

SPEL

SPEL Semiconductor Limited
an Assembly & Test Company

Report www.reportjunction.com

19th Annual Report
2003 - 04



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SPEL Semiconductor Limited**Board of Directors**

Dr.A.C.Muthiah

Chairman

Ar Rm Arun

Vice Chairman

S.R.Vijayakar

Director

Dr.C.N.Gangadaran

Director

M.G.Thirunavukkarasu

Director

A.V.S.Ramanujan

Nominee Director

ICICI Bank

R. Venkatesh Kumar

Chief Financial Officer &
Director**Chief Executive Officer**

Sam Varghese

Company Secretary

Sudhir Anand

Auditors

Natarajan & Co

No.2/342, II Street, Kandaswamy Nagar,
Palavakkam, Chennai - 600 041.**Registered Office**88, Mount Road,
Guindy, Chennai – 600 032**Facility**5 CMDA Industrial Estate
MM Nagar (near Chennai)
603 209 India**US Office**2005 De La Cruz Blvd., Ste 180
Santa Clara, CA 95050**Bankers**State Bank of Hyderabad
Canara Bank
Allahabad Bank**Registrar and Share
Transfer Agents**Cameo Share Registry Limited
Subramaniam Building
V Floor, 1, Club House
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 15 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 and Test facility providing high quality Integrated Circuits Packaging solutions and has the following policy for environmental care.

Nurture 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

(Rs. in lakhs)

	2003-04	2002-03	2001-02	2000-01	1999-2000
Sales	8,156.48	5,303.08	3,595.02	2,769.38	5,530.51
Operating Profit	563.06	252.34	176.79	160.83	638.61
Interest	238.79	239.63	202.35	234.82	242.38
Profit before Depreciation	324.27	12.71	(25.56)	(73.99)	396.23
Depreciation	225.44	203.88	186.22	180.38	174.42
Profit before Tax and prior period items	98.83	(191.17)	(211.78)	(254.37)	221.81
Deferred Tax	55.76	(66.00)	(53.09)	-	-
Profit after Tax	43.07	(125.17)	(158.69)	(254.37)	221.81
Prior Period Expenditure	-	20.01	-	-	67.11
Net Profit	43.07	(145.18)	(158.69)	(254.37)	154.70

Notice to Members

NOTICE is hereby given that the 19th Annual General Meeting of the Members of SPEL Semiconductor Limited, will be held at 4.00 PM on Friday, July 30, 2004, at Tamil Isai Sangam, 'Rajah Annamalai Hall, Esplanade, (Near High Court) Chennai 600 108 to transact the following Business;

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet of the Company as at Mar 31, 2004 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.C.N.Gangadaran, who retires by rotation and being eligible, offers himself for re-election.
3. To elect a Director in the place of Mr.M.G.Thirunavukkarasu, 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 from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration of Rs.75,000/- plus out of pocket expenses."

Special Business

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

"Resolved that subject to the provisions of Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956, the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 or any amendment thereof, subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed by any authority, while granting such approvals, which may be agreed to by the Board of Directors, consent of the Company be and is hereby accorded to the Board of Directors (which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board of Directors by this resolution) to delist the equity shares of the Company from the Madras Stock Exchange Limited.

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

"Resolved that in supersession of its earlier resolution passed by the Board of Directors of the Company at its meeting held on Apr 9, 2001 and as approved by the Shareholders at their meeting held on Sep 10, 2001, subject to the consent of the financial institutions and or the Central Government, pursuant to the provisions of Section 198, 269, 309, 310 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, consent of the members be and is hereby accorded for the increase in remuneration and perquisites payable to Mr. R. Venkatesh Kumar, Chief Financial Officer & Director as detailed hereunder and mentioned in the supplemental agreement to be entered with him, during the remaining term of his office commencing from Apr 1, 2004 till the expiry of his present term of office on May 13, 2006.

Remuneration**1. Salary**

Rs.26,500/- (Rupees Twenty Six Thousand Five Hundred only) per month

2. Special Allowance

Rs.26,500/- (Rupees Twenty Six Thousand Five Hundred only) per month

3. Perquisites

Perquisites shall be allowed in addition to both salary and special allowance. However, it shall be restricted to an amount equal to the annual salary.

Perquisites are presently classified as follows

I Housing/House Rent Allowance

The expenditure incurred by the Company will be subject to a ceiling of 50% of the salary.

