

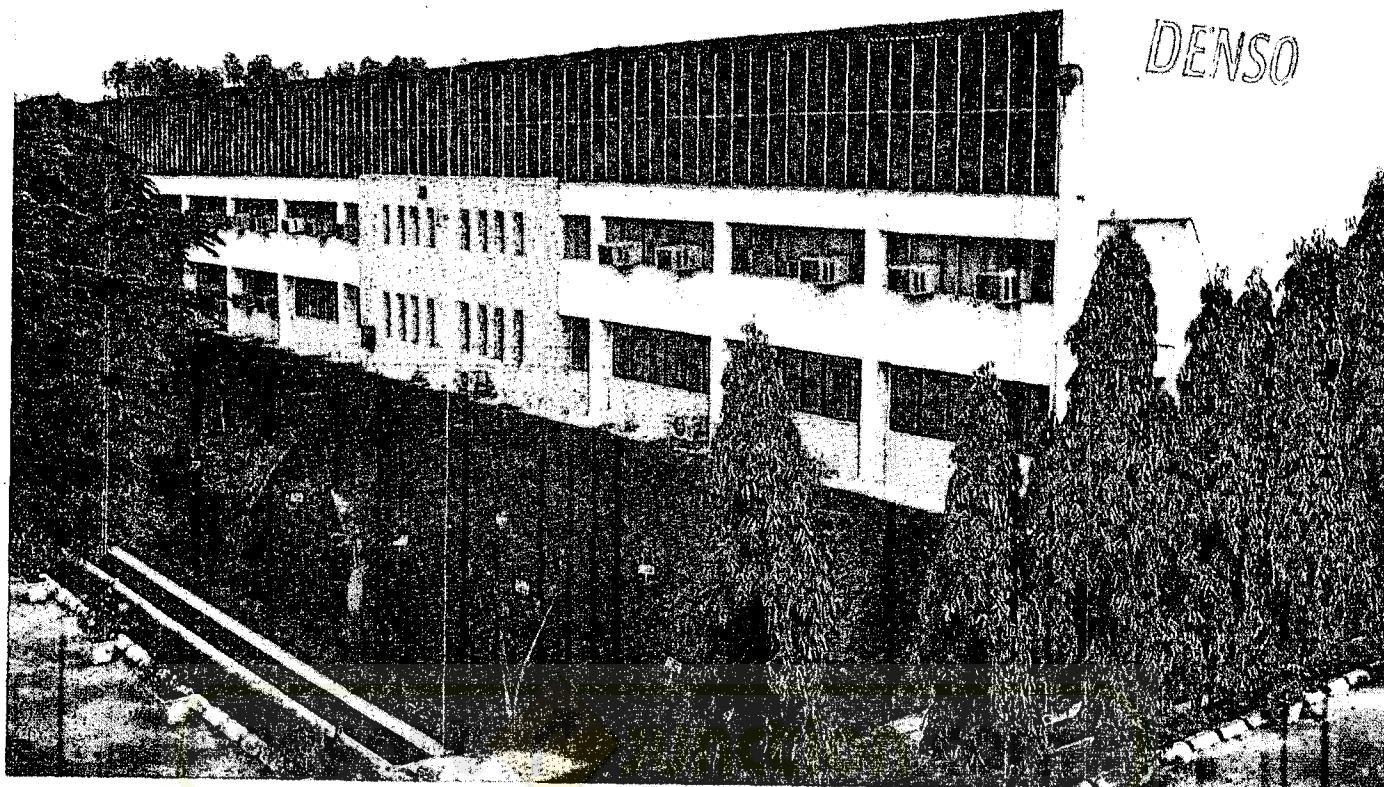
DENSO

MD			BXC	✓
CS			DPY	N/A
RO			DIV	✓
TRA			AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

**THIRTEENTH
ANNUAL REPORT**

1997-98

DENSO INDIA LIMITED



DENSO INDIA PLANT AT TILPATTA

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Thirteenth Annual General Meeting
 at FICCI Auditorium, Tansen Marg,
 New Delhi - 110 001
 on Wednesday, 5th August, 1998 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)

