAMAZAKI
[Managing Director]

Y. MIZUNO
[Executive Director]

M. TAKAHASHI

S. S. VAIDYA

M. EIRYU

F. MISUGE

BANKERS

STATE BANK OF INDIA

BANK OF INDIA

THE BANK OF TOKYO-MITSUBISHI UFJ LTD.

THE MIZUHO CORPORATE BANK LTD.

CITI BANK N.A.

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SOLICITORS & ADVOCATES

CRAWFORD BAYLEY & CO., MUMBAI

AUDITORS

S. R. BATLIBOI & CO.,

Chartered Accountants

REGISTERED OFFICE & FACTORY

Gat No.686/4, Koregaon Bhima,

Tal. Shirur, Dist. Pune 412 216

REGISTRAR & TRANSFER AGENT

Intime Spectrum Registry Limited

202, 2nd Floor,

Akshay Complex,

Dhole Patil Road,

Near Ganesh Mandir,

Pune 411 001

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NOTICE

Notice is hereby given that the 22nd Annual General Meeting of the members of Sharp India Limited will be held at the Registered Office of the Company at Gat No. 686/4, Koregaon Bhima, Taluka Shirur, District Pune 412 216 on Tuesday, the 21st day of August 2007 at 11:00 a.m. (I.S.T.) to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2007 and the Profit and Loss Account for the year ended on 31st March 2007 and the Reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Makoto Takahashi who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Masatoshi Eiryu who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint auditors and fix their remuneration.

SPECIAL BUSINESS:

5. 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 and 309, the Articles of Association read with Schedule XIII to the Companies Act, 1956 and other applicable provisions, if any, the reappointment of Mr. Takayuki Yamazaki as the Managing Director of the Company for a period of 3 years effective from April 1, 2007 till March 31, 2010 be and is hereby approved 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 incurred in India for self and family (spouse and children) if they reside in India.
4. Rental for residential telephone as well as for official telephone calls will be paid by the Company.
5. The Company will bear the cost of maintenance, road tax, insurance and driver for vehicle provided by the Company.
6. Entitlement to free Air Passage once in year for the purpose of Annual Leave for self and family. (Spouse and dependent children are also eligible if they are residing in India.)
7. The Company will bear the actual expenses incurred for shifting Mr. Yamazaki's household goods on return from India to Japan on expiry of his term.

The above perquisites granted to the Managing Director shall be evaluated on actual basis. Provided that the overall monthly remuneration consisting of salary and perquisites payable to the Managing Director during his tenure shall not exceed the limits laid down in schedule XIII to the Companies Act, 1956.

FURTHER RESOLVED THAT subject to Schedule XIII to the Companies Act, 1956, and the approval of the shareholders and other applicable provisions, if any, of the Companies Act, 1956, the salary, perquisites, benefits and amenities as set out above be paid or granted to Mr. Yamazaki as minimum remuneration during the term of Mr. Yamazaki's tenure as the Managing Director, notwithstanding that in any of the financial years, the Company has made no profits or the profits made are inadequate.

FURTHER RESOLVED THAT the Board shall be at liberty to vary the remuneration and other terms of the agreement appointing the Managing Director as the Board of Directors may think fit and necessary, as long as the remuneration does not exceed the maximum limits specified in Schedule XIII to the Companies Act, 1956.

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

"RESOLVED THAT the approval of the shareholders be and is hereby accorded for the appointment of M/s Intime Spectrum Registry Limited as the Registrar and Transfer Agent in place of M/s MCS Limited, on such terms and conditions as the Board may think fit.

FURTHER RESOLVED THAT the Board of Directors is hereby authorized to replace, substitute or otherwise appoint any other person or agency as the Registrar and Transfer Agent of the Company as it may deem necessary from time to time whether by operation of law or otherwise."

7. To consider and if thought fit, to pass, with or without modifications, the following resolution as a **SPECIAL RESOLUTION**:

"RESOLVED THAT pursuant to the provisions of section 163 of the Companies Act, 1956, the approval of members be and is hereby accorded for keeping the Register of Members together with the Index of Members and Share Transfer Books along with all relevant documents, at the office of M/s Intime Spectrum Registry Limited, the Registrar and Transfer Agent having their office at 202, 2nd Floor Akshay Complex, Off Dhole Patil Road, Near Ganesh Mandir, Pune 411 001 or such other place or places as may be approved by the Board of Directors from time to time.

