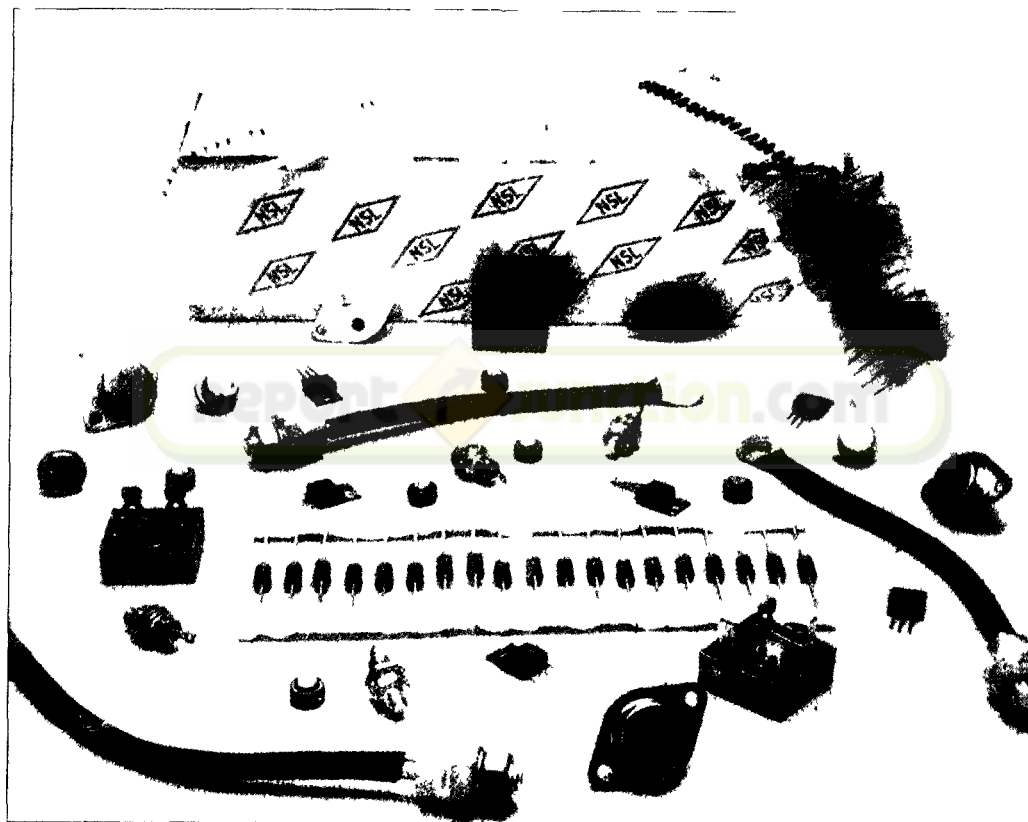


NSL

## **NAINA SEMICONDUCTOR LTD.**



### **EIGHTEENTH ANNUAL REPORT 2005-2006**

NSL

**NAINA SEMICONDUCTOR LIMITED****BOARD OF DIRECTORS**

KAPIL MOHAN MEHTA	MANAGING DIRECTOR	
S L GANDHI	<i>DIRECTOR</i>	
Dr ANIL KUMAR	<i>DIRECTOR</i>	
ANIL KHANNA	<i>DIRECTOR</i>	
R VARSHENY	<i>DIRECTOR</i>	HILTRON NOMINEE
VISHAL SINGH	<i>DIRECTOR</i>	HILTRON NOMINEE
SMT JAYANTI CHANDRA	<i>DIRECTOR</i>	HILTRON NOMINEE

**AUDITORS**

M/S VINOD SHARMA & ASSOCIATES  
Chartered Accountants  
101, Bhanot Apartments  
5 Local Shopping Centre  
Madangir, New Delhi - 110 062

