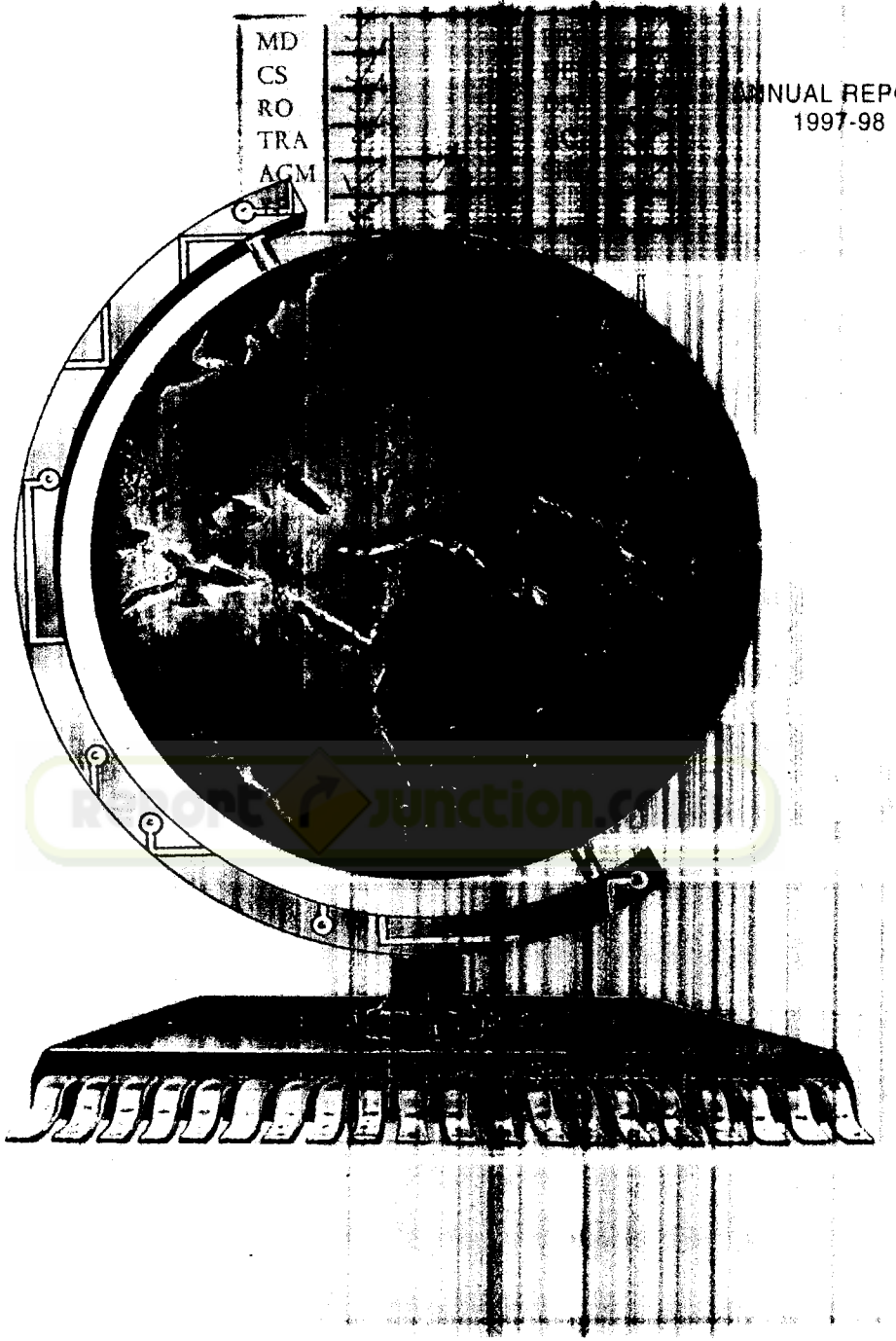
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ANNUAL REPORT
1997-98

SPEL

ONWARD AND UPWARD

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SPEL

SPIC ELECTRONIC AND SYSTEM LIMITED

BOARD OF DIRECTORS	Dr. P.R. SUNDARAVADIVELU	Chairman
	Dr. B.C. SEETHARAMAN	Director
	K. SWAMINATHAN	Director
	BHOJ RAJ SINGH	Director
	C.N. GANGADARAN	Director
	S.R. VIJAYAKAR	Director
	M. KUMAR	Director – IDBI Nominee
	R. SOUNDARARAJAN	Director
	N. DHANUSHKODI	Managing Director
SECRETARY	B. PUSHPARAJ	
AUDITORS	M/s. NATARAJAN & CO., Chartered Accountants, Chennai - 600 035.	
REGISTERED OFFICE	"SPIC Centre" 97, Mount Road, Guindy, Chennai - 600 032.	
FACTORY	Maraimalai Nagar Industrial Complex, Kancheepuram District, Tamilnadu.	
BANKERS	State Bank of Hyderabad Canara Bank Allahabad Bank	
REGISTRARS AND SHARE TRANSFER AGENTS	M/s. Cameo Share Registry, (A Division of MCC Finance Ltd.), "Subramanian Building", 1, Club House Road, Chennai - 600 002.	

