



SPEL Semiconductor Limited
an IC Assembly & Test Company

28th Annual Report
2012-13

Defining The Future Through Partnerships



SPEL Semiconductor Limited

Board of Directors	<ol style="list-style-type: none">1. Dr. A. C. Muthiah Chairman2. Mr. Ar Rm Arun Director3. Dr. A. Besant C. Raj Director4. Dr. T. S. Vijayaraghavan Director5. Mr. N. Ramakrishnan Director6. 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	4030 Moorpark Ave # 236 San Jose, CA 95117, USA
Bankers	<ol style="list-style-type: none">1. Indian Overseas Bank2. Allahabad Bank
Registrar & Share Transfer Agents	Cameo Corporate Services Limited, Subramanian Building, V Floor, 1 Club House Road, Chennai 600 002. Tel : (044) 2846 0390 Fax : (044) 2846 0129



Vision

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

Mission

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

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

Quality Policy

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

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

*Work towards continual quality improvement through
training and teamwork*

Environment Policy

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

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

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

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

Emphasizing the minimization of significant impacts, wastes and pollution prevention

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

Notifying this policy to all Stakeholders

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Previous 5 years performance

(₹ in lakhs)

	2012-13	2011-12	2010-11	2009-10	2008-09
Sales	8076.92	7978.63	9146.24	8716.00	8100.26
PBIDT	1197.01	1340.67	1828.28	1962.55	2115.28
Interest	584.01	325.12	173.25	214.57	323.98
PBDT	613.00	1015.55	1655.03	1747.98	1791.30
Depreciation	1185.06	937.80	881.34	818.45	830.45
PBT and prior period items	(572.06)	77.75	773.69	929.53	960.85
Tax / Deffered Tax	(117.03)	20.81	320.71	318.69	337.31
PAT	(455.03)	56.94	452.98	610.84	623.54
Net Profit	(455.03)	56.94	452.98	610.84	623.54

Notice to Members

Notice is hereby given that the 28th Annual General Meeting of the Members of SPEL Semiconductor Limited will be held at 4.00 pm on Monday, Jul 29, 2013 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, 2013 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. N. Sivashanmugam, 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 pursuant to Section 224 of the Companies Act, 1956, M. S. Krishnaswami & Rajan, Chennai, Chartered Accountants, be and are hereby appointed as Statutory Auditors of the Company in the place of Natarajan & Co., Chartered Accountants, the retiring Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration to be fixed by the Board of Directors of the Company.”

Special Business

5. To appoint Mr. N. Ramakrishnan as a Director liable to retire by rotation

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

“Resolved that Mr. N. Ramakrishnan, whose term of office as an Additional Director of the Company expires at this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a Member proposing his candidature. Mr. N. Ramakrishnan, be and is hereby appointed as a Director of the Company, whose period of office will be liable to determination by retirement by rotation.

6. To consider extension of term of office and payment of 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 Aug 1, 2013 to Jul 31, 2014”

“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, 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 Aug 1, 2013 to Jul 31, 2014 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 ₹ 31 lakhs p.a., of which ₹ 18 lakhs p.a. will be performance based incentive. Following are the breakup of fixed remuneration.

Fixed Remuneration

- a. Basic salary : ₹ 6,60,000 /- p.a (Rupees six lakhs sixty thousand only)
- b. Special Allowance : ₹ 1,29,000/- p.a (Rupees one lakh twenty nine thousand only)

Perquisites

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

Other benefits

- 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 ₹ 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

Place : Chennai
Date : Apr 23, 2013

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

Notes

1. Explanatory Statement of material facts pursuant to Section 173(2) of the Companies Act, 1956 for item No.5 & 6 of the Notice is annexed hereto.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and on a poll, to vote instead of himself / herself and a Proxy need not be a Member of the Company. The instrument appointing the Proxy to be valid shall be deposited at the Registered Office of the Company not later than 48 hours before the time fixed for holding the Meeting.
3. Members / Proxies are requested to bring the attendance slip sent with the Annual Report duly filled-in for attending the Meeting. Members who hold shares in the dematerialized form are requested to indicate their DIP ID and Client ID Numbers in the Attendance slip.
4. The Register of Directors Shareholding maintained under section 307 of the Companies Act, 1956 will be available for inspection by the Members at the AGM.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from Jul 19, 2013 to Jul 29, 2013 (both days inclusive).
6. For shares held in physical form, any change in address may be intimated immediately to the Company/Share Transfer Agent by quoting the Folio Number(s). For shares held in demat form, change in address may be intimated directly to the Members' DP.
7. Members are requested to address all correspondences to the Registrar and Share Transfer 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

Appointment of Mr. N. Ramakrishnan as a Director of the Company

Mr. N. Ramakrishnan, was co-opted as an Additional Director of the Company at the Board Meeting held on Jan 23, 2013, and will hold office only up to the date of the forthcoming Annual General Meeting. Mr. N. Ramakrishnan has also given his consent to act as Director, if appointed, as required under Section 264 (1) of the Companies Act, 1956.

A notice has been received from a Member as per Section 257 of the Companies Act, 1956, along with the prescribed fee of ₹ 500/- proposing the candidature of Mr. N. Ramakrishnan, as a Director of the Company liable to retire by rotation. A resolution seeking his appointment as Director is being placed before the Shareholders for approval.

The Board commends the election of Mr. N. Ramakrishnan as a Director liable to retire by rotation, for the approval of the Shareholders

None of the Directors of the Company except Mr. N. Ramakrishnan is concerned or interested in the resolution.

Item 6

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

The Shareholders of the Company at the 27th Annual General Meeting held on Jul 30, 2012 approved the appointment of Mr. N. Sivashanmugam, as Whole Time Director for a period commencing from Apr 1, 2013 to Jul 31, 2013 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 23, 2013 considered the extension of his term of the office from Aug 1, 2013 to Jul 31, 2014 and also decided the terms of remuneration from Aug 1, 2013 to Jul 31, 2014 on the recommendation of the Remuneration and Compensation Committee, which it had decided, at its meeting held on Apr 23, 2013

Except Mr. N. Sivashanmugam, no other Director of the Company is in any way concerned with or interested in the resolution at item No. 6 of the Notice.

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

The Board recommends the resolution set forth in Item No. 6 for approval of the Shareholders.

(By order of the Board)
For SPEL Semiconductor Limited

Place : Chennai
Date : Apr 23, 2013

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary



Directors' Report

Your Directors hereby present the 28th Annual Report of the Company together with the Audited Accounts for the year ended Mar 31, 2013.

Semiconductor - Global & Indian scenario

Global Scenario : The Global Semiconductor sales for the year 2012 were US\$299.9 Billion, a decrease of 2.6% compared to 2011 according to Gartner Inc. The normal drivers of Semiconductor industry growth — the computing, wireless, consumer electronics and automotive electronics sectors — all suffered serious disruption in 2012. Even the industrial / medical, wired communications and military/aerospace sectors ordinarily less affected by changes in consumer sentiment suffered severe declines in Semiconductor consumption. Excess inventory levels also remained a growth inhibitor.

As per World Semiconductor Trade Statistics organization (WSTS), highest growth of 10.5% achieved in America and 7.8% growth in APAC. However Europe (-4.9%) & Japan (-12.3%) markets slowed down.

QFN is still widely used in applications across all segments. However, there is excess capacity in the industry for the traditional QFN packages that was built during the industry boom in 2010. Chip designers are designing more products in the Fan-in and Flip Chip categories. The next recovery cycle expected in 2013 will help to utilize the capacity built at SPEL. The growth for leaded packages is declining but SPEL is able to maintain similar performance as of FY 2011-12 due to Customer bases in niche packages and applications

Indian Scenario : Your Company adequately represented the Electronics policy to the concerned Ministry through various industry associations. The Ministry is planning to rollout new policy on the IT Hardware during the current year. This will give an impetus to the Domestic units as the Ministry is planning to procure their requirements to various Government departments from these companies.

Your Company is making its presence felt in the IC requirements for the Government organizations/Ministry of Defence and domestic Industries. Your Company is looking for volume growth in commercially viable projects with various Government Departments.

Forecast for 2013 by segment

Internet-capable converging technologies and mobile electronic systems will keep demand for ICs strong through 2016.

The PC industry is struggling to identify innovations that differentiate PCs from other products and inspire consumers to buy and instead is meeting significant resistance to changes perceived as cumbersome or costly. PC industry efforts to offer touch capabilities and ultra slim systems have been hampered by traditional barriers of price and component supply, as well as a weak reception for Windows 8.

- Tablet and Ultrabook PCs — Demand continues to surge for Table PCs and anticipation is building for new Ultrabook PCs.
- Smartphones — Smartphones remain by far the fastest growing segment of the cell phone market IC content represents about 31% of the average selling price of a smartphone, whereas IC content in a basic cell phone is 23%. The success of 3G/4G smartphones is set to continue having a big impact on the future analog, DSP, logic, and NAND flash memory IC markets.
- Smart TVs — Internet capability has replaced 3D as the must have technology in 2013. Despite “upgrade fatigue,” consumers are drawn to Internet-connected Smart TVs, a favourite trend for suppliers of LED drivers, power management ICs, and MCUs/MPUs, which are expected to be big winners in this market segment.
- Smart Grids and Advanced Metering Infrastructure (AMI) — Home appliances and other residential electrical systems are being designed to interact and communicate with power-utility companies and Customers via the Internet. Global investment in smart grid technology is forecast to grow 19% annually through 2016.

SPEL performance during the year

SPEL got into supply chain of a consumer electronic major in Q1 and registered impressive volumes in Q2. However, these volumes dropped to Zero due to the cold response for their latest products. Also, the volumes for TDFN's/UDFN's fell sharply amongst two of the major Customers from Q3 due to the falling demand for feature cell-phones & end Customer preference to other packaging options like WLCSP

Migration to Cu wire happened briskly in the second half and currently 15% of volumes processed in Cu wire that had a revenue impact in terms of ASP. Continued slowdown in PC market has affected business for SPEL as they are the major consumers of Semiconductors. Some of our Customer's business are affected due to decrease in product life cycle because of frequent design changes / uncertainty in demand.

SPEL has focused on markets in Taiwan / Europe, have made progress and qualified new Customers. It expects to see revenues coming in from FY 2013-14. Your Company has formalized aggressive marketing strategies across the globe to tap the potential market.

Cause of concern

PC market continued its downward trend for the most part of 2012 falling further sharply in 1Q13. Industry observers are surprised at the steep fall of 13.9% during 1Q13 which is more than their estimated 7.7% decline.

Despite some mild improvement in the economic environment and some new PC models offering Windows 8, PC shipments were down significantly across all regions



compared to a year ago. Fading Mini Notebook shipments have taken a big chunk out of the low-end market while tablets and smartphones continue to divert consumer spending.

Continued power crisis and its consequent increase in power cost because of DG usage, and substantial outflow of interest payment, has strained the operating cost.

How addressed

The Management with its strong commitment and extensive support from its Employees, Suppliers & Customers, maintained its position, despite the Global Slowdown and Economic Crisis in Europe. Investments were made to address the vital requirements of operation with Bank's assistance. Your Company is also sourcing alternate power solutions to combat ever increasing power cost.

Sales Network established to serve Asia Pacific / Europe regions.

Financial Performance

The Operating results of your Company for the year ended Mar 31, 2013 are given below :

(₹ in Lakhs)

Particulars	Year ended Mar 31, 2013	Year ended Mar 31, 2012
Sales	8076.92	7978.63
Other Income	122.75	86.38
PBIDT	1200.02	1338.53
Interest	584.01	325.11
Depreciation	1106.95	937.93
Exceptional Items	78.38	-
Profit before Taxation	(569.32)	75.49
Tax / Deferred Tax	(116.15)	21.20
Profit after Taxation	(453.17)	54.29

Due significant reduction (20%) in Average Selling Price, sales revenue of your Company for current year has decreased by 13% over the previous year even though volume grew by 10%. Due to this 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 Values

Your Company has adopted the following as its Values. The Management is highly committed to put these in practice such that all Employees understand. Training sessions are conducted every month such that all Employees attend this program at least once in 6 months :

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

Corporate Social Responsibility (CSR)

SPEL encourages its Employees to participate actively in CSR through SPEL Employees Social Service Organization (SESSO). Following activities were undertaken though SESSO during the previous year.

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

Dividend

Due to loss dividend cannot be paid during the year.

Fixed Deposits

The fixed deposits for the period were ₹ 2.00 Crores.

Research & Development (R&D)

The Company has carved out an ambitious plan for investment in R&D. This will include investment in developing Semiconductor electronic designs for our Customers, offering verification services for Semiconductors designs and developing package designs which are cost effective and application friendly. 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 Limited (NSDL) and M/s. Central Depository Services (India) Limited (CDSL). Going by the percentage of demat Shareholders, it is found that as many as 26,38,097 shares (5.72% 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 19, 2012 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, has informed the Company that they do not propose to offer themselves as Statutory Auditors of the



Company at the forthcoming Annual General Meeting since they are discontinuing the Audit Practice. The Company has received notice from a member recommending the appointment of M. S. Krishnaswami & Rajan, Chennai as Statutory Auditors in the place of M/s. Natarajan & Co.

M/s. Krishnaswami & Rajan, Chennai have expressed their consent for the appointment as Statutory Auditors for the Financial Year 2013-14 and have confirmed that the appointment, if made, will be in accordance with the limits specified under Sec 224 (1B) of the Companies Act, 1956.

Directors

Dr. A. Besant C. Raj and Mr. N. Sivashanmugam are the Directors retiring at the ensuing Annual General Meeting. As both are being eligible, offering themselves for reappointment. A brief profile of both Directors is provided as follows :

Dr. 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. He is the Chairman of SPEL Board's Audit Committee and a Member of SPEL Board's Securities Transfer & Investors Grievances Committee (STIGC).

Mr. N. Sivashanmugam

Mr. N. Sivashanmugam is a Chartered Accountant with 35 years background in Domestic and International Finance & Accounts. He has worked in Indo-Jordan Chemicals Company Limited in Amman, Jordan as Asst. Managing Director – Finance since May 2000. In his earlier tenure, he had the experience of effectively handling large Company's Treasury, Banking, Insurance and Accounts. He also has good exposure in Project Finance

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, 2013 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, 2013 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 were undertaken, notable amongst them being, reuse of Dicing process water & Rain Water Harvesting. Following are the details of power & water consumed.

Power	Water
7560889 Units	77725 K Lits

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 : ₹ 44,08.10 lakhs

Foreign Exchange earned during the year : ₹ 83,94.84 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.

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 (2004 Version).

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 has already introduced 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, forbearance and the confidence reposed on the Management.

For and on behalf of Board of Directors

Place : Chennai
Date : Apr 23, 2013

Dr. A. C. Muthiah
Chairman



Management Discussion & Analysis

Business Environment

The Global Semiconductor sales for the year 2012 were US\$299.9 Billion, a decrease of 2.6% compared to 2011 according to Gartner Inc. The normal drivers of Semiconductor industry growth — the computing, wireless, consumer electronics and automotive electronics sectors — all suffered serious disruption in 2012. Even the industrial/medical, wired communications and military/aerospace sectors ordinarily less affected by changes in consumer sentiment suffered severe declines in Semiconductor consumption. Excess inventory levels also remained a growth inhibitor.