Dr. Krishan Kumar

Mr. J.S. Baijal

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



NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting of the Company shall be held on 5th August, 1998 at 11.00 a.m. at FICCI Auditorium, Tansen Marg, New Delhi to transact the following business:

ORDINARY BUSINESS :

1. To receive and adopt the Audited Profit and Loss Account for the year ended March 31, 1998 and the Audited Balance Sheet as at that date together with the reports of the Directors and Auditors thereon.
2. To recommend and declare dividend for the financial year ended 31st March, 1998.
3. To appoint Auditors of the Company in place of those retiring and to fix their remuneration. The present Auditors are eligible for reappointment.
4. To elect a Director in place of Mr. Y. Furuya who retires by rotation and being eligible offers himself for reappointment.

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED that subject to the provisions of Section 257 of the Companies Act, 1956 and in terms of the Articles of Association of the Company, Dr. Krishan Kumar, who was appointed as an Additional Director of the Company w.e.f. 15th October, 1997 be and is hereby appointed as a Director of the Company whose period of office will be liable to determination by retirement by rotation.

6. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED THAT Mr. Isao Imagawa be and is hereby appointed as a non-rotational Director of the Company under Article 70(e) of the Articles of Association of the Company for a period of 3 years effective from 2nd February, 1998.

RESOLVED FURTHER that pursuant to the provisions of Section(s) 269,309,311 and other applicable provisions of the Companies Act, 1956 and subject to approval by shareholders at a General Meeting Mr. Isao Imagawa be and is hereby appointed as the Managing Director of the Company for a period of 3 years effective from 2nd February, 1998 on such terms and conditions as are set out in the Annexure to the resolution.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to vary the

remuneration of Mr. Isao Imagawa subject to the limits specified and according to the provisions of Section(s) 198, 269 & 309 of the Companies Act, 1956 and in conformity with the provisions of Schedule XIII of the Companies Act, 1956 and any variation in the applicable statutes from time to time.

RESOLVED FURTHER THAT in addition to the remuneration within the limits specified under Schedule XIII, Mr. Isao Imagawa be paid such perquisites and benefits as are specifically applicable to expatriate managerial personnel as specified in Section II of Part II of Schedule XIII to the Companies Act, 1956 subject to overall limit as specified under Section I Part II of Schedule XIII to Companies Act, 1956.

RESOLVED FURTHER THAT the remuneration approved by the Board from time to time within the limits specified above shall constitute the minimum remuneration payable in case of absence or inadequacy of profits during the tenure of Mr. Isao Imagawa subject to approval by the shareholders of the Company at a General Meeting.

RESOLVED FURTHER THAT Mr. A. Ganguly, General Manager (Accounting & Finance), Mr. Lalit Prabhakar, Company Secretary be and are hereby severally authorised to file all applications, with the statutory authorities and to complete all other formalities as are required under the Companies Act, 1956.

By Order of the Board

New Delhi
July, 1 1998

LALIT PRABHAKAR
Company Secretary

NOTES :

- (A) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of business under item nos. 5 to 6 above, is annexed below.
- (B) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON POLL, TO VOTE INSTEAD OF HIMSELF THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- (C) The Register of Members of the Company will be closed from Friday 31st July, 1998 to Wednesday 5th August, 1998 both days inclusive.
- (D) Members are requested to intimate any change of registered address (including PIN code number) to the Registered Office of the Company.



ANNEXURE TO NOTICE

THE EXPLANATORY STATEMENT PURSUANT TO PROVISIONS OF SECTION 173 OF THE COMPANIES ACT, 1956 RELATING TO THE ITEMS AS STATED IN THE ACCOMPANYING NOTICE IS AS FOLLOWS :

Item No.5

Dr. Krishan Kumar, nominee Director of Maruti Udyog Limited, was appointed as an Additional Director of the Company, consequent to resignation of Mr.R.C.Bhargava after relinquishing his charge as Managing Director of Maruti Udyog Limited.

He holds office of the Director only till the date of the Annual General Meeting.

The Board recommends the resolution to the Members for their approval.

None of the directors except Dr.Krishan Kumar is interested in the resolution.

Item No. 6

The Board of Directors of the Company vide resolution dated 24th January, 1998 have appointed Mr. Isao Imagawa as the Managing Director of the Company.

