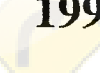


**DENSO**

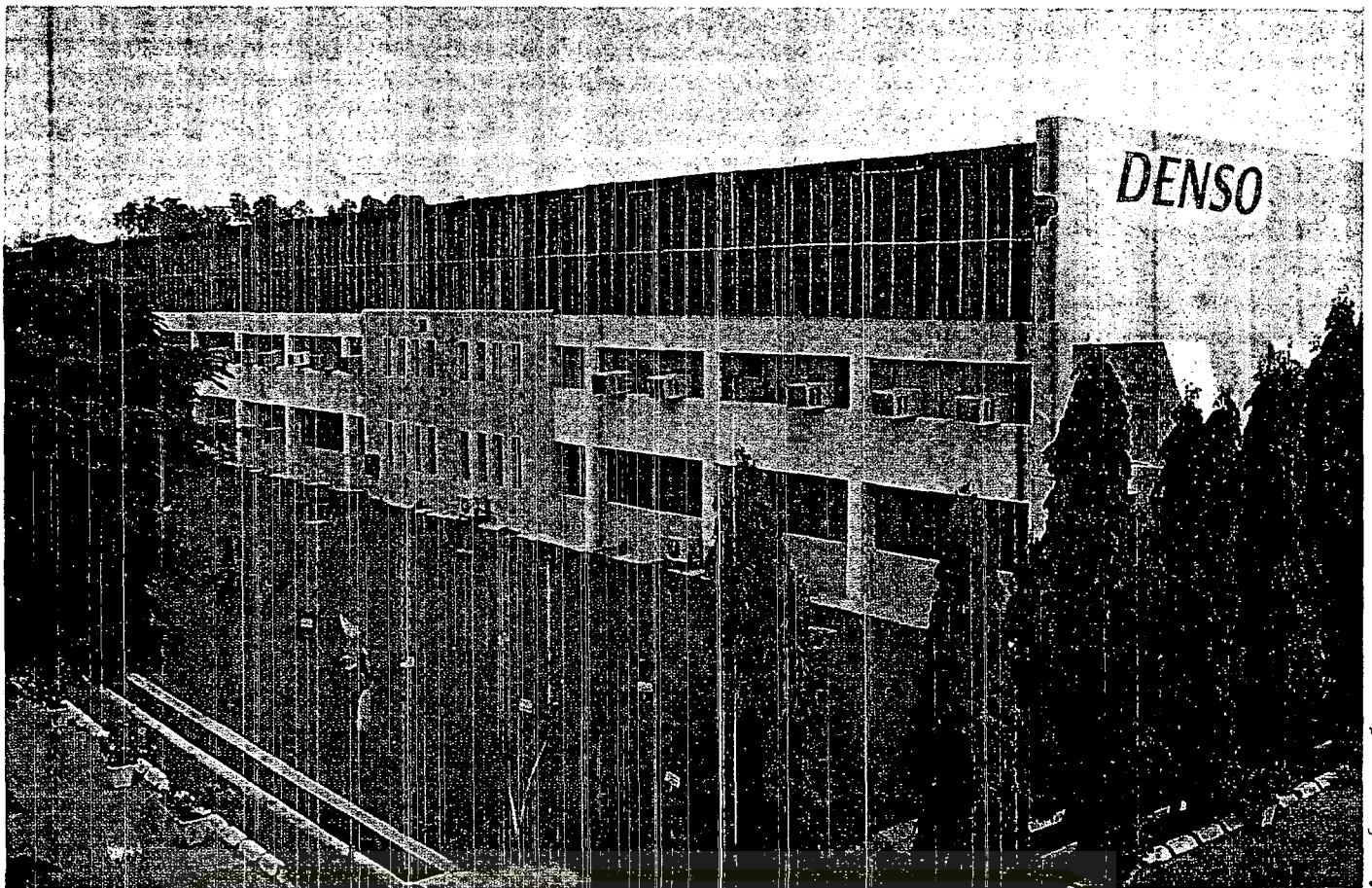
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RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
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YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>

**TWELFTH  
ANNUAL REPORT**

**1996-97**

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**DENSO INDIA LIMITED**



DENSO INDIA PLANT AT TILPATTA

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Twelfth Annual General Meeting  
 at FICCI Auditorium, Tansen Marg,  
 New Delhi - 110 001.  
 on Friday, 8th August, 1997 at 11:00 a.m.