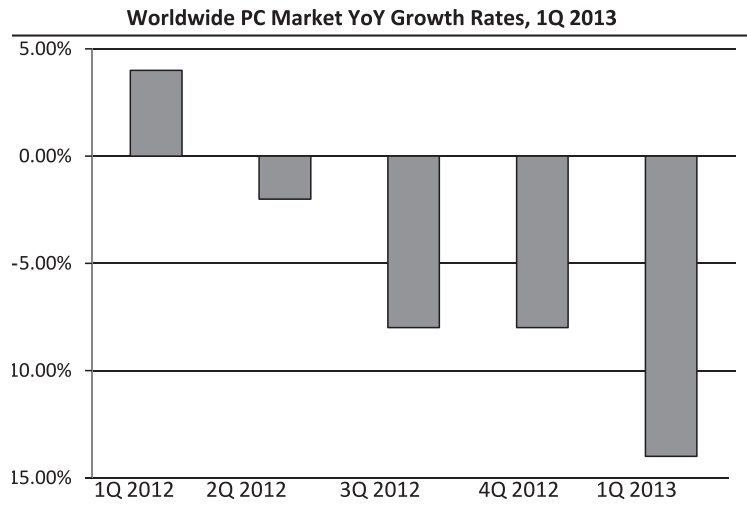
IC Market Growth by Application

Forecast of IC Market Growth by Segment		
Product Category	2012 Growth	2013F Growth
Tablet MPUs	60%	50%
Cellphone App MPUs	41%	28%
Wired Telecom - Spcl purpose Logic /MPR	17%	13%
NAND Flash	6%	12%
Wired Telecom - AppSpecific Analog	24%	11%
DRAM	-10%	9%
Wireless Telecom - Spcl purpose Logic /MPR	9%	9%
Auto - Spcl purpose Logic/MPR	2%	7%
Consumer - Special purpose Logic/MPR	12%	7%
32bit MCU	4%	7%
Total IC Market	-2%	6%

Continued slowdown in PC market

PC market continued its downward trend for the most part of 2012 falling further sharply in 1Q13. Industry observers are surprised at the steep fall of 13.9% during 1Q13 which is more than their estimated 7.7% decline.

Despite some mild improvement in the economic environment and some new PC models offering Windows 8, PC shipments were down significantly across all regions compared to a year ago. Fading Mini Notebook shipments have taken a big chunk out of the low-end market while tablets and smartphones continue to divert consumer spending.



PC industry efforts to offer touch capabilities and ultraslim systems have been hampered by traditional barriers of price and component supply, as well as a weak reception for Windows 8. The PC industry is struggling to identify innovations that differentiate PCs from other products and inspire consumers to buy and instead is meeting significant resistance to changes perceived as cumbersome or costly.

IC Market Drivers for future

Internet-capable converging technologies and mobile electronic systems will keep demand for ICs strong through 2016.

Tablet and Ultrabook PCs — Demand continues to surge for Table PCs and anticipation is building for new Ultrabook PCs.

Smartphones — Smartphones remain by far the fastest growing segment of the cellphone market! IC content represents about 31% of the average selling price of a smartphone, whereas IC content in a basic cellphone is 23%. The success of 3G/4G smartphones is set to continue having a big impact on the future analog, DSP, logic, and NAND flash memory IC markets.

Smart TVs — Internet capability has replaced 3D as the must have technology in 2013. Despite “upgrade fatigue,” consumers are drawn to Internet-connected Smart TVs, a favourite trend for suppliers of LED drivers, power management ICs, and MCUs/MPUs, which are expected to be big winners in this market segment.

Smart Grids and Advanced Metering Infrastructure (AMI) — Home appliances and other residential electrical systems are being designed to interact and communicate with power-utility companies and Customers via the Internet. Global investment in smart grid technology is forecast to grow 19% annually through 2016.

SATS Market

During 2012, the combined revenue of the top 20 SATS Companies (\$230Mln/yr and above) increased by 4.6% from US\$18.4Bln to US\$19.246Bln. These Companies can cater to the advanced packaging requirements for the portable applications. However, the smaller OSAT Companies including those in China had seen revenue decline. The combined revenue of the smaller SATS Companies fell by 6.0% from US\$5.617Bln to US\$5.280Bln according to Gartner.



The growth drivers for SATS were generally in the mobile phone / tablet requiring advanced packaging technologies like WLP, flip-chip, through-silicon via (TSV), and redistribution layers.

Growth drivers for SATS industry through 2016

According to Sandra Winkler, of NVR, the following packaging technologies will have a better CAGR through 2016 :

Stacked packages → 13.7%

Through-Silicon Vias (TSVs) including 3-D and 2.5-D

System in Package (SiP) → 13.0%

Fan-in QFN Packages → 38.6%

Flip Chip QFN → 12.6%

Reconfigured or fan-out Wafer Level Packages → 11.6%

SPEL's performance

SPEL got into supply chain of a consumer electronic major (APPLE) in Q1 and registered impressive volumes in Q2. However, these volumes dropped to Zero due to the cold response for their latest products. Also, the volumes for TDFN's/UDFN's fell sharply amongst two of the major Customers from Q3 due to the falling demand for feature cell-phones & end Customer preference to other packaging options like WLCSP.

Migration to Cu wire happened briskly in the second half and currently 15% of volumes processed in Cu wire that had a revenue impact in terms of ASP .

SPEL has focused on markets in Taiwan / Europe, have made progress and qualified new Customers. It expects to see revenues coming in from FY 2013.

Global Trend for SPEL's package lines

QFN is still widely used in applications across all segments. However, there is excess capacity in the industry for the traditional QFN packages that was built during the industry boom in 2010. Chip designers are designing more products in the Fan-in and Flip Chip categories. The next recovery cycle expected in 2013 will help to utilize the capacity built at SPEL.

The growth for leaded packages is declining but SPEL is able to maintain similar performance as of FY 2011 due to Customer bases in niche packages and applications.

Outlook for 2013

Various industry analysts predict better growth for Semiconductor Industry in 2013 ranging from 5% to 7.6%. The positive trend predicted to emerge from CY13.

SPEL has been qualifying many new products for existing Customers and volumes are expected to come in based on the design wins by Customers. Also, SPEL has chalked out firm plans to make an entry into other Business Units of Onsemi / Silabs during this year. With new marketing focus, SPEL expects to get more new accounts in APAC/Europe & USA as couple of packages already qualified and slated for production from FYQ1-2013



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 6 Directors. The Board comprises a combination of Executive and Non-executive Directors.

Composition of Board of Directors, their other Directorships and Committeeships is depicted hereunder :

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

Note

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

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

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

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

Four Board Meetings were held on Apr 25, 2012, Jul 30, 2012, Oct 20, 2012 & Jan 23, 2013

Name of the Director	No. of Board Meetings attended
Dr. A. C. Muthiah	3
Mr. Ar Rm Arun	4
Mr. S. R. Vijayakar@	2
Dr. T. S. Vijayaraghavan	3
Dr. A. Besant C. Raj	4
Mr. N. Ramakrishnan#	1
Mr. N. Sivashanmugam	4

@ Resigned w.e.f Jan 23, 2013

Joined w.e.f. Jan 23, 2013

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 Mr. N. Ramakrishnan	Chairman Member Member
Securities Transfer and Investors' Grievance Committee	Mr. N. Ramakrishnan Dr. A. Besant C. Raj Dr. T. S. Vijayaraghavan	Chairman Member Member
Remuneration and Compensation Committee	Dr. T. S. Vijayaraghavan Dr. A. Besant C. Raj Mr. N. Ramakrishnan	Chairman Member Member

4. Board and Committee functioning

a. Board Meetings

- The Board meetings are generally held in Chennai with the majority of Directors present at each meeting.
- The detailed Agenda with notes is circulated well in advance and contains all the matters enshrined in Clause 49 of the Listing Agreement
- Sufficient time is allocated for discussing the items of business, more specifically on the operations front with detailed presentations by the Chief Executive Officer.
- 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.

b. Audit Committee

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

- Financial statements before submission to the Board
 - Draft financial statements and Auditors' Report before submission to the Board
 - Accounting policies and practices
 - Risk management policies and practices
 - Compliance with Stock Exchange and legal requirements concerning financial statements
 - Related party transactions
 - Recommendation of appointment of Auditors and fixing their fees
 - 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 Apr 25, 2012, Jul 30, 2012, Oct 20, 2012 & Jan 23, 2013

Name of the Director	No. of Audit Committee Meetings attended
Dr. A. Besant C. Raj	4
Dr. T. S. Vijayaraghavan	3
Mr. S. R. Vijayakar@	2
Mr. N. Ramakrishnan#	-

@ Resigned w.e.f Jan 23, 2013

Joined w.e.f. Jan 23, 2013

c. 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.

Remuneration and Compensation Committee Meeting was held on Apr 25, 2012

Name of the Director	No. of Committee Meetings attended
Dr. T. S. Vijayaraghavan	1
Dr. A. Besant C. Raj	1
Mr. S. R. Vijayakar@	-
Mr. N. Ramakrishnan#	-

@ Resigned w.e.f Jan 23, 2013

Joined w.e.f. Jan 23, 2013



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 ₹)

Sl. No.	Names of Directors	Remuneration paid during the year 2012-13			
		Salary / Special allowance / Perquisites	Commission / Bonus / Incentive	Sitting fees	Total
1.	Dr. A. C. Muthiah	NA	NA	24,000	24,000
2.	Mr. Ar Rm Arun	NA	—	—	—
3.	Mr. S. R. Vijayakar	NA	NA	28,000	28,000
4.	Dr. T S. Vijayaraghavan	NA	NA	46,000	46,000
5.	Dr. A. Besant C. Raj	NA	NA	61,000	61,000
6.	Mr. N. Ramakrishnan	NA	NA	8,000	8,000
7.	Mr. N. Sivashanmugam**	12,99,666 @	NA	NA	12,99,666

@ does not include PF Contribution

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

Remuneration	Per annum
Basic salary	: ₹ 6,60,000/-
Special Allowance	: ₹ 1,07,500/-
Perquisites / Other benefits	: ₹ 5,32,166/-
PF Contribution of the Company	: ₹ 82,500/-

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 28th Annual General Meeting, are furnished below :

Mr. N. Sivashanmugam

Mr. N. Sivashanmugam is a Chartered Accountant with 35 years background in Domestic and International Finance & Accounts. He has worked in Indo-Jordan Chemicals Company Limited in Amman, Jordan as Assistant Managing Director – Finance since May 2000. In his earlier tenure, he had the experience of effectively handling large Company's Treasury, Banking, Insurance and Accounts. He also has good exposure in Project Finance. In addition, he is also on the Board of Accuspeed Engineering Services India Limited and BrainWave Biosolutions 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. He is Chairman of SPEL Board's Audit Committee and a Member of SPEL Board's Securities Transfer & Investors' Grievance Committee (STIGC) and Remuneration Committee.

7. Securities Transfer and Investors' Grievance Committee

- The Securities Transfer and Investors' Grievance Committee comprise a majority of Independent Non-Executive Directors. Mr. N. Ramakrishnan 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 2012-13.

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

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

Sl. No.	Description of delegated authority	Full address of delegated authority	Telephone No.(s)	Fax No.(s)	eMail	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.	2009-10	5 CMDA Industrial Estate Maraimalai Nagar 603 209	Jul 30, 2010 2.45 pm
2.	2010-11	5 CMDA Industrial Estate Maraimalai Nagar 603 209	Jul 27, 2011 2.30 pm
3.	2011-12	5 CMDA Industrial Estate Maraimalai Nagar 603 209	Jul 30, 2012 4.00 pm

Special Resolutions passed in the previous 3 AGMs :

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

26th AGM : 1. Extension of term of office and payment of revised remuneration to Mr. N. Sivashanmugam, Whole Time Director

27th AGM : 1. Extension of term of office and payment of remuneration to Mr. N. Sivashanmugam, Whole Time Director

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 enjoy 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

- 1 Annual General Meeting : Jul 29, 2013 at Registered Office of the Company
(as indicated in the notice)
- 2 Financial year : 2012-13
- 3 Dates of Book Closure : Jul 19, 2013 to Jul 29, 2013
- 4 Listed on Stock Exchange : 1. The Bombay Stock Exchange Limited (BSE)
Stock Code : Demat - 517166, Physical - 17166
2. Delhi Stock Exchange Limited (DSE)
- 5 ISIN Number NSDL & CDSL : INE 252A01019
- 6 Outstanding GDR/ADR/Warrants : No
or any convertible instruments
- 7 Registrar & Share Transfer Agent: Cameo Corporate Services Limited
- 8 Address for Communication
 - a. Head Corporate Affairs & Company Secretary
SPEL Semiconductor Limited
5 CMDA Industrial Estate
MM Nagar (Chennai) 603 209
India
 - b. Cameo Corporate Services Limited
Subramanian Building
1 Club House Road
Chennai 600 002
- 9 Share transfer System : All transfer requests received are processed and approved by an authorized signatory.
Normally transfers are processed and approved twice a month.
- 10 Factory Location : 5 CMDA Industrial Estate, MM Nagar (Chennai), 603 209. India.

12. Distribution of Shareholding as on Mar 31, 2013

No. of Equity Shares held	No. of Folios	%	No. of Shares	%
1 – 100	13702	43.84	1142853	2.48
101 – 500	13121	41.99	3781101	8.20
501 – 1000	2455	7.86	2056457	4.46
1001 – 2000	986	3.16	1591006	3.44
2001 – 3000	355	1.14	931070	2.02
3001 – 4000	137	0.44	505832	1.10
4001 – 5000	164	0.52	787927	1.71
5001 – 10000	192	0.61	1468196	3.18
10001 and above	139	0.44	33853001	73.41
Grand Total	31251	100.00	46117443	100.00

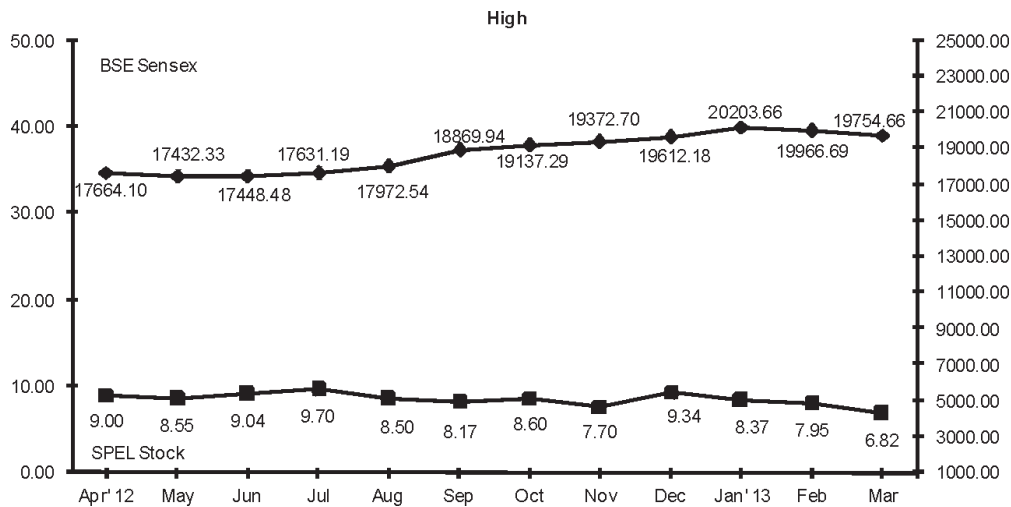
No. of Shareholders in Physical Mode 2638097

No. of Shareholders in Electronic Mode 43479346

13. Shareholding Pattern as on Mar 31, 2013

Category	No. of Shareholders	No. of Shares	%
Promoter	1	25811207	55.97
Mutual Funds	2	8600	0.02
Nationalized Banks	1	100	0.00
Overseas Corporate Bodies	1	9000	0.02
Non-Resident Indians	170	314258	0.68
Domestic Companies	392	1463941	3.17
Resident Individuals	30672	18501363	40.12
Clearing Members	9	5424	0.01
Trusts	3	3550	0.01
Total	31251	46117443	100.00

14. Stock Performance V/s BSE Sensex



15. Market Price Data High & Low, Trading volume and no. of trades during each month for FY 2012-13

Month	High	Low	Trading Volume (No. of shares in lakhs)	No. of Trades
Apr 2012	9.00	7.60	1.21	371
May	8.55	7.00	1.36	432
Jun	9.04	7.00	1.43	470
Jul	9.70	7.14	0.86	490
Aug	8.50	6.55	0.88	510
Sep	8.17	6.10	2.76	686
Oct	8.60	6.61	1.24	449
Nov	7.70	6.21	1.44	646
Dec	9.34	6.17	6.10	915
Jan 2013	8.37	6.60	3.21	433
Feb	7.95	5.67	1.86	341
Mar	6.82	4.72	2.40	350

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 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, 2013.

