



**SPEL Semiconductor Limited**

*an IC Assembly & Test Company*



**26<sup>th</sup> Annual Report 2010 - 11**



## SPEL Semiconductor Limited

### Board of Directors

- |                             |                     |
|-----------------------------|---------------------|
| 1. Dr. A. C. Muthiah        | Chairman            |
| 2. Mr. Ar Rm Arun           | Vice Chairman       |
| 3. Mr. S. R. Vijayakar      | Director            |
| 4. Dr. A. Besant C Raj      | Director            |
| 5. Dr. T. S. Vijayaraghavan | Director            |
| 6. Mr. Ashwin C Muthiah     | Director            |
| 7. Mr. N. Sivashanmugam     | Whole Time Director |

### Chief Executive Officer

Mr. D. Balakrishnan

### 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, USA

### 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 Packaging 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*

**G**earing up for continual improvement with our Environmental Management System and reviewing it periodically

**R**especting and being committed to meet and exceed legal and other requirements

**E**mphasizing the minimization of significant impacts, wastes and pollution prevention

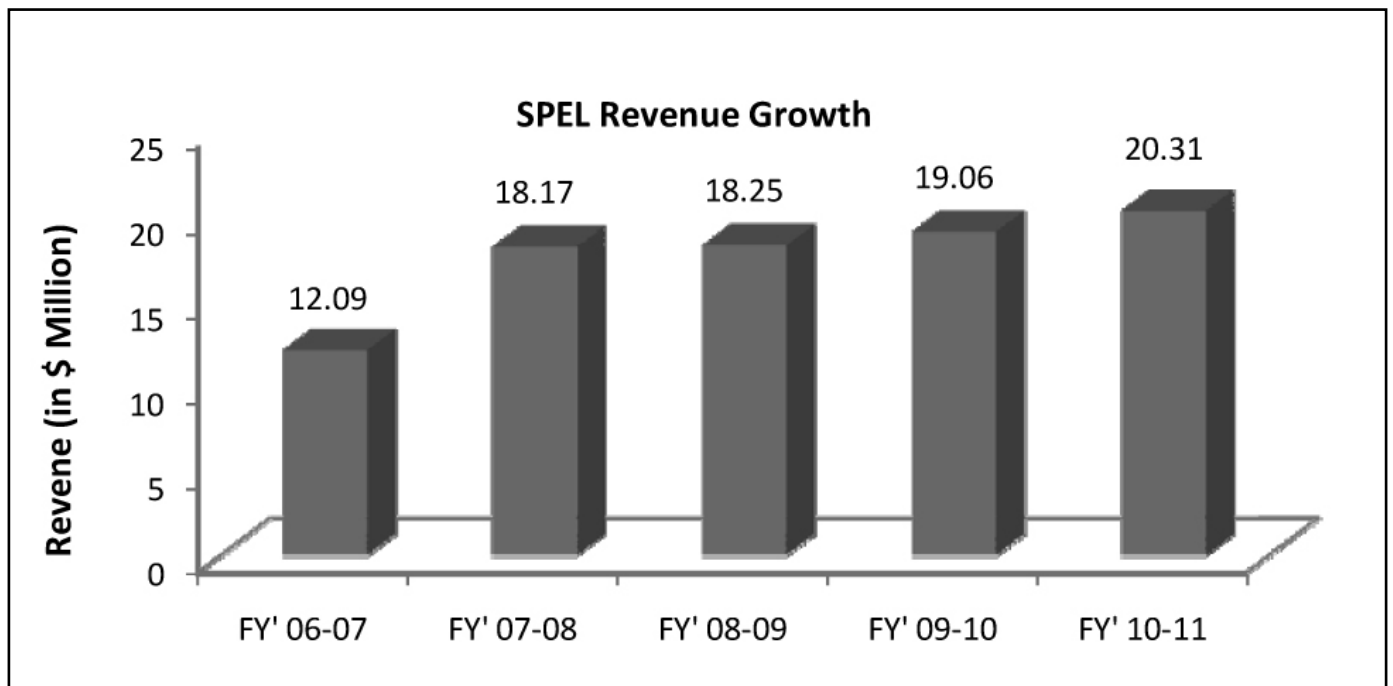
**E**nhancing the environmental performance by resource conservation, awareness through training and by reducing, recycling and reusing waste and packing

**N**otifying this policy to all Stakeholders

**Previous 5 years performance**

(Rs. in lakhs)

	2010-11	2009-10	2008-09	2007-08	2006-07
Sales	9133.01	8716.00	8100.26	7281.33	5399.67
Operating Profit	1828.28	1962.55	2115.28	1977.77	1208.66
PBIDT	1828.28	1962.55	2115.28	1977.77	1208.66
Interest	173.25	214.57	323.98	278.96	145.77
PBDT	1655.03	1747.98	1791.30	1698.81	1062.89
Depreciation	881.34	818.45	830.45	606.71	426.23
PBT and prior period items	773.69	929.53	960.85	1092.10	636.66
Tax / Deferred Tax	320.71	318.69	337.31	361.03	245.48
PAT	452.98	610.84	623.54	731.07	391.18
Net Profit	452.98	610.84	623.54	731.07	391.18



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## Notice to Members

Notice is hereby given that the 26th Annual General Meeting of the Members of SPEL Semiconductor Limited will be held at 2.30 pm on Wednesday Jul 27, 2011, 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, 2011 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 Mr. S. R. Vijayakar, Director who retires by rotation and being eligible, offers himself for re-election.
3. To elect a Director in the place of Dr. A. Besant C Raj, 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 27th Annual General Meeting on a remuneration of Rs.1,50,000/- including out of pocket expenses.”

### Special Business

5. **To consider extension of term of office and payment of revised remuneration to Mr. N. Sivashanmugam, Whole Time Director.**

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, subject to the Shareholders approval, the term of office of Mr. N. Sivashanmugam as a Whole Time Director be and is hereby extended from Apr 1, 2012 to Mar 31, 2013”

“Resolved further 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, and subject to the approval of the Central Government, approval of the Company be and is hereby granted for paying the following remuneration to Mr. N. Sivashanmugam, as Whole Time Director, with effect from Jul 31, 2011 to Jul 31, 2012 on the following terms and conditions and as per the terms of the agreement entered into between the Company and Mr. N. Sivashanmugam. The cost to Company will be Rs.31 lakhs p.a., of which Rs.18 lakhs p.a. will be performance based incentive. Following are the breakup of salary.

### Remuneration

- a. Basic salary : Rs.6,60,000 /- p.a  
(Rupees six lakhs sixty thousand only)
- b. Special Allowance : Rs.1,29,000/- p.a  
(Rupees one lakh twenty nine thousand only)
- c. Performance linked : Rs.18,00,000/- p.a  
Incentive (Rupees eighteen lakhs only).

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

- a. Conveyance : At actual subject to a  
Reimbursement maximum of Rs.5,04,000/- p.a  
including chauffeur for official purpose.
- b. Medical : Rs.15,000/- p.a.  
Reimbursement

**Other 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 to the extent of  
Rs.12,000/- p.a.

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

(By order of the Board)  
For SPEL Semiconductor Limited

S. S. Arunachalam  
Head Corporate Affairs &  
Company Secretary

Chennai  
Apr 29, 2011

## Notes

1. Explanatory Statement of material facts pursuant to Section 173(2) of the Companies Act, 1956 for item No. 5 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 DP 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 20, 2011 to Jul 27, 2011 (both days inclusive).
6. For shares held in physical form, any change in address may be intimated immediately to the Company/Share Transfer Agents 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 Agents, Cameo Corporate Services Limited, Subramanian 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

#### To Consider extension of term of office and payment of revised remuneration to Mr. N. Sivahanmugam, Whole Time Director

The Shareholders of the Company at the 24th Annual General Meeting held on Jul 31, 2009 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, 2009 to Mar 31, 2012 and had also approved the remuneration payable to him.

Considering the contribution made by Mr. N. Sivashanmugam, Whole Time Director, the Board at its meeting held on Apr 29, 2011 considered the extension of his term of the office from Apr, 1, 2012 to Mar 31, 2013 and also revised the terms of remuneration from Jul 31, 2011 to Jul 31, 2012 on the recommendation of the Remuneration and Compensation Committee, which it had decided, at its meeting held on Apr 28, 2011.

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 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.

The Board recommends the resolution set forth item 5 for approval of the Shareholders.

(By order of the Board)  
For SPEL Semiconductor Limited

Chennai  
Apr 29, 2011

S. S. Arunachalam  
Head Corporate Affairs & Company Secretary



## Directors' Report

Your Directors have great pleasure in presenting the 26th Annual Report of the Company together with the Audited Accounts for the year ended Mar 31, 2011. Your Company completed its Silver Jubilee year with the whole hearted support and contribution from all its Stakeholders.

### Global and Indian Industry scenario

The global "Great Recession" during the year 2009 shook up the global Semiconductor industry in a major way but the year 2010 has brought in a lot of confidence to the Semiconductor industry and to the global economy as a whole.

The Semiconductor industry has risen by 31.8% in the year 2010. The outlook for the year 2011 looks promising with a 9% growth predicted; global Semiconductor revenues are expected to reach US\$ 325 Billion up from US\$ 298 Billion in 2010.

Of the total revenues forecasted for the year 2011, about 40 percent can be attributed to the computing industry, which accounted for sales of \$113 Billion. The rapidly growing smart phone segment accounted for about \$80 Billion in sales in 2010 and is expected to grow although there is pressure on price points to remain low.

There are huge growth opportunities for the electronic industry in India, but there have been some missed opportunities in the past decade. So, while the future holds a lot of promise, we need to address existing challenges in infrastructure, taxation, supply chain and logistics, labour laws, R&D and funding.

### SPEL performance during the year

Your Company still continues to be First & only Semiconductor IC Assembly & Test production facility. It is continuously maintaining this position despite the market fluctuations and other external factors. SPEL continues to be a trusted & strategic contract manufacturing partner for many of the world's leading Semiconductor companies.

Your Company had invested around Rs.6.00 Crores during the 1st Quarter, to address (a) Production bottlenecks to improve productivity (b) Modernization of equipment for enhanced product mix and (c) equipping itself for future expansions. This would enable SPEL to address increased outsourcing from present & potential Customers during FY 2011-12.

Various cost & energy saving measures initiated during FY 2009-10 have started producing positive results. Due to these proactive approaches and manpower rationalization SPEL effectively handled the pricing pressures that resulted from the recession and emerged with reduced impact.

The Computing segment reported a sliding trend in the US & Europe during Q2 FY 2010-11. However, SPEL was able to maintain revenues during this quarter due to its balanced exposure across Communications, Computing & Consumer Electronics. The impact

on sales was mainly due to the comparable impact on volatile foreign currency parity. It was also due to change in pattern of raw material consumption of smaller pin count packages, without corresponding price increase. The rising power & diesel cost is a major cause for concern.

Rise of gold prices has propelled your Company towards investment in copper-process tools. SPEL will place most of its above expansion on leading-edge process and cooper-interconnect process capacities, both of which are estimated to boost the Company's revenue and earnings during FY 2011-12.

Towards the beginning 2011 SPEL started investing Rs. 22 Crores in production equipment which will increase its capacity. Funded by a term loan from nationalized banks, this expansion is primarily on leading-edge process & copper-interconnect capacities. The additional capacity will be available from 1st quarter of FY 2011-12, fetching increased sales and enabling SPEL to further diversify package & market base.

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

### Financial Performance

The Operating results of your Company for the year ended Mar 31, 2011 are given below

(Rs. In Lakhs)

Particulars	Year ended Mar 31, 2011	Year ended Mar 31, 2010
Sales	9133.01	8716.00
Other Income	173.74	149.17
PBIDT	1828.28	1962.55
Interest	173.25	214.57
Depreciation	881.34	818.45
Profit before Taxation	773.69	929.53
Tax / Deferred Tax	320.71	318.69
Profit after Taxation	452.98	610.84

Sales of your Company for current year have increased by 4.78% over the previous year. Increased expenditure on manpower, power, marketing expenses, other overheads, which were necessitated due to operational growth, had an impact on contribution. All the package lines of your 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. Management is highly committed to put in practice all these to make sure that they understand the values that we are into. 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

### **Socio Economic Concept (SEC)**

Understanding human behavior and tuning it towards self-disciplined citizen underlines the concept of the SEC being implemented in your Company. Employees were given to apprehend their roles as an individual and his/her responsibility to bring up fellow citizen so as to make the Country proud. 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 positive in PAT.

### **Dividend**

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

SPEL believes in business sustenance. Sustainability is not about what a Company does with its profits but how it makes profits. It is the business process itself. Towards this Company had invested in the Capex around Rs. 23 Crores, from the Allahabad Bank and through internal generations. These investments had helped the Company in offsetting the falling ASP, and had assisted to improve the PE ratio. Your Company is keenly concentrating on creating cash reserves, as the need for this is increasing, as Customers want to see this in place.

Your Company's above initiatives have assisted in maintaining PAT. However, you would concur that your Company has consolidated itself for achieving a strong financial position conducive for this.

### **Fixed Deposits**

The fixed deposits for the period were Rs. 4.45 Crores.