**BOARD OF DIRECTORS**

**MANAGING DIRECTOR**

Mr. Isao Imagawa

**DEPUTY MANAGING  
DIRECTOR**

Mr. Jiro Kusano

**DIRECTORS**

Mr. Y. Furuya

Mr. H. Uchiyama

Mr. T. Inaguma

(Alternate to Mr. Y. Furuya)

Mr. Keiji Nakajima

Mr. Hajimu Mitsunari

(Alternate to Mr. Keiji  
Nakajima)

Mr. R.C. Bhargava

Mr. J.S. Baijal

Mr. Rajive Sawhney

Mr. I. Hirao

(Alternate to Mr. Uchiyama)

**COMPANY SECRETARY**

Mr. Lalit Prabhakar

**AUDITORS**

Price Waterhouse,  
Chartered Accountants,  
New Delhi

**REGISTERED OFFICE**

S-10, Dharma Bhawan,  
Green Park Extension,  
New Delhi -110 016

**WORKS**

Noida-Dadri Road,  
P.O. Tilpatta,  
Tehsil-Dadri,  
District Gautam Budh Nagar,  
Uttar Pradesh - 203 207



## DIRECTORS' REPORT

Your Directors are pleased to present their Annual Report for the year ended March 31, 1997.

### HIGHLIGHTS :

1996-97 saw a consolidation of the turnaround process commenced in April 1993, despite a slowdown in the annual rate of gross sales growth from 36% last year to 17% for 1996-97.

The financial results of the Company are summarised below:-

	Rs.'000 for the year ended 31.03.97	Rs.'000 for the year ended 31.03.96	% Increase
Sales	153,35,26	130,61,77	17
Gross Profit (Before Depreciation and Miscellaneous expen- diture write-off) (% on Sales)	15,65,84 (10.21)	12,69,87 (9.72)	23 -
Depreciation & Miscellaneous expen- diture written off	2,55,09	2,43,69	-
Profit for the year before Taxation (% on Sales)	13,10,75 (8.54)	10,26,18 (7.86)	28
Tax Provision (% on Sales)	1,69,10 (1.10)	-	-
Profit after Tax (% on Sales)	11,41,65 (7.44)	10,26,18 (7.86)	

With this consolidation, the Directors' are pleased to recommend a maiden dividend of 10% for the year 1996-97.

### OPERATIONS :

The sustained buoyancy in segments of the Auto Industry serviced by us, continued despite the high interest rate scenario, because of continued easier auto financing avenues and rationalised tax structures and this is amply reflected in the results despite a general slowdown in growth of the Industry as a whole in the second half of the year.

The various segments of the auto industry serviced by your Company grew during 1996-97 between 16% to 26%.

Increases in the volumes of Maruti Udyog Ltd. which improved its marketshare over 1995-96, including escalated volumes in both the 800 and ZEN and despite the dent in

ESTEEM sales arising out of competition from new entrants in the four wheeler segment and substantial volume increases in the sales of Hero Honda's range of Two Wheelers worked to the Company's advantage.

The benefits of customs duty reductions and cost controls were reflected in our price competitiveness and increased marketshare. In fact the Company effected an overall price reduction in its sales for the year of Rs.4.00 crores, over comparable prices of the previous year.

Production increases over the previous year under various categories of four wheeler products ranged from 17% to 48% and in two wheeler products between 8% to 16%.

The favourable trend in the Dollar/Yen rate during the year resulted in an exchange gain of Rs.75 lacs (Net).

The stress on indigenisation is being maintained and efforts are on to enter into areas of 'difficult' indigenisation, i.e. where volumes and or technology are constraints. Part of the capital expenditure plan for the next two years is for inhousing of such activities.

Increased demand levels had prompted a capital expenditure programme for modernisation & balancing equipment which was partly completed during the year 1996-97 resulting in an average installed capacity increase of 38% on two shift basis.

Despite higher working capital requirements interest & financial charges have been reduced because of improved cash flows from operations, tighter controls and reduction in long term debt.

The personnel costs have risen on account of increases in manpower and structured salary & wage increases.

Selling, General and Administration expenses have risen in relation to operating needs.

### OUTLOOK :

#### Current Operations :

The buoyancy in the auto industry is expected to be sustained albeit at a lower rate of growth. Our major customers have indicated higher requirements for the current year. Our sales target for the current year based on auto industry projections is approximately 19% above 1996-97 levels and should be achieved, barring unforeseen circumstances. There will be an introduction of a new customer - Honda SIEL and new products like power windows, fuel pump and door locks.

New products & customer will account for about Rs. 5.5 crores of sales out of the total projected Net sales of Rs. 154 crores in 1997-98.