For SPEL Semiconductor Limited

Place : Chennai
Date : Apr 23, 2013

D. Balakrishnan
Chief Executive Officer

Certificate by CEO

The Certificate from CEO was obtained and placed before the Board.



Auditors' Certificate on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement

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 March 31, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 in the above mentioned 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 future 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
Firm Registration No. 192097

Place : Chennai
Date : Apr 23 , 2013

A. Baskar
Partner
Membership No.: 211721

Independent Auditors' Report

To

The Members of SPEL Semiconductor Limited

1. Report on the Financial Statements

1.1 We have audited the accompanying financial statements of SPEL SEMICONDUCTOR LIMITED ("the Company"), which comprise the Balance Sheet as at Mar 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

2.1 Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

3.1 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

3.2 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

4.1 In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 affairs of the Company as at Mar 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the loss 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.

5. Report on Other Legal and Regulatory Requirements

5.1 As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

5.2 As required by Section 227(3) of the Act, we report that :

- (a) 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;
- (b) 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;
- (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956;
- (e) On the basis of written representations received from the Directors as on Mar 31, 2013, and taken on record by the Board of Directors, none of the Directors is disqualified as on Mar 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For **Natarajan & Co**
Chartered Accountants
Firm Registration No. 192097

A. Baskar

Partner

Place : Chennai

Date : Apr 23 , 2013

Membership No.: 211721

Annexure referred to in paragraph 5.1 of our report of even date of the Auditors to the Members of SPEL Semiconductor Limited on the Accounts for the year ended Mar 31, 2013

- | | |
|---|---|
| <p>(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.</p> <p>(b) Fixed assets have been physically verified by the Management during the year and no material discrepancies were identified on such verification.</p> <p>(c) There was no disposal of substantial part of the fixed assets during the year.</p> | <p>(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system 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 and services.</p> |
| <p>(ii) (a) The Management has conducted physical verification of inventory at reasonable intervals during the year.</p> <p>(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.</p> <p>(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.</p> | <p>(v) (a) According to the information and explanations given to us, the transactions that need to be entered into a register in pursuance of Section 301 of the Companies Act, 1956 have been so entered.</p> <p>(b) In our opinion and according to the information and explanations given to us, these transactions in pursuance of contracts or arrangements entered in the register in pursuance of Section 301 of the Companies Act, 1956 and exceeding the value of ₹ 5 Lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time;</p> |
| <p>(iii) (a) According to the information and explanations given to us, 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 Companies Act, 1956.</p> <p>The Company had taken unsecured loan in the form of fixed deposit from parties covered in the register maintained under Section 301 of the Companies Act, 1956.</p> <p>(b) In our opinion, the rate of Interest and other terms and conditions on which loans have been taken from parties covered in the register maintained under Section 301 of the Companies Act, 1956 are not prima facie, prejudicial to the interest of the Company.</p> <p>(c) The Company is regular in repaying the principal amount as stipulated and has been regular in payment of Interest.</p> <p>(d) There is no overdue amount of loans taken from parties covered in the register maintained under Section 301 of the Companies Act, 1956.</p> | <p>(vi) In our opinion and according to the information and explanations given to us the Company has accepted inter-corporate deposits and has complied with directives issued by Reserve Bank of India and the provisions of Sections 58A and 58AA of the Act and rules framed under wherever applicable</p> <p>(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.</p> <p>(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.</p> <p>(ix) (a) Undisputed statutory dues including Income-Tax, Sales-Tax, Employees State Insurance, Employees' Provident Fund, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues</p> |

applicable to it have been generally regularly deposited with the appropriate authorities.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income-Tax, Sales-Tax, Employees State Insurance, Employees' Provident Fund, Wealth-Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding in Dispute

Name of the statute	Nature of dues	Amount (₹)	Period to which the amount relates (AY)	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	177 Lakhs	2005-06	ITAT
Income Tax Act, 1961	Income Tax	2.57 Lakhs	2006-07	CIT (A)

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) According to the information and explanations given to us the Company has not defaulted in repayment of dues to financial institutions.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, 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 a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) 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 (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Terms Loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any money through public issue during the year and therefore, this clause is not applicable to the Company.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the Management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For Natarajan & Co
Chartered Accountants
Firm Registration No. 192097

A. Baskar
Partner

Place : Chennai
Date : Apr 23 , 2013 Membership No.: 211721



Balance Sheet As at Mar 31, 2013

	Notes	As at Mar 31, 2013 (In Rupees)	As at Mar 31, 2012 (In Rupees)
Equity and Liabilities			
Shareholders' Funds			
Share Capital	3	46,13,25,280	46,13,25,280
Reserves and surplus	4	41,20,19,440	46,02,30,044
		87,33,44,720	92,15,55,324
Non-current liabilities			
Long-term borrowings	5.1	11,25,45,387	16,88,25,387
Deferred tax liabilities (net)	11	10,89,71,943	12,06,75,326
Long-term provisions	7	2,14,10,427	1,96,65,661
		24,29,27,757	30,91,66,374
Current liabilities			
Short-term borrowings	5.2	16,22,17,628	13,72,93,311
Trade payables	6.1	9,08,65,224	8,22,71,978
Other current liabilities	6.2	10,62,44,412	12,93,00,439
Short-term provisions	7	20,82,631	20,91,421
		36,14,09,895	35,09,57,149
TOTAL		1,47,76,82,372	1,58,16,78,847
Assets			
Non-current assets			
Fixed assets			
Tangible assets	8	1,18,59,59,340	1,26,64,75,307
Intangible assets	9	26,69,910	35,90,950
Non-current investments	10	4,365	4,365
Long-term loans and advances	12	84,68,370	61,26,645
		1,19,71,01,985	1,27,61,97,267
Current assets			
Inventories	14	15,16,63,326	16,67,27,291
Trade receivables	13.1	5,39,72,000	6,62,95,131
Cash and bank balances	15	2,54,73,974	2,53,98,916
Short-term loans and advances	12	4,88,69,375	43,2,73,086
Other current assets	13.2	6,01,712	37,87,156
		28,05,80,387	30,54,81,579
Total		1,47,76,82,372	1,58,16,78,847
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

For and on behalf of the Board of Directors

Dr. A. C. Muthiah
Chairman

Ar Rm Arun
Director

Dr. A. Besant C. Raj
Director

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

Dr. T. S. Vijayaraghavan
Director

N. Ramakrishnan
Director

N. Sivashanmugam
Whole Time Director

A. Baskar
Partner
M.No. 211721

Place : Chennai
Date : Apr 23, 2013

S. S. Arunachalam
Head Corporate Affairs & Company Secretary



Statement of Profit and Loss Account for the Year Ended Mar 31, 2013

	Notes	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Income			
Revenues from operations (gross)	16	80,80,25,157	79,81,44,644
Less: Excise duty		<u>3,33,481</u>	<u>2,81,562</u>
Revenues from operations (net)		80,76,91,676	79,78,63,082
Other income	17	<u>1,21,66,568</u>	<u>86,37,524</u>
Total revenue (I)		<u>81,98,58,244</u>	<u>80,65,00,605</u>
Expenses			
Cost of raw materials and components consumed	18	39,74,16,125	40,70,11,540
(Increase)/decrease in inventories of finished goods	19	58,26,023	(50,02,040)
Employee benefits expense	20	17,51,44,985	15,75,77,440
Other expenses	21	12,17,69,752	11,28,46,344
Depreciation and amortization expense	22	11,85,06,650	9,37,80,525
Finance costs	23	5,84,00,696	3,25,11,593
Total (II)		<u>87,70,64,231</u>	<u>79,87,25,401</u>
Profit / (loss) before tax (I-II)		(5,72,05,987)	77,75,204
Tax expenses			
Current tax		-	17,52,184
Less: MAT credit entailment		-	(17,52,184)
Deferred tax		<u>(1,17,03,383)</u>	<u>20,81,380</u>
Total tax expense		<u>(1,17,03,383)</u>	<u>20,81,380</u>
Profit / (Loss) after tax		<u>(4,55,02,604)</u>	<u>56,93,824</u>
Earnings per share information:			
Net profit attributable to equity shareholders		(4,55,02,604)	5,693,824
Weighted average number of equity shares outstanding		4,61,17,443	46,117,443
Basic and diluted earnings per share (₹)		(0.98)	0.12
Nominal value of equity share (₹)		10.00	10.00
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

For and on behalf of the Board of Directors

Dr. A. C. Muthiah
Chairman

Ar Rm Arun
Director

Dr. A. Besant C. Raj
Director

Per our report attached
For **Natarajan & Co.**
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Dr. T. S. Vijayaraghavan
Director

N. Ramakrishnan
Director

N. Sivashanmugam
Whole Time Director

A. Baskar
Partner
M.No. 211721

Place : Chennai
Date : Apr 23, 2013

S. S. Arunachalam
Head Corporate Affairs & Company Secretary

NOTES ON ACCOUNTS

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

The financial statements have been prepared under the historical cost conversion, except certain fixed assets which are revalued, on accrual basis 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.

2.2 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.

2.3 Fixed Assets and Depreciation

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

Depreciation is being charged on straight line method on a pro-rata basis in accordance with rates specified under Schedule XIV of the Companies Act, 1956. Asset cost less than Rs 5000/- is depreciate in the year of purchase.

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.

2.4 Borrowing Cost

Borrowing cost are 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.

2.5 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).

2.6 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

2.7 Inventories

Inventories are valued at the lower of cost or net realizable value. The 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. Inventories cost are determined on a weighted average basis.

2.8 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 amortized 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.

2.9 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.

Service revenue is recognized on completion of the service and becomes chargeable

2.10 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 expense in the year incurred.

2.11 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.

2.12 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.

Notes to Financial Statement for the year ended Mar 31, 2013

3 Share capital

Authorized shares

6,00,00,000 equity shares of ₹ 10/- each
(Mar 31, 2012 - 6,00,00,000 of ₹ 10/- each)

Issued shares :

4,61,47,613 (Mar 31, 2012: 4,61,47,613)
equity shares of ₹ 10/- each

Total issued shares

Subscribed and fully paid up shares:

4,61,47,613 (Mar 31, 2012: 4,61,47,613)
equity shares of ₹ 10/- each

Less: Forfeited shares 30,170 (Mar 31, 2012: 30,170)
equity shares of ₹5/- each

Total Subscribed and fully paid up shares

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Authorized shares	60,00,00,000	60,00,00,000
Total issued shares	46,14,76,130	46,14,76,130
Total Subscribed and fully paid up shares	46,13,25,280	46,13,25,280

a. Reconciliation of the Equity shares outstanding at the beginning and at the end of the reporting period

	Mar 31, 2013		Mar 31, 2012	
	Number	In Rupees	Number	In Rupees
At the beginning of the period	4,61,17,443	46,13,25,280	4,61,17,443	46,13,25,280
Issued during the period	-	-	-	-
Outstanding at the end of the period	4,61,17,443	46,13,25,280	4,61,17,443	46,13,25,280

b. Rights attached to equity shares

The company has only one class of equity shares having par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates and details of shareholders holding more than 5% shares in the company:

Out of equity shares issued by the company, shares held by its holding company, ultimate holding company and their subsidiaries/associates are as below:

	Mar 31, 2013 No of shares	% holding	Mar 31, 2012 No of shares	% holding
Southern Petrochemical Industries Corporation Limited (Mar 31,2012:25,811,207equity shares of ₹ 10 each fully paid)	2,58,11,207	55.97%	2,58,11,207	55.97%

As per records of the company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

d. Aggregate number of shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the report dated is NIL

e. Shares reserved for issue under options

Company has not reserved any equity shares for issue under the employee stock option plan (ESOP) of the company.



Notes to Financial Statement for the year ended Mar 31, 2013

4 Reserves and surplus	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Capital reserve	16,500	16,500
Securities Premium Account	47,34,618	47,34,618
Revaluation Reserve	20,40,36,968	20,40,36,968
Hedge Reserve	-	27,08,000
Surplus in the statement of profit and loss		
Balance as per last financial statements	24,87,33,958	24,30,40,134
Profit for the year	<u>(4,55,02,604)</u>	<u>56,93,824</u>
Net surplus in the statement of profit and loss	<u>2,03,231,354</u>	<u>24,87,33,958</u>
Total reserves and surplus	<u>41,20,19,440</u>	<u>46,02,30,044</u>

5.1 Long-term borrowings

	Non-current portion		Current maturities	
	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Term loans*				
Indian rupee loan from banks (Secured)	11,25,45,387	16,88,25,387	5,62,80,000	5,52,10,030
Foreign Currency loan from banks (Secured)	-	-	-	2,51,55,503
	<u>11,25,45,387</u>	<u>16,88,25,387</u>	<u>5,62,80,000</u>	<u>8,03,65,533</u>
The above amount includes				
Amount disclosed under the head "other current liabilities" (note 6.2)	-	-	(5,62,80,000)	(8,03,65,533)
Net amount	<u>11,25,45,387</u>	<u>16,88,25,387</u>	<u>-</u>	<u>-</u>

- A. Term loan 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.
- B. Other Terms and Condition of Sanction
- Security Documents Including Personal guarantee of Dr. A. C. Muthiah, Chairman. Credit report of the guarantors to be provided.

5.2 Short-term borrowings

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Packing Credit from banks (Secured)	3,56,05,462	3,27,70,862
OD against invoices (Secured)	97,29,622	96,32,228
Buyers' Credit (Secured)	3,18,82,544	2,03,90,221
Deposits from Bank (Unsecured)	5,00,00,000	5,00,00,000
Deposits from Others (Unsecured)	<u>3,50,00,000</u>	<u>2,45,00,000</u>
	<u>16,22,17,628</u>	<u>13,72,93,311</u>
The above amount includes		
Secured borrowings	7,72,17,628	6,27,93,311
Unsecured borrowings	8,50,00,000	7,45,00,000

- A. 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.