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SPEL

OPERATING RESULTS AT A GLANCE

(Rs. in lakhs)

	1996-97	1997-98
Gross Profit	233.92	639.15
Interest	366.04	319.53
Profit/Loss before Depreciation	-132.12	319.62
Depreciation	160.52	216.57
Provision for Taxation	–	–
Profit / Loss after Tax	-292.64	103.05

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of SPIC ELECTRONIC AND SYSTEM LIMITED (SPEL) will be held at 3.05 p.m., on Thursday the 27th August, 1998 at 'Sathguru Gnanananda Hall', No.254, T.T.K. Road, Alwarpet, Chennai 600 018 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 1998 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors.

2. To Elect Directors:

   (a) To appoint a Director in the place of Thiru S.R. Vijayakar, who retires by rotation and being eligible, offers himself for re-appointment.

3. To consider and if thought fit, to pass with or without modification, the following resolution as SPECIAL RESOLUTION:

   "RESOLVED THAT M/s. Natarajan & Co., Chartered Accountants, the retiring Auditors, be and are hereby re-appointed as the Auditors of the Company to hold office until the conclusion of the Fourteenth Annual General Meeting on such remuneration as may be decided by the Board of Directors in addition to reimbursement of out of pocket expenses."

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification, the following resolution as ORDINARY RESOLUTION:

   "RESOLVED THAT subject to the approval of the Central Government and Financial Institutions, sanction of the Company be and is hereby accorded in terms of Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 for the re-appointment of Thiru N Dhanushkodi as Managing Director of the Company for a period of five years effective from 4th December 1997 to 3rd December 2002 on the following terms and conditions as to remuneration and as per the terms of agreement, to be entered into between the Company and Thiru N Dhanushkodi, the draft of which has been approved by the Board of Directors of the Company at their meeting held on 27th November 1997:

   (a) Salary

   Rs.45,000/- (Rupees Forty five thousand only) per month.

   (b) Commission

   One per cent commission on the net profits of the Company or special allowance not exceeding the total annual salary.

   (c) Perquisites

   Perquisites shall be allowed in addition to both salary and commission or special allowance. It shall be restricted to an amount equal to the annual salary. Perquisites are classified as follows:

   i) **Housing/House Rent Allowance**
   The expenditure incurred by the Company on housing will be subject to a ceiling of 60% of the salary.

   ii) **Gas, Electricity, Water and Furnishings**
   The expenditure incurred by the Company on Gas, Electricity,

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Water and Furnishings shall be valued as per the Income-tax Rules, 1962 and shall be subject to a ceiling of 10% of the salary.

iii) **Medical Reimbursement**

Medical Reimbursement expenses incurred for the Managing Director and his family will be subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

iv) **Leave and Leave Travel Concession**

Leave as per Rules of the Company. Leave not availed of during the tenure as Managing Director may be encashed as per the Rules of the Company. Leave Travel Concession for self and family once in a year incurred in accordance with the Rules of the Company.

v) **Club Fees**

Fees of Clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

vi) **Personal Accident Insurance**

Personal Accident Insurance of an amount the annual premium of which does not exceed Rs.4000/-.

d) **Other Payments and Provisions**

i) **Contribution to Superannuation Fund and Provident Fund**

Contribution towards Provident Fund will be subject to a ceiling of 12% of the salary. Contribution of Pension/ Superannuation fund together with Provident Fund shall not exceed the limit as laid down in the Income-tax Rules, 1962. Contribution to Provident Fund, Superannuation Fund and Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-tax Act.

ii) **Gratuity**

Gratuity payable shall not exceed one half month's salary for each completed year of service.

iii) **Car**

Provision of car for use of Company's business purposes. Use of car for private purpose shall be billed by the Company. The use of Company's car for business purposes will not be considered as a perquisite.

iv) **Telephone**

Provision of telephone at residence will not be considered as a perquisite but personal long distance calls shall be billed by the Company.

v) **Entertainment Expenses**

Reimbursement of entertainment expenses actually and properly incurred for the business of the Company subject to a reasonable ceiling as may be fixed from time to time by the Board.

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e) **Minimum Remuneration**

The aforesaid remuneration shall be the minimum remuneration notwithstanding the absence or inadequacy of profits earned by the Company during the currency of the term of office of the Managing Director."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to amend/alter/modify the agreement referred to above, in terms of the approval of the Central Government/Financial Institutions and as may be agreeable to Thiru N Dhanushkodi."

