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**NAINA SEMICONDUCTOR LTD.**

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**NINETEENTH ANNUAL REPORT 2006-2007**

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**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 & WORKS 1**

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

**SECRETARIAL DEPARTMENT & WORKS 2**

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

**NINETEENTH ANNUAL REPORT 2006-2007**

**NOTICE**

Notice is hereby given that the NINETEENTH Annual General Meeting of the Members of Naina Semiconductor Limited will be held at Royal Hotel, Nainital, Distt. Nainital (Uttanchal) on 12th JUNE' 2007 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, 2007 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 (Haldwani)  
Distt. Nainital (Uttanchal)  
New Delhi : 15th May 2007

By Order of Board of Directors

**Kapil Mohan Mehta**  
Managing Director

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**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 at least 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.

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By Order of Board of Directors

Place : New Delhi

Dated : 15th May 2007

**Kapil Mohan Mehta**

Managing Director

**NINETEENTH ANNUAL REPORT 2006-2007****DIRECTORS' REPORT**

To  
The Members  
Yours Directors present their Nineteenth Annual Report together with the Audited Accounts for the year ended on 31st March, 2007.

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

Description	Year Ended	Year Ended
	31st March, 2007	31st March, 2006
Sales & Other Income	680.98	582.54
Profit before interest & depreciation	69.51	58.62
Less: Interest & Financial charges	32.53	24.14
Profit before depreciation	36.98	34.48
Less: Depreciation	13.45	13.45
Profit after interest & depreciation	23.53	21.03
Balance carried forward to	23.53	21.03
Balance sheet		

**DIVIDEND**

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

**REVIEW OF OPERATIONS:**

An upward trend has continued in this year also. In this year profit of your company was increased by only Rs.2.50 lacs, but sales has been grown up by Rs.99.46 lacs. The profit has not increased in this year in same ratio due to increase in Raw Material prices specially the increase in copper and other material price and increase in financial cost by increase in rate of interest, which could not be passed on to the customer in full. The Haldwani factory is still closed and small factory in Delhi is working only. During this year the export of your company is also increased by 10%.

**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.

#### **AUDITED COMMITTEE REPORT FOR THE YEAR ENDED 2007**

To the Share holders of Naina Semiconductor Limited each member of audited committee each director according to the definition laid down in the clause 49 of the listing Agreement with the relevant stock exchanges. The Management is responsible for the Company internal controls and financial reporting process. The independent auditors are responsible for performing an independent audit of the Company's financial statement in accordance with the Indian GAAP (generally accepted accounting principles) and for issuing a report thereon. The Committee is also responsible for overseeing the processes related to the financial reporting and information dissemination.

#### **\*FIXED DEPOSITS**

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**

There is no employee of the company whose information is required to be disclosed pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

#### **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.

**NINETEENTH ANNUAL REPORT 2006-2007****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 ended 31st March 2007 and of the profit or loss the company for that period.
- iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of companies Act 1956 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 belives 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 2006-07, is annexed hereto and forms part of the Annual Report.

for and on behalf of  
Board of Directors

Place : New Delhi

Date : 15th May, 2007

Chairman

**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, 2007

is as follows :

	(Rs. in lacs)
Foreign Exchange Earnings	105.16
Foreign Exchange Outgo	249.36

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



**NINETEENTH ANNUAL REPORT 2006-2007****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'2007 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 2006-07, 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' 2007.**

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 Seven 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'2007.**

Four Board Meetings were held during the Financial Year 2006-07, as against the minimum requirement of Four Meetings. The dates on which the meetings were held are as follows:

29th April'2006, 8th July'2006, 31st Oct. 2006, 31st Jan' 2007

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**NAINA SEMICONDUCTOR LIMITED**

S.No.	Name of Director	Attendance Particulars	No. of the Directorship and Committee Membership/ Chairmanship
		Board Meeting	Last AGM Yes/No
1.	Mr. Kapil Mohan Mehta	04	N
2.	Smt. Jayati Chandra	00	N
3.	Mr. Vishal Singh	00	N
4.	Mr. R. Varshny	00	N
5.	Mr. Anil Khanna	04	Y
6.	Mr. S.L. Gandhi	04	N
7.	Dr. Anil Kumar	04	N

1. The Directorships held by the Directors, as mentioned above, do not include the Directorships held in foreign companies and in private Limited Companies.

None of the Non-Executive independent Directors have any pecuniary relationship or transactions with the Company in their personal capacity.

**SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE**

In compliance with the provisions of Clause 49(VI) of the Listing Agreement with the stock Exchanges, a Committee in the name and style of 'Shareholders/ Investors Grievance.

Mr. Anil Khanna is its Chairman with Dr. Anil Kumar as other Members.

Functions and powers of the Committee is to look into and solved the Shareholders and Investors complaints pertaining to:

- Transfer of Shares,
- Non-Receipt of Balance Sheet, etc.

Mr. Anil Khanna, Director of the Company is the Compliance Officer.

**Number of Shareholders complaints received**

The total number of complaints received and replied to the satisfaction of Shareholders during the year under review were 01. The complaints were resolved to the satisfaction of Shareholders.

There is no case pending for resolvment and transfer of the satisfaction of the Shareholders.

Subsidiary Companies