

DENSO

**SIXTEENTH
ANNUAL REPORT**

2000-2001

DENSO INDIA LIMITED



DENSO INDIA PLANT AT TILPATTA

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Sixteenth Annual General Meeting
 at Indian Council of World Affairs, Sapru House,
 Barakhamba Road, New Delhi - 110 001
 on Friday, 10th August, 2001 at 10:30 a.m.

BOARD OF DIRECTORS

MANAGING DIRECTOR

Mr. Takao Yamaguchi

DEPUTY MANAGING DIRECTOR

Mr. H. Hirahata

DIRECTORS

Mr. O. Ogawa

Mr. K. Matsumoto

Mr. K. Ando

(Alternate to Mr. K. Matsumoto)

Mr. K. Matsuyama

Mr. K. Nakajima

(Alternate to Mr. K. Matsuyama)

Dr. Krishan Kumar

Mr. J.S. Bajjal

Mr. Yasushi Nei

(Alternate to Mr. O. Ogawa)

Mr. R.K. Bhatnagar

COMPANY SECRETARY

Mr. Lalit Prabhakar

AUDITORS

Price Waterhouse,
Chartered Accountants,
New Delhi

REGISTERED OFFICE

3rd Floor, Left Wing, Capital Court,
Olof Palme Marg, Munirka,
New Delhi - 110 067

WORKS

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

DENSO**NOTICE**

Notice is hereby given that the Sixteenth Annual General Meeting of the Company shall be held on Friday, 10th day of August, 2001 at 10.30 a.m. at Indian Council of World Affairs, Sapru House, Barakhamba Road, New Delhi-110 001 to transact the following business:

ORDINARY BUSINESS :

1. To receive and adopt the Audited Profit and Loss Account for the year ended March 31, 2001 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, 2001.
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 Director in place of Mr. O.Ogawa who retires by rotation and being eligible, offers himself for reappointment.
5. To elect Director in place of Mr. K. Matsumoto who retires by rotation and being eligible, offers himself for reappointment.

SPECIAL BUSINESS :

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

RESOLVED that Mr.R.K. Bhatnagar be and is hereby appointed as a Director of the Company in terms of Articles of Association of the Company and pursuant to section 257 of the Companies Act, 1956 and other applicable provisions, if any.

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

RESOLVED THAT Mr. Hitoshi Hirahata, be and is hereby appointed as non rotational Director under Article 70 (e) of the Articles of Association of the Company.

RESOLVED FURTHER THAT subject to the provisions of Sections 198, 269, 309, 310 and any other applicable provisions of the Companies Act, 1956, the approval of the shareholders of the Company in the General Meeting, the approval of the Central Government and such other approval as may be required, the appointment of Mr. Hitoshi Hirahata as the Deputy Managing Director of the Company w.e.f. 25th January, 2001 be and is hereby

approved on the terms and conditions as stated in the Annexure to the Notice.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to vary the remuneration of Mr.H.Hirahata subject to the limits specified and according to provisions of Section (s) 198, 269, 309 & 310 and Schedule XIII to the Companies Act, 1956 and 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. H. Hirahata 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 above remuneration shall constitute the minimum remuneration payable in case of absence or inadequacy of profits during the tenure of Mr.H.Hirahata, Dy. Managing Director of the Company.

RESOLVED FURTHER THAT Mr. Lalit Prabhakar, Company Secretary of the Company be and is hereby authorised to sign and complete the other formalities required under the Companies Act, 1956 for the purpose.

By Order of the Board

Place : New Delhi

Date : June 29, 2001

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. 6 & 7 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, 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 6th August, 2001 to 9th August, 2001, 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. 6

Mr.R.K.Bhatnagar was appointed as an Additional Director of the Company w.e.f. 28th March, 2001. In terms of Section 260 of the Companies Act, 1956, Mr.R.K.Bhatnagar holds office till the date of the Annual General Meeting and Notice has been received in terms of Section 257 of the Companies Act, 1956 and other applicable provisions, if any, for his appointment as Director of the Company.

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

No Director other than Mr.R.K. Bhatnagar is interested in the above resolution.

Item No. 7

The Board of Directors of the Company vide resolution dated 25th January, 2001 have appointed Mr.Hitoshi Hirahata as the Deputy Managing Director of the Company.

