



SPEL Semiconductor Limited

an IC Assembly & Test Company

33rd Annual Report
2017-18

Defining The Future Through Partnerships

SPEL Semiconductor Limited

Board of Directors	<div>1. Mr. K. Ravikumar Director</div> <div>2. Mr. N. Suryanarayanan Director</div> <div>3. Mr. M. Jayasankar Director</div> <div>4. Dr. Enakshi Bhattacharya Director</div> <div>5. Mr. D. Balakrishnan Whole Time Director & CEO</div>
Chief Financial Officer	Mr. V. Srinivasan
Company Secretary & Compliance Officer	Mr. S. S. Arunachalam
Auditors	M. S. Krishnaswami & Rajan, GB, Anand Apartment, Ground Floor, JP Avenue, 6th Cross Street, Dr. Radhakrishnan Salai, Mylapore, Chennai 600 004.
Registered Office & Factory	5 CMDA Industrial Estate, MM Nagar (Chennai) 603 209, India.
Bankers	Indian Overseas Bank
Registrar & Share Transfer Agents	Cameo Corporate Servies Limited, Subramanian Building, Vth Floor, 1 Club House Road, Chennai 600 002. Tel : (044) 2846 0390 Fax: (044) 2846 0129



Previous 10 years performance

(₹ in Lakhs)

	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Sales	41,66.31	35,53.22	25,85.04	47,19.37	63,38.90	80,76.92	79,78.63	91,46.24	87,16.00	81,00.26
PBIDT	86.31	(22,98.94)	(9,86.62)	13,68.29	15,86.20	11,97.01	13,40.67	18,28.28	19,62.55	21,15.28
Finance Cost	2,89.16	2,15.67	3,04.40	4,04.29	4,70.37	5,84.01	3,25.12	1,73.25	2,14.57	3,23.98
PBDT	(2,02.85)	(25,14.61)	(12,91.02)	9,64.00	11,15.83	6,13.00	10,15.55	16,55.03	17,47.98	17,91.30
Depreciation	6,30.57	693.33	10,71.32	10,12.40	10,96.13	11,85.06	9,37.80	8,81.34	8,18.45	8,30.45
PBT	(8,33.42)	(32,07.94)	(23,62.34)	(48.40)	19.70	(5,72.06)	77.75	7,73.69	9,29.53	9,60.85
Tax Expense	13.64	(1,47.54)	(3,83.33)	(13.18)	(12.48)	(1,17.03)	20.81	3,20.71	3,18.69	3,37.31
PAT	(8,47.06)	(30,60.40)	(19,79.00)	(35.22)	32.18	(4,55.03)	56.94	4,52.98	6,10.84	6,23.54
Net Profit	(8,47.06)	(30,60.40)	(19,79.00)	(35.22)	32.18	(4,55.03)	56.94	4,52.98	6,10.84	6,23.54

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Notice

Notice is hereby given that the 33rd Annual General Meeting of the Members of SPEL Semiconductor Limited will be held at 3.30 pm on Thursday, Sep 27, 2018 at the Registered Office of the Company, No.5 CMDA Industrial Estate, Maraimalai Nagar 603 209 to transact the following business :

Ordinary Business

1. Adoption of Financial Statements

To receive, consider and adopt the Balance Sheet as at Mar 31, 2018 and the Statement of Profit and Loss and Cash Flow Statement and the Statement of Changes in Equity for the year ended on that date, together with the Reports of the Directors and the Auditors thereon.

2. Retirement by Rotation

To appoint a Director in place of Mr. D. Balakrishnan, who retires by rotation and being eligible, offers himself for re-appointment.

3. Appointment of Auditors

"Resolved that pursuant to provisions of Section 139 of the Companies Act 2013, and Rules thereunder and subject to other statutory approvals, Mr.K.Nandhiswaran, Chartered Accountant, be and is hereby appointed as Statutory Auditor of the Company in the place of M.S.Krishnaswami & Rajan, Chartered Accountants, the retiring Auditors of the Company, to hold office from the conclusion of this AGM to the conclusion of the 5th consecutive AGM and that Board of Directors be and is hereby authorized to fix such remuneration as may be determined in consultation with the Auditors.

Special Business

4. Appointment of Mr. N. Suryanarayanan as Independent Director

To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution :

"Resolved that in accordance with the provisions of Sections 149, 150, 152 and applicable provisions of the Companies Act, 2013 ("Act") thereunder read with Schedule IV to the Act as is current at any time, Mr. N. Suryanarayanan, (holding DIN 02282919), a Non-Executive Independent Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149 (6) of the Act and is eligible for appointment as an Independent Director of the Company with effect from Feb 8, 2018 and upto Feb 7, 2023, not liable to retire by rotation."

