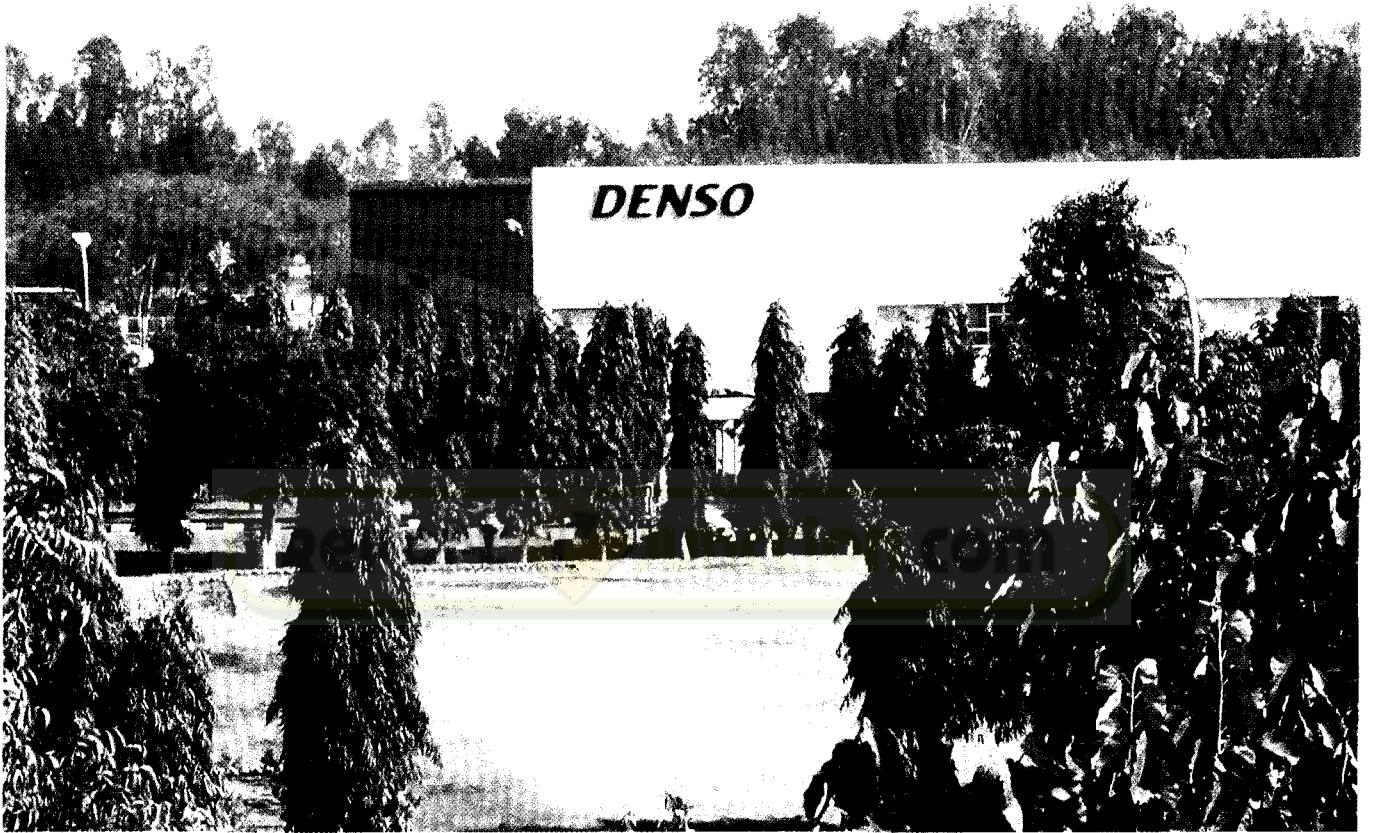


DENSO

**EIGHTEENTH
ANNUAL REPORT
2002-2003**

DENSO INDIA LIMITED

DENSO INDIA PLANT AT TILPATTA



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BOARD OF DIRECTORS

MANAGING DIRECTOR

Mr. H. Hirahata

DIRECTORS

Mr. H. Niwa

Mr. K. Matsumoto

Mr. K. Ando

(Alternate to Mr. K. Matsumoto
till 17th July 2003)

Mr. K. Matsuyama

Mr. T. Yoshimoto

(Alternate to Mr. K. Matsuyama)

Dr. Krishan Kumar

Mr. J.S. Baijal

Mr. Yasushi Nei

(Alternate to Mr. H. Niwa
till 23rd July 2003)

Mr. R.K. Bhatnagar

Mr. A.C. Chakrabortti

Mr. A. Omoto

(Alternate to Mr. K. Matsumoto
w.e.f 18th July 2003)

Mr. H. Ishida

(Alternate to Mr. H. Niwa
w.e.f 24th July 2003)

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

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Notice

Notice is hereby given that the Eighteenth Annual General Meeting of the Company shall be held on Wednesday, 27th day of August, 2003 at 10.30 a.m. at Indian Council of World Affairs, Sapru House, 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, 2003 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, 2003.
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 Dr. K. Kumar who retires by rotation and being eligible offers himself for reappointment.
5. To elect Director in place of Mr. R.K. Bhatnagar who retires by rotation and being eligible offers himself for reappointment.