### **Research & Development (R&D)**

The Company has carved out an ambitious plan of investment in R&D. This will include investment in PIP and MODLIB. This will assist Company's revenue and profitability in the future years.

### **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 27,06,573 shares (5.87% 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.

Pursuant to the Circular No.2/2011 dated Feb 8, 2011 of Ministry of Corporate Affairs, the Board at its Meeting held on Apr 29, 2011 resolved not to enclose the Subsidiary Company's accounts for the year in the Annual Report.

The Annual accounts of the Subsidiary Company and related detailed information will be made available to the Shareholders at any point of time. The annual accounts of the Subsidiary Company will also be kept for inspection by any Shareholders in the Head Office of the Holding Company.

### **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. A. Ramakrishna resigned from the Board and his resignation was accepted at the Board Meeting held on Apr 29, 2011. The Board placed on record its appreciation for the commendable services rendered by Dr. A. Ramakrishna.

Mr. S. R. Vijayakar and Dr. A. Besant C. Raj 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 :

#### **Mr. S. R. Vijayakar**

Mr. S. R. Vijayakar holds an Honours Degree in Electrical and Mechanical Engineering. After two years experience in the U.K. in the power industry he worked with the Ahmedabad Electricity Co., till 1967. Thereafter, he worked with the Electronics Corporation of India Ltd. under the Department of Atomic Energy, culminating as its Chairman and Managing Director till 1984. He was appointed as Secretary, Department of Electronics, Government of India until he retired in 1986. Post retirement he was Chairman of MELTRON, Government of Maharashtra and was associated with several Companies. He is a member of SPEL Board's Remuneration and Compensation Committee.



In addition, he holds Directorship in TVS Electronics Limited and Surana Ventures Limited. He is the member of Audit Committee in TVS Electronics Limited.

**Dr. A. Besant C Raj**

Dr. A. Besant C Raj is an MBA from the Indian Institute of Management, Ahmedabad (First Batch). He also holds a Doctoral degree in Business Administration from the Harvard Business School, Harvard University, USA. He has a Master’s degree in Philosophy from Madras University and a Master’s degree in Psychology from Banaras Hindu University. Dr. Raj is the Founder Chairman of the Institute of Chartered Financial Analysts of India (ICFAI), Hyderabad. He is closely associated with development of several educational institutions. He has held various senior positions in the Government of India. In addition, he is the Chairman and Managing Director in Besant Raj International Limited and Director in Henkel India Limited. He is Chairman of SPEL Board’s Audit Committee and a Member of SPEL Board’s Securities Transfer & Investors’ Grievance Committee (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, 2011 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, 2011 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.

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 savings were made during the year :

Particulars	Power	Water
Consumed	83,46,655 units	79,193 Kilo litres
Saved	9,267.82 units	208.38 Kilo litres

**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. 5,440.47 lakhs

Foreign Exchange earned during the year : Rs. 9,507.09 lakhs

### Particulars of Employees

There are no such employees drawing remuneration in excess of limits mentioned as per the revised Notification dated Mar 31, 2011 of the Ministry of Corporate Affairs as per Section 217 (2A) of the Companies Act, 1956. Hence no disclosure is required as per the above Notification.

### 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 and also keeping in view the global trends in procurement of environment friendly products, Company is in the process of introducing Green-molding compounds that are environment friendly as demanded by the Customers.

### 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  
Apr 29, 2011

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, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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. Bhaskar**  
Partner  
M.No: 211721

Chennai  
Apr 29, 2011



## **Management Discussion & Analysis**

### **Business Environment**

The Global Semiconductor sales for the year 2010 were US\$ 298.3 Billion, an increase of 31.8% compared to 2009 sales of US\$ 226.3 Billion. However, sales declined by 3 percent in Dec 2010 compared with a month earlier. This is due to the inventory correction.

Overall, Asia-Pacific region represented 54 percent of global Semiconductor sales, while the Americas accounted for 18 percent of the sales.

India & China, two of the key emerging markets drive a lot of demand. In addition to purchasing consumer items such as handsets and computers, both regions continue to invest in wired and wireless infrastructure. These investments in infrastructure create demand for a broad range of Semiconductor products. With improving consumer confidence and purchasing power the Semiconductor industry is well positioned for growth in 2011. The Semiconductor Industry Association predicts a 9% sales growth for the year 2011.

### **Impact of the Japan Earthquake and Tsunami on the Semiconductor market in 2011**

In the longer term, we believe the impact is not likely to be significant in terms of the worldwide Semiconductor market. Since the industry is not running at full capacity (93.1% IC capacity utilization in 4Q of CY 2010 according to SICAS), most short term Semiconductor capacity loss in Japan can be made up elsewhere – although likely by competing companies. Many Japanese companies are still major suppliers of electronics, but much of their manufacturing has been moved to other parts of Asia (especially China) or closer to the final consumer (as with most Japanese automakers).

Although the situation in Japan is unique, other disasters (natural or man-made) have affected the industry in the short term but have not had significant effects in the longer term.

### **Global Trend for SPEL's package lines**

Global volume and revenue forecast for Integrated Circuits are as below.

The outlook for the year 2011 looks promising with a 9% growth predicted; global Semiconductor revenues are expected to reach US\$ 325 Billion up from US\$ 298 Billion in 2010. Digitimes Research, also forecast that the market for outsourced IC backend services will continue growing in 2011 to account for more than 50% of the total market, while the IDM segment is expected to carry on its slide.

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

### **PC Market**

Consumption has been below expectations, and the enterprise PC replacement cycle has weakened. In 2011, Semiconductor revenue from PCs is projected to decline 3.25% to \$62 Billion. The decline is the result of reduced DRAM prices in 2011. Revenue for other PC Semiconductor components, including CPUs, will increase.

### **Mobile Phones**

The outlook for mobile phone production has improved. Overall Semiconductor revenue from mobile phones is on pace to total \$48.7 Billion in 2010, a 23.2% increase from 2009. In 2011, worldwide Semiconductor revenue from mobile phones is projected to reach \$55.4 Billion, a 13.6% increase from 2010.

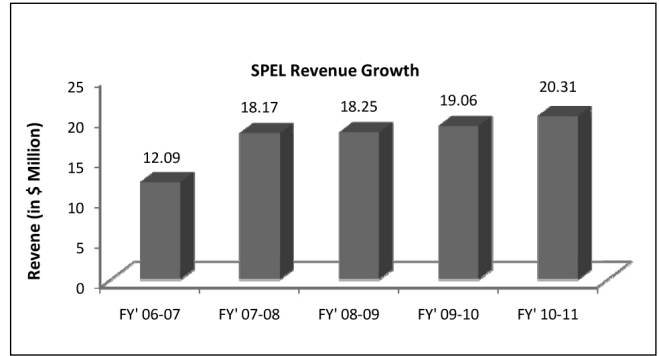
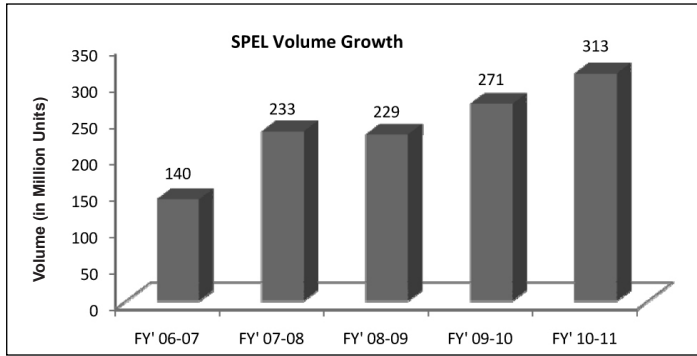
### **Smart Phones**

However, some of this slowdown is being made up for by stronger-than-expected sales of media tablets. From an application perspective, smart phones, mobile PCs and media tablets will fuel Semiconductor growth through 2014. Media tablets are seeing rapid growth due to the success of the Apple iPad, market will continue to see strong growth with greater competition in this space. Gartner estimates that Semiconductor revenue from media tablets will grow from \$2.4 Billion in 2010 to \$17.8 Billion in 2014.

### **SPEL Volume & Revenue Growth**

Volume and Revenue for FY 2010-11 saw an increase of 19.24 percent and 6.12 percent respectively.

The increased volume and revenue is due to increased demand for the Semiconductor products after the recession in 2009. With the increased demand the quarterly revenue increased by 10% Q-O-Q steadily. The increased gap between the volume and the revenue is due to the reduced ASP.



## Opportunities & Threats

SPEL is currently eyeing new markets and new geographies to market its capabilities. The economic recession and other recent developments have shown that the United States is starting to lose its sheen as a large & expanding consumer market in the face of competition & buying power of consumers from China, Taiwan and other European countries. In the light of these new developments, SPEL is actively seeking to market its capabilities in the South East Asian and European countries. Even though the competition for Semiconductor sub-contract services is stiff in SE Asian countries, SPEL is confident of attaining a foothold due to its strengths like quality, cost, customer service and delivery.

The emergence of China, as a low cost destination for Semiconductor assembly services has to be looked cautiously in the present market scenario and Chinese manufacturers are indeed a threat to SPEL in terms of market share. However we find that Chinese manufacturers are slowly losing their attractiveness as low cost destinations due to factors like rising manpower costs and rampant IP infringement. It should also be noted that SPEL is a preferred destination when it comes to packaging needs for a variety of packages; SPEL has a portfolio of more than a 140 different products, of which 40 packages added in the SPEL package portfolio in the previous year. Customers have the flexibility to choose from these packages to package the same device in a variety of packages based on end market demand. However Chinese manufacturers have not been able to provide the variety which is currently being offered by SPEL due to various reasons.

Your Company continues to be the first & only IC Assembly & Test Subcontractor in India competing with bigger Subcons globally. Due to its smaller share in the total market, your Company's performance is dependent on 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. Several cost reduction measures including Energy saving proposals were introduced to reap long term benefits. Your Company with its process driven Quality Management System, remains ahead of the competition to sustain its growth

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, throughout 2010 Company maintained a focus on efficiency and tight spending controls, across all our operations. Besides, continuous supply of power & 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 - more into the introduction of new package portfolio. SPEL has the potential to become one of the leaders soon.

## Outlook

The global Semiconductor sales declined by around 9% in 2009. However, the market has seen an improved scenario in 2010 on account of trailing crisis from later 2009. The Semiconductor industry has risen by 31.8% in the year 2010 and expected to grow at 9% for the year 2011 with revenue of \$ 325 Billion. Of the total revenues forecasted for the year 2011, about 40 percent can be attributed to the computing industry, which accounted for sales of \$113 Billion. The rapidly growing smart phone segment accounted for about \$80 Billion in sales in 2010 and is expected growth although there is pressure on price points to remain low, especially on cellular base band and connectivity chipsets.

Semiconductor sales in growth areas such as media tablets, e-readers and LED/LCD TVs is offsetting flat or decreased revenue from more traditional devices such as DVD players and game consoles. Overall, it is expected that the consumer industry will grow by another 10 percent in 2011.



Growth in automotive and industrial segments is expected to top 10 percent in 2011. Sectors comprising this segment include high growth areas such as infotainment, safety and diagnostic systems, engine control, energy/battery management, M2M communications, smart grid, LED lighting, and factory automation.

At the regional level Asia-Pacific will account for more than half of the Semiconductor market by the end of forecast period. Countries such as India and China will fuel demand for Semiconductors in Asia-Pacific in coming years.

### **Risks & Concerns**

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.

### **Corporate Risk Management (CRM) in SPEL**

Company has put in place CRM system 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 our growth partners. 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.
- **Response** will have to incorporate internal investigation protocols, enforcement & accountability protocols, disclosure protocols and remedial action protocols.

Presently, your Company has identified the risks and addressed suitably to the best of its ability. 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. 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 437 regular Employees besides 180 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.

### a. Training

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.

### b. Employee Motivation

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. 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 views the Employees as 'partners in growth' and provides them adequate opportunity for their career growth within your Company. Family day is being conducted annually to develop sense of family unity. Open Door Policy is adopted to provide a conducive working environment. Periodical open forum sessions are done, where the CEO personally addresses the Employees on the progress of the Company and to motivate better performance. Your Company has not lost a single day of work due to industrial strike. The industrial relations during the year were normal.

### c. Succession planning

All the Functions have line matrix which show up to 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 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 was obtained to take care of safe environment practices.

Your Company considers environmental care to be a continuous effort and is always on the look out for more avenues to nurture nature by enhancing its environmental performance and also keeping in view the global trends in procurement of environment friendly products; Company has switched over completely to Green-molding compounds that are environment friendly as demanded by the Customers.

