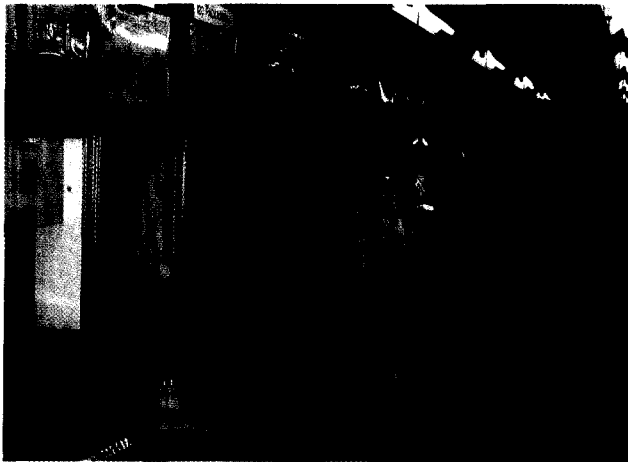
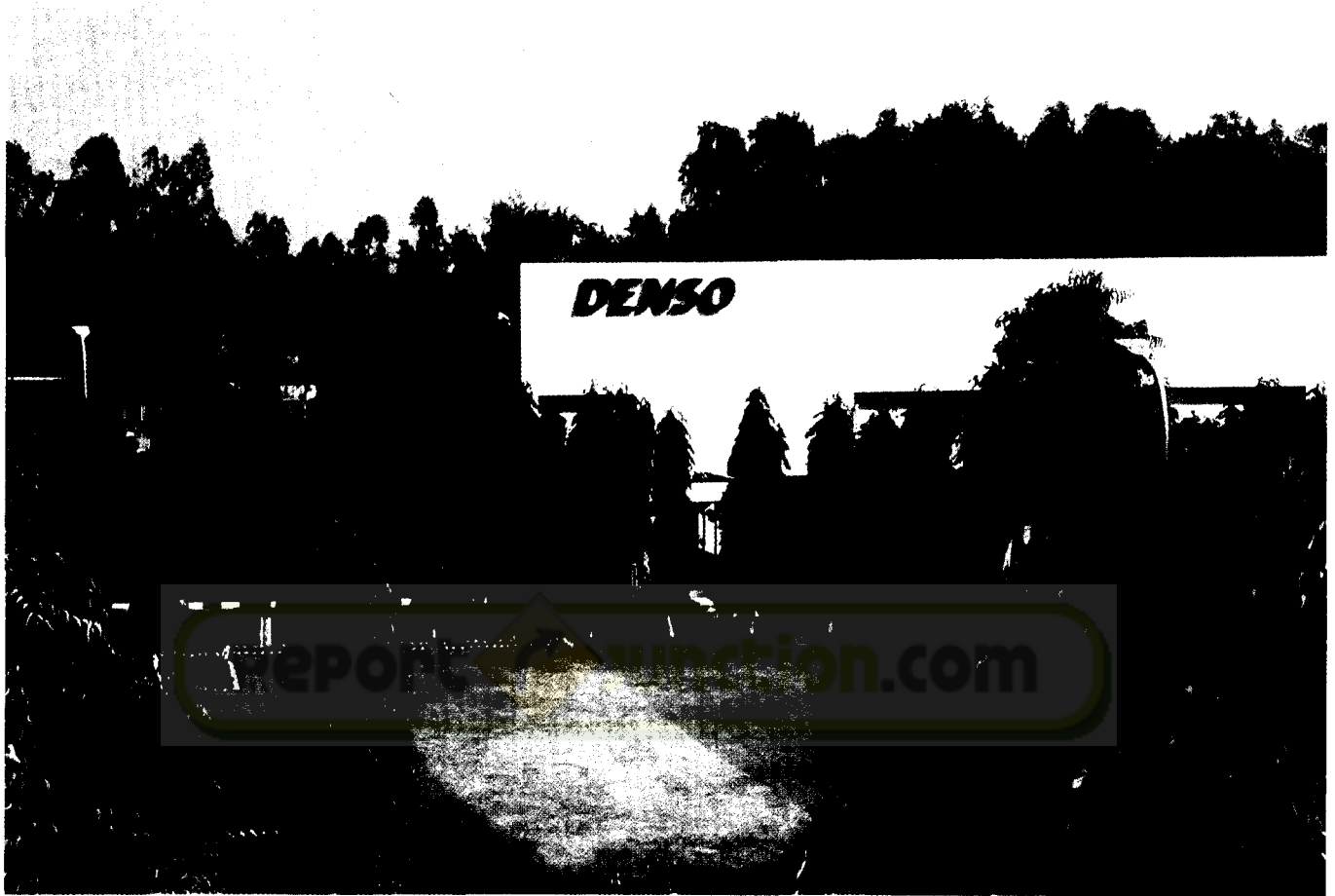


