

DENSO

**TWENTY FOURTH
ANNUAL REPORT
2008-2009**

DENSO INDIA LIMITED

DENSO INDIA PLANT(S)

AT TILPATTA



AT HARIDWAR



DENSO

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BOARD OF DIRECTORS**MANAGING DIRECTOR**

Mr. T. Ishiguro

DEPUTY MANAGING DIRECTORMr. Koji Shiga
(w.e.f. 28.07.2009)**DIRECTORS**

Mr. A.C. Chakrabortti

Mr. J.S. Baijal

Mr. R.K. Bhatnagar

Mr. K. Sugita

(Alternate Director to Mr. Koji Arima)

(w.e.f. 11.08.2009)

Mr. M. Takao

(till 28.07.2009)

Mr. H. Fujimoto

(Alternate Director to Mr. E. Seto)

(till 28.07.2009)

Mr. Y. Doi

(Alternate Director to Mr. T. Kondo)

(till 28.07.2009)

Mr. T. Kondo

(till 28.07.2009)

Mr. K. Higuchi

(till 26.05.2009)

Mr. K. Asai

Mr. Hiroyuki Wakabayashi

(w.e.f. 11.08.2009)

Mr. Koji Arima

(w.e.f. 11.08.2009)

Mr. Y. Kajita

(Alternate Director to Mr. Hiroyuki Wakabayashi)

(w.e.f. 11.08.2009)

Mr. E. Seto

Mr. Taro Nanko

(Alternate Director to Mr. E. Seto)

(w.e.f. 28.07.2009)

COMPANY SECRETARY

Mr. Lalit Prabhakar

AUDITORS

Price Waterhouse

Chartered Accountants,

Gurgaon

REGISTERED OFFICE

3rd Floor, Left Wing,

The Capital Court,

Olof Palme Marg, Munirka,

New Delhi- 110 067

Email Id : DNIN_CS@denso.co.in

WORKS

Noida-Dadri Road, P. O. Tilpatta,

Tehsil-Dadri, District Gautam Budh Nagar,

Uttar Pradesh- 203 207

DENSO

NOTICE

Notice is hereby given that the Twenty Fourth Annual General Meeting of the Company shall be held on Wednesday, 23rd day of September, 2009 at 10.30 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, 2009 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, 2009.
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. Koji Arima who retires by rotation and being eligible offers himself for re-appointment.
5. To elect Director in place of Mr. J.S. Bajjal who retires by rotation and being eligible offers himself for re-appointment.

SPECIAL BUSINESS :

6. To consider and if thought fit, to pass with our without modification, the following resolution as an Ordinary Resolution.

RESOLVED THAT Mr. T. Ishiguro, be and is hereby re-appointed as Managing Director of the Company as non rotational Director under Article 70(e) of the Articles of Association of the Company.

RESOLVED FURTHER THAT subject to the provisions of Section(s) 198,269,309 & 310 and any other applicable provisions of the Companies Act, 1956, and subject to approval of the shareholders of the Company in the General Meeting and such other approvals as may be required, the re-appointment of Mr. T. Ishiguro as the Managing Director of the Company w.e.f. 9th January, 2009, be and is hereby approved on the terms and conditions as stated in the Annexure to the Notice.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary the remuneration of Mr. T. Ishiguro subject to the limits specified and according to the provisions of section(s) 198,269,309 & 310 and Schedule XIII to the Companies Act, 1956 and variation in the applicable statutes from time to time.

RESOLVED FURTHER THAT in addition to the remuneration within the limits specified under Schedule XIII, Mr. T. Ishiguro, be paid such perquisites and benefits as are specifically applicable to expatriate managerial personnel as specified in the Section II of Part II of Schedule XIII to the Companies Act, 1956, subject to overall limit as specified under Section I, Part II of Schedule XIII to the Companies Act, 1956.

RESOLVED FURTHER THAT the above remuneration shall constitute the minimum remuneration payable in case of absence or inadequacy of profits during the tenure of Mr. T. Ishiguro, Managing Director of the Company.

RESOLVED FURTHER THAT Mr. K. Sugita, Director and Mr. Lalit Prabhakar, Company Secretary of the Company be and are hereby severally authorized to sign the necessary applications and to complete the other formalities required under the Companies Act, 1956, for this purpose.

7. To consider and if thought fit, to pass with our without modification, the following resolution as an Ordinary Resolution.

RESLOVED THAT Mr. Koji Shiga, be and is hereby appointed as Deputy Managing Director of the Company as non rotation Director under Article 70(e) of the Articles of Association of the Company.