Explanatory Statement in respect of the Special Business pursuant to Section 102 of the Companies Act, 2013

Item No.4

Mr. N. Suryanarayanan was appointed as Additional Director of the Company by the Board of Directors at its Meeting held on Feb 8, 2018 pursuant Section 149, 152 of the Companies Act 2013 and Article 94 of Articles of Association of the Company and holds office upto the date of this Annual General Meeting of the Company pursuant to Section 161 (1) of the Act and Article 94 of Articles of Association of the Company

A brief profile of Mr. N. Suryanarayanan is given herein for the information of Shareholders.

Mr. N. Suryanarayanan, aged about 60 years is a Chartered Accountant and has held various senior positions in several Companies during his long career spanning over 3 decades. He was associated with Companies such as Hindustan Unilever Limited, Tata Industries



Limited and Lucas TVS Limited. During the latter part of his career, he was with SRF Limited as Vice President, Finance in their Headquarters in Delhi.

He has also been with a leading Petrochemical Company in Chennai as CFO. He is currently on the Board of various Companies in Polyhose Group.

In the opinion of the Board, Mr.N. Suryanarayanan fulfills the conditions specified in the Act and Rules for his appointment as an Independent Director of the Company as he is independent of the management under Section 149(6) & 152(5) of the Act.

Accordingly, under Section 149 read with Schedule VI of the Act, the appointment of Mr. N. Suryanarayanan as Independent Director is placed before the Members in the General Meeting for approval.

The Board recommends the election of Mr. N. Suryanarayanan as a Director not liable to retire by rotation, for the approval of the Shareholders.

Notice has been received from a Member signifying his intention to propose appointment of Mr. N. Suryanarayanan as Director of the Company along with a deposit of ₹ 1,00,000/-.

Except Mr. N. Suryanarayanan, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 4.

By order of the Board
for SPEL Semiconductor Limited

D. Balakrishnan
Whole Time Director & CEO
DIN: 02131242

Chennai
May 29, 2018

Notes

1. Details required under Listing Agreement with the Stock Exchanges, of persons seeking appointment / re-appointment is annexed.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy/ Proxies to attend and vote instead of himself/herself. Such a Proxy/ Proxies need not be a Member of the Company. A person can act as Proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total Share Capital of the Company.
3. The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. A Proxy form is sent herewith. Proxies submitted on behalf of Companies, Societies etc., must be supported by an appropriate resolution/ authority, as applicable.
4. The Register of Members and the Share Transfer books of the Company will remain closed from Sep 21, 2018 to Sep 27, 2018 (both days inclusive).
5. 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. Members are requested to address all correspondences to the Registrar and Share Transfer Agents, Cameo Corporate Services Limited, Subramanian Building, 1 Club House Road, Chennai 600 002.
6. To prevent fraudulent transactions, Members are advised to exercise due diligence and notify the Company of any change in address or demise of any Member as soon as possible. Members are also advised not



to leave their Demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and be verified.

7. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are requested to submit the PAN to their Depository Participants with whom they are maintaining their Demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
8. Electronic copy of the Abridged Annual Report is being sent to all the Members whose email IDs are registered with the Company/ Depository Participants(s) for communication purposes unless any Member has requested for a hard copy of the same. For Members who have not registered their email address, physical copies of the Abridged Annual Report is being sent in the permitted mode.

Members may note that the Notice of the 33rd Annual General Meeting and full Annual Report will be available on the Company's website www.spel.com for download. Physical copies of full Annual Report will be available at the Company's Registered Office for inspection during normal business hours on working days. Even after registering for e-communication, Members are entitled to full Annual Report in physical form, upon making a request for the same, by post free of cost. For any communication, the Shareholders may also send requests to the Company's Investor e-Mail ID : investors@spel.com.

9. Voting through electronic means
In compliance with the provisions of Section 108 of the Companies Act, 2013 and the Rules framed thereunder, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by Central Depository Services (India) Limited (CDSL), on all resolutions set forth in this Notice.

