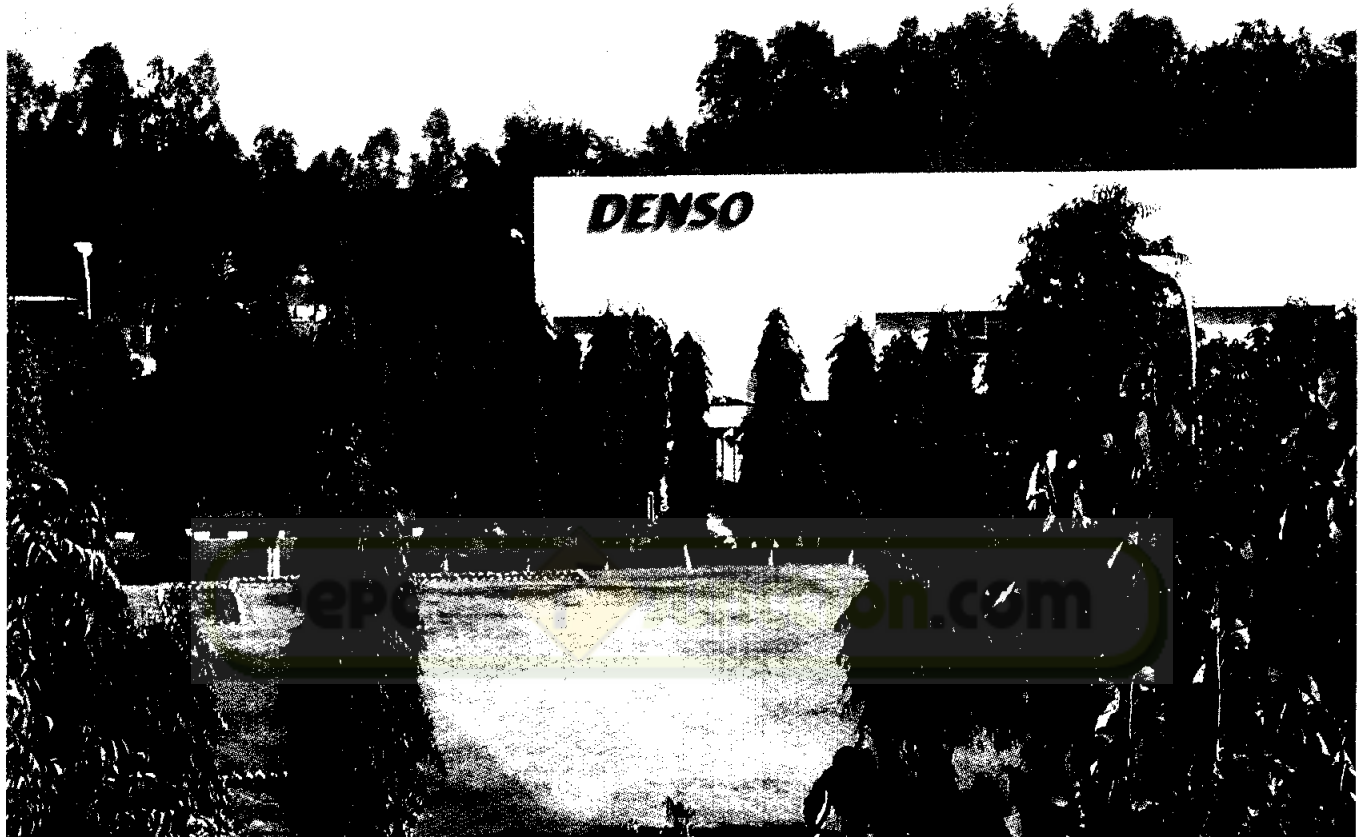


***DENSO***

**SEVENTEENTH  
ANNUAL REPORT  
2001-2002**

**DENSO INDIA LIMITED**

## DENSO INDIA PLANT AT TILPATTA



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## **BOARD OF DIRECTORS**

### **MANAGING DIRECTOR**

Mr. H. Hirahata

### **DIRECTORS**

Mr. M.Ohta

Mr. K. Matsumoto

Mr. K. Ando

(Alternate to Mr. K. Matsumoto)

