



SPEL Semiconductor Limited

Board of Directors

- | | |
|-----------------------------|---------------------|
| 1. Dr. A. C. Muthiah | Chairman |
| 2. Mr. Ar Rm Arun | Vice Chairman |
| 3. Mr. S. R. Vijayakar | Director |
| 4. Dr. A. Besant C. Raj | Director |
| 5. Dr. T. S. Vijayaraghavan | Director |
| 6. Dr. A. Ramakrishna | Director |
| 7. Mr. Ashwin C Muthiah | Director |
| 8. Mr. N. Sivashanmugam | Whole-time Director |

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*

*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

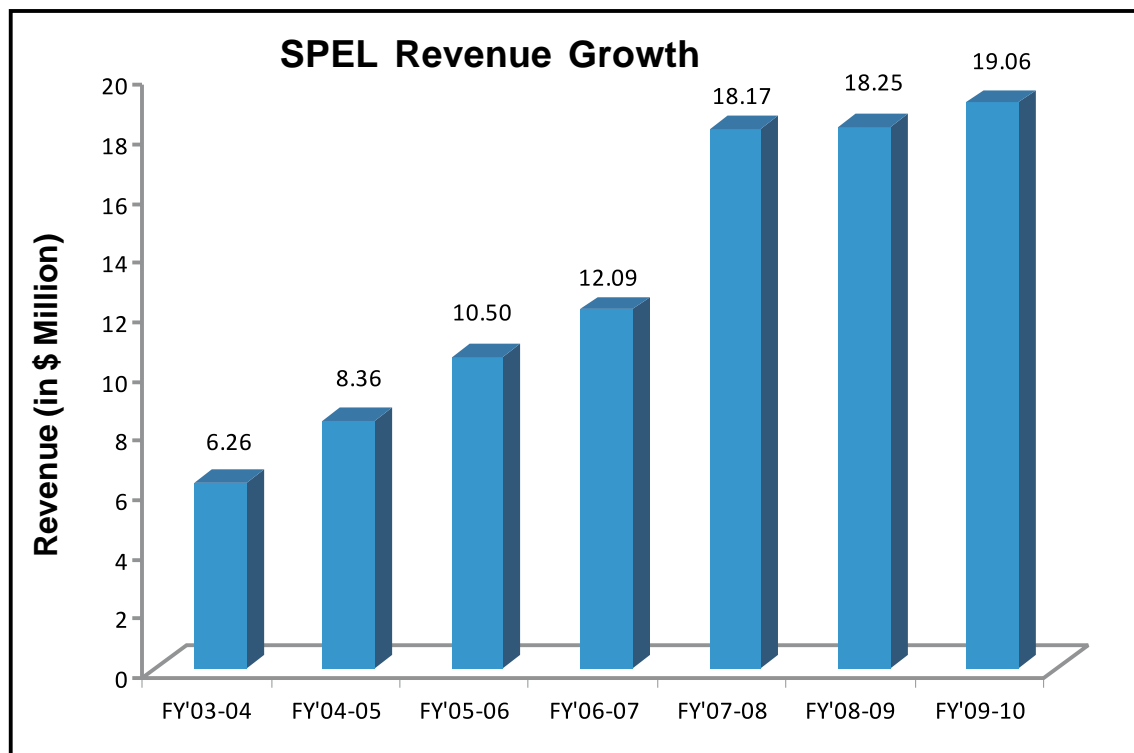
Enhancing the environmental performance by resource conservation, awareness through training and by reducing, recycling and reusing waste and packing

Notifying this policy to all Stakeholders

Previous 5 years performance

(Rs. in lakhs)

	2009-10	2008-09	2007-08	2006-07	2005-06
Sales	8716.00	8100.26	7281.33	5399.67	4628.54
Operating Profit	1962.55	2115.28	1977.77	1208.66	924.43
OTS Benefit	-	-	-	-	314.69
PBIDT	1962.55	2115.28	1977.77	1208.66	1239.12
Interest	214.57	323.98	278.96	145.77	122.58
PBDT	1747.98	1791.30	1698.81	1062.89	1116.54
Depreciation	818.45	830.45	606.71	426.23	381.49
PBT and prior period items	929.53	960.85	1092.10	636.66	735.05
Tax / Deferred Tax	318.69	337.31	361.03	245.48	154.14
PAT	610.84	623.54	731.07	391.18	580.91
Prior Period Expenditure	-	-	-	-	-
Net Profit	610.84	623.54	731.07	391.18	580.91



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Notice to Members

Notice is hereby given that the 25th Annual General Meeting of the Members of SPEL Semiconductor Limited will be held at 2.45 pm on Friday, Jul 30, 2010, 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, 2010 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 Mr. Ashwin C. Muthiah, Director who retires by rotation and being eligible, offers himself for re-election.
3. To elect a Director in the place of Mr. N. Sivashanmugam, Whole Time 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 26th Annual General Meeting on a remuneration of Rs.1,50,000/- inclusive of out of pocket expenses.”

