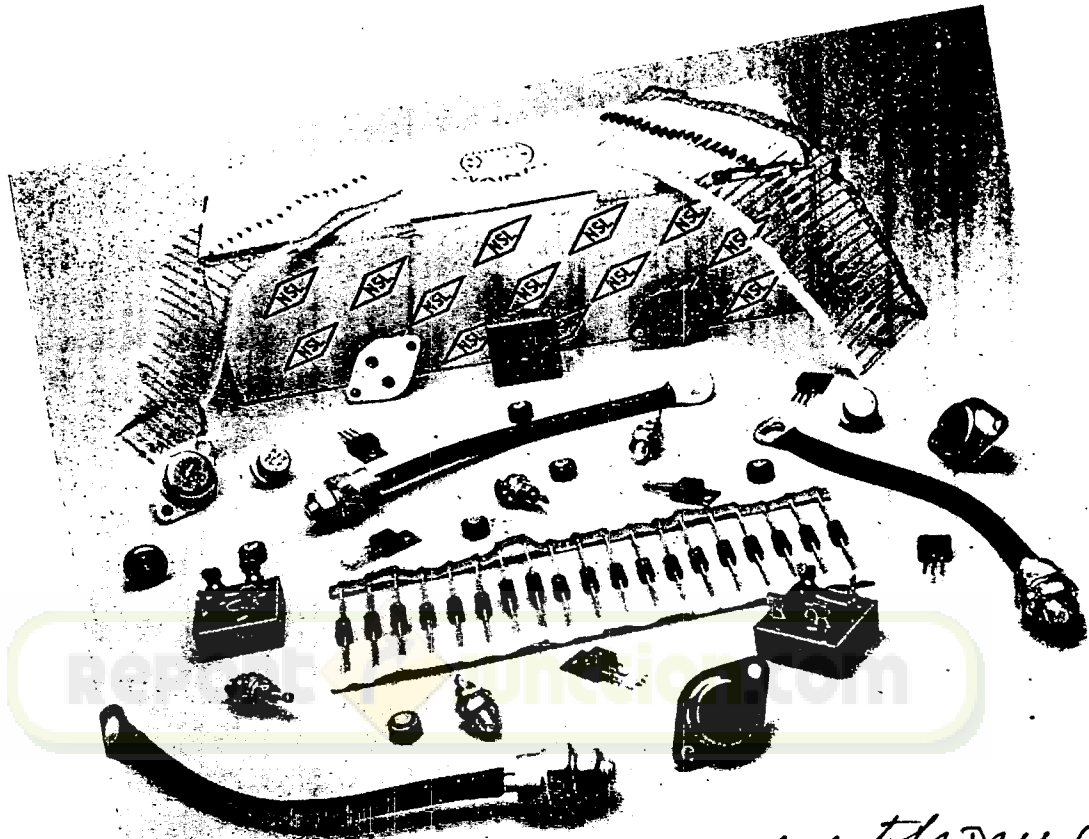


NSL

# NAINA SEMICONDUCTOR LTD.



*Certified True Copy*  
For Naina Semiconductor Limited  
*Phil/...*  
ed Signatory

## NINTH ANNUAL REPORT 1996-97

✓	✓	BKC	✓
✓	✓	DPY	✓
✓	✓	DIV	✓
✓	✓	AC	✓
✓	✓	...	✓



**ANNUAL REPORT 1996-97****BOARD OF DIRECTORS**

KAPIL MOHAN MEHTA  
SMT. JAYATI CHANDRA  
BHARAT SINHA  
S.C. TEWARI  
N.K. RAMCHANDRAN  
R.M. GHOSH  
S.L. GANDHI  
LT. GEN. D. SWAROOP

**MANAGING DIRECTOR**

**DIRECTOR** HILTRON NOMINEE  
**DIRECTOR**  
**DIRECTOR**  
**DIRECTOR** IFCI NOMINEE  
**DIRECTOR** IDBI NOMINEE  
**DIRECTOR**

**COMPANY SECRETARY**

POST PRESENTLY VACANT

**AUDITORS**

M/S VINOD SHARMA & ASSOCIATES  
Chartered Accountants  
101, Bhanot Apartments  
5, Local Shopping Centre,  
Madangir, New Delhi-110062

**BANKERS**

STATE BANK OF INDIA

**REGISTERED OFFICE AND WORKS**

Village Padampur Devalia  
P.O. Mota Haldu, (Haldwani)  
Distt. Nainital (U.P.)

**SECRETARIAL DEPARTMENT**

C-33 Okhla Industrial Area,  
Phase-I, New Delhi-110020

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**NAINA SEMICONDUCTOR LTD.****NOTICE OF MEETING**

Notice is hereby given that the Ninth Annual General Meeting of the Members of Naina Semiconductor Limited will be held at New Haldwani Club, Nainital Road, Haldwani, Distt. Nainital (U.P) on Tuesday the 30th September, 1997 at 9.00 A.M. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1997 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. S. L. Gandhi who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of Tenth Annual General Meeting and to authorise the Board to fix their remuneration.