Mr. K. Matsuyama

Mr. T. Yoshimoto

(Alternate to Mr. K. Matsuyama)

Dr. Krishan Kumar

Mr. J.S. Baijal

Mr. Yasushi Nei

(Alternate to Mr. M. Ohta)

Mr. R.K. Bhatnagar

Mr. A.C. Chakrabortti

### **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



## Notice

Notice is hereby given that the Seventeenth Annual General Meeting of the Company shall be held on Monday, 12<sup>th</sup> day of August, 2002 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, 2002 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 31<sup>st</sup> March, 2002.
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 Directors in place of Mr. J.S. Baijal and Mr. K. Matsuyama who retire by rotation and being eligible offer themselves 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 Mr.A.C. Chakrabortti 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.

By Order of the Board

Place: New Delhi  
Date : 1<sup>st</sup> July 2002

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 no: 5 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 7<sup>th</sup> August, 2002 to 12<sup>th</sup> August, 2002, 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 and those holding shares in demat form to their respective Depository Participants.

**DENSO**

## 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

Mr.A.C. Chakrabortti was appointed as an Additional Director of the Company w.e.f. 23<sup>rd</sup> March, 2002. In terms of Section 260 of the Companies Act, 1956, Mr.A.C. Chakrabortti holds office till the date of the next 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. A.C. Chakrabortti is interested in the above resolution.

By Order of the Board

Place : New Delhi  
Date : 1<sup>st</sup> July, 2002

Lalit Prabhakar  
Company Secretary





## DIRECTORS' REPORT

Your Directors are pleased to present their Seventeenth Annual Report together with the audited statement of accounts for the financial year ended 31<sup>st</sup> March, 2002.

### FINANCIAL RESULTS

	<b>Rs. 000 for the year Ended 31.03.02</b>	<b>Rs. '000 for the year ended 31.03.01</b>
Gross Sales	<b>249,66,62</b>	238,03,53
Sales (Net of Excise)	<b>214,82,95</b>	205,42,67
Gross Profit (before depreciation and miscellaneous expenditure write-off)	<b>31,72,41</b>	29,66,46
(% on Net Sales)	<b>(14.77)</b>	(14.44)
Depreciation & Miscellaneous Expenditure written off	<b>17,98,62</b>	16,74,79
Profit for the year before Taxation	<b>13,73,79</b>	12,91,67
Tax Provision (Deferred Tax)	<b>6,55,50 (2,00,00)</b>	6,09,70 -----
Profit after Tax	<b>9,18,29</b>	6,81,97

Tighter cost control measures and low interest regime have enabled the Company not only to maintain the profitability levels but also to improve upon it.

### MANAGEMENT DISCUSSION AND ANALYSIS :

#### OPERATIONS :

The passenger car segment of the Automobile Industry reported about flat sales. Maruti Udyog Limited retained its market share of 58% with Hyundai Motor being the number two with 15% market share. Tata Engineering increased its market share from 7.7% to approx. 11% with increased turnover of its brand, Tata Indica.

The multi utility segment saw a drop in sales by about 3%. The market leader Mahindra & Mahindra reported flat sales. Toyota Kirloskar which reported significant jump in sales in the year 2000-2001, also reported a marginal drop in sales.

In the two wheelers segment, Hero Honda, the market leader further consolidated its position reporting increase of 38% over the previous year. Another player in this segment which reported significant advance was Yamaha Motors wherein the sales grew by 43% over the previous period.

Honda Motorcycle and Scooter India made its maiden entry in the Indian Industry and captured around 6% of the market in the scooters segment.

The Company made a gain of Rs. 11.77 lacs during the period ended 31<sup>st</sup> March, 2002 on account of exchange rate fluctuation as compared to the previous year gain of Rs. 192.74 lacs.

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

#### Opportunities and Threats :

The two wheeler segment of the Automobile Industry is expected to further consolidate and maintain the tempo of growth during the next financial year. The products currently being supplied to Hero Honda, the No. 2 customer of the Company account for nearly 20% of the total turnover and the Company expects it to improve further.

With the introduction of Honda Motorcycle and Scooters India and resurgence of Yamaha Motors, the Company is expecting to drive substantial growth in the coming year.