There will however be a pressure on margins because of new product introductions which will initially be import intensive pending demand stabilisation & indigenisation, increased depreciation charge on new investment and higher material costs. There is a further expected pressure of adverse foreign currency movement. Resultantly it will not be possible to maintain the profitability levels of 1996-97 and there is an expected dip in Profit before Tax.

For 1998-99 our current targets are Net sales of Rs.210 crores with new products & customers (additionally for Mitsubishi Lancer & Kinetic Honda) contributing Rs.35.63 crores in Net sales.

#### **New Operations - EMS Project :**

There is also a proposal to manufacture Engine Management Systems which comprise :-

- |                                     |                  |
|-------------------------------------|------------------|
| a) Electronic fuel injection system | f) Oxygen sensor |
| b) Electronic Control unit          | g) Throttle body |
| c) Airflow meter                    | h) Fuel injector |
| d) Vacuum sensor                    | i) Fuel pump     |
| e) Coolant temperature sensor       |                  |

The feasibility study is under way and details are not firmed up. Ballpark figure of investment is approximately Rs.170 crores and will change on actual project structuring.

The plant is to be located at Gurgaon. The Company has paid 10% advance of Rs.1.10 crores for purchasing 25 acres of land from Haryana State Industrial Development Corporation (HSIDC). However the decisions on Corporate structuring and funding are pending.

Benefits of EMS - This system will generate fuel economies, enhance engine efficiency and is environment friendly.

#### **EXPANSION, CAPITAL INVESTMENT & FUNDING :**

The Company proposes to invest approximately Rs. 70 crores over the current and next year (1998-99) in new facilities to meet higher projected customer requirements, modernisation and indigenisation needs and this should more than double our installed capacities over existing capacities as on 31.03.97.

These investments exclude any investment for the EMS project and its land cost.

These investments are proposed to be financed by the recently completed Preferential Issue of shares of Rs.18.5 crores, a Rights Issue of Shares, totalling Rs.18 crores, internal accruals and short term bridging finance for the balance of Rs.33.5 crores.

We recommend these proposals as being essential for the

growth of the Company. The Rights Issue of shares is expected to take place in the last quarter of 1997.

#### **FIXED DEPOSITS :**

The Company has not invited or availed Fixed Deposits from the public during the year under review.

#### **INCREASE IN SHARE CAPITAL :**

##### **Loan Conversion :**

Pursuant to Clause 2.7 of Article II of the Rupee Loan Agreements entered into by the Company with Industrial Credit and Investment Corporation of India (ICICI), Industrial Development Bank of India (IDBI) and Industrial Finance Corporation of India (IFCI), 468000 Equity Shares of Rs.10/- each at par were issued in lieu of reduction of rupee loans to the same extent at the request of the Institutions, by the Board of Directors at their meeting held on 24th June, 1996. The conversion of the loan into Equity Shares to the extent of Rs. 46,80,000/- is effective from 15th May, 1996.

##### **Increase in Authorised Share Capital :**

At the Extra Ordinary General Meeting held on 9th May, 1997, it was resolved to increase the Authorised Share Capital from the present Rs. 20 crores to Rs. 25 crores in view of the Preferential issue of equity shares to Denso Corporation, Japan and ASMO Company Limited, Japan and further issue of equity shares on rights basis in the near future.

##### **Preferential Issue :**

To part finance, the Capital Expenditure plans, a Preferential Issue of shares was approved at the Extraordinary General Meeting of the Company held on 9th May, 1997. The preferential issue to Denso Corporation, Japan of 9,50,800 shares and to ASMO Co. Ltd. Japan - 8,99,200 shares of Rs.10 each at a premium of Rs. 90 per share, aggregating to Rs.18.50 crores has been approved by the Reserve Bank of India, Mumbai in principle. The allotment of shares pursuant thereto has been completed and we are awaiting final approval from RBI, New Delhi.

##### **Proposed Rights Issue of Shares :**

A Rights issue of shares is proposed, to raise approximately Rs.18 crores in such ratio and at a price to be determined by the Board of Directors or any Committee thereof. Necessary resolutions are being proposed at the forthcoming Annual General Meeting.

#### **CHANGE IN NAME OF THE COMPANY:**

Pursuant to a global identity change, Nippondenso Co. Ltd.. Japan is now known as DENSO CORPORATION, effective



1st October 1996. In keeping with this, Nippondenso India Ltd., is also known as DENSO INDIA LTD., effective 1st October 1996.

#### **DIRECTORS :**

Mr. T. Mayumi and Mr. H. Okabe have resigned from the Board of the Company to take up other assignments of Denso Corporation, Japan. Mr. Takeuchi and Mr. Furuya had been appointed in their place. Mr. Takeuchi has since resigned from the Board. Mr. H. Uchiyama has been appointed w.e.f. 30th June, 1997.