The instructions for Shareholders voting electronically are as under :

- a. The voting period begins at 9.00 am on Sep 24, 2018 and ends at 5.00 pm on Sep 26, 2018. During this period Shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date Sep 20, 2018, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- b. The Shareholders should log on to the e-voting, website www.evotingindia.com.
- c. Click on Shareholders.
- d. Now Enter your User ID
 - i. For CDSL: 16 digits beneficiary ID,
 - ii. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - iii. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- e. Next enter the Image Verification as displayed and Click on Login
- f. If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any Company, then your existing password is to be used.
- g. If you are a first time user follow the steps given below :

For Members holding shares in Demat Form and Physical Form

PAN	<p>Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat Shareholders as well as physical Shareholders).</p> <ul style="list-style-type: none"> Members who have not updated their PAN with the Company/ Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
DOB	<p>Enter the Date of Birth as recorded in your demat account or in the Company records for the said demat account or folio in dd/mm/yyyy format.</p>
Dividend Bank Details	<p>Enter the Dividend Bank Details as recorded in your demat account or in the Company records for the said demat account or folio.</p> <ul style="list-style-type: none"> Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or Company please enter the Member ID / Folio Number in the Dividend Bank details field as mentioned in instruction (c).

- h. After entering these details appropriately, click on "SUBMIT" tab.
- i. Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login

password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- j. For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- k. Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- l. On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- m. Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- n. After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- o. Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- p. You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- q. If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- r. Note for Non-Individual Shareholders and Custodians



- i. Non-Individual Shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
- ii. A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com
- iii. After receiving the login details a compliance user should be created using the admin login and password. The compliance user would be able to link the account(s) for which they wish to vote on.
- iv. The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- v. A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

vi. In case you have any queries or issues regarding e-voting, you may refer the e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com

10. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (9.00 am to 5.00 pm) on all working days except Saturdays and Sundays, up to and including the date of the Annual General Meeting of the Company.

Note : e-Voting shall not be allowed beyond said time.

By order of the Board
for SPEL Semiconductor Limited

Chennai
May 29, 2018

D. Balakrishnan
Whole Time Director & CEO
DIN: 02131242

Annexure

Details of Directors seeking Appointment / Reappointment at the Annual General Meeting

Name of the Director	Mr. D. Balakrishnan	Mr. N. Suryanarayanan
Date of Birth	Dec 8, 1963	Nov 7, 1957
Date of Appointment	Jun 19, 2014	Feb 8, 2018
Qualification	Degree in Engineering (Electronics & Communication) from Bangalore University.	Chartered Accountant
Expertise in Specific functional areas	He has over 23 years of experience in the Semiconductor Industry. He has been instrumental in scaling operations and possess exceptional leadership qualities besides proving his mettle in Team Building, Production Planning & Control and Resource Management.	He has held various senior positions in several Companies during his long career spanning over 3 decades. He was associated with Companies such as Hindustan Unilever Limited, Tata Industries Limited and Lucas TVS Limited. During the latter part of his career, he was with SRF Limited as Vice President, Finance in their Headquarters in Delhi.
Chairmanship / Directorship of other Companies (excluding Foreign Companies and Section 25 Companies)	—	Polyhose India (P) Ltd Polyhose India Rubber (P) Ltd Vector Hydraulics (P) Ltd Syncords India (P) Ltd
Committee position held in other Companies	—	—
Shareholding (No. of Shares)	10,000 shares	Nil (in SPEL)



Directors' Report

Your Directors present the 33rd Annual Report of the Company together with the Audited Accounts for the year ended Mar 31, 2018.

1. Financial Highlights / Performance

The Operating results of your Company as per Ind AS Financial Statements for the year ended Mar 31, 2018 are given below

(₹ in Lakhs)

Particulars	Year ended Mar 31, 2018	Year ended Mar 31, 2017
Sales	41,66.31	35,53.22
Other Income	2,33.70	2,82.07
PBIDT	86.31	(22,98.94)
Finance Cost	2,89.16	2,15.67
Depreciation	6,30.57	6,93.33
Profit /(Loss) before Taxation	(8,33.42)	(32,07.94)
Tax Expense	13.64	(1,47.54)
Profit /(Loss) after Taxation	(8,47.06)	(30,60.40)

Turnover of your Company got improved significantly during the year under review. However, your Company is yet to recover from the aftermath of the Employees unrest during FY 2015-16, the recovery was considerably low. Though H1 FY 2017-18 first quarter was good, Q3 FY 2016-17 was the worst in the year as we had several natural calamities with delayed material deliveries. Customer demands for the existing products & packages were volatile however have seen phased increased in order receipts. Your Company had maintained good relationship with all its Customers in US & Europe and have seen good improvement in capturing business from one of the big Customers in the US. It is expected to improve production orders in FY 2018-19. The outlook for FY 2018-19 is good and SPEL has

plans to induct new Customers from Europe & US regions.

