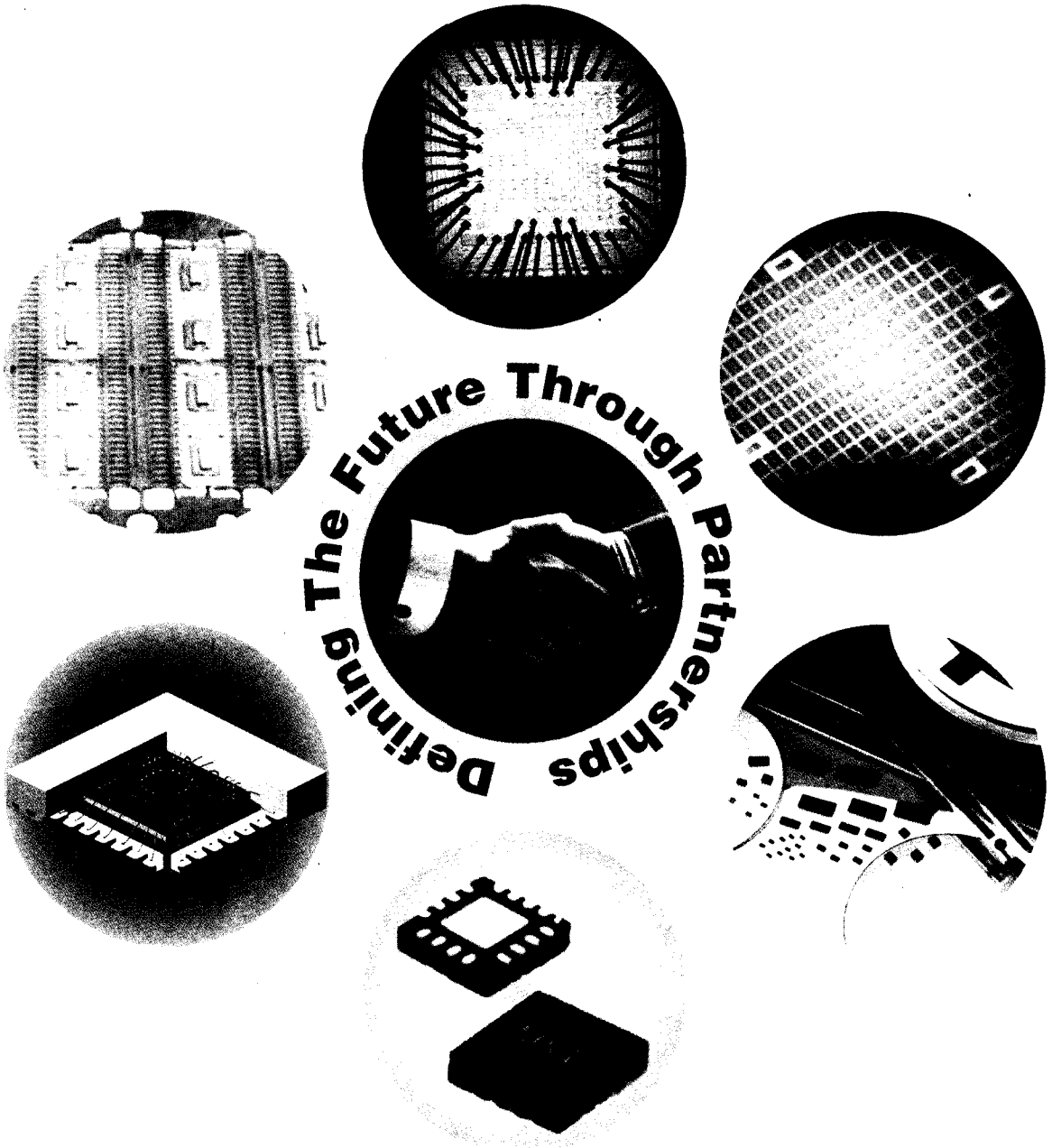


SPEL

®

SPEL Semiconductor Limited
an IC Assembly & Test Company



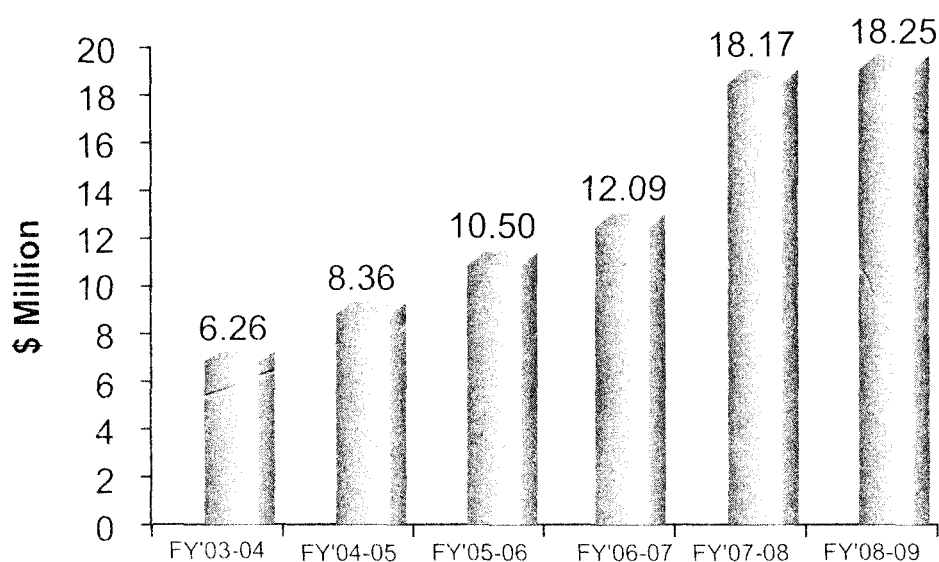
24th Annual Report

2008 - 09

Previous 5 years performance

(Rs. In lakhs)

	2008-09	2007-08	2006-07	2005-06	2004-05
Sales	8100.26	7281.33	5399.67	4628.54	3636.85
Operating Profit	2115.28	1977.77	1208.66	924.43	433.15
OTS Benefit	-	-	-	314.69	385.87
PBIDT	2115.28	1977.77	1208.66	1,239.12	819.02
Interest	323.98	278.96	145.77	122.58	161.15
PBDT	1791.30	1698.81	1062.89	1116.54	657.87
Depreciation	830.45	606.71	426.23	381.49	390.13
PBT and prior period items	960.85	1092.10	636.66	735.05	267.74
Tax / Deferred Tax	337.31	361.03	245.48	154.14	120.70
PAT	623.54	731.07	391.18	580.91	147.04
Prior Period Expenditure	-	-	-	-	-
Net Profit	623.54	731.07	391.18	580.91	147.04



SPEL Revenue Growth



SPEL Semiconductor Limited

Board of Directors

- | | |
|-----------------------------|-------------------------|
| 1. Dr. A. C. Muthiah | Chairman |
| 2. Mr. Ar Rm Arun | Vice Chairman |
| 3. Mr. S. R. Vijakar | Director |
| 4. Dr. T. S. Vijayaraghavan | Director |
| 5. Dr. A. Besant C Raj | Director |
| 6. Dr. A. Ramakrishna | Director |
| 7. Mr. Ashwin C Muthiah | Director |
| 8. Mr. N. Sivashanmugam | Chief Financial Officer |

Head Corporate Affairs & Company Secretary

Mr. S. S. Arunachalam

Auditors

Natarajan & Co.,
2/342 II Street, Kandaswamy Nagar,
Palavakkam, Chennai 600 041.

Registered Office & Factory

5 CMDA Industrial Estate,
MM Nagar (Chennai) 603 209, India

US Office

3120 De La Cruz Blvd.,
Suite # 107,
Santa Clara, CA 95054.

Bankers

1. Indian Overseas Bank
2. Allahabad Bank

Registrar & Share Transfer Agents

Cameo Corporate Services Limited,
Subramanian Building,
V Floor, 1 Club House Road,
Chennai 600 002.
Tel : (044) 2846 0390
Fax : (044) 2846 0129



Vision

*To Be the **Natural Destination** for Global Customers Seeking
Cost-Effective Offshore Turnkey IC Assembly & Test Services*

Mission

*SPEL Semiconductor Limited, an IC Assembly &
Test Subcontractor for over 20 years, works as one team
to achieve Zero defect, Just-in-time, Cost-effective solutions
with Service that is uncompromised*

*SPEL's Partners - Customers, Suppliers,
Employees & Shareholders are confident in the
knowledge that we are consistently meeting and
exceeding their expectations*

Quality Policy

*Consistently provide products and services that will exceed
the quality expectations of our Customers*

*Implement process improvement programs, which will enable each
Employee to do their job, **right the first time***

*Work towards continual quality improvement through
training and teamwork*

Environment Policy

SPEL Semiconductor Limited is a leading Semiconductor Assembly & Test facility providing high quality Integrated Circuits Packing solutions and has the following policy for environmental care

Nurture the nature by complying with accepted environmental practices in all our activities, with the following guiding objectives

Gearing up for continual improvement with our Environmental Management System and reviewing it periodically

Respecting and being committed to meet and exceed legal and other requirements

Emphasizing the minimization of significant impacts, wastes and pollution prevention

Enhancing the environmental performance by resource conservation, awareness through training and by reducing, recycling and reusing waste and packing

Notifying this policy to all Stakeholders

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Notice to Members

Notice is hereby given that the 24th Annual General Meeting of the Members of SPEL Semiconductor Limited will be held at 2.45 pm on Friday, July 31, 2009, at the Registered office of the Company No. 5 CMDA Industrial Estate, Maraimalai Nagar 603 209 to transact the following Business :

Ordinary Business

- 1 To receive, consider and adopt the audited Balance Sheet of the Company as at Mar 31, 2009 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
- 2 To elect a Director in the place of Dr. T. S. Vijayaraghavan, Director who retires by rotation and being eligible, offers himself for re-election.
- 3 To elect a Director in the place of Dr. A. Ramakrishna, Director who retires by rotation and being eligible, offers himself for re-election.
- 4 To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution :

"Resolved that Natarajan & Co., Chartered Accountants, the retiring Auditors, be and are hereby re-appointed as the Auditors of the Company to hold Office until the conclusion of the 25th Annual General Meeting on a remuneration of Rs.1,50,000/- plus out of pocket expenses."

Special Business

5. Extension of term of office of Mr. N. Sivashanmugam, Whole time Director and Chief Financial Officer

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

"Resolved that pursuant to the provisions of Sections 198, 269, 309, and other applicable provisions, if any, read with schedule XIII of the Companies Act, 1956, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force, approval of the Shareholders be and is hereby granted to extend the term of office of Mr. N. Sivashanmugam, as a Whole time Director and Chief Financial Officer, with effect from Dec 6, 2009 to Mar 31, 2012 on the present terms and conditions which are as follows :

Remuneration	Per annum
Basic salary	: Rs.6,60,000/-
Special Allowance	: Rs.6,96,684/-
CCA	: Rs.33,000/-
Company performance linked incentive	: payable on monthly basis to the extent of Rs.18,731/- which will be apportioned on the prorata basis on capacity utilization during the year, as per the policy of the company.
	In addition bonus will be paid as per the rules of the Company,

subject to a limit of Rs.1,50,000/- pa.

Annual Perquisites : This will be in addition to the above.

- a. HRA : Rs. 3,00,000/-
- b. Conveyance Reimbursement : At actual subject to a maximum of Rs.3.36 lakhs p.a including chauffer for official purpose
- c. Medical Reimbursement : As per the rules of the Company
- d. Leave Travel Allowance : As per the rules of the Company

Other Annual benefits : This will be in addition to the above.

- a. Provident Fund : As per the rules of the Company
- b. Gratuity : As per the rules of the Company
- c. Telephone : Mobile expenses at actual and use of telephone at residence for official purposes upto Rs.12,000/- pa.
- d. Other benefits : Canteen, Mediclaim policies etc., upto Rs.17,965/- pa

"Resolved further that Mr. S. S. Arunachalam, Head Corporate Affairs & Company Secretary be and is hereby authorized to do such acts, to sign and to file the necessary documents with statutory authorities"

6. Increase in profit incentive to Mr. Ar Rm Arun, Vice Chairman of the Company

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

Resolved that pursuant to provisions of Section 309 (4) and other applicable provisions of the Companies Act, 1956, and subject to the approval of the Central Government, Mr. Ar Rm Arun, Vice Chairman of the Company be paid a profit incentive by way of commission not exceeding 3% on profit of the Company during the term of his office with effect from FY 2009-10."

(By order of the Board)
For SPEL Semiconductor Limited

MM Nagar
Jun 2, 2009

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

Notes

1. Explanatory Statement of material facts pursuant to Section 173(2) of the Companies Act, 1956 for item Nos.5 & 6 of the Notice is annexed hereto.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and on a poll, to vote instead of himself / herself and a Proxy need not be a Member of the Company. The instrument appointing the Proxy to be valid shall be deposited at the Registered Office of the Company not later than 48 hours before the time fixed for holding the Meeting.
3. Members / Proxies are requested to bring the attendance slip sent with the Annual Report duly filled-in for attending the Meeting. Members who hold shares in the dematerialized form are requested to indicate their DIP ID and Client ID Numbers in the Attendance Slip.
4. The Register of Directors Shareholding maintained under Section 307 of the Companies Act, 1956 will be available for inspection by the Members at the AGM.

5. The Register of Members and the Share Transfer Books of the Company will remain closed from Jul 24, 2009 to Jul 31, 2009 (both days inclusive).
6. For shares held in physical form, any change in address may be intimated immediately to the Company / Share Transfer Agent by quoting the Folio Number(s). For shares held in demat form, change in address may be intimated directly to the members' DP.
7. Members are requested to address all correspondences to the Registrar and Share Transfer Agent, Cameo Corporate Services Limited, Subramaniam Building, 1 Club House Road, Chennai 600 002.
8. Members seeking any information with regard to accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
9. Investors may simultaneously opt for dematerialisation at the time of lodging their shares for transfer. For further details, Investors may write to the Company / Share Transfer Agent.
10. Members are requested to consolidate multiple share certificates / multiple folios into one share certificate / one folio to save on the cost of dematerializing their shareholdings.
11. Members are advised that the copies of the Annual Report will NOT be distributed at the venue of the AGM and hence they are advised to bring their copies of the Annual Report, which are mailed by the Company to them at their registered address.

Inspection of documents

All material documents relating to the aforesaid items of the Agenda of the Notice are available for inspection by the Members at the Registered Office of the Company on any working day between 11.00 am and 1.00 pm prior to the date of the Meeting.

Explanatory Statements pursuant to Section 173 (2) of the Companies Act, 1956

Item 5

Extension of term of office of Mr. N. Sivashanmugam, Whole time Director and Chief Financial Officer

The Shareholders of the Company at the 22nd Annual General Meeting held on Jul 31, 2007 approved the appointment of Mr. N. Sivashanmugam, as Chief Financial Officer and Whole time Director for a period of 3 years commencing from Dec 6, 2006 and had also approved the remuneration payable to him. Further, his terms of remuneration was revised at the Board Meeting held on Jun 20, 2008 on the recommendation of the Remuneration and Compensation Committee, which it had decided, at its meeting held on Mar 24, 2008. Members approval was also obtained at its meeting held on Jul 28, 2008.

Members will agree that under his able and matured guidance, the Company is now on a growth path and is poised for a steady growth. The members may be aware that the Semiconductor industry is experiencing global recession which was not evinced earlier. During these times Company needs able assistance from the senior personnel. Extension of term of office will immensely assist the Company to address these periods.

In view of the above, it is thought fit to consider extension of term of office varying in terms and conditions of his appointment at the present salary. Further, the terms of appointment of Mr. N. Sivashanmugam, were also considered and approved by the

Remuneration and Compensation Committee at their meeting held on Jun 2, 2009, based on which the Board of Directors at its meeting passed a resolution extend the term of office for a further period ending upto Mar 31, 2012.

Except Mr. N. Sivashanmugam, no other Director of the Company is in any way concerned with or interested in the resolution at item No. 5 of the notice.

This resolution and explanatory statement shall also be treated as an abstract of variation in terms and conditions of the appointment of Mr. N. Sivashanmugam and Memorandum of interest under Section 302 (7) of the Companies Act, 1956.

Item 6

Increase in profit incentive to Mr. Ar Rm Arun, Vice Chairman of the Company

Mr. Ar Rm Arun has been inducted in to the Board of Directors of the Company in Oct 1998 and was appointed as the Vice Chairman (Non Executive) in Aug 2000 and has been contributing to the turnaround growth of SPEL during the last eight years. In the areas of market development and improving the financial performance of the Company, his services have improved the Company's strength substantially.

Shareholders also may be aware that at their 23rd Annual General Meeting held on Jul 28, 2008 approved for payment of 3% of commission on the net profits of the Company subject to the approval of the Central Government. The Company had subsequently obtained the approval of Central Government vide its letter No.A49875719/5/2009-CL-VII dated May 28, 2009. The amount to be paid to him is calculated as per the provisions of the Companies Act, 1956 is attached to form part this annual report in the subsequent paras elsewhere mentioned in this report.

With future potential growth available in the Semiconductor Industry, SPEL's performance and financial strength can be substantially improved with the services of Mr. Ar Rm Arun, Vice Chairman. With the improved financial position of SPEL as compared to earlier years and his contribution to overall, it is felt necessary to suitably remunerate him.

Based on the recommendations of the Remuneration and Compensation Committee, Board of Directors at its meeting held on Jun 2, 2009, has proposed that in terms of Section 309 (4) of the Companies Act, 1956, the Non-executive Director Mr. Ar Rm Arun be paid a profit incentive by way of commission not exceeding 3% on profit of the Company during the term of his office with effect from FY 2009 -10, subject to the approval of the Central Government.

None of the Directors of the Company, except Mr. Ar Rm Arun, Vice Chairman, is concerned or interested in the above resolution.

The Board recommends the resolution set forth in Item 6 for approval of the Shareholders.

(By order of the Board)
For SPEL Semiconductor Limited

MM Nagar
Jun 2, 2009

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

Directors' Report

Your Directors have great pleasure in presenting the 24th Annual Report of the Company together with the Audited Accounts for the year ended Mar 31, 2009.

Global and Indian Industry scenario

Global Slow down and Recession are the buzz words in today's Global Industry Scenario. Global economy is in a tough spot, caught between sharply slowing demand in many advanced economies and rising inflation everywhere, notably in emerging and developing economies. The slowdown in global growth, which started in first half of 2008, has continued through its second half, and is expecting only a gradual recovery during II half of 2009.