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 7 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 Semi conductor 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	3	--	Yes
3	Mr. S. R. Vijayakar	Non-Executive – Independent	2	1	Yes
4	Dr. T. S. Vijayaraghavan	Non-Executive – Independent	1	--	Yes
5	Dr. A. Besant C. Raj	Non-Executive – Independent	2	2	Yes
6	Dr. A. Ramakrishna @	Non-Executive – Independent	11	8	No
7	Mr. Ashwin C Muthiah	Non-Executive – Non Independent	9	2	No
8	Mr. N. Sivashanmugam	Executive	1	--	Yes

@ Resigned w.e.f. Apr 29, 2011

#### 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

Six Board Meetings were held on Apr 5, 2010, May 3, 2010, Jun 23, 2010, Jul 30, 2010, Oct 29, 2010 & Jan 28, 2011

Name of the Director	No. of Board Meetings attended
Dr. A. C. Muthiah	5
Mr. Ar Rm Arun	5
Mr. S. R. Vijayakar	5
Dr. T. S. Vijayaraghavan	5
Dr. A. Besant C. Raj	5
Dr. A. Ramakrishna @	2
Mr. Ashwin C Muthiah	1
Mr. N. Sivashanmugam	6

@ Resigned w.e.f. Apr 29, 2011

### 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

@ Resigned w.e.f. Apr 29, 2011

### 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 Executive 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 Whole time Director. The Chief Executive Officer of the Company is the invitee 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 May 3, 2010, Jul 30, 2010, Oct 29, 2010 and Jan 28, 2011

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

@ Resigned w.e.f. Apr 29, 2011

**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 Apr 5, 2010

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

@ Resigned w.e.f. Apr 29, 2011

Remuneration and Compensation Committee decides on the remuneration of the Whole Time Director and the Chief Executive 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 2010-11			
		Salary / Special allowance/ Perquisites	Commission / Bonus / Incentive	Sitting fees	Total
1.	Dr. A. C. Muthiah	NA	NA	36,000	36,000
2.	Mr. Ar Rm Arun	NA	23,92,851*	NA	23,92,851
3.	Mr. S. R. Vijayakar	NA	NA	37,000	37,000
4.	Dr. T S. Vijayaraghavan	NA	NA	63,000	63,000
5.	Dr. A. Besant C. Raj	NA	NA	62,000	62,000
6.	Dr. A. Ramakrishna	NA	NA	13,000	13,000
7.	Mr. Ashwin C Muthiah	NA	NA	6,000	6,000
8.	Mr. N. Sivashanmugam	19,57,414**	NA	NA	19,57,414

\* Vice Chairman will be paid profit incentive on the net profit as determined in accordance with the provisions of Section 198, 309 of the Companies Act, 1956 for FY 2010 - 11 subject to the approval of the Central Government.

\*\* Following are the Remuneration details of Mr. N. Sivashanmugam, Whole Time Director :

Remuneration	Per annum
Basic salary	: Rs. 6,60,000/-
Special Allowance	: Rs. 1,98,921/-
CCA	: Rs. 8,250/-

In addition to the above, Rs. 3,04,820/- has been paid towards variable pay on prorata basis depending on the sales revenue achieved and Rs. 2,65,300/- has been paid towards Profit / Performance linked incentive.

### 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 26th Annual General Meeting, are furnished below :

#### Dr. A. Besant C. Raj

Dr. A. Besant C. Raj is an MBA from the Indian Institute of Management, Ahmedabad (First Batch). He also holds a doctoral degree in Business Administration from the Harvard Business School, Harvard University, USA. He has a Master's degree in Philosophy from Madras University and a Master's degree in Psychology from Banaras Hindu University. Dr. Raj is the Founder Chairman of the Institute of Chartered Financial Analysts of India (ICFAI), Hyderabad. He is closely associated with development of several educational institutions. He has held various senior positions in the Government of India. In addition, he is the Chairman and Managing Director in Besant Raj International Limited and Director in Henkel India Limited. He is Chairman of SPEL Board's Audit Committee and a Member of SPEL Board's Securities Transfer & Investors' Grievance Committee (STIGC).

#### Mr. S. R. Vijayakar

Mr. S. R. Vijayakar holds an Honours Degree in Electrical and Mechanical Engineering. After two years experience in the U.K. in the Power Industry he worked with the Ahmedabad Electricity Company till 1967. Thereafter, he worked with the Electronics Corporation of India Limited under the Department of Atomic Energy, culminating as its Chairman and Managing Director till 1984. He was appointed as Secretary, Department of Electronics, Government of India until he retired in 1986. Post retirement he was Chairman of MELTRON, Government of Maharashtra and was associated with several Companies. Currently he is also on the Board of TVS Electronics Limited and Surana Ventures Limited. He is also a Member of SPEL Board's Remuneration and Compensation Committee.

### 7. Securities Transfer and Investors' Grievance Committee

- The Securities Transfer and Investors' Grievance Committee comprise a majority of Independent Non-Executive Directors. Dr. A. Ramakrishna is the Chairman of the Committee.
- Mr. S. S. Arunachalam, Head Corporate Affairs & Company Secretary is the Compliance Officer
- The Table below shows the nature of complaints received from Shareholders during 2010-11, all of them has 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	2	2	Nil

- Disclosure on the delegated authority constituted for attending share transfer work

Sl. No.	Description of delegated authority	Full address of delegated authority	Telephone No.	Fax No.	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 AGMs.

Sl. No.	Financial Year	Details of Location	Date & Time when held
1.	2007-08	5 CMDA Industrial Estate Maraimalai Nagar 603 209	Jul 28, 2008 3.30 pm
2.	2008-09	5 CMDA Industrial Estate Maraimalai Nagar 603 209	Jul 31, 2009 2.45 pm
3.	2009-10	5 CMDA Industrial Estate Maraimalai Nagar 603 209	Jul 30, 2010 2.45 pm

Special Resolutions passed in the previous 3 AGMs :

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

24th AGM : 1. Extension of term of office of Mr. N. Sivashanmugam, Whole Time Director and Chief Financial Officer

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

25th AGM : 1. To vary the terms and conditions of appointment of Mr. N. Sivashanmugam, Director (Whole-time)

2. Payment of profit incentive to Mr. Ar Rm Arun, Vice Chairman of the Company

Postal Ballot : The Company has not made use of the Postal Ballot during the year

## 9. Disclosures

- 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.
- 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.
- 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.
- The Company has a Whistle Blower policy, wherein the employees enjoys access of report of the Audit Committee
- 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 Trinity Mirror 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

- Annual General Meeting : Jul 27, 2011 at Registered Office of the Company  
(as indicated in the notice)
- Financial year : 2010-11
- Dates of Book Closure : Jul 20, 2011 to Jul 27, 2011
- Listed on Stock Exchange : 1. The Bombay Stock Exchange Limited (BSE)  
Stock Code : Demat - 517166, Physical - 17166  
2. Delhi Stock Exchange Limited (DSE)
- ISIN Number NSDL & CDSL : INE 252A01019
- Outstanding GDR/ADR/Warrants : No  
or any convertible instruments
- Registrar & Share Transfer Agent : Cameo Corporate Services Limited
- 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.

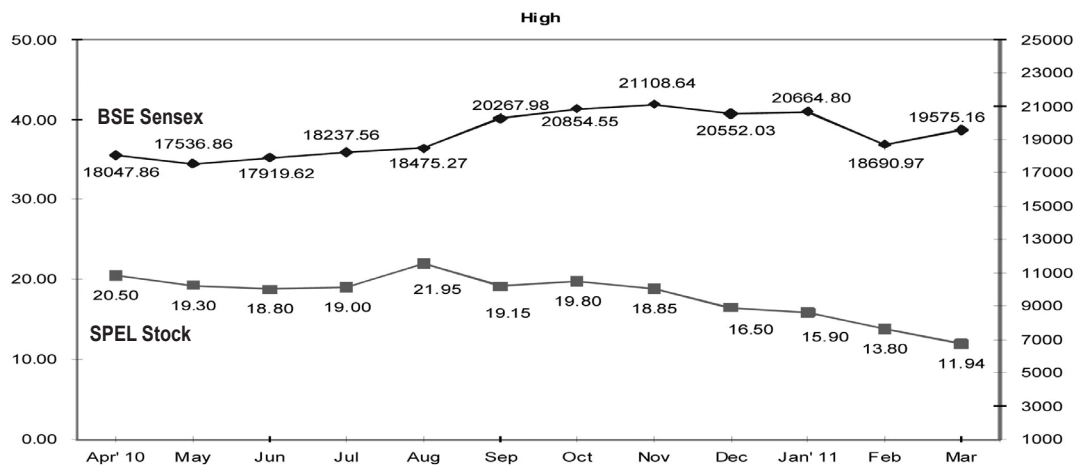
## 12. Distribution of Shareholding as on Mar 31, 2011

No. of Equity Shares held	No. of Folios	%	No. of Shares	%
1 – 100	13982	42.72	1182381	2.56
101 – 500	13968	42.68	4039333	8.76
501 – 1000	2664	8.14	2244779	4.87
1001 – 2000	1031	3.15	1671816	3.62
2001 – 3000	382	1.17	1005625	2.18
3001 – 4000	169	0.52	620407	1.35
4001 – 5000	182	0.56	874490	1.90
5001 – 10000	192	0.58	1443863	3.13
10001 and above	159	0.48	33034749	71.63
<b>Grand Total</b>	<b>32729</b>	<b>100.00</b>	<b>46117443</b>	<b>100.00</b>
No. of Shareholders in Physical Mode	<b>18912</b>			
No. of Shareholders in Electronic Mode	<b>13817</b>			

## 13. Shareholding Pattern as on Mar 31, 2011

Category	No. of Shareholders	No. of Shares	%
Promoter	1	25811207	55.97
Financial Institutions	1	349705	0.76
Mutual Funds	2	8600	0.02
Nationalized Banks	1	100	0.00
Overseas Corporate Bodies	1	9000	0.02
Non-Resident Indians	172	148566	0.32
Domestic Companies	449	1720962	3.73
Resident Individuals	32085	18051651	39.14
Clearing Member	14	14102	0.03
Trusts	3	3550	0.01
<b>Total</b>	<b>32729</b>	<b>46117443</b>	<b>100.00</b>

## 14. Stock Performance V/s BSE Sensex



**15. Market Price Data High & Low, Trading volume and no. of trades during each month for FY 2010-11**

Month	High	Low	Trading Volume (No. of shares in lakhs)	No. of Trades
Apr 2010	20.50	14.20	14.71	5020
May	19.30	13.60	9.17	3489
Jun	18.80	13.50	11.00	3132
Jul	19.00	15.15	14.99	5555
Aug	21.95	15.75	184.89	27347
Sep	19.15	16.85	36.05	9449
Oct	19.80	15.00	12.17	3548
Nov	18.85	13.50	15.91	3936
Dec	16.50	12.00	6.54	2057
Jan 2011	15.90	11.15	5.11	1734
Feb	13.80	9.00	4.67	1868
Mar	11.94	9.46	5.37	1354

**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 behavior, 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 Executive Officer's Declaration on Code of Conduct**

As required by Clause 49 of the Listing Agreement, the CEO's declaration for Code of Conduct is given below :

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, 2011.

For SPEL Semiconductor Limited

Place : Chennai  
Date : Apr 29, 2011

D. Balakrishnan  
Chief Executive Officer

**Certificate by CEO**

The Certificate from CEO 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, 2011 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 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 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, 2011; 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.

For **Natarajan & Co**  
Chartered Accountants,

**A Baskar**  
Partner  
M.No: 211721

Place : Chennai  
Date : Apr 29, 2011



**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, 2011**

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;
- (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. 0.45 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 register maintained under section 301 of the companies Act, 1956
- (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 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 2011 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 (Auditor 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

Place : Chennai  
Date : Apr 29, 2011



## Balance Sheet As at Mar 31, 2011

	Schedule	As at Mar 31, 2011 (in Rupees)		As at Mar 31, 2010 (in Rupees)
<b>Source of Funds</b>				
<b>Shareholders' Funds</b>				
Share Capital	1		46,13,25,280	46,13,25,280
Reserves and Surplus	2		45,24,77,937	40,71,79,614
<b>Loan Funds</b>				
Secured	3		25,83,93,698	22,57,88,442
Unsecured	4		9,45,00,000	6,82,26,573
Deferred Tax Liability			11,85,93,946	10,77,29,177
Total			<u>138,52,90,861</u>	<u>127,02,49,086</u>
<b>Fixed Assets</b>				
Gross Block	5	164,97,20,775	164,20,67,372	
Less : Depreciation		<u>60,91,08,083</u>	<u>52,12,01,312</u>	
			104,06,12,692	112,08,66,060
Capital Work-in-Progress	5		21,76,31,151	33,90,000
Investments at Cost			4,365	4,365
<b>Current Assets, Loans &amp; Advances</b>				
Inventories	6	15,76,33,592	16,53,20,559	
Sundry Debtors		4,57,35,992	7,87,32,046	
Cash and Bank Balances		4,57,33,001	1,58,07,463	
Loans and Advances		<u>4,70,45,381</u>	<u>4,89,65,001</u>	
		29,61,47,966	30,88,25,069	
Less: Current Liabilities & Provisions	7			
Liabilities		14,41,73,258	13,04,59,563	
Provisions		<u>2,49,32,055</u>	<u>3,23,76,845</u>	
		16,91,05,313	16,28,36,408	
Net Current Assets (6-7)			<u>12,70,42,653</u>	<u>14,59,88,661</u>
Total			<u>138,52,90,861</u>	<u>127,02,49,086</u>
Notes on Accounts	9			

Schedule 1 to 7 and 9 forms an Integral part of the Balance Sheet

For and on behalf of the Board

Per our report attached

**Dr. A. C. Muthiah**  
Chairman

**Ar Rm Arun**  
Vice Chairman

**Dr. A. Besant C. Raj**  
Director

for **Natarajan & Co.**  
Chartered Accountants.