By order of the Board
for SPIC ELECTRONIC AND
SYSTEM LIMITED

June 12, 1998

Regd.Office:
97, Mount Road
Chennai - 600 032

B. PUSHPARAJ
Secretary

NOTES

1. 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. A member unable to attend may appoint another person(whether a member or not) as his/her proxy in the enclosed form. The instrument appointing the proxy and the power of attorney or other authority, if any, under which it is signed or copy of that power or authority duly certified by a Notary Public or other proper authority shall be deposited at the Registered Office of the Company not less than 48 hours before the time for holding of the Meeting, in default, the instrument of proxy shall not be treated as valid.
2. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 for item No.4 of the Notice is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 13th August, 1998 to 27th August, 1998 (both days inclusive).
4. Members are requested to notify immediately any change in their address to the Company/Share Transfer Agents.
5. Shareholders 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.
6. Members/Proxies should bring the Attendance slip sent with the Annual Report duly filled-in for attending the Meeting.
7. Shareholders are requested to bring their copies of Annual Report for the meeting.
8. All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during office hours (9.30 a.m. to 5.00 p.m) on all working days, except Saturdays and Holidays before the date of the Annual General Meeting.

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EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

The following Explanatory Statement sets out the material facts referring to item Nos.3 and 4 of the Notice convening the Thirteenth Annual General Meeting.

ITEM NO.3

As required under the Companies Act, 1956, if 25% or more of the subscribed capital of a company is held by a State Government or the Central Government, Public Financial Institutions or Nationalised Banks or General Insurance Companies or a combination of one or more of them, the appointment or re-appointment of Auditors at each Annual General Meeting shall be made by passing a Special Resolution. The shareholdings of Bodies Corporate under this category exceeds 25% of the subscribed capital of the Company and hence a Special Resolution is required for the re-appointment of Auditors. M/s. Natarajan & Co., Chartered Accountants had given a certificate to the effect that their appointment, if made, will be within the prescribed limits specified in the Companies Act, 1956.

MEMORANDUM OF INTEREST

None of the Directors of the Company is interested in the resolution.

ITEM NO.4

The tenure of office of Thiru N Dhanushkodi who was appointed as Managing Director of the Company at the Eighth Annual General Meeting of the Company expired on 3rd December 1997.

The Company recorded remarkable growth as a result of its conversion into 100% Export Oriented Unit under Electronic Hardware Technology Park scheme due to sustained efforts made by Thiru N Dhanushkodi.

Considering the advantages that would accrue to the Company in retaining the services of Thiru N Dhanushkodi, the Board of Directors at their meeting held on 27th November 1997 subject to necessary approval, resolved to re-appoint him for five years with effect from 4th December 1997 to 3rd December 2002 on the following terms and conditions as to remuneration and as per the terms of agreement to be entered into between the Company and Thiru N Dhanushkodi, the draft of which has been approved by the Board of Directors of the Company at their aforesaid meeting.

(a) **Salary**

Rs.45,000/- (Rupees Forty five thousand only) per month

(b) **Commission**

One per cent commission on the net profits of the Company or special allowance not exceeding the total annual salary.

(c) **Perquisites**

Perquisites shall be allowed in addition to both salary and commission or special allowance. It shall be restricted to an amount equal to the annual salary. Perquisites are classified as follows:

i) **Housing/House Rent Allowance**

The expenditure incurred by the Company on housing will be subject to a ceiling of 60% of the salary.

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The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be valued as per the income-tax Rules, 1962 and shall be subject to a ceiling of 10% of the salary.

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iii) **Medical Reimbursement**

Medical Reimbursement expenses incurred for the Managing Director and his family will be subject to a ceiling of one month's salary in a year or three months' salary over a period of 3 years.

iv) **Leave and Leave Travel Concession**

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Fees of Clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

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Personal Accident Insurance of an amount the annual premium of which does not exceed Rs.4000/-.

d) **Other payments and provisions**

i) **Contribution to Superannuation Fund and Provident Fund**

Contribution towards Provident Fund will be subject to a ceiling of 12% of the salary. Contribution of Pension/ Superannuation fund together with Provident Fund shall not exceed the limit as laid down in the Income-tax Rules, 1962. Contribution to Provident Fund, Superannuation Fund and Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-tax Act.

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v) **Entertainment Expenses**

Reimbursement of entertainment expenses actually and properly incurred for the business of the Company subject to a reasonable ceiling as may be fixed from time to time by the Board.

e) **Minimum Remuneration**

The aforesaid remuneration shall be the minimum remuneration notwithstanding the absence or inadequacy of profits earned by the Company during the currency of the term of office of the Managing Director.

The Central Government has since accorded approval vide their letter No.1/18/ 98-CL.VII dated 13.5.98 in this regard.

Considering the sustained efforts made by Thiru N Dhanushkodi to turn around the Company and the prevailing industry standard, the Board of Directors felt it justifiable to offer the aforesaid

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