Regd. Office:

Village Padampur Devalia

P.O. Mota Haldu (Haldwani)

Distt. Nainital (U.P)

By Order of Board of Directors

**KAPIL MOHAN MEHTA**  
MANAGING DIRECTOR

New Delhi : 2nd September 1997.

**NOTES:**

1. ANY MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH A PROXY NEED NOT BE A MEMBER IN ORDER TO BE EFFECTIVE PROXY. FORMS DULY COMPLETED SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OR CORPORATE OFFICE AT C-33, OKHLA INDUSTRIAL AREA, PHASE-I, NEW DELHI-110020 OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.
2. Member/Proxies should bring the Attendance Slip & the Annual Report sent herewith duly filled in while attending the meeting.
3. Members are requested to verify any change in their addresses at the Secretarial Deptt. at C-33, Okhla Industrial Area, Phase-I, New Delhi-110020 by quoting their Folio No.
4. Shareholders seeking any information with regard to the Accounts are requested to write to the Company at its Corporate Office; C-33, Okhla Industrial Area, Phase-I, New Delhi-110 020 atleast 10 days before the meeting so that the information be made available by the management at the date of meeting.
5. The shareholders who have not paid the allotment money due on the shares allotted to them are requested to remit it by way of DD/Pay Order in favour of "NAINA SEMICONDUCTOR LTD", at the Secretarial Deptt. C-33, Okhla Industrial Area, Phase-I, New Delhi-110 020 of the Company alongwith interest @ 18% p.a. from the date of allotment money becoming due till the date of payment.
6. Members are requested to address all correspondence relating to transfer of shares directly to the Company's Secretarial Deptt., C-33, Okhla Industrial Area, Phase-I, New Delhi-110020

Regd. Office:

Village Padampur Devalia

P.O. Mota Haldu (Haldwani)

Distt. Nainital (U.P)

New Delhi : 2nd September, 1997.

By Order of Board of Directors

**KAPIL MOHAN MEHTA**  
MANAGING DIRECTOR

## ANNUAL REPORT 1996-97

## DIRECTOR'S REPORT

To

The Members'

Your Directors have pleasure in presenting this Ninth Annual Report together with the Audited Accounts for the Year ended on 31st March, 1997.

**FINANCIAL RESULTS**

(Rupees in 000)

Description	Year Ended 31st March, 1997	Year Ended 31st March, 1996
Sales & other Income	41138	62935
Profit before interest & Depreciation	-7322	-1936
Less : Interest & Financial Charges	3860	15875
Profit before Depreciation	-11182	-17811
Less : Depreciation	4820	3596
Profit after Interest & Depreciation	-16002	-21407
Add : Balance brought Forward	-19800	1607
Balance Carried to Balance Sheet	-35802	-19800

**PERFORMANCE**

The operations of your company has shown some signs of progress during the year in terms of quantity produced as well as sold. The overall production improved considerably by 21% in quantitative terms as compared to last year. This was mainly due to increase in actual output of 1 Amp. Diodes from 53634K in 1995-96 to 69105K in 1996-97 and of Medium Power Devices from 1332K in 1995-96 to 9362 in 1996-97. However, inspite of all the enhanced production the profitability remained dismal due to adverse pricing and poor margins. The changes in Government Policies and the Custom Tariff in the budget of 1995-96 has seriously affected the pricing of products and even the budget of 1996-97 was of similar nature and further forced our selling prices downwards. This has resulted in huge cash loss. As almost all of our Raw Materials is imported, the infrastructure cost, inventory cost, financial cost is higher, compared to products manufactured in China and other South East Asian Countries. Our problems regarding locational disadvantages, rejections and poor take off by consumer electronic as well as telecom sector throughout the year has affected our business. The payment cycle was very poor because of liquidity problem with almost all electronics and telecom industries. This has resulted in less working capital available to us. The import liberalisation and free import at lower cost from China, Taiwan are affecting our working very much. The grey market is continuing to grow eating away more than 60% of the market share in the Indian Market for Diodes and Transistors. The Excise Modvat facility for B&W Television continues to be against domestic component manufacturers and fuels the grey market alongwith other consumer electronic segments.

On its path of diversification, the Company commenced commercial production of Medium Power Devices, Transistors for Invertors etc. which have been well received in the market and orders have started flowing in. The change of Bank Authorisation for Foreign L/C opening affected our production by increasing inventory and the time required for the same.

The electronics industry as a whole was sluggish in the entire year affecting overall performances, margins, liquidity and off take by the industry for our products.