II Gas, Electricity, Water and Furnishing

As per the Rules of the Company. The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income-tax Rules, 1962.

III Medical reimbursement

Expenses incurred for the appointee and his family as per the Rules of the Company.

IV Leave and Leave Travel Concession

Leave including encashment of leave as per the Rules of the Company. Leave travel concession, once in two years as per the Rules of the Company.

v Personal Accident Insurance and Group Insurance

Personal Accident Insurance and Group Insurance as per the Rules of the Company.

vi Educational allowance

As per the Rules of the Company.

The individual ceilings under each of the above heads can be re-fixed so as not to exceed the limit of annual salary.

For the purpose of calculating the above ceiling, perquisites will be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such rule, perquisites shall be evaluated at actual cost.

4. Other payments and provisions which shall not be included in the computation of ceiling on remuneration**I Contribution towards Provident Fund**

Contribution towards Provident Fund will be subject to a ceiling of 12.5% of the salary. Contribution to Provident Fund, to the extent of limit prescribed under Income-tax Act / Rules, 1962 or notification issued thereunder from time to time will not be included in the computation of the ceiling on perquisites to the extent it is not taxable under the Income-tax Act / Rules / Notification.

II Gratuity

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

III Telephone

Provision of telephone at residence as per the Rules of the Company.

IV Reimbursement of expenses

Reimbursement of traveling / conveyance 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 Company.

Minimum Remuneration

In the event of loss, absence or inadequacy of profits, in any financial year during the currency of tenure of Mr. R Venkatesh Kumar, the remuneration aforesaid shall be the minimum remuneration payable to him. However, any excess over the limits on minimum remuneration prescribed under the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956 shall be payable to Mr. R Venkatesh Kumar, with the approval of the Central Government, if so required."

"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 aforesaid approval and as may be agreeable to Mr. R Venkatesh Kumar."

(By order of the Board)

for SPEL Semiconductor Limited

Chennai
Jun 23, 2004

Sudhir Anand
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 DP ID and Client ID Numbers in the Attendance slip.
4. The Register of Directors Shareholding maintained under section 307 of the Companies Act 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 26, 2004 to Jul 30, 2004 (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 share held in demat form, change in address, nomination, power of attorney etc., may be intimated directly to the members' DP.
7. Members are requested to address all correspondences to the Registrar and Share Transfer Agents Cameo Corporate Services Ltd., "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 certificate/multiple folios into one share certificate/one folio to save on the cost of dematerializing their shareholdings.
11. Members holding shares in physical form can avail of the nomination facility by returning the enclosed form duly filled to the Registrars.
12. 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.

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

Item No.5

The Equity shares are listed on the following Stock Exchanges:

1. The Madras Stock Exchange Limited
2. The Stock Exchange, Mumbai

The nationally networked 'The Stock Exchange Mumbai' (BSE), has provided the investor populace in the Country, in general and the members of the Company, in particular, with access to screen-based, online trading/dealings in the Company's equity shares across the Country. With the formation of the two depositories, viz. National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL), and with the Securities Exchange Board of India (SEBI) notifying most of the listed securities to be compulsorily traded/settled in the dematerialized/electronic form, the en masse shift of the operations by the investors to the automated exchanges has gained further acceleration. This has resulted in nil or extremely low volumes across all the remaining Stock Exchanges including the Regional Stock Exchange viz., Madras Stock Exchange Limited Chennai.

The Board of Directors is of view that considering the aforesaid development, and for savings costs as well for enhancing administrative convenience, it would be adequate to continue listing of the Company's equity shares only on 'The Stock Exchange, Mumbai'. This proposal will not in any manner adversely affect investors, including the Members of the Company located in various regions.

Pursuant to Clause 5.2 Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 an exit opportunity need not be given in cases where securities continue to be listed in a Stock Exchange having national terminals. The Company's shares are traded on Stock Exchange, Mumbai having national wide terminals and therefore, in accordance with the said guidelines, an exit opportunity need not be given to those shareholders of the regions where the Stock Exchanges, from which the Company proposes to delist its equity shares, are situated.

Accordingly the member's approval is sought by a Special Resolution in accordance with the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, to enable voluntary delisting of Company's equity shares from the Madras Stock Exchange Limited

Item No.6

The Shareholders of the Company at the 16th AGM held on Sep 10, 2001 approved the appointment of Mr.R. Venkatesh Kumar CFO & Director (Finance) for a period of 5 years commencing from May 14, 2001 and had also approved the remuneration payable to him.