**Dr. T. S. Vijayaraghavan**  
Director

**N. Sivashanmugam**  
Whole Time Director

**S.S. Arunachalam**  
Head Corporate Affairs &  
Company Secretary

**A Baskar**  
Partner  
M.No.211721

Place : Chennai  
Date : Apr 29, 2011



## Profit and Loss Account for the Year Ended Mar 31, 2011

	Schedule	Year ended Mar 31, 2011 (in Rupees)	Year ended Mar 31, 2010 (in Rupees)
<b>Income</b>			
Sales		91,33,00,887	87,15,99,645
Other Income		1,73,73,988	1,49,17,056
Total Income		<u>93,06,74,875</u>	<u>88,65,16,701</u>
<b>Expenditure</b>			
Manufacturing and Other expenses	8	74,78,46,477	69,02,60,756
Interest and Finance Charges		1,73,25,087	2,14,57,005
Depreciation		8,81,34,459	8,18,45,491
Total Expenditure		<u>85,33,06,023</u>	<u>79,35,63,252</u>
Profit for the year		7,73,68,852	9,29,53,449
Current Tax		2,62,10,679	1,59,30,347
Less: MAT Credit Entitlement		(50,04,919)	(49,25,798)
Deferred Tax		1,08,64,769	2,08,64,641
Profit After Taxation		4,52,98,323	6,10,84,259
Profit brought forward		19,77,41,813	13,66,57,554
Net Profit carried to Balance Sheet		<u>24,30,40,136</u>	<u>19,77,41,813</u>
Nominal value of each shares in Rs		10.00	10.00
Basic EPS in Rs.		0.98	1.32
Diluted EPS in Rs.		0.98	1.32
Number of Shares		4,61,17,443	4,61,17,443
Number of Shares for Diluted EPS		4,61,17,443	4,61,17,443
Notes on Accounts	9		

Schedule 8 and 9 forms an Intergral part of the Profit and Loss Account

For and on behalf of the Board

Per our report attached

**Dr. A. C. Muthiah**  
Chairman

**Ar Rm Arun**  
Vice Chairman

**Dr. A. Besant C. Raj**  
Director

for **Natarajan & Co.**  
Chartered Accountants.

**Dr. T.S. Vijayaraghavan**  
Director

**N. Sivashanmugam**  
Whole Time Director

**S.S. Arunachalam**  
Head Corporate Affairs &  
Company Secretary

**A Baskar**  
Partner  
M.No.211721

Place : Chennai  
Date : Apr 29, 2011

**Schedule 1**  
**Share Capital**

	As at Mar 31, 2011 (in Rupees)	As at Mar 31, 2010 (in Rupees)
<b>Authorised</b>		
6,00,00,000 Equity Share of Rs.10/- each	60,00,00,000	60,00,00,000
<b>Issued</b>		
4,61,47,613 Equity Shares of Rs.10/- each	46,14,76,130	46,14,76,130
<b>Subscribed and Paid up</b>		
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
	<b>46,13,25,280</b>	<b>46,13,25,280</b>

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, 2011.

**Schedule 2**  
**Reserves and Surplus**

	As at Mar 31, 2010 (in Rupees)	Addition (in Rupees)	Deletion (in Rupees)	As at Mar 31, 2011 (in Rupees)
Capital Reserve	6,66,215	-	-	6,66,215
Revaluation Reserve	20,40,36,968	-	-	20,40,36,968
Securities Premium Account	47,34,618	-	-	47,34,618
Profit & Loss Account	19,77,41,813	4,52,98,323	-	24,30,40,136
	<b>40,71,79,614</b>	<b>4,52,98,323</b>	<b>-</b>	<b>45,24,77,937</b>

**Schedule 3**  
**Secured Loans**

	As at Mar 31, 2011 (in Rupees)	As at Mar 31, 2010 (in Rupees)
Term Loan from Banks	19,63,06,455	17,82,73,071
Working Capital Loan from Banks	6,20,87,243	4,75,15,371
	<b>25,83,93,698</b>	<b>22,57,88,442</b>

**Note**

1. Term loans from Banks are secured by first mortgage of fixed assets acquired out of Bank Finance. Equitable Mortgage relating to Factory Land and Building at 5 CMDA Industrial Estate, Maraimalai Nagar. First Charge on the existing Plant & Machinery and other Fixed Assets for Term Loan.
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 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 Banks.

#### Schedule 4

#### Unsecured Loans

	<b>As at Mar 31, 2011 (in Rupees)</b>	<b>As at Mar 31, 2010 (in Rupees)</b>
Equipment Loan	-	2,82,26,573
Fixed Deposit from Others	4,45,00,000	4,00,00,000
Loan from Banks	5,00,00,000	-
	9,45,00,000	6,82,26,573

#### Schedule 5

#### Fixed Assets

(In Rupees)

Description	Gross Block				Depreciation				Net Block	
	As at Apr 1, 2010	Additions during the year	Adjustments / Deletions	As at Mar 31, 2011	As at Apr 1, 2010	For the year	Adjustments / Deletions	As at Mar 31, 2011	As at Mar 31, 2011	As at Mar 31, 2010
1. Land	40,10,11,436	-	-	40,10,11,436	-	-	-	-	40,10,11,436	40,10,11,436
2. Building	6,82,38,203	-	-	6,82,38,203	2,43,44,257	19,75,572	-	2,63,19,829	4,19,18,374	4,38,93,945
3. Plant & Machinery	114,63,23,251	76,924	18,98,894	114,82,99,069	47,99,89,947	8,34,67,396	2,14,459	56,36,71,802	58,46,27,267	66,63,33,305
4. Furniture & Fixtures	75,54,420	4,59,269	-	80,13,689	48,56,650	2,51,307	-	51,07,957	29,05,732	26,97,770
5. Office Equipments	1,58,66,462	12,97,444	2,37,688	1,69,26,218	1,06,27,773	12,59,630	2,27,688	1,16,59,716	52,66,502	52,38,688
6. Motor Vehicle	30,73,601	-	-	30,73,601	13,82,685	2,91,992	-	16,74,677	13,98,924	16,90,916
7. Intangible - Software	-	41,58,560	-	41,58,560	-	6,74,103	-	6,74,103	34,84,457	-
<b>Total</b>	<b>164,20,67,373</b>	<b>59,92,197</b>	<b>21,36,582</b>	<b>164,97,20,775</b>	<b>52,12,01,312</b>	<b>8,79,20,000</b>	<b>4,42,147</b>	<b>60,91,08,083</b>	<b>104,06,12,692</b>	<b>112,08,66,060</b>
Previous Year	160,39,37,798	7,91,01,526	4,09,71,952	164,20,67,372	43,93,56,542	8,52,62,659	34,17,889	52,12,01,312		
Capital Work- in Progress									21,76,31,151	33,90,000

#### Note

Capital Work-in-Progress Rs. 2,176.31 lakhs (Previous year Rs. 33.90 lakhs) relate to advances and purchases for Project. This includes Borrowing Cost capitalisation for qualified asset amounting to Rs. 25.23 lacs (Previous year Rs Nil).

Adjustments during the year represents Rs.18.99 lakhs (Previous year Rs.409.71 lakhs loss) towards exchange gain adjusted in fixed assets as per GOI Notification (GO No. GSR225(E) dated Mar 31, 2009).

**Schedule 6**

**Current Assets, Loans & Advances**

	As at Mar 31, 2011 (in Rupees)		As at Mar 31, 2010 (in Rupees)
<b>A. Current Assets</b>			
Inventories			
Stores and Spares	2,53,51,854	2,25,31,438	
Raw Materials	5,97,98,947	5,36,72,510	
Work-in-Progress	6,02,44,671	8,60,86,089	
Finished Goods	1,22,38,120	30,30,522	
	15,76,33,592	16,53,20,559	
Sundry Debtors (Unsecured considered good)			
Debts outstanding for the period exceeding six months			
Considered Good	12,10,024	2,49,897	
Considered Doubtful	33,45,154	33,45,154	
Other debts			
Considered good	4,45,25,968	7,84,82,149	
	4,90,81,146	8,20,77,200	
Less : Provision for doubtful Debts	33,45,154	33,45,154	
	4,57,35,992	7,87,32,046	
Cash & Bank Balances			
Cash on hand	2,18,097	1,24,927	
Bank Balances With Schedule Banks			
On Current Accounts	2,55,20,288	48,32,679	
On Deposit Accounts	-	30,09,492	
On Margin Money Accounts	1,99,94,616	78,40,365	
	4,57,33,001	1,58,07,463	
	24,91,02,585	25,98,60,068	
<b>B. Loans and Advances</b>			
(Unsecured considered good)			
Advances recoverable in cash or in kind or for value to be received			
Considered good	62,50,752	41,34,494	
Considered Doubtful	7,03,456	7,03,456	
	69,54,208	48,37,950	
Less : Provision for Doubtful Advances	7,03,456	7,03,456	
	62,50,752	41,34,494	
Balances with Excise, Customs and other Government Authorities			
Considered good	4,07,94,629	4,48,30,507	
Considered Doubtful	1,14,990	1,14,990	
	4,09,09,619	4,49,45,497	
Less : Provision for Doubtful Advances	1,14,990	1,14,990	
	4,07,94,629	4,48,30,507	4,89,65,001
	29,61,47,966	30,88,25,069	

Schedule 7

**Current Liabilities & Provisions**

	<b>As at Mar 31, 2011 (In Rupees)</b>	<b>As at Mar 31, 2010 (In Rupees)</b>
<b>Current Liabilities</b>		
Sundry Creditors		
Dues to Micro Enterprises and Small Enterprises	-	1,91,725
Other than Micro Enterprises and Small Enterprises	12,61,84,617	10,62,90,721
Advance from Customers	1,16,81,020	2,12,86,104
Other Liabilities	63,07,621	26,70,944
Interest Accrued but not due	-	20,069
	<u>14,41,73,258</u>	<u>13,04,59,563</u>
<b>Provision</b>		
Provision for Gratuity and Leave Encashment	1,82,62,803	1,66,67,962
Provision for Taxation	5,68,79,289	4,05,59,290
Less: Advance Tax	<u>5,02,10,037</u>	<u>2,48,50,407</u>
	<u>2,49,32,055</u>	<u>3,23,76,845</u>
	<u>16,91,05,313</u>	<u>16,28,36,408</u>



## Schedule 8

### Manufacturing and Other Expenses

		Year ended Mar 31, 2011 (in Rupees)		Year ended Mar 31, 2010 (in Rupees)
Raw materials and Intermediates consumed		36,10,11,111		36,54,28,607
Stores Consumed		7,51,73,935		6,52,56,127
Characterization & Testing Charges		2,13,52,218		2,37,16,954
Power		3,01,99,947		2,64,77,281
Fuel		2,24,89,178		1,13,74,916
Payments to and provisions for employees				
Salaries, Allowances and Gratuity	13,54,83,756		12,08,46,727	
Contribution to P.F., E.S.I.,	1,07,12,629		86,18,832	
Staff Welfare	98,46,948		85,07,421	
		<u>15,60,43,333</u>		<u>13,79,72,980</u>
Travel and Conveyance		88,98,730		80,09,489
Insurance		4,98,204		5,18,278
Rent		11,23,550		3,89,230
Rates and Taxes		26,11,085		13,86,951
Telephone, Telex, Postage & Telegrams		14,60,647		14,01,192
Repairs and Maintenance				
Machinery	32,38,727		21,55,638	
Building	9,94,024		12,37,882	
Others	83,00,440		1,26,69,105	
		<u>1,25,33,191</u>		<u>1,60,62,625</u>
Carriage outwards		40,73,848		31,57,301
Directors' Sitting Fee		2,17,000		2,22,000
Marketing Fee		1,22,44,010		1,55,79,950
Commission to Vice Chairman		23,92,851		29,36,877
Miscellaneous Expenses		1,87,14,779		1,69,72,327
		<u>73,10,37,617</u>		<u>69,68,63,085</u>
Add: Opening Stock				
Work-in-Progress	8,60,86,089		8,06,65,861	
Finished goods	33,70,731	<u>8,94,56,820</u>	<u>21,88,630</u>	<u>8,28,54,491</u>
		<u>82,04,94,437</u>		<u>77,97,17,576</u>
Less: Closing Stock				
Work-in-Progress	6,02,44,671		8,60,86,089	
Finished goods	1,24,03,289	<u>7,26,47,960</u>	<u>33,70,731</u>	<u>8,94,56,820</u>
		<u>74,78,46,477</u>		<u>69,02,60,756</u>

## Schedule 9

### Notes on Accounts

#### A. Significant Accounting Policies

i. Basis of accounting

The financial statements have been prepared under the historical cost, except certain fixed assets which are revalued as on March 31, 2005 and March 31, 2008, and in accordance with the generally accepted accounting principles in India (Indian GAAP). The said financial statements comply with the relevant provision of the Companies Act, 1956 and the Accounting Standards notified by the Central Government of India under Companies (Accounting Standards) Rules, 2006 as applicable.

ii. Use of Estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities including the disclosure of contingent liabilities as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

iii. Fixed Assets and Depreciation

Expenditure which are of a capital nature are capitalized at 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. Individual assets costing less than Rs 5,000/- are depreciated in full in the year of acquisition.

