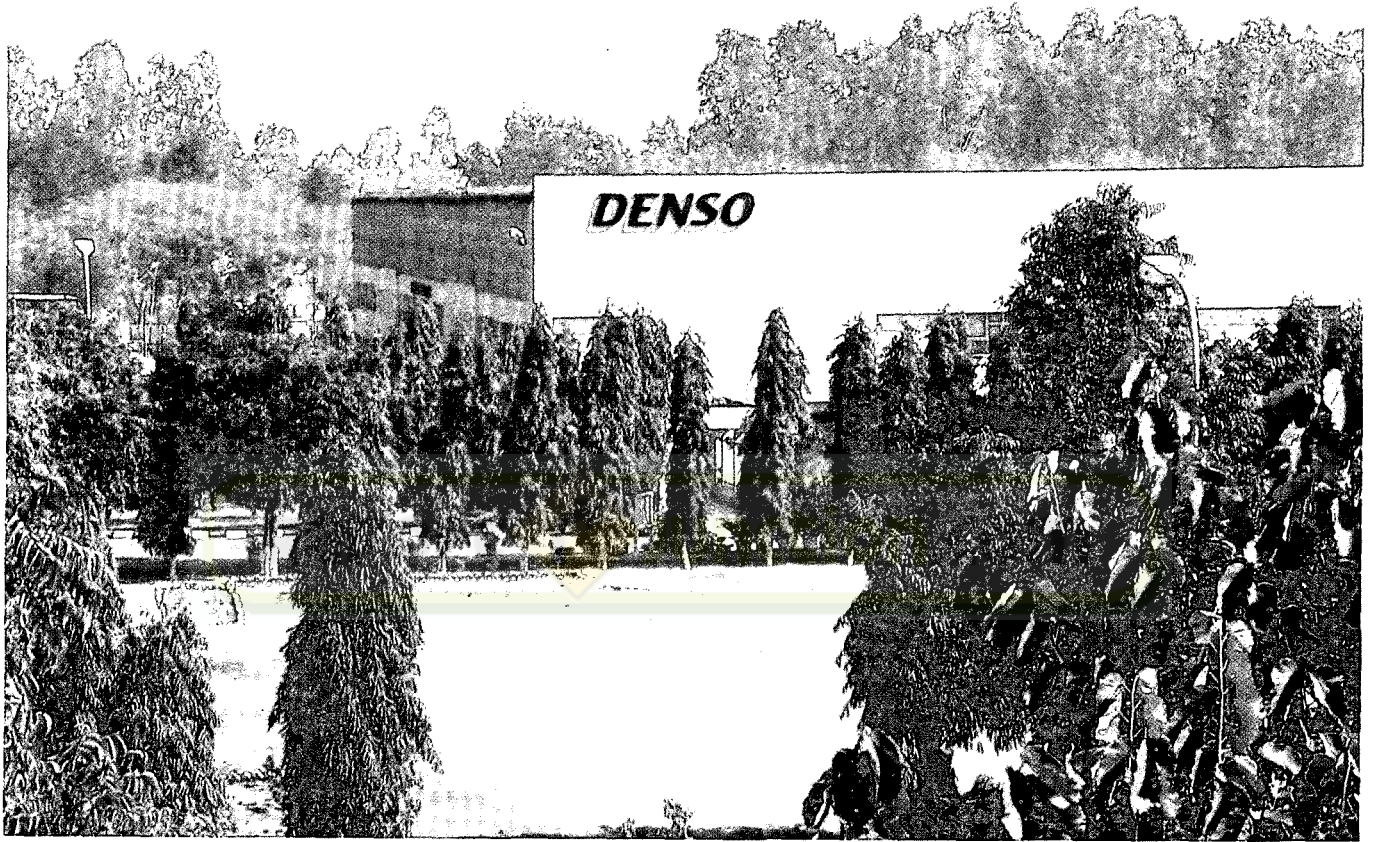


DENSO

**TWENTY SECOND
ANNUAL REPORT
2006-2007**

DENSO INDIA LIMITED

DENSO INDIA PLANT AT TILPATTA



CONTENTS :	Page No.(s)
Board of Directors	1
Notice	2-3
Directors' Report	4-7
Corporate Governance Report	8-16
Auditors' Report	17-19
Balance Sheet	20
Profit & Loss Account	21
Cash Flow Statement	22-23
Schedules	24-37
Balance Sheet Abstract	38