This Global Slow down has had its impact on the worldwide market for semiconductor Industry also. Market research analysts confirmed that the semiconductor industry suffered a 5.4 percent fall in revenue in 2008. Although sales held up fairly well in the first half of 2008, in the third quarter the industry started to soften as the economy slowed and by the fourth quarter sales were deteriorating quickly, causing revenue growth to go into negative territory.

The global economic slowdown will dip the growth of the semiconductor (chip) market in India by over 50 percent. The compound growth of the Indian semicon market for 2009-10 will be 13.4 percent as against the projected 26.7 percent due to lower investment and sluggish manufacturing, resulting in over 50 percent decline. IT products such as notebooks, desktops (PCs) and servers, office automation wireless handsets (mobile phones) and consumer electronics will continue to be the key drivers of the growth, although slower than previous years.

SPEL performance during the year

Your company continues to be First & only Semiconductor IC assembly & Test production facility and is continuously to maintain its position despite the market fluctuations and other external factors. Further your company continues to be a trusted & strategic contract manufacturing partner for many of the world's leading Semiconductor companies.

Company's Management with its strong commitment and with the extensive support of Employees, Suppliers & Customers, has continued to maintain its position as Profit Making Company, despite the Global Slowdown and Economic Crisis.

Current year's performance was largely affected by foreign exchange fluctuation loss, increased overheads coupled with lower sales in Q3, Q4 FY 2008-09, & lower pricing due to global recession. To combat this, Management had introduced various cost saving measures including, Lean manufacturing, investments in Energy saving Equipments. Expendable expenses were stopped and Employees contributed through a 10% cut in their salary. SPEL appreciates its Employees commitment and complements them by assisting their growth to become future leaders. In spite of all the recessionary trends Stakeholders may appreciate the fact that SPEL stood up to the times and posted only a marginal decline in PAT.

Management is continuing its efforts to rope in more customers this year from APAC and European countries also. Current global slowdown is caused by temporary macroeconomic issues that have impacted consumer spending on devices that use ICs and will recuperate at a much faster rate. According to a study by,

Databeans it is estimated that after a 17% semiconductor industry sales decline in 2009, a "V-shaped" or "boomerang" recovery will come to the industry in 2010, with a total year-over-year increase of 17% expected next year. To fully utilize this SPEL has plans for capacity addition during this fiscal, which will reap the benefits during the next fiscal.

Operational Performance

A. Resource Conservation

Water

At present 15 KL of water is reused. Dicing treatment plant was commissioned during the year thereby efficiency is enhanced to recycle 25 KL quantity of water. Hence ground water off take of 90 KL is reduced.

Power

State Electricity Board introduced 40% power cut in the sanctioned Maximum Demand. This resulted in continuous running of DG. However due to proper redistribution of factory load, EB consumption was maximized to reduce DG load. This has reduced the Power Cost by 12%.

Air

Header line modification carried out in Compressed air system has reduced the Compressor Power consumption by 500 units resulting in saving of Rs.9.00 Lakhs per annum.

Proposal

Investment in Energy saving Equipments which will have early pay back period and reduce power cost in the long run.

B Waste Minimization

RO reject water is using for domestic purpose there by water is saved.

Additional Two stage RO provided for DI plant to reduce the Demineralising Plant regeneration.

New anti - scalant chemical is used for RO feed water and avoided the usage of softwater input to RO plant and thereby reduced the softener reject water.

C. Pollution prevention

Wet Scrubber provided for electroplating section. Solar evaporation Pond area increased to cater the effluent from Effluent Treatment Plant

Financial Performance

The Operating results of your Company for the year ended Mar 31, 2009 are given below

(Rs. In Lakhs)

Particulars	Year ended Mar 31, 2009	Year ended Mar 31, 2008
Sales	8100.2	7281.4
Other Income	222.2	366.8
PBIDT	2115.3	1977.8
Interest	323.9	279.0
Depreciation	830.5	606.7
Profit before Taxation	960.9	1092.1
Tax / Deferred Tax	337.4	361.0
Profit after Taxation	623.5	731.1

In Rupee terms, sales of your Company for current year have increased by 11.17% over sales of previous year. The increased expenditure on manpower, power, marketing expenses, other overheads that were necessitated due to operational growth, have partially offset the higher contribution. All the package lines of company are in good demand and are expected to increase the contribution in future years.

Emphasis on Value system

Your Company has adopted the following as its core values and the Management is highly committed to put in practice all these values. Training sessions are conducted every month to make all the Employees aware of the core values. All the Employees attend this program at least once in six months and put it to practice.

- a. Business Ethics : defines us as a Company
- b. Professionalism : defines us as individuals
- c. Citizenship : defines our contribution to society

Dividend

Your Directors would like to place on record their appreciation for the Shareholders' patient waiting for these days.

You may also be aware of the Global Slow down and Economic Crisis. In the present scenario, your Company is committed for a big leap in future years to cater to the demands of the industry mainly expanding the existing package lines and introducing new packages which will generate more revenue and to invest Capital Equipments in Energy Saving plans, which will provide savings in our power requirement. Hence Board does not recommend dividend this year. Your Company is concentrating on creating cash reserves as the need for this is, increasing as Customers wants to see this in place.

Your Company's above initiatives would obviously increase PAT and thereby increasing the Earning Per Share (EPS). However, you would concur that your Company has consolidated itself for achieving a strong financial position conducive for this.

Fixed Deposits

There are No Deposits outstanding as on Mar 31, 2009.

Dematerialization of Shares

As the Members are aware, the Company's shares are in the compulsory demat mode, facilitated through arrangement with M/s. National Securities Depository Ltd. (NSDL) and M/s. Central Depository Services (India) Ltd. (CDSL). Going by the percentage of demat shareholders, it is found that as many as 1,80,89,010 shares (39.22% of total shares issued), continued to be in physical mode. Your Directors earnestly appeal to all of you to demat the shares and derive the benefits of holding the shares in electronic form.

Subsidiary

The Wholly Owned Subsidiary Company SPEL America Inc, in California, USA has been rendering the marketing services to your Company resulting in enhanced Customer base and

satisfaction. The details required under Section 212 of the Companies Act, 1956 has been enclosed herewith in the report.

Auditors

Your Company's auditors, M/s.Natarajan & Co., Chartered Accountants, retiring at the conclusion of the ensuing Annual General Meeting, are eligible for re-appointment.

Directors

Dr. T. S. Vijayaraghavan and Dr. A. Ramakrishna are the directors retiring at the ensuing annual general meeting. As both are being eligible, offering themselves for reappointment. A brief profile of both directors is provided as follows :

Dr. T. S. Vijayaraghavan holds a Bachelors degree in Mechanical & Electrical Engineering and Doctorate in Science. He is a retired Member of the Indian Administrative Service from the Tamilnadu Cadre. He is currently the Chairman, Committee on Industry, Ministry of Environment and Forests. Senate Member of Sri Ramachandra Medical College & Research Institute, Chennai. He is Chairman of SPEL Board's RCC and a Member of SPEL Board's Audit Committee and STIGC.

Dr. Anumolu Ramakrishna holds a Bachelors degree in Civil Engineering & a Masters in Structural Engineering. He began his career in 1962 with Engineering Construction Corporation Limited (ECC), now a division of Larsen & Tubro. In 1966 the Government of India, sponsored him for practical training in Structural Engineering in the erstwhile German Democratic Republic. Andhra University recognized him by conferring Honorary Degree of Doctorate of Science in 1997 and by Jawaharlal Nehru Technological University through an Honorary Degree of Doctor of Philosophy in 2004. After serving in various capacities Dr. Ramakrishna was inducted into the Board of L&T in 1992 and was appointed as operational Head of ECC Construction Division. He served as Deputy Managing Director from Mar 2000 providing leadership for the construction of cement plants, steel plants, power projects, refineries and petrochemical complexes. He is a member of SPEL Board's Audit Committee, Remuneration & Compensation Committee (RCC) and Chairman of SPEL STIGC.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :

1. That in the preparation of the annual accounts for the year ended Mar 31, 2009 the applicable Accounting Standards had been followed along with proper explanation relating to material departures
2. That the Directors had selected such accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit or loss of your Company for the year under review

3. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities
4. That the Directors had prepared the accounts for the year ended Mar 31, 2009 on a 'going concern' basis.

Corporate Governance

Your Company is committed to the standards of Corporate Governance and in this direction has laid down well documented internal policies, procedures including Board and Committee procedures and practices in particular relation with Shareholders, Customers, Suppliers and Employees in order to enhance the long-term Shareholder value and maximize interest of all Stakeholders.

Your Company has complied with the provisions of Clause 49 of the Listing Agreement relating to Corporate Governance.

A detailed Report on Corporate Governance and a Management Discussion and Analysis report have been attached to form part of the Annual Report.

A Certificate from the Auditors of your Company regarding the compliance of conditions of Corporate Governance has been annexed to this report.

Information pursuant to Section 217 of the Companies Act, 1956

In terms of Section 217 (1) (e) of the Companies Act, 1956 and the rules framed there under, the particulars relating to the conservation of energy, technology absorption & foreign exchange earnings and outgo are given below :

a. Conservation of Energy

The Company has in place an Energy Committee which meets once a month. This Committee consists of Cross-functional Executives. This Committee identifies the potential areas to conserve energy and implements novel energy saving measures, apart from recommending investment proposals to the management.

The Company has taken various measures to conserve water and energy, notable amongst them being, reuse of Dicing process water, Rain Water Harvesting, Power factor improvement and extension of length of condenser in the A/c system to improve efficiency. Following consumption were made during the year.

Power	Water	Gas
76,12,586 units	72,956 KLits	Rs.9,58,263/-

b. Technology Absorption

The particulars regarding Technology Absorption are not applicable to your Company.

c. Foreign Exchange Earnings and Outgo

Your company is a 100% Export Oriented Unit and is constantly striving to increase its exports.

Foreign Exchange used during the year : Rs.4480.63 lakhs

Foreign Exchange earned during the year: Rs.8281.06 lakhs

Particulars of Employees

There are no such employees drawing remuneration in excess of limits mentioned as per Section 217(2A) and hence no disclosure is required as per the said Section.

Employee Stock Option Scheme

ESOS - 2007

A new Employees Stock Option Scheme, 2007 has been approved by the Members in Extra-ordinary General Meeting held on Jan 18, 2008.

Disclosure required under Section 12 of SEBI (ESOP & ESPS) Guidelines, 1999 is as follows :

Sl. No.	Particulars as on the year ended Mar 31, 2009	ESOS- 2007
a.	Options Granted	1680950
b.	Pricing Formula	Priced at premium of Rs.9.90
c.	Options vested	Nil
d.	Options exercised	Nil
e.	Total no. of shares arising as a result of exercise of options	Nil
f.	Options lapsed.	1680950
g.	Variations of terms of Options	Nil
h.	Money realized by exercise of options	Nil
i.	Total no. options in force	Nil
j.	Employee-wise details of options granted to	
	i) Senior managerial personal	230950
	ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of options granted during that year	1450000
	iii) Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital of the Company at the time of grant	Nil
k.	Diluted Earnings Per Share (EPS)	NA

Declaration as required under SEBI (ESOS and ESPS) Guidelines 1999.

"In case the Company calculates the Employee Compensation Cost using the intrinsic value of the stock options, the difference between the Employee Compensation Cost so computed and

the Employee Compensation Cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' report"

Corporate Social Responsibility (CSR)

SPEL's answer towards CSR is through SPEL Employees Social Service Organization (SESSO). As part of the Core Values, following activities were undertaken through SESSO during the previous year.

- a. Provided educational assistance to the needy people in and around Factory.
- b. Conducted a voluntary Blood Donation camp.
- c. Provided assistance to an orphanage and old age home located near Factory.

Environment and Safety Measures

Your Company understands that every individual has a responsibility towards our environment. Towards this, Your Company has been devising measures and encouraging its Employees to care for the environment and protect it through conservation of resources, waste minimization and proper disposal, pollution prevention and planting of trees.

Further Your Company's manufacturing activities do not result in any significant release of effluent in the environment.

The Environmental Management System established and maintained by your company is certified by Bureau Veritas Certification. The upgraded ISO 14001 Certificate from 1996 version to 2004 version will comprehensively take care of safe environment practices. It is hopeful that the Company will be able to achieve this certification during the current year

Your Company considers environmental care to be a continuous effort and are always on the look out for more avenues to nurture nature by enhancing its environmental performance.

Acknowledgements

Your Directors wish to place on record their gratitude to the Government of India, the Government of Tamil Nadu, Financial Institutions, Bankers, Insurance Companies, Customs & Excise authorities, valued overseas Customers & Vendors and the Promoters for their continued assistance and support extended to the Company.

Yours Directors wish to place on record, their appreciation of the efficient and loyal services rendered by the employees at all levels to the Company.

Yours Directors wish to thank the Shareholders for their continued support and forbearance and the confidence reposed on the Management.

For and on behalf of Board of Directors

Chennai
Jun 2, 2009

Dr. A. C. Muthiah
Chairman

Auditors' Certificate on Corporate Governance

To the Members of SPEL Semiconductor Limited

We have examined the compliance of conditions of Corporate Governance by SPEL Semiconductor Limited for the year ended on Mar 31, 2009 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock Exchange.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated under the Listing Agreement. We state that no grievance(s) is / are pending for the period exceeding one month against the Company as per the records maintained by the Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the further viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Natarajan & Co.,
Chartered Accountants,

A.Baskar
Partner

Chennai
Jun 2, 2009

M.No:211721

Management Discussion & Analysis

Business Environment

Your company has been strong enough to weather the worst period of this recession with minimal damage. This Fiscal year has been a very tumultuous year across all sectors, for which the Semiconductor Industry is no exception. It started with the Sub-prime mortgage crisis in the US and evolved itself into a recession of global proportions. It has seen a drastic change in the way businesses are managed & conducted in order to survive the recession.

Economic recession dampened the sales in 2 quarters of 2008, historically a strong quarter for the industry. Weakening demand for the major drivers of semiconductor sales - including automotive products, personal computers, cell phones, and corporate information technology products - resulted in a sharp drop in industry sales that affected nearly all product lines. Steepest revenue declines were in memory sector, where price pressure more than offset significant growth in total bit shipments.

Industry watchers like IC Insights believe that the worst has been met. There are encouraging indicators in the market like the World-wide economic stimulus worth more than \$2 Trillion, record low interest rates and the low oil prices.

India's economic growth is once again in focus for the resilience it has displayed despite the downturn experienced by the economies around the world. The credit for weathering this economic recession is mainly attributed to the strength of the domestic market.

Industry and Technology trends

Move towards Fabless: A definite move towards becoming fabless is seen in the Semiconductor Industry. Large and mid size players are opting to get out of the Foundry business and concentrate on the core business of research, design and development. There are definite cost advantages in going fabless now. Cost of erecting a state of the art wafer foundry would cross \$5 Billion and the huge cost of operating & maintaining it.

Demand for Leadless Molded Packages (LMPs) is on a rising trend due to inherent advantages like reduced form factor, cost-effectiveness and better thermal characteristics. With an average growth of about 15% year on year, LMPs are finding increased acceptance in all market segments. Their volumes are being driven mainly by dominant segments like mobile phones, LCD TVs, set-top boxes, MP3/MP4 players etc., Which stand to benefit from its reduced size & cost. Your company has included this very promising package in its portfolio in 2006. It has significantly increased the capacity to cater to increasing customer needs, both existing and new.

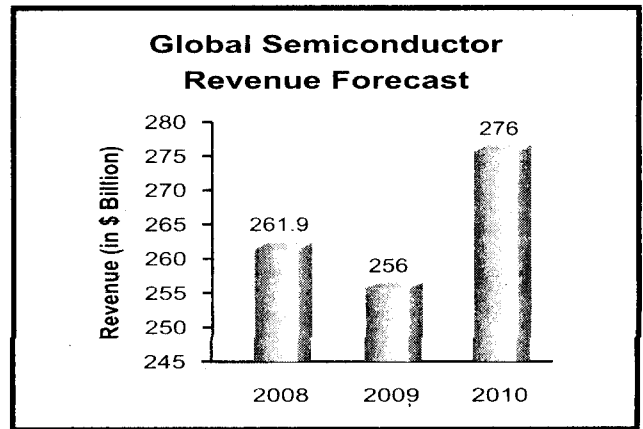
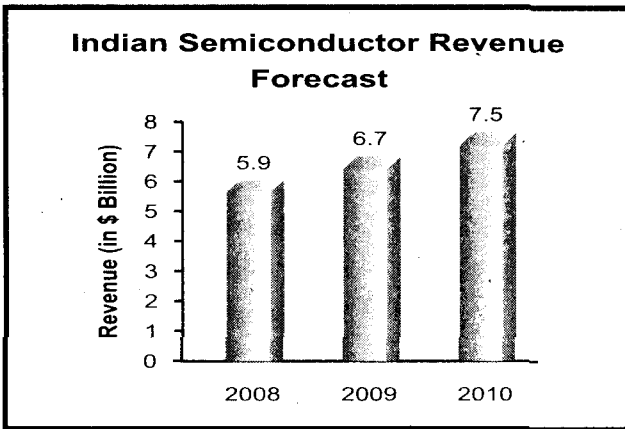
Increasing device integration has always been the main aspect of semiconductor manufacturing which offer benefits in terms of increased chip speed, lower power consumption, greater functionality, lower system cost and physically smaller equipment. There is always a scope for better & denser device integration.

High Growth of Netbooks & Mobile Internet Devices (MIDs) will be made possible with the ever increasing reach of broadband internet and mobile telephony. The market shall see a various innovations in MID's and other personal electronics in the coming years. Also the current downturn has made netbooks a very attractive buy.

Global Trend for SPEL's package lines

Global volume and revenue forecast for Integrated Circuits are as below. As your Company's share in the global volumes and revenues is small, there is a good potential for increasing the volumes and revenues by widening the Product Portfolio, Customer base and further enhancing the QCDS (Quality, Cost, Delivery & Service) factors.

The Compound Annual Growth Rate (CAGR) for semiconductor volume growth is expected to be around 7% till 2012 due to the prevalent market scenario. Much of the growth will be driven by the Opto-Electronics segment with a growth of 10% CAGR.

