

***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.

**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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**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 Mizuho 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
<b>INCOME</b>		
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>
<b>EXPENDITURE</b>		
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>
<b>PROFIT BEFORE TAX</b>	<b>1.413</b>	<b>(73.840)</b>
<b>PROVISION FOR TAX</b>		
Current tax	(0.003)	(0.012)
Deferred tax	-	-
Fringe Benefit Tax	(1.305)	(2.419)
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>	<b>0.105</b>	<b>(76.271)</b>
<b>PROFIT AND LOSS ACCOUNT, beginning of the year</b>	<b>(201.790)</b>	<b>(125.519)</b>
<b>PROFIT AND LOSS ACCOUNT, end of the year</b>	<b>(201.685)</b>	<b>(201.790)</b>

**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:

- i. 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**

**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 21<sup>st</sup> 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 15<sup>th</sup> 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.

**DIRECTORS' ATTENDANCE RECORD FOR AUDIT AND REMUNERATION COMMITTEE MEETINGS:**

Name of Director	Audit Committee Meetings			Remuneration Committee Meetings		
	Number of Meetings Held	Number of Meetings Attended	Position Held	Number of Meetings Held	Number of Meetings Attended	Position Held
a) Mr. S. S. Vaidya	4	4	Chairman	1	1	Member
b) Mr. F. Misuge	4	-	Member	-	-	Member
c) Mr. M. Eiryu	4	4	Member	1	1	Chairman

None of the Directors is a member of more than 10 Board level committees of Public companies in which they are Directors, or is a Chairman of more than 5 such committees as computed for the purposes of clause 49 of the Listing Agreement.

- **INFORMATION SUPPLIED TO THE BOARD:**

Information supplied to the Board includes-

- Quarterly and annual results of the Company
- Minutes of board meetings and Committees thereof
- Compliance of statutory and regulatory nature, listing requirements and investor grievances, if any and shareholder-services
- Disclosures pertaining clause 49 of the Listing Agreement

- **DIRECTORS' MATERIAL PECUNIARY OR BUSINESS RELATIONSHIP WITH THE COMPANY:**

There have been no transactions or pecuniary relationships between the Company and its Non-Executive and/or Independent directors during the year 2006-2007. Mr. S. S. Vaidya holds 800 equity shares of the Company. Except Mr. Vaidya no other director holds shares in the Company. No payment other than the sitting fees was made to any of the non- Executive directors.

- **REMUNERATION TO DIRECTORS:**

The details of the remuneration package of directors and relationship, if any are given in the following table:

Table 2

Name of the Director	Relationship With other Directors	Sitting Fees (Rs.)	Salaries & Perquisites (Rs.)	Commission (Rs.)	Total (Rs.)
a) Mr. T. Mori	None	Nil	Nil	Nil	
b) Mr. T. Yamazaki	None	Nil	1084465	Nil	1084465
c) Mr. Y. Mizuno	None	Nil	987437	Nil	987437
d) Mr. M. Takahashi	None	Nil	Nil	Nil	
e) Mr. S. S. Vaidya	None	221500	Nil	Nil	221500
f) Mr. M. Eiryu	None	Nil	Nil	Nil	
g) Mr. F. Misuge	None	Nil	Nil	Nil	

The payments made to the Executive Directors are in the nature of salary and perquisites as approved by the Remuneration Committee and the shareholders as required by the Companies Act, 1956. No other benefits/ stock options/ bonuses, pensions are given to any of the Directors. There is no fixed component and performance linked incentive. There are no severance fees payable to the Executive Directors. No other remuneration is paid to the Independent Directors. The Company has not issued any stock options or any other convertible instruments to any of its Directors. The Company does not pay any remuneration to the non-executive directors except sitting fees.

- **REMUNERATION COMMITTEE:**

The terms of references of the Remuneration Committee pertain to determining the policy and approving remuneration packages

for Managing Director / Executive Director. The Committee consists of three Non-Executive Independent Directors viz., Mr. M. Eiryu (Chairman), Mr. S. S. Vaidya and Mr. F. Misuge (both members). The Committee met on March 24, 2007. Mr. M. Eiryu and Mr. S. S. Vaidya attended the meeting.

- **AUDIT COMMITTEE:**

The Audit Committee consists of three Non-Executive and Independent Directors viz., Mr. S. S. Vaidya (Chairman), Mr. F. Misuge and Mr. Eiryu (both members). The Audit Committee met on May 26, 2006, July 24, 2006, October 19, 2006 and January 25, 2007. Mr. S. S. Vaidya and Mr. Eiryu attended all the Committee meetings held during the financial year 2006 - 2007. The Audit Committee reviews on quarterly basis the reports submitted by Internal Auditors, Unaudited and Audited Financial Results and also reviews the matters falling within the scope of the Committee as defined by the Board of Directors. The scope of the Committee includes-

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment, re-appointment and removal of statutory auditor, fixation of audit fee and also approval for payment for any other services.
3. Approval of payment to statutory auditors for any other services rendered by them.
4. Reviewing with management the annual financial statements before submission to the board, with particular reference to:
  - a) Matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - b) Changes if any, in accounting policies and practices and reasons for the same.
  - c) Major accounting entries based on exercise of judgement by management.
  - d) Significant adjustments arising out of audit findings.
  - e) Compliance with stock exchange and legal requirements concerning financial statements.
  - f) Disclosure of any related party transactions.
  - g) Qualifications in draft audit report.
5. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
7. Reviewing the adequacy of internal audit function and reports submitted by the internal auditors.



8. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
9. Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
10. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

• **SHAREHOLDERS'/INVESTORS' GRIEVANCE AND TRANSFER COMMITTEE:**

The Committee handles redressal of shareholders' and investors' complaints and oversees transfer of shares as well. The status of complaints is also reported to the Committee as well as the Board of Directors. The Committee met 24 times during the year 2006 - 2007. All queries pertaining to non-receipt of annual reports, redemption of debentures, interest warrants, transfer of shares, duplicate share certificates, change of address, rematerialization of shares, etc. were resolved to the satisfaction of the shareholders/ investors.

Mr. H. S. Chindhade, Company Secretary is the Compliance Officer. The Board has authorized Mr. Chindhade to expedite process of share transfer and investors' grievances redressal.

The Shareholders'/ Investors' Grievance and Transfer Committee has been delegated the powers to consider the transfer and transmission related issues and meets every fortnightly to look after share transfers and redress investor grievances. Intime Spectrum Registry Limited, Pune, the Registrar & Transfer Agent conducts the share transfer work.

• **MANAGEMENT DISCUSSION AND ANALYSIS:**

A separate chapter on Management Discussion & Analysis is incorporated in the Annual Report.

• **DISCLOSURES:**

There has been no non-compliance by the Company. There are no penalties, strictures imposed on the Company by any Stock Exchange or SEBI or any statutory authority on any matter related to capital market, during the last year.

None of the Senior Management Personnel has material, financial and commercial interest in the transactions that may have a potential conflict with that of the Company. As required by clause 49(F)(ii) of the Listing Agreement the Senior Management Personnel have given the required declarations.

There are no significant related party transactions of material nature, with its directors or their relatives, the management or any relative of the Senior Management personnel that may have potential conflict with the interest of the Company. Some of the employees nominated by Sharp Corporation, Japan holding positions in the Senior Management may be deemed to be interested as employees of Sharp Corporation, Japan.