Terms of appointment of Mr. Hitoshi Hirahata, as the Dy. Managing Director

- | | | |
|---|---|---|
| A. Period of Employment | : | 3 years w.e.f. 25th January, 2001. |
| B. Salary | : | Rs.55000/- per month w.e.f. 25 th January, 2001. |
| C. Other benefits | : | DNIN shall for Mr. H.Hirahata 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 | : | <p>At the cost of DNIN to be provided with 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.</p> <p>If, however, Mr. H.Hirahata 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.</p> |
| D. Business Travel, Medical, Special Language Training, Working Rules, Regulation and Return expenses | : | As per DNIN rules for category of Dy. Managing Director as per DNIN designation or equivalent subject to Govt. regulations as may be applicable. |

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

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

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

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

No Director other than Mr.H. Hirahata is interested in the above resolution.

By Order of the Board

Lalit Prabhakar
Company Secretary

Place : New Delhi
Date : June 29, 2001



DIRECTORS' REPORT

Your Directors are pleased to present their Sixteenth Annual Report together with the audited statement of accounts for the financial year ended 31st March, 2001.

FINANCIAL RESULTS :

	Rs.'000 for the year ended <u>31.03.01</u>	Rs.'000 for the year ended <u>31.03.00</u>
Gross Sales	237,09,16	195,41,54
Sales (Net of Excise)	204,48,30	166,34,56
Gross Profit (before depreciation and miscellaneous expenditure write-off)	29,66,46	10,53,00
(% on Net Sales)	(14.50)	(6.33)
Depreciation & Miscellaneous Expenditure written off	16,74,79	8,68,68
Profit for the year before Taxation	12,91,67	1,84,32
Tax Provision	6,09,70	41,00
Profit after Tax	6,81,97	1,43,32

OPERATIONS :

The year 2000-2001 saw the Industry leader in the passenger car sector, Maruti Udyog Limited's market share dropped to 58%. The other auto majors including Hyundai and Daewoo Motors increased their market share from 18% to 22% (combined). However, Toyota Kirlosakar- Joint venture between Toyota, Japan and Kirloskars consolidated its position in the Multi- Utility Vehicle segment with market share growing from less

than 3% to almost 20%. In the two wheeler segment, Hero Honda despite competition in the market on all fronts posted a remarkable growth of 35% over the previous year.

The Company improved its delivery systems to its major customers during the financial year. Reflecting the downturn in the industry as a whole, the production fell by 1% over the previous year.

The Company made a gain of Rs. 192.74 lacs during the period ended 31st March, 2001 on account of exchange rate fluctuation as compared to the previous year loss of Rs. 357 lacs.

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

The stress on indigenisation is being maintained and efforts are on to break into areas of difficult indigenisation, i.e. where volumes and technology were constraints.

The Company's negotiations with one of its major customers for a price increase was finalised during the year and the Company received a sum of Rs. 7.24 crores on this account.

OUTLOOK :

Current Operations :

The Company achieved a Net Sales of Rs. 204.48 crores against the target of Rs. 213 crores. The Company fell short of its target due to less offtake from its major customer- Maruti Udyog Limited. The Net Sales for the year 2000-2001 include the price increase of Rs. 7.24 crores received from Maruti Udyog Limited.

The year 2001-2002 is expected to be a turnaround year for the Automobile Sector. The current year Net Sales has been projected at Rs 250 crores (growth of 22% over 2000-2001) based on customer projections and should be achieved barring unforeseen circumstances.

The combined benefits of capital infusion from Denso, Japan and completion of the expansion cum modernisation plan of the Company, together with stress on tighter cost controls and low interest regime saw a substantial rise in the margins despite the Company falling short on the achievement of the projected Net Sales.



MARKETING ARRANGEMENTS:

Denso Sales India Private Limited (DSIN) completed its first financial year (12 months). The Company paid Commission @ 1% on its Net Sales to DSIN. The Company received the Central Government approval for appointing DSIN as its Sole Selling Agent for a period of 5 years.

REGISTERED OFFICE :

The registered office of the Company was changed from S-10, Dharma Bhawan, Green Park Extension, New Delhi to 3rd Floor, Capital Court, Olof Palme Marg, Munirka, New Delhi w.e.f. 1-9-2000.

ISO 14001 :

The Company is committed towards a green and safe environment. The Company received ISO 14001 certificate from Underwriters' Laboratories (UL) of USA.

DEMATERIALISATION OF EQUITY SHARES :

The Securities and Exchange Board of India (SEBI) compulsorily de-materialised the equity shares of the Company for all investors w.e.f. 8th May, 2000.

FIXED DEPOSITS :

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

AUDIT COMMITTEE

The Companies Amendment Act, 2000 has inserted a new clause 292A to the Companies Act, 1956 wherein an Audit Committee is to be constituted comprising of non-executive Directors. In compliance of the above provision, the Company has constituted an Audit Committee comprising of Mr. J.S.Baijal, Mr. R.K.Bhatnagar and Dr. K.Kumar.