At the time of his appointment the company was not in a sound financial position and hence the salary fixed to him was not commensurate to his age, experience and the Industry salary levels. The members will agree that under his able and matured guidance, the company is now on a turnaround path and is poised for a steady growth. The members are aware that the semiconductor Industry is in an up trend and so is the company's performance during the previous year as is evident from the results putforth.

In view of the above, it is thought fit to consider a variation in the terms and conditions of his appointment and hence consider an upward revision in his salary and other emoluments. Further, the terms of appointment of Mr.R. Venkatesh Kumar were also considered and approved by the Remuneration Committee at their meeting held on Jun 23, 2004 based on which the Board of Directors at its meeting held on Jun 23, 2004 passed a resolution to increase the remuneration with effect from Apr 1, 2004.

Except Mr.R. Venkatesh Kumar, no other Director of the Company is in any way concerned with or interested in the resolution at item no. 6 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. R. Venkatesh Kumar and Memorandum of Interest under Section 302(7) of the Companies Act, 1956.

(By order of the Board)
for SPEL Semiconductor Limited

Chennai
Jun 23, 2004

Sudhir Anand
Company Secretary

Directors' Report

Your Directors have great pleasure in presenting the 19th Annual Report of the Company together with the audited accounts for the year ended Mar 31, 2004.

The Year that was in Retrospect

Your Company is engaged in the IC packaging Industry offering world-class Assembly and Test services for the global Semiconductor Customers. It has successfully sustained during the elongated downtrend of the industry, which has shown signs of revival from mid 2003.

The worldwide Semiconductor Industry experienced a decent year in 2003 after the elongated downtrend in 2001 & 2002. IC unit volume increased by 15% and IC revenue increased by 16% in 2003.

It is in this context, the performance of your Company for the year should be viewed. Both in terms of volume and revenue, your Company has improved the performance of earlier years and has also achieved a growth in profitability. This reflects the strengthening of the Company's Managerial and Marketing strategies.

Performance

As against the backdrop mentioned above, your Company increased its Sales volume from 41 million units in 2002-03 to 72 million units in 2003-04, which is an increase of 75%. The revenue has increased from Rs. 53.03 crores in 2002-03 to Rs 81.57 crores in 2003-04, thereby registering an increase of 54%. The Company has turned around from a net loss of Rs.145 lakhs in 2002-03 to register a net profit (PAT) of Rs.43 lakhs in 2003-04.

Financial Review

The operating results of your Company for the year ended Mar 31, 2004 are given below:

	Year ended Mar 31, 2004	Year ended Mar 31, 2003
Sales	8157	5303
Other Income	199	73
Interest Waiver	140	—
PBIDT	563	252
Interest	239	239
Depreciation	225	204
Profit before Taxation and Extraordinary Items	99	(101)

Deferred Tax	56	(66)
Prior Period Expenses		20
Profit after Taxation and Extraordinary Items	43	(145)

The increased sales of your Company during the year over the previous year has yielded a higher contribution of Rs. 223 lakhs. The increased expenditure on power, Employee cost, marketing expenses, other overheads and depreciation that have been necessitated due to increased operations, has partially offset the higher contribution. Due to the higher other income from exchange gain and due to the interest waiver on One Time Settlement of IDBI term loan, your Company has made a PBT of Rs 99 lakhs for the year as against a loss of Rs 191 lakhs before tax in the previous year.

During the year, your Company has concluded a One Time Settlement of the term loan with IDBI. Recently, the OTS has been concluded with ICICI. The settlement of the term loan from IFCI & LIC is expected to be concluded soon.

Marketing

The Company has been strengthening its marketing strategies and efforts during the year. With the result, your Company's sales have been increasing at a faster pace compared to the industry's growth rate. This has been possible for your Company by enhancing the Customer confidence and satisfaction. The QCDS factors have been improved upon and the shipments of substantial volumes of the products are made directly to the end Customers. This is a testimony of the Customers confidence in your Company's strength on Quality and Delivery Time. The Customer base has been constantly widening and your Company has added 3 new Customers during the year, taking the total to 13 Customers. Your Company also is in the process of being qualified by two other new Customers. There are plans to introduce new products for which orders are expected from existing Customers, which will speed up the growth of your Company.

Magnetic Media Project (MMP)

As the sale of Magnetic Media Project to SPIC has not been approved by the Financial Institutions, your Company is considering the various alternatives. Your Company will be approaching you for the required approvals in this regard.