**BANKERS**

STATE BANK OF INDIA  
LAJPAT NAGAR, NEW DELHI

**REGISTERED OFFICE AND WORKS**

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

**SECRETARIAL DEPARTMENT**

C-33, Okhla Industrial Area,  
Phase-I, New Delhi - 110 020

**EIGHTEENTH ANNUAL REPORT 2005-2006**

**NOTICE**

Notice is hereby given that the EIGHTEENTH Annual General Meeting of the Members of Naina Semiconductor Limited will be held at Royal Hotel, Nainital, Distt Nainital (Uttanchal) on 22nd AUG' 2006 at 9.30 A M. on Tuesday to transact the following business:-

- 1 To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 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 Sh. Anil Khanna, who retires by rotation and is eligible for reappointment.
- 3 To appoint a Director in place of Dr. Anil Kumar 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 (Haldwari)  
Distt Nainital (Uttanchal)  
New Delhi : 8th July 2006

By Order of Board of Directors

**Kapil Mohan Mehta**  
Managing Director



**NAINA SEMICONDUCTOR LIMITED**

**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 and the Annual Report sent herewith duly filled in while attending the meeting
- 3 Members are requested to intimate and 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 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

Report Junction.com

By Order of Board of Directors

Place New Delhi  
Dated 8th July 2006

**Kapil Mohan Mehta**  
Managing Director

**EIGHTEENTH ANNUAL REPORT 2005-2006****DIRECTORS' REPORT**

To

The Members

Yours Directors present their Eighteenth Annual Report together with the Audited Accounts for the year ended on 31st March, 2006

**1 FINANCIAL RESULTS****(Rs. in lacs)**

Description	Year Ended	Year Ended
	31st March, 2006	31st March, 2005
Sales & Other Income	582 54	431 77
Profit before interest & depreciation	58 62	44 28
Less Interest & Financial charges	24 14	22 64
Profit before depreciation	34 48	21 59
Less Depreciation	13 45	13 45
Profit after interest & depreciation	21 03	8 14
Balance carried forward to	21 03	8 14
Balance sheet		

**DIVIDEND**

Due to insufficient of profit, the Board of Directors express their inability to recommend any dividend for the year under review

**REVIEW OF OPERATIONS:**

After many years of losses your company become positive and sales and profit have increased by 35% and 158% compared to last year. The Haldwani factory still remains closed and the performance has improved because of new products introduced in 2002-03 from the Delhi factory. Our products are now finding exports to USA, Europe and are very well accepted in the domestic market also.

We proudly inform to you that in this year the net worth of your company became positives and it is out of BIFR. The management of the company is thankful to the shareholders for cooperation during this period.

**FUTURE PLANS**

The company expects to grow more in the domestic sector and also all efforts to capture more exports. The capacity needs to be increased and new products will be added.

**INDUSTRIAL RELATIONS :**

Harmonious industrial relations climate continued to prevail during the year under review.

**DIRECTORS**

Shri Anil Khanna and Dr. Anil Kumar 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.

**AUDIT CUM REMUNERATION COMMITTEE:**

The Audit-cum-Remuneration Committee has been constituted by the Company and consists of Mr. Anil Khanna & Dr. Anil Kumar. The Committee is chaired by Mr. Anil Khanna.

The terms of reference of the Committee are in accordance with Clause 49 of the Listing Agreement entered into with the Stock Exchanges and in terms of the provisions of the Companies Act 1956, and *inter-alia* includes the following

- a) Overseeing the Company's financial reporting process so that there is correct adequate and credible disclosure of financial information,
- b) Recommending appointment and removal of Statutory Auditors and Internal Auditors and fixing of their fees
- c) Reviewing with management the annual financial statements with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements,
- d) Reviewing the adequacy of the Audit function including their policies, procedures, techniques and other regulatory requirements, and
- e) Decide and Approve the remuneration payable to Managing Director, Whole Time Director(s), Manager etc from time to time, including any revisions thereof

#### **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(a)(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

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

- i) That in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures
- ii) That the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are 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 the company for that period

**EIGHTEENTH ANNUAL REPORT 2005-2006**

- iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities
- iv) That the directors had prepared the annual accounts on a going concern basis