Special Business

5. **To vary the terms and conditions of appointment of Mr. N. Sivashanmugam, Director (Whole-time)**

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, and subject to the approval of the Central Government, approval of the Company be and is hereby granted for paying the following remuneration to Mr. N. Sivashanmugam, as Director (Whole Time), with effect from July 1, 2010 to July 30, 2011 on the following terms and conditions and as per the terms of the agreement entered into between the Company and Mr. N. Sivashanmugam, the draft of which has been approved by the Board of Directors at their meeting held on May 3, 2010. The cost to Company will be Rs.30 lakhs p.a., of which Rs.12 lakhs p.a. will be performance based incentive. Following are the breakup of salary.

Remuneration :

- | | |
|----------------------|---|
| a. Basic salary | : Rs. 6,60,000 /- p.a (Rupees Six lakhs and sixty thousand only) |
| b. Special Allowance | : Rs.81,000/- p.a (Rupees Eighty one thousand only) |
| c. Variable pay | : Rs.6,00,000/- p.a (Rupees Six lakhs only) on a prorata basis as per the internal rules of the Company applicable to other Employees, depending on the sales revenue achieved. |

- d. Performance linked incentive : 0.1% on arranging the debt funding to the Company, not exceeding Rs.12,00,000/- p.a (Rupees Twelve lakhs only).

Perquisites : This will be in addition to the above.

- a. Conveyance Reimbursement : At actual subject to a maximum of Rs.3,18,000/- p.a including chauffeur for official purpose.

- b. Medical Reimbursement : As per the rules of the Company

Other 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 to the extent of Rs.12,000/- 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. **Payment of 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 for the period of 3 years from FY 2010-11 to FY 2012-2013.”

(By order of the Board)
For SPEL Semiconductor Limited

MM Nagar
May 3, 2010

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.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from Jul 23, 2010 to Jul 30, 2010 (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

To vary the terms and conditions of appointment of Mr. N. Sivashanmugam, Director (Whole-time)

The Shareholders of the Company at their 24th Annual General Meeting held on Jul 31, 2009 approved appointment of Mr. N. Sivashanmugam as Chief Financial Officer & Whole time Director for a period of 3 years from Dec 6, 2009 to Mar 31, 2012.

However due to various reasons Mr. N. Sivashanmugam requested the Board that he was not in a position to continue as the Chief Finance Officer of the Company. The Board had also considered the same at its meeting held on Apr 5, 2010. However he continues to occupy the position of the Director (Whole Time). Member 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 the revival path and hence need for funding the continuous expansion is imperative.

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 revised salary. Further, the terms of appointment of Mr. N. Sivashanmugam were also considered and approved by

the Remuneration and Compensation Committee (RCC) at their Meeting held on Apr 5, 2010, based on which the Board of Directors at its meeting held on May 3, 2010 passed a resolution revising his terms of appointment. Based on the recommendations of the RCC the Board at its Meeting passed a resolution varying the term of office of the Whole time Director.

Except Mr. N. Sivashanmugam, no other Directors of the Company is in any way concerned 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

Payment of 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 nine 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 24th Annual General Meeting held on Jul 31, 2009 approved for payment of 3% of commission on the net profits of the Company subject to the approval of the Central Government. 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 & Compensation Committee held on Apr 5, 2010, Board of Directors at its meeting held on May 3, 2010, 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 for the period of 3 years from FY 2010 -11 to FY 2012-13, 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
May 3, 2010

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary



Directors' Report

Your Directors have great pleasure in presenting the 25th Annual Report of the Company together with the Audited Accounts for the year ended Mar 31, 2010. Your Company is celebrating its Silver Jubilee during this year with the support & encouragement from all its Stakeholders.

Global and Indian Industry scenario

While the worst is definitely over, 2009 will probably be known as one of the steepest revenue declines in Semiconductor history due to a drop in orders. The official Semiconductor recession however started with the Q4 2008 financial reports, but could be seen even earlier in the year with failing forecasts and bulging inventories. So realistically it was the Semiconductor debacle of 2008-09. Early part of FY 2009 has been very difficult to most of the Semiconductor companies; some of them haven't been able to handle the economics. Many others have realigned their market strategies and entered into strategic mergers to be able to weather the recession.