Notes to Financial Statement for the year ended Mar 31, 2013

6 Other current liabilities	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
6.1 Trade payables	9,08,65,224	8,22,71,978
6.2 Other liabilities		
Current maturities of long-term borrowings (note 5)	5,62,80,000	8,03,65,533
Interest accrued and due on secured loans	21,74,366	30,46,825
Advances from customers	2,43,13,069	1,94,44,582
Rental and other advances	36,00,000	36,00,000
Interest accrued on unsecured loans	27,71,012	49,81,048
Director's Remuneration Payable	-	2,48,145
Salaries, wages and other employee benefits payable	1,57,09,761	1,62,13,223
Statutory Dues	13,96,205	14,01,083
	10,62,44,412	12,93,00,439
	19,71,09,636	21,15,72,417

7 Provisions	Long-term		Short-term	
	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Provision for employee benefits				
Provision for gratuity (Refer note)	1,45,83,148	114,61,074	15,97,042	15,07,872
Provision for leave benefits	68,27,279	82,04,587	4,85,589	5,83,549
	2,14,10,427	1,96,65,661	20,82,631	20,91,421

8 Tangible assets	Leasehold Land (In Rupees)	Buildings (In Rupees)	Plant and Machinery (In Rupees)	Furniture and Fittings (In Rupees)	Office Equipments (In Rupees)	Vehicles (In Rupees)	Total (In Rupees)
	Gross Block						
Balance - Apr 1, 2011	40,10,11,436	6,82,38,203	11,48,299,068	80,13,688	1,54,65,150	30,73,601	1,64,41,01,146
Additions	-	45,28,360	31,39,94,961	30,61,408	14,76,174	-	32,30,60,903
Adjustments	-	-	(10,03,88,903)	-	-	-	(10,03,88,903)
Balance - Mar 31, 2012	40,10,11,436	7,27,66,563	1,36,19,05,125	1,10,75,096	1,69,41,324	30,73,601	1,86,67,73,145
Additions	-	-	3,69,35,363	-	1,34,294	-	3,70,69,657
Adjustments	-	-	-	-	-	-	-
Balance - Mar 31, 2013	40,10,11,436	7,27,66,563	1,39,88,40,489	1,10,75,096	1,70,75,618	30,73,601	1,90,38,42,803
Depreciation							
Balance - Apr 1, 2011	-	2,63,19,829	56,36,71,803	51,07,957	1,10,45,871	16,74,677	60,78,20,136
Charge for the year	-	19,96,322	8,92,27,605	3,02,824	10,47,863	2,91,992	9,28,66,606
Adjustments	-	-	(10,03,88,903)	-	-	-	(10,03,88,903)
Balance - Mar 31, 2012	-	2,83,16,151	55,25,10,504	54,10,781	1,20,93,734	19,66,669	60,02,97,838
Charge for the year	-	21,01,802	11,36,02,887	4,51,735	11,37,209	2,91,992	11,75,85,625
Adjustments	-	-	-	-	-	-	-
Balance - Mar 31, 2013	-	3,04,17,953	66,61,13,390	58,62,515	1,32,30,943	22,58,661	71,78,83,463
Net block							
As at Mar 31, 2012	40,10,11,436	4,44,50,412	80,93,94,622	56,64,315	48,47,590	11,06,932	1,26,64,75,307
As at Mar 31, 2013	40,10,11,436	4,23,48,610	73,27,27,099	52,12,580	38,44,675	8,14,940	1,18,59,59,340

Note

Plant & Machinery during the year represents ₹25,13,140 (Previous year ₹51,88,000) towards exchange gain adjusted in fixed assets as per GOI Notification (GO No. GSR225(E) dated Mar 31, 2009).



Notes to Financial Statement for the year ended Mar 31, 2013

9 Intangible assets	Computer software (In Rupees)	Total (In Rupees)
Gross Block		
Balance - Apr 1, 2011	56,19,628	56,19,628
Additions	1,73,189	1,73,189
Disposals	-	-
Balance - Mar 31, 2012	<u>57,92,817</u>	<u>57,92,817</u>
Additions	-	-
Disposals	-	-
Balance - Mar 31, 2013	<u>57,92,817</u>	<u>57,92,817</u>
Amortization		
Balance - Apr 1, 2011	12,87,948	12,87,948
Charge for the year	9,13,919	9,13,919
Adjustment for disposals	-	-
Balance - Mar 31, 2012	<u>22,01,867</u>	<u>22,01,867</u>
Charge for the year	9,21,040	9,21,040
Adjustment for disposals	-	-
Balance - Mar 31, 2013	<u>31,22,907</u>	<u>31,22,907</u>
Net block		
As at Mar 31, 2012	<u>35,90,950</u>	<u>35,90,950</u>
As at Mar 31, 2013	<u>26,69,910</u>	<u>26,69,910</u>
10 Non-current Investments		
<i>Non-trade investments (valued at cost unless stated otherwise)</i>		
Investment in subsidiaries		
10 Equity shares of US\$ 10 each fully paid-up in SPEL America Inc.	4,365	4,365
	<u>4,365</u>	<u>4,365</u>
11 Other Long term liabilities (DTL)		
Deferred tax (liability)/asset represents the aggregate tax effect of the timing differences arising from -		
Depreciation & Provision for leave encashment, gratuity, bonus etc	10,89,71,943	12,06,75,326
Net deferred tax Liabilities	<u>10,89,71,943</u>	<u>12,06,75,326</u>
12 Loans and advances		
	Non-current	Current
	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Capital advances		
Unsecured, considered good	43,09,000	-
	<u>43,09,000</u>	-
Capital advances (A)		
Security deposit		
Rental and other deposits: Considered good	41,59,370	61,26,645
	<u>41,59,370</u>	<u>61,26,645</u>
Security deposit (B)		

	Non-current		Current	
	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Advances recoverable in cash or kind				
Considered good	-	-	24,04,347	11,44,070
Advance recoverable in cash or in kind (C)	-	-	24,04,347	11,44,070
Other loans and advances				
Advance income-tax (net of provision for taxation)	-	-	3,36,08,773	3,20,32,227
Prepaid expenses	-	-	13,14,549	20,29,018
Advance to suppliers	-	-	4,77,811	22,90,503
Balances with statutory/Government authorities				
Considered good	-	-	1,10,63,895	57,77,268
Considered doubtful	-	-	10,52,065	8,65,964
	-	-	4,75,17,093	4,29,94,980
Provision for doubtful service tax balances	-	-	(10,52,065)	(8,65,964)
Other loans and advances (D)	-	-	4,64,65,028	4,21,29,016
Total (A+ B + C+D)	84,68,370	61,26,645	4,88,69,375	4,32,73,086

13.1 Trade receivables (Unsecured)

	Non-current		Current	
	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Unsecured, considered good unless stated otherwise				
Outstanding for a period exceeding six months from the date they are due for payment				
- Considered good	-	-	24,61,499	11,50,844
- Considered doubtful	-	-	35,98,204	33,45,154
	-	-	60,59,703	44,95,998
Provision for doubtful receivables	-	-	(35,98,204)	(33,45,154)
(A)	-	-	24,61,499	11,50,844
Other trade receivables (Considered good) (B)	-	-	5,15,10,501	6,51,44,287
Total (A + B)	-	-	5,39,72,000	6,62,95,131

13.2 Other assets

	Non-current		Current	
	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Other assets	-	-	6,01,712	37,87,156
Total	-	-	6,01,712	37,87,156



Notes to Financial Statement for the year ended Mar 31, 2013

14 Inventories (valued at lower of cost and net realizable value)	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Raw materials and components	5,59,62,116	6,25,90,646
Work-in-progress	6,77,18,885	7,22,85,281
Finished goods	39,39,923	53,64,719
Stores and spares	2,42,73,071	2,65,58,575
Goods in transit	29,84,884	11,27,145
Less: Provision for Non moving inventory	32,15,553	11,99,075
Total	15,16,63,326	16,67,27,291

15 Cash and bank balances	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Cash and cash equivalents		
Balances with banks:		
On current accounts	40,08,240	1,15,12,101
Cash on hand	3,71,598	1,20,688
	43,79,838	1,16,32,789
Other bank balances		
Deposits with original maturity for more than 3 months but less than 12 months*	1,34,20,000	40,00,000
Margin money deposit#	76,74,136	97,66,127
	2,10,94,136	1,37,66,127
Total	2,54,73,974	2,53,98,916

* Deposits is lien marked with IOB with respect to Buyer's Credit for ₹13,420,000 (Previous year - Nil)

Margin money deposit with a carrying amount of ₹7,674,136 (Previous year: ₹9,766,127) are given as security for opening of letter of credit with banks

16 Revenue from operations	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Revenues from operations		
Sale of products		
Export sales	79,48,96,180	78,42,46,893
Sale of services	1,03,98,460	92,61,226
Other operating revenue		
Scrap sales	27,30,517	46,36,525
Revenue from operations (gross)	80,80,25,157	79,81,44,644
Less: Excise duty	3,33,481	2,81,562
Revenue from operations (net)	80,76,91,676	79,78,63,082
Sale of Products is related to sale of Integrated Circuits (IC's)		



Notes to Financial Statement for the year ended Mar 31, 2013

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
17 Other income		
Interest income on bank deposits	14,68,712	11,11,530
Rental Income	68,70,581	54,56,148
Provision for old inventory written off	-	37,837
Gain on foreign exchange fluctuation (net)	37,61,231	-
Bond amount	-	1,40,000
Liabilities / provisions not required written back	-	8,18,446
Other non-operating income	66,043	10,73,563
	1,21,66,568	86,37,524
18 Cost of raw materials and components consumed		
Inventory at the beginning of the year	8,94,31,400	8,48,33,288
Add: Purchases	37,69,72,383	39,24,03,588
Add: Wafer Characterization Charges & Other Manufacturing expenses	1,39,98,170	1,92,06,064
	48,04,01,953	49,64,42,940
Less: Inventory at the end of the year	8,29,85,828	8,94,31,400
Cost of raw materials and components consumed	39,74,16,125	40,70,11,540
Details of raw materials and components consumed		
Lead frame	8,81,30,560	10,14,82,000
Gold Wire	16,32,81,096	16,67,60,000
Molding compound	2,88,65,958	2,37,94,000
Others	2,71,77,947	2,83,21,000
Stores	7,59,62,395	6,74,48,475
	38,34,17,956	38,78,05,475
Details of Inventory (Raw materials and components)		
Lead frame	2,66,41,608	2,88,45,943
Gold Wire/Copper Wire	1,01,61,659	1,77,08,036
Silver Epoxy	7,63,909	12,91,962
Molding compound	56,01,902	66,95,791
Others	1,55,94,041	89,69,995
Stores	2,36,11,985	2,59,19,673
	8,23,75,104	8,94,31,400
19 (Increase) / decrease in inventories		
Inventories at the end of the year		
Work-in-progress	6,77,18,885	7,22,85,281
Finished goods	39,39,923	51,99,550
Inventories at the beginning of the year		
Work-in-progress	7,22,85,281	6,02,44,671
Finished goods	51,99,550	1,22,38,120
(Increase) / decrease in inventories	58,26,023	(50,02,040)
Details of Inventory (Finished goods)		
Comprises of Integrated Circuits (IC's)	51,99,550	1,22,38,120
	51,99,550	1,22,38,120

Notes to Financial Statement for the year ended Mar 31, 2013

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
20 Employee benefit expense		
Salaries, wages and bonus	14,84,03,548	13,16,40,076
Gratuity expense (Refer note)	44,36,244	45,83,154
Contributions to provident fund and other funds	1,32,92,135	1,16,61,780
Staff welfare expense	90,13,058	96,92,430
	<u>17,51,44,985</u>	<u>1,57,577,440</u>
21 Other expenses		
Power and Fuel	7,07,39,450	5,52,27,602
Rent and amenities	17,41,240	17,12,120
Carriage outwards	38,32,695	38,64,453
Rates and taxes	22,07,548	18,94,394
Insurance	8,26,588	7,19,656
Repairs and maintenance		
Plant and machinery	21,60,946	31,22,244
Buildings	47,26,442	8,78,689
Others	38,46,912	1,12,01,604
Marketing fees	1,19,79,788	1,05,27,580
Travelling and conveyance	80,69,924	91,58,888
Communication costs	9,85,121	11,82,257
Legal and professional fees (Refer details below for payments to auditors)	58,86,456	47,44,150
Directors' Sitting Fee	1,67,000	1,75,800
Provision/(Reversal of provision) for doubtful debts	2,53,050	-
Provision for Non-moving Inventory	20,16,477	7,74,748
Commission to Vice Chairman	-	(34,22,573)
Exchange differences (net)	-	65,11,500
Printing & Stationary	12,46,840	15,82,385
Miscellaneous expenses	10,83,275	29,90,848
	<u>12,17,69,752</u>	<u>11,28,46,344</u>
Payment to auditor		
As auditor:		
Audit fee	1,50,000	1,50,000
Tax audit fee	30,000	30,000
In other capacity:		
Other services (certification fees)	26,956	20,000
Reimbursement of expenses	15,000	15,000
	<u>2,21,956</u>	<u>2,15,000</u>
22 Depreciation and amortization expense		
Depreciation of tangible assets	11,75,85,610	9,28,66,606
Amortization of intangible assets	9,21,040	9,13,919
	<u>11,85,06,650</u>	<u>9,37,80,525</u>
23 Finance costs		
Interest		
a. On bank loans	3,73,37,376	139,69,491
b. Others	125,08,043	89,66,888
Commission	8,33,880	10,32,987
Bank charges	77,21,397	85,42,227
	<u>5,84,00,696</u>	<u>3,25,11,593</u>

Notes to financial statements for the year ended Mar 31, 2013

24. Supplementary profit and loss data

a. **Managerial remuneration**

Mr. D. Balakrishnan, Chief Executive Officer
Salary, bonus and other allowance.

