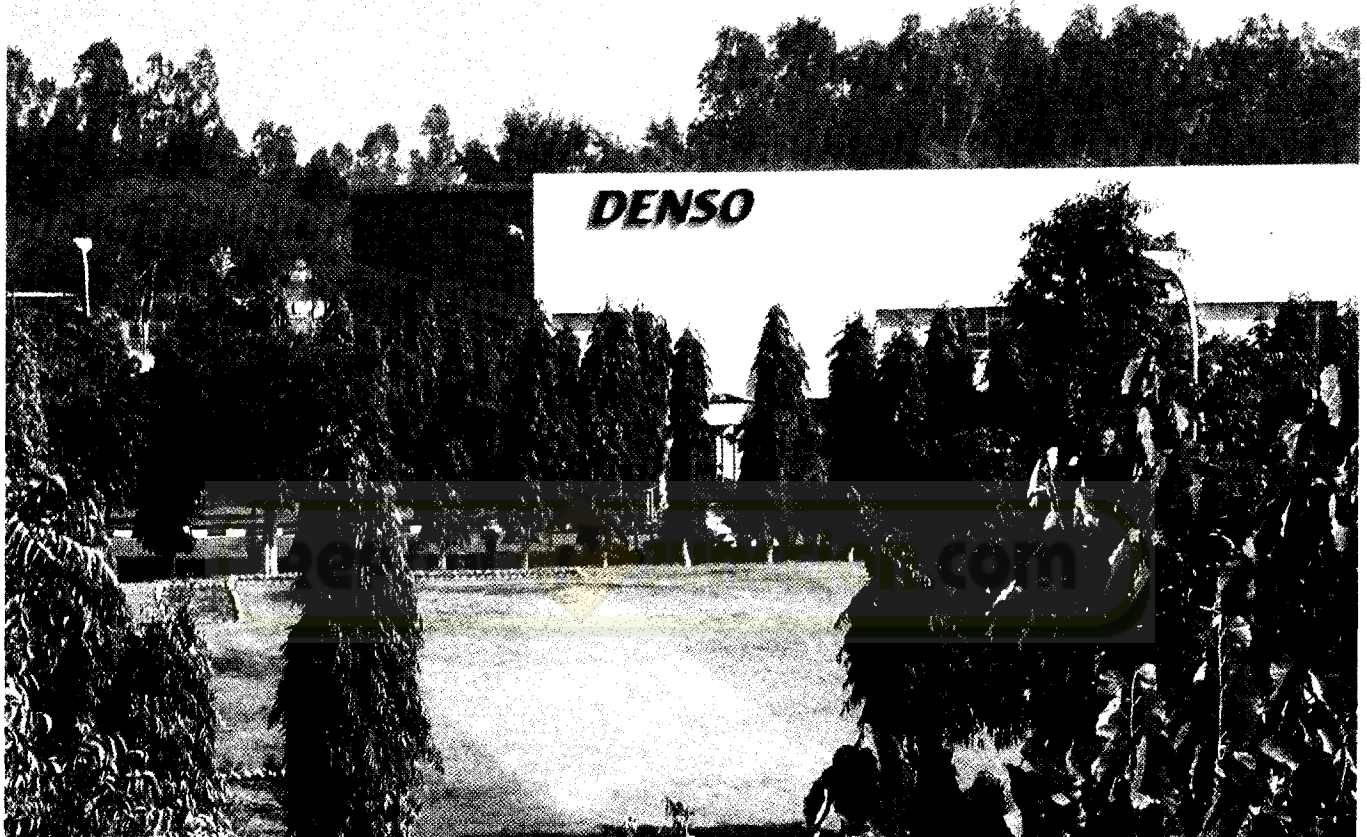


DENSO

**TWENTIETH
ANNUAL REPORT
2004-2005**

DENSO INDIA LIMITED

DENSO INDIA PLANT AT TILPATTA



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BOARD OF DIRECTORS

MANAGING DIRECTOR

Mr. H. Hirahata

DIRECTORS

Mr. H. Niwa

(till 25th January, 2005)