BOARD OF DIRECTORS

MANAGING DIRECTOR

Mr. T Ishiguro
(w.e.f. 06.11.2006)

Mr. H. Hirahata
(till 06.11.2006)

DIRECTORS

Mr. J.S. Baijal

Mr. R.K. Bhatnagar

Mr. A.C. Chakrabortti

Mr. K. Sugita

(Alternate to Mr. M. Hanai)

(w.e.f. 23.02.2007)

Mr. A. Omoto

(Alternate to Mr. M. Hanai)

(till 23.02.2007)

Mr. H. Ishida

(Alternate to Mr. T. Kondo)

Mr. M. Osada

Mr. H. Fujimoto

(Alternate to Mr. K. Higuchi)

Mr. M. Hanai

Mr. T. Kondo

Mr. K. Higuchi

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 Twenty Second Annual General Meeting of the Company shall be held on Wednesday, 12th day of September, 2007 at 11.30 a.m. at FICCI Auditorium, Tansen Marg, New Delhi-110001 to transact the following business:

ORDINARY BUSINESS :

1. To receive and adopt the Audited Profit and Loss Account for the year ended March 31, 2007 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, 2007.
3. To appoint Auditors of the Company in place of those retiring and to fix their remuneration. The present Auditors are eligible for re-appointment.
4. To elect Director in place of Mr. T. Kondo who retires by rotation and being eligible offers himself for re-appointment.
5. To elect Director in place of Mr. R.K. Bhatnagar who retires by rotation and being eligible offers himself for re-appointment.

SPECIAL BUSINESS :

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

RESOLVED that subject to approval of the Central Government pursuant to sub-section (3) of the section 294AA and the applicable provisions, if any, of the Companies Act, 1956 approval of the shareholders be and is hereby given for the supplementary agreement entered into between the Company and M/s Denso Sales India Private Limited a Company incorporated under the Companies Act, 1956 and its registered office at 3rd Floor, Left Wing, Capital Court, Olof Palme Marg, Munirka, New Delhi-110067 wherein the Article 5 of the Agreement dated 23rd August, 2004 has been amended so as to enhance the rate of commission from the present 1% to 1.6% of the net sales, all other terms and conditions set out in the agreement dated 23rd August, 2004 remaining unchanged, subject to such alteration/modification as may be made by Central Government while approving the supplementary agreement.

RESOLVED FURTHER that Mr. K. Sugita, Director and Mr. Lalit Prabhakar, Company Secretary of the Company be and are hereby authorised to make necessary applications to the Central Government and to do all acts, deeds as may be deemed necessary.

By Order of the Board

Lalit Prabhakar
Company Secretary

Place: New Delhi
Date : 31st July, 2007

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 8th September, 2007 to 12th September, 2007, 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, if they are holding shares in physical forms only.

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. 6**

The Sole Selling Agency Agreement with Denso Sales India Private Limited was entered into between the Company and the Sole Selling Agent w.e.f. 23rd August, 1999 for a period of 5 years. The Agreement was renewed with Denso Sales India Private Limited for a period of 5 years w.e.f. 23rd August, 2004.

A Supplementary agreement to the above Agreement has been executed and the said supplementary agreement shall be w.e.f. 1st October, 2007. The Supplementary agreement has been approved by Board of Directors and is subject to approval by the shareholders of the Company and the Central Government under Section 294AA (3) of the Companies Act, 1956. The supplementary agreement is available for inspection by the members at the registered office of the Company during normal business hours.