Mr. N. Sivashanmugam, Whole Time Director
Salary, Bonus and contribution to PF

**Year ended
Mar 31, 2013
(In Rupees)**

32,00,339

13,82,166

45,82,505

**Year ended
Mar 31, 2012
(In Rupees)**

30,32,402

12,80,529

43,12,931

Note:

Provisions for/contribution to employee retirement/post retirement and other employee benefits which are based on actuarial valuations done on an overall Company basis are excluded above.

b. **CIF value of imports**

Capital goods and machinery spares

Raw Materials and components

**Year ended
Mar 31, 2013
(In Rupees)**

4,81,08,437

35,43,25,728

40,24,34,165

**Year ended
Mar 31, 2012
(In Rupees)**

15,11,80,474

3,64,016,865

51,51,97,339

c. **Expenditure in foreign currency (on accrual basis)**

Travel and conveyance

Marketing Fees

Characterization and Test Engineering Charges

**Year ended
Mar 31, 2013
(In Rupees)**

21,58,504

1,19,79,788

1,04,91,330

2,46,29,622

**Year ended
Mar 31, 2012
(In Rupees)**

20,17,899

1,24,86,618

2,31,10,972

3,76,15,489

d. **Earning in Foreign Currency**

Export at F.O.B. value

**Year ended
Mar 31, 2013
(In Rupees)**

80,52,94,640

**Year ended
Mar 31, 2012
(In Rupees)**

79,66,90,704

e. **Capital and other commitments**

Capital commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for

**Year ended
Mar 31, 2013
(In Rupees)**

-

**Year ended
Mar 31, 2012
(In Rupees)**

-



Notes to financial statements for the year ended Mar 31, 2013

25. Related party disclosures (to the extent not disclosed in note 19 (4) (b))

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
1. Names of related parties		
a. Holding Company		
- Southern Petrochemical Industries Corporation Limited		
a. Current Account (DR)	2,29,730	5,436
b. Guarantee issued	-	5,20,00,000
b. Subsidiary Company		
- SPEL America Inc		
Marketing Fee	1,12,08,913	1,24,86,618
2. Enterprise owned by /over which Key Management Personnel is able to exercise significant influence		
Valingro Exponenta Limited		
Director is Chairman in		
Valingro Exponenta Limited		
a. Corporate Communication Charges	18,20,232	17,34,744
b. Corporate Rent Charges	13,48,320	12,01,540
Natronix Semiconductor Technology Limited		
Director is Chairman in		
Natronix Semiconductor Technology Limited		
a. Marketing Fees	7,70,875	-
b. Manpower Deputation Charges	15,46,538	15,67,360
ACM Medical Foundation		
Chairman is Director in		
ACM Medical Foundation		
Fixed Deposit Outstanding as on Mar 31, 2013	20,00,00,000	20,00,00,000
Valingro Exponenta Limited		
Director is Chairman in		
Valingro Exponenta Limited		
Unsecured Loans Outstanding as on Mar 31, 2013	1,50,00,000	-
3. Key Management Personnel		
- Dr. A.C. Muthiah		
Chairman		
Personal Guarantee Commission	7,62,769	8,18,083
- Mr. Ar Rm Arun		
Director		
Profit Commission	-	2,48,145
- Mr. D Balakrishnan		
Chief Executive Officer		
Remuneration	32,00,339	30,32,402
- Mr. N Sivashanmugam		
Whole Time Director		
Remuneration	13,82,166	12,80,529
Balance outstanding as at the period end		

Nature of transaction	Group Companies		Others	
	Mar 31, 2013	Mar 31, 2012	Mar 31, 2013	Mar 31, 2012
Accounts Payable				
Valingro Exponenta Limited	-	-	2,54,046	2,19,424
Natronix Semiconductor Technology Limited	-	-	1,51,866	3,65,777

Notes to Financial Statement for the year ended Mar 31, 2013

26. Employee benefit plans - Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The following tables summarize the components of net benefit expense recognised in the statement profit and loss and the funded status and amounts recognised in the balance sheet for the Gratuity plan.

Statement of Profit and Loss

Net employee benefit expense (recognised in Personnel expenses)

	Year ended Mar 31,2013 (In Rupees)	Year ended Mar 31,2012 (In Rupees)
(i) Current service cost on Benefit Obligations	19,93,021	21,49,300
(ii) Interest cost on Benefit Obligations	19,98,155	16,62,100
(iii) Expected return on plan assets	(9,57,355)	-
(iv) Net actuarial (gains)/ losses recognised in the year	14,02,423	7,71,700
(v) Net (Benefit) / Expense	44,36,244	45,83,100
(vi) Actual return on plan assets	9,57,355	-

Balance Sheet

Details of Provision for gratuity

(i) Defined benefit obligation	2,69,74,079	2,54,67,900
(ii) Plan Liability /(Asset)	1,07,93,889	1,24,99,000
	1,61,80,190	1,29,68,900

Changes in the present value of the defined benefit obligation are as follows:

(i) Opening defined benefit obligation	2,54,67,995	2,17,31,900
(ii) Current service cost	19,93,021	21,49,300
(iii) Interest cost	19,98,155	16,62,100
(iv) Actuarial (gains) / losses on obligation	24,63,449	28,49,100
(v) Benefits paid	(49,48,541)	(29,24,500)
(vi) Closing defined benefit obligation	2,69,74,079	2,54,67,900

Changes in the fair value of the plan assets are as follows:

(i) Opening fair value of plan assets	1,24,99,049	1,23,46,100
(ii) Expected return	9,57,355	-
(iii) Actuarial gains / (losses)	10,61,026	20,77,400
(iv) Contributions by employer	12,25,000	10,00,000
(v) Benefits paid	(49,48,541)	(29,24,500)
(vi) Closing fair value of plan assets	1,07,93,889	1,24,99,000

The principal actuarial assumptions used in determining gratuity obligation for the Company's plans are shown below:

	Year ended Mar 31,2013	Year ended Mar 31,2012
(i) Discount rate	8.26%	8.69%
(ii) Salary Escalation	5.00%	5.00%
(iii) Expected Return on Assets	9.00%	9.00%
(iv) Mortality	LIC(1994-96) Ultimate	LIC(1994-96) Ultimate

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.



Notes to Financial Statement for the year ended Mar 31, 2013

27. Leave Plan

	Year ended Mar 31,2013 (In Rupees)	Year ended Mar 31,2012 (In Rupees)
Net Asset/(Liability) Recognized in Balance Sheet Mar 31, 2013		
(i) Present Value of Defined Benefit Obligation	73,12,868	87,88,136
(ii) Fair Value of Plan Assets	-	-
(iii) Funded Status[Surplus/(Deficit)]	(73,12,868)	(87,88,136)
(iv) Unrecognized Past Service Costs	-	-
Net Asset /(Liability)recognized in the Balance Sheet Assumption at Mar 31, 2013	(73,12,868)	(87,88,136)
Discount Rate	8.26%	8.69%
Disclosure of employer expense for the year ending Mar 31, 2012		
(i) Current Service Cost (including risk premiums for Fully Insured Benefits)	-	1,37,045
(ii) Interest Cost	-	7,63,689
(iii) Expected Return On Plan Assets	-	-
(iv) Curtailment Cost/(Credit)	-	-
(v) Settlement Cost/(Credit)	-	-
(vi) Past Service Cost	-	-
(vii) Actuarial Losses/(Gains)	-	(23,76,002)
Total employer expense recognize in P&L Assumption at Mar 31, 2012	-	(14,75,268)
Discount Rate	8.26%	8.69%
Change in Obligation and assets over the year ending Mar 31, 2013		
A Change in Defined Benefit Obligation		
(i) DBO at beginning of the period	87,88,136	71,25,602
(ii) Service Cost	1,37,045	2,94,440
(iii) Interest Rate	7,63,689	5,67,122
(iv) Curtailment Rate / (Credit)	-	-
(v) Settlement Cost/(Credit)	-	-
(vi) Plan Amendments	-	-
(vii) Acquisitions	-	-
(viii) Actuarial Losses /(Gains)	(23,76,002)	12,19,924
(ix) Benefit Payments	-	(4,18,952)
DBO at end of the period	73,12,868	87,88,136
B Change In Fair Value of Assets		
(i) Fair Value of Plan Assets at beginning of the period	-	-
(ii) Acquisition adjustment	-	-
(iii) Expected return on plan assets	-	-
(iv) Actual Company Contributions	-	-
(v) Actuarial Gain/(Loss)	-	418,952
(vi) Benefits Payments	-	(418,952)
(vii) Fair Value of Plan Assets At end of the period Assumptions at Mar 31, 2013	-	-
Discount Rate	8.26%	8.69%

Notes to Financial Statement for the year ended Mar 31, 2013

Reconciliation of Net Asset/Liability recognized in Balance Sheet

	Year ended Mar 31,2013 (In Rupees)	Year ended Mar 31,2012 (In Rupees)
(i) Net Asset /(Liability) at beginning of period	(87,88,136)	(71,25,602)
(ii) Employer Expense	(14,75,268)	16,62,534
(iii) Employer Contributions	-	-
(iv) Acquisitions/Business Combinations	-	-
(v) Net Asset /(Liability) at end of Period	(73,12,868)	(87,88,136)

Experience History

(i) Defined Benefit Obligation at end of the period	73,12,868	87,88,136
(ii) Plan Assets at end of the period	-	-
(iii) Funded Status	(73,12,868)	(87,88,136)
(iv) Experience adjustment on plan Liabilities	(15,18,411)	77,467
(v) Experience adjustment on plan assets	-	4,18,952

One of the principal assumptions is the discount rate ,which should be based upon the market yields available on Government bonds at the accounting date with a term that matches that of the liabilities.

The Financial assumptions employed for the calculations as at Mar 31, 2013 and Mar 31, 2012 are as follows.

(i) Discount Rate	8.26%	8.69%
(ii) Expected return on assets	0.00%	0.00%
(iii) Salary excalation	5.00%	5.00%
(iv) Mortality	LIC(1994-96) Ultimate	LIC(1994-96) Ultimate

Withdrawal Rate

	Age From		
(i)	18	2.00%	2.00%
(ii)	21	2.00%	2.00%
(iii)	31	2.00%	2.00%
(iv)	41	2.00%	2.00%
(v)	56	2.00%	2.00%
(vi)	58	2.00%	2.00%

Notes

- (i) The effect of Mortality and withdrawal have been factored by Constructing a Multiple Decrement Table On assumption of above Mortality table.
- (ii) All the assumptions above have been set following discussions with the Company in this regard.
- (iii) We understand that the assumptions of Future Salary increases (Which has been set in Consultation with the company) , take account of inflation,seniority, promotion and other relevant factors,such as supply and demand in the employment market.

28. Payment to Directors

	Year ended Mar 31,2013 (In Rupees)	Year ended Mar 31,2012 (In Rupees)
Salary	6,60,000	6,60,000
Special Allowance	1,07,500	50,029
Other Perquisisties	5,32,166	4,88,000
Contribution to PF	82,500	82,500
Profit Commission to non Whole time Director	-	2,48,145
Director Sitting Fees	1,67,000	1,75,800
Total	<u>15,49,166</u>	<u>17,04,474</u>

Notes to Financial Statement for the year ended Mar 31, 2013

29. Foreign currency exposures

The Company does not use any derivative instruments to hedge its foreign currency exposures. The details of foreign currency balances which are not hedged as at the balance sheet date are as below:

Particulars	Foreign Currency	Mar 31, 2013 Amount in Foreign Currency	Amount In Rupees
Trade Payable	USD	12,95,089	7,04,91,694
Advance to Suppliers	USD	20,007	10,81,799
Trade Receivables	USD	9,70,606	5,24,80,660
Advance from Customers	USD	4,46,290	2,42,91,566
Buyers credit-IOB	USD	5,85,753	3,18,82,544
Foreign Currency in Hand	USD	800	43,256
Foreign Currency in Hand	EURO	5	345
Foreign Currency in Hand	SGD	142	6,156

Particulars	Foreign Currency	Mar 31, 2012 Amount in Foreign Currency	Amount In Rupees
Trade Payable	USD	12,28,868	6,25,24,782
Trade Payable	EURO	1,163	79,105
Trade Payable	SGD	1,423	57,691
Advance to Suppliers	USD	39,070	19,75,014
Trade Receivables	USD	13,30,553	6,72,59,437
Advance from Customers	USD	5,64,247	2,87,08,866
Buyers credit-IOB	USD	4,00,751	2,03,90,221
Foreign Currency Loan with IOB	USD	4,94,408	2,51,55,503
Foreign Currency in Hand	USD	922	46,607
Foreign Currency in Hand	SGD	130	5,210

30. Dues to Micro, Small and Medium Enterprises

Dues outstanding to enterprises covered under Micro, Small and Medium Enterprises Development Act, 2006, based on the information available with the Company as at Mar 31, 2013 amounts to NIL.

31. Contingent Liability

Claims against the Company not acknowledged as debt

Year ended Mar 31,2013 (In Rupees)	Year ended Mar 31,2012 (In Rupees)
-	19,50,000

Details of Contigent Liability :

Nature of dues	Year ended Mar 31,2013 (In Rupees)	Year ended Mar 31,2012 (In Rupees)
Service Tax Demand	1,86,100	1,86,100
Guarantees given to Central Excise/banks on behalf of other Companies with corresponding counter guarantees from them	-	5,20,00,000
Letter of Credit for import purchases	3,55,10,607	5,26,28,698
Income tax Demand	1,79,57,319	2,23,08,885
Labour case	-	15,00,000

32. Impairment of Assets has been considered as per AS 28 & there is no impairment as on Mar 31, 2013.

33. Prior year comparatives

Previous year's figures have been regrouped wherever necessary.

Cash flow statement for the year ended Mar 31, 2013

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Cash flow from operating activities		
Net profit before taxation	(5,72,05,987)	77,75,204
Adjustments for:		
Depreciation/amortization of tangible/intangible assets	11,85,06,650	9,37,80,525
Foreign exchange loss/(gain)	(29,97,690)	65,11,500
Rental income	(68,70,581)	(50,99,304)
Provision no longer required taken back	-	8,18,446
Transfer from reserve	-	(6,50,000)
Bad advances	5,91,796	(8,18,446)
Interest on fixed deposits	(14,68,712)	(11,11,530)
Interest expense	5,06,79,299	2,39,69,366
Operating profit before working capital changes	10,12,34,775	12,51,75,761
Movements in working capital :		
(Increase) / Decrease in trade receivables	1,20,70,081	(2,05,59,139)
(Increase) / Decrease in inventories	1,50,63,964	(90,93,699)
(Increase) / Decrease in other current assets	4,77,444	(3,27,358)
(Increase) / Decrease in loans and advances	(67,00,214)	7,72,21,506
Increase / (Decrease) in trade payables and other liabilities	96,22,752	2,39,10,726
Increase / (Decrease) in provisions	17,35,976	(75,46,733)
Cash generated from / (used in) operations	13,35,04,778	18,87,81,064
Direct taxes paid (net of refunds)	(15,76,546)	(65,56,478)
Net cash flow from / (used in) operating activities (A)	13,19,28,232	18,22,24,586
Cash flows (used in) / from investing activities		
Purchase of fixed assets, capital work in progress (including capital advances)	(3,70,69,642)	(18,32,68,868)
Rental income	68,70,581	50,99,304
Interest received	14,68,712	11,11,530
Net cash from / (used in) investing activities (B)	(2,87,30,349)	(17,70,58,034)



	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Cash flows (used in) / from financing activities		
Loans availed	2,49,24,318	2,49,80,230
Loans repaid	(8,03,65,533)	(2,00,00,000)
Interest paid	(5,06,79,299)	(2,39,69,366)
Net cash (used in) / from financing activities (C)	(10,61,20,514)	(1,89,89,136)
Exchange differences on translation of foreign currency cash and cash equivalents	29,97,690	(65,11,500)
Net increase / (decrease) in cash and cash equivalents	75,058	(2,03,34,084)
Cash and cash equivalents at the beginning of the year	2,53,98,916	4,57,33,000
Cash and cash equivalents at the end of the year	2,54,73,974	2,53,98,916

For and on behalf of the board of directors

Dr. A. C. Muthiah
Chairman

Ar Rm Arun
Director

Dr. A. Besant C. Raj
Director

Dr. T. S. Vijayaraghavan
Director

N. Ramakrishnan
Director

N. Sivashanmugam
Whole Time Director

Place : Chennai
Date : Apr 23, 2013

S. S. Arunachalam
Head Corporate Affairs & Company Secretary

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

A. Baskar
Partner
M.No. 211721

Auditors' Report

We have examined the above Cash Flow Statement of SPEL Semiconductor Limited, for the year ended Mar 31, 2013, which is in agreement with the corresponding profit and loss account and balance sheet of the company, covered by our report of Apr 23, 2013 to the Members of the Company.

