

SPEL



SPEL Semiconductor Limited
an IC Assembly & Test Company



Values based Growth

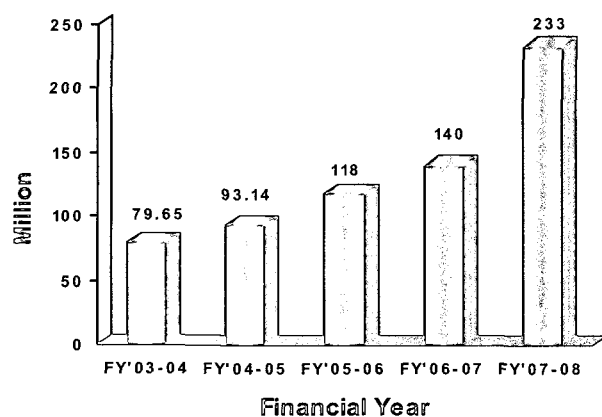
23rd Annual Report
2007 - 08



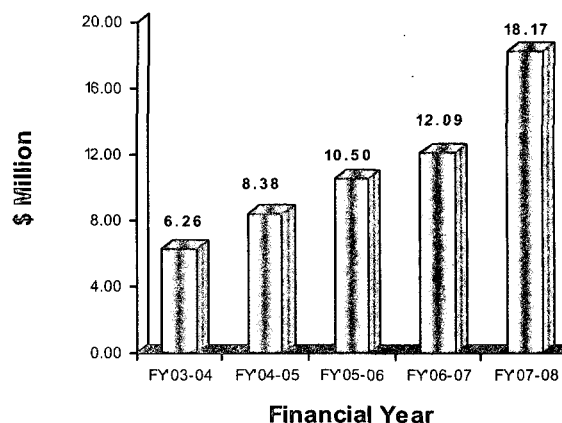
Previous 5 years performance

(Rs. in million)

	2007-08	2006-07	2005-06	2004-05	2003-04
Sales	728.14	539.97	462.85	363.69	259.26
Operating Profit	197.78	120.87	92.44	43.32	42.27
OTS Benefit	-	-	31.47	38.58	14.03
PBIDT	197.78	120.87	123.91	81.90	56.30
Interest	27.90	14.58	12.26	16.12	23.88
PBDT	169.88	106.29	111.65	65.78	32.42
Depreciation	60.67	42.62	38.15	39.01	22.54
PBT and prior period items	109.21	63.67	73.50	26.77	9.88
Tax / Deferred Tax	36.10	24.55	15.41	12.07	5.58
PAT	73.11	39.12	58.09	14.70	4.30
Prior Period Expenditure	-	-	-	-	-
Net Profit	73.11	39.12	58.09	14.70	4.30



SPEL Volume Growth



SPEL Revenue Growth



SPEL Semiconductor Limited

Board of Directors

- | | |
|-----------------------------|-------------------------|
| 1. Dr. A. C. Muthiah | Chairman |
| 2. Mr. Ar Rm Arun | Vice Chairman |
| 3. Mr. S. R. 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

5 CMDA Industrial Estate,
Maraimalai Nagar (MM Nagar) (Chennai) 603 209, 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. Allahabad Bank
3. Canara 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 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

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

SPEL[®]

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SPEL

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Notice to Members

Notice is hereby given that the 23rd Annual General Meeting of the Members of SPEL Semiconductor Limited will be held at 3.30 pm on Monday, July 28, 2008, 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, 2008 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. Besant C. Raj, Director who retires by rotation and being eligible, offers himself for re-election.
3. To elect a Director in the place of Mr. S.R.Vijayakar, 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 24th Annual General Meeting on a remuneration of Rs. 1,50,000/- plus out of pocket expenses."

Special Business

5. **Revision in terms of remuneration of Mr. N. Sivashanmugam, Whole time Director and Chief Financial Officer.**

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

"Resolved that in partial modification of its earlier resolution passed by the Board of Directors at its meeting held on Jul 31, 2006 and as approved by the Shareholders at their meeting held on July 30, 2007, and pursuant to the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, read with schedule XIII of the Companies Act, 1956, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force, approval of the Shareholders be and is hereby granted for the increase in remuneration and perquisites, totaling to Rs. 26.10 Lakhs as cost to the Company, payable to Mr. N. Sivashanmugam, Chief Financial Officer & Whole time Director, as detailed hereunder during the remaining terms of his office commencing from April 1, 2008 till the expiry of his present term of office on December 2009"

Remuneration	Per annum
Basic salary	: Rs.6,60,000/-
Special Allowance	: Rs.6,96,684/-
CCA	: Rs.33,000/-
Company performance linked incentive	: payable on monthly basis to the extent of Rs.18,731/- which will be apportioned on the prorata basis of sales revenue exceeding \$ 1.7 Million. In addition bonus will be paid as per the rules of the Company, subject to a limit of Rs.1,50,000/- pa.
Annual Perquisites	: This will be in addition to the above.
a. HRA	: Rs. 3,00,000/-

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

Other Annual benefits : This will be in addition to the above.