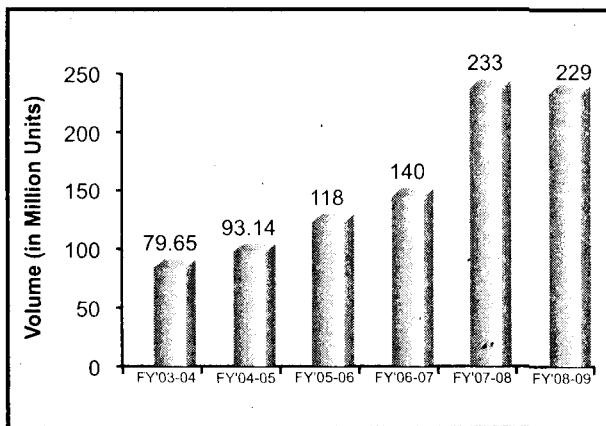


According to ISA- F&S Indian Semiconductor Update 2008-10, revenue forecasts of Semiconductor Market for India & World are in the above charts. Even though global recession has taken a toll in the revenues of global market, revenue forecasts of the Indian semiconductor market show optimistic growth, attributed to the increase in assembly off-shoring activities to India and the increasing penetration of mobile telephony and internet to the rural masses which boosts the sale of mobile phones and PC's.

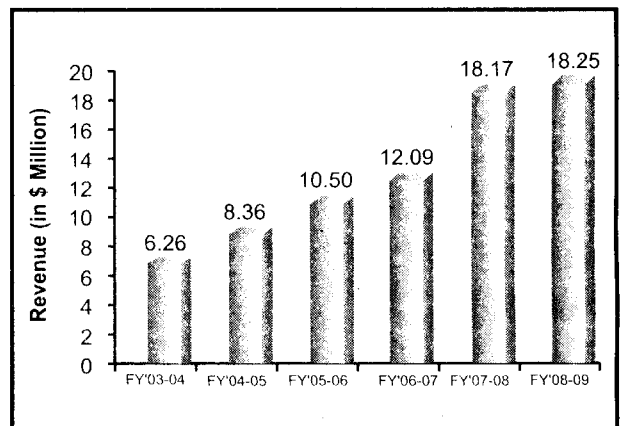
SPEL Volume & Revenue growth

Volume saw a drop of 3 percent, which was largely due to a) sudden fall in market demand in Q3 & Q4 FY 2008-09, b) decision by our customers to minimize their inventory levels. It is heartening to note that the demand has started to improve from Mar 2009 and expected to remain stable. However revenue in dollar terms saw an increase by 1%.

Inventory reduction initiatives will soon be completed. Our bookings began improving towards the beginning of Q1 FY 2009-10. Revenues reached a low point in Q4 FY 2008-09. It is expected to see significantly improved revenues during current fiscal as demand levels more closely align with end user demand. Despite the downturn, we continue to invest energy saving proposals and various cost reduction plans.



SPEL Volume Growth



SPEL Revenue Growth

Opportunities & Threats

Like many other markets, ongoing economic turmoil around the globe is considerably impacting the semiconductor market too. The systemic financial crisis has significantly weakened the consumer confidence, thus forcing them to reduce spending on all items, including electronic products which account for more than 50% of global semiconductor sales. In all Q4 2008-09 has been a really bad quarter for all those in the semiconductor industry.

Market research points that the 2008 economic crisis is being bottomed out slowly by an upturn in the market. Few encouraging indicators which points to the market upturn, like the recovering health of the mobile phone shipments, a traditional bellwether of the semiconductor industry mainly caused by the increased sale of smart phones. Indicators also point out that the Chinese & Indian markets with its low penetration and strong cash savings will be a key factor in worldwide recovery.

Mobile phones, consumer electronics and computing products are predicted to have the highest growth after the economic recession. The exceptionally high demand for smart phones and Mobile Internet Devices has played a vital role in helping the industry tide over the recession. Also the demand for personal devices like digital cameras, digital photo frames is on the rise. Your company already has a significant portfolio for catering to the above mentioned market segments and continuing to create a more varied product portfolio in the years to come.

Due to our smaller share in the total market, your Company's performance is dependent on the widening of the Customer base, increasing its product portfolio and enhanced QCDS factors, rather than the swings in the market. Towards this, our comprehensive Customer focus agenda will position us well for long term growth. This has been experienced in the near past when your Company's volumes and revenues have been increasing despite the sharp and elongated downtrend faced by the industry.

Your Company continues to be the first & only IC Assembly & Test Subcontractor in India competing with bigger Subcons globally. Government incentives in China, Korea, Malaysia, Indonesia, Taiwan and Philippines, have far reaching impact in the performance of their Subcon. Round-the-clock Customs clearance and uninterrupted cost-effective power supply are required for the industry. The high power tariff due to power cut imposed by the Government, has rendered a negative effect on production cost. This burden is affecting the pricing edge that your Company has over other Subcons in China & Taiwan. To address this, Management has introduced various cost reduction measures including energy saving proposals, which would reap long term benefits.

Your Company with its process driven Quality Management System, remains ahead of the competition to sustain its growth. Besides, continuous supply of water to meet the needs of the industry is also essential. Your Company sincerely hopes that the Government will extend its support in this regard.

Biggest opportunity for your Company, as you are aware, lies in the size of the global IC packaging market. The market is abundant for packaging of existing and newer packages in the coming years. Globally also, India is getting recognized as a key player in this industry. It is important to utilize the opportunity at the earliest by raising funds from various sources, for expanding existing capacity and more into the introduction of new packages in your Company's portfolio. Your Company has the potential to become one of the leaders very soon.

Outlook

Worldwide semiconductor market is gradually recovering after the worst downturn since 2001. Cautious investment in incremental capacity additions will keep the market on a course of modest growth during the next few years, according to the latest quarterly update by Gartner.

Even though growth of all major market segments namely PCs, Mobile handsets and consumer electronics have witnessed a loss in total sales, market watcher Databeans predicts that there are clear indicators that the downturn has now being bottomed out in certain segments and the market is starting to grow back gradually. The market growth is attributed to a variety of factors namely the global economic stimulus packages being offered by the various governments, the stable growth and low penetration ratios of mobile phones & laptops in countries like China, India and Latin America.

The global recession has seen the emergence of low cost netbooks & other MIDs (Mobile Internet Device) which will have a growth rate of 65% in 2009. However the growth rate is expected to trail down to about 40% in 2010 when the economy is expected to regain its strength. However the declining demand for netbooks shall be offset by the demand for laptops & other personal computing products.

The current forecast anticipates a positive growth from 2010 on, peaking in 2011. APAC continues to be fastest growing geographical area, due to the dynamics of both strongly rising domestic demand and the continuing manufacturing shift to this region.

Your Company hopes to improve its industry positioning by constant improvements in productivity, adding new Customers, rejuvenating sales for the existing packages, and adding new packages. Your Company has been enhancing the thrust on Sales & Marketing efforts, because of which the performance and results have substantially improved and will continue in the years to come.

Your Company takes pride in announcing that the Customer Satisfaction for the year has further been enhanced. Many Customers qualifying your Company for direct shipments to the end-Customers, is a clear evidence of their confidence in your Company's Quality and Service factors. Your Company also has improved its manufacturing capabilities and facilities requirements for reducing the cost of production by adding the required equipments.

It is highly important to raise funds to expand capacity and widen the package portfolio to meet the increasing demands globally. Your company's Customers also have been indicating the demand for the new packages which emphasizes the early need for launching the same.

Risks & Concerns

Company has put in place a system of Corporate Risk Management (CRM) to mitigate the risks arising in the process of Company's growth. CRM can give comfort that risks are identified, analyzed, and controlled. These solutions are targeted to satisfy Board of Directors, Shareholders, Lenders, Customers & other Stakeholders. Implementing a comprehensive and integrated approach to fraud risk management across the enterprise remains a significant challenge.

Your Company has made the risk Management as a part of the corporate culture. The Board, Senior Management, Internal Audit, in fact all Employees, has a role to play to ensure that the Company is enacting and achieving ethical and responsible business practices.

CRM in SPEL is achieved by segmenting it into three primary objectives — prevention, detection and response. It is a comprehensive and integrated approach that enables control criteria in these three areas to work together.

Prevention covers aspects like fraud & misconduct risk assessment, code of conduct, employee & third-party due diligence, communication & training. Detection includes issues like hotlines, audit & monitoring, and proactive forensic data analysis. While response will have to incorporate internal investigation protocols, enforcement & accountability protocols, disclosure protocols and remedial action protocols.

Subcon business depends on the market demand for its OEM Customers products. Customers will have the option of loading more than one Subcon to meet their requirement. Keeping pace with technological advancement, continual improvement in process, cost cutting measures to prune overhead expenditure, elimination of waste and total people involvement will make your Company to grow with the Customers.

Reliance on the single market and the share of the major Customer of your Company in the total revenue being high are some of the risks which your Company is in the process of mitigation. The projected decline in the ASP for the global Industry is also posing a risk of reducing the margin for your Company. As your Company is relatively smaller in its capacity and has lesser expenditure levels compared to the competitors, it could possibly withstand and sustain any decline and ASP fall in the global market.

CRM is a discipline for living with the possibility that future events may cause adverse effects. Accordingly, it requires a detailed approach, on all business activities embracing strategy and must be understood as the complete use of organizational rules, tools and measures in a Company recognizing and controlling technical as well as commercial risks.

Presently, your Company has identified the risks and addressed suitably to the best of its ability. The Employees at various levels know the importance of the risks, their impact and ways and means to mitigate such risks. In this process, a "Champion Committee", which would champion the Risk Management process, a Risk Compliance Officer for the purpose of reporting compliance and Risk Controllers, to be associated with specific individual risks has been nominated. A regular reporting on the CRM to the Board, Audit Committee and Management Committee of Directors is being made in line with the Corporate Governance requirements.

Emphasis on Values & CO's

Your Company has adopted the following as their Core Values and the Management are highly committed to put in practice all these Values. Training sessions are conducted every month to make all the Employees aware of the Core Values. All the Employees attend this program at least once in six months and put it to practice.

- a. Business Ethics : defines us as a Company
- b. Professionalism : defines us as individuals
- c. Citizenship : defines our contribution to society

Your Company has adopted the following as its objectives :

- Profit : Generate sufficient profit that enables our remaining three Corporate Objectives.
- Competence : Widen product portfolio to cover New Packages, make Process Improvements and improve effectiveness of Manpower by training.
- Stakeholders : Strengthen relationship with all Stakeholders - Customers, Employees, Vendors, Investors and Lenders.
- Growth : Achieve growth by Market spread & distribution, Customer spread, Revenue and Technology improvements.

Internal Controls Systems and Adequacy

Your Company has adequate Internal Control Systems commensurate with the size and the nature of operations. The coverage of the Internal Audit function and the review by Audit Committee of the various operations & Internal Control measures regularly strengthens the Internal Control Systems of your Company.

Human Resources

Your Company has 413 regular Employees besides 177 Apprentices & Trainees. The Employees of your Company form the experienced, educated and talented technical pool of Human Resources. In view of better opportunities and career growth within your Company, the attrition rate amongst the Employees is less than 3%. About 50% of the Employees are in the services of your Company for over 12 years.

Adequate internal, external and overseas training programs are provided to the Employees for sharpening their skills, knowledge and performance. Your Company has identified Business Ethics, Professionalism, and Citizenship as the 3 Core Values to be adhered to by all the Employees and has hosted in its Website. Periodical sessions are held on the Core Values.

In order to create better accountability and ensure clear demarcation of responsibility among Employees, proper performance appraisal is done to the Employees of all the positions in the Company. Your Company adopts a policy of promoting experienced and talented personnel within the organization to shoulder higher responsibilities.

Your Company has well defined award schemes to recognize the Best Employee, the Best Stage Production Achievement, the Best Suggestion for Improvement and Effective 5S Housekeeping Schemes. All are implemented with the total involvement of the Employees. An Employee Deficiency Report (EDR) system is also in place to assign demerit points for failures and deficiencies in performance thereby ensure proper care in delivering the quality product.

Your Company has a recreation center to help the Employees and their families to have entertainment. Family day is being conducted annually to develop sense of family unity. Your Company adopts an Open Door Policy to provide a conducive work environment. Your Company has periodical open forum sessions where the COO personally addresses the Employees on the progress of the Company and to motivate better performance.

ESOS 2007 granted 16,80,950 Options to the Employees. All the options got lapsed as it was not exercised by the Employees due to Volatile Market Conditions.

Your Company has not lost a single day of work due to industrial strike. As your Company considers its Employees as the most important resource to attain greater competitive advantage, it places special emphasis on continuous Human Resources Development. *The industrial relations during the year were harmonious.*

Succession planning

All the Functions have line matrix which show upto 3rd inline. Each reporting officer does gap analysis that will show the additional training / mentoring required for the next inline to fill in the shoes of his / her reporting authority if & when the need arises.

Health, Safety and Environment (HSE) Standard

Your Company is committed to the provision of workplaces, services and plants which comply with correct applicable legal requirements and with the highest Health, Safety, and Environment (HSE) standards as mentioned below. This goal is pursued in every area of Company's activities and during all phases of project execution, such as engineering, procurement and site activities.



Minimizing the environmental impact of our activities

Optimizing the process safety risk analysis and system

Eliminating health threats

Striving for a “zero accident” work place

Endeavor for continuous improvement.

Cautionary Statement

Statements in the Management Discussion and Analysis Report describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence Company's operations include global and domestic supply and demand conditions affecting selling prices of finished goods, input availability and prices, changes in government regulations, tax laws, economic developments within the Country and other factors such as litigation and industrial relations.

Report on Corporate Governance

Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance is given below.

1. Company's philosophy on Code of Governance

The Company's philosophy of Corporate Governance is proactively meeting its obligations to its Shareholders and creating goodwill with all its Stakeholders.

SPEL believes to enhance the long-term Shareholders value and maximize interest of other Stakeholders through various measures of good governance and further this endeavor, strives to conduct its business with integrity, fairness, accountability, and transparency in all its dealings with Stakeholders and regulatory authorities. We have always believed that sound corporate governance practices is the cornerstone of any enterprise and is thus forms an integral part of its business policy. Even before the standards were made mandatory, SPEL has been continuously gearing itself to surpass these. The results of good Corporate Governance practices are reflected in confidence reposed by the various Stakeholders.

2. Board of Directors

Composition : The present strength of the Board as on the date of this report is 8 Directors. The Board comprises a combination of Executive and Non-executive Directors.

Composition of Board of Directors (as on last date of Financial Year), their other Directorships and Committeeships is depicted hereunder :

Sl. No.	Name of the Director	Executive / Non-Executive Independent / Promoter	No. of other Companies in which Director*	No. of Committees (other than SPEL Semiconductor Limited) in which he is Member or Chairman**	Attendance at last AGM (Yes/ No)
1	Dr. A. C. Muthiah	Non-Executive – Non Independent	5	-	Yes
2	Mr. Ar Rm Arun	Non-Executive – Non Independent	4	-	Yes
3	Mr. S. R. Vijayakar	Non-Executive – Independent	2	2	Yes
4	Dr. T. S. Vijayaraghavan	Non-Executive – Independent	1	-	Yes
5	Dr. A. Besant C. Raj	Non-Executive – Independent	4	5	Yes
6	Dr. A. Ramakrishna	Non-Executive – Independent	11	7	No
7	Mr. Ashwin C Muthiah	Non-Executive – Non Independent	11	2	No
8	Mr. N. Sivashanmugam	Executive	1	-	Yes

Note

* Includes directorships held in Public Limited Companies only. Directorship held in Private Limited Companies, Foreign Companies and Companies formed under Section 25 of the Companies Act, 1956 are excluded.

** Includes positions held in Audit Committee, Securities Transfer and Investors' Grievance Committee

Dr. A. C. Muthiah, Chairman, Mr. Ar Rm Arun, Vice Chairman and Mr. Ashwin C Muthiah, Director are considered to be related.

No. of Board meetings held, dated on which held & Attendance of each director at the Board Meeting

Four Board Meetings were held on Jun 20, 2008, Jul 28, 2008, Oct 23, 2008 & Jan 21, 2009

Name of the Director	No. of Board Meetings attended
Dr. A. C. Muthiah	4
Mr. Ar Rm Arun	4
Mr. S. R. Vijayakar	3
Dr. T. S. Vijayaraghavan	4
Dr. A. Besant C. Raj	4
Dr. A. Ramakrishna	2
Mr. Ashwin C Muthiah	-
Mr. N. Sivashanmugam	4

3. Composition of various Board Committees

Name of the Committee	Names of Directors	Category
Audit Committee	Dr. A. Besant C. Raj Dr. T. S. Vijayaraghavan Dr. A. Ramakrishna	Chairman Member Member
Management Committee	Mr. Ar Rm Arun Mr. N. Sivashanmugam	Chairman Member
Securities Transfer and Investors' Grievance Committee	Dr. A. Ramakrishna Dr. A. Besant C. Raj Dr. T. S. Vijayaraghavan	Chairman Member Member
Remuneration and Compensation Committee	Dr. T. S. Vijayaraghavan Mr. S. R. Vijayakar Dr. A. Ramakrishna	Chairman Member Member

4. Board and Committee functioning

a. Board Meetings

1. The Board meetings are generally held in Chennai with the majority of Directors present at each meeting.
2. The detailed Agenda with notes is circulated well in advance and contains all the matters enshrined in Clause 49 of the Listing Agreement
3. Sufficient time is allocated for discussing the items of business, more specifically on the operations front with detailed presentations by the Chief Operating Officer.
4. The Board takes on record the Compliance confirmation from the Head Corporate Affairs & Company Secretary at each meeting which contains the compliance status of all the applicable legislations to the Company. These are also reviewed by the Management Committee at each of its meetings.

b. Management Committee

1. The Management Committee comprises of the Vice Chairman who is the Chairman of the Committee with the other member being the Chief Financial Officer. The Chief Executive Officer of SPEL America and Chief Operating Officer are invitees to the Committee apart from such invitees from time to time. Head Corporate Affairs & Company Secretary is the Secretary of the Committee.
2. The terms of reference of the Committee are laid down by the Board
3. The Agenda for each of these meeting cover the Production, Sales, Operations, Finance, HR and Corporate Affairs of the Company.
4. The meeting is held once in a month
5. The detailed Agenda with notes are circulated well in advance and detailed discussions are held
6. The Committee takes on record the detailed compliance confirmation on the various applicable legislations to the Company placed by the Head Corporate Affairs & Company Secretary

c. Audit Committee

The Audit Committee comprises a majority of Non-executive Independent Directors. Terms of reference of the Audit Committee includes a review of :

1. Financial statements before submission to the Board
2. Draft financial statements and auditors' report before submission to the Board
3. Accounting policies and practices
4. Risk management policies and practices
5. Compliance with stock exchange and legal requirements concerning financial statements
6. Related party transactions
7. Recommendation of appointment of Auditors and fixing their fees
8. To review the internal control systems and internal audit reports and their compliance thereof

Head Corporate Affairs & Company Secretary is the Secretary of the Committee.