For **Natarajan & Co.**
Chartered Accountants

Place : Chennai
Date : Apr 23, 2013

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, 2013
c. Holding Company's Interest:	
i. No. of Equity Shares	10
ii. Face Value	\$ 10
iii. Paid up Value	\$ 100
iv. Extent of Holding	100 Percent
d. Net aggregate amount of Subsidiary's profit/(losses) not dealt with in the Holding Company's accounts:	
i. for subsidiary's financial year	Profit - ₹ 1,82,397
ii. for its previous year	Loss - ₹ 2,64,090
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, 2013	Not Applicable
g. Material Changes between the end of the subsidiary's financial year ended and Mar 31, 2013	Not Applicable

For and on behalf of the Board

Dr. A. C. Muthiah
Chairman

Ar Rm Arun
Director

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 23, 2013

N. Ramakrishnan
Director

Details Pursuant to the Circular No.2/2011 dated Feb 08, 2011 of Ministry of Corporate Affairs

Sl. No.	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
1 Capital	4,365	4,365
2 Reserve	(2,03,436)	(3,85,833)
3 Total Assets (Fixed and Current Asset)	2,78,901	3,79,485
4 Total Liabilities	4,77,972	7,60,953
5 Investment	-	-
6 Turnover	1,13,25,843	1,01,64,507
7 Profit before taxation	2,70,770	(2,25,733)
8 Provision for taxation	88,373	38,357
9 Profit after taxation	1,82,397	(2,64,090)
10 Proposed dividend	0%	0%



Consolidated Financial Statements
of
SPEL Semiconductor Limited
2012-2013

Independent Auditors' Report

To

The Board of Directors of SPEL Semiconductor Limited on the Consolidated Financial Statements of the Company and its Subsidiaries

1. We have audited the accompanying consolidated financial statements of **SPEL Semiconductor Limited** ("the Company") and its subsidiaries, which comprise the consolidated Balance Sheet as at Mar 31, 2013, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Consolidated Financial Statements

2.1 Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

3.1 Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

3.2 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the

Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

4.1 In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at Mar 31, 2013;
- (b) in the case of the consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

5. Other Matter

We did not audit total assets of ₹ 4,365 as at Mar 31, 2013, total revenues of ₹ 1,13,25,843 and net cash outflows amounting to ₹ 11,257 for the year then ended, included in the accompanying consolidated financial statements in respect of the subsidiary, whose financial statements and other financial information have been audited by other auditors and whose report has been furnished to us. Our opinion, in so far as it relates to the affairs of such subsidiary is based solely on the report of other auditors. Our opinion is not qualified in respect of this matter.

For Natarajan & Co
Chartered Accountants
Firm Registration No.192097

A. Baskar
Partner

Place : Chennai
Date : Apr 23, 2013

Membership No.: 211721



Consolidated Balance Sheet As at Mar 31, 2013

	Notes	As at Mar 31, 2013 (In Rupees)	As at Mar 31, 2012 (In Rupees)
Equity and Liabilities			
Shareholders' Funds			
Share capital	3	46,13,25,280	46,13,25,280
Reserves and surplus	4	41,18,18,570	45,98,44,243
		87,31,43,850	92,11,69,523
Non-current liabilities			
Long-term borrowings	5.1	11,25,45,387	16,88,25,387
Deferred tax liabilities (net)	11	10,89,71,943	12,06,75,326
Long-term provisions	7	2,14,10,427	1,96,65,661
		24,29,27,757	30,91,66,374
Current liabilities			
Short-term borrowings	5.2	16,22,17,628	13,72,93,311
Trade payables	6.1	9,09,08,082	8,23,42,320
Other current liabilities	6.2	10,62,44,412	12,93,00,439
Short-term provisions	7	20,82,631	20,91,421
		36,14,52,753	35,10,27,491
TOTAL		1,47,75,24,360	1,58,13,63,388
Assets			
Non-current assets			
Fixed assets			
Tangible assets	8	1,18,60,34,166	1,26,65,76,636
Intangible assets	9	26,69,910	35,90,950
Non-current investments	10	-	-
Long-term loans and advances	12	84,68,370	61,26,645
		1,19,71,72,446	1,27,62,94,231
Current assets			
Inventories	14	15,16,63,326	16,67,27,291
Trade receivables	13.1	5,39,72,000	6,62,95,131
Cash and bank balances	15	2,55,47,148	2,54,60,833
Short-term loans and advances	12	4,85,67,728	4,27,98,746
Other current assets	13.2	6,01,712	37,87,156
		28,03,51,914	30,50,69,157
Total		1,47,75,24,360	1,58,13,63,388

Summary of significant accounting policies 2

The accompanying notes are an integral part of the financial statements.

For and on behalf of the Board of Directors

Dr. A. C. Muthiah
Chairman

Ar Rm Arun
Director

Dr. A. Besant C. Raj
Director

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

Dr. T. S. Vijayaraghavan
Director

N. Ramakrishnan
Director

N. Sivashanmugam
Whole Time Director

A. Baskar
Partner
M.No. 211721

Place : Chennai
Date : Apr 23, 2013

S. S. Arunachalam
Head Corporate Affairs & Company Secretary



Consolidated Statement of Profit and Loss for the year ended Mar 31, 2013

	Notes	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Income			
Revenues from operations (gross)	16	80,80,25,157	79,81,44,644
Less: Excise duty		3,33,481	2,81,562
Revenues from operations (net)		80,76,91,676	79,78,63,082
Other income	17	1,22,75,290	86,37,524
Total revenue (I)		81,99,66,966	80,65,00,606
Expenses			
Cost of raw materials and components consumed	18	39,74,16,125	40,70,11,540
(Increase)/decrease in inventories of finished goods	19	58,26,023	(50,02,040)
Employee benefits expense	20	17,86,48,134	16,34,86,570
Other expenses	21	11,80,75,503	10,71,50,353
Depreciation and amortization expense	22	11,85,33,168	9,37,93,087
Finance costs	23	5,84,00,696	3,25,11,593
Total (II)		87,68,99,649	79,89,51,103
Profit / (loss) before tax (I-II)		(5,69,32,683)	75,49,503
Tax expenses			
Current tax		88,373	17,90,541
Less: MAT credit entailment		-	(17,52,184)
Deferred tax		(1,17,03,383)	20,81,380
Total tax expense		(1,16,15,010)	21,19,737
Profit / (Loss) after tax		(4,53,17,673)	54,29,766
Earnings per share information:			
Net profit attributable to equity shareholders		(4,53,17,673)	54,29,766
Weighted average number of equity shares outstanding		4,61,17,443	4,61,17,443
Basic and diluted earnings per share (₹)		(0.98)	0.12
Nominal value of equity share (₹)		10	10

Summary of significant accounting policies 2

The accompanying notes are an integral part of the financial statements.

For and on behalf of the Board of Directors

Dr. A. C. Muthiah
Chairman

Ar Rm Arun
Director

Dr. A. Besant C. Raj
Director

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

Dr. T. S. Vijayaraghavan
Director

N. Ramakrishnan
Director

N. Sivashanmugam
Whole Time Director

A. Baskar
Partner
M.No. 211721

Place : Chennai
Date : Apr 23, 2013

S. S. Arunachalam
Head Corporate Affairs & Company Secretary



Notes on the Consolidated Accounts

1. **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, 2007.

2. **SIGNIFICANT ACCOUNTING POLICIES**

2.1 **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.

2.2 **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.

2.3 **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.

2.4 **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.

2.5 **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).

2.6 **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

2.7 **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.

2.8 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.

Cash Flow variability in the cash flow hedge exposure, that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction. The gain or loss on cash flow hedge will be recognized in the appropriate equity account.

2.9 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.

Service revenue is recognised on completion of the service and becomes chargeable

2.10 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.

2.11 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.

2.12 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.

Notes to Financial Statement for the year ended Mar 31, 2013

3 Share capital

Authorized shares

6,00,00,000 equity shares of ₹ 10/- each
(Mar 31, 2012 - 6,00,00,000 of ₹ 10/- each)

Issued shares :

4,61,47,613 (Mar 31, 2012: 4,61,47,613) equity shares
of ₹ 10/- each

Total issued shares

Subscribed and fully paid up shares:

4,61,47,613 (Mar 31, 2012: 4,61,47,613) equity shares
of ₹ 10/- each

Less: Forfeited shares 30,170 (Mar 31, 2012: 30,170)
equity shares of ₹5/- each

Total Subscribed and fully paid up shares

	Year ended Mar 31,2013 (In Rupees)	Year ended Mar 31,2012 (In Rupees)
Authorized shares	60,00,00,000	60,00,00,000
Issued shares :		
4,61,47,613 (Mar 31, 2012: 4,61,47,613) equity shares of ₹ 10/- each	46,14,76,130	46,14,76,130
Total issued shares	46,14,76,130	46,14,76,130
Subscribed and fully paid up shares:		
4,61,47,613 (Mar 31, 2012: 4,61,47,613) equity shares of ₹ 10/- each	46,14,76,130	46,14,76,130
Less: Forfeited shares 30,170 (Mar 31, 2012: 30,170) equity shares of ₹5/- each	1,50,850	1,50,850
Total Subscribed and fully paid up shares	46,13,25,280	46,13,25,280

a. Reconciliation of the Equity shares outstanding at the beginning and at the end of the reporting period

	Year ended Mar 31, 2013		Year ended Mar 31, 2012	
	Number	(In Rupees)	Number	(In Rupees)
At the beginning of the period	4,61,17,443	46,13,25,280	4,61,17,443	46,13,25,280
Issued during the period	-	-	-	-
Outstanding at the end of the period	4,61,17,443	46,13,25,280	4,61,17,443	46,13,25,280

b. Rights attached to equity shares

The company has only one class of equity shares having par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates and details of shareholders holding more than 5% shares in the company:

Out of equity shares issued by the company, shares held by its holding company, ultimate holding company and their subsidiaries/associates are as below:

	Mar 31, 2013 No of shares	% holding	Mar 31, 2012 No of shares	% holding
Southern Petrochemical Industries Corporation Limited (Mar 31, 2012 : 2,58,11,207 equity shares of ₹ 10 each fully paid)	2,58,11,207	55.97%	2,58,11,207	55.97%

As per records of the company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

d. Aggregate number of shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the report dated is NIL

e. Shares reserved for issue under options

Company has not reserved any equity shares for issue under the employee stock option plan (ESOP) of the company.

Notes to Financial Statement for the year ended Mar 31, 2013

4 Reserves and surplus	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar31, 2012 (In Rupees)
Capital reserve	16,500	16,500
Securities Premium Account	47,34,618	47,34,618
Revaluation Reserve	20,40,36,968	20,40,36,968
Hedge Reserve	-	27,08,000
Surplus in the statement of profit and loss		
Balance as per last financial statements	24,83,48,157	24,29,18,391
Profit for the year	<u>(4,53,17,673)</u>	<u>54,29,766</u>
Net surplus in the statement of profit and loss	<u>20,30,30,484</u>	<u>24,83,48,157</u>
Total reserves and surplus	<u>41,18,18,570</u>	<u>45,98,44,243</u>

5.1 Long-term borrowings	Non-current portion		Current maturities	
	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Term loans*				
Indian rupee loan from banks (Secured)	11,25,45,387	16,88,25,387	5,62,80,000	5,52,10,030
Foreign Currency loan from banks (Secured)	-	-	-	2,51,55,503
	<u>11,25,45,387</u>	<u>16,88,25,387</u>	<u>5,62,80,000</u>	<u>8,03,65,533</u>
The above amount includes				
Amount disclosed under the head "other current liabilities" (note 6.2)	-	-	(5,62,80,000)	(8,03,65,533)
Net amount	<u>11,25,45,387</u>	<u>16,88,25,387</u>	<u>-</u>	<u>-</u>

- A. Term loan 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
- B. Other Terms and Condition of Sanction
- Security Documents Including Personal guarantee of Dr. A. C. Muthiah, Chairman. Credit report of the guarantors to be provided.

5.2 Short-term borrowings	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Packing Credit from banks (Secured)	3,56,05,462	3,27,70,862
OD against invoices (Secured)	97,29,622	96,32,228
Buyers' Credit (Secured)	3,18,82,544	2,03,90,221
Deposits from Bank (Unsecured)	5,00,00,000	5,00,00,000
Deposits from Others (Unsecured)	<u>3,50,00,000</u>	<u>2,45,00,000</u>
	<u>16,22,17,628</u>	<u>13,72,93,311</u>
The above amount includes		
Secured borrowings	7,72,17,628	6,27,93,311
Unsecured borrowings	<u>8,50,00,000</u>	<u>7,45,00,000</u>

- A. 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.

Notes to Financial Statement for the year ended Mar 31, 2013

6 Other current liabilities

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
6.1 Trade payables	9,09,08,082	8,23,42,320
6.2 Other liabilities		
Current maturities of long-term borrowings (note 5)	5,62,80,000	8,03,65,533
Interest accrued and due on secured loans	21,74,366	30,46,825
Advances from customers	2,43,13,069	1,94,44,582
Rental and other advances	36,00,000	36,00,000
Interest accrued on unsecured loans	27,71,012	49,81,048
Director's Remuneration Payable	-	2,48,145
Salaries, wages and other employee benefits payable	1,57,09,760	1,62,13,223
Statutory Dues	13,96,205	14,01,083
	10,62,44,412	12,93,00,439
	19,71,52,494	21,16,42,759

7 Provisions

	Long-term		Short-term	
	Year ended Mar31, 2013 (In Rupees)	Year ended Mar31, 2012 (In Rupees)	Year ended Mar31, 2013 (In Rupees)	Year ended Mar31, 2012 (In Rupees)
Provision for employee benefits				
Provision for gratuity (Refer note)	1,45,83,148	1,14,61,074	15,97,042	15,07,872
Provision for leave benefits	68,27,279	82,04,587	4,85,589	5,83,549
	2,14,10,427	1,96,65,661	20,82,631	20,91,421

8 Tangible assets

	Leasehold Land (In Rupees)	Buildings (In Rupees)	Plant and Machinery (In Rupees)	Furniture and Fittings (In Rupees)	Office Equipments (In Rupees)	Vehicles (In Rupees)	Total (In Rupees)
Gross Block							
Balance - Apr 1, 2011	40,10,11,436	6,82,38,203	1,14,82,99,068	80,57,076	1,60,43,117	30,73,601	1,64,47,22,501
Additions	-	45,28,360	31,39,94,960	30,61,408	15,90,065	-	32,31,74,794
Adjustments	-	-	(10,03,88,903)	-	-	-	(10,03,88,903)
Balance - Mar 31, 2012	40,10,11,436	7,27,66,563	1,36,19,05,126	1,11,18,484	1,76,33,182	30,73,601	1,86,75,08,391
Additions	-	-	3,69,35,363	-	1,34,294	-	3,70,69,657
Adjustments	-	-	-	-	-	-	-
Balance - Mar 31, 2013	40,10,11,436	7,27,66,563	1,39,88,40,489	1,11,18,484	1,77,67,476	30,73,601	1,90,45,78,049
Depreciation							
Balance - Apr 1, 2011	-	2,63,19,829	56,36,71,803	51,51,345	1,16,23,838	16,74,677	60,84,41,491
Charge for the year	-	19,96,322	8,92,27,605	3,02,824	10,60,425	2,91,992	9,28,79,168
Adjustments	-	-	(10,03,88,903)	-	-	-	(10,03,88,903)
Balance - Mar 31, 2012	-	2,83,16,151	55,25,10,504	54,54,169	1,26,84,263	19,66,669	60,09,31,755
Charge for the year	-	21,01,802	11,36,02,872	4,51,735	11,63,727	2,91,992	11,76,12,128
Adjustments	-	-	-	-	-	-	-
Balance - Mar 31, 2013	-	3,04,17,953	66,61,13,375	59,05,904	1,38,47,990	22,58,661	71,85,43,883
Net block							
As at Mar 31, 2012	40,10,11,436	4,44,50,412	80,93,94,622	56,64,315	49,48,919	11,06,932	1,26,65,76,636
As at Mar 31, 2013	40,10,11,436	4,23,48,610	73,27,27,114	52,12,580	39,19,486	8,14,940	1,18,60,34,166

Note

Plant & Machinery during the year represents Rs.25,13,140 (Previous year Rs.51,88,000) towards exchange gain adjusted in fixed assets as per GOI Notification (GO No. GSR225(E) dated Mar 31, 2009).