• **AFFIRMATION OF COMPLIANCE OF CODE OF CONDUCT:**

The Board of Directors of the Company has laid down a Code of conduct for all its Board Members and the Senior Management Personnel of the Company. All the Board members and Senior Management Personnel of the Company have affirmed compliance of the said Code of Conduct and I hereby confirm the same.

Sd/-

*Managing Director*

The Code of Conduct can be viewed on the Company's website [www.sharpindialimited.com](http://www.sharpindialimited.com).

• **COMMUNICATION TO SHAREHOLDERS:**

The Company has its own website- [www.sharpindialimited.com](http://www.sharpindialimited.com) - for the benefit of the various stakeholders like customers, suppliers, investors and public at large. The Shareholding Pattern, Unaudited and Audited Financial Results are put on the Company's website and also on SEBI's website viz. [www.sebi.gov.in](http://www.sebi.gov.in) through EDIFAR System of Filing. Annual Report is also available on SEBI'S website. Since the Company deals only in one primary segment of products i.e. consumer durables, segment wise reporting as required by AS 17 issued by the Institute of Chartered Accountants of India is not applicable. The quarterly unaudited results and audited yearly results are published in Financial Express (English) and Loksatta (Marathi). The shareholders can seek communication with the Company on the email address dedicated for investor communication – [investors@sharpindialimited.com](mailto:investors@sharpindialimited.com).

• **DETAILS OF GENERAL BODY MEETINGS FOR LAST THREE YEARS:**

Financial Year	Date	Time	Venue
March 31, 2004	September 15, 2004	11:00 a.m.	Registered Office
March 31, 2005	June 30, 2005	11:00 a.m.	Registered Office
March 31, 2006	September 9, 2006	11:00 a.m.	Registered Office

During the year no resolutions were put through postal ballot.

**CERTIFICATE ON CORPORATE GOVERNANCE – MARCH 31, 2007**

To,  
The Members of Sharp India Limited

I have examined the compliance of conditions of Corporate Governance by Sharp India Limited ("the Company") for the year ended March 31, 2007 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to procedure and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

I state that no investor grievance is pending for a period exceeding one-month against the Company as per the records maintained by the Shareholders/Investor Grievance Committee.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Sridhar G. Mudaliar  
Company Secretary  
Membership No.: ACS10535  
C P No.: 2664

Date : 21st May 2007  
Place : Pune

## ADDITIONAL INFORMATION TO SHAREHOLDERS

## 1. ANNUAL GENERAL MEETING:

Date : August 21, 2007  
 Time : 11:00 a.m.  
 Venue : Registered Office of the Company at  
 Gat No.686/4, Koregaon Bhima,  
 Tal. Shirur, Dist. Pune 412 216

## 2. FINANCIAL YEAR : April 1 to March 31

## 3. BOOK CLOSURE : The Books will be closed from August 14, 2007 to August 21, 2007 (both days inclusive) as Annual Closure for the Annual General Meeting

## 4. FINANCIAL CALENDAR -

## (Tentative and subject to change)

: Results for quarter ending June 30, 2007 – Last week of July 2007  
 : Results for quarter and half-year ending September 30, 2007 – Last week of October 2007  
 : Results for quarter and nine months ending December 31, 2007 – Last week of January 2008  
 : Results for the year ending March 31, 2008– June 2008

## 5. LISTING ON STOCK EXCHANGES:

The shares of the Company are listed on Bombay Stock Exchange Limited and Pune Stock Exchange Limited. The company has paid the Listing fee for the year 2007-08 to both the Stock Exchanges.

## 6. STOCK CODE AND ISIN

Stock codes : Pune Stock Exchange Limited, **KALSH**  
 : Bombay Stock Exchange Limited, **523449**  
 ISIN : INE207B01011 with NSDL and CDSL

## 7. MARKET PRICE DATA:

The monthly High and Low prices of Equity Shares quoted on the Bombay Stock Exchange Limited along with the monthly Sensex for the year 2006-2007 is given below.

Table 3

MONTH	HIGH (Rs.)	LOW (Rs.)	BSE Sensex	
			High	Low
April 2006	34.85	20.00	12,102.00	11,008.43
May 2006	38.35	24.90	12,671.11	9,826.91
June 2006	26.40	18.05	10,626.84	8,799.01
July 2006	25.00	20.30	10,940.45	9,875.35
August 2006	26.75	21.70	11,794.43	10,645.05
September 2006	25.70	21.35	12,485.17	11,444.18
October 2006	29.35	22.55	13,075.85	12,178.83
November 2006	31.85	24.75	13,799.08	12,937.30
December 2006	27.50	23.40	14,035.30	12,801.65
January 2007	35.35	24.25	14,325.92	13,303.22
February 2007	32.00	24.40	14,723.88	12,800.91
March 2007	28.00	23.25	13,386.95	12,316.10

## 8. REGISTRAR AND SHARE TRANSFER AGENT AND SHARE TRANSFER SYSTEM:

Consequent to the acquisition of the R & T Agency business of M/s MCS Limited, Pune by M/s Intime Spectrum Registry Limited, the company has appointed M/s Intime Spectrum Registry Limited as its Registrar and Share Transfer Agent. Intime Spectrum

Registry Limited deals with all matters pertaining to transfers, transmissions, subdivisions and consolidation of Company's securities as also correspondence for holdings in Physical or Dematerialized form and replying to investor queries. There are no legal proceedings against the Company on any share transfer matter.

## 9. SHAREHOLDING PATTERN (as on March 31, 2007):

Category	No. of Shares	% of Shareholding
Promoters	20,755,200	80.00
Foreign Institutional Investors	3,200	0.01
Bodies Corporate	500,313	1.93
Indian Public	4,614,801	17.79
Bank / Mutual Funds	2,700	0.01
NRIs / OCBs	67,786	0.26
<b>TOTAL</b>	<b>25,944,000</b>	<b>100.00</b>

## 10. Distribution of Shareholding as on March 31, 2007:

Shareholding of Nominal Value of		Share		Share Amount	
Rs.	Rs.	Number of Shareholders	% to Total	Rs.	% to Total
	(1)	(2)	(3)	(4)	(5)
Upto 5,000	5,000	12,943	93.16	17,736,910	6.84
5,001 - 10,000	10,000	488	3.51	42,48,330	1.64
10,001 - 20,000	20,000	181	1.30	2,898,870	1.12
20,001 - 30,000	30,000	72	0.52	1,930,880	0.74
30,001 - 40,000	40,000	42	0.30	1,519,490	0.59
40,001 - 50,000	50,000	38	0.28	1,834,680	0.70
50,001 - 100,000	100,000	69	0.50	5,078,270	1.95
100,001 and above		60	0.43	224,192,570	86.41
<b>TOTAL</b>		<b>13,893</b>	<b>100.00</b>	<b>259,440,000</b>	<b>100.00</b>

## 11. Dematerialisation:

The Company's Equity Shares are under compulsory dematerialized (demat) mode of trading. As on March 31, 2007, shares in dematerialized form accounted for 15.22% of total equity.

## 12. Details of Public funding obtained in the last three years:

No capital has been raised from Public during the last three years.

## 13. Outstanding GDRs / ADRs / Warrants and their likely impact on Equity:

There are no outstanding GDRs / ADRs / Warrants or other instruments.

