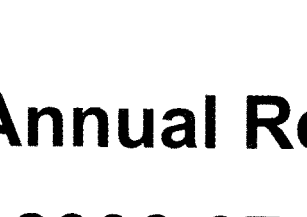
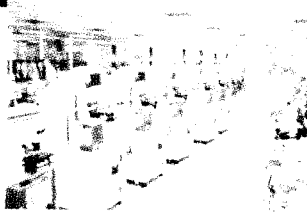


# SPEL

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## SPEL Semiconductor Limited

*an Assembly & Test Company*



Report Junction.com

*Defining The Future Through Partnerships*

## 22<sup>nd</sup> Annual Report

### 2006-07

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## 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. 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 |

### Chief Executive Officer

Mr. Sam Varghese

### Head Corporate Affairs & Company Secretary

Mr. S. S. Arunachalam

### Auditors

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

### Registered Office

MAC House,  
4 Sardar Patel Road,  
Guindy, Chennai 600 032, India.

### 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. State Bank of Hyderabad
3. Canara Bank
4. 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 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 & Test facility providing high quality Integrated Circuits Packaging 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*

**G**earing up for continual improvement with our Environmental Management System and reviewing it periodically

**R**especting and being committed to meet and exceed legal and other requirements

**E**mphasizing the minimization of significant impacts, wastes and pollution prevention

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

**N**otifying this policy to all Stakeholders

## Previous 5 years

(Rs. in million)

	2006-07	2005-06	2004-05	2003-04	2002-03
Sales	538.97	462.85	363.69	259.26	200.99
Operating Profit	120.87	92.44	43.32	42.27	25.23
OTS Benefit	-	31.47	38.58	14.03	-
PBIDT	120.87	123.91	81.90	56.30	25.23
Interest	14.58	12.26	16.12	23.88	23.96
PBDT	106.29	111.65	65.78	32.42	1.27
Depreciation	42.62	38.15	39.01	22.54	20.39
PBT and prior period items	63.67	73.50	26.77	9.88	(19.12)
Tax / Deferred Tax	24.55	15.41	12.07	5.58	(6.60)
PAT	39.12	58.09	14.70	4.30	(12.52)
Prior Period Expenditure	-	-	-	-	2.00
<b>Net Profit</b>	<b>39.12</b>	<b>58.09</b>	<b>14.70</b>	<b>4.30</b>	<b>(14.52)</b>



## Notice to Members

Notice is hereby given that the 22<sup>nd</sup> Annual General Meeting of the Members of SPEL Semiconductor Limited will be held at 4.00 pm on Monday, July 30, 2007, at Tamil Isai Sangam, Raja 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, 2007 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. A. C. Muthiah, Chairman who retires by rotation and being eligible, offers himself for re-election.
3. To elect a Director in the place of Mr. Ar Rm Arun, Vice Chairman 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 23<sup>rd</sup> Annual General Meeting on a remuneration of Rs.75,000/- plus out of pocket expenses."**

### Special Business

5. **Directorship of Chairman and Vice Chairman of the Board, not liable to retire by rotation.**

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

**"Resolved that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such consents, permissions, and sanctions as may be necessary from appropriate authorities or bodies, the following amendments be made in the Company's Articles of Association :**

- a. Article 90 :

The Existing Article 90 (a) of the Articles of Association of the Company be deleted and in its place the following Article 90 (a) be substituted :

*90 (a) "The Chairman and Vice Chairman of the Board shall not be liable to retire by rotation".*

- b. The existing Article 129 of the Company's Articles of Association be deleted and the remaining Articles 130 to 181 be and is hereby renumbered as Article 129 to Article 180.

6. **To appoint Mr. Ashwin C Muthiah as a Director liable to retire by rotation.**

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

**"Resolved that Mr. Ashwin C Muthiah, whose term of office as an Additional Director of the Company expires at this Annual General Meeting and in respect of whom the Company has received a notice**

**under Section 257 of the Companies Act, 1956 from a member proposing his candidature. Mr. Ashwin C Muthiah, be and is hereby appointed as a Director of the Company, whose period of Office will be liable to determination by retirement by rotation".**

7. **To appoint Mr. N. Sivashanmugam as a Director liable to retire by rotation.**

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

**"Resolved that Mr. N. Sivashanmugam, whose term of office as an Additional Director of the Company expires at this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature. Mr. N. Sivashanmugam, be and is hereby appointed as a Director of the Company, whose period of Office will be liable to determination by retirement by rotation".**

8. **To appoint Mr. N. Sivashanmugam, Director as the 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, and subject to the approval of the Central Government, approval of the Company be and is hereby granted for appointment of Mr. N. Sivashanmugam, as a Whole time Director and Chief Financial Officer, for a period of 3 years with effect from Dec 6, 2006 to Dec 5, 2009 on the following terms and conditions as to remuneration 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 Jul 31, 2006.**

### Remuneration :

Basic salary : Rs.50,000/- (Rupees Fifty Thousand only)

Special Allowance : Rs.20,000/- (Rupees Twenty Thousand only)

Company performance : payable on annual basis to the linked incentive extent of 3 months basic per annum.