Four Audit Committee Meetings were held on Jun 17, 2008, Jul 28, 2008, Oct 23, 2008 & Jan 21, 2009

Name of the Director	No. of Audit Committee Meetings attended
Dr. A. Besant C. Raj	4
Dr. T. S. Vijayaraghavan	4
Dr. A. Ramakrishna	2

d. Remuneration and Compensation Committee

The committee advises the broad policy for remuneration, terms of employment and any changes, including service contracts of Executive and Non-Executive directors and supervise the Employee Stock Option Scheme (ESOS).

Remuneration and Compensation Committee Meeting was held on Jun 20, 2008

Name of the Director	No. of Committee Meetings attended
Dr. T. S. Vijayaraghavan	1
Dr. A. Ramakrishna	1
Mr. S. R. Vijayakar	-

Remuneration & Compensation Committee decides on the remuneration of the Whole-time Director and the Chief Operating Officer. The Committee takes into account the general market trend pertaining to the industry viz., the rules of the Company.

5. Details of Remuneration paid to Directors

(Amount in Rs.)

Sl. No.	Names of Directors	Remuneration paid during the year 2008-09			
		Salary / Special allowance/ Perquisites	Commission / Bonus / Incentive	Sitting fees	Total
1	Dr. A. C. Muthiah	NA	24,92,061*	24,000	25,16,061
2	Mr. Ar. Rm Arun	NA	29,81,904**	NA	29,81,904
3	Mr. S. R. Vijayakar	NA	NA	18,000	18,000
4	Dr. T. S. Vijayaraghavan	NA	NA	45,000	45,000
5	Dr. A. Besant C. Raj	NA	NA	44,000	44,000
6	Dr. A. Ramakrishna	NA	NA	23,000	23,000
7	Mr. Ashwin C Muthiah	NA	NA	-	-
8	Mr. N. Sivashanmugam	23,94,386 ***	NA	NA	23,94,386

* Chairman was paid Guarantee Commission for giving his personal guarantee for loans obtained by the Company.

** Vice Chairman will be paid Profit Incentive @ 3% on Net Profits as determined in accordance with the provisions of Section 198, 309 of the Companies Act, 1956 for FY 2008-09, for which Central Government approval was obtained vide letter No. A49875719/5/2009-CL-VII dated May 28, 2009.

*** Following are the Remuneration details of Mr. N. Sivashanmugam, Whole - time Director and Chief Financial Officer :

Remuneration	Per annum
Basic salary	Rs.6,60,000/-
Special Allowance	Rs.6,96,684/-
CCA	Rs.33,000/-

In addition to the above, Company performance linked incentive payable on monthly basis to the extent of Rs.18,731/- which will be apportioned on the prorata basis of sales revenue exceeding \$ 1.7 Million. In addition bonus will be paid as per the rules of the Company, subject to a limit of Rs.1,50,000/- pa. Other perquisites & annual benefits are as per the rules of the Company. The Service Contract with him is entered on Dec 2006 for a period of 3 years i.e. upto Dec 2009.

Number of shares held by Non-Executive Directors

Sl.No	Name of the Director	Number of shares held
1.	Dr. A.C.Muthiah	4000
2.	Mr. Ar Rm Arun	408223

6. The resume in brief and other details of the directors, whose appointment /re-appointment are for the consideration of the members at the ensuing 24th Annual General Meeting, are furnished below :

Dr. T. S. Vijayaraghavan

Dr. Vijayaraghavan holds a Bachelors degree in Mechanical & Electrical Engineering and Doctorate in Science. He is a retired Member of the Indian Administrative Service from the Tamilnadu Cadre. He is currently the Chairman, Committee on Industry, Ministry of Environment and Forests. Member, Senate of Sri Ramachandra Medical College & Research Institute, Chennai. He is Chairman of SPEL Board's RCC and a Member of SPEL Board's Audit Committee and STIGC. In addition, he also holds Directorship in Wheels India Limited.

Dr. A. Ramakrishna

Dr. Anumolu Ramakrishna holds a Bachelors degree in Civil Engineering & a Masters in Structural Engineering. He began his career in 1962 with Engineering Construction Corporation Limited (ECC), now a Division of Larsen & Tubro. In 1966 the Government of India, sponsored him for practical training in Structural Engineering in the erstwhile German Democratic Republic. He was recognized by Andhra University by conferring upon him Honorary Degree of Doctorate of Science in 1997 and by Jawaharlal Nehru Technological University through an Honorary Degree of Doctor of Philosophy in 2004. After serving in various capacities Dr. Ramakrishna was inducted into the Board of L&T in 1992 and was appointed as operational Head of ECC Construction Division. He served as Deputy Managing Director from Mar 2000 providing leadership for the construction of cement plants, steel plants, power projects, refineries and petrochemical complexes. He is a Member of SPEL Board's Audit Committee, Remuneration & Compensation Committee (RCC) and Chairman of SPEL STIGC.

In addition, He holds Directorship in The Andhra Petrochemicals Ltd, The Andhra Sugars Ltd, Brigade Enterprises Ltd, Gautami Power Ltd, GVK Industries Ltd, GVK Power and Infrastructure Ltd, The KCP Ltd, Madras Cements Ltd, Ramco Industries Ltd, TAJGVK Hotels and Resorts Ltd, Teesta Urja Limited, GVK Jaipur Expressway Private Ltd, International Infrastructure Consultants Pvt Ltd and Mumbai International Airport Pvt Ltd. He is holding Membership in Audit Committees of Madras Cements Ltd, Ramco Industries Ltd, GVK Jaipur Express way Pvt Ltd, The KCP Ltd, TAJGVK Hotels & Resorts Ltd, GVK Power & Infrastructure Ltd, Gautami Power Ltd and Teesta Urja Ltd. He is also a Member of Compensation Committee in Madras Cements Ltd & Brigade Enterprises Ltd.

7. Securities Transfer and Investors' Grievance Committee

a. The Securities Transfer and Investors' Grievance Committee comprise a majority of Independent Non-Executive Directors. Dr. A. Ramakrishna is the Chairman of the Committee.

b. Mr. S. S. Arunachalam, Head Corporate Affairs & Company Secretary is the Compliance Officer

c. The Table below shows the nature of complaints received from shareholders during 2008-09, all of them have been resolved within one month.

Sl. No.	Nature of Complaint	No. of Complaints Received	Attended	Pending
1.	Non-receipt of Share Certificates after transfer & Others	7	7	Nil

d. Disclosure on the delegated authority constituted for attending share transfer work :

Sl. No.	Description of delegated authority	Full address of delegated authority	Telephone No.(s)	Fax No.(s)	E-mail	Average intervals at which share transfers approved
1.	Head Corporate Affairs & Company Secretary	5 CMDA Industrial Estate, MM Nagar (Chennai) 603 209	(044) 47405490	(044) 47405303	investors@spel.com	15 days
2.	Cameo Corporate Services Limited	"Subramanian Building" 1 Club House Road, Chennai 600 002	(044) 28460390	(044) 28460129	investor@cameoindia.com	

8. General Body Meetings

Details regarding venue, date, and time of last three AGM's

Sl. No.	Financial Year	Details of Location	Date & Time when held
1.	2005-06	Rajah Annamalai Hall, Esplanade (Near High Court) Chennai 600 108	Jul 31, 2006 4.00 pm
2.	2006-07	Rajah Annamalai Hall, Esplanade (Near High Court) Chennai 600 108	Jul 30, 2007 4.00 pm
3.	2007-08	5 CMDA Industrial Estate Maraimalai Nagar 603 209	Jul 28, 2008 3.30 pm

Special Resolutions passed in the previous 3 AGMs :

21st AGM : 1. Extension of term of office of Mr. R. Venkatesh Kumar, Whole-time Director

22nd AGM : 1. Directorship of Chairman and Vice Chairman of the Board, not liable to retire by rotation
2. To appoint Mr. N. Sivashanmugam, Director as the Whole-time Director and Chief Financial Officer
3. Increase in profit incentive to Mr. Ar Rm Arun, Vice Chairman of the Company

23rd AGM : 1. Revision in terms of remuneration of Mr. N. Sivashanmugam, Whole-time Director and Chief Financial Officer
2. Payment of profit incentive to Mr. Ar Rm Arun, Vice Chairman of the Company

Postal Ballot

As per Section 192A of the Companies Act, 1956, the approval of the Shareholders was sought during the year through Postal Ballot for the following actions and Mr.R.Sridharan, Practicing Company Secretary acted as Scrutinizer to the above process :

1. Amending the Object Clause of the Memorandum of Association of the Company and authorizing carrying on the business of electric supply company and to do all things incidental to such business

The above action was approved by way of Special Resolution with an assent of Shareholders holding 99.85% voting rights.

2. Issue of Corporate Guarantee for loans to be borrowed by M/s. Natronix Semiconductor Technology Limited

The above action was approved by way of Special Resolution with an assent of Shareholders holding 99.80% voting rights.

9. Disclosures

a. No transaction of material nature has been entered into by the Company with related parties i.e. Directors or Management, their subsidiaries or relatives that may have potential conflict with the interests of the Company at large.

b. The Board duly authorized all transactions with the Companies in which the Promoters or Directors or the Management, their subsidiaries or their relatives are deemed to be interested.

- c. There were no instances of non-compliance by the Company, on any matter related to capital markets during the last three years. Further, there has been no penalty and stricture imposed on the Company by Stock Exchanges or SEBI or any statutory authorities against the Company.
- d. The Company has a Whistle Blower Policy, wherein the employees enjoys access of report of the Audit Committee
- e. All the mandatory requirements have been complied by the Company and also adopted some of the non-mandatory requirements of this clause.

10. Means of Communications

Financial results of the Company are published in Business Standard and Makkal Kural. The results are also displayed in URL, namely www.spel.com. The Company does not display official news releases. Company has not made presentations to institutional investors or to the analysts.

11. General Shareholder Information

- 1 Annual General Meeting
(as indicated in the notice) : Jul 31, 2009 at Registered Office of the Company
- 2 Financial year : 2008-09
- 3 Dates of Book Closure : Jul 24, 2009 to Jul 31, 2009
- 4. Listed on Stock Exchange : The Bombay Stock Exchange Limited (BSE);
Stock Code : Demat - 517166, Physical - 17166
- 5. ISIN Number NSDL & CDSL : INF 252A01019
- 6. Outstanding GDR/ADR/Warrants
or any convertible instruments : No
- 7. Registrar & Share Transfer Agent : Cameo Corporate Services Limited
- 8. Address for Communication : a. Head Corporate Affairs & Company Secretary
SPEL Semiconductor Limited,
5 CMDA Industrial Estate
MM Nagar (Chennai) 603 209
India

b. Cameo Corporate Services Limited
Subramanian Building
1 Club House Road
Chennai 600 002
- 9. Share transfer System : All transfer requests received are processed and approved by an
authorized signatory. Normally transfers are processed and approved
twice a month.
- 10. Factory Location : 5 CMDA Industrial Estate, MM Nagar (Chennai), 603 209, India.

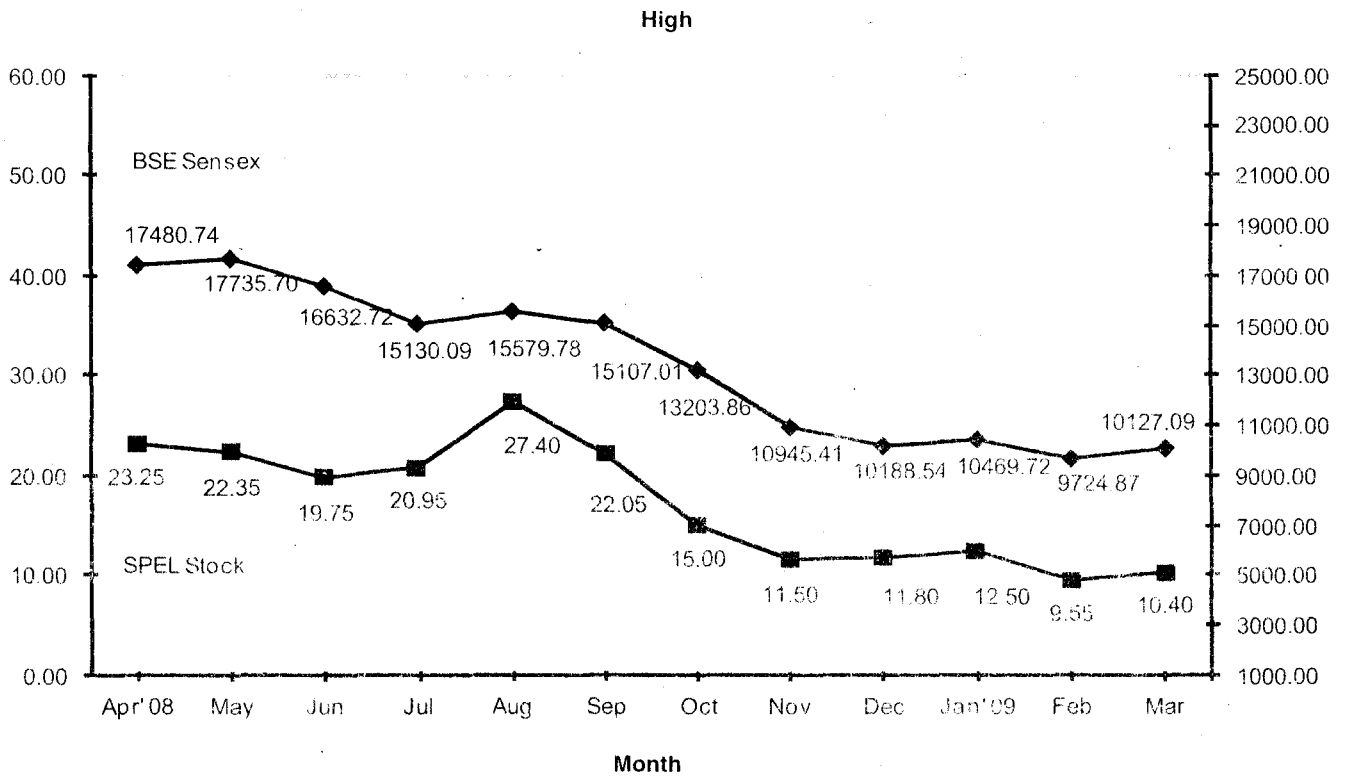
12. Distribution of Shareholding as on Mar 31, 2009

No. of Equity Shares held	No. of Folios	%	No. of Shares	%
1 – 100	14307	41.97	1245094	2.70
101 – 500	14976	43.83	4329473	9.39
501 – 1000	2794	8.18	2331449	5.06
1001 – 2000	1068	3.13	1743262	3.78
2001 – 3000	367	1.08	959772	2.08
3001 – 4000	162	0.47	596317	1.29
4001 – 5000	169	0.49	808925	1.75
5001 – 10000	196	0.57	1493494	3.24
10001 and above	129	0.38	32609657	70.71
Grand Total	34168	100.00	46117443	100.00
No. of Shareholders in Physical Mode				14289
No. of Shareholders in Electronic Mode				19879

13. Shareholding Pattern as on Mar 31, 2009

Category	No. of Shareholders	No. of Shares	%
Promoter	1	25811207	55.97
Financial Institutions			
a. IFCI	1	1755000	3.81
Mutual Funds	2	8700	0.02
Nationalized Banks			
Vysya Bank	1	100	0.00
Overseas Corporate Bodies	1	9000	0.02
Non-Resident Indians	193	194720	0.42
Domestic Companies	515	1694257	3.67
Resident Individuals	33436	16627549	36.05
Clearing Members	15	13360	0.03
Trusts	3	3550	0.01
Total	34168	46117443	100.00

14. Stock Performance V/s BSE Sensex



15. Market Price Data High & Low, Trading volume and no. of trades during each month for FY 2008-09

Month	High	Low	Trading Volume (No. of shares in lakhs)	No. of Trades
Apr 2008	23.25	19.00	8.96	2971
May	22.35	18.05	6.52	2430
Jun	19.75	15.00	5.44	2341
Jul	20.95	13.15	6.98	2996
Aug	27.40	19.25	12.16	5279
Sep	22.05	13.60	4.16	1758
Oct	15.00	8.05	4.87	1799
Nov	11.50	7.65	2.25	934
Dec	11.80	8.52	2.20	945
Jan 2009	12.50	8.53	2.70	848
Feb	9.55	8.36	1.50	415
Mar	10.40	8.01	2.52	706

16. Non – Mandatory Requirements

- a. Remuneration & Compensation Committee : The Company has a Remuneration & Compensation Committee detailed in this report.
- b. Whistle Blower Policy : The company has a mechanism for employees to report to the management concerns about unethical behaviour, actual or suspected fraud or violations of the Company's Code of Conduct or Ethics Policy and the existence of said mechanism was appropriately communicated within the organization.

Chief Finance Officer's Declaration on Code of Conduct

As the Company has no Chief Executive Officer, a certificate from CFO & Whole-time Director was obtained as required under the Clause 49 (V) of the Listing Agreement

To

The Members of SPEL Semiconductor Limited

This is to certify that all Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct for Directors and Senior Management for the period ended Mar 31, 2009.

For SPEL Semiconductor Limited

Place : MM Nagar
Date : Jun 2, 2009

N. Sivashanmugam
Chief Financial Officer

Certificate by CEO/CFO

As the Company has no Chief Executive Officer to issue certificate as required under the Clause 49 (V) of the Listing Agreement, Certificate from CFO & Whole-time Director only was obtained and placed before the Board.

Report of the Auditors

To the Members of SPEL Semiconductor Limited

1. We have audited the attached Balance sheet of SPEL SEMICONDUCTOR LIMITED as at 31st March, 2009 and the Profit and Loss Account and the cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted the audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003, issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that :
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) The Balance Sheet, and the Profit and Loss Account and cash flow statement dealt with by this Report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable;
 - (v) On the basis of the written representations received from the directors as on 31st March 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the schedules and notes on accounts attached thereto give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of the state of the affairs of the Company as at 31st March, 2009; and
 - (b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Chennai
Jun 2, 2009

For **Natarajan & Co.**,
Chartered Accountants,
A. Baskar
Partner
M.No:211721

Annexure referred to in paragraph 3 of the report of even date of the auditors to the Members of SPEL Semiconductor Limited on the Accounts for the year ended March 31, 2009.