By the Order of the Board of Directors
For Sharp India Limited

Pune
May 24, 2007

H. S. Chindhade
Company Secretary

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. Explanatory Statement pursuant to section 173(2) in respect of item nos. 5, 6 and 7 are annexed hereto.
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 Registrar & Transfer Agent, Intime Spectrum Registry Limited, 202, 2nd Floor, Akshay Complex, Off Dhole Patil Road, Near Ganesh Mandir, Pune 411 001, in respect of their physical share folios.
4. Members can avail of nomination facility. Blank Nomination forms will be supplied on request.
5. Members who are holding shares in more than one folio under name(s) in the same order are requested to send the relative share certificates to the Registrar and Transfer Agent for consolidation of the entire holding in one folio. The share certificates after consolidation will be returned by registered post/courier.
6. The Share Transfer Books and the Register of Members of the Company will remain closed from Tuesday, the 14th day of August 2007 to Tuesday, the 21st day of August 2007 (both days inclusive).
7. The Company will transfer the second instalment of unclaimed debenture interest and / or debenture redemption money to the Investor Education and Protection Fund in the month of December 2007. Members may kindly note that no claim shall lie in respect of unclaimed debenture interest and / or debenture redemption money transferred to the Fund.
8. Members are requested to bring along with them the copy of Annual Report as the same will not be distributed at the meeting.
9. Members are requested to forward their queries on accounts at least 10 days in advance to enable us to reply the same.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2)
OF THE COMPANIES ACT, 1956**

**DISCLOSURES AND INFORMATION ABOUT DIRECTORS BEING
APPOINTED OR REAPPOINTED AT THE ANNUAL GENERAL
MEETING:**

ITEM NO. 5:

Mr. T. Yamazaki was appointed as the Executive Director on April 1, 2004 for a period of three years. Mr. Yamazaki was elevated to the post of Managing Director on July 1, 2004. The Board of Directors has reappointed Mr. Yamazaki as the Managing Director for a further period of three years from April 1, 2007 to March 31, 2010. The Remuneration Committee in its meeting held on March 24, 2007 has approved the remuneration payable to Mr. T. Yamazaki.

Mr. Yamazaki's appointment is made under the provisions of Schedule XIII to the Companies Act, 1956 and is subject to the approval of the members.

The Board recommends the resolution to the members as an ordinary resolution.

None of the Directors other than Mr. Yamazaki may be treated as concerned or interested in the resolution.

ITEM NO. 6 & 7

The Company had initially appointed M/s. MCS Limited as the Registrar and Transfer Agent. The change in the Registrar and Transfer Agent was necessitated due to the sale of R & T Business by MCS Limited to Intime Spectrum Registry Limited. The Company has also executed a tripartite agreements with NSDL (National Securities Depository Limited), Intime Spectrum and a similar tripartite agreement is also executed with CDSL (Central Depository Services India Limited) to facilitate transfer of shares and conversion of shares into dematerialized mode.

According to section 163 of the Companies Act, 1956 the register of members, index of members and the share transfer books are required to be kept at the registered office of the Company. However the share transfer work and other related activities are carried out at the office of the R & T Agent - M/s. Intime Spectrum Registry Limited. Hence it is proposed to keep the register of members, index of members and transfer registers and other relevant documents in Pune at the office of the R & T Agent. As required by the provisions of the Companies Act, 1956 an advance copy of the resolution has been given to the Registrar of Companies, Pune.

None of the Directors of the Company are concerned or interested in the resolutions.

The Board recommends the resolutions set out at item Nos. 6 and 7 of the notice for your approval as a Ordinary and Special Resolutions respectively.