DENSO

**NINETEENTH
ANNUAL REPORT
2003-2004**

DENSO INDIA LIMITED

DENSO INDIA PLANT AT TILPATTA



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BOARD OF DIRECTORS

MANAGING DIRECTOR

Mr. H. Hirahata

COMPANY SECRETARY

Mr. Lalit Prabhakar

DIRECTORS

Mr. H. Niwa

Mr. K. Matsumoto

Mr. K. Matsuyama
(till 21st Feb 2004)

Mr. K. Higuchi
(w.e.f. 21st Feb 2004)

Mr. T. Yoshimoto
(Alternate to Mr. K. Higuchi)

Dr. Krishan Kumar

Mr. J.S. Baijal

Mr. R.K. Bhatnagar

Mr. A.C. Chakrabortti

Mr. A.Omoto
(Alternate to Mr. K. Matsumoto)

Mr. H. Ishida
(Alternate to Mr. H. Niwa)

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

DIRECTORS' REPORT

Your Directors are pleased to present their Nineteenth Annual Report together with the audited statement of accounts for the financial year ended 31st March, 2004.

FINANCIAL RESULTS

	Rs. 000 For the Year Ended 31.03.04	Rs. 000 For the Year Ended 31.03.03
Gross Sales	312,58,01	255,52,41
Sales (Net of Excise)	269,49,02	219,95,96
Gross Profit (before depreciation and miscellaneous expenditure write-off)	37,68,61	31,32,41
Depreciation & Miscellaneous Expenditure written off	19,26,04	19,41,45
Profit for the year before Taxation	18,42,57	11,90,96
Tax Provision (Deferred Tax)	8,79,89 (1,65,93)	8,00,07 (1,57,48)
Profit after Tax	11,28,61	5,48,37

MANAGEMENT DISCUSSION AND ANALYSIS :

OPERATIONS :

The year 2003-2004 was a landmark year for the Automobile Industry. The passenger car segment of the Industry grew at a scorching pace and the total units touched the one million mark for the first time in the history of India's Automobile Industry.

The four wheeler segment grew at an annualised rate of 35%. The two wheeler segment grew at the rate of 11%.

Maruti Udyog Limited (MUL), the country's largest car manufacturer took the competitors in its stride. The total unit produced by MUL were 472122, an increase of 30% over the previous year.

MUL performed exceptionally well at the export front, with exports touching 51172 units, an increase of 59% over the previous year.

However, the market share of MUL reached 47% of the total market as competition in this segment increased manifold with all major global players vying for the Indian Automobile Market.

In order to keep pace with the changes taking place in the various Industry segments, the Company is contemplating introduction of new products for which feasibility study is underway.

The Component of the four wheeler segment in the total sales was 59 % of the turnover signifying an increase of 19 % over the previous year.

The two wheeler component of the Sales grew at the rate of 28% with Hero Honda Motors Limited continuing to be the main customer in the segment.

Opportunities and Threats :

The Indian economy is set to grow at the rate of 7-8% for the next year and coupled with good monsoon, the demand for passenger car as well as two wheelers shall continue to register a double digit growth.

However the competition among the OEMs is expected to continue, thereby putting pressure on prices of the Company's products.

In order to off set this, the Company is pursuing aggressive cost control activities and the Company expects to be successful in its endeavours.

By adding to the existing product range the Company expects to bolster its turnover and further improve its profitability levels, it may put pressure on the margins in the short term.