DIRECTORS :

Mr. Hitoshi Hirahata has been nominated by Denso Corporation, Japan as a non-rotational Director designated as Deputy Managing Director w.e.f. 25th January, 2001. Mr. H. Mitsunari, nominee Director of Sumitomo Corporation, Japan ceased to be the Director of the Company w.e.f. 16-10-2000 and subsequently, Mr. Fukuyama, the alternate Director to Mr. Mitsunari also ceased to be the Director of the Company. Subsequently, Mr. K. Matsuyama was appointed

Director of the Company as a nominee of Sumitomo Corporation, Japan. As Mr. Matsuyama was not expected to come to India regularly, Mr. Fukuyama was appointed as the Alternate Director to Mr. Matsuyama.

Mr. Fukuyama, the alternate Director to Mr. Matsuyama left for Japan and subsequently, Mr. K. Nakajima was appointed as the Alternate Director to Mr. Matsuyama.

Mr. R.K. Bhatnagar was appointed as Additional Director subsequent to formation of the Audit Committee, a requirement inserted by the Companies Amendment Act, 2000 w.e.f. 28th March, 2001.

Mr. O. Ogawa and Mr. K. Matsumoto retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

DIVIDEND :

The Directors are pleased to propose dividend of 10% on paid-up value of equity shares. This will absorb Rs. 2.78 crores out of current year profits. A concomitant dividend tax @10% plus surcharge thereon, 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 re-appointment. They have furnished a certificate to the effect that the proposed re-appointment, 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.



Explanation to the qualifications in Auditors Report.

1. Depreciation for the year being higher by Rs 230.42 lacs and net profit and reserves and surplus for the year being lower by the same amount .

Explanation: The Company appointed a technical evaluation committee to study the useful life of the assets. The committee, based on its findings, recommended revision of useful life of the following assets namely Jigs and tools, Computers, vehicles, building and furniture.

As a result, depreciation was slightly higher by Rs. 230.42 lacs. Also refer to Schedule 20(A2 & B8).

2. The appointment of and remuneration aggregating to Rs 1.34 lacs payable to Deputy Managing Director are subject to shareholders and Central government approval.

Explanation: The application to Central government for approving the appointment of and remuneration payable to Deputy Managing Director has already been made to the Department of Company Affairs, Ministry of Law, Justice and Company Affairs and the approval is awaited. The Notice convening the Sixteenth Annual General Meeting of the Company has sought the approval of the shareholders of the Company for the appointment of and remuneration payable to Deputy Managing Director as part of its agenda for the meeting.

Directors Responsibility Statement as per Section 217(2AA) of the Companies Act, 1956.

1. The Financial Statement for the year ended 31st March , 2001 are in full conformity with the Accounting Standards issued by the Institute of Chartered Accountants of India till date.
2. The Directors of Denso India Limited accept the responsibility for the integrity and objectivity of these Financial statements as reflected through the consistent application of the Accounting Policies as well as for the estimates made and the judgments exercised relating to matters not concluded by year end.
3. The Directors believe that the Financial Statements reflect fairly the form and substance of the

transactions concluded and reasonably present the Company's financial condition and true and fair view of the results of the operations for the year and the state of affairs of the business as at 31st March, 2001 and proper explanations were obtained to the qualifications in the Auditors Report for the year ended 31st March, 2001.

4. The Company has installed an accounting system and the financial statements have been prepared on a going concern basis alongwith a system of controls, which are reviewed , evaluated and updated on an on going basis.
5. Our internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and the procedures of the Company have been followed for safeguarding the assets of the Company and for preventing any form of fraud and other irregularities subject to the inherent limitations in any system and procedure and coverage thereof that should be recognized in weighing the assurance provided by any system of internal controls.
6. The financial statements have been audited by M/s. Price Waterhouse, Chartered Accountants, the statutory auditors.

ACKNOWLEDGEMENTS :

Your Directors take this opportunity to thank the customers, vendors, shareholders, 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, Japan, Maruti Udyog Limited and ASMO Co. 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

Place : New Delhi
Date : May 18, 2001

T. Yamaguchi
Managing Director

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.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

1. Efforts made: New models under development to help import substitution by vehicle makers.
2. 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.
3. 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 wheeler	-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 :

	<u>Rs. Lacs</u>
EARNINGS :	NIL
OUTGO :	
- Import of Goods (f.o.b.)	6251.46
- Import of Capital Goods (f.o.b.)	455.34
- Royalty	193.23
- Tech.Service Fees	126.96
- Travelling & Others	31.41
	<u>7058.40</u>

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