- Mr. T. Yamazaki has been reappointed as the Managing Director for a period of three years effective from April 1, 2007. He will hold office till March 31, 2010. As long as Mr. Yamazaki continues to hold the office of the Managing Director, he will not be liable to retire by rotation. Mr. Yamazaki aged 48 years a University Graduate, has more than 25 years of experience in the field of Sales and Marketing and has held various positions in Sharp Corporation and associate Companies. Mr. Yamazaki is also a Director on the Board of Sharp Business Systems (India) Limited.
- Mr. M. Takahashi is a Graduate from Miyazaki Prefectural Nobeoka Technical High School. Mr. Takahashi aged 59 years has more than 30 years experience in the field of Production Control and Manufacturing. He has held various positions in Sharp Corporation and associate Companies. He was appointed as an Additional Director on May 31, 2005. His appointment as a Director was regularized by the shareholders in the 20th Annual General Meeting held on June 30, 2005. Mr. Takahashi is presently the Chairman and Chief Executive of Sharp Electronics (M) Sdn Bhd.
- Mr. M. Eiryu, a University Graduate is the Joint General Manager of Mizuhō Corporate Bank, Limited Mumbai. Mr. Eiryu was inducted on the Board as additional Director on February 24, 2005. His appointment as a Director was regularized by the shareholders in the 20th Annual General Meeting held on June 30, 2005. Mr. Eiryu, aged 44 years, has a wide experience in field of banking and foreign exchange. Mr. Eiryu is also a member of Audit Committee and Chairman of the Remuneration Committee of the Company.

The above Directors do not hold any shares in the Company. Mr. Takahashi and Mr. Eiryu, Directors, retire by rotation at the ensuing annual general meeting and being eligible have offered themselves for re-appointment.

By the Order of the Board of Directors
For Sharp India Limited

Pune
May 24, 2007

H. S. Chindhade
Company Secretary

DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting their Twenty-second Report together with the Audited Statement of Accounts for the year ended on March 31, 2007.

1. FINANCIAL RESULTS:

	Year Ended March 31, 2007	Rs. In Million Previous Year Ended March 31, 2006
INCOME		
Sales and services, (Gross)	1,411.718	1,034.739
Less : Excise Duty	(108.433)	(90.334)
Sales and Service income (Net)	1,303.285	944.405
Other Income	15.015	6.075
	<u>1,318.300</u>	<u>950.480</u>
EXPENDITURE		
Manufacturing and other expenses	1,271.312	981.936
Depreciation	24.607	26.233
Interest expense	20.968	16.151
	<u>1,316.887</u>	<u>1,024.320</u>
PROFIT BEFORE TAX	1.413	(73.840)
PROVISION FOR TAX		
Current tax	(0.003)	(0.012)
Deferred tax	-	-
Fringe Benefit Tax	(1.305)	(2.419)
NET PROFIT/(LOSS) FOR THE YEAR	<u>0.105</u>	<u>(76.271)</u>
PROFIT AND LOSS ACCOUNT, beginning of the year	(201.790)	(125.519)
PROFIT AND LOSS ACCOUNT, end of the year	<u>(201.685)</u>	<u>(201.790)</u>

2. OPERATIONS:

Gross sales and service income during the year under review increased by 36.43% over the previous year, mainly due to increase in sales of Colour Televisions, LCD TVs, Refrigerators, Microwave Ovens and DVDs. In quantitative terms the sale of Colour Televisions (CTVs) has gone up by 32%, LCD Televisions by 233% and Refrigerators by 83% over the previous year sales. During the year under review your Company has introduced a range of Colour Television models, LCD TVs and Refrigerators.

Due to overall increase in sales, cost reduction measures implemented in past few years and support from Sharp Corporation, Japan, your Company was able to contain the losses and generate marginal profits. During the year under review the Company has earned a profit before tax of Rs. 1.413 million and net profit of Rs. 0.105 million.

3. CERTIFICATES AND MARKS:

Your Company continues to be and ISO 14001 and ISO 9001 certified Company.

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

Your company has a lineage from one of world's most innovative Companies. The nature of company's operations is not energy-intensive. Your company is aware of its responsibility towards conservation of environment and has taken the necessary steps to conserve it. Your company implements the 3 G and 1 R Policy i.e. Green factory, Green mind, Green product and Recycled resources.

The technology provided by Sharp Corporation, Japan has been fully absorbed and the company continues to utilize the same. Your company has not imported any technology during the year under review. The in-house research & development is supported by strong overseas technical knowledge from Sharp Japan.