The competition in the auto component segment continuous to be severe and is getting very stiff with new players with global presence making a beeline for the Indian Market. This is in addition to the existing competitors who are also upgrading their standards.

Any adverse change in the Government policy is likely to have its own effect.

The directors of the Company are of opinion, through expansion activities, diversification, cost control measures, the company's future outlook is encouraging.

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. 269.49 crores for the year ended 31st March, 2004. This was possible due to higher sales volume of both Four wheeler and Two wheeler segment of the Industry.

The Company expects higher sales for the year 2004-2005. The on-going efforts of increasing the customer base alongwith introduction of new products is expected to help the Company in achieving the sales target for the next year. The Company is facing pressure from its customers on the price front which it hopes to off set by cost control measures.

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.

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, 2004.

DIRECTORS :

Mr. K. Matsuyama, resigned from the Board of Directors of the Company on 21st February, 2004, and Mr. K. Higuchi was appointed, a nominee of Sumitomo Corporation, Japan, in his place in casual vacancy on 21st February, 2004.

Mr. H. Hirahata has been re-appointed as Managing Director of the Company for a period of 3 years w.e.f. 25th January, 2004 subject to the approval of the members of the Company at the forth coming Annual General Meeting.

Mr. H. Niwa and Mr. K. Matsumoto retires 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. 2.79 crores out of current year profits. Tax on dividend declared 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.

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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 31.03.2004 are in full conformity with the Accounting Standard issued by the Institute of Chartered Accountants of 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 judgment 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 operation for the year and the state of affairs of the business as at 31st March, 2004.

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. These have been reviewed periodically at Audit Committee Meetings.

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
22nd May, 2004

H. Hirahata
Managing Director

ANNEXURE TO DIRECTORS' REPORT

INFORMATION REQUIRED UNDER 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.

A. CONSERVATION OF ENERGY

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

c) Has technology been fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.

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.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

	Rs. Lacs
EARNINGS:	4.21
OUTGO:	
- Import of Goods (f.o.b.)	7073.22
- Import of Capital Goods (f.o.b.)	406.84
- Royalty	365.73
- Tech. Service Fees	134.53
- Travelling & Others	18.84
	<u>7999.16</u>

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

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

b) Year of import:

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

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Corporate Governance Report :

The Directors are pleased to present their third Corporate Governance Report for the financial year 2003-2004. 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. A.Omoto, the Alternate Director to Mr. Matsumoto is an Executive Director, further 3 non-executive directors are independent.

Number of other companies in which Director is a Director or Member/Chairperson of Committee are as hereunder:

Director	Executive / Non Executive / Independent	No. of outside directorship	No. of Committee of other Companies in which Member / Chairman
Mr. H. Hirahata	Executive / Non Independent	0	0
Mr. J.S. Baijal	Non-Executive / Independent	3	5
Dr. K. Kumar	Non-Executive / Non-Independent	2	1
Mr. R.K. Bhatnagar	Non-Executive / Independent	0	0
Mr. A.C. Chakrabortti	Non-Executive / Independent	13	8 (Chairman in 4)
Mr. H.Niwa	Non-Executive / Non-Independent	2	0
Mr. H.Ishida (Alternate Director to Mr.H. Niwa)	Non Executive / Non Independent	3	0
Mr. K. Matsumoto	Non-Executive / Non-Independent	8	0
Mr. A. Omoto (Alternate Director to Mr. K. Matsumoto)	Executive / Non Independent	0	0
Mr. K. Higuchi	Non-Executive / Non-Independent	3	0
Mr. T. Yoshimoto (Alternate Director to Mr. K. Higuchi)	Non Executive / Non Independent	3	1

Mr. K.Higuchi has been appointed as the Director on the Board w.e.f. 21st February, 2004. The Chairman of the Board is Mr. J.S. Baijal an Independent Non Executive Director thereby complying with the provisions of the Code. The strength of Independent Directors is 1/3rd of the total number of Directors.

The Annual General Meeting was held on 27th August, 2003. No Extra-ordinary Meeting was held during the year.