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.

iv. Borrowing Cost

Borrowing cost is capitalized as a part of the cost of qualifying asset when it is possible that they will result in future economic benefit. Other borrowing cost is expensed.

v. Impairment of Asset

At each balance sheet date, the carrying values of assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any).

vi. Investments

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

vii. Inventories

Inventories are valued at cost, comprises of cost of purchase, cost of conversion and other costs including appropriate production overheads in the case of finished goods and work in process, incurred in bringing such inventories to their present location and condition. The methods of valuation for various categories of Inventories are as follows:

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

viii. Foreign Currency Transactions

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currency as at the balance sheet date are translated at the rate of exchange prevailing at the year end. Exchange differences arising on actual payments / realizations and year end restatements are dealt with 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.

Gains and losses on certain forward contracts designated as effective cash flow hedges as per Accounting Standard 30 - "Financial Instruments" are recognized in the Hedge Reserve Account till the underlying forecasted transaction occurs.

ix. Revenue Recognition

Revenue is recognized when the significant risks and rewards of ownership of goods have been passed to the buyer.

Interest income is recognized on time proportion basis.

x. Employee Benefit

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

In respect of compensated absences, the liability is determined on the actual basis and is provided for.

Contribution to defined contribution schemes such as provident fund, employee pension fund and cost of other benefit are recognized as an expenses in the year incurred.

xi. Taxation

Current tax is determined on the income for the year chargeable to tax in accordance with Income Tax Act, 1961.

Deferred tax is recognized for all the timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized if there is virtual certainty that there will be sufficient future taxable income available to realize such losses. Other deferred tax assets are recognized if there is reasonable certainty that there will be sufficient future taxable income available to realize such assets.

xii. Provision, Contingent Liabilities and Contingent Assets

Provisions are recognized only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) possible obligation which will be confirmed only by future events not wholly within the control of Company or (ii) Present obligation arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognized in the financial statements.

**B. Notes to Accounts**

1. Estimated value of contracts remaining to be executed on capital account and not provided for Rs. 597.50 lakhs (Previous year Rs 13.11 lakhs)

**2. Contingent Liabilities**

**Particulars**

i. Letters of Credit for import purchases

ii. Bank Guarantee given for Job work

iii. Guarantees given to Central Excise / banks on behalf of other companies with corresponding counter guarantees from them

iv. Claims against the Company not acknowledged as debts

	<b>Year ended Mar 31, 2011 Rs. in lakhs</b>	<b>Year ended Mar 31, 2010 Rs. in lakhs</b>
	419.06	538.76
	0.10	0.10
	520.00	520.00
	45.91	45.91

### 3. Payment to Directors

	Year ended Mar 31, 2011 Rs. in lakhs	Year ended Mar 31, 2010 Rs. in lakhs
Salary	6.60	6.60
Special Allowance	1.99	6.97
Other Perquisites	10.09	10.88
Contribution to PF	0.89	0.82
Profit Commission to non Whole Time Director	23.93*	29.37
Director Sitting Fee	2.17	2.22
<b>Total</b>	<b>45.67</b>	<b>56.86</b>

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

	Year ended Mar 31, 2011 Rs. in lakhs	Year ended Mar 31, 2010 Rs. in lakhs
Net Profit before taxes	773.69	929.53
Add: Managerial Remuneration	19.57	25.27
Profit Commission to Non Whole Time Director	23.93*	29.37
Interest provision for delayed Tax payments	16.94	7.96
Loss on sale of Fixed Assets	-	0.05
Net Profit as per section 198 of the Companies Act	834.12	992.18
Payments to Directors		
a. Remuneration to Whole Time Director	19.57	25.27
b. Profit Commission to Non Whole Time Director	23.93*	29.37

\* The provision on commission in the books is subject to the approval by Central Government of India on the company application seeking permission to pay profit commission to the Non Whole Time Director.

### 4. Miscellaneous expenses includes Auditor's Remuneration

	Year ended Mar 31, 2011 Rs. in lakhs	Year ended Mar 31, 2010 Rs. in lakhs
Audit Fee	1.50	1.50
Taxation	0.30	0.30
Certification charges	0.21	0.05
Reimbursement of expenses	0.15	0.15
<b>Total</b>	<b>2.16</b>	<b>2.00</b>

5. 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). The exchange difference adjusted in the carrying amount of fixed assets during the accounting period is Rs.18.99 lakhs (decrease) (Previous year decrease Net Rs. 409.71 lakhs).

## 6. CIF Value of Import

	Year ended Mar 31, 2011 Rs. in lakhs	Year ended Mar 31, 2010 Rs. in lakhs
Capital goods and spares	1,410.77	841.94
Raw Materials & Consumables	3,798.67	4,091.19

## 7. a. Expenditure in Foreign Currency

	Year ended Mar 31, 2011 Rs. in lakhs	Year ended Mar 31, 2010 Rs. in lakhs
Travel and training	21.86	15.33
Marketing Fee	122.44	155.80
Characterization and Test Engineering Charges	213.52	235.84
IC Evaluation Charges	-	0.72
Interest on Equipment Loan	0.52	4.96

## 7. b. Earnings in Foreign Exchange

	Year ended Mar 31, 2011 Rs. in lakhs	Year ended Mar 31, 2010 Rs. in lakhs
Export on FOB basis	9,123.50	8,708.65

8. Other income of Rs. 173.74 lakhs (Previous year Rs.149.17 lakhs) represents exchange profit of Rs 118.07 lakhs, interest from deposits Rs.6.95 lakhs, scrap sales Rs.13.23 lakhs, lease rental income Rs.11.95 lakhs and Miscellaneous income of Rs. 23.54 lakhs. (Tax deducted at source Rs.4.59 lakhs)

## 9. 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	317.06	258.11

The Company is having diverse package portfolio, from 4lead (1mm x 1mm) to 80leads (12mm x 12mm). To have a common base for capacity calculation, the widely accepted industry standard Twenty Lead Equivalent (TLE) for leaded packages and Three Millimetre equivalent (TMME) for Leadless packages is used.

In the above table, numbers are appropriately converted into TLE (available leaded capacity: 214 Million) and TMME( available leadless capacity:259 Million) to address the statutory requirements. Accordingly the Capacity utilisation is 75% and 90% respectively.

## 10 a. Raw Materials and Intermediates Consumed

	Year ended Mar 31, 2011		Year ended Mar 31, 2010	
	Qty.	Value Rs. in lakhs	Qty.	Value Rs. in lakhs
Lead Frame	325.46 Mill Nos.	1,099.76	294.56 Mill Nos	1,119.73
Gold Wire	11,550.50 Kms	1,834.44	12,887.80 Kms	1,902.10
Moulding Compound	43,558.66 Kgs	324.38	52,835.28 Kgs	364.84
Others		351.53		267.62

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

	Year ended Mar 31, 2011		Year ended Mar 31, 2010	
	% of total Consumption	Value Rs. in Lakhs	% of total Consumption	Value Rs. in Lakhs
i. Raw Materials consumed				
Imported	100.00	3,610.11	100.00	3,654.29
	<u>100.00</u>	<u>3,610.11</u>	<u>100.00</u>	<u>3,654.29</u>
ii. Stores and Spare parts				
Imported	75.24	565.40	82.61	539.07
Indigenous	24.76	186.34	17.39	113.49
	<u>100.00</u>	<u>751.74</u>	<u>100.00</u>	<u>652.56</u>

**11. Sales**

	Year ended Mar 31, 2011		Year ended Mar 31, 2010	
	Qty. Mill. Nos.	Value Rs. in lakhs	Qty. Mill. Nos.	Value Rs. in lakhs
Integrated Circuits – Export (FOB)	314.20	9,064.99	257.50	8,628.69
– Indigenous	-	0.23	-	0.10
Testing – Export	-	27.77	-	34.20
Other Services – Export	-	30.73	-	45.75
– Indigenous	-	9.28	-	7.25

**12. Stock Particulars of Finished Goods**

	Year ended Mar 31, 2011		Year ended Mar 31, 2010	
	Qty. Mill. Nos.	Value Rs. in lakhs	Qty. Mill. Nos.	Value Rs. in lakhs
Integrated Circuits	4.11	137.81	1.25	33.71

**13. Segmental Reporting**

The Integrated Circuits is the only segment for the company

**14. Related party disclosure under Accounting Standard 18 :**

<b>Nature of Relationship</b>	<b>Name of the Party</b>	<b>Nature of Transaction with Value</b>
A. Holding Company	Southern Petrochemical Industries Corporation Limited.	Balance as on Mar 31, 2011 : a. Current Account Rs 0.38 lakhs (Dr) b. Guarantee issued Rs.520.00 lakhs
B. Subsidiary Company	SPEL America Inc.	Marketing Fee – Rs 122.44 lakhs Balance Outstanding to them as on Mar 31, 2011 - Rs. Nil
C. Key Management Personnel	Dr. A.C. Muthiah Chairman Mr. Ar Rm Arun Vice Chairman Mr. D Balakrishnan Chief Executive Officer Mr. N Sivashanmugam Whole Time Director	Personal Guarantee Commission – Rs. 15.60 lakhs Profit Commission – Rs. 23.93 lakhs* Remuneration – Rs. 36.51 lakhs Remuneration - Rs. 19.57 lakhs
D. Enterprise owned by/over which Key Management Personnel is able to exercise significant influence	Chip Test Engineering Limited. Vice Chairman is the Chairman for the Holding company of Chip Test Engineering Ltd for a significant period during the financial year.  Cherrytec Intelisolve Limited. Vice Chairman is the Chairman of Cherrytec Intelisolve Limited.  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. 151.00 lakhs Test Engineering Charges - Rs. 62.51 lakhs Reliability Testing Income - Rs. Nil Rental Income – Rs. 7.37 lakhs Balance Outstanding to them as on Mar 31, 2011 – Rs. 51.89 Lakhs  Software Maintenance Charges – Rs. 11.69 Lakhs ERP Implementation Charges – Rs. 5.16 Lakhs Balance Outstanding to them as on Mar, 31 2011 - Rs. 3.94 Lakhs  Corporate Communications charges of Rs. 16.60 lakhs Rent Charges of Rs. 6.70 lakhs Balance Outstanding to them as on Mar 31,2011 - Rs. 4.67 lakhs.  Manpower Deputation Charges - Rs. 15.00 lakhs. Balance Outstanding to them as on Mar 31, 2011 - Rs. 4.05 lakhs

\* Provision has been made, subject to approval of Central Government.

**15. The Compounds of Deferred Tax Liability (Net) are as follows**

	<b>Year ended Mar 31, 2011 (Rs. in lakhs)</b>	<b>Year ended Mar 31, 2010 (Rs. in lakhs)</b>
A. Deferred Tax Asset		
i. Provision for Gratuity, Employee Benefit, Bonus, advance and debts	86.47	15.22
Total (A)	<u>86.47</u>	<u>15.22</u>
B. Deferred Tax Liabilities		
i. Depreciation and Carry Forward Loss Adjustment	195.12	223.87
Total (B)	<u>195.12</u>	<u>223.87</u>
Deferred Tax (Net) (A-B)	(108.65)	(208.65)

16. Impairment of Assets has been considered as per AS 28 & there is no impairment as on Mar 31, 2011

17. The Company has during the year, adopted the principles of Accounting Standard 30 - Financial instruments: Recognition and measurement, issued by the Institute of Chartered Accountants of India, in respect of forward contracts for firm commitments and highly probable forecast transactions meeting necessary criteria for designation as "Cash flow hedges". The gains and losses on effective Cash flow hedges are recognised in Hedge Reserve Account till the underlying forecasted transaction occurs. There is however no impact on the profit for the year due to the aforesaid change.

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

For and on behalf of the Board

Per our report attached

**Dr. A.C. Muthiah**  
Chairman

**Ar Rm Arun**  
Vice Chairman

**Dr. A. Besant C. Raj**  
Director

for **Natarajan & Co.**  
Chartered Accountants.