## 14. Address for Investor Correspondence:

- 1) Secretarial Department,  
 Sharp India Limited,  
 Gat No.686/4, Koregaon Bhima,  
 Tal. Shirur, Dist. Pune 412 216  
 Tel. : (02137) 252417. Fax No. : (02137) 252453  
 Email: [investors@sharpindialimited.com](mailto:investors@sharpindialimited.com)
- 2) Intime Spectrum Registry Limited,  
 Unit : Sharp India Limited  
 202, 2nd Floor Akshay Complex, Off. Dhole Patil Road,  
 Near Ganesh Mandir, Pune 411 001  
 Tel. : (020) 26051629. Fax No. : (020) 26053503  
 Email: [pune@intimespectrum.com](mailto:pune@intimespectrum.com)  
 Contact Person : Mr. Vikrant Deshmukh  
 Timings : 9:30 a.m. to 6:00 p.m.

## AUDITORS' REPORT

To

The Members of Sharp India Limited

1. We have audited the attached balance sheet of Sharp India Limited as at March 31, 2007 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

- iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- v. On the basis of the written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2007;
  - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
  - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & Co.  
Chartered Accountantsper Arvind Sethi  
Partner

Membership No.: 89802

New Delhi  
May 24, 2007

## Annexure referred to in paragraph 3 of our report of even date

Re: Sharp India Limited

1. (i) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (ii) Fixed assets were physically verified by management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets.
- (iii) During the year, the Company has disposed computers having a gross block of Rs. 11,463 thousands and a net block of Rs. Nil. Based on the information and explanation given by the management and on the basis of audit procedures performed by us, we are of the opinion that the sale of the aforementioned computers has not affected the going concern status of the Company.
2. (i) Management has conducted physical verification of inventory at reasonable intervals.
- (ii) The procedures of physical verification of inventory followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (iii) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
3. As informed to us, the Company has not granted / taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and hence clauses 4(iii) (a), (b), (c), (d), (e), (f) and (g) of CARO are not applicable.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. Based on our procedures, no major weaknesses in internal control system were observed.
5. According to the information and explanations provided by management, we are of the opinion that there are no particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 and hence clauses 4(v), (a) and (b) of CARO are not applicable.
6. The Company has not accepted any deposits from the public and hence clause 4(vi) of CARO is not applicable.
7. In our opinion, the Company has an internal audit system, which is commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
9. (i) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income-tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- (ii) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (iii) According to the information and explanations given to us and the records of the Company examined by us, the particulars of disputed amounts of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess as at March 31, 2007, which have not been deposited, are referred to as below:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Excise Duty	MODVAT on WIP destroyed in fire	3,504,746	1999-2000	Customs/Central Excise and Service Tax Appellate Tribunal
Excise Duty	Remission of Excise Duty on Finished Goods destroyed in fire	7,778,232	1999-2000	Customs/Central Excise and Service Tax Appellate Tribunal
Excise Duty	Excise duty on DTA clearance	21,636,053	1997-1998	Central Excise and Service Tax Appellate Tribunal
Service Tax	Service Tax on Royalty paid to Sharp Corporation, Japan	957,256	August 2002 to March 2004	Commissioner Central Excise

10. The Company's accumulated losses at the end of the financial year are less than fifty percent of its net worth. The Company has not incurred a cash loss during the current year but has incurred a cash loss during the preceding year.
11. Based on our audit procedures and according to the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks. The company did not have any dues payable to a financial institution or any debentures outstanding during the current year.
12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence clause 4(xii) of CARO is not applicable.
13. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund/societies and hence clause 4(xiii) of CARO is not applicable.
14. In our opinion, the Company does not deal or trade in shares, securities, debentures and other investments and hence clause 4(xiv) of CARO is not applicable.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions and hence clause 4(xv) of CARO is not applicable.
16. The Company did not have any term loans outstanding during the year and hence clause 4(xvi) of CARO is not applicable.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
18. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956 and hence clause 4(xviii) of CARO is not applicable.
19. The Company did not have any outstanding debentures during the year and hence clause 4(xix) of CARO is not applicable.
20. The Company has not raised any money through a public issue during the year and hence clause 4(xx) of CARO is not applicable.
21. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. BATLIBOI & Co.  
Chartered Accountantsper Arvind Sethi  
Partner

Membership No.: 89802

New Delhi  
May 24, 2007

**BALANCE SHEET AS AT MARCH 31, 2007**  
(All amounts in thousands of Rupees, unless otherwise stated)

	<u>Schedules</u>	<u>2007</u>	2006 (Note 15 of Schedule 19)
<b><u>SOURCES OF FUNDS</u></b>			
<b>Shareholders' Funds</b>			
Share capital	1	259,440	259,440
Reserves and surplus	2	180,600	180,600
		<u>440,040</u>	<u>440,040</u>
<b>Loan Funds</b>			
Secured loans	3	26,232	19,595
Unsecured loans	4	260,000	200,000
		<u>286,232</u>	<u>219,595</u>
		<u>726,272</u>	<u>659,635</u>
<b><u>APPLICATION OF FUNDS</u></b>			
<b>Fixed Assets (including intangible assets)</b>			
Gross Block	5	846,323	854,011
Less: Accumulated Depreciation/Amortisation		717,589	705,910
Net Block		<u>128,734</u>	<u>148,101</u>
<b>Investments</b>	6	37	37
<b>Current Assets, Loans and Advances</b>			
Inventories	7	296,622	186,625
Sundry debtors	8	296,273	301,491
Cash and bank balances	9	73,656	63,969
Loans and advances	10	99,638	68,367
		<u>766,189</u>	<u>620,452</u>
<b>Less: Current Liabilities and Provisions</b>			
Current liabilities	11	364,347	304,132
Provisions	12	6,026	6,613
		<u>370,373</u>	<u>310,745</u>
<b>Net Current Assets</b>		395,816	309,707
<b>Profit and Loss account</b>		201,685	201,790
		<u>726,272</u>	<u>659,635</u>
<b>Notes to Accounts</b>	19		

The schedules referred to above and Notes to Accounts form an integral part of the Balance Sheet

As per our report of even date

For and on behalf of the Board of Directors

**S. R. Batliboi & Co.**  
Chartered Accountants

**T. Yamazaki**  
Managing Director

**Y. Mizuno**  
Executive Director

New Delhi  
May 24, 2007

per **Arvind Sethi**  
Partner  
Membership No. : 89802

Pune  
May 21, 2007

**H.S. Chindhade**  
Company Secretary

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

(All amounts in thousands of Rupees, unless otherwise stated)