The global economic slowdown has severely impacted the Semiconductor industry leading to piling up of inventories and reduced capital expenditure. However in 2010 the Semiconductor market is expected to grow by 20% as per latest estimations by Gartner. Compared to last year, outlook for the Semiconductor industry appears to be healthier. In fact, the confidence level of most companies is quite similar to the level seen in 2007. Industry executives are very bullish on the future growth prospects of energy efficient and renewable products. In summary, while the Semiconductor industry is in a far better position entering 2010 than it was a year ago; the trajectory of the recovery is still unclear. In 2010 the Semiconductor industry will be back on track with revenue and shipments substantially greater than 2009. The mobile internet market will drive Semiconductors for the next decade with an incredible integration of electronic devices targeting the 6,792,600,000 consumers.

The impact of the global "Great Recession" was less severe in India. The country experienced a relatively muted and short-lived downturn. The year 2010 has brought in a lot of confidence to the Semiconductor industry and to the global economy as a whole. There are huge growth opportunities for the electronic industry in India, but there have been some missed opportunities in the past decade. So, while the future holds a lot of promise, we need to address existing challenges in infrastructure, taxation, supply chain and logistics, labour laws, R&D and funding

SPEL performance during the year

Your Company continues to be First & only Semiconductor IC Assembly & Test production facility. It is continuously maintaining this position despite the market fluctuations and other external factors. SPEL continues to be a trusted & strategic contract manufacturing partner for many of the world's leading Semiconductor companies.

The Management with its strong commitment and extensive support from its 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, lower pricing due to global recession. Management as an austerity measure introduced various cost saving measures including, Lean manufacturing, investments in Energy saving Equipments. 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 marginal increase in PAT.

Management is continuing its efforts to rope in more Customers this year, from APAC and European countries also. Your Company had invested in Capex to the tune of Rs.7.8 Crores during the year.

Financial Performance

The Operating results of your Company for the year ended Mar 31, 2010 are given below :

Particulars	(Rs. In Lakhs)	
	Year ended Mar 31, 2010	Year ended Mar 31, 2009
Sales	8,716.0	8,100.2
Other Income	149.1	222.2
PBIDT	1,962.5	2,115.3
Interest	214.5	323.9
Depreciation	818.4	830.5
Profit before Taxation	929.5	960.9
Tax / Deferred Tax	318.6	337.4
Profit after Taxation	610.8	623.5

Sales of your Company for current year have increased by 8% over the previous year. Increased expenditure on manpower, power, marketing expenses, other overheads, which were necessitated due to operational growth, had an impact on contribution. All the package lines of your 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.

As mentioned earlier the Company had invested in the Capex for Rs.7.8 Crores, from the internal generations. These investments had helped the Company in offsetting the falling ASP, and had assisted to improve the PE ratio. Your Company is keenly 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 have assisted increasing 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

The fixed deposits for the period were Rs.4 Crores.

Research & Development (R&D)

The Company has carved out an ambitious plan of investment in R&D. This will include investment in PIP and MODLIB. This will assist Company's revenue and profitability in the future years.



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 1,80,39,634 shares (39.12% 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

Mr. Ashwin C. Muthiah, Director and Mr. N. Sivashanmugam, Whole Time Director are the directors retiring at the ensuing annual general meeting. As both are being eligible, offering themselves for re-appointment. A brief profile of both directors is provided as follows:

Mr. Ashwin C. Muthiah

Mr. Ashwin C Muthiah holds a bachelor degree in Commerce from Madras University and a post graduate degree in Business Administration from Philadelphia University. He is an entrepreneur with business interests in Logistics, Trading and Shipping. He is Consul General Ad Honorem of the Republic of Philippines at Chennai.

In addition, he is the Chairman in Manali Petrochemical Limited, SICAL Distriparks Limited, SICAL Infra Assets Limited, SDB Certis CISCO India Limited and SICAL Logistics Limited. He is the Vice Chairman in PSA SICAL Terminals Limited, Southern Petrochemical Industries Corporation Limited and Technip India Limited. He holds Directorship in ACM Educational Foundation, ACM Medical Foundation, Indo-Jordan Chemicals Company Limited, MAC Spin Foundation, Mitsuba Sical India Limited, Tamilnadu Petroproducts Limited, Totalcomm Infra Services Private Limited and Tuticorin Alkali Chemicals and Fertilizers Limited. He is also the Chairman of Management Committee of Southern Petrochemical Industries Corporation Limited and Member of Remuneration Committee and Finance Committee of Southern Petrochemical Industries Corporation Limited. He is Chairman of Management Committee of SICAL and Member of Audit Committee of SICAL. He is the member of Share Transfer & Investors' Grievance Committee of Tamilnadu Petroproducts Limited.