The terms of appointment as approved by the Board of Directors are set out below :

Terms of appointment of Mr. Isao Imagawa, Managing Director

- | | |
|---|---|
| A. Period of Employment | : 3 Years w.e.f. 2nd February, 1998 |
| B. Salary | : Rs. 60,000/- per month w.e.f. 2nd February, 1998. |
| C. Other benefits | : DNIN shall for Mr. Imagawa and his family - |
| 1. Accommodation | : <ul style="list-style-type: none"> a) Provide fully furnished (including furniture, soft furnishing, electrical equipment like Air conditioner with stabilizer, UPS, transformer, refrigerator, oven and further kitchen appliances and color T.V. and telephone connection with ISD) accommodation. b) Repair & maintain such premises. c) Reimburse expenses relating to electricity, gas and water. d) Reimburse expenses of servants. e) Provide telephone facilities and meet all related expenses except expenses on long distance personal calls. |
| 2. Car | : At the cost of DNIN provide a car with driver for official and private use. Cost of car including expenses of maintenance and running of the vehicle will be borne by DNIN.
If, however, Mr. Imagawa wishes to import his own car, he may do so at his cost. Expenses towards maintenance and running of the car, even in this case, shall be borne by DNIN. |
| D. Business Travel, Medical, Special Language Training, Working Rules, Regulation and Return expenses | : As per DNIN rules for category of Managing Director as per DNIN designation or equivalent subject to Govt. regulations as may be applicable. |

NOTE : To the extent that these salaries, perquisites and facilities are taxable under the Income Tax Rules, the tax will be borne by Mr. Imagawa and will be deducted at source by DNIN.

All references to DNIN in the above are to DENSO INDIA LIMITED, NEW DELHI.

In order to give effect to the above, the terms and conditions of such appointment have to be approved by the Members.

The Board recommends the resolution to the Members for their approval.

None of the directors except Mr.Isao Imagawa is interested in the resolution.

By Order of the Board

New Delhi
July, 1 1998

LALIT PRABHAKAR
Company Secretary



DIRECTORS' REPORT

Your Directors are pleased to present their Annual Report for the year ended March 31, 1998.

HIGHLIGHTS :

1997-98 was a year of near stagnation with annual Net Sales growth coming down to 5% as compared to 18% last year.

The financial results of the Company are summarised below:-

	Rs.'000 For the year ended 31.03.98	Rs.'000 Projections for the year ended 31.03.98 (as per LOO)	Rs.'000 For the year ended 31.03.97
Gross Sales	159,63,53	170,60,34	153,35,26
Sales (Net of Excise)	135,09,77	144,37,99	128,70,60
Gross Profit (before depreciation and miscellaneous expenditure write-off)	11,26,17	11,69,00	15,65,84
(% on Net Sales)	(8.33)	(8.09)	(12.16)
Depreciation & Miscellaneous expenditure written off	4,43,61	4,65,00	2,55,09
Profit for the year before Taxation	6,82,56	7,04,00	13,10,75
(% on Net Sales)	(5.05)	(4.88)	(10.18)
Tax Provision	90,00	1,12,00	1,69,10
(% on Profit)	(13.18)	(15.90)	(12.89)
Profit after Tax	5,92,56	5,92,00	11,41,65
(% on Net Sales)	(4.38)	(4.10)	(8.87)

Projected gross sales figure of Rs. 170.6 crores could not be achieved because of adverse market conditions. The profitability levels were attained due to stricter cost control, lower interest and financial charges and general reduction in import duties.

Despite the substantial dip in profits the Directors' are pleased to maintain the recommended dividend at 10% for the year 1997-98.

OPERATIONS :

Our operations growth reflects that of our major customers, v.i.z. Maruti Udyog Ltd. (5% production increase), Hero Honda (51% production increase), Bajaj Auto (1% production increase). The production growth over various product categories ranged from 3% to 16% for four wheelers and 18% to 40% in the two wheelers category. The Company commenced deliveries to a new customer - Honda Sael Ltd. for the Honda City car. The sales to Honda Sael Ltd. during the year were Rs. 1.81 crores.