As there are many new entrants in the auto component sector of the Industry, the competition is expected to be stiff.

#### Segment wise Performance :

The Company's operating business is organised and managed according to the nature of product, with single Primary Reportable Segment comprising of manufacturing and supply of electrical automotive components. The details of segmental reporting is given at Schedule 18B(24) of the Annual Accounts.



## OUTLOOK:

### Current Operations:

The Company achieved a Net Sales of Rs. 214.83 crores against Rs. 205.43 crores in the previous year. This would have been higher but for less offtake by major customers.

The projected Net Sales figure for the year 2002-2003 is Rs. 211.90 crores. The four wheeler component is expected to decline marginally.

However the buoyancy in the two wheeler segment of the automobile industry will enable the Company, barring unforeseen circumstances, to maintain its profitability levels.

### Internal Control Systems :

The Company maintains a system of internal control, including suitable monitoring procedures. The Internal Auditors regularly conduct review of the financial and operating controls.

### Human Resources :

The Company continued to have cordial and harmonious relations with its employees. Long term agreements were signed with the Worker Union for a period of 3 years w.e.f. January, 2000 to December, 2002. The total number of employees of the Company is 806.

### Cautionary Note :

Certain statements in the "Management Discussion and Analysis" section may be forward looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors' envisage in terms of the future performance and outlook.

### Additional Disclosures :

In line with the requirements of the Listing Agreements and the Accounting Standards of the Institute of Chartered Accountants of India, your Company has made additional disclosures in respect of Consolidated Financial Statements, Related Party transactions and Segmental Reporting.

## FIXED DEPOSITS :

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

## AUDIT COMMITTEE :

During the year the Audit Committee Meetings were conducted as per the provisions of listing agreement with the Stock Exchange(s). Mr. A.C. Chakrabortti, a prominent and learned financial professional was inducted in the Audit Committee so as to comply with the provisions of listing agreement with the Stock Exchange(s). The details about the functioning of the committee is being enumerated in the Corporate Governance report section which is part of the Annual Report for the year ending March 31, 2002.

## DIRECTORS :

Mr. T. Yamaguchi, the Managing Director of your Company ceased to be the Managing Director of the Company w.e.f. 31<sup>st</sup> December, 2001 and in his place Mr. Hitoshi Hirahata, the Deputy Managing Director of the Company took over as the Managing Director of the Company.

Mr. O. Ogawa, resigned from the Board of Directors of the Company on 1<sup>st</sup> September, 2001 and Mr. M. Ohta was appointed, a nominee of Denso Corporation, Japan, in his place in casual vacancy on 18<sup>th</sup> September, 2001.

Mr. K. Nakajima, Alternate Director to Mr. K. Matsuyama resigned from the Board of Directors of the Company on 20<sup>th</sup> December, 2001 and in his place Mr. T. Yoshimoto was appointed as the Alternate Director to Mr. K. Matsuyama on 16<sup>th</sup> January, 2002.

Mr. A.C. Chakrabortti was co-opted as Additional Director of the Company on 23<sup>rd</sup> March, 2002.

Mr. J.S. Baijal and Mr. K. Matsuyama retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

## 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. Tax on dividend





declared plus surcharge will be deducted from the total dividend payable as per the provisions of Finance Bill, 2002.

#### AUDITORS :

Messers 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, is not enclosed as none of the employees are covered under its provisions.

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

1. The Financial Statement for the year ended 31.03.2002 are in full conformity with the Accounting Standards issued by the Institute of Chartered Accountants in India till date.
2. The Directors of Denso India Ltd. accept the responsibility for the integrity and objective of these Financial Statement as reflected through the consistent application of the Accounting Policies as well as for the estimates made and the judgement exercised relating to matters not concluded by year end.
3. The Directors believe that the Financial Statement 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 31<sup>st</sup> March, 2002 and proper explanations were obtained to the qualifications in the Auditors Reports for the year ended 31<sup>st</sup> March, 2002.

4. The Company has installed an accounting system and the financial statement 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

New Delhi  
27th May, 2002

H. Hirahata  
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. 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/	-do-
Engine Cooling	-do-

**B. TECHNOLOGY ABSORPTION**

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

Development, prototype testing for products of new models were undertaken.