Mr. K. Matsumoto

(till 28th July, 2004)

Mr. K. Higuchi

Mr. T. Yoshimoto

(Alternate to Mr. K. Higuchi)

Dr. Krishan Kumar

(till 30th March, 2005)

Mr. J.S. Baijal

Mr. R.K. Bhatnagar

Mr. A.C. Chakrabortti

Mr. A.Omoto

(Alternate to Mr. M. Hanai)

Mr. H. Ishida

(Alternate to Mr. T. Kondo)

Mr. M. Hanai

(w.e.f.28th July, 2004)

Mr. T. Kondo

(w.e.f. 25th January, 2005)

Mr. M.Osada

(w.e.f.30th March, 2005)

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

DIRECTORS' REPORT

Your Directors are pleased to present their Twentieth Annual Report together with the audited statement of accounts for the financial year ended 31st March, 2005.

FINANCIAL RESULTS

	For the Year Ended 31.03.05 Rs. '000	For the Year Ended 31.03.04 Rs. '000
Gross Sales	379,33,82	312,58,01
Sales (Net of Excise)	326,62,30	269,49,02
Gross Profit (before depreciation and miscellaneous expenditure write-off)	41,10,70	37,68,61
Depreciation & Miscellaneous Expenditure written off	13,97,45	19,26,04
Profit for the year before Taxation	27,13,25	18,42,57
Tax Provision (Deferred Tax)	12,45,79 (1,66,10)	8,79,89 (1,65,93)
Profit after Tax	16,33,56	11,28,61

MANAGEMENT DISCUSSION AND ANALYSIS:

OPERATIONS:

The financial year 2004-05 was an exceptional year, the Gross Sales grew by 21.36% and profit before tax by 47.25%. After the provisions for tax, the Company earned profit after tax of Rs. 16.34 crores signifying an increase of 44.74%. The Company out performed the auto industry.

In the year 2004-05 auto industry performance was almost similar to what it was in 2003-04 in terms of growth rate. The one million figure was achieved in the previous year was maintained this year too. The growth rate was 17% in the passenger car segment as compared to 11% in the previous year. The automobile industry is still looking ahead with many new models of passenger cars to be launched in 2005-06 which will act as morale

boosting launching pads for propelling the industry to new horizons.

The big three General Motors, Ford and Toyota are finalising plans to launch new models in the compact segment namely the 'B segment' where volumes refuse to slow down, signaling intense competition in the coming days.

However, the pricing of the new models shall be the most important factor for determining the individual Company's growth.

The overall four-wheeler segment grew at lower pace with the annualised rate of growth touching 18% as compared to 35% in 2003-04. The two-wheeler segment grew at the rate of 16% making an improvement as compared to the previous year.

The overall growth in the auto industry including three-wheeler was 16%.

Maruti Udyog Limited (MUL), the country's largest car manufacturer maintained its position with increase in growth rate of 16% as compared to previous year. Maruti Udyog Ltd. plans to launch newer models in 2005-06 and the latest in the edition is Swift.

MUL performance at the export front was not very encouraging, with exports touching 48882 units, a decrease of 4% over the previous year.

However, the market share of MUL reached 46% of the total market as competition in this segment increased manifold with all major global players eying 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.

Opportunities and Threats:

The Indian economy is set to grow at the rate of 6-7% 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.

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

The competition in the auto component segment continues to be severe 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

Despite competition and pressure on the pricing front the Company expects to maintain its competitive edge in the coming years.

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 Operation:

The Company achieved a Net Sales of Rs. 326.62 crores for the year ended 31st March, 2005. 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 2005-06. The on-going efforts of increasing the customer base along with 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, 2005.

DIRECTORS:

Mr. K. Matsumoto, resigned from the Board of Directors of the Company on 28th July, 2004, and Mr. M. Hanai was appointed, a nominee of Denso Corporation, Japan, in his place in casual vacancy on 28th July, 2004.

Dr. K.Kumar, resigned from the Board of Directors of the Company on 30th March, 2005, and Mr. M.Osada was appointed, a nominee of Maruti Udyog Ltd., in his place in casual vacancy on 30th March, 2005.