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RESOLVED FURTHER THAT subject to the provisions of Section 198, 269, 309&310 and any other applicable provisions of the Companies Act, 1956, and subject to the approval of the shareholders of the Company in the General Meeting, the approval of the Central Government, if deemed necessary and such other approval as may be required, the appointment of Mr. Koji Shiga, as Deputy Managing Director of the Company w.e.f. 28th July, 2009 be and is hereby approved on the terms and conditions as stated in the Annexure to the Notice.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary the remuneration of Mr. Koji Shiga subject to the limits specified and according to provisions of Section (s) 198, 269, 309 & 310 and Schedule XIII to the Companies Act, 1956 and variation in the applicable statutes from time to time.

RESOLVED FURTHER THAT in addition to the remuneration within the limits specified under Schedule XIII, Mr. Koji Shiga, be paid such perquisites and benefits as are specifically applicable to expatriate managerial personnel as specified in Section II of Part II of Schedule XIII to Companies Act, 1956, subject to overall limit as specified under Section I, Part II of Schedule XIII to the Companies Act, 1956.

RESOLVED FURTHER THAT the above remuneration shall constitute the minimum remuneration payable in case of absence or inadequacy of profits during the tenure of Mr. Koji Shiga, Deputy Managing Director of the Company.

RESOLVED FURTHER THAT Mr. K. Sugita, Director and Mr. Lalit Prabhakar, Company Secretary of the Company be and are hereby severally authorized to sign the application and complete the other formalities required under the Companies Act, 1956 for the purpose.

8. To consider and if thought fit, to pass with our without modification, the following resolution as Special Resolution.

RESOLVED THAT subject to the approval of the Central Government pursuant to sub-section(3) of the Section 294 AA and the applicable provisions, if any, of the Companies Act, 1956 approval of the shareholders be and is hereby given to the re-appointment of M/s Denso Sales India Private Limited, a Company incorporated under the Companies Act, 1956 and having its registered office at 3rd Floor, Left Wing, The Capital Court, Olof Palme Marg, Munirka, New Delhi – 110067 as Sole Selling Agent of the Company for a further period of five years effective from 23rd August, 2009 on the terms and conditions set out in the agreement, subject to such alterations/ modification as may be made by Central Government while approving the appointment.

RESOLVED FURTHER THAT Mr. K. Sugita, Director and Lalit Prabhakar, Company Secretary of the Company be and are hereby severally authorized to make the necessary applications to the Central Government and to do all such acts and things as may be deemed necessary.

By Order of the Board

Place : New Delhi
Date : August 28, 2009

Lalit Prabhakar
Company Secretary

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NOTES :

- (A) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of business under item no. 6 to 8 above, is annexed below.
- (B) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON POLL, VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- (C) The Register of Members of the Company will be closed from 17th September, 2009 to 23rd September, 2009, both days inclusive.
- (D) Members are requested to intimate any change of registered address (including PIN code number) to the Registered Office of the Company, if they are holding shares in physical forms only.
- (E) PLEASE NOTE THAT NO SWEET COUPONS / GIFTS SHALL BE DISTRIBUTED AT THE FORTHCOMING ANNUAL GENERAL MEETING.

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 Board of Directors of the Company vide resolution dated 2nd December, 2008 have re-appointed Mr. T. Ishiguro as the Managing Director of the Company.

Terms of re-appointment of Mr. T. Ishiguro, as Managing Director

- | | |
|-------------------------|--|
| A. Period of Employment | 3 years w.e.f. 9th January, 2009 |
| Salary | In the range of Rs.110000/- to 170000/- per month |
| Other benefits | |
| 1) Accommodation | <p>DNIN shall provide the following for the Managing Director (MD) and his family.</p> <ul style="list-style-type: none"> a) Provide fully furnished (including furniture, soft furnishing, electrical equipment like Air conditioner with stabilizer, UPS, transformer, refrigerator, oven and further kitchen appliances and colour T.V. and telephone connection with ISD) accommodation. b) Repair & maintain such premises. c) Reimburse expenses relating to electricity, gas and water. d) Reimburse expenses of servants. e) Provide telephone/ cellphone facilities and meet all related expenses except expenses on long distance personal calls. |
| 2) Car | <ul style="list-style-type: none"> a) At the cost of DNIN, car to be provided for official and private use. Cost of car including expenses of maintenance and running of the vehicle will be borne by DNIN. b) If, however, Mr. T. Ishiguro wishes to import his own car, he may do so at his cost. Expenses towards maintenance and running of the car, even in this case, shall be borne by DNIN. |

- B. Business Travel (Tour expenses), Medical, Special Languages Training, Working Rule, Regulation and Return expenses. As per DNIN rules for category of MD as per DNIN designation or equivalent, subject to Government Regulation(s) as may be applicable.
- C. Provident Fund DNIN shall pay 12% of Basic Salary of the MD towards contribution of Provident Fund. The employee contribution shall be borne by the MD himself.