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. Further 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.

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 therefore and future plans of action.  
Not applicable.

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

**Rs. Lacs**

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :**

1. Efforts made: New models are being developed to help in further localisation 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.

**EARNINGS :**

**NIL**

**OUTGO:**

- Import of Goods (f.o.b.)	5777.00
- Import of Capital Goods (f.o.b.)	699.20
- Royalty	316.31
- Tech.Service Fees	376.08
- Travelling & Others	8.00
	<u>7176.59</u>

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



## Corporate Governance Report :

The Directors are pleased to present their maiden Corporate Governance Report for the financial year 2001-2002. The Securities and Exchange Board of India introduced the Code of Corporate Governance for implementation by the listed Companies vide an amendment to the Listing Agreement.

Compliance of code of Corporate Governance by your Company is to be done by March, 2002.

Corporate Governance relates to number of laws, rules, regulations and voluntary practices to enable Companies to have good and efficient financial and human capital, perform to the best of the efficiency resulting in maximization of the long term value in the hands of shareholders at the same time respecting the aspect of multiple stake holders which include the society as well.

### 1. Company's Philosophy

The Company is committed to achieve highest international standards of Corporate Governance and it is a matter of integral system for our company. We believe that corporate governance is dependent on transparency, maximum disclosures, un-baised monitoring, being fair to all shareholders especially minority shareholders.

To ensure a good Corporate Governance, we have a good professional management team and our Board of Directors consists of professional, non-executive and independent Directors who effectively monitor the management progress and key corporate decisions.

### 2. Board of Directors

As per the requirements of Corporate Governance the composition of Board of Directors is required to have combination of non-executive and independent Directors alongwith the executive directors.

The Board of Directors of the Company include eminent personalities from all walks of life.

#### Composition of Board of Directors :

The present strength of the Board is eight Directors. The Board comprises of one Executive and seven Non Executive Directors. Mr. K. Ando, the Alternate Director to Mr. Matsumoto is an Executive Director.

Director	Executive / Non Executive / Independent	No. of outside directorship
Mr. H. Hirahata	Executive / Non Independent	0
Mr. J.S. Baijal	Non-Executive / Independent	4
Dr. K. Kumar	Non-Executive / Non-Independent	2
Mr. R.K. Bhatnagar	Non-Executive / Independent	0
Mr. A.C. Chakrabortti	Non-Executive / Independent	14
Mr. M. Ohta	Non-Executive / Non-Independent	1
Mr. K. Matsumoto	Non-Executive / Non-Independent	11
Mr. K. Matsuyama	Non-Executive / Non-Independent	4
Mr. K. Ando (Alternate Director to Mr. K. Matsumoto)	Executive / Non Independent	1
Mr. Y. Nei (Alternate Director to Mr.M. Ohta)	Non Executive / Non Independent	4
Mr. T. Yoshimoto (Alternate Director to Mr. K. Matsuyama)	Non Executive / Non Independent	2

Mr. A.C. Chakrabortti has been appointed as the Director on the Board w.e.f. 23<sup>rd</sup> March, 2002. The Chairman of the Board is elected at each Board Meeting and from 23<sup>rd</sup> March, 2002 onwards, the Chairman of the Board is an independent, Non Executive Director thereby complying with the provisions of the Code. Now the strength of Independent Directors are 1/3<sup>rd</sup> of the total number of Directors.

#### Attendance record of Directors:

Director	No. of Board meeting held	Attended	Attended last AGM
Mr. H. Hirahata	6	5	Yes
Mr. J.S. Baijal	6	5	Yes
Dr. K. Kumar	6	4	Yes
Mr. R.K. Bhatnagar	6	5	Yes
Mr. A.C. Chakrabortti	6	1	Newly Appointed
Mr. M. Ohta	6	0	Newly Appointed
Mr. K. Matsumoto	6	0	No
Mr. K. Matsuyama	6	0	No
Mr. K. Ando (Alternate Director to Mr. K. Matsumoto)	6	6	Yes
Mr. Y. Nei (Alternate Director to Mr.M. Ohta)	6	5	Yes
Mr. T. Yoshimoto (Alternate Director to Mr. K. Matsuyama)	6	2	Newly appointed