	<u>Schedules</u>	<u>2007</u>	<u>2006</u> (Note 15 of Schedule 19)
<b>INCOME</b>			
Sales and service income (Gross)	13	1,411,718	1,034,739
Less: Excise duty		<u>(108,433)</u>	<u>(90,334)</u>
Sales and service income (Net)		1,303,285	944,405
Other income	14	<u>15,015</u>	<u>6,075</u>
		<u>1,318,300</u>	<u>950,480</u>
<b>EXPENDITURE</b>			
Raw materials and components consumed	15	388,632	341,362
Purchase of traded products		687,040	389,357
Personnel expenses	16	92,374	87,788
Operating and other expenses, net	17	217,008	166,278
(Increase)/Decrease in work-in-progress and finished goods		<u>(113,742)</u>	<u>(2,849)</u>
Depreciation/Amortisation, net	5	24,607	26,233
Financial expenses	18	<u>20,968</u>	<u>16,151</u>
		<u>1,316,887</u>	<u>1,024,320</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>		1,413	(73,840)
<b>PROVISION FOR TAX</b>			
Wealth tax(charge)/reversal		(3)	(12)
Fringe Benefit Tax		<u>(1,305)</u>	<u>(2,419)</u>
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>		<u>105</u>	<u>(76,271)</u>
<b>BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR</b>		<u>(201,790)</u>	<u>(125,519)</u>
<b>PROFIT AND LOSS ACCOUNT, balance at end of year</b>		<u>(201,685)</u>	<u>(201,790)</u>
Basic and diluted earnings / (loss) per share (in Rupees)		0.004	(2.940)
Weighted average number of shares outstanding during the year		25,944,000	25,944,000
Nominal value of shares (in Rupees)		10	10
<b>Notes to Accounts</b>	19		

The schedules referred to above and Notes to Accounts form an integral part of the Profit and Loss account

As per our report of even date

For and on behalf of the Board of Directors

**S. R. Batliboi & Co.**  
Chartered Accountants

**T. Yamazaki**  
Managing Director

**Y. Mizuno**  
Executive Director

New Delhi  
May 24, 2007

per **Arvind Sethi**  
Partner  
Membership No. : 89802

Pune  
May 21, 2007

**H.S. Chindhade**  
Company Secretary

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2007

(All amounts in thousands of Rupees, unless otherwise stated)

	<u>2007</u>	<u>2006</u> (Note 15 of Schedule 19)
<b>CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES:</b>		
Net Profit/(Loss) before tax	1,413	(73,840)
Adjustments to reconcile profit/(loss) before tax to cash provided by operations:		
Depreciation	24,607	64,718
(Profit)/Loss on sale of fixed assets, net	(1)	355
Interest expense	20,968	16,151
Provision for doubtful debts	23,548	14,266
Operating profit before working capital changes	<u>70,535</u>	<u>21,650</u>
(Increase)/decrease in Current Assets, Loans and Advances		
Inventories	(109,997)	20,785
Sundry debtors	(18,330)	(7,666)
Loans and advances	(31,273)	(278)
Increase in current liabilities and provisions	61,168	102,953
Cash used in / provided by operating activities	<u>(27,897)</u>	<u>137,444</u>
Income-tax payment	(2,422)	(46)
Net cash provided by / (used in) operating activities	<u>(30,319)</u>	<u>137,398</u>
<b>CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	(5,568)	(1,577)
Proceeds from sale of fixed assets/settlement of insurance claim	331	436
Net cash provided by / (used in) investing activities	<u>(5,237)</u>	<u>(1,141)</u>
<b>CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES:</b>		
Proceeds from / (repayment) short-term secured loans	6,637	(50,420)
Proceeds from / (repayment) short-term unsecured loans	60,000	(64,848)
Interest paid	(21,394)	(16,554)
Net cash provided by / (used in) financing activities	<u>45,243</u>	<u>(131,822)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,687	4,435
CASH AND CASH EQUIVALENTS, beginning of year	63,969	59,533
CASH AND CASH EQUIVALENTS, end of year	<u>73,656</u>	<u>63,969</u>

The schedules referred to above and Notes to Accounts form an integral part of the Cash Flow Statement

As per our report of even date

For and on behalf of the Board of Directors

S. R. Batliboi & Co.  
Chartered AccountantsT. Yamazaki  
Managing DirectorY. Mizuno  
Executive DirectorNew Delhi  
May 24, 2007per Arvind Sethi  
Partner  
Membership No. : 89802Pune  
May 21, 2007H.S. Chindhade  
Company Secretary

## SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007

(All amounts in thousands of Rupees, unless otherwise stated)

1. SHARE CAPITAL	<u>2007</u>	<u>2006</u>
Authorised 40,000,000 (2006 - 40,000,000) equity shares of Rs. 10/- each	<u>400,000</u>	<u>400,000</u>
Issued and subscribed 25,944,000 (2006 - 25,944,000) equity shares of Rs. 10/- each, fully paid-up	<u>259,440</u>	<u>259,440</u>
Of the above, 20,755,200 (2006 – 20,755,200) equity shares of Rs. 10/- each, are held by Sharp Corporation, Japan, the Holding Company.		
2. RESERVES AND SURPLUS		
Capital reserve - Special capital incentive received from the Government of Maharashtra	<u>2,000</u>	<u>2,000</u>
Share premium account	<u>178,600</u>	<u>178,600</u>
	<u>180,600</u>	<u>180,600</u>
3. SECURED LOANS		
Cash credit from banks	<u>26,232</u>	<u>19,595</u>
The above is secured by first hypothecation charge on the Company's entire stock of raw materials, finished goods, work-in-progress, consumable stores, and spares and book debts and second charge on the Company's movable plant and machinery.		
4. UNSECURED LOANS		
Loans from banks	<u>260,000</u>	<u>200,000</u>
Aggregate amount of unsecured loans from banks repayable within one year	<u>260,000</u>	<u>200,000</u>

## 5. FIXED ASSETS (INCLUDING INTANGIBLE ASSETS)

	Land- Freehold	Factory Buildings	Plant and machinery	Moulds, jigs and fixtures	Furniture and fittings and equipments	Computers	Vehicles	Total	Previous Year	Intangible Assets			Grand Total Previous Year
										SAP Software	Technical know how	Total	
<b>Gross Block</b>													
At 01.04.2006	1,931	90,916	362,722	260,166	30,799	59,373	9,268	815,175	817,354	25,236	13,600	38,836	854,011
Additions	-	-	463	1,888	462	1,042	1,713	5,568	1,577	-	-	-	5,568
Deductions	-	-	-	-	656	11,463	1,137	13,256	3,756	-	-	-	13,256
<b>At 31.03.2007</b>	<b>1,931</b>	<b>90,916</b>	<b>363,185</b>	<b>262,054</b>	<b>30,605</b>	<b>48,952</b>	<b>9,844</b>	<b>807,487</b>	<b>815,175</b>	<b>25,236</b>	<b>13,600</b>	<b>38,836</b>	<b>846,323</b>
<b>Accumulated Depreciation/Amortisation</b>													
At 01.04.2006	-	29,772	316,727	244,796	19,007	57,220	4,527	672,049	614,358	20,261	13,600	33,861	705,910
For the year	-	2,820	9,019	5,458	1,411	1,097	896	20,701	60,656	3,906	-	3,906	24,607
Deletions	-	-	-	-	626	11,463	839	12,928	2,965	-	-	-	12,928
<b>At 31.03.2007</b>	<b>-</b>	<b>32,592</b>	<b>325,746</b>	<b>250,254</b>	<b>19,792</b>	<b>46,854</b>	<b>4,584</b>	<b>679,822</b>	<b>672,049</b>	<b>24,167</b>	<b>13,600</b>	<b>37,767</b>	<b>717,589</b>
<b>Net Block</b>													
At 31.03.2007	1,931	58,324	37,439	11,800	10,813	2,098	5,260	127,665	143,126	1,069	-	1,069	128,734
At 31.03.2006	1,931	61,144	45,995	15,370	11,792	2,153	4,741	143,126	202,996	4,975	-	4,975	148,101

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(a) The Company had paid Rs.1,812 for the acquisition of land at Koregaon Bhima. Although the Company possesses the title deeds to this land, the final purchase consideration is still to be determined. Management believes that no additional claims are likely to be made against the Company consequent to the finalisation of the purchase consideration.