Benefits derived from R&D

- development of new CTV models with innovative features & improved quality
- cost reduction

Expenditure on R & D:

- | | |
|--|---------------|
| a) Capital | Rs. Nil |
| b) Recurring | Rs. 3,152,759 |
| c) Total | Rs. 3,152,759 |
| d) Total R&D Expenditure as a percentage of total sales turnover | 0.22% |

Foreign Exchange Earnings and Out Go:

Used: Rs.784,523,686 (includes CIF value of Imports, Traveling and Bills Negotiation charges)

Earnings: Rs. Nil

5. PARTICULARS OF EMPLOYEES:

None of the employees whether employed through out the year or part of the year were in receipt of remuneration exceeding limits specified in section 217 (2A) of the Companies Act, 1956 and the Rules made there under.

6. DIRECTORS:

Mr. M. Takahashi and Mr. M. Eiryu, Directors, retire by rotation at the ensuing annual general meeting and being eligible, have offered themselves for re-appointment. The Board of Directors in its meeting held on March 24, 2007 has reappointed Mr. T. Yamazaki as the Managing Director with effect from April 1, 2007 and the resolution for approval of his appointment and remuneration is placed before this meeting.

7. MANAGEMENT DISCUSSION ANALYSIS AND CORPORATE GOVERNANCE:

The Management Discussion Analysis and the report on Corporate Governance are attached to the Directors' Report and form parts of the Annual Report. A Certificate from a Company Secretary in whole time practice verifying compliance thereof is also incorporated in the Corporate Governance section.

8. 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, 2007, 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 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, 2007 on a 'going concern' basis.

9. AUDITORS:

M/s S. R. Batliboi & Co., Statutory Auditors, will retire at the conclusion of the ensuing annual general meeting and are eligible

for reappointment. M/s S. R. Batliboi & Co. has furnished the required certificate pursuant to section 224(1B) of the Companies Act, 1956.

10. ACKNOWLEDGEMENTS:

Your Directors express their gratitude for the valued and timely support and guidance received from Sharp Corporation, Japan and also wish to place on record their appreciation for the co-operation extended by the Bankers, Financial Institutions and its valued investors. The Board also acknowledges the untiring efforts and contribution made by the company's employees.

For and on behalf of the Board of Directors

Pune
May 24, 2007

T. Yamazaki
Managing Director

Y. Mizuno
Executive Director

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MANAGEMENT DISCUSSION & ANALYSIS

1. INDUSTRY STRUCTURE AND DEVELOPMENTS:

The consumer electronics-durable industry has shown a continuous upward trend. As predicted the same is likely to continue for the next few years. The desire for advance technology products by the well to do class and the significant drop in prices across products continue to be growth drivers in this industry. Preference for known brands has increased. Mega Shops, Retail Chains and Brand Shops and exclusive show rooms are gaining importance as a key marketing strategy for all the industry. The premium consumer is shifting towards new generation technology products such as LCD televisions.

2. OPPORTUNITIES AND THREATS:

The metro and mini metro urban India continues to offer increased employment opportunities. This has resulted in increased purchasing power and the Consumer Electronics and Home Appliances industry has been the beneficiary of this phenomenon.

Despite the emerging opportunities Consumer Electronics and Consumer Durable industry remains vulnerable to stiff competition and technological obsolescence and erosion in prices and increasing marketing and distribution costs.

3. OUTLOOK:

The focus will be on penetration and creation of newer markets for the LCD televisions and to further capitalize its global position. Efforts for market penetration will remain through advertising and sales promotion activities. As a part of future plan your Company will focus on development of new low cost 21 and 29 inches CTV models with more features.

4. RISKS & CONCERNS:

Remaining profitable and yet competitive is the major area of concern for your Company. While your Company will continue to address and balance this by maintaining a fair mix of trading and manufacturing activities for optimal results, the Company will be consciously moving towards value added products to achieve growth and profitability. Increasing Brand popularity to increase market share is a challenging task. Low volume manufacturing has been and continues to be a major concern

for your Company. Product obsolescence due to technological innovations and diminishing returns for mass category products such as CTV is major industry concern. The management is aware of these risks and has been taking steps to minimize the risks and concerns.

5. FINANCIAL AND OPERATIONAL PERFORMANCE:

The financial highlights for the fiscal 2006 - 2007 are dealt with in the Directors' Report. The operational side of the Company has shown some improvement making a turn around reflecting marginal amount of profit for the year under review as against loss in the earlier years.