Attendance record of Directors:

Director	Number of Board Meetings Attended	Attended last AGM
Mr. H. Hirahata	5	Yes
Mr. J.S. Baijal	3	Yes
Dr. K. Kumar	3	Yes
Mr. R.K. Bhatnagar	4	Yes
Mr. A.C. Chakrabortti	5	Yes
Mr. H.Niwa	0	No
Mr. K. Matsumoto	0	No
Mr. K. Ando * (Alternate Director to Mr. K. Matsumoto)	1	No
Mr. A. Omoto • (Alternate Director to Mr. K. Matsumoto)	3	Yes
Mr. K. Matsuyama **	0	No
Mr. T. Yoshimoto ••••• (Alternate Director to Mr. K. Matsuyama)	2	Yes
Mr. K. Higuchi ••	0	Newly appointed
Mr. Y. Nei *** (Alternate Director to Mr. H. Niwa)	1	No
Mr. H.Ishida ••••• (Alternate Director to Mr. H. Niwa)	3	Newly appointed

* Mr. K. Ando resigned from the Board of Directors on 18th July, 2003.

** Mr. K. Matsuyama resigned from the Board of Directors on 21st February, 2004.

*** Mr. Y. Nei resigned from the Board of Directors on 24th July, 2003.

• Mr. A. Omoto appointed as Alternate Director to Mr. K. Matsumoto on 18th July, 2003.

•• Mr. K. Higuchi appointed as Director on 21st February, 2004.

••• Mr. H. Ishida appointed as Alternate Director to Mr. H. Niwa on 24th July, 2003.

••••• Mr. T. Yoshimoto resigned as Alternate Director to Mr. K. Matsuyama and was re-appointed as Alternate Director to Mr. K. Higuchi on 21st February, 2004.

No. of Board Meetings Held 2003-2004 :

Total Five Board Meeting were held during the year 2003-2004, the dates on which the said meetings were held are as follows:-

21 st May, 2003
24 th July, 2003
30 th October, 2003
14 th January, 2004
22 nd January, 2004

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

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

K. Higuchi :

Mr. K.Higuchi joined Sumitomo Corporation, Japan in the year 1985. His educational qualification includes a graduate degree in Marketing management from the Waseda University, Department of Commercial Science, one of the leading and eminent institution for management studies in Japan.

Mr. K.Higuchi has worked in the Motor Vehicles Department of Sumitomo Corporation, Japan for the last 19 years and has achieved remarkable results in the development of the business of Equipment and Component . Till his joining the Board of Denso India Limited, he was engaged in the marketing and development of Equipment and Component business in Mexico.

Name of the Companies in which Mr. K. Higuchi is a Director on the Board are Anand Nishikawa Co. Ltd., NKC Conveyor India Pvt. Ltd. and J.J. Impex (Delhi) Ltd.

H. Hirahata :

Mr. H. Hirahata whose term as Managing Director expired on 24th January, 2004, has been re-appointed as Managing Director of the Company for a period of 3 years w.e.f. 25th January, 2004, subject to the approval of the members of the Company at the forth-coming Annual General Meeting.

Mr. H. Hirahata joined Denso Corporation, Japan in the year 1977. He has served in many subsidiary companies of Denso Corporation, Japan such as Denso Manufacturing Tennessee Inc., USA.

His educational qualifications include BE degree from Fukui University of Japan. He has worked in different departments at the Head office during his illustrious career, covering areas such as Process Design, Production, Maintenance. Besides, B.E. Degree, Mr. H. Hirahata has also acquired degree in Energy Control, Safety & Health.

His continuation at the helm of the Affairs of the Company will help the Company realize its targets and goals. Under his dynamic leadership, the Company has progressed on all fronts and has moved forward towards

being the number one Automobile Component Manufacturer of India.

Akio Omoto :

Mr. Akio Omoto joined Denso Corporation, Japan in the year 1987. His educational qualifications includes a Degree of Law from the Kyoto University, Kyoto City, Japan, one of the leading institution for imparting legal education in Japan.

Mr. Akio Omoto has worked in the Engine Electrical Planning Department of Denso Corporation, Japan and also with Denso Manufacturing Tennessee Inc., USA. His expertise is in the Business Planning Department covering wide areas as complete Project Report, Costing of new Products and Feasibility Study of Introduction of new products. His expertise in the Business Planning area shall be of immense help to the Company as our Company starts evaluating new products to help diversify our product range and reduce the dependence on a few products to scale new heights and move ahead of our competitors.