By Order of the Board

Place: New Delhi
Date : 24th July 2003

Lalit Prabhakar
Company Secretary

NOTES :

- (A) 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.
- (B) The Register of Members of the Company will be closed from 21st August, 2003 to 27th August, 2003, both days inclusive.
- (C) 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.

DIRECTORS' REPORT

Your Directors are pleased to present their Eighteenth Annual Report together with the audited statement of accounts for the financial year ended 31st March, 2003.

FINANCIAL RESULTS

	Rs. 000 For the Year Ended 31.03.03	Rs. 000 For the Year Ended 31.03.02
Gross Sales	255,52,41	249,66,62
Sales (Net of Excise)	219,95,96	214,53,64
Gross Profit (before depreciation and miscellaneous expenditure write-off (% on Net Sales)	31,32,41 (14.24)	31,72,41 (14.77)
Depreciation & Miscellaneous Expenditure written off	19,41,45	17,98,62
Profit for the year before Taxation	11,90,96	13,73,79
Tax Provision (Deferred Tax)	8,00,07 (1,57,48)	6,55,50 (2,00,00)
Profit after Tax	5,48,37	9,18,29

MANAGEMENT DISCUSSION AND ANALYSIS:**OPERATIONS:**

The two wheeler segment of the Automobile Industry grew at a rate of 17% as compared to a growth of 5% in the passenger car segment of the Industry.

The World's largest two-wheeler Company, Hero Honda Motors Limited continued to march forward albeit at a slower pace vis-à-vis previous years, clocking a growth of 13.5% and a market share of 33.5%. Yamaha Motors continued its impressive performance during the year. It registered a growth of over 21%.

The Four wheeler segment grew at the rate of 13% with exports coming to rescue of the beleaguered segment registering growth of 56% as compared to previous year.

The market share of Maruti Udyog Limited slipped below the 50% mark and was pegged at 46%. MUL embarked upon an aggressive export drive clocking a growth of over 150% as compared to last year. The popular model of Alto was mainly responsible for the outstanding performance on the export front.

The Company incurred a loss of Rs. 170.25 lacs during the period ended 31st March, 2003 on account of exchange rate fluctuation as compared to the previous year gain of Rs. 11.77 lacs.

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

Opportunities and Threats:

The two wheeler component of the Automobile sector is expected to continue its double digit growth for the next year as well. The Company is constantly trying to improve and expand its customer base. The Company expects to increase its turn over by supplying to new customers and improve its bottom line.

The sluggish demand in the four wheeler segment is expected to continue thereby putting pressure on margins of the Company.

Segment wise Performance:

The Company's operating business is organized and managed according to the nature of product, with single Primary Reportable Segment comprising of manufacturing and supply of electrical automotive components.

OUTLOOK:**Current Operations:**

The Company achieved a Net Sales of Rs. 219.95 crores against the target of Rs. 211.36 crores. It was possible due to higher sales volume to the two wheeler industry mainly Hero Honda Motors Limited and Yamaha Motors Limited.

The Company expects higher sales for the year 2003-2004. The on-going efforts of increasing the customer base alongwith robust growth of Yamaha Motor Limited, in

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the two wheeler segment is expected to help the Company in achieving the sales target for the next year despite the sluggish demand and continued pressure on margins as the Company is facing intense pressure from its customers for price reduction on its range of products.

Internal Control Systems :

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

Human Resources :

The Company continued to have cordial and harmonious relations with its employees. Long term agreement is due and negotiations are on with the Worker Union for wage settlement for the next three years' period.

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 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). 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, 2003.

DIRECTORS :

Mr. M. Ohta, resigned from the Board of Directors of the Company on 25th October, 2002, and Mr. H. Niwa was appointed, a nominee of Denso Corporation, Japan, in his place in casual vacancy on 25th October, 2002.

Mr. R.K. Bhatnagar and Dr. K. Kumar 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 amounting to Rs. 35.72 lacs shall be paid by the Company and no deduction of tax shall be made from the dividend payable to shareholders as per the provisions of Finance Bill, 2003.

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 31.03.2003 are in full conformity with the Accounting Standard 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 objectives 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 operation for the year and the state of affairs of the business as at 31st March, 2003.
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.

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
21st May, 2003**

**H. Hirahata
Managing Director**

ACKNOWLEDGEMENTS :

Your Directors take this opportunity to thank the customers, vendors, shareholders, the bankers, the Central and State Governments and other agencies for their

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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

The Company has obtained technical know how for the manufacture of auto components from Denso Corporation, Japan. The process of absorption of the technology is a continuing process.