Consequent to the appointment of Denso Sales India Private Limited as the Sole Selling Agent of the Company, the Net Sales of the Company have increased from Rs. 168 crores to Rs. 421 crores signifying an increase of 150.60%. The Company expects its Sole Selling Agent to continue to perform in the similar way and its importance need not be emphasized in light of intense competition in the auto component sector.

Denso Sales India Private Limited is also the Sole Selling Agent of 2 other Denso Companies in India and by having one marketing arm, the parent company intends to provide better service to customers. This will enhance the competitiveness of the Denso Group in India and will be beneficial to our Company.

Mr. H. Ishida is interested in the above resolution as he is also the director of Denso Sales India Private Limited.

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

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

By Order of the Board

Place: New Delhi
Date : 31st July, 2007

Lalit Prabhakar
Company Secretary

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DIRECTORS' REPORT

Your Directors are pleased to present their Twenty Second Annual Report together with the audited statement of accounts for the financial year ended 31st March, 2007.

FINANCIAL RESULTS

	For the Year Ended 31.03.07 Rs. 000	For the Year Ended 31.03.06 Rs. 000
Gross Sales	491,50,63	420,08,53
Sales (Net of Excise)	420,99,86	360,99,51
Gross Profit (before depreciation and miscellaneous expenditure write-off)	57,14,56	47,12,83
Depreciation & Miscellaneous Expenditure written off	13,12,27	13,66,99
Profit for the year before Taxation	44,02,30	33,45,84
Current Tax [including adjustment related to earlier years]	16,98,25	11,68,70
Deferred Tax	(96,16)	29,44
Frings Benefit Tax	34,19	51,13
Profit after Tax	27,66,02	20,96,57

MANAGEMENT DISCUSSION AND ANALYSIS:

OPERATIONS:

During the financial year 2006-07, the Gross Sales grew by 17% and profit before tax by 31.57% after the provisions for tax, the Company earned profit after tax of Rs.27.66 crores signifying an increase of 31.93% over the previous year.

The Auto Industry's growth of 14% over the previous year contributed to the overall economic growth of 8% of the Indian economy in a significant manner.

The passenger car market grew by 21%. The Auto Industry is witnessing introduction of newer models by the Original Equipment Manufacture (OEM) to cater to varied needs of the Indian consumer. As the competition is intensifying the margins of the players is shrinking. Those products excelling in quality and price shall outperform others.

The Auto Industry is in the next phase of technological upgradation particularly in the area of safety and fuel economy which has allowed many new entrants into the passenger car industry. This factor has also helped all the auto components manufacturers to tighten their belts in terms of cost control for extending competitive prices for its range of products to OEMs. OEMs in turn have extended these benefits to the consumers.

The market leader Maruti Udyog Limited (MUL) maintained its position with the vehicle production of MUL showing an overall growth rate of 7%. MUL's Swift has made significant strides in the 'B' segment of the industry.

Two Wheeler industry is also witnessing intense competition-Bajaj Auto and Hero Honda are growing rapidly. Hero Honda Motorcycle Limited continues to be the market leader. The overall production of two wheeler manufacturers went up by 11%.

Our Company is well equipped to cater to the needs of the OEMs who are introducing new models every year.

Opportunities and Threats:

The Indian economy is set to grow at the rate of 8% for the next year and with satisfactory monsoon predicted, the demand for passenger cars as well as two wheelers shall continue to show upward trend.

However as the competition among the OEMs intensifies the prices of the products of the Company shall be under pressure.

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

In order to cater to newer models of OEMs the Company is modifying its existing products and also adding to its existing product range to further improve its profitability levels.

However, by adding to the existing product range the Company expects to bolster its turnover and further improve its profitability levels.

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

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. 421 crores for the year ended 31st March, 2007. 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 2007-08. 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 are being enumerated in the Corporate Governance report section which is part of the Annual Report for the year ending March 31, 2007.