**Dr. T.S. Vijayaraghavan**  
Director

**N. Sivashanmugam**  
Whole Time Director

**S.S. Arunachalam**  
Head Corporate Affairs &  
Company Secretary

**A Baskar**  
Partner  
M.No.211721

Place : Chennai  
Date : Apr 29, 2011



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

I.	<b>Registration Details</b>	Registration No.	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">1</td><td style="width: 12.5%;">1</td><td style="width: 12.5%;">4</td><td style="width: 12.5%;">3</td><td style="width: 12.5%;">4</td> </tr> </table>	1	1	4	3	4	State Code	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 15%;">1</td><td style="width: 15%;">8</td> </tr> </table>	1	8
1	1	4	3	4								
1	8											
		Balance Sheet date	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">3</td><td style="width: 12.5%;">1</td><td style="width: 12.5%;">0</td><td style="width: 12.5%;">3</td><td style="width: 12.5%;">1</td><td style="width: 12.5%;">1</td> </tr> </table>	3	1	0	3	1	1			
3	1	0	3	1	1							
II.	<b>Capital raised during the year</b> (Rupees in Thousands)	Public Issue	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">N</td><td style="width: 12.5%;">I</td><td style="width: 12.5%;">L</td> </tr> </table>	N	I	L						
N	I	L										
		Rights Issue	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">N</td><td style="width: 12.5%;">I</td><td style="width: 12.5%;">L</td> </tr> </table>	N	I	L						
N	I	L										
		Bonus Issue	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">N</td><td style="width: 12.5%;">I</td><td style="width: 12.5%;">L</td> </tr> </table>	N	I	L						
N	I	L										
		Private Placement	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">N</td><td style="width: 12.5%;">I</td><td style="width: 12.5%;">L</td> </tr> </table>	N	I	L						
N	I	L										
III.	<b>Position of mobilisation and Deployment of funds</b> (Rupees in Thousands)	Total Liabilities	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">1</td><td style="width: 12.5%;">3</td><td style="width: 12.5%;">8</td><td style="width: 12.5%;">5</td><td style="width: 12.5%;">2</td><td style="width: 12.5%;">9</td><td style="width: 12.5%;">1</td> </tr> </table>	1	3	8	5	2	9	1		
1	3	8	5	2	9	1						
		Total Assets	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">1</td><td style="width: 12.5%;">3</td><td style="width: 12.5%;">8</td><td style="width: 12.5%;">5</td><td style="width: 12.5%;">2</td><td style="width: 12.5%;">9</td><td style="width: 12.5%;">1</td> </tr> </table>	1	3	8	5	2	9	1		
1	3	8	5	2	9	1						
	Sources of Funds	Paid-up Capital	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">4</td><td style="width: 12.5%;">6</td><td style="width: 12.5%;">1</td><td style="width: 12.5%;">3</td><td style="width: 12.5%;">2</td><td style="width: 12.5%;">5</td> </tr> </table>	4	6	1	3	2	5			
4	6	1	3	2	5							
		Reserves and Surplus	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">4</td><td style="width: 12.5%;">5</td><td style="width: 12.5%;">2</td><td style="width: 12.5%;">4</td><td style="width: 12.5%;">7</td><td style="width: 12.5%;">8</td> </tr> </table>	4	5	2	4	7	8			
4	5	2	4	7	8							
		Secured Loans	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">2</td><td style="width: 12.5%;">5</td><td style="width: 12.5%;">8</td><td style="width: 12.5%;">3</td><td style="width: 12.5%;">9</td><td style="width: 12.5%;">4</td> </tr> </table>	2	5	8	3	9	4			
2	5	8	3	9	4							
		Unsecured Loans	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">9</td><td style="width: 12.5%;">4</td><td style="width: 12.5%;">5</td><td style="width: 12.5%;">0</td><td style="width: 12.5%;">0</td> </tr> </table>	9	4	5	0	0				
9	4	5	0	0								
		Deferred Tax-Liability	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">1</td><td style="width: 12.5%;">1</td><td style="width: 12.5%;">8</td><td style="width: 12.5%;">5</td><td style="width: 12.5%;">9</td><td style="width: 12.5%;">4</td> </tr> </table>	1	1	8	5	9	4			
1	1	8	5	9	4							
	Application of Funds	Net Fixed Assets	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">1</td><td style="width: 12.5%;">2</td><td style="width: 12.5%;">5</td><td style="width: 12.5%;">8</td><td style="width: 12.5%;">2</td><td style="width: 12.5%;">4</td><td style="width: 12.5%;">4</td> </tr> </table>	1	2	5	8	2	4	4		
1	2	5	8	2	4	4						
		Investments	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">4</td> </tr> </table>	4								
4												
		Net Current Assets	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">1</td><td style="width: 12.5%;">2</td><td style="width: 12.5%;">7</td><td style="width: 12.5%;">0</td><td style="width: 12.5%;">4</td><td style="width: 12.5%;">3</td> </tr> </table>	1	2	7	0	4	3			
1	2	7	0	4	3							
IV.	<b>Performance of Company</b> (Rupees in Thousands)	Turnover (Including other income)	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">9</td><td style="width: 12.5%;">3</td><td style="width: 12.5%;">0</td><td style="width: 12.5%;">6</td><td style="width: 12.5%;">7</td><td style="width: 12.5%;">5</td> </tr> </table>	9	3	0	6	7	5			
9	3	0	6	7	5							
		Total Expenditure	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">8</td><td style="width: 12.5%;">5</td><td style="width: 12.5%;">3</td><td style="width: 12.5%;">3</td><td style="width: 12.5%;">0</td><td style="width: 12.5%;">6</td> </tr> </table>	8	5	3	3	0	6	+ -		
8	5	3	3	0	6							
		Profit/(Loss) Before Tax	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">7</td><td style="width: 12.5%;">7</td><td style="width: 12.5%;">3</td><td style="width: 12.5%;">6</td><td style="width: 12.5%;">9</td> </tr> </table>	7	7	3	6	9	+ -			
7	7	3	6	9								
		Profit/(Loss) After Tax	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">4</td><td style="width: 12.5%;">5</td><td style="width: 12.5%;">2</td><td style="width: 12.5%;">9</td><td style="width: 12.5%;">8</td> </tr> </table>	4	5	2	9	8	+ -			
4	5	2	9	8								
		Earnings per share in Rupees	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">0</td><td style="width: 12.5%;">.</td><td style="width: 12.5%;">9</td><td style="width: 12.5%;">8</td> </tr> </table>	0	.	9	8					
0	.	9	8									
		Dividend Rate %	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">N</td><td style="width: 12.5%;">I</td><td style="width: 12.5%;">L</td> </tr> </table>	N	I	L						
N	I	L										
V.	<b>Generic names of three principal products/services of Company</b> (as per monetary terms)	Product Description	Item Code No. (ITC Code)									
		Electronic Integrated Circuits	<table border="1" style="border-collapse: collapse; width: 100%;"> <tr> <td style="width: 12.5%;">8</td><td style="width: 12.5%;">5</td><td style="width: 12.5%;">4</td><td style="width: 12.5%;">2</td><td style="width: 12.5%;">0</td><td style="width: 12.5%;">0</td> </tr> </table>	8	5	4	2	0	0			
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

**Dr. A. Besant C. Raj**  
Director

for **Natarajan & Co.**  
Chartered Accountants.

**Dr. T.S. Vijayaraghavan**  
Director

**N. Sivashanmugam**  
Whole Time Director

**S.S. Arunachalam**  
Head Corporate Affairs &  
Company Secretary

**A Baskar**  
Partner  
M.No.211721

Place : Chennai  
Date : Apr 29, 2011



## Cash Flow Statement for the year ended March 31, 2011 Pursuant to Clause 32 of the Listing Agreement

(Rupees in lakhs)

	Year ended Mar 31, 2011	Year ended Mar 31, 2010
<b>A. Cash Flow from Operating Activities :</b>		
Net Profit before tax and extraordinary item :	773.69	929.53
Adjustments for :		
Depreciation	881.34	818.45
Foreign Exchange gain	(118.07)	(99.39)
Interest Income	(6.95)	(11.87)
Rental Income	(11.95)	(6.30)
Provision no longer required written back	(13.84)	8.11
Provision for Doubtful Advances	-	4.12
Loss on sale of Fixed Assets	-	0.05
Interest Expense	173.25	214.57
	903.78	927.74
Operating Profit before working capital changes	1,677.47	1,857.27
Adjustments for :		
Trade and other receivables	349.16	(306.77)
Inventories	76.87	(215.52)
Trade payables	51.79	354.87
	477.82	(167.42)
Cash generated from operations	2,155.29	1,689.85
Direct Tax Paid	249.01	58.31
<b>Net Cash from Operating Activities</b>	1,906.28	1,631.54
<b>B. Cash Flow from Investing Activities :</b>		
Purchase of Fixed Assets	(2,159.64)	(734.89)
(including Capital Work -in-Progress and Long Term Loans Exchange difference)		
Proceeds from Sale of Fixed Assets	0.10	0.27
Interest Income	6.95	11.87
Rental Income	11.95	6.30
<b>Net Cash Flow in Investing Activities</b>	(2,140.64)	(716.45)

**C. Cash Flow from Financing Activities :**

(Rupees in lakhs)

	<b>Year ended Mar 31, 2011</b>		<b>Year ended Mar 31, 2010</b>
Proceeds from Working Capital Borrowings	145.72	177.38	
Term Loan from Bank	1,255.64	-	
Equipment Loan	(282.27)	(678.69)	
Foreign Exchange gain	118.07	99.39	
Repayment of Long Term Borrowings	(1,045.29)	(1,040.76)	
Fixed Deposit accepted	45.00	400.00	
Short term Loan accepted	500.00	-	
Interest Paid	<u>(173.25)</u>	<u>(214.57)</u>	
<b>Net Cash Flow in Financing Activities</b>	<b>533.62</b>		<b>(1,257.25)</b>
Net increase/(decrease) in Cash and Cash Equivalents	299.26		(342.16)
Cash and Cash Equivalents as at Apr 01, 2010 (Opening Balance)	<u>158.07</u>		<u>500.23</u>
Cash and Cash Equivalents as at Mar 31, 2011 (Closing Balance)	<u>457.33</u>		<u>158.07</u>

For and on behalf of the Board

**Dr. A. C. Muthiah**  
Chairman

**Ar Rm Arun**  
Vice Chairman

**Dr. A. Besant C. Raj**  
Director

**Dr. T.S. Vijayaraghavan**  
Director

**N. Sivashanmugam**  
Whole Time Director

**S.S. Arunachalam**  
Head Corporate Affairs &  
Company Secretary

Place : Chennai  
Date : Apr 29, 2011

**Auditors' Report**

We have examined the above Cash Flow Statement of SPEL Semiconductor Limited, for the year ended 31st Mar 2011, which is in agreement with the corresponding profit and loss account and balance sheet of the Company, covered by our report of 29th April 2011 to the Members of the Company.

For **Natarajan & Co**  
Chartered Accountants

Chennai  
Apr 29, 2011

**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, 2011
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	Loss - Rs.0.51 Lakhs
ii. for its previous year	Loss - Rs.0.52 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, 2011	Nil
g. Material Changes between the end of the subsidiary's financial year ended and Mar 31, 2011	Not Applicable

For and on behalf of the Board

**Dr. A.C. Muthiah**  
Chairman

**Ar Rm Arun**  
Vice Chairman

**Dr. A. Besant C. Raj**  
Director

**Dr. T.S. Vijayaraghavan**  
Director

**N. Sivashanmugam**  
Whole Time Director

**S.S. Arunachalam**  
Head Corporate Affairs &  
Company Secretary

Place : Chennai

Date : Apr 29, 2011

### Details pursuant to the Circular No. 2/2011 dated Feb 8, 2011 of Ministry of Corporate Affairs

(In Rs.)

1 Capital	4,365
2 Reserve	(121,743)
3 Total Assets (Fixed and Current Asset)	216,024
4 Total Liabilities	333,402
5 Investment	-
6 Turnover	12,168,870
7 Profit before taxation	(9,740)
8 Provision for taxation	60,206
9 Profit after taxation	(69,930)
10 Proposed dividend	0%



**Consolidated Financial Statements  
of  
SPEL Smiconductor Limited  
2010 - 2011**



**Auditors' Report to the Board of Directors of SPEL Semiconductor Limited on the Consolidated Financial Statement 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, 2011 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.0.04 lacs as at 31st March 2011, total revenues of Rs.121.69 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, 2011; 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

Place : Chennai  
Date : Apr 29, 2011



## Consolidated Balance Sheet As at Mar 31, 2011

	Schedule	As at Mar 31, 2011 (in Rupees)	As at Mar 31, 2010 (in Rupees)
<b>Source of Funds</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	46,13,25,280	46,13,25,280
Reserves and Surplus	2	45,23,56,193	40,71,27,801
<b>Loan Funds</b>			
Secured	3	25,83,93,698	22,57,88,442
Unsecured	4	9,45,00,000	6,82,26,573
Deferred Tax Liability		11,85,93,946	10,77,29,177
Total		<u>138,51,69,117</u>	<u>127,01,97,273</u>
<b>Fixed Assets</b>			
Gross Block	5	165,03,42,130	164,24,55,079
Less: Depreciation		<u>60,97,29,438</u>	<u>52,15,89,019</u>
Capital Work-in-Progress	5	21,76,31,151	33,90,000
<b>Current Assets, Loans &amp; Advances</b>			
Inventories		15,76,33,592	16,53,20,559
Sundry Debtors		4,57,35,992	7,87,59,957
Cash and Bank Balances		4,58,10,297	1,58,53,180
Loans and Advances		<u>4,71,84,109</u>	<u>4,89,37,090</u>
		29,63,63,990	30,88,70,786
Less: Current Liabilities & Provisions	7		
Liabilities		14,45,06,660	13,04,59,563
Provisions		<u>2,49,32,055</u>	<u>3,24,70,010</u>
		<u>16,94,38,715</u>	<u>16,29,29,573</u>
Net Current Assets (6-7)		12,69,25,275	14,59,41,213
Total		<u>138,51,69,117</u>	<u>127,01,97,273</u>
Notes on Accounts	9		

Schedule 1 to 7 and 9 forms an Integral part of the Balance Sheet

For and on behalf of the Board

Per our report attached

**Dr. A. C. Muthiah**  
Chairman

**Ar Rm Arun**  
Vice Chairman

**Dr. A. Besant C. Raj**  
Director

for **Natarajan & Co.**  
Chartered Accountants.