We place on record our deep appreciation of the services rendered by Mr. T. Mayumi, Mr. H. Okabe and Mr. Takeuchi. We also welcome Mr. Uchiyama and Mr. Furuya to the Board.

Mr. M. Yamaguchi and Mr. H. Ishida who were Alternate Directors to Mr. T. Mayumi and Mr. H. Okabe and subsequently to Mr. Y. Furuya and Mr. M. Takeuchi have returned to Japan. The Directors place on record their appreciation of and thank Mr. M. Yamaguchi and Mr. H. Ishida for their services to the Company.

Mr. T. Inaguma and Mr. I. Hirao had been appointed as Alternate Director to Mr. Furuya and Mr. Takeuchi respectively w.e.f. 16th January, 1997. On Mr. Uchiyama's appointment as an Additional Director, Mr. I. Hirao has been appointed as Alternate Director to Mr. Uchiyama w.e.f. from 30th June, 1997. We welcome them to the Board.

Mr. J.S. Baijal & Mr. Rajive Sawhney retire by rotation at the forthcoming Annual General Meeting.

Mr. J.S. Baijal being eligible offers himself for reappointment.

#### **DIVIDEND :**

The Directors are pleased to propose a maiden dividend of 10% on paid up value of equity shares. This will absorb Rs. 1,62,20,000 out of current year profits. Dividend payable on the Equity issued against loan conversion, to the Institutions, shall be payable prorata from 15.05.96.

A concomitant Dividend Tax @10% on Dividend declared shall also be appropriated out of available profits.

#### **AUDITORS :**

Messrs. Price Waterhouse, Chartered Accountants, New Delhi, retire at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. They have furnished a certificate to the effect that the proposed reappointment, if made, will be in accordance with the provisions of Section 224 (1-B) of the Companies Act, 1956.

#### **PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO :**

The Statement pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in the Annexure forming part of this Report.

#### **PERSONNEL :**

The Statement showing particulars of employees as required under Section 217 (2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended to date, forms an integral part of this report. However as per provisions of Section 219(i) (b) (iv) of the Companies Act, 1956, the Report & Accounts are being sent to all members excluding the aforesaid information. Any member interested in such particulars may write to the Company at the Registered Office.

#### **ACKNOWLEDGEMENTS :**

Your Directors take this opportunity to thank the Customers, Vendors, Shareholders; All India Financial Institutions, the Bankers, the Central and State Governments and other agencies for their continued support, co-operation and contribution during the year under review. Your Directors place on record their deep appreciation of the managements of Denso Corporation, Japan, Sumitomo Corporation and Maruti Udyog Ltd. for their assistance and support during the year. Your Directors wish to place on record their appreciation of the contribution made by the employees at all levels.

for and on behalf of the Board

New Delhi  
July 1, 1997

ISAO IMAGAWA  
Managing Director

**DENSO****ANNEXURE TO DIRECTORS' REPORT**

**INFORMATION REQUIRED UNDER SEC. 217(1) (e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.**

**A. CONSERVATION OF ENERGY**

Form A of Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 - Not applicable.

**B. TECHNOLOGY ABSORPTION**

**1. Specific areas in which R&D carried out by the Company:**

For the development of newer product models, specific action plans covering initial development, prototype testing etc. for the products are under way.

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

The potential for development of products for the Indian Market has improved. There is also scope for indigenising product/raw material specifications as well as sourcing through more effective testing.

**3. Future Plan of Action :**

Setting up a product development lab to continuously carry out development efforts. Developing proto type making ability locally. Augmenting in-house facilities to strengthen development efforts.

4. Expenditure on R&D	Rs. lacs
A) Capital	--
B) Recurring	7.76
C) Total	7.76 *
D) Total R&D Expenditure as a % of Total Turnover	0.05

\* Excludes expenditure on vendor development and inhousing activity.

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :**

- Efforts made: New models under development to help import substitution by vehicle makers.
- Benefits derived: Inhouse skills are being developed in design, production engineering and endurance

testing. Extensive help is also being provided to vendors to upgrade their technology to meet quality requirements.

- a) Technology imported : Import of technology for the manufacture of auto electricals.

b) Year of import:

<u>Product</u>	<u>Year</u>
Alternators	1984
Regulators	-do-
Starters	-do-
Wiper Motors (With Link)	-do-
AC Generators/Flywheel Magnetos	1988
Ignition coils for two/three wheelers	-do-
CDI Systems for two/three wheelers	-do-
Fan Motor Assembly for Ventilation/Engine Cooling	-do-

c) Has technology been fully absorbed:

Yes, but it is a continuing process.