Notes to Financial Statement for the year ended Mar 31, 2013

9 Intangible assets

Gross Block

Balance - Apr 1, 2011

Additions

Disposals

Balance - Mar 31, 2012

Additions

Disposals

Balance - Mar 31, 2013

Amortization

Balance - Apr 1, 2011

Charge for the year

Adjustment for disposals

Balance - Mar 31, 2012

Charge for the year

Adjustment for disposals

Balance - Mar 31, 2013

Net block

As at Mar 31, 2012

As at Mar 31, 2013

**Computer software
(In Rupees)**

56,19,628

1,73,189

-

57,92,817

-

-

57,92,817

12,87,948

9,13,919

-

22,01,867

9,21,040

-

31,22,907

35,90,950

26,69,910

Total

(In Rupees)

56,19,628

1,73,189

-

57,92,817

-

-

57,92,817

12,87,948

9,13,919

-

22,01,867

9,21,040

-

31,22,907

35,90,950

26,69,910

10 Non-current Investments

Non-trade investments (valued at cost unless stated otherwise)
Investment in subsidiaries

**Year ended
Mar 31, 2013
(In Rupees)**

-

-

**Year ended
Mar 31, 2012
(In Rupees)**

-

-

11 Other Long term liabilities (DTL)

Deferred tax (liability)/asset represents the aggregate tax effect of the timing differences arising from -

Depreciation & Provision for leave encashment, gratuity, bonus etc

Net deferred tax Liabilities

**Year ended
Mar 31, 2013
(In Rupees)**

10,89,71,943

10,89,71,943

**Year ended
Mar 31, 2012
(In Rupees)**

12,06,75,326

12,06,75,326

12 Loans and advances

Capital advances

Unsecured, considered good

Capital advances (A)

Security deposit

Rental and other deposits:

Considered good

Security deposit (B)

	Non-current		Current	
	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Unsecured, considered good	43,09,000	-	-	-
Capital advances (A)	43,09,000	-	-	-
Security deposit				
Rental and other deposits:				
Considered good	41,59,370	61,26,645	-	-
Security deposit (B)	41,59,370	61,26,645	-	-

Notes to Financial Statement for the year ended Mar 31, 2013

	Non-current		Current	
	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Advances recoverable in cash or kind				
Considered good	-	-	21,02,700	6,41,082
Advance recoverable in cash or in kind (C)	-	-	21,02,700	6,41,082
Other loans and advances				
Advance income-tax (net of provision for taxation)	-	-	3,36,08,773	3,20,32,227
Prepaid expenses	-	-	13,14,549	20,57,666
Advance to suppliers	-	-	4,77,811	22,90,503
Balances with statutory/government authorities				
Considered good	-	-	1,10,63,895	57,77,268
Considered doubtful	-	-	10,52,065	8,65,964
	-	-	4,75,17,093	4,30,23,628
Provision for doubtful service tax balances	-	-	(10,52,065)	(8,65,964)
Other loans and advances (D)	-	-	4,64,65,028	4,21,57,664
Total (A+ B + C+D)	84,68,370	61,26,645	4,85,67,728	4,27,98,746

13.1 Trade receivables (Unsecured)

	Non-current		Current	
	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Unsecured, considered good unless stated otherwise				
Outstanding for a period exceeding six months from the date they are due for payment				
- Considered good	-	-	24,61,499	11,50,844
- Considered doubtful	-	-	35,98,204	33,45,154
	-	-	60,59,703	44,95,998
Provision for doubtful receivables	-	-	(35,98,204)	(33,45,154)
(A)	-	-	24,61,499	11,50,844
Other trade receivables (Considered good) (B)	-	-	5,15,10,501	6,51,44,287
Total (A + B)	-	-	5,39,72,000	6,62,95,131

13.2 Other assets

	Non-current		Current	
	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Other assets	-	-	6,01,712	37,87,156
Total	-	-	6,01,712	37,87,156

14 Inventories (valued at lower of cost and net realizable value)

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Raw materials and components	5,59,62,116	6,25,90,646
Work-in-progress	6,77,18,885	7,22,85,281
Finished goods	39,39,923	53,64,719
Stores and spares	2,42,73,071	2,65,58,575
Goods in transit	29,84,884	11,27,145
Less: Provision for Non moving inventory	32,15,553	11,99,075
Total	15,16,63,326	16,67,27,291

Notes to Financial Statement for the year ended Mar 31, 2013

15 Cash and bank balances

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Cash and cash equivalents		
Balances with banks:		
On current accounts	40,81,413	1,15,74,018
Cash on hand	3,71,599	1,20,688
	<u>44,53,012</u>	<u>1,16,94,706</u>
Other bank balances		
Deposits with original maturity for more than 3 months but less than 12 months*	1,34,20,000	40,00,000
Margin money deposit#	76,74,136	97,66,127
	<u>2,10,94,136</u>	<u>1,37,66,127</u>
	<u>2,55,47,148</u>	<u>2,54,60,833</u>

*Deposits is lien marked with IOB with respect to Buyer's Credit for Rs.1,34,20,000 (Previous year - Nil)

Margin money deposit with a carrying amount of Rs.76,74,136 (Previous year : Rs.97,66,127) are given as security for opening of letter of credit with banks

16 Revenue from operations

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Revenues from operations		
Sale of products		
Export sales	79,48,96,180	78,42,46,893
Sale of services	1,03,98,460	92,61,226
Other operating revenue		
Scrap sales	27,30,517	46,36,525
Revenue from operations (gross)	80,80,25,157	79,81,44,644
Less: Excise duty	3,33,481	2,81,562
Revenue from operations (net)	<u>80,76,91,676</u>	<u>79,78,63,082</u>
Sale of Products is related to sale of Integrated Circuits (IC's)		

17 Other income

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Interest income on bank deposits	14,68,712	11,11,530
Rental Income	68,70,581	54,56,148
Provision for old inventory written off	-	37,837
Gain on foreign exchange fluctuation (net)	38,69,953	-
Bond amount	-	1,40,000
Liabilities / provisions not required written back	-	8,18,446
Other non-operating income	66,043	10,73,563
	<u>1,22,75,290</u>	<u>86,37,524</u>



Notes to Financial Statement for the year ended Mar 31, 2013

18 Cost of raw materials and components consumed

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Inventory at the beginning of the year	8,94,31,400	8,48,33,288
Add: Purchases	37,69,72,383	39,24,03,587
Add: Wafer Characterization Charges & Other Manufacturing expenses	<u>1,39,98,170</u>	<u>1,92,06,065</u>
	48,04,01,953	49,64,42,940
Less: Inventory at the end of the year	<u>8,29,85,828</u>	<u>89,431,400</u>
Cost of raw materials and components consumed	39,74,16,125	40,70,11,540
Details of raw materials and components consumed		
Lead frame	8,81,30,560	10,14,82,000
Gold Wire	16,32,81,096	16,67,60,000
Molding compound	2,88,65,958	2,37,94,000
Others	2,71,77,947	2,83,21,000
Stores	<u>7,59,62,395</u>	<u>6,74,48,475</u>
	38,34,17,956	38,78,05,475
Details of Inventory (Raw materials and components)		
Lead frame	2,66,41,608	2,88,45,943
Gold Wire/Copper Wire	1,01,61,659	1,77,08,036
Silver Epoxy	7,63,909	12,91,962
Molding compound	56,01,902	66,95,791
Others	1,55,94,041	89,69,995
Stores	<u>2,36,11,985</u>	<u>2,59,19,673</u>
	8,23,75,104	8,94,31,400

19 (Increase) / decrease in inventories

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Inventories at the end of the year		
Work-in-progress	6,77,18,885	7,22,85,281
Finished goods	39,39,923	51,99,550
Inventories at the beginning of the year		
Work-in-progress	7,22,85,281	6,02,44,671
Finished goods	<u>51,99,550</u>	<u>1,22,38,120</u>
(Increase) / decrease in inventories	58,26,023	(50,02,040)
Details of Inventory (Finished goods)		
Comprises of Integrated Circuits (IC's)	<u>51,99,550</u>	<u>1,22,38,120</u>
	51,99,550	1,22,38,120

20 Employee benefit expense

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Salaries, wages and bonus	15,12,35,009	13,64,40,935
Gratuity expense (Refer note)	44,36,244	45,83,154
Contributions to provident fund and other funds	1,35,33,787	1,21,11,774
Staff welfare expense	<u>94,43,094</u>	<u>1,03,50,707</u>
	17,86,48,134	16,34,86,570



Notes to Financial Statement for the year ended Mar 31, 2013

21 Other expenses

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Power and Fuel	7,07,39,450	5,52,27,602
Rent and amenities	19,71,430	21,00,721
Carriage outwards	38,32,695	38,64,453
Rates and taxes	22,27,567	19,01,202
Insurance	8,26,588	7,19,656
Repairs and maintenance		
Plant and machinery	21,60,946	31,22,244
Buildings	47,26,442	8,78,689
Others	38,88,593	1,12,72,877
Marketing fees	7,90,915	-
Travelling and conveyance	85,01,605	96,78,345
Communication costs	12,73,377	15,34,263
Legal and professional fees (Refer details below for payments to auditors)	1,23,26,086	77,31,468
Directors' Sitting Fee	1,67,000	1,75,800
Provision/(Reversal of provision) for doubtful debts	2,53,050	-
Provision for Non-moving Inventory	20,16,477	7,74,748
Commission to Vice Chairman	-	(34,22,573)
Exchange differences (net)	-	69,16,118
Printing & Stationary	12,52,055	16,11,120
Miscellaneous expenses	11,21,227	30,63,621
	11,80,75,503	10,71,50,353
Payment to auditor		
As auditor:		
Audit fee	1,50,000	1,50,000
Tax audit fee	30,000	30,000
In other capacity:		
Other services (certification fees)	26,956	20,000
Reimbursement of expenses	15,000	15,000
	2,21,956	2,15,000

22 Depreciation and amortization expense

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Depreciation of tangible assets	11,76,12,128	9,28,79,168
Amortization of intangible assets	9,21,040	9,13,919
	11,85,33,168	9,37,93,087

23 Finance costs

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Interest		
a. On bank loans	3,73,37,376	1,39,69,491
b. Others	1,25,08,043	89,66,888
Commission	8,33,880	10,32,987
Bank charges	77,21,397	85,42,227
	5,84,00,696	3,25,11,593

Notes to Consolidated financial statements for the year ended Mar 31, 2013

24. Supplementary profit and loss data

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
a. Managerial remuneration		
Mr. D. Balakrishnan, Chief Executive Officer Salary, bonus and other allowance.	32,00,339	30,32,402
Mr. N. Sivashanmugam Whole Time Director Salary, Bonus and contribution to PF	13,82,166	12,80,529
	<u>45,82,505</u>	<u>43,12,931</u>

Note:

Provisions for/contribution to employee retirement/post retirement and other employee benefits which are based on actuarial valuations done on an overall Company basis are excluded above.

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
b. CIF value of imports		
Capital goods and machinery spares	4,81,08,437	15,11,80,474
Raw Materials and components	<u>35,43,25,728</u>	<u>36,40,16,865</u>
	<u>40,24,34,165</u>	<u>51,51,97,339</u>

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
c. Expenditure in foreign currency (on accrual basis)		
Travel and conveyance	21,58,504	20,17,899
Marketing Fees	1,19,79,788	1,24,86,618
Characterization and Test Engineering Charges	<u>1,04,91,330</u>	<u>2,31,10,972</u>
	<u>2,46,29,622</u>	<u>3,76,15,489</u>

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
d. Earning in Foreign Currency		
Export at F.O.B. value	80,52,94,640	79,66,90,704

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
e. Capital and other commitments		
Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for	-	-



Notes to Consolidated financial statements for the year ended Mar 31, 2013

25. Related party disclosures (to the extent not disclosed in note 19 (4) (b))

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
1. Names of related parties		
a. Holding Company		
- Southern Petrochemical Industries Corporation Limited		
a. Current Account (DR)	2,29,730	5,436
b. Guarantee issued	-	5,20,00,000
b. Subsidiary Company		
- SPEL America Inc		
Marketing Fee	1,12,08,913	1,24,86,618
2. Enterprise owned by /over which Key Management Personnel is able to exercise significant influence		
Valingro Exponenta Limited		
Director is Chairman in		
Valingro Exponenta Limited		
a. Corporate Communication Charges	18,20,232	17,34,744
b. Corporate Rent Charges	13,48,320	12,01,540
Natronix Semiconductor Technology Limited		
Director is Chairman in		
Natronix Semiconductor Technology Limited		
a. Marketing Fees	7,70,875	-
b. Manpower Deputation Charges	15,46,538	15,67,360
ACM Medical Foundation		
Chairman is Director in		
ACM Medical Foundation		
Fixed Deposit Outstanding as on Mar 31, 2013	20,00,00,000	20,00,00,000
Valingro Exponenta Limited		
Director is Chairman in		
Valingro Exponenta Limited		
Unsecured Loans Outstanding as on Mar 31, 2013	1,50,00,000	-
3. Key Management Personnel		
- Dr. A.C. Muthiah		
Chairman		
Personal Guarantee	7,62,769	8,18,083
- Mr. Ar Rm Arun		
Director		
Profit Commission	-	2,48,145
- Mr. D Balakrishnan		
Chief Executive Officer		
Remuneration	32,00,339	30,32,402
- Mr. N Sivashanmugam		
Whole Time Director		
Remuneration	13,82,166	12,80,529

Balance outstanding as at the period end

Nature of transaction	Group Companies		Others	
	Mar 31, 2013	Mar 31, 2012	Mar 31, 2013	Mar 31, 2012
Accounts Payable				
Valingro Exponenta Limited	-	-	2,54,046	2,19,424
Natronix Semiconductor Technology Limited	-	-	1,51,866	3,65,777

Notes to Consolidated financial statements for the year ended Mar 31, 2013

26. Employee benefit plans - Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The following tables summarize the components of net benefit expense recognised in the statement profit and loss and the funded status and amounts recognised in the balance sheet for the Gratuity plan.