Haruo Ishida :

Mr. Haruo Ishida is a Commerce Graduate from the University of Doshisha, Kyoto, Japan. Besides being a Director in the Company Mr. Haruo Ishida is the Managing Director of Denso Sales India Private Limited, a 100% subsidiary of Denso Corporation, Japan and a Director in Premier Instruments and Controls Limited and Subros Limited.

Mr. Haruo Ishida has worked in the capacity of the Director of the Company previously also. His expertise in the Marketing field shall be of immense value to the Company in the intensified competitive environment which is resulting in increased pressure on margins. The Company is also looking at new products and Mr. Ishida's contribution and experience would help in securing a viable market for these products.

Name of the Companies in which Mr. H. Ishida is a Director on the Board are Premier Instruments and Controls Limited, Subros Limited and Denso Sales India Pvt. Limited

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. Mr. Lalit Prabhakar, Company Secretary, acts as the Secretary of the Audit Committee. The terms of reference of the Audit Committee are same as enumerated in the Annual Report for the year 2001-2002, which are as per the guidelines given in the code of corporate governance.

Audit Committee Meeting and attendance during the year

The Audit Committee meetings were held on 21-05-2003, 26-08-2003, 30-10-2003 & 22-01-2004.

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Name of Director	No. of Meetings attended
Mr. J.S. Bajjal	3
Mr. R.K. Bhatnagar	4
Dr. K. Kumar	3
Mr. A.C. Chakrabortti	4

4. Shareholders / 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. Bajjal, the Chairman of the committee is a Non-Executive Independent director.

S.N.	Name of Member	Appointed	Resigned/Vacated
1	Mr. K. Ando	-	18-07-2003
2	Mr. A. Omoto	18-07-2003	-
3	Mr. J.S. Bajjal	-	-
4	Mr. H. Hirahata	-	-

Remuneration paid during 2003-2004

Director	Sitting Fee	Salary & perks	Total
Mr. H. Hirahata	-	1233087	1233087
Mr. J.S. Bajjal	50000	-	50000
Mr. R.K. Bhatnagar	35000	-	35000
Mr. A.C. Chakrabortti	40000	-	40000
Mr. K. Ando (Alternate Director to Mr. K. Matsumoto)	-	257847	257847
Mr. A. Omoto (Alternate Director to Mr. K. Matsumoto)	-	810128	810128

6. Board Meetings and Procedures

The Board of Directors met for five times during the year as mentioned in the beginning. The Agenda papers were sent to all the Directors well in advance for each meeting and the management presented before the Board all statutory and other important items as recommended by the SEBI Committee including operational plans and budgets, matters relating to work force and details of foreign exchange exposures and exchange rate movement.

7. Financial Results / Information on Website

The Work on Company Website is in progress and the company will place it once it is operational. However the quarterly and Annual Financial Results are available on the website of The Stock Exchange, Mumbai i.e. www.bseindia.com

The meeting of this committee is generally held once in a fortnight.

The Investors Grievance Committee consists of Mr. J.S. Bajjal, Non-Executive Director, Mr. H. Hirahata, Managing Director, Mr. A. Omoto, 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 96 complaints were received during the year under review, all of them are replied as on 31st March, 2004 to the satisfaction of shareholders. No shares were pending for registration for transfer as on 31st March, 2004.

5. Remuneration to Directors

The Company does not have any policy to pay commission on profits to any non-executive or executive directors. During the year, the Company has paid fixed remuneration and sitting fees to the following directors:

8. Details of General Meetings

AGM	Year	Location	Date	Time	Whether Special Resolution passed
16 th	2000-2001	Sapru House, N.Delhi	10-08-2001	10.30 a.m.	No
17 th	2001-2002	Sapru House, N.Delhi	12-08-2002	10.30 a.m.	No
18 th	2002-2003	Sapru House, N.Delhi	27-08-2003	10.30 a.m.	No

All the resolutions set out in the respective notices, were passed by the Shareholders. During the year under review, there were no matters which required approval by Postal Ballot.