- d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.

Not applicable.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

	Rs. lacs
<b>EARNINGS :</b>	<b>NIL</b>
<b>OUTGO:</b>	
- Import of Goods (f.o.b.)	3829.14
- Import of Capital Goods (f.o.b.)	686.59
- Royalty	154.39
- Tech. Service Fees	22.23
- Travelling & Others	11.64
	<hr/>
	4703.99

We are sole suppliers in our range of products to Maruti Udyog Limited for their export-designated vehicles.



## AUDITORS' REPORT

### TO THE MEMBERS OF DENSO INDIA LIMITED

1. We report that we have audited the Balance Sheet of Denso India Limited (Formerly Nippondenso India Ltd.) as at March 31, 1997 and the relative Profit and Loss Account for the year ended on that date, both of which we have signed under reference to this report.
  2. In our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account read together with the statement on accounting policies and notes thereon attached thereto, give in the prescribed manner the information required by the Companies Act, 1956 and also give respectively, a true and fair view of the state of the Company's affairs as at March 31, 1997 and its profit for the year ended on that date.
  3. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for our audit. In our opinion, proper books of account have been kept as required by law so far as appears from our examination of the books and the above mentioned accounts are in agreement therewith.
  4. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 dated September 7, 1988 issued by the Central Government and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that :
    - (i) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
    - (b) The fixed assets of the Company are physically verified by the management according to a phased programme designed to cover all the items over a period of 3 years which we consider reasonable. Pursuant to the programme, a physical verification was carried out during the year and the Company is in the process of reconciling physical verification sheets to the Fixed Assets records. The discrepancies if any, on completion of this exercise will be adjusted in the books of Accounts.
    - (ii) The fixed assets of the Company have not been revalued during the year.
    - (iii) The stocks of finished goods, stores, spare parts and raw materials of the Company at all its locations have been physically verified by the management at the year end.
- (iv) In our opinion, the procedures of physical verification, followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
  - (v) The discrepancies between the physical stocks and the book stocks which have been properly dealt with, were not material.
  - (vi) In our opinion, the valuation of stocks of finished goods, stores, spare parts and raw materials has been fair and proper, and in accordance with normally accepted accounting principles and is on the same basis as in the earlier year.
  - (vii) The Company has not taken any loans, secured or unsecured from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. There is no Company under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
  - (viii) The company has not granted any loans secured or unsecured to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. There is no Company under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
  - (ix) Loans or advances in the nature of loans have been given to the employees by the Company who are repaying the principal amounts as stipulated and are also regular in payment of interest.
  - (x) In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase of stores, raw materials including components, plant and machinery, equipment and similar assets and for the sale of goods.
  - (xi) The Company has not purchased goods and materials and sold goods, materials and services aggregating to Rs. 50,000 or more in value from/ to any of the parties listed in the register maintained under Section 301 of the Companies Act, 1956.
  - (xii) As explained to us by the management, the Company has a system of determining unserviceable or damaged stores and raw materials and finished goods on the basis of technical evaluation and on such basis, adequate amounts



**DENSO**

- have been adjusted/ written off from such stocks in the accounts.
- (xiii) The Company has not accepted any deposits from the public.
- (xiv) As the value of the realisable scraps generated during the year is not considered to be significant, no detailed quantitative records have been maintained therefor. Proper records have, however, been maintained in respect of sales and disposals of such stocks. The Company has no by-products.
- (xv) In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.
- (xvi) The Central Government has not prescribed the maintenance of cost records by the Company under Section 209 (1) (d) of the Companies Act, 1956 for any of its products.
- (xvii) The Company has been regular during the year in depositing Provident Fund dues with the appropriate authorities.
- (xviii) At the last day of the financial year there was no amount outstanding in respect of undisputed
- Income Tax, Sales Tax, Wealth Tax, Customs Duty and Excise Duty which were due for more than six months from the date they became payable.
- (xix) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses which have been charged to Profit and Loss Account other than those payable under contractual obligation or in accordance with generally accepted business policies, nor have we been informed of any such case by the management.
- (xx) The Company is not a Sick Industrial Company within the meaning of clause (o) of Section 3(1) of The Sick Industrial Companies (Special Provisions) Act, 1985.

S. BERERA  
Partnèr

For and on behalf of  
PRICE WATERHOUSE  
Chartered Accountants

New Delhi  
Dated : June 16, 1997

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