**Perquisites :** This will be in addition to the above.

- a. HRA : 50% of the Basic
- b. Conveyance : At actual subject to a Reimbursement maximum of Rs.3.36 lacs p.a including chauffeur for official purpose,
- c. Medical : As per the rules of the Reimbursement Company
- d. Leave Travel : As per the rules of the Allowance Company



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**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.1,250/- pm".

**9. 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, for a period of 3 years with effect from FY 2007-08 to FY 2009-10"

(By order of the Board)  
For SPEL Semiconductor Limited

S. S. Arunachalam  
Head Corporate Affairs  
& Company Secretary

Chennai  
Apr 26, 2007

**Notes**

1. Explanatory Statement of material facts pursuant to Section 173(2) of the Companies Act, 1956 for item Nos.5, 6, 7, 8 & 9 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, 2007 to Jul 30, 2007 (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 Agents, 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**

**Directorship of Chairman and Vice Chairman of the Board not liable to retire by rotation.**

Considering the contribution made by Chairman and Vice Chairman in the turnaround of the Company, the Board at its meeting held on Apr 26, 2007 decided to amend the existing Article 90 (a) and remove Article 129 of Articles of Association. This will enable Chairman and Vice Chairman, whose period of office shall not be liable to determination by retirement of Directors by rotation.

The present Article 90 (a) reads as follows :

"The Board of Directors may from time to time elect one of their Body to be the Chairman of the Board of Directors, one as the Vice Chairman of the Board and one as the Managing Director"

Article 90 (a) will be changed as follows :

*"The Chairman and Vice Chairman of the Board shall not be liable to retire by rotation".*

Since the Company does not have any Managing Director Article 129 seems to be redundant, and hence proposed to be deleted.

The present Article 129 reads as follows :

"The Managing Director shall not be liable to retire by rotation so long as he holds office as a Managing Director"

None of the Directors except Dr. A. C. Muthiah, Chairman, Mr. Ar Rm Arun, Vice Chairman, and Mr. Ashwin C Muthiah are interested in the above resolution.



**Item 6****Appointment of Mr. Ashwin C Muthiah as Director of the Company**

Mr. Ashwin C Muthiah, was co-opted as an Additional Director of the Company at the Board Meeting held on Apr 26, 2007, and will hold office only up to the date of the forthcoming Annual General Meeting. Mr. Ashwin C Muthiah has also filed his consent to act as Director, if appointed, as required under Section 264 (1) of the Companies Act, 1956.

A notice has been received from a member as per Section 257 of the Companies Act, 1956, along with the prescribed fee of Rs.500/- proposing the candidature of Mr. Ashwin C Muthiah, as a Director of the Company liable to retire by rotation. A resolution seeking his appointment as Director is being placed before the Shareholders for approval.

The Board commends the election of Mr. Ashwin C Muthiah as a Director liable to retire by rotation, for the approval of the Shareholders

None of the Directors of the Company except Dr. A. C. Muthiah, Chairman, Mr. Ar Rm Arun, Vice Chairman and Mr. Ashwin C Muthiah is concerned or interested in the resolution.

**Item 7****Appointment of Mr. N. Sivashanmugam as Director of the Company**

Mr. N. Sivashanmugam, was co-opted as an Additional Director of the Company at the Board Meeting held on Jul 31, 2006, and will hold office only up to the date of the forthcoming Annual General Meeting. Mr. N. Sivashanmugam has also filed his consent to act as Director, if appointed, as required under Section 264 (1) of the Companies Act, 1956.

A notice has been received from a member as per Section 257 of the Companies Act, 1956, along with the prescribed fee of Rs.500/- proposing the candidature of Mr. N. Sivashanmugam, as a Director of the Company liable to retire by rotation. A resolution seeking his appointment as Director is being placed before the Shareholders for approval.

The Board commends the election of Mr. N. Sivashanmugam as a Director liable to retire by rotation, for the approval of the Shareholders

None of the Directors of the Company except Mr. N. Sivashanmugam is concerned or interested in the resolution.

**Item 8****Appointment of Mr. N. Sivashanmugam, Director as the Whole time Director and Chief Financial Officer of the Company.**

Mr. N. Sivashanmugam, Director was appointed as Whole time Director and Chief Financial Officer of the Company at its meeting held on July 31, 2006 for a period of 3 years with effect from the date of his joining. Accordingly he assumed the office on Dec, 6, 2006.

