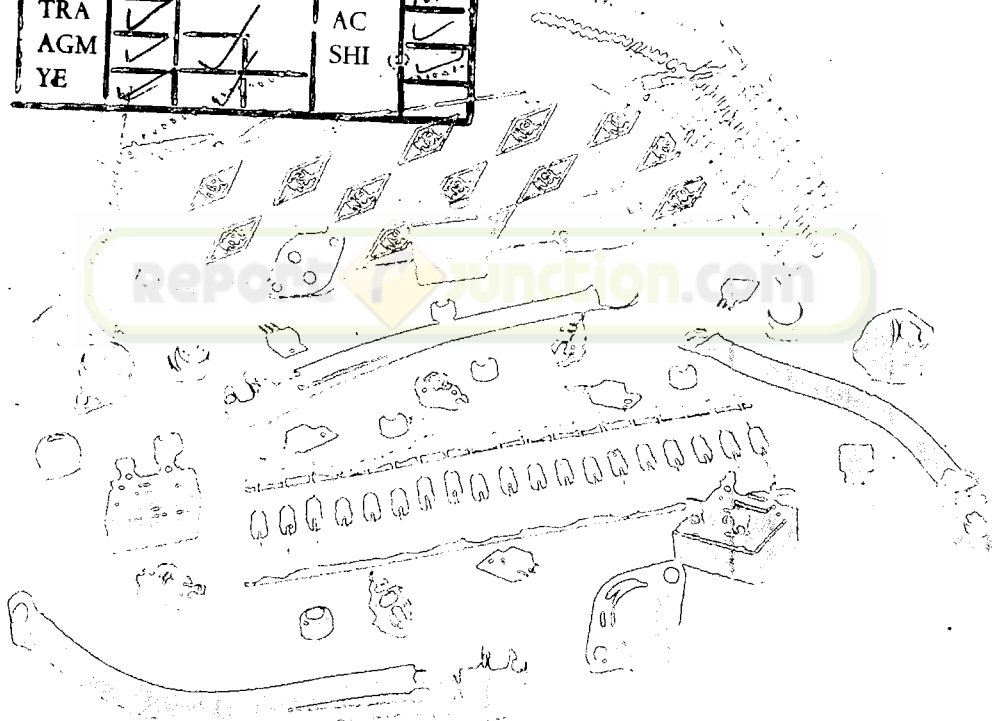




NAINA SEMICONDUCTOR LIMITED

MD	✓		BKC	—
CS	NA		DPY	NA
RO	✓		DIV	NA
TRA	✓		AC	✓
AGM	✓		SHI	✓
YE	✓			



TENTH ANNUAL REPORT 1997-98

NSL

NAINA SEMICONDUCTOR LIMITED

BOARD OF DIRECTORS

KAPIL MOHAN MEHTA

MANAGING DIRECTOR

SMT. JAYATI CHANDRA

DIRECTOR

HILTRON NOMINEE

BHARAT SINHA

DIRECTOR

-Do-

S. C. TEWARI

DIRECTOR

-Do-

N. K. RAMCHANDRAN

DIRECTOR

IFCI NOMINEE

S. L. GANDHI

DIRECTOR

LT. GEN. D. SWAROOP

DIRECTOR

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 DEPARTMENTC-33, Okhla Industrial Area,
Phase-I, New Delhi-110020**CONTENTS**

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TENTH ANNUAL REPORT 1997-98**NOTICE**

Notice is hereby given that the Tenth Annual General Meeting of the Members of **Naina Semiconductor Limited** will be held at Hotel Sourabh, Nainital Road, Haldwani, Distt. Nainital (U.P) on 22nd September, 1998 at 9.00 A. M. to transact the following business.

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1998 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 Lt. Gen D. Swaroop, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Mrs. Jayati Chandra who retires by rotation and, is eligible for reappointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next 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 : 18th August, 1998

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-110 020 of the Company not less than 48 hours before the time fixed for the meeting.
2. Members/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-110 020 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 LIMITED", at the Secretarial Deptt., C-33, Okhla Industrial Area, Phase-I, New Delhi 110 020 of the Company alongwith interest @18% per annum 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 - 110 020.

By Order of Board of Directors

Kapil Mohan Mehta
Managing Director

New Delhi : 18th August, 1998


NAINA SEMICONDUCTOR LIMITED
DIRECTORS' REPORT

To

The Members

Your Directors present their Tenth Annual Report together with the Audited Accounts for the year ended on 31st March, 1998.

1. FINANCIAL RESULTS

(Rs. in lacs)

Description	Year Ended 31st March, 1998	Year Ended 31st March, 1997
Sales & other Income	467.68	411.38
Profit before Interest & Depreciation	(-) 50.51	(-) 73.22
Add : Interest & Financial Charges	255.43	38.60
Profit before Depreciation	(-) 305.94	(-) 111.82
Less : Depreciation	55.06	48.20
Profit after Interest & Depreciation	(-) 361.00	(-) 160.02
Add : Previous Year Expenses	(-) 147.95	NIL
Balance brought forward	(-) 358.02	198.00
Balance Carried to Balance Sheet	(-) 866.97	(-) 358.02

DIVIDEND

In view of absence of profits, the Board of Directors express their inability to recommend any dividend for the year under review.