During the year under review your Company generated moderate market response and has recorded growth of 36% in turnover for twelve months ended on March 31, 2007. In terms of value turnover for Colour Televisions has increased by 28%, LCD Televisions by 197% and Refrigerators by 99%. Your Company will focus on continuing this trend.

6. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The internal control systems and procedures are commensurate with the size and nature of business. The internal control systems are supported by internal audit carried out by professional audit firms at head office as well as branches. The adequacy and effectiveness of the internal control, as well as compliance with the laid down systems and policies are reviewed by the management regularly and the same are comprehensively evaluated and monitored by the internal auditors. The Audit Committee reviews the findings of internal auditors on a regular basis.

7. HUMAN RESOURCES:

Your Company has been providing required training to the work force to meet the organizational requirements. Your Company has also been inducting talent at key positions to improve efficiency.

Your Company is conscious and committed in providing equal opportunities to the employees to excel in their work and advance themselves in their career depending on their abilities. Your Company also believes in rewarding its employees on the basis of performance and efficiency. The Company's total human capital stands at 320 employees.

CORPORATE GOVERNANCE

Your company aims at good governance and management practices and believes in fair and transparent business operations in adherence of philosophy and disclosure standards followed globally by Sharp group of companies. The necessary information as stipulated by clause 49 of the Listing Agreement is incorporated in the present annual report at appropriate places to ensure adequate disclosures. Towards this end, the information given under this section, the 'Management Discussion and Analysis' and the 'Shareholder Information' together constitute the report on Corporate Governance for the financial year 2006 - 2007.

• **COMPOSITION OF THE BOARD :**

The Board comprises of seven members and has a Non-Executive Chairman, two Executive Directors and four Non-Executive Directors out of which three are Independent. The details are given in **Table 1**.

• **ATTENDANCE RECORD FOR BOARD MEETINGS AND OTHER DIRECTORSHIPS:**

During the financial year, 5 (five) Board Meetings were held on 26/5/2006, 24/07/2006, 19/10/2006, 25/01/2007 and 24/03/2007 respectively. **Table 1** gives the composition of the Board, the category of the Directors, the meetings attended by them and the number of other directorships.

Table 1 : Details about Board of Directors

Name of Director	Category	Number of Board Meetings Held	Number of Board Meetings Attended	Whether Attended Last AGM	Number of Directorships of Other Public Limited Companies	Number of Memberships in Board Committees (Refer Notes Below)
a) Mr. T. Mori	Non Executive	5	Nil	No	1	1
b) Mr. T. Yamazaki*	Executive	5	5	Yes	1	2
c) Mr. Y. Mizuno	Executive	5	5	Yes	1	2
d) Mr. S. S. Vaidya	Non-Executive, Independent	5	5	Yes	8	9
e) Mr. M. Takahashi	Non-Executive	5	Nil	No	1	-
f) Mr. M. Eiryu	Non-Executive, Independent	5	5	No	-	2
g) Mr. F. Misuge	Non-Executive, Independent	5	Nil	No	-	2

Notes:

- Mr. T. Mori, Chairman, is also the Managing Director and member of Audit Committee of Sharp Business Systems (India) Limited.
- Subject to the approval of shareholders Mr. T. Yamazaki has been reappointed as the Managing Director with effect from April 1, 2007 for a period of 3 years. He is also a director on the board of Sharp Business Systems (India) Limited and member of Audit Committee and Remuneration Committee of that company.
- The appointment of Mr. Y. Mizuno as the Executive Director was approved by the shareholders in their 21st Annual General Meeting held on September 9, 2006. The Central Government has approved his appointment vide its letter No. 1/93/2006-CL.VII dated 15th January 2007. He is also a director on the board of Sharp Business Systems (India) Limited and member of Audit Committee and Remuneration Committee of that company.
- Mr. S. S. Vaidya is an Independent Director and the Chairman of Audit Committee and Shareholders'/ Investors' Grievance and Transfer Committee. He is a member of Remuneration Committee of the Company. He also holds the position of Chairman in 4 Board Level Committees in other companies.
- Mr. Eiryu is the Chairman of Remuneration Committee of the Company and member of the Audit Committee.

- * Pecuniary interest of the Managing Director is to the extent of his remuneration which is placed before the ensuing annual general meeting for the shareholders' approval.