Since he is a Non Resident Indian, Central Government approval was sought for by the Company and was also obtained as per the provisions of Section 269 read with Schedule XIII of the Companies Act, 1956.

The above provisions require shareholders approval and accordingly the Board commends this resolution to the shareholders for their approval. The agreement entered into with Mr. N. Sivashanmugam is available for inspection by the members of the Company at the Registered Office of the Company and can be inspected by the members during office hours.

Except Mr. N. Sivashanmugam, no other Director of the Company is any way concerned with or interested in the resolution at item no.8, 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 9****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 six years. In the areas of market development and improving the financial performance of the Company, his services have substantially improved the Company's strength.

Shareholders also may be aware that at their 20<sup>th</sup> Annual General Meeting held on Jul 29, 2005 approved for payment of 1% of commission on the net profits of the Company. But due to deficit in profit calculated as per the provisions of the Companies Act, 1956 this amount was not paid to Mr. Ar Rm Arun, till date.

With the potential for the growth available for 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, it is felt necessary to suitably remunerate him.

Based on the recommendations of the Remuneration Committee, Board of Directors at its meeting held on April 26, 2006, 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 2007-08, 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 No.9 for approval of the Shareholders.

(By order of the Board)  
For SPEL Semiconductor Limited

Chennai  
Apr 26, 2007

S. S. Arunachalam  
Head Corporate Affairs  
& Company Secretary



## Directors' Report

Your Directors have great pleasure in presenting the 22<sup>nd</sup> Annual Report of the Company together with the Audited Accounts for the year ended Mar 31, 2007.

### SPEL performance during the year

The performance of your Company for the year has improved manifold. The Board of Directors of the Company is happy to announce that entire accumulated losses of the Company have been wiped off during the first half of FY 2006-07.

During the year under review, your Company has been chosen by the global Customers for their strategic investments. Management is cashing on this opportunity to rope in more Customers under this plan of operation. This will not only ease your Company's funding requirements, but will also make the Customer committed for volumes.

During the year under review, Hon. Finance Minister, Mr. P. Chidambaram, inaugurated your Company's launch of a new Leadless Molded package (LMP). This is a niche package and will generate higher revenue and PAT. This package will go into applications where size, weight, and performance matters and has a good market potential. Towards the end of the year under review your Company has successfully obtained a Term Loan from IOB to the tune of Rs.17 Crores.

Your Company has applied to Central Government for formal approval to establish the Special Economic Zone after getting the State Government's approval. Your Company is looking at various options of establishing SEZ including, collocating some of the outside Companies, whereby optimal benefit and its vision is achieved. SEZ will be a revenue generator to the Company. SEZ will accommodate some of the Companies who have expertise in high end packages. This will not only complement your Company's activities but will also address logistics and eco system part of the industry.

### Operational Performance

#### A. Resource Conservation

New high speed, energy efficient machines were installed and used.

Benefits: Energy consumption has been reduced in the below given machines as follows:

#### B. Waste Minimization - Manufacturing

New packages like Thin Dual Leadless Molded Package (TDLMP) and Thin Quad Leadless Molded Package (TQLMP) were introduced.

Benefits : The package size is 50% less than the existing package and hence consumption and wastage of molding compound, plating chemicals are also 50% less than the existing packages.

#### C. Introduction of Matrix lead frame.

Benefits : In molding, compound wastage is mainly due to the length of runner path and Cull thickness. With the introduction of matrix leadframe with Multi gang pot molding, 30% of compound wastage has been minimized.

#### D Pollution prevention - Manufacturing

##### 1. Laser Marking System

This Laser Mark system has replaced the pad type ink marking. Odour due to ink and solvents are also completely eliminated.

##### 2. Meco Strip Plating

This plating line is dedicated to 100% Tin plating and hence usage of lead and related chemicals are minimized.

##### 3. Complete switch over to green packages in a phased manner

##### 4. Proposals

a. New cooling coil - by installing this A/C plant load can be reduced.

b. Two stage R.O plant for Effluent recycled water.

c. New anti-Scalant chemical for RO feed water. This will avoid the usage of soft water input to RO plant and thereby reducing the softener reject water.

d. Ultra Thin Leadless Molded Package will be introduced.

e. Wind Mill

f. Bio gas

i. By installing bio gas plant for canteen the usage of gas cylinder can be minimized and the canteen kitchen waste to be reduced.

ii. Also the power consumption for the water heater can be reduced

iii. By installing biogas plant Power will be Saved/month -  $2 \times 3\text{kw} \times 8\text{hrs} \times 30$  -1439kwh

g. Dry type cooling tower for DG

h. Rain water harvesting & flat membrane for recycling the dicing treated water

i. Air cooled Air compressor