- (i) (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets; register maintained under Section 301 of the companies Act, 1956
- (b) These fixed assets have been physically verified by the management at reasonable intervals; No material discrepancies were noticed on such verification.
- (c) No substantial part of fixed assets has been disposed off during the year.
- (ii) (a) The physical verification of inventory has been conducted at reasonable intervals by the management;
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) The company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. The company had taken unsecured loan in the form of fixed deposit from companies, firms or other parties covered in the register maintained under section 301 of the companies Act, 1956. The maximum amount involved during the year was Rs.3.50 crores.
- (b) In our opinion, the rate of Interest and other terms and conditions on which loans have been taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie, prejudicial to the interest of the company.
- (c) The company is regular in repaying the principal amount as stipulated and has been regular in the payment of Interest.
- (d) There is no overdue amount of loans taken from companies, firms or other parties listed in the
- (iv) In our opinion and according to information and explanation given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods.
- (v) (a) According to information and explanation given to us, the transactions that need to be entered into a register in pursuance of Section 301 of the Act have been so entered;
- (b) In our opinion and according to information and explanation given to us, these transactions in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time;
- (vi) In our opinion and according to information and explanation given to us, the company has not accepted inter-corporate deposits and has complied with the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Act and the rules framed there under, wherever applicable. No order has been passed by the Company Law Board.
- (vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- (viii) We are of the opinion that, prima facie, the Company is maintaining Cost Records as applicable under Section 209 (1) (d) of the Companies Act, 1956.
- (ix) (a) The company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty, and other statutory dues with the appropriate authorities.
- (b) In our opinion and according to information and explanation given to us, no undisputed amounts

payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears as at 31st March 2009 for a period of more than six months from the date they became payable.

- (c) The dues of Customs have not been deposited on account of dispute amounting to Rs.19.50 lakhs.
- (x) The Company does not have any accumulated losses as at the end of the financial year and the company has not incurred cash losses in this financial year and in the financial year immediately preceding this financial year also.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions.
- (xii) This clause is not applicable as the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or nidhi/mutual benefit fund/society. Therefore, the provisions of Clause 4(xiii) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- (xv) According to information and explanations given to us, the company has given guarantee to the extent of Rs. 5.20 crores to Southern Petrochemicals Industries Corporation Limited.
- (xvi) Term loans were applied for the purpose for which the loans were obtained;
- (xvii) According to information and explanations given to us, the funds raised on short-term basis have not been used for long term investment and vice versa.
- (xviii) According to information and explanations given to us, the company has not made any preferential allotment of shares to companies covered in the register maintained under Section 301 of the Act.
- (xix) No debentures have been issued.
- (xx) There was no public issue during the year.
- (xxi) No fraud on or by the company has been noticed or reported during the year.

For **Natarajan & Co.**,
Chartered Accountants,

A. Baskar
Partner
M.No:211721

Chennai
Jun 2, 2009

Balance Sheet As at Mar 31, 2009

	Schedule	As at Mar 31, 2009 (in Rupees)	As at Mar 31, 2008 (in Rupees)
Source of Funds			
Shareholders' Funds			
Share Capital	1	46,13,25,280	46,13,25,280
Reserves and Surplus	2	34,60,95,355	34,09,47,192
Loan Funds			
Secured	3	33,96,91,577	31,38,48,903
Unsecured	4	10,32,89,216	15,37,42,430
Deferred Tax Liability		8,68,64,536	5,35,05,794
Total		<u>133,72,65,964</u>	<u>132,33,69,599</u>
Application of Funds			
Fixed Assets			
Gross Block	5	160,39,37,798	148,15,02,103
Less: Depreciation		43,93,56,542	35,79,14,788
Capital Work-in-Progress	5	31,50,000	23,23,280
Investments at Cost		4,365	4,365
Current Assets, Loans & Advances			
Inventories	6	14,45,79,724	14,72,91,112
Sundry Debtors		4,08,15,700	4,43,56,720
Cash and Bank Balances		5,00,22,707	4,79,87,004
Loans and Advances		7,07,27,516	5,10,97,201
Foreign Currency Receivable - Forward Contract		-	14,37,28,000
		<u>30,61,45,647</u>	<u>43,44,60,037</u>
Less: Current Liabilities and Provisions	7	13,66,15,304	12,19,58,820
Foreign Currency Payable- Forward Contract		-	14,27,40,000
Net Current Assets (6-7)		16,95,30,343	16,97,61,217
Deferred Employee Compensation Expense		-	2,76,93,422
Total		<u>133,72,65,964</u>	<u>132,33,69,599</u>

[Notes on Accounts (Schedule - 9)]

For and on behalf of the Board

- Per our report attached

Dr. A. C. Muthiah
Chairman

Ar Rm Arun
Vice Chairman

N. Sivashanmugam
Chief Financial Officer

For **Natarajan & Co.**
Chartered Accountants

Dr. A. Besant C. Raj
Director

Ashwin C Muthiah
Director

S. R. Vijayakar
Director

A Baskar
Partner
M.No. 211721

Dr. T. S. Vijayaraghavan
Director

Dr. A. Ramakrishna
Director

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

Chennai
Jun 2, 2009



Profit and Loss Account for the Year Ended Mar 31, 2009

	Schedule	Year ended Mar 31, 2009 (in Rupees)	Year ended Mar 31, 2008 (in Rupees)
INCOME			
Sales		81,00,26,212	72,85,94,604
Other Income		2,22,27,838	3,66,86,780
TOTAL INCOME		83,22,54,050	76,52,81,384
EXPENDITURE			
Manufacturing and Other Expenses	8	62,07,26,046	56,70,42,012
Excise duty		-	4,61,915
Interest		3,23,97,761	2,78,96,019
Depreciation		8,30,45,134	6,06,70,538
TOTAL EXPENDITURE		73,61,68,941	65,60,70,484
Profit for the year		9,60,85,109	10,92,10,900
Fringe Benefit Tax		9,17,594	49,51,983
Deferred Tax		3,28,13,753	3,11,51,066
Provision for MAT		1,08,19,845	1,22,47,051
Less : MAT Credit Entitlement		(1,08,19,845)	(1,22,47,051)
Profit after Taxation		6,23,53,762	7,31,07,851
Profit brought forward		9,67,97,773	2,36,89,922
Net Profit Carried to Balance Sheet		15,91,51,535	9,67,97,773
Nominal Value of each shares in Rs.		10.00	10.00
EPS in Rs.		1.35	1.59
Diluted EPS in Rs.		1.35	1.58
Number of Shares		4,61,17,443	4,59,27,925
Number of Shares for Diluted EPS (Diluted EPS calculated by including potential shares on account of ESOS)		4,61,17,443	4,62,63,196
[Notes on Accounts (Schedule - 9)]			

For and on behalf of the Board

Dr. A. C. Muthiah
Chairman

Dr. A. Besant C. Raj
Director

Dr. T. S. Vijayaraghavan
Director

Ar Rm Arun
Vice Chairman

Ashwin C Muthiah
Director

Dr. A. Ramakrishna
Director

N. Sivashanmugam
Chief Financial Officer

S. R. Vijayakar
Director

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

Per our report attached

For Natarajan & Co.
Chartered Accountants

A Baskar
Partner
M.No. 211721

Chennai
Jun 2, 2009

**Schedule 1
Share Capital**

	As at Mar 31, 2009 (in Rupees)	As at Mar 31, 2008 (in Rupees)
Authorised 6,00,00,000 Equity Share of Rs.10/- each	60,00,00,000	60,00,00,000
Issued 4,61,47,613 Equity Shares of Rs.10/- each (of which 6,81,240 equity shares at par were issued during the year 2007- 08 to Employees as per the scheme of ESOS)	46,14,76,130	46,14,76,130
Subscribed and Paid up 4,61,17,443 Equity Shares of Rs.10/- each	46,11,74,430	46,11,74,430
Add : Forfeited Shares 30,170 Equity Shares of Rs.5/- each	1,50,850	1,50,850
	46,13,25,280	46,13,25,280

Paid-up Capital includes allotment of 86,88,160 Equity Shares at par to Financial Institutions as per the terms of reliefs/concessions sanctioned by them during the year 1995-96.

Paid-up Capital includes 1,52,59,213 Equity Shares at a premium of Rs.15/- to Promoters as per the order of Madras High Court for the approval of the scheme of Financial Restructuring of the Company in 2004-05

Holding Company held 2,58,11,207 Equity Shares as on Mar 31, 2009.

**Schedule 2
Reserves and Surplus**

	As at Mar 31, 2008 (in Rupees)	Addition (in Rupees)	Deletion (in Rupees)	As at Mar 31, 2009 (in Rupees)
Capital Reserve	6,66,215	-	-	6,66,215
Revaluation Reserve	20,40,36,968	-	-	20,40,36,968
Employee Stock Option Outstanding (ESOS-2007)	3,47,11,618	-	3,47,11,618	-
Securities Premium Account	47,34,618	-	-	47,34,618
Profit & Loss Account	9,67,97,773	6,23,53,762	2,24,93,981	13,66,57,554
	34,09,47,192	6,23,53,762	5,72,05,599	34,60,95,355

**Schedule 3
Secured Loans**

	As at Mar 31, 2009 (in Rupees)	As at Mar 31, 2008 (in Rupees)
Loans from Banks	30,99,14,704	29,24,65,838
Working Capital Loans from Banks	2,97,76,873	2,13,83,065
	33,96,91,577	31,38,48,903

Note

1. Term loans from Banks are secured by first mortgage of all the Company's immovable properties both present and future, ranking pari passu inter se and a first charge by way of hypothecation of all the Company's movables (save and except book debts & on specific assets purchased on loan basis from Customers) including movable machinery, spares, tools and

accessories both present and future, subject to prior charges created in favour of the Company's bankers on inventories, book debts, deposits and other specified movables for securing the borrowing of working capital requirements.

2. Working Capital Loans from Banks are secured by hypothecation by way of first charge on the current assets of the Company viz. Stock of Raw materials, Stocks in Process, Semi-finished and Finished Goods, Stores and Spares not relating to Plant and Machinery (Consumables, Stores and Spares) Bills receivables, Book debts, deposits and all other movables excluding such movables as may be permitted by consortium of Banks in their discretion from time to time, both present and future, wherever situated and further secured by the second charges on the immovable assets of the Company both present and future. The charge on current assets of the Company will rank *pari passu* with the existing charges created and/or agreed to be created thereon in favour of consortium of Banks.

**Schedule 4
Unsecured Loans**

	As at Mar 31, 2009 (in Rupees)	As at Mar 31, 2008 (in Rupees)
Equipment Loan	10,32,89,216	11,87,42,430
Fixed Deposit from Others	-	1,50,00,000
Inter-Corporate Deposit	-	2,00,00,000
	10,32,89,216	15,37,42,430

**Schedule 5
Fixed Assets**

Description	Gross Block				Depreciation				Net Block	
	As at Apr 1, 2008	Additions during the year	Deletions	As at Mar 31, 2009	As at Apr 1, 2008	For the year	Deletions	As at Mar 31, 2009	As at Mar 31, 2009	As at Mar 31, 2008
1. Land	40,10,11,436	-	-	40,10,11,436	-	-	-	-	40,10,11,436	40,10,11,436
2. Building	6,75,74,031	6,64,171	-	6,82,38,202	2,04,00,822	19,61,706	-	2,23,62,528	4,58,75,674	4,71,73,209
3. Plant & Machinery	98,97,84,200	14,29,83,224	(2,35,83,532)	110,91,83,892	32,37,97,272	7,95,73,739	(16,08,210)	40,17,62,801	70,74,21,091	66,59,86,928
4. Furniture & Fixtures	68,81,306	5,12,425	-	73,93,731	43,69,645	2,43,603	-	46,13,248	27,80,483	25,11,661
5. Office Equipments	1,31,77,529	18,28,247	31,160	1,50,36,936	85,48,348	9,74,094	4,830	95,27,272	55,09,664	46,29,181
6. Motor Vehicle	30,73,601	-	-	30,73,601	7,98,701	2,91,992	-	10,90,693	19,82,908	22,74,900
	148,15,02,103	14,59,88,067	(2,35,52,372)	160,39,37,798	35,79,14,788	8,30,45,134	(16,03,380)	43,93,56,542	116,45,81,256	112,35,87,315
Previous Year Capital Work-in-Progress	94,52,32,359	60,47,01,374	6,84,31,630	148,15,02,103	35,54,88,288	6,06,70,538	5,82,44,038	35,79,14,788	31,50,000	23,23,280

Note

Capital Work-in-Progress Rs.31.50 lakhs relate to advances and purchases for ERP Projects.

Additions during the year includes Rs.1046.89 lakhs of exchange fluctuation loss which has been capitalized. Deletion represents the exchange gain of earlier year Rs. 235.84 lakhs as per GOI Notification (GO No.GSR225(E) dated Mar 31, 2009).

Schedule 6

Current Assets, Loans & Advances

	As at Mar 31, 2009 (in Rupees)	As at Mar 31, 2008 (in Rupees)
A. Current Assets		
Inventories		
Stores and Spares	2,40,62,079	3,89,36,413
Raw Materials	3,76,63,154	3,78,34,995
Work-in-Progress	8,06,65,861	6,99,59,733
Finished Goods	21,88,630	5,59,971
	<u>14,45,79,724</u>	<u>14,72,91,112</u>
Sundry Debtors (Unsecured considered good)		
Outstanding exceeding six months	- 33,45,154	33,45,154
Others	4,08,15,700	4,43,56,720
	<u>4,41,60,854</u>	<u>4,77,01,874</u>
Less : Provision for Bad Debts	33,45,154	33,45,154
	<u>4,08,15,700</u>	<u>4,43,56,720</u>
Cash & Bank Balances		
Cash on hand	1,06,427	45,091
Balances with scheduled banks		
On Current Accounts	1,25,23,490	33,39,183
On Deposit Accounts	3,16,59,199	4,15,91,203
On Margin Money Account	57,33,591	30,11,527
	<u>5,00,22,707</u>	<u>4,79,87,004</u>
	<u>23,54,18,131</u>	<u>23,96,34,836</u>
B. Loans and Advances		
(Unsecured considered good)		
Advances recoverable in cash or in kind or value to be received	3,01,90,128	2,37,62,080
Less: Provision for Doubtful Advances	4,06,000	4,06,000
	<u>2,97,84,128</u>	<u>2,33,56,080</u>
Balances with Excise, Customs and other Government Authorities	4,09,43,388	2,77,41,121
	<u>7,07,27,516</u>	<u>5,10,97,201</u>
	<u>30,61,45,647</u>	<u>29,07,32,037</u>

Schedule 7

Current Liabilities & Provisions

	As at Mar 31, 2009 (in Rupees)	As at Mar 31, 2008 (in Rupees)
Current Liabilities		
1. Sundry Creditors for goods		
a. Total outstanding dues of Small Scale Industrial undertaking(s)	2,35,510	1,45,561
b. Total outstanding dues of Creditors other than Small Scale Industrial undertaking(s)	5,59,32,224	5,20,23,937
- for expenses	1,11,70,847	1,09,72,806
- for gratuity	64,39,005	43,58,636
- for others	22,32,650	33,59,231
2. Provision for Employee Benefits	74,05,824	62,94,016
3. Temporary Overdraft from Banks	14,68,261	-
4. Advance from Customers	2,04,60,502	2,03,23,562
5. Tax Liability	3,11,95,518	2,42,76,820
6. Interest Accrued but not due	74,963	2,04,251
	<u>13,66,15,304</u>	<u>12,19,58,820</u>

Schedule 8

Manufacturing and Other Expenses

	As at Mar 31, 2009 (in Rupees)		As at Mar 31, 2008 (in Rupees)	
Raw materials and Intermediates consumed		27,98,10,529		28,07,92,784
Stores Consumed		7,39,35,707		4,75,77,530
Characterization & Test Charges		1,66,06,580		1,37,49,757
Power		2,53,08,772		3,12,26,615
Fuel		1,31,76,553		47,44,256
Payments to and provisions for employees				
Salaries, Allowances and Gratuity	11,49,79,447		10,30,26,955	
Contribution to P.F. & E.S.I.	86,08,154		80,64,753	
Staff Welfare	88,71,497		90,52,439	
		13,24,59,098		12,01,44,147
Travel and Conveyance		84,94,289		1,03,59,207
Insurance		8,38,969		14,77,140
Rent		3,77,260		2,81,955
Rates and Taxes		16,63,275		10,95,309
Telephone, Telex, Postage & Telegram		15,21,135		17,34,188
Repairs and Maintenance				
Machinery	11,20,689		12,43,910	
Building	20,30,281		37,64,945	
Others	1,16,11,386		1,03,47,371	
		1,47,62,356		1,53,56,226
Carriage Outwards		35,56,618		37,69,775
Directors' Sitting Fee		1,54,000		1,99,000
Loss on Forward Contract		1,87,74,736		-
Marketing Fee		2,11,52,740		1,93,83,250
Commission to Vice Chairman		29,81,904		34,96,268
Miscellaneous Expenses		1,74,86,313		1,87,53,213
		63,30,60,834		57,41,40,620
Add : Opening Stock				
Work-in-Progress	6,99,59,732		5,04,87,453	
Finished goods	5,59,971		1,29,33,642	
		7,05,19,703		6,34,21,095
		70,35,80,537		63,75,61,715
Less : Closing Stock				
Work-in-Progress	8,06,65,861		6,99,59,732	
Finished goods	21,88,630		5,59,971	
		8,28,54,491		7,05,19,703
		62,07,26,046		56,70,42,012

SCHEDULE 9**NOTES ON ACCOUNTS****1. Accounting Policies**

The significant accounting policies followed by the Company are as follows.

i. Fixed Assets and Depreciation

Expenditure which are of a capital nature are capitalised at a cost, which comprises purchase price (net of rebates and discounts), import duties, levies and any directly attributable cost of bringing the assets to its working condition for the intended use.

Depreciation is being charged on straight line method on a pro-rata basis in accordance with rates specified under Schedule XIV of the Companies Act, 1956.

Certain assets have been revalued as on Mar 31, 2005 & Mar 31, 2008 and the resultant surplus has been added to the cost of the assets with the corresponding credit to revaluation reserve account.

ii. Treatment of Foreign Currency Items

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary items are restated at the rates prevailing at the year end and the difference between the year end rate and the exchange rate at the date of the transaction is recognized as income or expense in the profit and loss account.