Mr. N. Sivashanmugam

Mr. N. Sivashanmugam is a Chartered Accountant with 32 years background in Domestic and International Finance & Accounts. He has worked in Indo-Jordan Chemicals Company Ltd., in Amman,

Jordan as Asst. Managing Director – Finance since May 2000. In his earlier tenure, he had the experience of effectively handling large Company's Treasury, Banking, Insurance and Accounts. He also has good exposure in Project Finance.

In addition, he holds Directorship in Accuspeed Engineering Design Services Ltd. and a member of SPEL's Management Committee.

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, 2010 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.
3. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. That the Directors had prepared the accounts for the year ended Mar 31, 2010 on a 'going concern' basis.

Corporate Governance

Your Company is committed to the standards of Corporate Governance and in this direction has laid down well documented internal policies, procedures including Board and Committee procedures and practices in particular relation with Shareholders, Customers, Suppliers and Employees in order to enhance the long-term Shareholder value and maximize interest of all Stakeholders.

Your Company has complied with the provisions of Clause 49 of the Listing Agreement relating to Corporate Governance.

A detailed Report on Corporate Governance and a Management Discussion and Analysis Report have been attached to form part of the Annual Report.

A Certificate from the Auditors of your Company regarding the compliance of conditions of Corporate Governance has been annexed to this report.

Information pursuant to Section 217 of the Companies Act, 1956

In terms of Section 217 (1) (e) of the Companies Act, 1956 and the rules framed there under, the particulars relating to the conservation of energy, technology absorption & foreign exchange earnings and outgo are given below :

a. Conservation of Energy

The Company has in place an Energy Committee which meets once a month. This Committee consists of Cross-functional Executives. This Committee identifies the potential areas to



conserve energy and implements novel energy saving measures, apart from recommending investment proposals to the management.

Various measures to conserve water and energy, notable amongst them being, reuse of Dicing process water, Rain Water Harvesting, Power factor improvement and extension of length of condenser in the A/c system to improve efficiency. Following Savings were made during the year.

Particulars	Power	Water
Consumed	75,70,905 units	74,670 KLits
Saved	40,827 units	4,142 KLits

b. Technology Absorption

The particulars regarding Technology Absorption are not applicable to your Company.

c. Foreign Exchange Earnings and Outgo

Your Company is a 100% export oriented unit and is constantly striving to increase its exports.

Foreign Exchange used during the year : Rs.5,099.49 lakhs

Foreign Exchange earned during the year : Rs.8,380.91 lakhs

Particulars of Employees

There are no such employees drawing remuneration in excess of limits mentioned as per section 217(2A) and hence no disclosure is required as per the said section.

Corporate Social Responsibility (CSR)

SPEL's answer towards CSR is through SPEL Employees Social Service Organization (SESSO). As part of the Core values, following activities were undertaken through SESSO during the previous year.

- Provided educational assistance to the needy people in and around Factory.
- Conducted a voluntary Blood Donation camp.
- Provided assistance to an orphanage and old age home located near Factory.

Environment and Safety Measures

Your Company understands that every individual has a responsibility towards our environment. Towards this, Your Company has been devising measures and encouraging its Employees to care for the environment and protect it through conservation of resources, waste minimization and proper disposal, pollution prevention and planting of trees.

Further Your Company's manufacturing activities do not result in any significant release of effluent in the environment.

The Environmental Management System established and maintained by your Company is certified by Bureau Veritas Certification. The upgraded ISO 14001 Certificate from 1996 version to 2004 version will comprehensively take care of safe environment practices. It is hopeful that the Company will be able to achieve this certification during the current year

Your Company considers environmental care to be a continuous effort and are always on the look out for more avenues to nurture nature by enhancing its environmental performance.

Acknowledgements

Your Directors wish to place on record their gratitude to the Government of India, the Government of Tamil Nadu, Financial Institutions, Bankers, Insurance Companies, Customs & Excise authorities, valued overseas Customers & Vendors and the Promoters for their continued assistance and support extended to the Company.

Yours Directors wish to place on record, their appreciation of the efficient and loyal services rendered by the employees at all levels to the Company.

Yours Directors wish to thank the Shareholders for their continued support and forbearance and the confidence reposed on the Management.

For and on behalf of Board of Directors

Chennai
May 3, 2010

Dr. A. C. Muthiah
Chairman

Auditors' Certificate on Corporate Governance

To the Members of SPEL Semiconductor Limited

We have examined the compliance of conditions of Corporate Governance by SPEL Semiconductor Limited for the year ended on Mar 31, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock Exchange.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated under the Listing Agreement. We state that no grievance(s) is / are pending for the period exceeding one month against the Company as per the records maintained by the Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the further viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Natarajan & Co.**,
Chartered Accountants,

A.Baskar
Partner
M.No:211721

Chennai
May 3, 2010