Notes : To the extent that these salaries, perquisites and facilities are taxable under the Income Tax Rules, the tax will be borne by MD and will be deducted at source by DNIN. All reference to DNIN in the above are DENSO INDIA LIMITED, NEW DELHI and MD as Managing Director.

In order to give effect to the above, terms and conditions of the appointment have to be approved by the members. The Board recommends the resolution to the members for their approval.

None of the other Directors of the Company other than Mr. T. Ishiguro are interested in the resolution.

Item No. 7

The Board of Directors of the Company vide resolution dated 28th July, 2009 have appointed Mr. Koji Shiga as the Deputy Managing Director of the Company

Terms of appointment of Mr. Koji Shiga, as Deputy Managing Director

- A. Period of Employment 3 years w.e.f. 28th July, 2009
- Salary In the range of Rs.70000/- to 80000/- per month
- Other benefits
- 1) Accommodation DNIN shall provide the following for the Deputy Managing Director (DMD) and his family.
- Provide fully furnished (including furniture, soft furnishing, electrical equipment like Air conditioner with stabilizer, UPS, transformer, refrigerator, oven and further kitchen appliances and colour T.V. and telephone connection with ISD) accommodation.
 - Repair & maintain such premises.
 - Reimburse expenses relating to electricity, gas and water.
 - Reimburse expenses of servants.
 - Provide telephone/ cellphone facilities and meet all related expenses except expenses on long distance personal calls.
- 2) Car
- At the cost of DNIN, car to be provided for official and private use. Cost of car including expenses of maintenance and running of the vehicle will be borne by DNIN.
 - If, however, DMD wishes to import his own car, he may do so at his cost. Expenses towards maintenance and running of the car, even in this case, shall be borne by DNIN.
- B. Business Travel (Tour expenses), Medical, Special Languages Training, Working Rule, Regulation and Return expenses. As per DNIN rules for category of DMD as per DNIN designation or equivalent, subject to Government Regulation as may be applicable.

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C. Provident Fund DNIN shall pay 12% of Basic Salary of the DMD towards contribution of Provident Fund. The employee contribution shall be borne by the DMD himself.

Notes : To the extent that these salaries, perquisites and facilities are taxable under the Income Tax Rules, the tax will be borne by DMD and will be deducted at source by DNIN. All reference to DNIN in the above are DENSO INDIA LIMITED, NEW DELHI and DMD as Deputy Managing Director.

In order to give effect to the above, terms and conditions of the appointment have to be approved by the members. The Board recommends the resolution to the members for their approval.

None of the other Directors of the Company other than Mr. Koji Shiga are interested in the resolution.

Item No. 8

M/s Denso Sales India Private Limited has been re-appointed as the Sole Selling agent of the Company w.e.f. 23rd August, 2009 by the Board of Directors of the Company, subject to approval by the shareholders of the Company.

The above appointment is subject to the approval of Central Government under Section 294 (AA)(3).

The Company appointed Denso Sales India Private Limited as the Sole Selling Agent, 5 years ago and as a result the Sales of the Company have increased from Rs. 312.58 crores to Rs. 601.27 crores signifying an increase of 92.36%.

The Company expects that by renewing the contract with the Sole Selling Agent, it shall have competitive edge over its competitors in the auto component sector of the Auto Industry. The understanding and the expertise of the Sole Selling Agent will propel the Company to achieve new horizons so far as sales turnover is concerned.

Denso Sales India Private Limited is also the Sole Selling Agent of 2 other Denso Group Companies in India and 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.

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

None of the other Directors of the Company other than Mr. Y. Kajita is interested in the above resolution as he is also the director of Denso Sales India Private Limited.