Premium or Discount on forward contracts is amortised over the life of such contracts and is recognized as income or expense. Foreign currency contracts are stated at market value as at the year end.

iii. Investment

Long Term Investments are valued at cost. Provision for diminution in the value of long term investments is made only if such decline is other than temporary in nature.

iv. Valuation of Inventories

The method of valuation for various categories of Inventories are as follows

- a. Raw Materials, Stores, Spares and Consumables are valued at weighted average rates.
- b. Work-in-progress is valued at cost or net realisable value whichever is less.
- c. Finished goods are valued at lower of cost or net realisable value.

v. Revenue Recognition

The income and expenditure are accounted on accrual basis.

vi. Treatment of Retirement Benefits

- a. Contribution to provident fund is made monthly at a predetermined rate to the provident fund trust and debited to the Profit and Loss account on accrual basis.
- b. The Company accounts for Gratuity Liability equivalent to the premium amount payable to Life Insurance Corporation of India based on percentage of annual salary specified by Life Insurance Corporation of India.
- c. Liability for leave encashment is provided on actual basis.

vii. Borrowing Costs

Borrowing Costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

viii. Deferred Tax

Deferred taxes are recognized for the future tax consequences attributable to timing differences, which arise on account of difference between the accounting income and taxable income for the period. The effect on the deferred tax assets & liabilities of change in tax rate is recognized in the statement of Profit and loss account using the tax rate and tax laws that have been enacted or substantively enacted by the Balance sheet date.

Deferred tax assets are recognized or carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

ix. ESOS Accounting

The Company measures the compensation cost relating to employee stock options using the Fair value method. The

Compensation cost is charged on a straight line basis over the total vesting period of stock options.

x. **Contingent Liabilities**

All liabilities have been provided for in the financial statements except liabilities which are contingent in nature, which have been disclosed at their estimated value in the notes on accounts.

2. Estimated value of contracts remaining to be executed on capital account and not provided for Rs. 7.60 lakhs (Previous year Rs.50.15 lakhs)

3. Contingent Liabilities & Provisions

a. In respect of:

	Year ended Mar 31, 2009 Rs. in lakhs	Year ended Mar 31, 2008 Rs. in lakhs
i. Letters of Credit for Import		
Purchases	395.87	391.80
ii. Bank Guarantee given for Job work	0.10	0.12
iii. Guarantees given to Central Excise/ Banks on behalf of other companies with corresponding counter guarantees from them.	520.00	520.00

- b. Claims against the Company not acknowledged as debts – Rs.45.91 lakhs (Previous year – Rs.43.90 lakhs).

c. Statement on Provisions as per AS 29

(Rs. in lakhs)

	Administrative expenses	Freight & Clearing expenses	Secretarial expenses	Purchase expenses	Gratuity expenses
Opening Balance	14.14	3.40	0.35	0.21	43.59
Addition	5.73	0.65	0.00	0.01	68.80
Utilized / Paid	14.14	3.40	0.35	0.21	48.00
Closing Balance	5.73	0.65	0.00	0.01	64.39

The above provisions for expenses are made based on estimation on account of bills not received. For gratuity, the provision is made based on the premium value indicated by LIC.

4. Payment to Directors

	Year ended Mar 31, 2009 Rs. in lakhs	Year ended Mar 31, 2008 Rs. in lakhs
Salary	6.60	6.00
Special Allowance	6.97	2.40
Other Perquisites	9.55	8.41
Contribution to PF	0.82	0.75
Commission to non whole time Director	29.32	34.96
Directors Sitting Fee	1.54	1.99
	55.30	54.51

Computation of net profit in accordance with section 198 of the Companies Act, 1956

	Year Yended Mar 31, 2009 Rs. in lakhs
Net Profit before taxes	960.85
Add: Managerial Remuneration	23.94
Commission to Non Whole Time Director	29.82
Interest provision for delayed Tax payments	3.46
Net profit as per section 198 of the companies Act	<u>1,018.07</u>
Payments to Directors	
a. Remuneration to Whole Time Director	23.94
b. Commission to Non Whole Time Director	<u>29.82</u>

5. Miscellaneous expenses includes Auditor's Remuneration

	Year ended Mar 31, 2009 Rs.in lakhs	Year ended Mar 31, 2008 Rs. in lakhs
Audit Fee	1.50	0.75
Taxation	0.30	0.30
Certification charges	0.26	0.27
Reimbursement of expenses	0.15	0.15
	<u>2.21</u>	<u>1.47</u>

6. The company has opted for accounting the exchange difference arising on reporting of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 on Accounting Standard 11 (AS-11) notified by Government of India on Mar 31, 2009 (GO No. GSR225(E) dated Mar 31, 2009). Accordingly the effect of exchange differences on FCNR and other foreign currency loans of the company is accounted by addition or deduction to the cost of the assets so far it relates to depreciable capital assets. Exchange difference recognized in the Profit & Loss Account up to last financial year ending Mar 31, 2008 relating to said long term liabilities in foreign currency has been adjusted against opening revenue reserve as provided in the rules. As a result of this change in accounting for exchange difference an amount of Rs. 219.49 lakhs (Net of Tax) has been adjusted in the Reserve and Depreciation. In the current financial year exchange fluctuation of Rs. 1046.89 lakhs has been added to fixed asset. The corresponding effect on the depreciation for the current year is Rs. 97.78 lakhs.

7. CIF Value of Imports

	Year ended Mar 31, 2009 Rs.in lakhs	Year ended Mar 31, 2008 Rs. in lakhs
Capital goods and spares	487.69	1,581.20
Raw-materials & Consumables	3,100.14	3,022.80

8. a. Expenditure in Foreign Currency

	Year ended Mar 31, 2009 Rs.in lakhs	Year ended Mar 31, 2008 Rs. in lakhs
Travel and training	13.25	17.60
Marketing Fee	211.53	193.83
Characterization	159.96	133.60
IC Evaluation Charges	1.05	1.48
Interest on Equipment Loan	<u>17.62</u>	<u>16.41</u>

8. b. Earnings in Foreign Exchange

	Year ended Mar 31, 2009 Rs.in lakhs	Year ended Mar 31, 2008 Rs. in lakhs
Export on FOB basis	8,090.07	7,285.66
Scrap Sales	6.60	9.88

9. Other income of Rs. 222.27 lakhs (Previous year Rs.366.86 lakhs) represents exchange profit Rs 105.67 lakhs, interest from deposits Rs.40.28 lakhs (Tax deducted at source Rs.9.02 lakhs), scrap sales Rs.31.32 lakhs, lease rental income Rs.1.04 lakhs and Miscellaneous income of Rs. 43.96 lakhs.

10. Capacity and Production

Classification of goods	Unit measurement	Licensed capacity		Installed capacity		Actual production	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Integrated Circuits	Million Nos.	473	473	473	473	229.20	233.65

11. a. Raw Materials and Intermediates Consumed

	Year ended Mar 31, 2009		Year ended Mar 31, 2008	
	Qty.	Value (Rs. in lakhs)	Qty.	Value (Rs. in lakhs)
Lead Frame	241.17	982.63	263.47	920.90
	Mill Nos.		Mill Nos.	
Gold Wire	10770.70	1,275.16	11259.10	1,083.90
	Kms		Kms	
Moulding Compound	62493.07	357.29	55012.52	369.70
	Kgs		Kgs	
Others		183.03		257.10

11. b. Consumption of Imported and Indigenous Raw Materials, Stores and Spare parts and the percentage of each to the Consumption

	Year ended Mar 31, 2009		Year ended Mar 31, 2008	
	% of Total Consumption	Value (Rs. in lakhs)	% of Total Consumption	Value (Rs. in lakhs)
i. Raw Materials consumed				
Imported	100.00	2,789.11	100.00	2,631.60
	100.00	2,789.11	100.00	2,631.60
ii. Stores and Spare parts				
Imported	75.26	556.47	68.05	323.80
Indigenous	24.74	182.89	31.95	152.00
	100.00	739.36	100.00	475.80

12. Sales

	Year ended Mar 31, 2009		Year ended Mar 31, 2008	
	Qty. Mill. Nos	Value (Rs. in lakhs)	Qty. Mill. Nos	Value (Rs. in lakhs)
Integrated Circuits - Export (FOB)	228.66	7,997.58	233.66	7,169.90
- Indigenous	-	-	-	0.20
Testing - Export	-	64.54	-	89.40
Other Services/Softex	-	38.14	-	26.40

13. Stock Particulars of Finished Goods

	Closing Stock as at Mar 31, 2009		Opening Stock as at Apr 1, 2008	
	Qty. Mill. Nos	Value (Rs. in lakhs)	Qty. Mill. Nos	Value (Rs. in lakhs)
Integrated Circuits	0.64	21.89	0.10	5.60

14. Segmental Reporting

The Integrated Circuits is the only segment for the company

15. Related party disclosure under Accounting Standard 18:

Nature of Relationship	Name of the Party	Nature of Transaction with Value
A. Holding Company	Southern Petrochemical Industries Corporation Limited	Balance as on Mar 31, 2009: a. Current Account Rs.0.83 lakhs (Dr) b. Guarantee issued Rs.520.00 lakhs
B. Subsidiary Company	SPEL America Inc.	Marketing Fee paid – Rs.211.53 lakhs
C. Key Management Personnel	Dr.A. C Muthiah – Chairman	Personal Guarantee Commission – Rs. 24.92 lakhs
	Mr. Ar Rm Arun - Vice Chairman	Commission – Rs. 29.82 lakhs**
	Mr. Sam Varghese Chief Executive Officer of SPEL America Inc.	Remuneration – Rs. 6.67 lakhs*
	N Sivashanmugam Chief Financial Officer	Remuneration - Rs. 23.94 lakhs
D. Enterprise owned by/over which Key Management Personnel is able to exercise significant influence	Chip Test Labs Ltd Vice Chairman is the Chairman for the Holding company of ChipTest Labs Ltd	Characterization Charges Rs. 159.96 lakhs Test Engineering Charges Rs. 57.29 lakhs Reliability Testing Income – Rs. 11.77 lakhs Rental Income – Rs.4.44 lakhs Balance Outstanding to them as on Mar 31,2009 Rs. 50.92 lakhs
	Cherrytec Solutions Ltd. Vice Chairman is the Chairman of Cherrytec Solutions Ltd	Balance Outstanding to them as on Mar 31,2009 Rs. 10.00 lakhs towards ERP implementation.
	Valingro Exponenta Limited. Vice Chairman is Chairman in Valingro Exponenta Limited	Consultancy charges of Rs. 17.59 lakhs. Balance Outstanding to them as on Mar 31,2009 Rs. 1.32 lakhs
	Natronix Semiconductor Technology Limited. Vice Chairman is Chairman in Natronix Semiconductor Technology Limited.	Deputation Charges of Rs. 10.00 lakhs. Balance Outstanding to them as on Mar 31,2009 Rs. 1.25 lakhs

* part of the year.

** to be paid.

16. Accounting for taxes on income.

	Year ended Mar 31, 2009 Rs. in lakhs	Year ended Mar 31, 2008 Rs. in lakhs
A. Deferred Tax Asset for Temporary difference		
i. Gratuity, Employee Benefits & Bonus	26.57	0.00
ii. Business Loss	0.00	37.30
Total (A)	26.57	37.30
B. Deferred Tax Liability for Temporary difference		
i. Depreciation	174.27	348.80
ii. Carry forward loss Adjustment	180.44	-
Total (B)	354.71	348.80
Deferred Tax (Net) (A-B)	(328.14)	(311.50)

17. No Provision for Income Tax has been made in the current year considering the carried forward losses of the company. However, tax has been provided considering Minimum Alternate Tax as per the Income Tax Act. In pursuant to the provisions of Income Tax Act, MAT credit of Rs. 108.20 lakhs has been for carry forward during this year for adjustment against the future tax payments.

18. Forward Contract

There are no outstanding forward contract as on Mar 31, 2009.

19. Impairment of Assets has been considered as per AS28 & there is no impairment as on Mar 31, 2009.

20. Previous year's figures have been regrouped wherever necessary.

For and on behalf of the Board

Dr. A. C. Muthiah
Chairman

Dr. A. Besant C. Raj
Director

Dr. T. S. Vijayaraghavan
Director

Ar Rm Arun
Vice Chairman

Ashwin C Muthiah
Director

Dr. A. Ramakrishna
Director

N. Sivashanmugam
Chief Financial Officer

S. R. Vijayakar
Director

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

Per our report attached

For Natarajan & Co.
Chartered Accountants

A Baskar
Partner
M.No. 211721

Chennai
Jun 2, 2009



**Balance Sheet Abstract and Company's General Business Profile
As Per Part IV to Schedule VI to the Companies Act, 1956**

I. REGISTRATION DETAILS

Registration No.	1	1	4	3	4	State Code	1	8
Balance Sheet date	3	1		0	3		0	9
Public Issue						N	I	L
Rights Issue						N	I	L
Bonus Issue						N	I	L
Private Placement						N	I	L

**II. Capital raised during the year
(Rupees in Thousands)**

**III. Position of mobilisation
and Deployment of funds
(Rupees in Thousands)**
Sources of Funds

Total Liabilities			1	3	3	7	2	6	6
Total Assets			1	3	3	7	2	6	6
Paid-up Capital				4	6	1	3	2	5
Reserves and Surplus				3	4	6	0	9	5
Secured Loans				3	3	9	6	9	2
Unsecured Loans				1	0	3	2	8	9
Deferred Tax-Liability					8	6	8	6	5
Net Fixed Assets			1	1	6	7	7	3	1
Investments									4
Net Current Assets				1	6	9	5	3	1

Application of Funds

**IV. Performance of Company
(Rupees in Thousands)**

Turnover (Including other income)				8	3	2	2	5	4	
Total Expenditure				7	3	6	1	6	9	
Profit/(Loss) Before Tax					9	6	0	8	5	
Profit/(Loss) After Tax					6	2	3	5	4	
Earnings per share in Rupees						1	.	3	5	
Dividend Rate %								N	I	L

**V. Generic names of three
principal products/services of Company
(as per monetary terms)**

	Item Code No. (ITC Code)
	Product Description
Electronic Integrated Circuits	8 5 4 2 0 0

For and on behalf of the Board

Per our report attached

Dr. A. C. Muthiah
Chairman

Ar Rm Arun
Vice Chairman

N. Sivashanmugam
Chief Financial Officer

For **Natarajan & Co.**
Chartered Accountants

Dr. A. Besant C. Raj
Director

Ashwin C Muthiah
Director

S. R. Vijayakar
Director

A Baskar
Partner
M.No. 211721

Dr. T. S. Vijayaraghavan
Director

Dr. A. Ramakrishna
Director

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

Chennai
Jun 2, 2009

**Cash Flow Statement for the year ended Mar 31, 2009
Pursuant to Clause 32 of the Listing Agreement**

(Rupees in lakhs)

	Year ended Mar31, 2009	Year ended Mar 31, 2008
A. Cash Flow from Operating Activities :		
Net Profit before tax and extraordinary item :	960.85	1092.11
Adjustments for :		
Depreciation	830.45	606.71
Foreign Exchange gain	(105.67)	(263.42)
Interest Income	(40.28)	(18.28)
Rental Income	(7.31)	(6.90)
Amortisation of Employee Compensation	(70.18)	69.72
Inventory Written off	0.00	292.16
Provision for Doubtful Advances	0.00	33.45
Loss on sale of Fixed Assets	0.03	0.38
Forward premium profit	(3.28)	(6.53)
Interest Expense	323.31	278.96
Operating Profit before working capital changes	927.07	986.25
Adjustments for :		
Trade and other receivables	(50.53)	(228.88)
Inventories	27.11	(373.10)
Trade payables	150.38	186.32
Cash generated from operations	126.96	(415.66)
Direct Tax Paid	110.18	148.21
Net Cash from Operating Activities	1904.70	1514.49
B. Cash Flow from Investing Activities :		
Purchase of Fixed Assets (including Capital Work -in-Progress)	(1473.18)	(3064.74)
Proceeds from Sale of Fixed Assets	5.00	0.10
Interest Income	40.28	18.28
Rental Income	7.31	6.90
Net Cash Flow in Investing Activities	(1420.59)	(3039.46)

(Rupees in lakhs)

	Year ended Mar31, 2009	Year ended Mar 31, 2008
C. Cash Flow from Financing Activities :		
Proceeds from Working Capital Borrowings	83.94	(44.34)
Term Loan from Bank	174.48	1038.81
Equipment Loan	(154.53)	989.62
Increase in share capital	0.00	68.12
Foreign Exchange gain	105.67	263.42
Fixed Deposit refunded	(350.00)	(215.00)
Interest Paid	(323.31)	(278.96)
Net Cash Flow in Financing Activities	(463.75)	1821.67
Net increase in Cash and Cash Equivalents	20.36	296.70
Cash and Cash Equivalents as at Apr 01, 2008 (Opening Balance)	479.87	183.17
Cash and Cash Equivalents as at Mar 31, 2009 (Closing Balance)	500.23	479.87

For and on behalf of the Board

Dr. A. C. Muthiah
Chairman

Ar Rm Arun
Vice Chairman

N. Sivashanmugam
Chief Financial Officer

Dr. A. Besant C. Raj
Director

Ashwin C Muthiah
Director

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Director

Dr. T. S. Vijayaraghavan
Director

Dr. A. Ramakrishna
Director

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

Chennai
Jun 2, 2009

Auditors' Report

We have examined the above Cash Flow Statement of SPEL Semiconductor Limited, for the year ended 31st March 2009, which is in agreement with the corresponding profit and loss account and balance sheet of the company, covered by our report of 2nd June 2009 to the members of the Company.