2. Dividend

Due to the loss for the year, dividend could not be paid during the year.

3. Reserves

The reserves of the Company has been reduced from ₹ 49,01.97 lakhs to ₹ 40,90.24 lakhs at the end of the year.

4. The Global Semiconductor Industry

According to Semiconductor Industry Association (SIA), representing U.S. leadership in Semiconductor manufacturing, design, and research, worldwide sales of Semiconductors reached \$111.1 billion during the first quarter of 2018, an increase of 20 percent compared to the first quarter of 2017, but 2.5 percent less than the fourth quarter of 2017. Sales for the month of March 2018 came in at \$37.0 billion, an increase of 20 percent compared to the March 2017 total of \$30.8 billion and 0.7 percent more than the February 2018 total of \$36.8 billion.

Regionally, year-to-year sales increased in America (35.7 percent), Europe (20.6 percent), China (18.8 percent), Asia Pacific/All Other (13.3 percent), and Japan (12.4 percent). Month-to-month sales increased in Europe (3.9 percent), China (2.2 percent), Japan (0.5 percent), and Asia Pacific/All Other (0.2 percent), but decreased slightly in the Americas (-2.0 percent)

Forecast for FY 2018-19

Despite the upward revision for 2018, the quarterly growth profile for 2018 is expected to fall back to a more normal pattern with a mid-single-digit sequential decline in the first quarter of the year, followed by a recovery and

buildup in both the second and third quarters of 2018, and a slight decline in the fourth quarter.

Worldwide Semiconductor revenue is forecast to total \$451 billion in 2018, an increase of 7.5 percent from \$419 billion in 2017, according to Gartner, Inc. This represents a near doubling of Gartner's previous estimate of 4 percent growth for 2018

Market Drivers for future

It was a growth year for the Semiconductor industry in 2017. Semiconductor earnings were driven by increasing memory prices, a boost in crypto currency, increasing adoption of GPUs (Graphics Processing Units) by Data Centers and Cloud Companies for AI (Artificial Intelligence) tasks, and the growing popularity of e-sports.

Although the Semiconductor industry may not be able to replicate the double-digit growth it saw in 2017, it could continue to grow in 2018. The US Congress passed its tax reform bill in December 2017, which could make US Companies more competitive with their overseas competitors.

Another major development could be the adoption of AI (Artificial Intelligence) Technology across various verticals. Handset makers Apple and Samsung have already brought AI functionality to smartphones. The drone market is growing, and 2018 may see the commercial rollout of AI-powered drones throughout the world, many industries, from construction to healthcare, could adopt AI technology to improve efficiency and reduce costs

Next major development could be the shift to a 10 nm (Nanometer) node by Intel, which could put it back in a technological advantage. Taiwan Semiconductor Manufacturing (TSM) and Samsung could also shift to a 7 nm node, but that would be equivalent to Intel's 10 nm node. The move to a smaller node could bring

significant cost savings and improve the performance of the chips.

The Semiconductor industry could also come closer to the deployment of 5G (fifth-generation) technology. Although that may not generate any revenues in 2018, it could create significant growth opportunities for the future. Even AR/VR (Augmented Reality/Virtual Reality) adoption could pick up in the industrial as well as gaming space as Companies such as Advanced Micro Devices (AMD) work to make wireless headsets more user-friendly.

Outsourced Assembly and Test (OSAT) Industry

The Global Semiconductor assembly and testing services (SATS) market was valued at US\$ 27,700 Mn in 2017 and is expected to register a CAGR of 4.7% from 2018 to 2027. Growing demand of consumer electronics, increasing integration of electronics and connectivity in automotive are major factors driving growth of the global Semiconductor Assembly and Testing Services (SATS) market.

On the basis of application, the global Semiconductor Assembly and Testing Services (SATS) market is segmented into communication, computing & networking, consumer electronics, industrial and automotive. The revenue contribution from the consumer electronics segment is anticipated to expand at a CAGR of 6.3% during the forecast period of 2018-2027.

Among the regions, Taiwan is projected to exhibit relatively high growth in the global market, registering a CAGR of 5.6% over the forecast period. Revenue from the Semiconductor Assembly and Testing Services (SATS) Market in North America and APAC (excluding Taiwan) is expected to collectively account for over 40% of the global Semiconductor Assembly and Testing Services (SATS) Market revenue in 2017.