Mr. H.Niwa, resigned from the Board of Directors of the Company on 25th January, 2005, and Mr. T. Kondo was appointed, a nominee of Denso Corporation, Japan, in his place in casual vacancy on 25th January, 2005.

Mr. K. Higuchi and Mr. M. Hanai retires by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

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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. 39.10 lacs shall be paid by the Company and no deduction of tax shall be made from the dividend payable to shareholders.

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 31.03.2005 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, 2005.
4. The Company has installed an accounting system and the financial statements have been prepared on a going concern basis along with 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.
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
8th June, 2005

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:

EARNINGS: Rs. Lacs Nil

OUTGO:

- Import of Goods (f.o.b.)	8579.71
- Import of Capital Goods (f.o.b.)	713.49
- Royalty	407.88
- Technical Know-how	529.88
- Tech. Service Fees	70.96
- Travelling & Others	35.76

10337.68

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

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

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

2. Benefits derived : In-house 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	- 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 fourth Corporate Governance Report for the financial year 2004-2005. 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 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. A.Omoto, the Alternate Director to Mr. M. Hanai is an Executive Director, further three Non-Executive Directors are Independents.

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
Mr. R.K. Bhatnagar	Non-Executive / Independent	0	0
Mr. A.C. Chakraborti	Non-Executive / Independent	12	8 (Chairman in 5)
Mr. T. Kondo	Non-Executive/Non-Independent	1	0
Mr. M. Hanai	Non-Executive/Non-Independent	3	0
Mr. H. Ishida (Alternate Director to Mr. T. Kondo)	Non-Executive/Non-Independent	3	0
Mr. T. Yoshimoto (Alternate Director to Mr. K. Higuchi)	Non-Executive/Non-Independent	4	1
Mr. A. Omoto (Alternate Director to Mr. M. Hanai)	Executive/Non-Independent	0	0
Mr. M. Osada	Non-Executive/Non-Independent	1	0
Mr. K. Higuchi	Non-Executive/Non-Independent	4	0

Mr. M. Hanai has been appointed as the Director on the Board w.e.f. 28th July, 2004.

Mr. T. Kondo has been appointed as the Director on the Board w.e.f. 25th January, 2005.

Mr. M. Osada has been appointed as the Director on the Board w.e.f. 30th March, 2005.

The Chairman of the Board is Mr. J.S. Baijal, an Independent Non Executive Director thereby complying with the provisions of the Code. Now the strength of Independent Directors is 1/3rd of the total number of Directors.

The Annual General Meeting was held on 27th July, 2004. 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	5	Yes
Mr. R.K. Bhatnagar	3	Yes
Mr. A.C. Chakraborti	5	Yes
Mr. K. Matsumoto*	0	No
Mr. H. Niwa **	0	No
Dr. K. Kumar ***	3	Yes
Mr. M. Hanai •	0	No
Mr. A.Omoto •• (Alternate Director to Mr. M. Hanai)	4	Yes
Mr. K. Higuchi	0	No
Mr. T. Yoshimoto (Alternate Director to Mr. K. Higuchi)	3	Yes
Mr. T. Kondo•••	0	Newly appointed
Mr. H. Ishida•••• (Alternate Director to Mr. T. Kondo)	2	No
Mr. M. Osada •••••	1	Newly appointed

- * Mr. K. Matsumoto resigned from the Board of Director on 28th July, 2004.
- ** Mr. H. Niwa resigned from the Board of Director on 25th January, 2005.
- *** Dr. K. Kumar resigned from the Board of Directors on 30th March, 2005
- Mr. M. Hanai appointed as director on 28th July, 2004.
- Mr. A. Omoto ceased as Alternate Director to Mr. K. Matsumoto and was re-appointed as Alternate Director to Mr. M. Hanai on 28th July, 2004.
- Mr. T. Kondo appointed as Director on 25th January, 2005
- Mr. H. Ishida ceased as Alternate Director to Mr. H. Niwa and was re-appointed as Alternate Director to Mr. T. Kondo on 25th January, 2005.
- Mr. M. Osada appointed as Director on 30th March, 2005.