By Order of the Board

Place : New Delhi
Date : August 28, 2009

Lalit Prabhakar
Company Secretary

DIRECTORS' REPORT

Your Directors are pleased to present their Twenty Fourth Annual Report together with the audited statement of accounts for the financial year ended 31st March, 2009

FINANCIAL RESULTS

	For the Year Ended 31.03.09 Rs. 000	For the Year Ended 31.03.08 Rs. 000
Gross Sales	601,26,79	544,54,79
Sales (Net of Excise)	530,64,63	465,73,07
Gross Profit (before depreciation and miscellaneous expenditure write-off)	42,38,82	55,70,27
Depreciation & Miscellaneous Expenditure written off	13,76,52	12,88,15
Profit for the year before Taxation	28,62,30	42,82,12
Tax Provision	12,23,02	15,52,68
Deferred Tax	(2,04,31)	(90,28)
Fringe Benefit Tax	35,48	40,03
Profit after Tax	18,08,11	27,79,69

MANAGEMENT DISCUSSION AND ANALYSIS :**OPERATIONS :**

During the financial year 2008-09, the Gross Sales grew by 10.42%, however the profit before tax is down by 33%. The Company earned profit after tax of Rs. 18.04 crores, down by 35% over the previous year. This had occurred due to squeeze in price margin, together with increase in material cost including Foreign Exchange loss due to rupee devaluation, this accounted for lowering of profit this year as compared to previous year.

The year ended 31 March, 2009 was a mixed year for the Auto Industry. The overall economic growth dipped from a high of 8-9% to around 6% for the financial year ended 31 March, 2009. The two wheeler industry with the exception of Hero Honda Motors Limited also felt the global recessionary pressure.

Among the passenger car industry, the market leader Maruti Suzuki India Limited (MSIL) maintained its position however its sales grew only by 1%. The share of the Company business stood at 47 % of the total industry passenger car sales.

MSIL introduced the new model 'A Star' which is one of its highest selling models. Maruti exported the 'A Star' to many European countries and along with its Swift and sedan version of Swift – D'zire, the market leader not only maintained its position but also improved its total market share.

Two wheeler industry leader Hero Honda Motors Limited (HHML) clocked positive growth of 12% and maintained its number one position in the industry. The market leader's plant at Haridwar became operational on 8th April, 2008 and with tax incentives, the overall profitability of HHML improved substantially.

All the major international auto players faced negative growth in their country of origin with many facing the prospects of bankruptcy are looking at the Indian auto industry to propel them out of the deep recession by introduction of new models.

Our Company is well equipped to cater to the needs of the Original Equipment Manufacturers (OEMs) who are introducing new models every year.

NEW FACTORY AT HARIDWAR

The Company's new factory at Haridwar catering to the two wheeler major – Hero Honda Motors Limited has been completed at a cost of Rs. 21 crores and the Company shall be producing CDI and Magneto at the new plant. The commercial production at the new factory commenced from 2nd May, 2009. The Company plans to cater to the requirements of its major customer – HHML which is witnessing positive growth and also to avail tax incentives being offered by the government of Uttarakhand.

Opportunities and Threats:

The last quarter of the financial year ended 31 March, 2009 saw robust sales of the OEMs. The market leader MSIL in the Four Wheeler segment and HHML in the Two Wheeler segment recorded positive growth and the Indian economy is seeing the signs of economic revival. Tata Nano – the world cheapest car recorded more than 2 lacs bookings and despite various hurdles, the car shall hit the Indian roads very soon. The demand for the Two wheeler(s) and the Four Wheeler(s) is expected to grow significantly as compared to previous year.

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As all the major auto players are looking at the Indian auto market, the competition among the OEMs shall intensify which shall also put the prices of the products of the Company 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 endeavors.

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.530 crores for the year ended 31st March, 2009. This was possible due to higher sales volume of Two wheeler segment of the Industry.

The Company expects higher sales for the year 2009-10. With the introduction of new products, it is expected that the Company shall achieve its 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.

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, 2009.

DIRECTORS:

There was no change in the composition of the Board of Directors of the Company during the financial year 2008-09.

The tenure of Mr. T. Ishiguro, Managing Director of the Company expired on 8th January, 2009. The Directors of the Company vide resolution dated 2nd December, 2008 approved the re-appointment of Mr. T. Ishiguro as the Managing Director of the Company for a further period of 3 years w.e.f. 9th January, 2009, subject to approval by the shareholders of the Company at the forthcoming Annual General Meeting.

DIVIDEND:

The Directors are pleased to propose dividend of 15% on paid-up value of Equity Shares. This will absorb Rs. 4.18 crores out of current year profits. Tax on dividend declared amounting to Rs. 71 lacs shall be paid by the Company and no deduction of tax shall be made from the dividend payable to shareholders. An amount equivalent to 5% of the profits have been transferred to General Revenue Account of the Company in terms of the Companies(Transfer of Profit to Reserves) Rules, 1975.

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, and is part of the Annual Report 2008/09. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report is being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.