OPERATIONS

The operations of your company remained dismal during the year under review. Although there was an improvement in value of goods sold, the production came down from 667.58 million pcs. in 1996-97 to 457.30 million pcs. during the year 1997-98. The Company registered the sales of Rs. 4.63 crores in the year 1997-98 as compared to Rs. 4.07 crores in 1996-97. This was due to change in product mix.

During the year 1997-98 the company had faced many problems in Bank operations, change in Government's Policies, existence of active grey market and unfavourable excise and customs duty structure besides slow down in market. All these factors alongwith very high financial cost effected the working results badly.

REVIVAL PROGRAMME

As per Financial Statement, the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 are applicable and necessary action will be taken as per requirements of the Act.

INDUSTRIAL RELATIONS

Harmonious industrial relations climate continued to prevail during the year under review. However, on some occasions, the company's managerial staff has been threatened by local bad elements which affected the production of the company.

TENTH ANNUAL REPORT 1997-98**DIRECTORS**

Lt. Gen. D. Swaroop, and Mrs. Jayati Chandra, retire by rotation and, being eligible, offer themselves for re-appointment.

AUDITORS

The Auditors, M/s. Vinod Sharma & Associates, Chartered Accountants, 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. 5 of Part A and 1, 2 & 3 of Part-B 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.

PARTICULARS OF EMPLOYEES

A statement containing the information required to be disclosed pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees Rules, 1975 is appended (Annexure I)

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The information relating to conservation of energy, technology absorption and foreign exchange earnings & outgo required under Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Directors) Rules, 1988 is given in the Annexure-A which forms part of the Directors' Report.

ACKNOWLEDGEMENT

Your Directors wish to express their sincere thanks for continued co-operation and valuable assistance extended to the company by HILTRON, Financial Institutions, its Bankers, various agencies of Central Government and our valued customers.

The Directors also thank the shareholders for their support and confidence reposed in the company.

PERSONNEL

The Board wishes to place on record its appreciation to all the employees for their continued contribution to the performance of the company.

for and on behalf of
Board of Directors

Place : New Delhi

Date : 18th August, 1998

Chairman

ANNEXURE 'A' 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.

I. 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

II. Technology absorption, adaptation and innovation

- Efforts in brief, made towards technology absorption & 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.

III. Foreign exchange earnings and outgo

The foreign exchange earnings & outgo during the year ended 31st March, 1998 is as follows :

	(Rs. in lacs)
Foreign Exchange Earnings	Nil
Foreign Exchange Outgo	187.39

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. 3,000,000 per annum.

Name	Designation	Remuneration	Age	Qualifications	Experience	Date of appointment	Previous Employment
Kapil Mohan Mehta	Managing Director	364,000	46 Yrs	B. Sc. Engg.	23 Yrs.	1.1.1989	Naina Electronics (P) Ltd. Managing Director

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.

TENTH ANNUAL REPORT 1997-98**AUDITORS' REPORT**

The Shareholders
Naina Semiconductor Limited
Mota Haldu, Haldwani

Distt. : NAINITAL - (U.P)

We have audited the attached Balance Sheet of Naina Semiconductor Limited, Haldwani, Distt. Nainital (U.P) as on 31st March, 1998 and the Profit & Loss Account annexed thereto for the year ended on that date and report that :

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) In our opinion, proper books of accounts as required by the Companies Act, 1956 have been kept by the Company so far as it appears from our examination of those books.
- iii) The Balance Sheet and Profit and Loss Account dealt with in this report are in agreement with the books of accounts.
- iv) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with notes thereon, give the information required by the Companies Act 1956 and also give true and fair view, subject to note No. 5 of Part A and 1,2,3 of Part B regarding Non-provision of Interest on Term Loans, Deferred Revenue Expenditure and Gratuity provision :-
 - a) in the case of Balance Sheet of the state of affairs of the Company as at 31st March, 1998; and
 - b) in the case of Profit & Loss Account of the Loss for the year ended on that date.
- v) As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, we further report that :
 1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management during the year. No serious discrepancies were noticed on such verification.
 2. The fixed assets have not been revalued during the year.
 3. The management has conducted physical verification at reasonable intervals in respect of finished goods, store, spare parts and raw materials.
 4. The procedure of physical verification of stocks followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
 5. No material discrepancies have been noticed on physical verification of stocks as compared to book records.
 6. In our opinion, the valuation of the stocks is fair and proper and in accordance with the normally accepted accounting principles. The basis of valuation of stocks is the same as in the preceding year.