The benefit of customs duty reductions had to be passed on to the customers to be price competitive and to increase market share. In fact the Company effected an overall price reduction in its sales for the year of Rs.4.47 crores, over comparable prices of the previous year. This together with input price increases and higher depreciation caused the dip in profits.

The cost to the Company on account of exchange rate fluctuation was Rs. 91.42 lacs, which works out to 4.66% (annualised) on f.o.b. cost at 6 months usance payment terms as compared to our average cash credit rate of 16% and annualised forward cover costs ranging from 10% to 20% prevalent over the year.

Despite higher working capital requirements, interest & financial charges have reduced because of improved cash flows, 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 current year Net Sales has been projected at Rs.154 crores (growth of 14% over 1997-98) based on customer projections. This includes new products and customers (Honda Sael- for the full year) of Rs. 9.78 crores. This will undergo some change based on fresh negotiations with customers for neutralisation of higher import costs arising from the 1998 Union Budget impositions.

There will however be a pressure on margins because of new product introductions which will initially be import intensive



pending demand stabilisation & indigenisation and higher imported material costs. Resultantly it will not be possible to maintain the profitability levels of 1997-98 and there is an expected further dip in profitability levels.

New Project :

A new company named Denso Haryana Pvt. Ltd. was formed and has acquired the 25 acres of land located in Gurgaon, for this purpose. The new company has reimbursed the earnest money of Rs.1.1 crores earlier paid by the Company.

EXPANSION, CAPITAL INVESTMENT & FUNDING :

The Rs. 70.47 crores expansion cum modernisation plan of the Company is nearly half implemented. As the expansion is in the existing product lines, the installed capacity of your Company's products has increased in the range of 39% to 67% over the last year but was not available for practically the full year 1997-98 and will be available for the full financial year 1998-99 onwards.

The above expansion cum modernisation plan was partly funded by a Preferential Issue of Rs. 18.5 crores. The Rights Issue of 36,25,929 equity shares of Rs. 10/- each at a premium of Rs. 40/- per share was under subscribed and lapsed. Alternate sources of funding mainly by way of bank loans are being explored with the balance of the expansion being funded by internal accruals. As a result the plan has been rescheduled and shall be completed over a period of three financial years ending March, 2000. This will not affect the operations of the Company.

ISO 9002 :

The members will be pleased to know that the Company has achieved ISO 9002 certification on 19th December, 1997 from Underwriters Laboratories Inc., U.S.A.

FIXED DEPOSITS :

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

SHARE CAPITAL :

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 as approved by the Reserve Bank of India, was completed and shares were allotted on 20th June, 1997.

Rights Issue :

The Rights Issue of the Company closed on 25th March, 1998 with less than 90% of the Issue amount being subscribed. As a result, the Company refunded the entire subscription amounting to Rs.14.97 crores. The Company also paid interest to the applicants (only resident Indian shareholders) @ 15% p.a. for one month. Alternate sources of funding are being explored to part finance the expansion cum modernisation plan.

DIRECTORS :

Mr. Y. Furuya retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for reappointment.

Mr. R.C. Bhargava has resigned from the Board of the Company on relinquishing charge as Managing Director of Maruti Udyog Ltd. Dr. Krishan Kumar, was appointed as an Additional Director representing Maruti Udyog Ltd. and he holds office till the date of the forthcoming Annual General Meeting.

We place on record our deep appreciation of the services rendered by Mr. R.C. Bhargava. We also welcome Dr. Krishan Kumar to the Board.

DIVIDEND :

The Company declared its maiden dividend @ 10% for the financial year 1996-97. This year too, notwithstanding the substantial dip in profits, the Directors are pleased to propose a dividend of 10% on the paid up value of equity shares. This will absorb Rs.177.23 lacs out of current year profits. Dividend payable on the equity shares issued to Denso Corporation, Japan and ASMO Co. Ltd., Japan against the Preferential Issue shall be payable pro-rata from 20-06-97.

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 Annexure 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 and is available on page 24 of this Annual Report.

ACKNOWLEDGEMENTS :

Your Directors take this opportunity to thank the customers, vendors, shareholders, financial institutions, bankers, 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, Japan, Maruti Udyog Ltd. and ASMO Co. Ltd., Japan 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
June 15, 1998

ISAO IMAGAWA
Managing Director