For Natarajan & Co.
Chartered Accountants

Chennai
Jun 2, 2009

A Baskar
Partner
M.No. 211721

**Statement Regarding Subsidiary Companies Pursuant to
Section 212 of the Companies Act, 1956**

a. Name of the Subsidiary Company	SPEL America, Inc., USA
b. Financial Year of the Subsidiary Company ended on	Mar 31, 2009
c. Holding Company's Interest:	
i. No. of Equity Shares	10
ii. Face Value	\$ 10
iii. Paid up Value	\$ 100
iv. Extent of Holding	100 Percent
d. Net aggregate amount of Subsidiary's profit/(losses) not dealt with in the Holding Company's accounts:	
i. for subsidiary's financial year	Profit - Rs.0.53 Lakhs
ii. for its previous year	Loss - Rs.1.34 Lakhs
e. Net aggregate amount of Subsidiary's profit/(losses) dealt with in the Holding Company's accounts:	
i. for subsidiary's financial year	Nil
ii. for its previous financial year	Nil
f. Changes in the interest of the Holding Company between the end of the Subsidiary's financial year ended and Mar 31, 2009	Nil
g. Material Changes between the end of the subsidiary's financial year ended and Mar 31, 2009	Not Applicable

For and on behalf of the Board

Dr. A. C. Muthiah
Chairman

Dr. A. Besant C. Raj
Director

Dr. T. S. Vijayaraghavan
Director

Ar Rm Arun
Vice Chairman

Ashwin C Muthiah
Director

Dr. A. Ramakrishna
Director

N. Sivashanmugam
Chief Financial Officer

S. R. Vijayakar
Director

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

Chennai
Jun 2, 2009

Consolidated Financial Statements
of
SPEL Semiconductor Limited
2008-2009

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF SPEL SEMICONDUCTOR LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES

1. We have audited the attached Consolidated Balance sheet of SPEL Semiconductor Limited and its subsidiaries as at 31st March, 2009 and the Consolidated Profit and Loss Account and the Consolidated cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted the audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiaries whose financial statements reflects total assets of Rs.7.22 lacs as at 31st March 2009, total revenues of Rs.211.52 lacs for the year then ended. These financial statements and other financial information have been audited by other auditors
4. We report that the consolidated financial statements have been prepared by SPEL Semiconductor Limited's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
5. Based on our audit, and on consideration of reports of other auditors on separate financial statements, and on the other financial information of the components and to the best of our knowledge and according to information and explanation given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the Accounting Principles generally accepted in India:
 - (a) In the case of Consolidated Balance Sheet, of the state of the affairs of the SPEL Semiconductor Group as at 31st March, 2009; and
 - (b) In the case of Consolidated Profit and Loss Account, of the Profit for the year ended on that date; and
 - (c) In the case of Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **Natarajan & Co.**
Chartered Accountants

A Baskar
Partner
M.No. 211721

Chennai
Jun 2, 2009

Consolidated Balance Sheet As at Mar 31, 2009

	Schedule	As at Mar 31, 2009 (in Rupees)		As at Mar 31, 2008 (in Rupees)
Source of Funds				
Shareholders' Funds				
Share Capital	1		46,13,25,280	46,13,25,280
Reserves and Surplus	2		34,61,47,960	34,08,12,662
Loan Funds				
Secured	3		33,96,91,577	31,38,48,903
Unsecured	4		10,32,89,216	15,37,42,430
Deferred Tax Liability			8,68,64,536	5,35,05,794
Total			133,73,18,569	132,32,35,069
Application of Funds				
Fixed Assets				
Gross Block	5	160,46,18,710		148,19,10,493
Less: Depreciation		44,00,21,585	116,45,97,125	35,82,92,577
Capital Work-in-Progress	5		31,50,000	23,23,280
Current Assets, - Loans & Advances				
Inventories	6	14,45,79,724		14,72,91,112
Sundry Debtors		4,08,15,700		4,43,56,720
Cash and Bank Balances		5,02,16,095		4,80,57,977
Loans and Advances		7,09,19,189		5,12,59,582
Foreign Currency Receivable - Forward Contract				14,37,28,000
		30,65,30,708		43,46,93,391
Less: Current Liabilities and Provisions	7	13,69,59,264		12,23,52,940
Foreign Currency Payable - Forward Contract				14,27,40,000
Net Current Assets (6-7)			16,95,71,444	16,96,00,451
Deferred Employee Compensation Expense				2,76,93,422
Total			133,73,18,569	132,32,35,069

[Notes on Accounts (Schedule - 9)]

For and on behalf of the Board

Per our report attached

Dr. A. C. Muthiah
Chairman

Ar Rm Arun
Vice Chairman

N. Sivashanmugam
Chief Financial Officer.

For **Natarajan & Co.**
Chartered Accountants

Dr. A. Besant C. Raj
Director

Ashwin C Muthiah
Director

S. R. Vijayakar
Director

A Baskar
Partner

Dr. T. S. Vijayaraghavan
Director

Dr. A. Ramakrishna
Director

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

M.No. 211721

Chennai
Jun 2, 2009

Consolidated Profit and Loss Account for the Year Ended Mar 31, 2009

	Schedule	As at Mar 31, 2009 (in Rupees)	As at Mar 31, 2008 (in Rupees)
INCOME			
Sales		81,00,26,212	72,85,94,604
Other Income		2,25,07,427	3,66,86,780
TOTAL INCOME		83,25,33,639	76,52,81,384
EXPENDITURE			
Manufacturing and Other Expenses	8	62,04,04,231	56,71,49,281
Excise duty		-	4,61,915
Interest		3,23,97,761	2,78,96,019
Depreciation		8,33,32,388	6,07,90,055
TOTAL EXPENDITURE		73,61,34,380	65,62,97,270
Profit for the year		9,63,99,259	10,89,84,114
Fringe Benefit Tax		9,17,594	49,51,983
Deferred Tax		3,28,13,753	3,11,51,066
Provision for Current Tax & MAT		1,09,46,860	1,22,47,051
Less : MAT Credit Entitlement		(1,08,19,845)	(1,22,47,051)
Profit after Tax		6,25,40,897	7,28,81,065
Profit brought forward		9,66,63,243	2,37,82,178
Net Profit Carried to Balance Sheet		15,92,04,140	9,66,63,243
Nominal Value of each shares in Rs.		10	10
EPS in Rs.		1.36	1.59
Diluted EPS in Rs.		1.36	1.58
Number of Shares		4,61,17,443	4,59,27,925
Number of Shares for Diluted EPS (Diluted EPS calculated by including potential Shares on account of ESOS)		4,61,17,443	4,62,63,196
[Notes on Accounts (Schedule - 9)]			

For and on behalf of the Board

Dr. A. C. Muthiah
Chairman

Ar Rm Arun
Vice Chairman

N. Sivashanmugam
Chief Financial Officer

Per our report attached

For **Natarajan & Co.**
Chartered Accountants

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Director

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Head Corporate Affairs &
Company Secretary

M.No. 211721

Chennai
Jun 2, 2009

Schedule 1 Share Capital

	As at Mar 31, 2009 (in Rupees)	As at Mar 31, 2008 (in Rupees)
Authorised		
6,00,00,000 Equity Share of Rs.10/- each	<u>60,00,00,000</u>	<u>60,00,00,000</u>
Issued		
4,61,47,613 Equity Shares of Rs.10/- each (of which 6,81,240 equity shares at par were issued during the year to Employees as per the scheme of ESOS)	<u>46,14,76,130</u>	<u>46,14,76,130</u>
Subscribed and Paid up		
4,61,17,443 Equity Shares of Rs.10/- each	46,11,74,430	46,11,74,430
Add : Forfeited Shares 30,170 Equity Shares of Rs.5/- each	<u>1,50,850</u>	<u>1,50,850</u>
	<u>46,13,25,280</u>	<u>46,13,25,280</u>

Paid-up Capital includes allotment of 86,88,160 Equity Shares at par to Financial Institutions as per the terms of reliefs/concessions sanctioned by them during the year 1995-96

Paid-up Capital includes 1,52,59,213 Equity Shares at a premium of Rs.15/- to Promoters as per the order of Madras High Court for the approval of the scheme of Financial Restructuring of the Company in 2004-05.

Holding Company held 2,58,11,207 Equity Shares as on Mar 31, 2009.

Schedule 2 Reserves and Surplus

	As at Mar 31, 2008 (in Rupees)	Addition (in Rupees)	Deletion (in Rupees)	As at Mar 31, 2009 (in Rupees)
Capital Reserve	6,66,215	-	-	6,66,215
Revaluation Reserve	20,40,36,968	-	-	20,40,36,968
Employee Stock Option Outstanding (ESOS - 2007)	3,47,11,618	-	3,47,11,618	-
Securities Premium Account	47,34,618	-	-	47,34,618
Profit & Loss Account	9,66,63,243	6,25,40,897	2,24,93,981	13,67,10,159
	<u>34,08,12,662</u>	<u>6,25,40,897</u>	<u>5,72,05,599</u>	<u>34,61,47,960</u>

Schedule 3 Secured Loans

	As at Mar 31, 2009 (in Rupees)	As at Mar 31, 2008 (in Rupees)
Loans from Banks	30,99,14,704	29,24,65,838
Working Capital Loans from Banks	2,97,76,873	2,13,83,065
	<u>33,96,91,577</u>	<u>31,38,48,903</u>

Note

1. Term loans from Banks are secured by first mortgage of all the Company's immovable properties both present and future, ranking pari passu inter se and a first charge by way of hypothecation of all the Company's movables (save and except book debts & on specific assets purchased on loan basis from Customers) including movable machinery, spares, tools and accessories both present and future, subject to prior charges created in favour of the Company's bankers on inventories, book debts, deposits and other specified movables for securing the borrowing of working capital requirements.
2. Working Capital Loans from Banks are secured by hypothecation by way of first charge on the current assets of the Company viz. Stock of Raw materials, Stocks in Process, Semi-finished and Finished Goods, Stores and Spares not relating to Plant and Machinery (Consumables, Stores and Spares) Bills receivables, Book debts, deposits and all other movables excluding such movables as may be permitted by consortium of Banks in their discretion from time to time, both present and future, wherever situated and further secured by the second charges on the immovable assets of the Company both present and future. The charge on current assets of the Company will rank pari passu with the existing charges created and/or agreed to be created thereon in favour of consortium of Banks.

Schedule 4

Unsecured Loans

	As at Mar 31, 2009 (in Rupees)	As at Mar 31, 2008 (in Rupees)
Equipment Loan	10,32,89,216	11,87,42,430
Inter-Corporate Deposit	-	2,00,00,000
Fixed Deposit from Others	-	1,50,00,000
	10,32,89,216	15,37,42,430

Schedule 5

Fixed Assets

(in Rupees)

Description	Gross Block			Depreciation				Net Block		
	As at Apr 1, 2008	Additions during the year	Deletions	As at Mar 31, 2009	As at Apr 1, 2008	For the year	Deletions	As at Mar 31, 2009	As at Mar 31, 2009	As at Mar 31, 2008
1. Land	40,10,11,436	-	-	40,10,11,436	-	-	-	-	40,10,11,436	40,10,11,436
2. Building	6,75,74,031	6,64,171	-	6,82,38,202	2,04,00,822	19,61,706	-	2,23,62,528	4,58,75,674	4,71,73,209
3. Plant & Machinery	98,97,84,200	14,29,83,224	(2,35,83,532)	110,91,83,892	32,38,05,551	7,95,73,739	(16,08,210)	40,17,71,080	70,74,12,812	66,59,78,649
4. Furniture & Fixtures	69,03,000	5,12,425	-	74,15,425	43,91,339	2,43,603	-	46,34,942	27,80,483	25,11,661
5. Office Equipments	1,35,64,225	21,00,769	31,160	1,56,96,154	88,96,164	12,61,348	4,830	1,01,62,342	55,33,812	46,68,061
6. Motor Vehicle	30,73,601	-	-	30,73,601	7,98,701	2,91,992	-	10,90,693	19,82,908	22,74,900
	148,19,10,493	14,62,60,589	(2,35,52,372)	160,46,18,710	35,82,92,577	8,33,32,388	(16,03,380)	44,00,21,585	116,45,97,125	112,36,17,916
Previous Year	94,55,34,607	60,48,07,516	6,84,31,630	148,19,10,493	35,57,46,560	6,07,90,055	5,82,44,038	35,82,92,577	-	-
Capital Work-in-Progress									31,50,000	23,23,280

Note

Capital Work-in-Progress Rs.31.50 lakhs relate to advances and purchases for ERP Projects.

Additions during the year includes Rs.1046.89 lakhs of exchange fluctuation loss which has been capitalized. Deletion represents the exchange gain of earlier year Rs. 235.84 lakhs as per GOI Notification (GO No.GSR225(E) dated Mar 31,2009).

Schedule 6

Current Assets, Loans & Advances

	As at Mar 31, 2009 (in Rupees)		As at Mar 31, 2008 (in Rupees)	
A. Current Assets				
Inventories				
Stores and Spares	2,40,62,079		3,89,36,413	
Raw Materials	3,76,63,154		3,78,34,995	
Work-in-Progress	8,06,65,861		6,99,59,733	
Finished Goods	<u>21,88,630</u>	<u>14,45,79,724</u>	<u>5,59,971</u>	<u>14,72,91,112</u>
Sundry Debtors (Unsecured considered good)				
Outstanding exceeding six months	33,45,154		33,45,154	
Others	<u>4,08,15,700</u>		<u>4,43,56,720</u>	
	4,41,60,854		4,77,01,874	
Less : Provision for Bad Debts	<u>33,45,154</u>	4,08,15,700	<u>33,45,154</u>	4,43,56,720
Cash & Bank Balances				
Cash on hand	1,06,427		45,091	
Balances with scheduled banks				
On Current Accounts	1,27,16,878		34,10,156	
On Deposit Accounts	3,16,59,199		4,15,91,203	
On Margin Money Account	<u>57,33,591</u>	<u>5,02,16,095</u>	<u>30,11,527</u>	<u>4,80,57,977</u>
		<u>23,56,11,519</u>		<u>23,97,05,809</u>
B. Loans and Advances				
(Unsecured considered good)				
Advances recoverable in cash or in kind or value to be received	3,02,60,199		2,39,24,461	
Less : Provision for Doubtful Advances	<u>4,06,000</u>		<u>4,06,000</u>	
	2,98,54,199		2,35,18,461	
Balances with Excise, Customs and other Government Authorities	<u>4,10,64,990</u>	<u>7,09,19,189</u>	<u>2,77,41,121</u>	<u>5,12,59,582</u>
		<u><u>30,65,30,708</u></u>		<u><u>29,09,65,391</u></u>

Schedule 7

Current Liabilities & Provisions

	As at Mar 31, 2009 (in Rupees)	As at Mar 31, 2008 (in Rupees)
Current Liabilities		
1. Sundry Creditors		
- for goods		
a. Total outstanding dues of Small Scale Industrial undertaking(s)	2,35,510	1,45,561
b. Total outstanding dues of Creditors other than Small Scale Industrial undertaking(s)	5,59,32,224	5,20,23,937
- for expenses	1,15,14,807	1,13,66,926
- for gratuity	64,39,005	43,58,636
- for others	22,32,650	33,59,231
2. Provision for Employee Benefit	74,05,824	62,94,016
3. Temporary Overdraft from Banks	14,68,261	-
4. Advance from Customers	2,04,60,502	2,03,23,562
5. Tax Liability	3,11,95,518	2,42,76,820
6. Interest Accrued but not due	74,963	2,04,251
	<u>13,69,59,264</u>	<u>12,23,52,940</u>

Schedule 8

Manufacturing and Other Expenses

	As at Mar 31, 2009 (in Rupees)	As at Mar 31, 2008 (in Rupees)
Raw materials and Intermediates consumed	27,98,10,529	28,07,92,784
Stores Consumed	7,39,35,707	4,75,77,530
Characterization & Testing Charges	1,66,06,580	1,37,49,757
Power	2,53,08,772	3,12,26,615
Fuel	1,31,76,553	47,44,256
Payments to and provisions for employees		
Salaries, Allowances and Gratuity	12,84,60,793	11,34,40,211
Contribution to P.F. & E.S.I.	94,44,692	86,41,769
Staff Welfare	91,60,458	92,30,490
	<u>14,70,65,943</u>	<u>13,13,12,470</u>
Travel and Conveyance	93,18,524	1,30,84,871
Insurance	8,38,969	14,77,140
Rent	6,23,447	4,87,919
Rates and Taxes	16,63,275	12,71,615
Telephone, Telex, Postage & Telegram	20,40,967	21,63,661
Repairs and Maintenance		
Machinery	11,20,689	12,43,910
Building	20,30,281	37,64,945
Others	1,17,01,878	1,04,10,368
	<u>1,48,52,848</u>	<u>1,54,19,223</u>
Carriage Outwards	35,56,617	37,69,775
Directors' Sitting Fee	1,54,000	1,99,000
Commission to Vice Chairman	29,81,904	34,96,268
Commission	1,69,879	5,10,235
Loss on Forward Contract	1,87,74,736	-
Miscellaneous Expenses	2,18,59,768	2,29,64,770
	<u>63,27,39,018</u>	<u>57,42,47,889</u>
Add: Opening Stock		
Work-in-Progress	6,99,59,732	5,04,87,453
Finished goods	5,59,971	1,29,33,642
	<u>7,05,19,703</u>	<u>6,34,21,095</u>
	<u>70,32,58,721</u>	<u>63,76,68,984</u>
Less: Closing Stock		
Work-in-Progress	8,06,65,860	6,99,59,732
Finished goods	21,88,630	5,59,971
	<u>8,28,54,490</u>	<u>7,05,19,703</u>
	<u><u>62,04,04,231</u></u>	<u><u>56,71,49,281</u></u>

SCHEDULE 9

Notes on the consolidated Accounts

A. Basis of Consolidation

The Consolidated Financial Statements comprises of financial statements of SPEL Semiconductor Limited (the company) and its subsidiary SPEL America Inc. The Consolidated Financial Statements have been prepared in accordance with AS-21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

The subsidiary company SPEL America Inc., is Incorporated in USA. SPEL Semiconductor Limited is having 100% ownership interest in the subsidiary as at Mar 31, 2007.

B. Accounting Policies

The significant accounting policies followed by the Company are as follows :

i. Fixed Assets and Depreciation

Expenditure which are of a capital nature are capitalised at a cost, which comprises of purchase price (net of rebates and discounts), import duties, levies and any directly attributable cost of bringing the assets to its working condition for the intended use.

Depreciation on fixed assets of the parent company is being charged on straight line method on a pro-rata basis in accordance with rates specified under Schedule XIV of the Companies Act, 1956. Subsidiary company provides depreciation in accordance with US Tax laws.

Certain assets have been revalued as on Mar 31, 2005 & Mar 31, 2008 and the resultant surplus has been added to the cost of the assets with the corresponding credit to revaluation reserve account.

ii. Treatment of Foreign Currency Items

a. Indian Operations

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction.

Monetary items are restated at the rates prevailing at the year end and the difference between the year end rate and the exchange rate at the date of the transaction is recognized as income or expense in the profit and loss account.

b. Overseas Operations

The financial Statements have been consolidated after considering "SPEL America Inc." as an integral foreign operation.