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

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 during the term of his office with effect from FY 2008-09."

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 22, 2008 to Jul 28, 2008 (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, Subramanian 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.
12. As the Members are aware that Registered Office of the company was shifted to Factory Premises at 5 CMDA Industrial Estate, Maraimalai Nagar (near Chennai) during the year, Members are requested to take note that Company is conducting Annual General Meeting at Registered Office at the above address pursuant to Section 166 of the Companies Act, 1956.

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

Revision in terms of remuneration of Mr. N. Sivashanmugam, Whole time Director and Chief Financial Officer.

The Shareholders of the Company at the 22nd Annual General Meeting held on Jul 30, 2007 approved the appointment of Mr. N. Sivashanmugam, as Chief Financial Officer and Whole time Director for a period of 3 years commencing from Dec 6, 2006 and had also approved the remuneration payable to him. Further, his terms of remuneration was revised at the Board Meeting held on Mar 24, 2008 on the recommendation of the Remuneration and Compensation Committee, which it had decided, at its meeting held on Mar 24, 2008.

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 may be aware that the Semiconductor industry is in an up trend and the Company's performance during the previous year as is evident from the results put forth.

In view of the above, it is thought fit to consider an upward variation in terms and conditions of his appointment and a revision in his salary and other emoluments. Further, the terms of appointment of Mr. N. Sivashanmugam, were also considered and approved by the Remuneration and Compensation Committee at their meeting held on Mar 24, 2008, based on which the Board of Directors at its meeting passed a resolution to increase the remuneration with effect from Apr 1, 2008.

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

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

Item 6

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 six years. In the areas of market development and improving the financial performance of the Company, his services have improved substantially the Company's strength.

Shareholders also may be aware that at their 22nd Annual General Meeting held on Jul 30, 2007 approved for payment of 3% of commission on the net profits of the Company subject to the approval of the Central Government. The Company had subsequently obtained the approval of Central Government vide its letter No.12/883/2007-CL.VII dated 19.2.08. The amount 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 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 Jun 20, 2008, 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 2008 -09, subject to the approval of the Central Government.

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

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

(By order of the Board)
For SPEL Semiconductor Limited

MM Nagar
Jun 20, 2008

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary



Directors' Report

Your Directors have great pleasure in presenting the 23rd Annual Report of the Company together with the Audited Accounts for the year ended Mar 31, 2008.

Global and Indian Industry scenario

The worldwide market for Semiconductor Assembly and Test Services (SATS) grew for the sixth consecutive year in 2007 and the SATS market continued to outpace the overall semiconductor market by more than 50% and also the overall semiconductor revenue grew by 2.9% in 2007, according to preliminary results by Gartner Research.

Packaging, assembly and test services have become important in the total semiconductor industry because a growing percentage of the total industry revenue is now attributed to this segment.

Although the general economy is weak, the bulls and bears are in surprising harmony when it comes to predicting the prospects for the global semiconductor industry in 2008. True to recent form, U.K.-based market analysis firm, Future Horizons, is among the more bullish with estimates of 10-percent unit growth and 12-percent growth in dollar terms.

With the major drivers for semiconductor demand remaining strong in 2007, namely PCs, mobile handsets, and consumer electronics, global sales of semiconductors grew for the sixth consecutive year and reached a record \$255.6 billion in 2007, up 3.2% from \$247.7 billion in 2006. According to the Semiconductor Industry Association (SIA), Total industry sales, excluding memory products, were up by 4.5% year-over-year.

Rapidly declining prices coupled with increases in performance and functionality provides consumers with additional computing power at lower prices resulting in higher productivity. In conclusion, the past year was another good year for the global semiconductor industry.

SPEL performance during the year

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

The performance of your Company for the year has improved multifold. Board of Directors of the Company is happy to announce that profitability has significantly improved this year over the previous year.

Management continued its efforts to rope in more customers this year also as in previous years. During the year in spite of rupee exchange variation, reasonable margins were maintained along with increased revenues.