No. of Board Meeting Held 2004-2005:

Total Five Board Meeting were held during the year 2004-2005, the dates on which the said meetings were held are as follows:-

22 nd	May,	2004
28 th	July,	2004
28 th	October,	2004
25 th	January,	2005
30 th	March,	2005

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

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

Mr. Mineo Hanai :

Mr. Mineo Hanai joined Denso Corporation, Japan in the year 1972. His educational qualification includes a graduate degree in Mechanical Engineering from the Nagoya University, Department of Mechanical Engineering, one of the leading and eminent institutions for Mechanical Engineering studies in Japan.

Mr. Mineo Hanai has worked in the Manufacturing Engineering Deptt. of Denso Group of Companies for 20 years and has recently been appointed as the Managing officer and Group Manager of Electric System Business Group and has achieved remarkable results in modernizing and upgrading of manufacturing process compatible to the changing technological world.

Mr. Mineo Hanai is also a Director in Denso (Thailand) Co. Ltd. (Thailand).

Mr. Tetsuo Kondo:

Mr. Tetsuo Kondo joined Denso Corporation, Japan in the year 1977. His educational qualification includes a graduate degree in Mechanical Engineering from the Nagoya University, Department of Mechanical Engineering, one of the leading and eminent institutions for Mechanical Engineering studies in Japan.

Mr. Tetsuo Kondo has worked in the Manufacturing , Engineering Deptt. of Denso Group of Companies for 28 years and has recently been appointed as the Division Manager of Engine Control Components Product Division. The expertise and the immense experience of Mr. Tetsuo Kondo particularly in the field of

Components shall be a great boost for the Growth of our Company.

Mr. Tetsuo Kondo is also a Director in Chong Qing Denso Co. Ltd.

Mr. M. Osada

Mr. M. Osada deputed as Executive Director Engineering Division in Maruti Udyog Limited in March, 2003. His educational qualification includes a graduate degree in Mechanical in March, 1973 from Nigata University, Department of Mechanical Engineering, one of the leading and eminent institution for Mechanical Engineering studies in Japan.

Mr. M. Osada is also a Director in Krishna Maruti Ltd..

Mr. 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 height and move ahead of our competitors.

Mr. 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 ;

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- a. Premier Instruments and Controls Limited
- b. Subros Limited.
- c. Denso Sales India Pvt. Limited

3. Audit Committee

The Audit Committee comprises of Mr. A.C.Chakraborti, Non-Executive and Independent Director who is the Chairman of the Audit Committee, Mr.R. K.Bhatnagar, Non-Executive and Independent 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 22-05-2004, 28-07-2004, 28-10-2004, 25-01-2005 and 30-03-2005.

Name of Director	No. of Meetings attended
Mr. J.S. Baijal	5
Mr. R.K. Bhatnagar	3
Mr. A.C. Chakrabortti	5

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. Baijal, the Chairman of the committee is a Non-Executive Independent Director.

Remuneration paid during 2004-2005

(in Rupees)

Director	Sitting Fee	Salary & perks	Total
Mr. H. Hirahata	-	1268558	1268558
Mr. J.S. Baijal	115000	-	115000
Mr. R.K. Bhatnagar	60000	-	60000
Mr. A.C. Chakrabortti	90000	-	90000
Mr. A. Omoto (Alternate Director to Mr. M. Hanai)	-	1913784	1913784

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.

S.N.	Name of Member	Appointed	Resigned/Vacated
1	Mr. A. Omoto	-	-
2	Mr. J.S. Baijal	-	-
3	Mr. H. Hirahata	-	-

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

The Investors Grievance Committee consists of Mr. J.S. Baijal, 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 71 complaints were received during the year under review, all of them are replied as on 31st March, 2005 to the satisfaction of shareholders. No shares were pending for registration for transfer as on 31st March, 2005.

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 Company has paid fixed remuneration and sitting fees to the following directors: