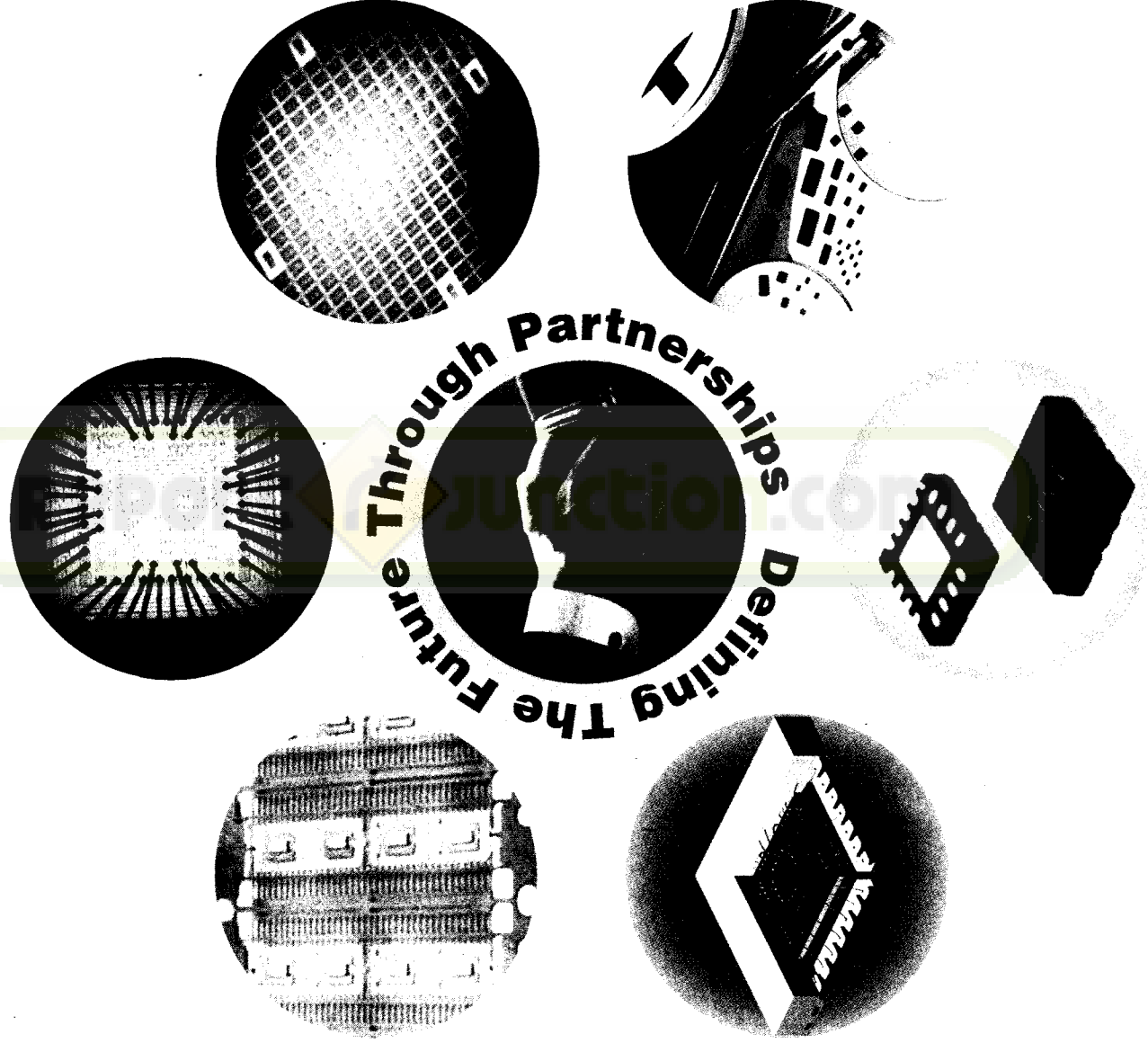


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SPEL Semiconductor Limited
an IC Assembly & Test Company



24th Annual Report

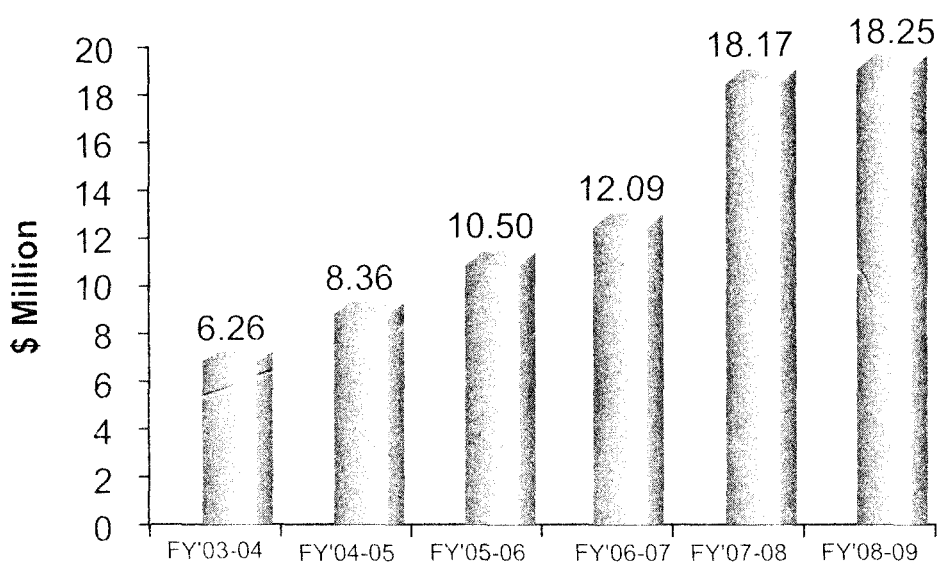
2008 - 09



Previous 5 years performance

(Rs. In lakhs)

	2008-09	2007-08	2006-07	2005-06	2004-05
Sales	8100.26	7281.33	5399.67	4628.54	3636.85
Operating Profit	2115.28	1977.77	1208.66	924.43	433.15
OTS Benefit	-	-	-	314.69	385.87
PBIDT	2115.28	1977.77	1208.66	1,239.12	819.02
Interest	323.98	278.96	145.77	122.58	161.15
PBDT	1791.30	1698.81	1062.89	1116.54	657.87
Depreciation	830.45	606.71	426.23	381.49	390.13
PBT and prior period items	960.85	1092.10	636.66	735.05	267.74
Tax / Deferred Tax	337.31	361.03	245.48	154.14	120.70
PAT	623.54	731.07	391.18	580.91	147.04
Prior Period Expenditure	-	-	-	-	-
Net Profit	623.54	731.07	391.18	580.91	147.04



SPEL Revenue Growth



SPEL Semiconductor Limited

Board of Directors

1. Dr. A. C. Muthiah	Chairman
2. Mr. Ar Rm Arun	Vice Chairman
3. Mr. S. R. Vijakar	Director
4. Dr. T. S. Vijayaraghavan	Director
5. Dr. A. Besant C Raj	Director
6. Dr. A. Ramakrishna	Director
7. Mr. Ashwin C Muthiah	Director
8. Mr. N. Sivashanmugam	Chief Financial Officer

Head Corporate Affairs & Company Secretary

Mr. S. S. Arunachalam

Auditors

Natarajan & Co.,
2/342 II Street, Kandaswamy Nagar,
Palavakkam, Chennai 600 041.

Registered Office & Factory

5 CMDA Industrial Estate,
MM Nagar (Chennai) 603 209, India

US Office

3120 De La Cruz Blvd.,
Suite # 107,
Santa Clara, CA 95054.

Bankers

1. Indian Overseas Bank
2. Allahabad Bank

Registrar & Share Transfer Agents

Cameo Corporate Services Limited,
Subramanian Building,
V Floor, 1 Club House Road,
Chennai 600 002.
Tel : (044) 2846 0390
Fax : (044) 2846 0129



Vision

*To Be the **Natural Destination** for Global Customers Seeking
Cost-Effective Offshore Turnkey IC Assembly & Test Services*

Mission

*SPEL Semiconductor Limited, an IC Assembly &
Test Subcontractor for over 20 years, works as one team
to achieve Zero defect, Just-in-time, Cost-effective solutions
with Service that is uncompromised*

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*SPEL's Partners - Customers, Suppliers,
Employees & Shareholders are confident in the
knowledge that we are consistently meeting and
exceeding their expectations*

Quality Policy

*Consistently provide products and services that will exceed
the quality expectations of our Customers*

*Implement process improvement programs, which will enable each
Employee to do their job, **right the first time***

*Work towards continual quality improvement through
training and teamwork*

Environment Policy

SPeL Semiconductor Limited is a leading Semiconductor Assembly & Test facility providing high quality Integrated Circuits Packing solutions and has the following policy for environmental care

Nurture the nature by complying with accepted environmental practices in all our activities, with the following guiding objectives

Gearing up for continual improvement with our Environmental Management System and reviewing it periodically

Respecting and being committed to meet and exceed legal and other requirements

Emphasizing the minimization of significant impacts, wastes and pollution prevention

Enhancing the environmental performance by resource conservation, awareness through training and by reducing, recycling and reusing waste and packing

Notifying this policy to all Stakeholders

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Notice to Members

Notice is hereby given that the 24th Annual General Meeting of the Members of SPEL Semiconductor Limited will be held at 2.45 pm on Friday, July 31, 2009, at the Registered office of the Company No. 5 CMDA Industrial Estate, Maraimalai Nagar 603 209 to transact the following Business :

Ordinary Business

- 1 To receive, consider and adopt the audited Balance Sheet of the Company as at Mar 31, 2009 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
- 2 To elect a Director in the place of Dr. T. S. Vijayaraghavan, Director who retires by rotation and being eligible, offers himself for re-election.
- 3 To elect a Director in the place of Dr. A. Ramakrishna, Director who retires by rotation and being eligible, offers himself for re-election.
- 4 To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution :

"Resolved that 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 25th Annual General Meeting on a remuneration of Rs.1,50,000/- plus out of pocket expenses."

Special Business

5. Extension of term of office of Mr. N. Sivashanmugam, Whole time Director and Chief Financial Officer

To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution :

"Resolved that pursuant to the provisions of Sections 198, 269, 309, and other applicable provisions, if any, read with schedule XIII of the Companies Act, 1956, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force, approval of the Shareholders be and is hereby granted to extend the term of office of Mr. N. Sivashanmugam, as a Whole time Director and Chief Financial Officer, with effect from Dec 6, 2009 to Mar 31, 2012 on the present terms and conditions which are as follows :

Remuneration	Per annum
Basic salary	: Rs.6,60,000/-
Special Allowance	: Rs.6,96,684/-
CCA	: Rs.33,000/-
Company performance linked incentive	: payable on monthly basis to the extent of Rs.18,731/- which will be apportioned on the prorata basis on capacity utilization during the year, as per the policy of the company.
	In addition bonus will be paid as per the rules of the Company,

subject to a limit of Rs.1,50,000/- pa.

Annual Perquisites	:	This will be in addition to the above.
a. HRA	:	Rs. 3,00,000/-
b. Conveyance Reimbursement	:	At actual subject to a maximum of Rs.3.36 lakhs p.a including chauffer for official purpose
c. Medical Reimbursement	:	As per the rules of the Company
d. Leave Travel Allowance	:	As per the rules of the Company

Other Annual benefits	:	This will be in addition to the above.
a. Provident Fund	:	As per the rules of the Company
b. Gratuity	:	As per the rules of the Company
c. Telephone	:	Mobile expenses at actual and use of telephone at residence for official purposes upto Rs.12,000/- pa.
d. Other benefits	:	Canteen, Mediclaim policies etc., upto Rs.17,965/- pa

- **"Resolved further that** Mr. S. S. Arunachalam, Head Corporate Affairs & Company Secretary be and is hereby authorized to do such acts, to sign and to file the necessary documents with statutory authorities"

6. Increase in profit incentive to Mr. Ar Rm Arun, Vice Chairman of the Company

To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution :

Resolved that pursuant to provisions of Section 309 (4) and other applicable provisions of the Companies Act, 1956, and subject to the approval of the Central Government, Mr. Ar Rm Arun, Vice Chairman of the Company be paid a profit incentive by way of commission not exceeding 3% on profit of the Company during the term of his office with effect from FY 2009-10."

(By order of the Board)
For SPEL Semiconductor Limited

MM Nagar
Jun 2, 2009

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

Notes

1. Explanatory Statement of material facts pursuant to Section 173(2) of the Companies Act, 1956 for item Nos.5 & 6 of the Notice is annexed hereto.
2. 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. The instrument appointing the Proxy to be valid shall be deposited at the Registered Office of the Company not later than 48 hours before the time fixed for holding the Meeting.
3. Members / Proxies are requested to bring the attendance slip sent with the Annual Report duly filled-in for attending the Meeting. Members who hold shares in the dematerialized form are requested to indicate their DIP ID and Client ID Numbers in the Attendance Slip.
4. The Register of Directors Shareholding maintained under Section 307 of the Companies Act, 1956 will be available for inspection by the Members at the AGM.

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5. The Register of Members and the Share Transfer Books of the Company will remain closed from Jul 24, 2009 to Jul 31, 2009 (both days inclusive).
6. For shares held in physical form, any change in address may be intimated immediately to the Company / Share Transfer Agent by quoting the Folio Number(s). For shares held in demat form, change in address may be intimated directly to the members' DP.
7. Members are requested to address all correspondences to the Registrar and Share Transfer Agent, Cameo Corporate Services Limited, Subramaniam Building, 1 Club House Road, Chennai 600 002.
8. Members 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.
9. Investors may simultaneously opt for dematerialisation at the time of lodging their shares for transfer. For further details, Investors may write to the Company / Share Transfer Agent.
10. Members are requested to consolidate multiple share certificates / multiple folios into one share certificate / one folio to save on the cost of dematerializing their shareholdings.
11. Members are advised that the copies of the Annual Report will NOT be distributed at the venue of the AGM and hence they are advised to bring their copies of the Annual Report, which are mailed by the Company to them at their registered address.

Inspection of documents

All material documents relating to the aforesaid items of the Agenda of the Notice are available for inspection by the Members at the Registered Office of the Company on any working day between 11.00 am and 1.00 pm prior to the date of the Meeting.

Explanatory Statements pursuant to Section 173 (2) of the Companies Act, 1956

Item 5

Extension of term of office of Mr. N. Sivashanmugam, Whole time Director and Chief Financial Officer

The Shareholders of the Company at the 22nd Annual General Meeting held on Jul 31, 2007 approved the appointment of Mr. N. Sivashanmugam, as Chief Financial Officer and Whole time Director for a period of 3 years commencing from Dec 6, 2006 and had also approved the remuneration payable to him. Further, his terms of remuneration was revised at the Board Meeting held on Jun 20, 2008 on the recommendation of the Remuneration and Compensation Committee, which it had decided, at its meeting held on Mar 24, 2008. Members approval was also obtained at its meeting held on Jul 28, 2008.

Members will agree that under his able and matured guidance, the Company is now on a growth path and is poised for a steady growth. The members may be aware that the Semiconductor industry is experiencing global recession which was not evinced earlier. During these times Company needs able assistance from the senior personnel. Extension of term of office will immensely assist the Company to address these periods.

In view of the above, it is thought fit to consider extension of term of office varying in terms and conditions of his appointment at the present salary. Further, the terms of appointment of Mr. N. Sivashanmugam, were also considered and approved by the

Remuneration and Compensation Committee at their meeting held on Jun 2, 2009, based on which the Board of Directors at its meeting passed a resolution extend the term of office for a further period ending upto Mar 31, 2012.

Except Mr. N. Sivashanmugam, no other Director of the Company is in any way concerned with or interested in the resolution at item No. 5 of the notice.

This resolution and explanatory statement shall also be treated as an abstract of variation in terms and conditions of the appointment of Mr. N. Sivashanmugam and Memorandum of interest under Section 302 (7) of the Companies Act, 1956.

Item 6

Increase in profit incentive to Mr. Ar Rm Arun, Vice Chairman of the Company

Mr. Ar Rm Arun has been inducted in to the Board of Directors of the Company in Oct 1998 and was appointed as the Vice Chairman (Non Executive) in Aug 2000 and has been contributing to the turnaround growth of SPEL during the last eight years. In the areas of market development and improving the financial performance of the Company, his services have improved the Company's strength substantially.

Shareholders also may be aware that at their 23rd Annual General Meeting held on Jul 28, 2008 approved for payment of 3% of commission on the net profits of the Company subject to the approval of the Central Government. The Company had subsequently obtained the approval of Central Government vide its letter No.A49875719/5/2009-CL-VII dated May 28, 2009. The amount to be paid to him is calculated as per the provisions of the Companies Act, 1956 is attached to form part this annual report in the subsequent paras elsewhere mentioned in this report.

With future potential growth available in the Semiconductor Industry, SPEL's performance and financial strength can be substantially improved with the services of Mr. Ar Rm Arun, Vice Chairman. With the improved financial position of SPEL as compared to earlier years and his contribution to overall, it is felt necessary to suitably remunerate him.

Based on the recommendations of the Remuneration and Compensation Committee, Board of Directors at its meeting held on Jun 2, 2009, has proposed that in terms of Section 309 (4) of the Companies Act, 1956, the Non-executive Director Mr. Ar Rm Arun be paid a profit incentive by way of commission not exceeding 3% on profit of the Company during the term of his office with effect from FY 2009 -10, subject to the approval of the Central Government.

None of the Directors of the Company, except Mr. Ar Rm Arun, Vice Chairman, is concerned or interested in the above resolution.

The Board recommends the resolution set forth in Item 6 for approval of the Shareholders.

(By order of the Board)
For SPEL Semiconductor Limited

MM Nagar
Jun 2, 2009

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary



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Directors' Report

Your Directors have great pleasure in presenting the 24th Annual Report of the Company together with the Audited Accounts for the year ended Mar 31, 2009.

Global and Indian Industry scenario

Global Slow down and Recession are the buzz words in today's Global Industry Scenario. Global economy is in a tough spot, caught between sharply slowing demand in many advanced economies and rising inflation everywhere, notably in emerging and developing economies. The slowdown in global growth, which started in first half of 2008, has continued through its second half, and is expecting only a gradual recovery during II half of 2009.

This Global Slow down has had its impact on the worldwide market for semiconductor Industry also. Market research analysts confirmed that the semiconductor industry suffered a 5.4 percent fall in revenue in 2008. Although sales held up fairly well in the first half of 2008, in the third quarter the industry started to soften as the economy slowed and by the fourth quarter sales were deteriorating quickly, causing revenue growth to go into negative territory.

The global economic slowdown will dip the growth of the semiconductor (chip) market in India by over 50 percent. The compound growth of the Indian semicon market for 2009-10 will be 13.4 percent as against the projected 26.7 percent due to lower investment and sluggish manufacturing, resulting in over 50 percent decline. IT products such as notebooks, desktops (PCs) and servers, office automation wireless handsets (mobile phones) and consumer electronics will continue to be the key drivers of the growth, although slower than previous years.

SPEL performance during the year

Your company continues to be First & only Semiconductor IC assembly & Test production facility and is continuously to maintain its position despite the market fluctuations and other external factors. Further your company continues to be a trusted & strategic contract manufacturing partner for many of the world's leading Semiconductor companies.

Company's Management with its strong commitment and with the extensive support of Employees, Suppliers & Customers, has continued to maintain its position as Profit Making Company, despite the Global Slowdown and Economic Crisis.

Current year's performance was largely affected by foreign exchange fluctuation loss, increased overheads coupled with lower sales in Q3, Q4 FY 2008-09, & lower pricing due to global recession. To combat this, Management had introduced various cost saving measures including, Lean manufacturing, investments in Energy saving Equipments. Expendable expenses were stopped and Employees contributed through a 10% cut in their salary. SPEL appreciates its Employees commitment and complements them by assisting their growth to become future leaders. In spite of all the recessionary trends Stakeholders may appreciate the fact that SPEL stood up to the times and posted only a marginal decline in PAT.

Management is continuing its efforts to rope in more customers this year from APAC and European countries also. Current global slowdown is caused by temporary macroeconomic issues that have impacted consumer spending on devices that use ICs and will recuperate at a much faster rate. According to a study by,

Databeans it is estimated that after a 17% semiconductor industry sales decline in 2009, a "V-shaped" or "boomerang" recovery will come to the industry in 2010, with a total year-over-year increase of 17% expected next year. To fully utilize this SPEL has plans for capacity addition during this fiscal, which will reap the benefits during the next fiscal.

Operational Performance

A. Resource Conservation

Water

At present 15 KL of water is reused. Dicing treatment plant was commissioned during the year thereby efficiency is enhanced to recycle 25 KL quantity of water. Hence ground water off take of 90 KL is reduced.

Power

State Electricity Board introduced 40% power cut in the sanctioned Maximum Demand. This resulted in continuous running of DG. However due to proper redistribution of factory load, EB consumption was maximized to reduce DG load. This has reduced the Power Cost by 12%.

Air

Header line modification carried out in Compressed air system has reduced the Compressor Power consumption by 500 units resulting in saving of Rs.9.00 Lakhs per annum.

Proposal

Investment in Energy saving Equipments which will have early pay back period and reduce power cost in the long run.

B Waste Minimization

RO reject water is using for domestic purpose there by water is saved.

Additional Two stage RO provided for DI plant to reduce the Demineralising Plant regeneration.

New anti - scalant chemical is used for RO feed water and avoided the usage of softwater input to RO plant and thereby reduced the softener reject water.

C. Pollution prevention

Wet Scrubber provided for electroplating section. Solar evaporation Pond area increased to cater the effluent from Effluent Treatment Plant

Financial Performance

The Operating results of your Company for the year ended Mar 31, 2009 are given below

(Rs. In Lakhs)

Particulars	Year ended Mar 31, 2009	Year ended Mar 31, 2008
Sales	8100.2	7281.4
Other Income	222.2	366.8
PBIDT	2115.3	1977.8
Interest	323.9	279.0
Depreciation	830.5	606.7
Profit before Taxation	960.9	1092.1
Tax / Deferred Tax	337.4	361.0
Profit after Taxation	623.5	731.1



In Rupee terms, sales of your Company for current year have increased by 11.17% over sales of previous year. The increased expenditure on manpower, power, marketing expenses, other overheads that were necessitated due to operational growth, have partially offset the higher contribution. All the package lines of company are in good demand and are expected to increase the contribution in future years.

Emphasis on Value system

Your Company has adopted the following as its core values and the Management is highly committed to put in practice all these values. Training sessions are conducted every month to make all the Employees aware of the core values. All the Employees attend this program at least once in six months and put it to practice.

- a. Business Ethics : defines us as a Company
- b. Professionalism : defines us as individuals
- c. Citizenship : defines our contribution to society

Dividend

Your Directors would like to place on record their appreciation for the Shareholders' patient waiting for these days.

You may also be aware of the Global Slow down and Economic Crisis. In the present scenario, your Company is committed for a big leap in future years to cater to the demands of the industry mainly expanding the existing package lines and introducing new packages which will generate more revenue and to invest Capital Equipments in Energy Saving plans, which will provide savings in our power requirement. Hence Board does not recommend dividend this year. Your Company is concentrating on creating cash reserves as the need for this is, increasing as Customers wants to see this in place.

Your Company's above initiatives would obviously increase PAT and thereby increasing the Earning Per Share (EPS). However, you would concur that your Company has consolidated itself for achieving a strong financial position conducive for this.

Fixed Deposits

There are No Deposits outstanding as on Mar 31, 2009.

Dematerialization of Shares

As the Members are aware, the Company's shares are in the compulsory demat mode, facilitated through arrangement with M/s. National Securities Depository Ltd. (NSDL) and M/s. Central Depository Services (India) Ltd. (CDSL). Going by the percentage of demat shareholders, it is found that as many as 1,80,89,010 shares (39.22% of total shares issued), continued to be in physical mode. Your Directors earnestly appeal to all of you to demat the shares and derive the benefits of holding the shares in electronic form.

Subsidiary

The Wholly Owned Subsidiary Company SPEL America Inc, in California, USA has been rendering the marketing services to your Company resulting in enhanced Customer base and

satisfaction. The details required under Section 212 of the Companies Act, 1956 has been enclosed herewith in the report.

Auditors

Your Company's auditors, M/s.Natarajan & Co., Chartered Accountants, retiring at the conclusion of the ensuing Annual General Meeting, are eligible for re-appointment.

Directors

Dr. T. S. Vijayaraghavan and Dr. A. Ramakrishna are the directors retiring at the ensuing annual general meeting. As both are being eligible, offering themselves for reappointment. A brief profile of both directors is provided as follows :

Dr. T. S. Vijayaraghavan holds a Bachelors degree in Mechanical & Electrical Engineering and Doctorate in Science. He is a retired Member of the Indian Administrative Service from the Tamilnadu Cadre. He is currently the Chairman, Committee on Industry, Ministry of Environment and Forests. Senate Member of Sri Ramachandra Medical College & Research Institute, Chennai. He is Chairman of SPEL Board's RCC and a Member of SPEL Board's Audit Committee and STIGC.

Dr. Anumolu Ramakrishna holds a Bachelors degree in Civil Engineering & a Masters in Structural Engineering. He began his career in 1962 with Engineering Construction Corporation Limited (ECC), now a division of Larsen & Tubro. In 1966 the Government of India, sponsored him for practical training in Structural Engineering in the erstwhile German Democratic Republic. Andhra University recognized him by conferring Honorary Degree of Doctorate of Science in 1997 and by Jawaharlal Nehru Technological University through an Honorary Degree of Doctor of Philosophy in 2004. After serving in various capacities Dr. Ramakrishna was inducted into the Board of L&T in 1992 and was appointed as operational Head of ECC Construction Division. He served as Deputy Managing Director from Mar 2000 providing leadership for the construction of cement plants, steel plants, power projects, refineries and petrochemical complexes. He is a member of SPEL Board's Audit Committee, Remuneration & Compensation Committee (RCC) and Chairman of SPEL STIGC.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :

1. That in the preparation of the annual accounts for the year ended Mar 31, 2009 the applicable Accounting Standards had been followed along with proper explanation relating to material departures
2. That the Directors had selected such accounting policies and applied them consistently and made judgment and estimates that were 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 of your Company for the year under review