Statement of Profit and Loss

Net employee benefit expense (recognised in Personnel expenses)

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
(i) Current service cost on Benefit Obligations	19,93,021	21,49,300
(ii) Interest cost on Benefit Obligations	19,98,155	16,62,100
(iii) Expected return on plan assets	(9,57,355)	-
(iv) Net actuarial (gains)/ losses recognised in the year	14,02,423	7,71,700
(v) Net (Benefit) / Expense	44,36,244	45,83,100
(vi) Actual return on plan assets	9,57,355	-

Balance Sheet

Details of Provision for gratuity

(i) Defined benefit obligation	2,69,74,079	2,54,67,900
(ii) Plan Liability /(Asset)	1,07,93,889	1,24,99,000
	1,61,80,190	1,29,68,900

Changes in the present value of the defined benefit obligation are as follows:

(i) Opening defined benefit obligation	2,54,67,995	2,17,31,900
(ii) Current service cost	19,93,021	21,49,300
(iii) Interest cost	19,98,155	16,62,100
(iv) Actuarial (gains) / losses on obligation	24,63,449	28,49,100
(v) Benefits paid	(49,48,541)	(29,24,500)
(vi) Closing defined benefit obligation	2,69,74,079	2,54,67,900

Changes in the fair value of the plan assets are as follows:

(i) Opening fair value of plan assets	124,99,049	1,23,46,100
(ii) Expected return	9,57,355	-
(iii) Actuarial gains / (losses)	10,61,026	20,77,400
(iv) Contributions by employer	12,25,000	10,00,000
(v) Benefits paid	(49,48,541)	(29,24,500)
(vi) Closing fair value of plan assets	1,07,93,889	1,24,99,000

The principal actuarial assumptions used in determining gratuity obligation for the Company's plans are shown below:

	Year ended Mar 31,2013	Year ended Mar 31,2012
(i) Discount rate	8.26%	8.69%
(ii) Salary Escalation	5.00%	5.00%
(iii) Expected Return on Assets	9.00%	9.00%
(iv) Mortality	LIC(1994-96) Ultimate	LIC(1994-96) Ultimate

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.



Notes to Consolidated financial statements for the year ended Mar 31, 2013

27. Leave Plan

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Net Asset/(Liability) Recognized in Balance Sheet-Mar 31, 2013		
(i) Present Value of Defined Benefit Obligation	73,12,868	87,88,136
(ii) Fair Value of Plan Assets	-	-
(iii) Funded Status[Surplus/(Deficit)]	(73,12,868)	(87,88,136)
(iv) Unrecognized Past Service Costs	-	-
Net Asset /(Liability) recognized in the Balance Sheet	(73,12,868)	(87,88,136)
Assumption at Mar 31, 2013		
Discount Rate	8.26%	8.69%
Disclosure of employer expense for the year ending Mar 31, 2012		
(i) Current Service Cost (including risk premiums for Fully Insured Benefits)	-	1,37,045
(ii) Interest Cost	-	7,63,689
(iii) Expected Return on Plan Assets	-	-
(iv) Curtailment Cost/(Credit)	-	-
(v) Settlement Cost/(Credit)	-	-
(vi) Past Service Cost	-	-
(vii) Actuarial Losses/(Gains)	-	(23,76,002)
Total employer expense recognize in P&L	-	(14,75,268)
Assumption at Mar 31, 2012		
Discount Rate	8.26%	8.69%

Change in Obligation and assets over the year ending Mar 31, 2013

	Year ended Mar 31,2013	Year ended Mar 31,2012
A Change in Defined Benefit Obligation		
(i) DBO at beginning of the period	87,88,136	71,25,602
(ii) Service Cost	1,37,045	2,94,440
(iii) Interest Rate	7,63,689	5,67,122
(iv) Curtailment Rate / (Credit)	-	-
(v) Settlement Cost/(Credit)	-	-
(vi) Plan Amendments	-	-
(vii) Acquisitions	-	-
(viii) Actuarial Losses /(Gains)	(23,76,002)	12,19,924
(ix) Benefit Payments	-	(4,18,952)
DBO at end of the period	73,12,868	87,88,136
B Change in Fair Value of Assets		
(i) Fair Value of Plan Assets at beginning of the period	-	-
(ii) Acquisition adjustment	-	-
(iii) Expected return on plan assets	-	-
(iv) Actual Company Contributions	-	-
(v) Actuarial Gain/(Loss)	-	4,18,952
(vi) Benefits Payments	-	(4,18,952)
(vii) Fair Value of Plan Assets At end of the period	-	-
Assumptions at Mar 31, 2013		
Discount Rate	8.26%	8.69%

Notes to Consolidated financial statements for the year ended Mar 31, 2013

	Year ended Mar 31,2013 (In Rupees)	Year ended Mar 31,2012 (In Rupees)
Reconciliation of Net Asset/Liability recognized in Balance Sheet		
(i) Net Asset /(Liability) at beginning of period	(87,88,136)	(71,25,602)
(ii) Employer Expense	(14,75,268)	16,62,534
(iii) Employer Contributions	-	-
(iv) Acquisitions/Business Combinations	-	-
(v) Net Asset /(Liability) at end of Period	(73,12,868)	(87,88,136)
Experience History		
(i) Defined Benefit Obligation at end of the period	73,12,868	87,88,136
(ii) Plan Assets at end of the period	-	-
(iii) Funded Status	(73,12,868)	(87,88,136)
(iv) Experience adjustment on plan Liabilities	(15,18,411)	77,467
(v) Experience adjustment on plan assets	-	4,18,952

One of the principal assumptions is the discount rate ,which should be based upon the market yields available on Government bonds at the accounting date with a term that matches that of the liabilities.

The Financial assumptions employed for the calculations as at Mar 31, 2013 and Mar 31, 2012 are as follows.

(i) Discount Rate	8.26%	8.69%
(ii) Expected return on assets	0.00%	0.00%
(iii) Salary excalation	5.00%	5.00%
(iv) Mortality	LIC(1994-96) Ultimate	LIC(1994-96) Ultimate

Withdrawal Rate

	Age From		
(i)	18	2.00%	2.00%
(ii)	21	2.00%	2.00%
(iii)	31	2.00%	2.00%
(iv)	41	2.00%	2.00%
(v)	56	2.00%	2.00%
(vi)	58	2.00%	2.00%

Notes

- (i) The effect of Mortality and withdrawal have been factored by Constructing a Multiple Decrement Table On assumption of above Mortality table.
- (ii) All the assumptions above have been set following discussions with the Company in this regard.
- (iii) We understand that the assumptions of Future Salary increases (Which has been set in Consultation with the company) , take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

28. Payment to Directors

	Year ended Mar 31,2013 (In Rupees)	Year ended Mar 31,2012 (In Rupees)
Salary	6,60,000	6,60,000
Special Allowance	1,07,500	50,029
Other Perquisisties	5,32,166	4,88,000
contribution to PF	82,500	82,500
Profit Commission to non Whole time Director	-	2,48,145
Director Sitting Fees	1,67,000	1,75,800
Total	15,49,166	17,04,474



Notes to Consolidated financial statements for the year ended Mar 31, 2013

29. Foreign currency exposures

The Company does not use any derivative instruments to hedge its foreign currency exposures. The details of foreign currency balances which are not hedged as at the balance sheet date are as below:

Particulars	Foreign Currency	Mar 31, 2013 Amount in Foreign Currency	Amount In Rupees
Trade Payable	USD	1,295,089	7,04,91,694
Advance to Suppliers	USD	20,007	10,81,799
Trade Receivables	USD	970,606	5,24,80,660
Advance from Customers	USD	446,290	2,42,91,566
Buyers credit-IOB	USD	585,753	3,18,82,544
Foreign Currency in Hand	USD	800	43,256
Foreign Currency in Hand	EURO	5	345
Foreign Currency in Hand	SGD	142	6,156

Particulars	Foreign Currency	Mar 31, 2012 Amount in Foreign Currency	Amount In Rupees
Trade Payable	USD	1,228,868	6,25,24,782
Trade Payable	EURO	1,163	79,105
Trade Payable	SGD	1,423	57,691
Advance to Suppliers	USD	39,070	19,75,014
Trade Receivables	USD	1,330,553	6,72,59,437
Advance from Customers	USD	564,247	2,87,08,866
Buyers credit-IOB	USD	400,751	2,03,90,221
Foreign Currency Loan with IOB	USD	494,408	2,51,55,503
Foreign Currency in Hand	USD	922	46,607
Foreign Currency in Hand	SGD	130	5,210

30. Dues to Micro, Small and Medium Enterprises

Dues outstanding to enterprises covered under Micro, Small and Medium Enterprises Development Act, 2006, based on the information available with the Company as at Mar 31, 2013 amounts to NIL.

31. Contingent Liability

Claims against the Company not acknowledged as debt

Details of Contingent Liability :

Nature of dues

	Year ended Mar 31,2013 (In Rupees)	Year ended Mar 31,2012 (In Rupees)
Claims against the Company not acknowledged as debt	-	19,50,000
Nature of dues	Year ended Mar 31,2013 (In Rupees)	Year ended Mar 31,2012 (In Rupees)
Service Tax Demand	1,86,100	1,86,100
Guarantees given to Central Excise/banks on behalf of other Companies with corresponding counter guarantees from them	-	5,20,00,000
Letter of Credit for import purchases	3,55,10,607	5,26,28,698
Income tax Demand	1,79,57,319	2,23,08,885
Labour case	-	15,00,000

32. Impairment of Assets has been considered as per AS 28 & there is no impairment as on Mar 31, 2013.

33. Prior year comparatives

Previous year's figures have been regrouped wherever necessary.



Consolidated Cash flow statement for the year ended Mar 31, 2013

	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Cash flow from operating activities		
Net profit before taxation	(5,69,32,683)	75,49,503
Adjustments for:		
Depreciation/amortization of tangible/intangible assets	11,85,33,168	9,37,93,087
Foreign exchange loss	(31,06,412)	65,11,500
Rental income	(68,70,581)	(50,99,304)
Provision no longer required taken back	-	8,18,446
Transfer from reserve	-	(6,50,000)
Bad advances	5,91,796	(8,18,446)
Interest on fixed deposits	(14,68,712)	(11,11,530)
Interest expense	5,06,79,299	2,39,69,366
Operating profit before working capital changes	10,14,25,875	12,49,62,622
Movements in working capital :		
(Increase) / Decrease in trade receivables	1,20,70,081	(2,05,59,139)
(Increase) / Decrease in inventories	1,50,63,964	(90,93,699)
(Increase) / Decrease in other current assets	4,77,444	(3,27,358)
(Increase) / Decrease in loans and advances	(68,72,907)	7,78,34,606
Increase / (Decrease) in trade payables and other liabilities	95,95,268	2,39,52,691
Increase / (Decrease) in provisions	17,35,976	(78,90,733)
Cash generated from / (used in) operations	13,34,95,701	18,88,78,990
Direct taxes paid (net of refunds)	(16,64,919)	(65,56,478)
Net cash flow from / (used in) operating activities (A)	13,18,30,782	18,23,22,512
Cash flows (used in) / from investing activities		
Purchase of fixed assets, capital work in progress (including capital advances)	(3,70,69,657)	(18,33,82,177)
Rental income	68,70,581	50,99,304
Interest received	14,68,712	11,11,530
Net cash from / (used in) investing activities (B)	(2,87,30,364)	(17,71,71,343)



	Year ended Mar 31, 2013 (In Rupees)	Year ended Mar 31, 2012 (In Rupees)
Cash flows (used in) / from financing activities		
Loans availed	2,49,24,318	2,49,80,230
Loans repaid	(8,03,65,533)	(2,00,00,000)
Interest paid	(5,06,79,299)	(2,39,69,366)
Net cash (used in) / from financing activities ('C)	<u>(10,61,20,514)</u>	<u>(1,89,89,136)</u>
Exchange differences on translation of foreign currency cash and cash equivalents	31,06,412	(65,11,500)
Net increase / (decrease) in cash and cash equivalents	86,316	(2,03,49,467)
Cash and cash equivalents at the beginning of the year	2,54,60,833	4,58,10,300
Cash and cash equivalents at the end of the year	<u>2,55,47,149</u>	<u>2,54,60,833</u>

For and on behalf of the board of directors

Dr. A. C. Muthiah
Chairman

Ar Rm Arun
Director

Dr. A. Besant C. Raj
Director

Dr. T. S. Vijayaraghavan
Director

N. Ramakrishnan
Director

N. Sivashanmugam
Whole Time Director

Place : Chennai
Date : Apr 23, 2013

S. S. Arunachalam
Head Corporate Affairs & Company Secretary

Auditors' Report

We have examined the above Consolidated Cash Flow Statement of SPEL Semiconductor Limited, for the year ended Mar 31, 2013, which is in agreement with the corresponding profit and loss account and balance sheet of the company, covered by our report of Apr 23, 2013 to the Members of the Company.

For **Natarajan & Co.**
Chartered Accountants

Place : Chennai
Date : Apr 23, 2013

A Baskar
Partner
M.No.211721



SPEL Semiconductor Limited

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

Attendance Slip

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

I here by record my presence at the 28th Annual General Meeting of the Company to be held at 4.00 pm on Monday, Jul 29, 2013 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 Members 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.....
ofin the district of
being a Member/Members of the above named Company hereby appoint
..... of in the district of or failing
him of in the District of
..... as my / our proxy to attend and vote for me/us and
on my/our behalf at the 28th Annual General Meeting of the Company to be held at 4.00 pm on Monday,
Jul 29, 2013 at 5 CMDA Industrial Estate, Maraimalai Nagar (Chennai) 603 209

Signed this day of 2013
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 $\frac{\text{** in favour of}}{\text{**against}}$ the resolution. Unless otherwise instructed,
the Proxy will act as he thinks fit.

** Strike out whichever is not desired.

Affix
Re.1
Revenue
Stamp

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

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 Apr 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 :

Signature



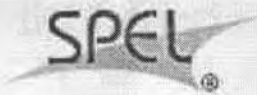
Book-Post

**28th Annual Report
2012-13**

To

A large, empty rounded rectangular box with a thin black border, intended for a recipient's name or address.

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




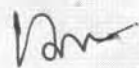


SPEL Semiconductor Limited

an IC Assembly & Test Company

Form A: Unqualified/ Matter of Emphasis Report

FORM A

Format of covering letter of the annual audit report to be filed with the stock exchanges

1.	Name of the Company	SPEL Semiconductor Limited
2.	Annual financial statements for the year ended	31 st March 2013
3.	Type of Audit qualification	Un-qualified
4.	Frequency of observation	Whether appeared first time / repetitive / since how long period
5.	To be signed by- CEO/Managing Director	
6.	CFO / Manage Finance	
7.	Auditor of the company	For NATARAJAN & CO. CHARTERED ACCOUNTANTS  Partner (A. Baskar) M. No. 211721
8.	Audit Committee Chairman	

Registered Office & Factory
5 CMDA Industrial Estate
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