Fixed Assets are recorded at the rates of exchange prevailing on the date of acquisition of such assets. Monetary items are translated at the exchange rate prevailing on the last date of the accounting year and difference in exchange is recognized as income or expense in the profit & loss account. All the non-monetary assets & liabilities and revenue items are translated at monthly average rate.

iii. Investment

Long Term Investments are valued at cost. Provision for diminution in the value of long term investments is made only if such decline is other than temporary in nature.

iv. Valuation of Inventories

The method of valuation for various categories of Inventories are as follows

a. Raw Materials, Stores, Spares and Consumables are valued at weighted average rates.

b. Work-in-progress is valued at cost or realisable value whichever is less.

c. Finished goods are valued at lower of cost or net realisable value.

v. Revenue Recognition

The income and expenditure are accounted on accrual basis.

vi. Treatment of Retirement Benefits

a. Contribution to provident fund is made monthly at a predetermined rate to the provident fund trust and debited to the Profit and Loss account on accrual basis.

b. The Company accounts for Gratuity Liability equivalent to the premium amount payable to Life Insurance Corporation of India based on percentage of annual salary specified by Life Insurance Corporation of India.

c. Liability for leave encashment is provided on actual basis.

vii. Borrowing Costs

Borrowing Costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

viii. Deferred Tax

Deferred taxes are recognized for the future tax consequences attributable to timing differences, which arise on account of difference between the accounting income and taxable income for the period. The effect on the deferred tax assets & liabilities of change in tax rate is recognized in the statement of Profit and loss account using the tax rate and tax laws that have been enacted or substantively enacted by the Balance sheet date.

Deferred tax assets are recognized or carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

ix. ESOS Accounting

The company measures the compensation cost relating to employee stock options using the Fair value method. The Compensation cost is charged on a straight line basis over the total vesting period of stock options.

- x. **Contingent Liabilities**
All liabilities have been provided for in the account except liabilities of a contingent nature, which have been disclosed at their estimated value in the notes on account.
2. The company has opted for accounting the exchange difference arising on reporting of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 on Accounting Standard 11 (AS-11) notified by Government of India on Mar 31, 2009 (GO No. GSR225(E) dated Mar 31, 2009). Accordingly the effect of exchange differences on FCNR and other foreign currency loans of the company is accounted by addition or deduction to the cost of the assets so far it relates to depreciable capital assets. Exchange difference recognized in the Profit & Loss Account up to last financial year ending Mar 31, 2008 relating to said long term liabilities in foreign currency has been adjusted against opening revenue reserve as provided in the rules. As a result of this change in accounting for exchange difference an amount of Rs. 219.49 lakhs (Net of Tax) has been adjusted in the Reserve and Depreciation. In the current financial year exchange fluctuation of Rs. 1046.89 lakhs has been added to fixed asset. The corresponding effect on the depreciation for the current year is Rs. 97.78 lakhs.
3. **Segmental Reporting**
The Integrated Circuits is the only operating segment for the company
4. **Related party disclosure under Accounting Standard 18:**

Nature of Relationship	Name of the Party	Nature of Transaction with Value
A. Holding Company	Southern Petrochemical Industries Corporation Limited	Balance as on Mar 31, 2009: a. Current Account Rs.0.83 lakhs (Dr) b. Guarantee issued Rs.520.00 lakhs
B. Subsidiary Company	SPEL America Inc.	Marketing Fee paid – Rs.211.53 lakhs
C. Key Management Personnel	Dr. A. C Muthiah – Chairman Mr. Ar Rm Arun - Vice Chairman Mr. Sam Varghese Chief Executive Officer of SPEL America Inc. N Sivashanmugam Chief Financial Officer	Personal Guarantee Commission Rs. 24.92 lakhs Commission – Rs. 29.82 lakhs Remuneration – Rs. 101.44 lakhs Remuneration - Rs. 23.94 lakhs
D. Enterprise owned by/over which Key Management Personnel is able to exercise significant influence	Chip Test Labs Ltd Vice Chairman is the Chairman for the Holding company of Chip Test Labs Ltd Cherrytec Solutions Ltd. Vice Chairman is the Chairman of Cherrytec Solutions Ltd Cherrytec Solutions Incorporated, USA Vice Chairman is the Chairman of Cherrytec Solutions Incorporated Valingro Exponenta Limited. Vice Chairman is Chairman in Valingro Exponenta Limited Natronix Semiconductor Technology Limited Vice Chairman is Chairman in Natronix Semiconductor Technology Limited.	Characterization Charges Rs. 159.96 lakhs Test Engineering Charges Rs. 57.29 lakhs Reliability Testing Income – Rs. 11.77 lakhs Rental Income – Rs.4.44 lakhs Balance Outstanding to them as on Mar 31,2009 Rs. 50.92 lakhs Balance Outstanding to them as on Mar 31,2009 Rs. 10.00 lakhs towards ERP implementation. Consultancy Charges of Rs. 33.53 lakhs. Consultancy charges of Rs. 17.59 lakhs. Balance Outstanding to them as on Mar 31,2009 Rs. 1.32 lakhs Deputation Charges of Rs. 10.00 lakhs. Balance Outstanding to them as on Mar 31,2009 Rs. 1.25 lakhs

5. Previous year's figures have been regrouped wherever necessary.

For and on behalf of the Board

Dr. A. C. Muthiah
Chairman

Dr. A. Besant C. Raj
Director

Dr. T. S. Vijayaraghavan
Director

Ar Rm Arun
Vice Chairman

Ashwin C Muthiah
Director

Dr. A. Ramakrishna
Director

N. Sivashanmugam
Chief Financial Officer

S. R. Vijayakar
Director

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

Per our report attached

For Natarajan & Co.
Chartered Accountants

A Baskar
Partner

M.No. 211721

Chennai
Jun 2, 2009

**Consolidated Cash Flow Statement for the year ended Mar 31, 2009
Pursuant to Clause 32 of the Listing Agreement**

(Rupees in lakhs)

	Year ended Mar 31, 2009		Year ended Mar 31, 2008	
A. Cash Flow from Operating Activities :				
Net Profit before tax and extraordinary item:		963.99		1089.84
Adjustments for :				
Depreciation	833.32		607.90	
Foreign Exchange gain	(108.47)		(263.42)	
Interest Income	(40.28)		(18.28)	
Rental Income	(7.31)		(6.90)	
Amortisation of Employee Compensation	(70.18)		69.72	
Inventory Written off	0.00		292.16	
Provision for Doubtful Advances	0.00		33.45	
Loss on sale of Fixed Assets	0.03		0.38	
Forward premium profit	(3.28)		(6.53)	
Interest Expense	323.31	927.14	278.96	987.44
Operating Profit before working capital changes		1891.13		2077.28
Adjustments for :				
Trade and other receivables	(50.82)		(229.14)	
Inventories	27.11		(373.10)	
Trade payables	149.88	126.17	187.07	(415.17)
Cash generated from operations		2017.30		1662.11
Direct Tax Paid		111.45		148.21
Net Cash from Operating Activities		1905.85		1513.90
B. Cash Flow from Investing Activities :				
Purchase of Fixed Assets (including Capital Work -in-Progress)	(1475.91)		(3065.80)	
Proceeds from Sale of Fixed Assets	5.00		0.10	
Interest Income	40.28		18.28	
Rental Income	7.31		6.90	
Net Cash Flow in Investing Activities		(1423.32)		(3040.52)

(Rupees in lakhs)

	Year ended Mar 31, 2009	Year ended Mar 31, 2008
C. Cash Flow from Financing Activities :		
Proceeds from Working Capital Borrowings	83.94	(44.34)
Term Loan from Bank	174.48	1038.81
Equipment Loan	(154.53)	989.62
Increase in share capital	0.00	68.12
Foreign Exchange gain	108.47	263.42
Fixed Deposit refunded	(350.00)	(215.00)
Interest Paid	(323.31)	(278.96)
Net Cash Flow in Financing Activities	(460.95)	1821.67
Net increase in Cash and Cash Equivalents	21.58	295.05
Cash and Cash Equivalents as at Apr 01, 2008 (Opening Balance)	480.58	185.53
Cash and Cash Equivalents as at Mar 31, 2009(Closing Balance)	<u>502.16</u>	<u>480.58</u>

For and on behalf of the Board

Dr. A. C. Muthiah
Chairman

Dr. A. Besant C. Raj
Director

Dr. T. S. Vijayaraghavan
Director

Ar Rm Arun
Vice Chairman

Ashwin C Muthiah
Director

Dr. A. Ramakrishna
Director

N. Sivashanmugam
Chief Financial Officer

S. R. Vijayakar
Director

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

Chennai
Jun 2, 2009

Auditor's Report

We have examined the above Cash Flow Statement of SPEL Semiconductor Limited, for the year ended 31st March 2009, which is in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company, covered by our report of 2nd June 2009 to the Members of the Company.

For Natarajan & Co.
Chartered Accountants

Chennai
Jun 2, 2009

A Baskar
Partner
M.No. 211721



SPEL America Inc, USA

Directors' Report

Your Directors have great pleasure in presenting the 4th Annual Report of the Company together with the Audited Accounts for the year ended Mar 31, 2009.

Performance during the year

The performance of your Company for the year has improved. Board of Directors of the Company is happy to announce that entire accumulated losses of the Company have been wiped off during the FY 2008-09.

During the year under review, your Company was able to provide improved service to its Holding Company.

Financial Performance

The Operating results of your Company for the year ended Mar 31, 2009 are given below

Particulars	Year ended Mar 31, 2009	Year ended Mar 31, 2008
Marketing Fee	456,000.00	480,000.00
PBT	7,320.96	(1,299.43)
Provision for Taxation	2,623.00	4,331.49
Profit after Taxation	4,697.96	(5,630.92)
Carried Over Profit / Loss	(3,576.21)	2,054.71
Net Profit Carried to Balance sheet	1,121.75	(3,576.21)

(In US\$)

Directors

Mr. D. Balakrishnan was appointed as Director during the year under review.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :

1. That in the preparation of the Annual Accounts for the year ended Mar 31, 2009, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
2. That the Directors had selected such Accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit or loss of your Company for the year under review;
3. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors had prepared the accounts for the year ended Mar 31, 2009 on a 'going concern' basis.

Information pursuant to Section 217 the Companies Act, 1956

There are no such transactions requiring disclosure of particulars relating to the conservation of energy, technology absorption & foreign exchange earnings and outgo as required under Section 217 (1) (e) of the Companies Act, 1956 and the rules framed there under.

Acknowledgements

Your Directors wish to place on record their gratitude to all the concerned who have been associated with the Company during the year.

Santa Clara
Apr 10, 2009

Sam Varghese
Director

N. Sivashanmugam
Director

Auditors' report

To the Board of Directors of SPEL America Incorporation, USA

We have audited the accompanying Balance Sheet of SPEL America Incorporation as of 31st March 2009, and the related statement of income for the twelve months then ended. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of SPEL America Incorporation, USA as of March 31, 2009 and the results of its operations for the twelve months then ended, in conformity with generally accepted accounting principles.

For R. Krishna Kumar & Associates
Chartered Accountants

R. Krishna Kumar
Membership No. 205250

Place : Chennai
Date : Apr 20, 2009



SPEL America, Inc.

Balance Sheet as at March 31, 2009

	As at Mar 31, 2009 (in Rupees)	As at Mar 31, 2008 (in Rupees)
Source of Funds		
Shareholders' Funds		
Share Capital	4,365.00	4,365.00
Reserves and Surplus	52,605.00	-
Total	<u>56,970.00</u>	<u>4,365.00</u>
Application of Funds		
Fixed Assets		
Gross Block	6,80,912.00	4,08,390.00
Less: Depreciation	<u>6,65,043.00</u>	<u>3,77,789.00</u>
	15,869.00	30,601.00
Current Assets, Loans & Advances		
Cash and Bank Balances	1,93,388.00	70,973.00
Sundry Debtors	-	-
Loans and Advances	<u>1,91,673.00</u>	<u>1,62,381.00</u>
	3,85,061.00	2,33,354.00
Less: Current Liabilities & Provisions		
Outstanding expenses	<u>3,43,960.00</u>	<u>3,94,120.00</u>
Net Current Assets	41,101.00	(1,60,766.00)
Profit and Loss Account	-	1,34,530.00
Total	<u>56,970.00</u>	<u>4,365.00</u>

As per our report attached
For R Krishnakumar & Associates
Chartered Accountants

Santa Clara, CA
Apr 20, 2009

Sam Varghese
Director

N Sivashanmugam
Director

R Krishnakumar
Partner
M.No.205250



SPEL America, Inc.

Profit and Loss Account for the year ended March 31, 2009

	Year ended Mar 31, 2009 (in Rupees)	Year ended Mar 31, 2008 (in Rupees)
Income		
Marketing Fee	2,11,52,740.00	1,93,83,250.00
Other Income	279,589.00	-
Total income	2,14,32,329.00	1,93,83,250.00
Expenditure		
Salaries and Allowances	1,34,81,346.00	1,04,13,256.00
Contribution to Expenses	8,36,538.00	5,77,016.00
Staff Welfare	2,88,961.00	1,78,051.00
Travel and Conveyance	8,24,235.00	27,25,664.00
Consultancy Charges	3,35,3088.00	24,11,100.00
Rent	2,46,187.00	2,05,964.00
Rates and Taxes	1,27,015.00	1,76,306.00
Telephone, Telex, Postage & Telegram	5,19,832.00	4,29,473.00
Office Maintenance	90,492.00	62,997.00
Commission	1,69,879.00	5,10,235.00
Advertisement and Sales Promotion	7,68,750.00	13,98,304.00
Miscellaneous Expenses	2,51,617.00	4,02,153.00
Depreciation	2,87,254.00	1,19,517.00
Total Expenditure	2,12,45,194.00	1,96,10,036.00
Profit / (Loss) for the year	1,87,135.00	(2,26,786.00)
Provision for Taxation	-	-
	1,87,135.00	(2,26,786.00)
Profit / (Loss) brought forward	(1,34,530.00)	92,256.00
Net Profit / (Loss) Carried to Balance Sheet	52,605.00	(1,34,530.00)

As per our report attached
For R Krishnakumar & Associates
Chartered Accountants

Santa Clara, CA
Apr 20, 2009

Sam Varghese
Director

N Sivashanmugam
Director

R Krishnakumar
Partner
M.No.205250

FORM 2B

The Companies Act, 1956

(See Rule 4CCC and 5D)

Nomination Request Form

(For shares held in physical form)

To
 Cameo Corporate Services Limited
 Unit : SPEL Semiconductor Limited
 "Subramanian Building"
 1 Club House Road
 Chennai 600 002

From : _____

Folio No. _____

Shares held _____

I am/we are the holder(s) of Shares of the Company as mentioned above. I/We nominate the following person(s) in whom all rights of transfer and/or amount payable in respect of Shares shall vest in the event of my/our death.

Nominee's name										Age			
To be furnished in case the nominee is minor						Date of Birth							
Guardian's Name*													
Occupation of	1	Service		2	Business		3	Student		4	Household		
Nominee Tick (✓)	5	Professional		6	Farmer		7	Others					
Nominee's Address													
										Pin Code			
Telephone No.										Fax No.			
Email Address										STD Code			
Specimen Signature of Nominee/ Guardian (in case of nominee is minor)													

* To be filled in case nominee is minor
 Kindly take the aforesaid details on record

Thanking you,
 Yours faithfully,

Name of all the holder(s) (as appearing on the Certificate(s))	Signature as per specimen recorded with the Company
Sole/1st holder	
2nd holder	
3rd holder	

Signature of two Witnesses

Name and address	signature with date
1.	
2.	

Instructions

Please read the Instructions given below very carefully and follow the same to the letter. If the form is not filled as per the instructions the same will be rejected.

1. The nomination can be made individuals only. Non - individuals including society, trust, body corporate, partnership firm, karta of Hindu Undivided Family, holder of power of attorney cannot nominate. If the shares are held jointly all joint holders will sign (as per the specimen recorded with the Company) the Nomination Form. A Non-resident Indian can be a nominee on re-partriable basis.
2. A minor can be nominated by a holder of shares and in that event the name and address of the Gurdian shall be given by the holder.
3. Transfer of share in favour of nominee and repayment of amount to the nominee shall be valid discharges by a company against the legal heir.
4. Only one person canbe nominated per folio.
5. Details of all the holders in a foilo required to be filled; else the request will be rejected.
6. the nomination will be registered only when it is complete in all respects including the signature of (a) all the registered holders (as per the specimen recorded with the company) and (b) the nominee.
7. Whenever the shares in the given foilo are entirely transferred or transposed with some other foilo, then this nomination will stand rescinded.
8. On receipt of duly executed nomination from, the company will register the form and allot a registration number and date. This number and foilo number, should be quoted by the nominee in all future correspondence.
9. The nomination can be revoked by executing fresh nomination form.
10. The Company will not entertain any claims other than those of a registered nominee, unless so directed by a Court.

For Office use Only	
Nomination Registration Number	Registered Foilo Nuber
Date of Registration	
Checked and Signed by	

SPEL Semiconductor Limited

Registered Office : 5 CMDA Industrial Estate, maraimalai Nagar (Chennai) 603 209.

Attendance Slip

Members attending the Meeting in person or by proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

I here by record my presence at the 24th Annual General Meeting of the Company to be held at 2.45 p.m on Friday, July 31, 2009 at 5 CMDA Industrial Estate, Maraimalai Nagar (Chennai) 603 209.

_____ Signature
Full Name of the Member (in block letters)
Folio No : _____ DP ID No.* _____ Client ID No.* _____
* Applicable if Members holding shares in electronic form

_____ Signature
Full name of the proxy (in block letters)
Note : 1. Member/proxy holder wishing to attend the meeting must bring the Attendance Slip to the Meeting.
2. Member /proxy holder desiring to attend the meeting should bring his copy of the Notice for reference at the meeting.

SPEL Semiconductor Limited

Registered Office : 5 CMDA Industrial Estate, Maraimalai Nagar (Chennai) 603 209.

Proxy

I/We.....
ofin the district of being a
Member/Members of the above named Company hereby appoint
of in the district of or failing him
of in the District of
as my / our proxy to attend and vote for me/us and on my/our behalf at the 24th Annual
General Meeting of the Company to be held at 2.45 p.m on Friday, July 31, 2009 at 5 CMDA Industrial
Estate, Maraimalai Nagar (Chennai) 603 209

Signed this day of 2009
Folio No : _____ DP ID No.* _____ Client ID No.* _____
* Applicable if Member holding shares in electronic form

No. of shares

This form is to be used ** in favour of the resolution. Unless otherwise instructed,
 **against
the Proxy will act as he thinks fit.

** Strike out whichever is not desired.

Affix Re.1 Revenue Stamp

- NOTES :** i) The Proxy must be returned so as to reach the Registered Office of the Company, 5 CMDA Industrial Estate, Maraimalai Nagar (Chennai) 603 209 not less than FORTY-EIGHT HOURS before the time for holding the aforesaid meeting.
- ii) Those members who have multiple folios with different jointholders may use copies of this Attendance Slip / Proxy.



Book - Post

24th Annual Report

2008 - 09

To

If undelivered, please return to :
SPEL Semiconductor Limited
5 CMDA Industrial Estate
MM Nagar (Chennai) 603 209, India.