**Dr. T.S. Vijayaraghavan**  
Director

**N. Sivashanmugam**  
Whole Time Director

**S.S. Arunachalam**  
Head Corporate Affairs &  
Company Secretary

**A Baskar**  
Partner  
M.No.211721

Place : Chennai  
Date : Apr 29, 2011



## Consolidated Profit and Loss Account for the Year Ended Mar 31, 2011

	Schedule	Year ended Mar 31, 2011 (in Rupees)	As at Mar 31, 2010 (in Rupees)
<b>Income</b>			
Sales		91,33,00,887	87,15,99,645
Other Income		1,73,73,988	1,47,54,377
Total Income		93,06,74,875	88,63,54,022
<b>Expenditure</b>			
Manufacturing and Other expenses	8	74,76,23,493	68,99,93,914
Interest and Finance Charges		1,73,25,087	2,14,57,005
Depreciation		8,83,67,167	8,19,94,066
Total Expenditure		85,33,15,747	79,34,44,985
Profit for the year		7,73,59,128	9,29,09,037
Current Tax		2,62,70,885	1,59,90,353
Less: MAT Credit Entitlement		(50,04,919)	(49,25,798)
Deferred Tax		1,08,64,769	2,08,64,641
Profit After Taxation		4,52,28,392	6,09,79,841
Profit brought forward		19,76,90,000	13,67,10,159
Net Profit carried to Balance Sheet		24,29,18,392	19,76,90,000
Nominal value of each shares in Rs		10.00	10.00
Basic EPS in Rs.		0.98	1.17
Diluted EPS in Rs.		0.98	1.17
Number of Shares		4,61,17,443	4,61,17,443
Number of Shares for Diluted EPS		4,61,17,443	4,61,17,443
Notes on Accounts	9		

Schedule 8 and 9 forms an Integral part of the Profit and Loss Account

For and on behalf of the Board

Per our report attached

**Dr. A. C. Muthiah**  
Chairman

**Ar Rm Arun**  
Vice Chairman

**Dr. A. Besant C. Raj**  
Director

for **Natarajan & Co.**  
Chartered Accountants.

**Dr. T.S. Vijayaraghavan**  
Director

**N. Sivashanmugam**  
Whole Time Director

**S.S. Arunachalam**  
Head Corporate Affairs &  
Company Secretary

**A Baskar**  
Partner  
M.No.211721

Place : Chennai  
Date : Apr 29, 2011





## Schedule 1

### Share Capital

	As at Mar 31, 2011 (In Rupees)	As at Mar 31, 2010 (In Rupees)
<b>Authorised</b> 6,00,00,000 Equity Share of Rs.10/- each	<u>60,00,00,000</u>	<u>60,00,00,000</u>
<b>Issued</b> 4,61,47,613 Equity Shares of Rs.10/- each	<u>46,14,76,130</u>	<u>46,14,76,130</u>
<b>Subscribed and Paid up</b> 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>46,13,25,280</u>	<u>1,50,850</u> <u>46,13,25,280</u>

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, 2011.

## Schedule 2

### Reserves and Surplus

	As at Mar 31, 2010 (in Rupees)	Addition (in Rupees)	Deletion (in Rupees)	As at Mar 31, 2011 (in Rupees)
Capital Reserve	6,66,215	-	-	6,66,215
Revaluation Reserve	20,40,36,968	-	-	20,40,36,968
Securities Premium Account	47,34,618	-	-	47,34,618
Profit & Loss Account	<u>19,76,90,000</u>	<u>4,52,28,392</u>	-	<u>24,29,18,392</u>
	<u>40,71,27,801</u>	<u>4,52,28,392</u>	<u>-</u>	<u>45,23,56,193</u>

## Schedule 3

### Secured Loans

	As at Mar 31, 2011 (in Rupees)	As at Mar 31, 2010 (in Rupees)
Loans from Banks	19,63,06,455	17,82,73,071
Working Capital Loans from Banks	<u>6,20,87,243</u>	<u>4,75,15,371</u>
	<u>25,83,93,698</u>	<u>22,57,88,442</u>

#### Note

1. Term loans from Banks are secured by first mortgage of fixed assets acquired out of Bank Finance. Equitable Mortgage relating to Factory Land and Building at 5 CMDA Industrial Estate, Maraimalai Nagar. First Charge on the existing Plant & Machinery and other Fixed Assets for Term Loan.

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 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 Banks.

#### Schedule 4

##### Unsecured Loans

	<b>As at Mar 31, 2011 (in Rupees)</b>	<b>As at Mar 31, 2010 (in Rupees)</b>
Equipment Loan	-	2,82,26,573
Fixed Deposit from Others	4,45,00,000	4,00,00,000
Loans from Banks	<u>5,00,00,000</u>	-
	<u><b>9,45,00,000</b></u>	<u><b>6,82,26,573</b></u>

#### Schedule 5

##### Fixed Assets

(In Rupees)

Description	Gross Block				Depreciation				Net Block	
	As at Apr 1, 2010	Additions during the year	Adjustments / Deletions	As at Mar 31, 2011	As at Apr 1, 2010	For the year	Adjustments / Deletions	As at Mar 31, 2011	As at Mar 31, 2011	As at Mar 31, 2010
1. Land	40,10,11,436	-	-	40,10,11,436	-	-	-	-	40,10,11,436	40,10,11,436
2. Building	6,82,38,203	-	-	6,82,38,203	2,43,44,257	19,75,572	-	2,63,19,829	4,19,18,374	4,38,93,945
3. Plant & Machinery	114,63,23,251	76,924	18,98,894	114,82,99,069	47,99,89,947	8,34,67,396	2,14,459	56,36,71,802	58,46,27,267	66,63,33,305
4. Furniture & Fixtures	75,76,113	4,80,963	-	80,57,076	48,78,343	2,73,001	-	51,51,344	29,05,732	26,97,770
5. Office Equipments	1,62,32,475	15,09,398	2,37,688	1,75,04,185	1,09,93,787	14,70,644	2,26,748	1,22,37,683	52,66,502	52,38,688
6. Motor Vehicle	30,73,601	-	-	30,73,601	13,82,685	2,91,992	-	16,74,677	13,98,924	16,90,916
7. Intangible - Software	-	41,58,560	-	41,58,560	-	6,74,103	-	6,74,103	34,84,457	-
<b>Total</b>	<b>164,24,55,079</b>	<b>62,25,845</b>	<b>21,36,582</b>	<b>165,03,42,130</b>	<b>52,15,89,019</b>	<b>8,81,52,708</b>	<b>4,41,207</b>	<b>60,97,29,438</b>	<b>104,06,12,692</b>	<b>112,08,66,060</b>
Previous Year	160,46,18,710	7,92,34,232	4,13,97,863	164,24,55,079	44,00,21,585	8,54,11,234	38,43,800	52,15,89,019		
Capital Work-in-Progress									21,76,31,151	33,90,000

#### Note

Capital Work-in-Progress Rs. 2,176.31 lakhs (Previous year Rs. 33.90 lakhs) relate to advances and purchases for Project. This includes Borrowing Cost capitalisation for qualified asset amounting to Rs 25.23 lacs (Previous year Rs Nil).

Adjustments during the year represents Rs.18.99 lakhs (Previous year Rs.409.71 lakhs loss) towards exchange gain adjusted in fixed assets as per GOI Notification (GO No. GSR225(E) dated Mar 31, 2009).

Schedule 6

**Current Assets, Loans & Advances**

	As at Mar 31, 2011 (in Rupees)	As at Mar 31, 2010 (in Rupees)
<b>A Current Assets</b>		
Inventories		
Stores and Spares	2,53,51,854	2,25,31,438
Raw Materials	5,97,98,947	5,36,72,510
Work-in-Progress	6,02,44,671	8,60,86,089
Finished Goods	1,22,38,120	30,30,522
	<u>15,76,33,592</u>	<u>16,53,20,559</u>
Sundry Debtors (Unsecured considered good)		
Debts outstanding for the period exceeding six months		
Considered Good	12,10,024	2,49,897
Considered Doubtful	33,45,154	33,45,154
Other debts		
Considered good	4,45,25,968	7,85,10,060
	<u>4,90,81,146</u>	<u>8,21,05,111</u>
Less : Provision for doubtful Debts	33,45,154	33,45,154
	<u>4,57,35,992</u>	<u>7,87,59,957</u>
Cash & Bank Balances		
Cash on hand	2,18,097	1,24,927
Bank Balances With Schedule Banks :		
On Current Accounts	2,55,97,584	48,78,396
On Deposit Accounts	-	30,09,492
On Margin Money Accounts	1,99,94,616	78,40,365
	<u>4,58,10,297</u>	<u>1,58,53,180</u>
	<u>24,91,79,881</u>	<u>25,99,33,696</u>
<b>B. Loans and Advances</b>		
(Unsecured considered good)		
Advances recoverable in cash or in kind or value to be received		
Considered good	63,89,480	41,06,583
Considered Doubtful	7,03,456	7,03,456
	<u>70,92,936</u>	<u>48,10,039</u>
Less : Provision for Doubtful Advances	7,03,456	7,03,456
	<u>63,89,480</u>	<u>41,06,583</u>
Balances with Excise, Customs and other Government Authorities		
Considered good	4,07,94,629	4,48,30,507
Considered Doubtful	1,14,990	1,14,990
	<u>4,09,09,619</u>	<u>4,49,45,497</u>
Less : Provision for Doubtful Advances	1,14,990	1,14,990
	<u>4,07,94,629</u>	<u>4,48,30,507</u>
	<u>4,71,84,109</u>	<u>4,89,37,090</u>
	<u>29,63,63,990</u>	<u>30,88,70,786</u>

**Schedule 7**

**Current Liabilities & Provisions**

	As at Mar 31, 2011 (in Rupees)		As at Mar 31, 2010 (in Rupees)
<b>Current Liabilities</b>			
Sundry Creditors			
Dues to Micro Enterprises and Small Enterprises	-		1,91,725
Other than Micro Enterprises and Small Enterprises	12,65,18,019		10,62,90,721
Advance from Customers	1,16,81,020		2,12,86,104
Other Liabilities	63,07,621		26,70,944
Interest Accrued but not due	-		20,069
	<u>14,45,06,660</u>		<u>13,04,59,563</u>
<b>Provision</b>			
Provision for Gratuity and Leave Encashment	1,82,62,803		1,66,67,962
Provision for Taxation	5,68,79,289	4,06,52,454	
Less: Advance Tax	<u>5,02,10,037</u>	<u>2,48,50,407</u>	1,58,02,048
	<u>2,49,32,055</u>		<u>3,24,70,010</u>
	<u>16,94,38,715</u>		<u>16,29,29,573</u>

Schedule 8

**Manufacturing and Other Expenses**

	Year ended Mar 31, 2011 (in Rupees)	Year ended Mar 31, 2010 (in Rupees)
Raw materials and Intermediates consumed	36,10,11,111	36,54,28,607
Stores Consumed	7,51,73,935	6,52,56,127
Characterization & Testing Charges	2,13,52,218	2,37,16,954
Power	3,01,99,947	2,64,77,281
Fuel	2,24,89,178	1,13,74,916
Payments to and provisions for employees		
Salaries, Allowances and Gratuity	14,05,47,556	12,92,31,705
Contribution to P.F., E.S.I.,	1,11,22,854	91,53,568
Staff Welfare	1,02,64,078	89,54,756
	<u>16,19,34,488</u>	<u>14,73,40,029</u>
Travel and Conveyance	92,69,539	81,98,274
Insurance	4,98,204	5,18,278
Rent	13,66,927	6,43,030
Rates and Taxes	26,13,865	13,89,871
Telephone, Telex, Postage & Telegrams	17,93,233	18,93,199
Repairs and Maintenance		
Machinery	32,38,727	21,55,638
Building	9,94,024	12,37,882
Others	83,70,406	1,27,59,843
	<u>1,26,03,157</u>	<u>1,61,53,363</u>
Carriage outwards	40,73,848	31,57,301
Directors' Sitting Fee	2,17,000	2,22,000
Commission to Vice Chairman	23,92,851	29,36,877
Commission	2,26,788	1,17,770
Miscellaneous Expenses	2,35,98,344	2,17,72,366
	<u>73,08,14,633</u>	<u>69,65,96,243</u>
Add: Opening Stock		
Work-in-Progress	8,60,86,089	8,06,65,861
Finished goods	33,70,731	21,88,630
	<u>8,94,56,820</u>	<u>8,28,54,491</u>
	<u>82,02,71,453</u>	<u>77,94,50,734</u>
Less: Closing Stock		
Work-in-Progress	6,02,44,671	8,60,86,089
Finished goods	1,24,03,289	33,70,731
	<u>7,26,47,960</u>	<u>8,94,56,820</u>
	<u>74,76,23,493</u>	<u>68,99,93,914</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. These Consolidated Financial Statements have been prepared in accordance with AS-21 "Consolidated Financial Statements" notified by the Central Government of India under a Companies (Accounting Standard) Rules, 2006.