During this year, Your Company has taken steps to set up Windmill to generate power for captive consumption, in order to enable the company to reduce the power cost and to carry on the business more economically and efficiently. Company has also been implementing various suggestions on Cost reduction during the year.

Your Company has obtained Central Government formal approval to establish the Special Economic Zone during the year. The Board at its meeting held on Jun 20, 2008, has decided to withdraw the SEZ, since the co-developers are not in a position to proceed further.

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

Operational Performance

A. Resource Conservation

Water

Recycling water by installing Two-stage RO plant at ETP. At present 15 KL water is reused. Dicing treatment plant efficiency is enhanced to recycle 25 KL quantity of water. Hence ground water off take of 90 KL is reduced.

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

Power

1. Energy efficient Vacuum pump is commissioned thereby 1.8KW/hr is saved.
2. 400units per month minimized by replacing copper choke with electronic choke.
3. Energy efficient Condenser water pump installed and 13KW/hr is saved.

Proposal

Wind mill - 50 % of the utilization power from the proposed wind mill.

B. Waste Minimization

1. RO reject water is using for domestic purpose there by water is saved.
2. Additional Two stage RO provided for DI plant to reduce the CA regeneration.
3. New anti - Scalant chemical is using for RO feed water and avoided the usage of soft water input to RO plant and thereby reduced the softener reject water.

C. Pollution prevention

1. Wet Scrubber provided for electroplating section.
2. Solar evaporation Pond area increased to cater the effluent from ETP



Financial Performance

The Operating results of your Company for the year ended Mar 31, 2008 are given below

(Rs. in million)

Particulars	Year ended Mar 31, 2008	Year ended Mar 31, 2007
Sales	728.14	539.97
Other Income	36.68	11.95
PEIDT	197.78	120.87
Interest	27.90	14.58
Depreciation	60.67	42.62
Profit before Taxation	109.21	63.67
Tax / Deferred Tax	36.10	24.55
Profit after Taxation	73.11	39.12

Sales of your Company for current year has increased by 35% over sales of previous year and Profit after tax of the company has increased by 87% over revenue of the previous year. The increased expenditure on manpower, power, marketing expenses, other overheads that were necessitated due to operational growth, have partially offset the higher contribution. All the package lines of company are in good demand and are expected to increase the contribution in future years.

Dividend

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

You may also be aware that your Company is committed for a big leap in future years to cater to the demands of the industry. This will envisage the following :

- Expanding the existing package lines and introducing new packages which will generate more revenue.
- The above expansion will also envisage increase in power cost which would strain the cash flow position of the Company. The Board, as an alternative to the increasing energy cost and to motivate generation of green power, decided to establish Wind Turbine Generators which will provide electricity to support a portion of our power requirement.

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

Fixed Deposits

The total amount of deposits outstanding as on Mar 31, 2008 was Rs. 1.5 Crores and is not overdue for repayment.

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 1,81,77,547 shares (39.42% 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. S. R. Vijayakar and Dr. A. Besant C'Raj are the directors retiring at the ensuing annual general meeting. As both are being eligible, offering themselves for reappointment. A brief profile of both director are provided as follows :

Mr. S. R. Vijayakar holds an Honours Degree in Electrical and Mechanical Engineering. After two years experience in the U.K. in the power industry he worked with the Ahmedabad Electricity Company till 1967. Thereafter, he worked with the Electronics Corporation of India Limited under the Department of Atomic Energy, Culminating as its Chairman and Managing Director till 1984. He was appointed as Secretary, Department of Electronics, Government of India until he got retired in 1986. Post retirement he was Chairman of MELTRON, Government of Maharashtra and was associated with several companies. Currently he is also on the Board of TVS Electronics and Surana Telecom. He is a member of SPEL Board's Remuneration and Compensation Committee.

Dr. A. Besant C. Raj is an MBA from the Indian Institute of Management, Ahmedabad (First Batch). He also holds a doctoral degree in Business Administration from the Harvard Business School, Harvard University, USA. He has a Master's degree in Philosophy from Madras University and a Master's degree in Psychology from Banaras Hindu University. He is the founder Chairman of the Institute of Chartered Financial Analysts of India (ICFAI), Hyderabad. He is closely associated with development of several educational institutions. He has held various senior positions in the Government of India. He is the Chairman of SPEL Board's Audit Committee and a Member of SPEL Board's Securities Transfer & Investors Grievances Committee (STIGC).

Directors' Responsibility Statement

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

- That in the preparation of the annual accounts for the year ended Mar 31, 2008 the applicable Accounting Standards had been followed along with proper explanation relating to material departures
- That the Directors had selected such accounting policies and applied them consistently and made judgment and