Your company management has been successful in maintaining and controlling cost and effective cost control measures have helped the Company to reduce per unit cost of production. These

measures will continue to help the Company in the coming years to reduce the per unit cost of production.

#### **FUTURE PROSPECTS**

The Indian electronics industry being heavily import based, future solely depends on the Government's Policies, rules and regulations and financial costs. Consumer Electronics Industry as well as Telecom and Computer Industry have high growth potential but the indigenous manufacturing could only sustain its growth, if these have level and equal opportunity for working compared to imports. As the growth in Telecom Sector is likely to show uptrend because of privatisation, your Company is hopeful of getting good business from this segment in the coming future. The consumer electronics industry may also get over its problems and stabilise in the coming future.

During the year under review there was a steep decline in government purchases of indigenous telecom equipment especially C-DOT exchanges which is one of our major areas of business. However in the current year, the orders from Telephone Instrument Industry have registered an increase of more than 25% and the trend is likely to continue. Similarly, there is good order booking from C-DOT Licences.

Your Company plans to increase production further in 1997-98 by 25% to avail economies of scale. The addition of higher value products, especially Medium Power Devices would release pressure on gross margins and would help us to consolidate our position.

#### **EXPORTS**

The Company's products were exported to several European countries. The Company exported 5% of the total sale of 1 Amp. & 3 Amp. Rectifier Diodes.

#### **DIRECTORS**

Mrs. Sajla Mehta resigned from the board on 30.5.96 Also M/s. Risk capital & Technology Corporation Ltd. (RCTC) withdrew their nomination of Mr. Arun Kumar Gupta from the Board *vide* letter dated.....

The Directors wish to place on record their sincere thanks to Mr. Arun Kumar Gupta and Mrs. Sajla Mehta during their tenure as Directors of the Company for their valuable contribution and guidance.

Mr. S.L. Gandhi, Director, retire by rotation and being eligible, offer himself for re-appointment.

#### **AUDITORS**

M/s. Vinod Sharma & Associates, Chartered Accountants, are liable to retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

#### **AUDITORS' REPORT**

The comments in Auditors' Report read together with the notes to Accounts referred to in Schedule-13 with specific mention of note No.7 are self explanatory and do not require any further explanation.

#### **FIXED DEPOSITS**

Your Company has not invited or accepted any deposits during the year under review within the meaning of section 58A of the Companies Act, 1956.

#### **ACKNOWLEDGEMENT**

Your Directors wish to explore their sincere thanks for extreme cooperation and valuable assistance extended to it by HILTRON, Financial Institutions, its Bankers, Government and local authorities and our valued customers.

#### **EMPLOYEES**

Your Directors also wish to place on record their deep appreciation of the contribution made by the employees at all levels towards the growth of the Company.

for and on behalf of  
Board of Directors

Place : New Delhi

Dated : 2nd September, 1997.

**CHAIRMAN**

## ANNUAL REPORT 1996-97

## ANNEXURE TO THE DIRECTORS' REPORT

Information under section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

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

- Specific areas in which R & D carried out by the Company :  
(i) Import Substitution (ii) Quality Improvement (iii) Technology Upgradation
- Benefits derived as a result of the above  
(i) New Product Introduction (ii) Quality Upgradation (iii) Cost Reduction
- Further plan of Action : To continue R & D work in upgradation of technology, in continuing with efforts of import substitution and in developing new products helping the Company to expand its range of products.
- Expenditure on R&D : NIL

**Technology absorption, adaptation and innovation**

- Efforts, in brief, made towards technology absorption, adaptation & innovation :  
The Company received technology and technical knowhow from M/s Symbol Electronics Co. Ltd., Taiwan and successfully absorbed the same.
- Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.  
Improvement in quality of products, improvement in manufacturing process resulting in cost reduction, acceptability of products in International Market and development of Import Substitution Products.

**Foreign exchange earning and outgo**

The foreign exchange earning & outgo during the year ended 31st March, 1997 is as follows :

(Rs. in lacs)

Foreign Exchange Earnings	:	6.84
Foreign Exchange outgo	:	184.73

The Company manufactures 100% import substitution items and as such all the sales save foreign exchange outflow of the country.

Information under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975

Particulars of Employees who are employed throughout the year and are in receipt of remuneration exceeding Rs. 3,00,000 per annum.

Name	Designation	Remuneration	Age	Qualification	Experience	Date of appointment	Previous Employment
Kapil Mohan Mehta	Managing Director	342000	55 Yrs	B.Sc. Engg. (H)	22 Yrs	1.1.89	Naina Electronic (P) Ltd. (MD)

**NOTES :-**

- Mr. Kapil Mohan Mehta, Managing Director looks after the day to day affairs of the Company under the supervision of Board of Directors and assisted by qualified personnel.
- The above remuneration includes salary, HRA & reimbursement of medical expenses.
- The appointment is contractual in nature.