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, 2011.

#### B. Significant Accounting Policies

##### i. Basis of accounting

The financial statements have been prepared under the historical cost, except certain fixed assets which are revalued as on Mar 31, 2005 and Mar 31, 2008, and in accordance with the generally accepted accounting principles in India (Indian GAAP). The said financial statements comply with the relevant provision of the Companies Act, 1956 and the Accounting Standards notified by the Central Government of India under Companies (Accounting Standards) Rules, 2006 as applicable.

##### ii. Use of Estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities including the disclosure of contingent liabilities as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

##### iii. Fixed Assets and Depreciation

Expenditure which are of a capital nature are capitalized at 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. Individual assets costing less than Rs. 5,000/- are depreciated in full in the year of acquisition.

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.

##### iv. Borrowing Cost

Borrowing cost is capitalized as a part of the cost of qualifying asset when it is possible that they will result in future economic benefit. Other borrowing cost is expensed.

##### v. Impairment of Asset

At each balance sheet date, the carrying values of assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any).

##### vi. Investments

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.

##### vii. Inventories

Inventories are valued at cost, comprises of cost of purchase, cost of conversion and other costs including appropriate production overheads in the case of finished goods and work in process, incurred in bringing such inventories to their present location and condition. The methods of valuation for various categories of Inventories are as follows :

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

##### viii. Foreign Currency Transactions

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currency as at the balance sheet date are translated at the rate of exchange prevailing at the year end. Exchange differences arising on actual payments / realizations and year end restatements are dealt with 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.

Gains and losses on certain forward contracts designated as effective cash flow hedges as per Accounting Standard 30 - "Financial Instruments" are recognized in the Hedge Reserve Account till the underlying forecasted transaction occurs.

##### ix. Revenue Recognition

Revenue is recognized when the significant risks and rewards of ownership of goods have been passed to the buyer. Interest income is recognized on time proportion basis.

##### x. Employee Benefit

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.

In respect of compensated absences, the liability is determined on the actual basis and is provided for.

Contribution to defined contribution schemes such as provident fund, employee pension fund and cost of other benefit are recognized as an expenses in the year incurred.

##### xi. Taxation

Current tax is determined on the income for the year chargeable to tax in accordance with Income Tax Act, 1961.

Deferred tax is recognized for all the timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized if there is virtual certainty that there will be sufficient future taxable income available to realize such losses. Other deferred tax assets are recognized if there is reasonable certainty that there will be sufficient future taxable income available to realize such assets.

##### xii. Provision, Contingent Liabilities and Contingent Assets

Provisions are recognized only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) possible obligation which will be confirmed only by future events not wholly within the control of Company or (ii) Present obligation arising from past events where it is not probable that an outflow of resources will be

required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognized in the financial statements.

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). The exchange difference adjusted in the carrying amount of fixed assets during the accounting period is Rs.18.99 lakhs (decrease) (Previous year decrease Net Rs. 409.71 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, 2011 : a. Current Account Rs 0.38 lakhs (Dr) b. Guarantee issued Rs. 520.00 lakhs
B. Key Management Personnel	Dr. A. C Muthiah Chairman	Personal Guarantee Commission - Rs. 15.60 lakhs
	Mr. Ar Rm Arun Vice Chairman	Profit Commission – Rs. 23.93 lakhs*
	Mr. D Balakrishnan Chief Executive Officer	Remuneration – Rs. 36.51 lakhs
	Mr. N Sivashanmugam Whole Time Director	Remuneration - Rs. 19.57 lakhs
C. Enterprise owned by/over which Key Management Personnel is able to exercise significant influence	Chip Test Engineering Limited Vice Chairman is the Chairman for the Holding company of Chip Test Engineering Ltd	Characterization Charges - Rs.151.00 lakhs Test Engineering Charges - Rs. 62.51 lakhs Reliability Testing Income - Rs. Nil Rental Income – Rs. 7.37 lakhs Balance Outstanding to them as on Mar 31, 2011 – Rs. 51.89 Lakhs Consultancy Charges - Rs. 43.75 Lakhs
	Cherrytec Solution Inc, USA Vice Chairman is the Chairman of Cherrytec Solution Inc, USA.	Software Maintenance Charges – Rs.11.69 Lakhs ERP Implementation Charges – Rs. 5.16 Lakhs Balance Outstanding to them as on Mar 31, 2011 – Rs. 3.94 Lakhs
	Cherrytec Intelisolve Limited Vice Chairman is the Chairman of Cherrytec Intelisolve Limited	Corporate Communications charges of Rs. 16.60 lakhs. Rent Charges of Rs 6.70 lakhs Balance Outstanding to them as on Mar 31,2011 - Rs. 4.67 lakhs
	Valingro Exponenta Limited. Vice Chairman is Chairman in Valingro Exponenta Limited	Manpower Deputation Charges of Rs. 15.00 lakhs. Balance Outstanding to them as on Mar 31, 2011 - Rs. 4.05 lakhs
	Natronix Semiconductor Technology Limited Vice Chairman is Chairman in Natronix Semiconductor Technology Limited.	

\* Provision has been made, subject to approval of Central Government.

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

For and on behalf of the Board

**Dr. A. C. Muthiah**  
Chairman

**Ar Rm Arun**  
Vice Chairman

**Dr. A. Besant C. Raj**  
Director

Per our report attached  
for **Natarajan & Co.**  
Chartered Accountants.

**Dr. T.S. Vijayaraghavan**  
Director

**N. Sivashanmugam**  
Whole Time Director

**S.S. Arunachalam**  
Head Corporate Affairs &  
Company Secretary

**A Baskar**  
Partner  
M.No.211721

Place : Chennai  
Date : Apr 29, 2011

## Consolidated Cash Flow Statement for the year ended March 31, 2011 Pursuant to Clause 32 of the Listing Agreement

(Rupees in lakhs)

	Year ended Mar 31, 2011		Year ended Mar 31, 2010	
<b>A. Cash Flow from Operating Activities</b>				
Net Profit before tax and extraordinary item :		773.59		929.09
Adjustments for :				
Depreciation	883.67		819.94	
Foreign Exchange gain	118.06		(97.76)	
Interest Income	(6.95)		(11.87)	
Rental Income	(11.95)		(6.30)	
Provision no longer required written back	(13.84)		8.11	
Provision for Doubtful Advances	-		4.12	
Loss on sale of Fixed Assets	-		0.05	
Interest Expense	267.35	1,236.34	214.57	930.86
Operating Profit before working capital changes		2,009.93		1,859.95
Adjustments for :				
Trade and other receivables	347.77		(306.59)	
Inventories	76.87		(215.52)	
Trade payables	54.19	478.83	353.50	(168.61)
Cash generated from operations		2,488.77		1,691.34
Direct Tax Paid		249.60		58.31
<b>Net Cash from Operating Activities</b>		2,239.17		1,633.03
<b>B. Cash Flow from Investing Activities</b>				
Purchase of Fixed Assets (including Capital Work -in-Progress and Long Term Loans Exchange difference)	(2,161.97)		(736.22)	
Proceeds from Sale of Fixed Assets	0.10		0.27	
Interest Income	6.95		11.87	
Rental Income	11.95		6.30	
<b>Net Cash Flow in Investing Activities</b>		(2,142.97)		(717.78)



**C. Cash Flow from Financing Activities**

(Rupees in lakhs)

	<b>Year ended Mar 31, 2011</b>		<b>Year ended Mar 31, 2010</b>
Proceeds from Working Capital Borrowings	145.72	177.38	
Term Loan from Bank	1,225.62	-	
Equipment Loan	(282.27)	(678.69)	
Foreign Exchange gain	(118.06)	97.76	
Repayment of Long Term Borrowings	(1,045.29)	(1,040.76)	
Fixed Deposit accepted	45.00	400.00	
Short term Loan accepted	500.00	-	
Interest Paid	(267.35)	(214.57)	
<b>Net Cash Flow in Financing Activities</b>	<u>203.37</u>		<u>(1,258.88)</u>
Net increase/(decrease) in Cash and Cash Equivalents	299.57		(343.63)
Cash and Cash Equivalents as at Apr 01, 2010 (Opening Balance)	158.53		502.16
Cash and Cash Equivalents as at Mar 31, 2011 (Closing Balance)	<u>458.10</u>		<u>158.53</u>

For and on behalf of the Board

**Dr. A. C. Muthiah**  
Chairman

**Ar Rm Arun**  
Vice Chairman

**Dr. A. Besant C. Raj**  
Director

**Dr. T.S. Vijayaraghavan**  
Director

**N. Sivashanmugam**  
Whole Time Director

**S.S. Arunachalam**  
Head Corporate Affairs &  
Company Secretary

Chennai  
Apr 29, 2011

**Auditors' Report**

We have examined the above Consolidated Cash Flow Statement of SPEL Semiconductor Limited, for the year ended 31st March 2011, which is in agreement with the corresponding profit and loss account and balance sheet of the Company, covered by our report of 29th April 2011 to the Members of the Company.

**For Natarajan & Co.**  
Chartered Accountants

Chennai  
Apr 29, 2011

**A Baskar**  
Partner  
M.No.211721



**FORM 2B**  
(See Rules 4CCC and 5D)

The Companies Act, 1956

**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 Nominee Tick <input checked="" type="checkbox"/>	1	Service		2	Business		3	Student		4	Household				
	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 by 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-partriabale basis.
2. A minor can be nominated by a holder of shares and in that event the name and address of the Guardian shall be given by the holder.
3. Transfer of share in favour of nominee and repayment of amount to the nominee shall be valid discharge by a company against the legal heir.
4. Only one person can be nominated per folio.
5. Details of all the holders in a folio 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 folio are entirely transferred or transposed with some other folio, then this nomination will stand rescinded.
8. On receipt of duly executed nomination form, the Company will register the form and allot a registration number and date. This number and folio 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.

<b>For office use only</b>	
Nomination Registration Number	Registered Folio Number
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 hereby record my presence at the 26<sup>th</sup> Annual General Meeting of the Company to be held at 2.30 pm on Wednesday, Jul 27, 2011 at 5 CMDA Industrial Estate, Maraimalai Nagar (Chennai) 603 209.

Full name of the Member (in block letters) \_\_\_\_\_ Signature \_\_\_\_\_

Folio No.: \_\_\_\_\_ DP ID No.\* \_\_\_\_\_ Client ID No.\* \_\_\_\_\_

\* Applicable if Member holding shares in electronic form

Full name of the proxy (in block letters) \_\_\_\_\_ Signature \_\_\_\_\_

- 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 .....  
of .....in 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 26<sup>th</sup> Annual  
General Meeting of the Company to be held at 2.30 pm on Wednesday, Jul 27, 2011, at 5 CMDA Industrial Estate,  
Maraimalai Nagar (Chennai) 603 209.

Signed this ..... day of ..... 2011.

Folio No.: \_\_\_\_\_ DP ID No.\* \_\_\_\_\_ Client ID No.\* \_\_\_\_\_

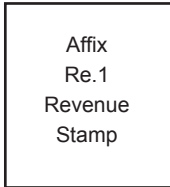
\* Applicable if Member holding shares in electronic form

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.



- 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.



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## Acceptance of Communication through Electronic Mode

In an effort to make the earth a better place to live, the green movement has been sweeping over the globe. Not only are governments & companies contributing to helping the environment, individuals are as well. The Ministry of Corporate Affairs (MCA) has taken a “Green Initiative in Corporate Governance” by allowing paperless compliance by Companies through electronic mode and has issued recently a circular bearing no.17/2011 dated April 21, 2011 stating that service of documents by a Company to its Members can be made through electronic mode. The move of the ministry allows public at large to contribute to the green movement.

Keeping in view the underlying theme and the circular issued by MCA, we will be sending various communications and documents like notice calling general meetings, audited financial statements, Directors’ report, auditor’s report etc., henceforth, in electronic form, to the email address provided by you to the Depositories.

If you are holding Company’s shares in electronic form and have an eMail ID, not registered with our Share Transfer Agent Cameo Corporate Services Limited,

the same may be furnished to us at the AGM venue or may be updated with our Share Transfer Agent at **investor@cameoindia.com**.

Members holding shares in the physical form may also register their eMail ID with our Share Transfer Agent or write to us at **investors@spel.com**

This is also a golden opportunity for every shareholder of the Company to contribute to this Corporate Social Responsibility initiative of SPEL. By receiving communications through electronic mode you also have the benefit of receiving communications promptly and avoiding loss in postal transit, besides helping save costs on paper, postage, reducing paper consumption & saving trees.

1. Shareholder’s Name :
2. Folio No. :
3. eMail ID :

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Signature



Book-Post

## 26<sup>th</sup> Annual Report 2010 - 11

To



*If undelivered, please return to :*

**SPEL Semiconductor Limited**

5 CMDA Industrial Estate

MM Nagar (Chennai) 603 209, India.