DIRECTORS:

Mr. T. Ishiguro, Dy. Managing Director was re-designated as Managing Director w.e.f. 6th November, 2006.

Mr. H. Hirahata resigned as Director from the Board on 6th November, 2006.

Mr. A. Omoto resigned as Alternate Director to Mr. M. Hanai on 23rd February, 2007.

Mr. K. Sugita was appointed as Alternate Director to Mr. M. Hanai w.e.f. 23rd February, 2007, a nominee of Denso Corporation, Japan.

DIVIDEND:

The Directors are pleased to propose dividend of 12% on paid-up value of Equity Shares. This will absorb Rs. 3.34 crores out of current year profits. Tax on dividend declared amounting to Rs. 56.85 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.

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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 31.03.2007 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, 2007.
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 management 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 K. Sugita T. Ishiguro
Date : 25th May, 2007 Director 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 [On Export of Goods] 2.00

OUTGO (F.O.B) [On Accrual Basis]:

- Raw Material & Component (including Trading Goods) 9025.84

- Stores & Spares 99.89

- Capital Goods 122.29

OUTGO [On Cash Basis, Net of TDS]:

- Royalty 775.79

- Technical Service Fees and Application cost 183.10

- Traveling, Training & Others 59.04

10265.95

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

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

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.

a) Technology imported: Import of technology for the manufacture of auto electricals

b) Year of import:

Product	Year
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-

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Corporate Governance Report :

The Directors are pleased to present sixth Corporate Governance Report for the financial year 2006-2007. The Securities and Exchange Board of India (SEBI) 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 on "Code of Corporate Governance"

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 consist 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 optimum combination of Non-Executive and Independent Directors along with the Executive Directors.

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

(a) Composition of Board of Directors

As on 31st March, 2007, the Company's Board of Directors consisted of eight Directors. The Board comprised of two Executive Directors, six Non-Executive Directors, and three Independent and Non- Executive Directors. As one third of the Board consists of Independent Directors, the composition of the Board is in accordance with Clause 49.

The Chairman of the Board is Mr. J.S. Baijal, an Independent Non Executive Director thereby complying with the provisions of the Code.

Details of the composition of Board and number of other companies in which Director is a Director or Member/ Chairperson of Committee is as hereunder:

Name of Director	Number of outside Directorships held	Number of Committee Memberships and Committee Chairmanships held
	(excluding Private Companies, Foreign Companies and Section 25 Companies)	
Executive and Non-Independent Directors:		
Mr. T.Ishiguro*	0	0
Mr. K. Sugita** (Alternate Director to Mr. M. Hanai)	0	0
Non-Executive and Independent Directors		
Mr. J.S. Baijal	2	4
Mr. R.K. Bhatnagar	0	0
Mr. A.C. Chakrabortti	13	4 (Chairman in 3)
Non-Executive and Non -Independent Directors		
Mr. T. Kondo*	0	0
Mr. M. Hanai*	0	0
Mr. H. Ishida* (Alternate Director to Mr. T. Kondo)	2	0
Mr. H. Fujimoto## (Alternate Director to Mr. K. Higuchi)	2	0
Mr. M. Osada #	0	0
Mr. K. Higuchi##	2	0

* Nominee of Denso Corporation, Japan, which owns 47.93% equity in the Company.

Nominee of Maruti Udyog Limited, which owns 10.27% equity in the Company.

** Mr. K. Sugita has been appointed as Alternate Director to Mr. M. Hanai on the Board w.e.f. 23rd February, 2007.

Nominee of Sumitomo Corporation, which owns 10.27 % equity in the Company.

None of the Directors on the Board holds the office of Director in more than 15 Companies nor are they members in committee of the Board in more than 10 Committees or Chairman of more than 5 Committees. Further, there are no pecuniary relationships or transactions between the Independent Directors and the Company, except for the sitting fees drawn by the Independent Directors for attending the meetings of the Board and its Committees thereof.