(b) Reconciliation of depreciation as per Fixed Assets Schedule with the depreciation as per Profit and Loss account

	<u>2007</u>	<u>2006</u>
Depreciation as per Fixed Assets schedule above	24,607	64,718
Less: additional depreciation charged on certain assets of plant and machinery/moulds, jigs and fixtures reimbursed by Sharp Corporation, Japan [See Schedule 19(9)]	-	38,485
Depreciation, net charged to Profit and Loss account	<u>24,607</u>	<u>26,233</u>



## 6. INVESTMENTS

	Number		Face value	Cost	
	<u>2007</u>	<u>2006</u>	per unit <u>Rupees</u>	<u>2007</u>	<u>2006</u>
<b>Long term, non-trade, quoted</b>					
Equity Shares (fully paid-up)					
Videocon Industries Limited	20	20	10	5	5
BPL Limited	100	100	10	13	13
MIRC Electronics Limited	1000	1000	01	4	4
Panasonic AVC Networks India Co. Ltd. (Formerly Matsushita Television and Audio India Limited)	100	100	10	1	1
Philips (India) Limited	100	100	10	14	14
				<u>37</u>	<u>37</u>
Aggregate market value of quoted non-trade investments				<u>43</u>	<u>25</u>

## 7. INVENTORIES

	<u>2007</u>	<u>2006</u>
Raw materials and components	30,562	40,213
Stores and packing materials	343	658
Work-in-progress	3,883	3,308
Traded and manufactured finished goods	209,809	102,212
Materials-in-transit-traded goods	32,895	27,325
Materials-in-transit-raw materials	19,130	12,909
	<u>296,622</u>	<u>186,625</u>

## 8. SUNDRY DEBTORS (unsecured)

Debts outstanding for a period exceeding six months		
- Considered good	22,105	51,441
- Considered doubtful	86,414	62,866
	<u>108,519</u>	<u>114,307</u>
Less: Provision for doubtful debts	<u>(86,414)</u>	<u>(62,866)</u>
	<u>22,105</u>	<u>51,441</u>
Other debts - considered good	274,168	250,050
	<u>296,273</u>	<u>301,491</u>

The above includes Rs. Nil (Rs. 74) due from Sharp Business Systems India Limited, which is a company under the same management as defined in section 370 (1B) of the Companies Act, 1956.

## 9. CASH AND BANK BALANCES

Cash in hand	134	168
Balances with scheduled banks		
- current accounts	3,070	6,862
- cash credit accounts	399	1,029
Cheques in hand	70,053	55,910
	<u>73,656</u>	<u>63,969</u>

	<u>2007</u>	<u>2006</u>
<b>10. LOANS AND ADVANCES</b> (unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received	81,206	54,208
Balances with customs and excise authorities	8,280	4,042
Sundry deposits	10,152	10,117
	<u>99,638</u>	<u>68,367</u>
Included in 'Advances recoverable in cash or kind or for value to be received':		
Dues from companies under the same management as listed below:		
Sharp Electronics Malaysia SDN	790	677
Sharp Manufacturing Thailand Co. (Thailand) Ltd.	5,322	3,122
<b>11. CURRENT LIABILITIES</b>		
Acceptances	47,724	66,021
Sundry creditors (see note below)	277,878	200,776
Other liabilities	36,772	33,843
Security deposits and advances from customers	1,364	3,343
Interest accrued but not due on loans	609	149
	<u>364,347</u>	<u>304,132</u>
Dues to SSIs' included in Sundry Creditors	5,420	2,422
Dues to other than SSIs' included in Sundry Creditors	272,458	198,354
The small-scale industrial undertakings ('SSIs') to which amounts are outstanding for more than 30 days are:		
Utsavgiri Computers & Electronics, Iwai Electronics Pvt. Ltd., Poona Spring Works, Swarrop Decore, Excel Process Pvt. Ltd, Sawkar Art Services, Sunvoice Electronics Pvt. Ltd., Packoline Industries Pvt. Ltd., Sellowarap Mfg. Pvt. Ltd., K.K. Nag Ltd., Miltech Industries Pvt. Ltd. and Modernova Plastyles Pvt. Ltd.		
The above information in respect of outstanding dues of SSIs' is arrived at on the basis of the information available with the Company. Further, as at March 31, 2007, no supplier has intimated the Company about its status as micro, or small enterprises or its registration with the appropriate authority under the Micro, Small and Medium Enterprises Development Act, 2006.		
<b>12. PROVISIONS</b>		
Provision for bonus	1,037	1,324
Provision for taxation, net of payments	1,306	2,420
Provision for product warranties	3,683	2,869
	<u>6,026</u>	<u>6,613</u>
<b>13. SALES AND SERVICE INCOME</b>		
Sale of products	1,404,875	1,028,445
Service income	6,843	6,294
	<u>1,411,718</u>	<u>1,034,739</u>
<b>14. OTHER INCOME</b>		
Sale of scrap	1,926	1,153
Sales tax assessment refunds	12,394	-
Miscellaneous income	-	3,252
Sundry credit balances written back (net)	695	1,670
	<u>15,015</u>	<u>6,075</u>
<b>15. RAW MATERIALS AND COMPONENTS CONSUMED</b>		
Opening balance	53,122	76,843
Add: Purchases during the year [See Schedule 19(9)]	385,202	317,641
Less: Closing balance	49,692	53,122
	<u>388,632</u>	<u>341,362</u>

	<u>2007</u>	<u>2006</u>
<b>16. PERSONNEL EXPENSES</b>		
Salaries, wages and bonus	70,952	64,837
Staff welfare	11,409	12,480
Contributions to provident and other funds	10,013	10,471
	<u>92,374</u>	<u>87,788</u>
Voluntary Retirement Scheme expenditure [See Schedule 19(10)]	-	22,193
Less: Reimbursed by Sharp Corporation, Japan [See Schedule 19(10)]	-	(22,193)
	<u>92,374</u>	<u>87,788</u>
<b>17. OPERATING AND OTHER EXPENSES, net</b>		
Advertisements, net [See Schedule 19(9)]	14,052	11,322
Freight, octroi and transit insurance	58,771	32,990
Sales promotion, net [See Schedule 19(9)]	28,234	7,646
Stores and packing materials consumed	17,003	12,129
Travel	13,187	11,498
Rent	10,719	10,396
Communication expenses	9,662	9,291
Excise duty on closing stock, net	8,846	2,577
Repairs and maintenance:		
- Plant and machinery	644	667
- Building	1,016	182
- Others	3,943	3,774
Bank charges	7,630	5,468
Provision for doubtful debts [See Schedule 19(9)]	4,425	14,266
Power, fuel and water charges	5,399	4,537
Insurance	3,071	4,501
Professional fees and expenses	6,328	4,279
Turnover and additional sales-tax	1,393	1,582
Packing and forwarding	13,099	8,656
Printing and stationery	2,115	1,711
Processing charges	-	754
Rates and taxes	1,433	1,086
Loss/(Profit) on sale and retirement of assets, net	(1)	355
Director's sitting fees	221	60
Other expenses [See Schedule 19(9)]	(8,266)	4,143
After sales service charges	21,130	21,329
	<u>224,054</u>	<u>175,199</u>
Less: Insurance claims*	(7,046)	(8,921)
	<u>217,008</u>	<u>166,278</u>
<b>18. FINANCIAL EXPENSES</b>		
Interest		
On fixed loans	19,585	14,520
Others	1,383	1,631
	<u>20,968</u>	<u>16,151</u>

\* Insurance claims represent recovery of amounts from the insurance company towards incidental expenses incurred towards service of warranty claims.

## NOTES TO ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007 (All amounts in thousands of Rupees, unless otherwise stated)

## Schedule 19:

## 1. Background

Sharp India Limited ('the Company') was incorporated on July 5, 1985. The Company is principally engaged in the manufacture and sale of colour televisions. Further, the Company is also engaged in trading microwave ovens, refrigerators, colour televisions, LCD TVs, air conditioners and audio systems.

Sharp Corporation ('Sharp'), a company incorporated in Japan, holds 80 per cent of the issued share capital of the Company. The Company has a technical collaboration with Sharp for the manufacture of colour televisions ('CTVs').

## 2. Summary of significant accounting policies

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and in accordance with the standards of accounting issued by the Institute of Chartered Accountants of India and referred to in Section 211(3C) of the Companies Act, 1956 ('the Act') and generally accepted accounting principles in India. The significant accounting policies are as follows:

## (a) Fixed assets, Intangible Assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment loss if any. The Company capitalises all costs relating to the acquisition and installation of fixed assets.

Intangible assets are recorded at the consideration paid for their acquisition. The carrying amounts of the assets belonging to each cash generating unit ('CGU') are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amount; and where the carrying amounts exceed the recoverable amount of the assets CGU, assets are written down to their recoverable amount. Further assets held for disposal are stated at the lower of the net book value or the estimated net realizable value.

Depreciation is provided based on management's estimate of useful lives of the fixed assets, on the straight-line method pro-rata to the period of use of asset or at rates specified in Schedule XIV to the Act, whichever is higher, at the following annual rates:

	%
Buildings	
- Factory	3.34
- Others	1.63
Plant and machinery	5.38*
Moulds, jigs and fixtures	16.21*
Furniture, fittings and equipment	4.75 - 6.33
Computers	16.21 - 25.00#
Vehicles	9.50

\* Plant and machinery, Moulds, jigs and fixtures identified and evaluated technically as obsolete by management are stated at their estimated net realisable values.

# Computers include capitalised software, which is depreciated over a period of six years.

Assets below Rs 5,000 are fully depreciated in the year of purchase.

## (b) Inventories

Inventories of raw material, components, stores and spares, traded goods, work-in-progress and finished goods are valued at the lower of cost or net realisable value. Cost of materials and traded goods are determined on the weighted average method. Cost of finished goods and work-in-progress comprises materials, labour and manufacturing overheads.

## (c) Sales and service income

Sales are recognised on the basis of despatch to customers and are recorded net of discounts and sales taxes, but including excise duty. Service income is recognised over the period of the service contracts, in accordance with the terms of the contracts.

## (d) Product Warranty Costs

Product warranty costs have been provided in the books of account on the basis of expected claims as estimated by management.

## (e) Provision for tax

Provision for tax comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income-tax Act, 1961. A deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

## (f) Foreign currency transactions

## Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

**Conversion**

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

**Exchange Differences**

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

**Forward Exchange Contracts not intended for trading or speculation purposes**

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

**(g) Retirement benefits**

Retirement benefits to employees comprise contributions to gratuity, superannuation and provident funds as per the approved scheme of the Company. The gratuity and superannuation schemes are administered through the Life Insurance Corporation of India ('LIC'). Liabilities with regard to gratuity are determined based on an actuarial valuation by LIC at the year-end. Contributions to the superannuation and provident fund are charged to the profit and loss account, when the contributions to the respective funds are due.

**(h) Leave entitlement**

Liability in respect of leave encashment is provided on the basis of an actuarial valuation made at the end of each financial year.

**(i) Operating Leases**

Operating lease rentals are accounted for on an accrual basis, over the terms of the lease and charged to the profit and loss account on a straight-line basis.

**(j) Earnings per share**

Basic earnings/loss per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average numbers of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**(k) Provisions, Contingent Liabilities and Contingent Assets**

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent Liabilities are disclosed by way of Notes to the accounts. Contingent assets are not recognised.

Particulars	Product Warranty	Bonus
Opening Balance	2,869	1,324
Additions	3,683	900
Utilisation/ (Reversal)	2,869	1,188
Closing Balance	<u>3,683</u>	<u>1,036</u>

The provision for product warranty represents the expected claims on account of field failure of parts and expected expenditure of servicing the products over the period of free warranty, which varies on the product type and model sold, the field failure rate of key parts, the current cost of components etc.

Provision for bonus represents the amounts expected to be paid out to the employees, which is based on the management's estimate.

<b>3. MANAGERIAL REMUNERATION</b>	<b>2007</b>	<b>2006</b>
Salary	1,224	1,246
Perquisites (See note below)	848	822
	<u>2,072</u>	<u>2,068</u>

**Note:**

Perquisites have been determined on actual cost basis.

<b>4. CONTINGENT LIABILITIES</b>	<b>2007</b>	<b>2006</b>
Claims against the Company not acknowledged as debts:		
- Sales tax authorities	-	40,000
- Central Excise authorities	33,876	38,921
	<u>33,876</u>	<u>78,921</u>

Based on the opinion of the legal counsel of the company, all contingent liabilities as at balance sheet date have been assessed as remote.

Claims against the Company for Central Excise pertain to claim for cenvat on work-in-progress and finished goods destroyed by fire and Excise duty on goods cleared from EOU in Domestic Tariff Area (DTA) and service tax on royalty paid to Sharp Corporation, Japan.

**5. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE**

<b>Particulars of Derivatives</b>	<b>Purpose</b>
Forward contract outstanding as at Balance Sheet date	
Buy USD 600,142 (2006 – USD 72,740)	Hedge against USD liabilities
(These amounts are not in thousands)	

**Particulars of Unhedged foreign Currency Exposure as at the Balance Sheet date**

<b>Particulars</b>	<b>Amount (Rs. '000)</b>
Creditors	196,613
Loans and Advances	50,838

**6. LEASE COMMITMENTS**

The Company has entered into operating lease agreements for the rental of property. Typically, lease agreements are for a period of one to three years and contain provisions for early termination. There are no commitments under non-cancellable leases.

**7. NET EXCHANGE DIFFERENCES**

The net exchange loss / (gain) arising during the year ended March 31, 2007 and - recognised in the statement of profit and loss of the current year is Rs. (8,771) [2006 – Rs. 279].  
- adjusted to carrying amount of fixed assets – Rs. Nil (2006- Rs. Nil)

**8. WRITE BACK OF LIABILITIES OF PREVIOUS YEAR**

During the year, the Company has written back liabilities of earlier years no longer required in respect of advertisements amounting to Rs. 4,541 (2006 –Rs. Nil) and which has been credited to the corresponding expense account.

**9. REIMBURSEMENTS FROM HOLDING COMPANY**

During the year ended March 31, 2007, the Company has provided for doubtful debts aggregating Rs. 35,435 of which Rs. 31,010 has been reimbursed by Sharp Corporation, Japan. The provision for doubtful debts aggregating Rs. 4,425 debited to profit and loss account is after netting off the reimbursement of Rs. 31,010.

Further, during the current year, the Company has received Rs.Nil (2006-Rs. 17,903) as reimbursements from Sharp Corporation, Japan towards expenses incurred/reduction offered towards liquidation of slow-moving inventory, which has been netted off from 'Raw Materials and components consumed'. Additionally, the Company has received Rs. Nil (2006-Rs. 40,018) towards sales promotion expenses, Rs.21,206 (2006-Rs.12,411) towards Selling and General Administration expenses and Rs.13,157 (2006-Rs.18,840) towards Advertisement expenses, which have been netted off against the 'sales promotion expenses', 'other expenses', 'advertisement expenses' respectively of the year.

The Company had also provided additional depreciation during the year ended March 31, 2006 on certain assets, which had been reimbursed by Sharp Corporation, Japan aggregating Rs. 38,485.

**10. VOLUNTARY RETIREMENT SCHEME EXPENDITURE**

In the previous year 2006, the Company had announced a voluntary retirement scheme, for its bargainable employees. 37 employees had opted for this scheme, for which the Company had incurred a total cost of Rs. 22,193. This cost had been reimbursed by Sharp Corporation, Japan and hence the impact of this cost on the profit and loss account for the year ended March 31, 2006 was Rs. Nil. No such expenditure has been incurred during the year ended March 31, 2007.

**11. RELATED PARTY TRANSACTIONS****(a) Name of the related party and nature of relationship where control exists**

<u>Name of the related party</u>	<u>Nature of relationship</u>
Sharp Corporation, Japan	Holding Company

**(b) Transactions with related parties as per the books of account during the year ended March 31, 2007**

Nature of the transaction	2007				2006			
	Holding Company	Fellow Subsidiary	Key Management Personnel	Total 2007	Holding Company	Fellow Subsidiary	Key Management Personnel	Total 2006
Sale of Goods	-	135	-	135	-	-	-	-
Purchases of Fixed Assets	-	317	-	317	-	48	-	48
Purchase of goods	113,128	459,168	-	572,296	49,767	278,490	-	328,257
Reimbursement of expenses								
- VRS expenses	-	-	-	-	22,193	-	-	22,193
- Expenses incurred/reduction offered towards liquidation of slow moving inventory	-	-	-	-	17,903	-	-	17,903
- Sales promotion expenses	-	-	-	-	52,429	-	-	52,429
- Additional depreciation on Plant and machinery, jigs, fixtures	-	-	-	-	38,486	-	-	38,486
- Other reimbursements (Net) recoverable / (payable)	70,443	(1,395)	-	69,048	24,236	146	-	24,382
Salary paid for services received	-	-	2,072	2,072	-	-	2,068	2,068

The list of material related party transactions with individual companies classified as 'fellow subsidiaries' in respect of 'purchase of goods' is as given below;

<u>Type of transaction</u>	<u>Type of relationship</u>	<u>Name of the entity/person</u>	<u>2007</u>	<u>2006</u>
Purchase of goods	Fellow subsidiary	Sharp Electronics Malaysia SDN BHD	72,646	62,441
		Sharp Manufacturing Thailand Co.	291,207	173,318
		Sharp Appliances Thailand Ltd.	62,427	17,479
		Others	33,205	25,252
			<u>459,485</u>	<u>278,490</u>
Purchase of fixed assets	Fellow subsidiary	Sharp Business Systems (India) Limited	-	48
Sale of goods	Fellow subsidiary	Sharp Business Systems (India) Limited	135	-
Managerial remuneration	Key management personnel	Mr. Y. Mizuno	987	107
		Mr. T. Yamazaki	1,085	1,071
		Mr. N. Yanagishita	-	890
			<u>2,072</u>	<u>2,068</u>

(c) Amounts outstanding as at March 31, 2007

	<u>Balance outstanding at year end</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Holding Company</u>	<u>Fellow Subsidiary</u>	<u>Holding Company</u>	<u>Fellow Subsidiary</u>
Sundry Debtors	-	-	-	74
Sundry Creditors	65,635	120,227	29,537	59,898
Loans and Advances	45,511	6,626	23,158	3,799

(d) The names of the related parties under the appropriate relationship included in notes 11(b) and 11(c) above are as follows:

<u>Sr No</u>	<u>Type of relationship</u>	<u>Name of the party</u>
1.	Holding Company	Sharp Corporation
2.	Fellow Subsidiary	Sharp Electronics Malaysia SDN BHD Sharp (Phils) Corporation Sharp-Roxy Sales (Singapore) Pte Ltd. Sharp Electronics (M) SDN BHD (Hong Kong Branch) Sharp Business Systems (India) Limited Sharp Roxy Corporation (M) SDN.BHD Sharp Roxy Electronics Corporation (M) SDN.BHD Sharp Manufacturing (Thailand) Co. Ltd. Sharp Appliances (Thailand) Ltd.
3.	Key Management Personnel	Mr. T. Yamazaki Mr. Y. Mizuno

12. SEGMENT REPORTING

The Company is exclusively engaged in the business of 'consumer electronics' consisting of all types of Colour Televisions and other products. Further the Company has only one geographical segment. These, in the context of Accounting Standard 17 ('AS-17') on Segment Reporting, issued by the Institute of Chartered Accountants of India, are considered to constitute one single primary segment. Hence as per Accounting Standard Interpretation-20 issued by the Institute of Chartered Accountants of India, segment information as per AS 17 is not required to be disclosed.

13. SUPPLEMENTARY PROFIT AND LOSS DATA

<u>a) Payment to auditors comprises:</u>	<u>2007</u>	<u>2006</u>
As auditors	1,430	1,430
As tax auditors	150	150
Limited review	400	400
Reimbursement of out-of-pocket expenses and service tax	388	302
	<u>2,368</u>	<u>2,282</u>

## (b) Licensed capacity, installed capacity and production (in number of units)

Items	Licensed capacity per annum		Installed capacity per annum*		Production for the year	
	2007	2006	2007	2006	2007	2006
Colour TV receivers and sub-assemblies thereof	300,000	300,000	200,000	200,000	97,955	77,796#
Video cassette recorders/ video cassette players/ video tape deck mechanisms	500,000	500,000	335,000	335,000	-	-
Two-in-one radio-cum-cassette recorders (audio products)	**	**	90,000	90,000	-	-
Radio receivers combined with sound recorders reproducing apparatus	**	**	24,000	24,000	-	-
Video Compact Disk Player	**	**	10,000	10,000	-	-

\* On single shift basis, except the Auto Insertion Section on triple shift basis. Some of the capacities are inter-changeable with other products depending on the need.

\*\* Registered with Ministry of Industry, Government of India.

# Includes 3,751 CTV sub-assemblies.

## (c) Quantitative details of manufactured goods

	Year	OPENING STOCK		CLOSING STOCK		SALES		OTHERS
		Qty	Amount	Qty	Amount	Qty	Amount	Qty
Colour TV receivers	2007	7,039	48,331	11,029	68,024	93,894	711,674	71
	2006	8,473	65,474	7,039	48,331	75,356	586,518	123
CTV Sub Assembly	2007	-	-	-	-	-	-	-
	2006	-	-	-	-	3,751	8,544	-
Video cassette Recorders/players	2007	73	-	11	-	60	10	2
	2006	391	-	73	-	299	242	19
Audio products	2007	22	-	9	-	10	(57)	3
	2006	254	497	22	-	214	(170)	18
VCD	2007	5	-	-	-	5	9	-
	2006	60	-	5	-	51	19	4
Spares and Accessories	2007	*	20,339	*	15,393	*	14,013	*
	2006	*	23,446	*	20,339	*	26,700	*
Total	2007		68,670		83,417		725,649	
	2006		89,417		68,670		621,853	

\*Cannot be quantified

## (d) Quantitative details of traded goods

	Year	OPENING STOCK		PURCHASES		CLOSING STOCK		SALES		OTHERS
		Qty	Amount	Qty	Amount	Qty	Amount	Qty	Amount	Qty
Colour TV receivers	2007	5,256	32,112	77,887	406,215	12,232	66,635	70,848	429,482	63
	2006	490	3,634	54,554	296,506	5,256	32,112	49,711	303,777	77
Audio products	2007	30	-	-	-	18	-	8	(157)	4
	2006	398	1,538	10	118	30	-	337	392	41
Microwave ovens	2007	116	119	1,729	9,659	406	1,813	1,435	9,191	4
	2006	1,204	6,417	51	891	116	119	1,112	5,695	27
LCD projectors	2007	10	-	-	-	8	-	1	45	1
	2006	16	-	-	-	10	-	2	294	4
Viewcams	2007	76	-	-	-	1	-	74	11	1
	2006	103	-	-	-	76	-	14	173	13
Fax Machines	2007	16	-	-	-	14	-	-	-	2
	2006	25	-	-	-	16	-	7	39	2
VCD	2007	11	-	-	-	1	-	10	2	-
	2006	57	-	-	-	11	-	35	35	11
DVD	2007	41	86	8,388	17,770	2,931	5,249	5,451	13,629	47
	2006	50	-	35	86	41	86	26	12	18
LCD TV	2007	213	8,645	2,902	159,583	879	47,328	2,220	132,419	16
	2006	110	10,475	773	44,963	213	8,645	666	44,497	4
Refrigerator	2007	498	5,756	4,943	85,267	1,729	28,009	3,711	81,507	1
	2006	1,086	13,365	1,446	24,233	498	5,756	2,032	40,888	2
Air Purifier	2007	48	-	-	-	30	-	16	129	2
	2006	63	746	-	-	48	-	12	129	3
Air Conditioner	2007	828	14,149	-	4,053	384	8,320	443	9,916	1
	2006	27	678	1,232	22,559	828	14,149	427	10,661	4
Washing Machine	2007	-	-	312	4,493	133	1,933	175	3,052	4
	2006	-	-	-	-	-	-	-	-	-
Total	2007		60,867		687,040		159,287		679,226	
	2006		36,853		389,357		60,867		406,592	



## (e) Raw materials and components consumed (quantities in number of units)

	2007		2006	
	Qty	Amount	Qty	Amount
Colour picture tubes	98,260	169,134	74,045	166,149
Integrated Circuits	1,004,143	44,351	757,127	35,596
Electronic and other components	**	175,147	**	139,617
		<u>388,632</u>		<u>341,362</u>

\*\*In view of the wide variety of items that are included in this category, the quantitative figures would not give a fair and comparable presentation and hence, have not been stated.

## (f) Value of imported and indigenous raw materials and components consumed

	2007		2006	
	%	Amount	%	Amount
Imported	68.92	267,864	61.62	210,344
Indigenous	31.08	120,768	38.38	131,018
	<u>100.00</u>	<u>388,632</u>	<u>100.00</u>	<u>341,362</u>

## (g) Value of imports on CIF basis

	2007	2006
Raw material and components	263,245	191,342
Capital goods	517	355
Spare parts	3,325	3,762
Traded items	512,719	271,521
	<u>779,806</u>	<u>466,980</u>

## (h) Expenditure in foreign currency (on cash basis)

Travel	826	489
Management Consultancy Fees	1,808	-
Interest and bill negotiation charges	2,084	1,056
	<u>4,718</u>	<u>1,545</u>

## 14. The break up of components of deferred tax, net is as given below

Deferred tax asset		
Provision for Product Warranty	1,252	965
Provision for Doubtful Debts	5,763	7,010
Provision for leave salary	4,422	2,887
VRS Expenditure	6,748	10,376
(A)	<u>18,185</u>	<u>21,238</u>
Deferred tax liabilities		
Depreciation on fixed assets	(18,185)	(21,238)
(B)	<u>(18,185)</u>	<u>(21,238)</u>
Deferred tax asset/(liability), net	-	-

## 15. PRIOR YEAR COMPARATIVES

Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

As per our report of even date

For and on behalf of the Board of Directors

**S. R. Batliboi & Co.**  
Chartered Accountants

**T. Yamazaki**  
Managing Director

**Y. Mizuno**  
Executive Director

New Delhi  
May 24, 2007

per **Arvind Sethi**  
Partner  
Membership No. : 89802

Pune  
May 21, 2007

**H.S. Chindhade**  
Company Secretary

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

(All amounts in thousands of Rupees, unless otherwise stated)

**(a) Registration details**Registration number  State code Balance sheet date     
Date Month Year**(b) Capital raised during the year**

Public issue	Rights issue	Bonus issue	Private placement
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>

**(c) Position of mobilisation and deployment of funds**

Total liabilities and shareholders funds:	Total assets
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="2"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="2"/>

**Sources of funds**

Paid-up capital	Reserves and surplus	Secured loans	Unsecured loans
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="0"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="0"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="2"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/>

**Application of funds**

Net fixed assets	Investments	Net current assets	Miscellaneous expenditure
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Accumulated losses

**(d) Performance of the company**

Turnover	Total expenditure	+ - Profit before tax	+ - Profit after tax
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="0"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="7"/>	<input checked="" type="checkbox"/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="3"/>	<input checked="" type="checkbox"/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="5"/>

Earnings per share in Rs	Dividend rate %
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="0"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="4"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

**(e) Generic names of three principal products/services of the company**

Item Code No (ITC Code)

Product Description

**PROXY**

**SHARP INDIA LIMITED**

Regd. Office : Gat No.686/4, Koregaon Bhima,  
Taluka Shirur, District Pune 412 216.

I/We \_\_\_\_\_ (Folio No. \_\_\_\_\_)

of \_\_\_\_\_

being a Member / Members of **SHARP INDIA LIMITED**, Pune, hereby appoint

\_\_\_\_\_

of \_\_\_\_\_ or

failing him \_\_\_\_\_

of \_\_\_\_\_



as my/our Proxy to vote for me/us and on my/our behalf, at the TWENTY-SECOND ANNUAL GENERAL MEETING of the Company to be held on Tuesday, August 21, 2007 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2007.

Please affix  
15 Paise  
Revenue  
Stamp  
here

Signature(s) of Member(s)  
across the stamp

Note : The Proxy must be deposited with the Registered Office of the Company not less than 48 hours before the Meeting.

# SHARP

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UNDER CERTIFICATE OF POSTING**

*If undelivered please return to :*

Secretarial Department,  
**SHARP INDIA LIMITED**  
Gat No. 686/4, Koregaon Bhima,  
Taluka Shirur, Dist. Pune - 412 216