No expenditure either of Capital or Revenue nature on Research & Development has been incurred during the year under review.

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

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-

- c) Has technology been 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
EARNINGS:	4.50
OUTGO:	
- Import of Goods (f.o.b.)	5681.61
- Import of Capital Goods (f.o.b.)	822.85
- Royalty	323.41
- Tech.Service Fees	149.06
- Travelling & Others	11.32
	<u>6988.25</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 second Corporate Governance Report for the financial year 2002-2003. 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.

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-biased 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 decision.

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. Bajjal	Non-Executive / Independent	3
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. H.Niwa	Non-Executive / Non-Independent	2
Mr. K. Matsumoto	Non-Executive / Non-Independent	10
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.H. Niwa)	Non Executive / Non Independent	3
Mr. T. Yoshimoto (Alternate Director to Mr. K. Matsuyama)	Non Executive / Non Independent	4

Mr. H.Niwa has been appointed as the Director on the Board w.e.f. 25rd October, 2003. The Chairman of the Board is Mr. J.S. Bajjal, an Independent Non Executive Director thereby complying with the provisions of the Code. Now the strength of Independent Directors are 1/3rd of the total number of Directors.

Attendance record of Directors:

Director	No. of Board meetings held	Attended	Attended last AGM
Mr. H. Hirahata	4	4	Yes
Mr. J.S. Bajjal	4	3	Yes
Dr. K. Kumar	4	1	No
Mr. R.K. Bhatnagar	4	3	Yes
Mr. A.C. Chakrabortti	4	4	Yes
Mr. H.Niwa	4	0	Newly Appointed
Mr. K. Matsumoto	4	0	No
Mr. K. Matsuyama	4	0	No
Mr. K. Ando (Alternate Director to Mr. K. Matsumoto)	4	4	Yes
Mr. Y. Nei (Alternate Director to Mr. H. Niwa)	4	1	Yes
Mr. T. Yoshimoto (Alternate Director to Mr. K. Matsuyama)	4	0	Yes

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No. of Board Meetings Held 2002-2003 :

Total Four Board Meeting were held during the year 2002-2003, the dates on which the said meetings were held are as follows:-

27 th May, 2002
29 th July, 2002
25 th October, 2002
29 th January, 2003

Details of Directors being appointed and re-appointed (Brief Resume)

A brief resume of the Directors appointed/ reappointed is as under :

Hitoshi Niwa :

Mr. Hitoshi Niwa's educational qualifications include Applied Chemistry Degree from Kanazawa University, Japan, which is one of the leading educational institutions in Japan.

Mr. Hitoshi Niwa has worked in various departments of Denso, Japan and presently he is incharge of the Engine Control Components Products Division of Denso Corporation, Japan. His expertise in this segment shall be of immense value to our Manufacturing Division specially in light of technological upgradations taking place in the Automobile Industry.

3. Audit Committee

The Audit Committee comprises of Mr. A.C.Chakrabortti, Non-Executive and Independent Director who is the Chairman of the Audit Committee, Mr.R.K.Bhatnagar, Non-Executive and Independent Director. Dr. K.Kumar, a Non-Executive Director and Mr. J.S.Baijal, Non-Executive and Independent Director

Audit Committee Meeting and attendance during the year

The Audit Committee meetings were held on 27-05-2002, 25-10-2002 & 29-01-2003.

Name of Director	No. of Meetings attended	Remark
Mr. J.S. Baijal	2	-
Mr. R.K. Bhatnagar	2	-
Dr. K. Kumar	0	-
Mr. A.C. Chakrabortti	3	-

4. Investors Grievance Committee

The Company has a committee to look into issues relating to shareholders and focus primarily on Share Transfers, redressals of shareholders and investor complaints and matters relating thereto. Mr. J.S. Baijal, the Chairman of the committee is a Non-Executive Independent director.

The meeting of this committee is held once in a month and some times fortnightly.

The Shares are under compulsory demat and the physical share transfer receipts are very less in number therefore the meetings are held depending upon the shares received for transfer.

The Investors Grievance Committee consists of Mr. J.S. Baijal, Non-Executive Director, Mr. H. Hirahata, Managing Director, Mr. K. Ando, Director and Mr. Lalit Prabhakar, Company Secretary as Compliance Officer.

The Minutes of each Investors Grievance Committee Meeting are placed at the Board Meeting held immediately after the Committee Meeting.

A total of 437 complaints were received during the year under review, all of them are replied as on 31st March, 2003 to the satisfaction of shareholders. No shares were pending for registration for transfer as on 31st March, 2003.

5. Remuneration to Directors

The Company does not have any policy to pay commission on profits to any non-executive or executive directors and the details of remuneration paid to the directors are highlighted below.