**STATUTORY STATEMENTS**

Statements pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, are annexed hereto and form an integral part of this Report

**CORPORATE GOVERNANCE**

Your Company believes in transparency and accountability to Shareholders. As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance and Management Discussion and Analysis together with a Certificate from the Company's Auditors, M/s Vinod Sharma & Associates confirming compliance for the Financial Year 2005-06, is annexed hereto and forms part of the Annual Report

for and on behalf of  
Board of Directors

Place New Delhi  
Date 8th July, 2006

Chairman

Report Junction.com

**ANNEXURE 'A' TO THE DIRECTORS'S REPORT**

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

**(A) CONSERVATION OF ENERGY**

- a) The Company continued to make efforts to conserve and optimise the use of energy through implementation of improved operational methods and other energy saving schemes
- b) The results of the studies made for conservation of energy were found very encouraging and resulted in saving in energy, and fuel consumption and power cost
- c) Details as per Form A not required since the Company is not covered under the list of specified industries

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

- 1 Specific areas in which R&D carried out by the Company

(i) Import Substitution (ii) Quality Improvement (iii) Technology Upgradation

- 2 Benefits derived as a result of the above

(i) New Product Introduction (ii) Quality Upgradation (iii) Cost Reduction

- 3 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

- 4 Expenditure on R&D NIL

**II. Technology absorption, adaptation and innovation**

- 1) 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

- 2) 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, 2006 is as follows

	(Rs. in lacs)
Foreign Exchange Earnings	82.96
Foreign Exchange Outgo	150.36



**EIGHTEENTH ANNUAL REPORT 2005-2006**

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	437120	54	B Sc Engg	31 Yrs	1 1 1989	Naina Electronics (P) Ltd Managing Director

**NOTES :**

- 1 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
- 2 The above remuneration includes salary, HRA & reimbursement of expenses
- 3 The appointment is contractual in nature



## **CORPORATE GOVERNANCE REPORT**

Your Company has been managed with the principles of Good Corporate Governance with the highest standards of integrity, business ethics professionalism, transparency and accountability During the financial year ended March'2006 the Company has duly adhered to the requirements of guidelines pertaining to the Corporate Governance, as stipulated in the Listing Agreements with Stock Exchanges

### **BOARD OF DIRECTORS**

#### **A. Board Procedure**

In the financial year 2005-06, Four Meeting of Board of Directors were held All requisite information as per clause 49 of the Listing Agreement are placed before the Board during meetings In addition to its primary role of monitoring corporate performance, the function of the Board include -

Direct the focus and guide the activities towards the corporate philosophy and mission,

Participating in the formulation of strategic and business plans and continual review of the same,

Reviewing/adopting the un-audited quarterly/half yearly results and the audited annual accounts of the Company

Monitoring corporate performance against strategic and business plans, including overseeing operations,

Ensuring ethical behaviour at all times and compliance with laws and regulations

Delegation of powers to the Management,

Appraise the shareholders regarding the Company's performance, strategies and future plans etc

To enable the Board to discharge its responsibilities effectively, the executive management places detailed reports on the Company's performance The Agenda and all relevant papers are sent in advance separately to each Directors

None of the Directors is a member of more than ten committees or act as the Chair man of more than five committees across all companies in which they are Directors

#### **B. Board of Directors as on 31st March' 2006.**

The Board of Directors of your Company comprises of Seven Directors Mr Kapil Mohan Mehta is the Managing Director of the Company Out of the Eight Directors two are Executive, Three are nominee Director from Hiltron the state government organisation

#### **C. Attendance of each Director at the Board Meetings, last Annual General Meeting and Number of other Directorship and Chairmanship/Membership of Committee of each Director in various Companies as at 31 March'2006.**

Four Board Meetings were held during the Financial Year 2005-06, as against the minimum requirement of Four Meetings The dates on which the meetings were held are as follows

28th May'2005, 29th July'2005, 31st Oct 2005, 31st Jan' 2006