SPEL Semiconductor Limited

an IC Assembly & Test Company



27th Annual Report
2011 - 12

Defining The Future Through Partnerships

SPEL Semiconductor Limited

Board of Directors	1. Dr. A. C. Muthiah	Chairman
	2. Mr. Ar Rm Arun	Director
	3. Mr. S. R. Vijayakar	Director
	4. Dr. A. Besant C. Raj	Director
	5. Dr. T. S. Vijayaraghavan	Director
	6. Mr. N. Sivashanmugam	Whole Time Director
Chief Executive Officer	Mr. D. Balakrishnan	
Head Corporate Affairs & Company Secretary	Mr. S. S. Arunachalam	
Auditors	Natarajan & Co., 2/342 II Street , Kandaswamy Nagar, Palavakkam, Chennai 600 041.	
Registered Office & Factory	5 CMDA Industrial Estate, MM Nagar (Chennai) 603 209, India.	
US Office	3120 De La Cruz Blvd., Suite # 107, Santa Clara, CA 95054, USA	
Bankers	1. Indian Overseas Bank 2. Allahabad Bank	
Registrar & Share Transfer Agents	Cameo Corporate Services Limited, Subramanian Building, V Floor, 1 Club House Road, Chennai 600 002. Tel : (044) 2846 0390 Fax : (044) 2846 0129	

Vision

*To Be the **Natural Destination** for Global Customers Seeking*

Cost-Effective Offshore Turnkey IC Assembly & Test Services

Mission

SPEL Semiconductor Limited, an IC Assembly &

Test Subcontractor for over 20 years, works as one team

to achieve Zero defect, Just-in-time, Cost-effective solutions

with Service that is uncompromised

SPEL's Partners - Customers, Suppliers,
Employees & Shareholders are confident in the
knowledge that we are consistently meeting and
exceeding their expectations

Quality Policy

Consistently provide products and services that will exceed

the quality expectations of our Customers

Implement process improvement programs, which will enable each

*Employee to do their job, **right the first time***

Work towards continual quality improvement through

training and teamwork

Environment Policy

SPEL Semiconductor Limited is a leading Semiconductor Assembly & Test facility providing high quality Integrated Circuits Packing solutions and has the following policy for environmental care

Nurture the nature by complying with accepted environmental practices in all our activities, with the following guiding objectives

Gearing up for continual improvement with our Environmental Management System and reviewing it periodically

Respecting and being committed to meet and exceed legal and other requirements

Emphasizing the minimization of significant impacts, wastes and pollution prevention

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

Notifying this policy to all Stakeholders

Previous 5 years performance (Rs. in lakhs)

	2011-12	2010-11	2009-10	2008-09	2007-08
Sales	7978.63	9146.24	8716.00	8100.26	7281.33
PBIDT	1255.57	1828.28	1962.55	2115.28	1977.77
Interest	239.69	173.25	214.57	323.98	278.96
PBDT	1015.68	1655.03	1747.98	1791.30	1698.81
Depreciation	937.93	881.34	818.45	830.45	606.71
PBT and prior period items	77.75	773.69	929.53	960.85	1092.10
Tax / Deffered Tax	20.81	320.71	318.69	337.31	361.03
PAT	56.94	452.98	610.84	623.54	731.07
Net Profit	56.94	452.98	610.84	623.54	731.07

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Notice to Members

Notice is hereby given that the 27th Annual General Meeting of the Members of SPEL Semiconductor Limited will be held at 4.00 pm on Monday, Jul 30, 2012 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, 2012 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.

2 To elect a Director in the place of Mr. Ar Rm Arun, Director who retires by rotation and being eligible, offers himself for re-election.

3 To elect a Director in the place of Dr. T. S. Vijayaraghavan, 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 28th Annual General Meeting on a remuneration of ₹ 1,50,000/- including out of pocket expenses."

Special Business

5. To consider extension of term of office and payment of remuneration to Mr. N. Sivashanmugam, Whole Time Director

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, subject to the Shareholder's approval, the term of office of Mr. N. Sivashanmugam as a Whole time Director be and is hereby extended from Apr 1, 2013 to Jul 31, 2013"

"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 Shareholders, approval of the Company be and is hereby granted for paying the following remuneration to Mr. N. Sivashanmugam, as Whole time Director, with effect from Aug 1, 2012 to Jul 31, 2013 on the following terms and conditions and as per the terms of the agreement entered into between the Company and Mr. N. Sivashanmugam. The cost to Company will be ₹ 31 lakhs p.a., of which ₹ 18 lakhs p.a. will be performance based incentive. Following are the breakup of fixed remuneration.

Fixed Remuneration

a. Basic salary	:	₹ 6,60,000 /- p.a (Rupees six lakhs sixty thousand only)
b. Special Allowance	:	₹ 1,29,000/- p.a (Rupees One Lakh Twenty nine thousand only)

Perquisites

a. Conveyance Reimbursement	:	At actual subject to a maximum of ₹ 5,04,000/- p.a including chauffer for official purpose.
b. Medical Reimbursement	:	₹ 15,000/- p.a

Other benefits

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 ₹ 12,000/- p.a.

"Resolved further that Mr. S. S. Arunachalam, Head Corporate Affairs & Company Secretary be and is hereby authorized to do such acts, to sign and file the necessary documents with statutory authorities."

(By order of the Board)
For SPEL Semiconductor Limited

Place : Chennai
Date : Apr 25, 2012

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

Notes

1. Explanatory Statement of material facts pursuant to Section 173(2) of the Companies Act, 1956 for item No.5 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 307of 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 20, 2012 to Jul 30, 2012 (both days inclusive).
6. For shares held in physical form, any change in address may be intimated immediately to the Company / Share Transfer Agent by quoting the Folio Number(s). For shares held in demat form, change in address may be intimated directly to the Members' DP.
7. Members are requested to address all correspondences to the Registrar and Share Transfer Agent, Cameo Corporate Services Limited, Subramaniam Building, 1 Club House Road, Chennai 600 002.
8. Members seeking any information with regard to accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
9. Investors may simultaneously opt for dematerialisation at the time of lodging their shares for transfer. For further details, Investors may write to the Company / Share Transfer Agent.
10. Members are requested to consolidate multiple share certificates / multiple folios into one share certificate / one folio to save on the cost of dematerializing their shareholdings.
11. Members are advised that the copies of the Annual Report will NOT be distributed at the venue of the AGM and hence they are advised to bring their copies of the Annual Report, which are mailed by the Company to them at their registered address.

Inspection of documents

All material documents relating to the aforesaid items of the Agenda of the Notice are available for inspection by the Members at the Registered Office of the Company on any working day between 11.00 am and 1.00 pm prior to the date of the Meeting.

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

Item 5

To consider extension of term of office and payment of remuneration to Mr. N. Sivashanmugam, Whole Time Director

The Shareholders of the Company at the 26th Annual General Meeting held on Jul 27, 2011 approved the appointment of Mr. N. Sivashanmugam, as Whole time Director for a period commencing from Apr 1, 2012 to Mar 2013 and had also approved the remuneration payable to him.

Considering the contribution made by Mr. N. Sivashanmugam, Whole time Director, the Board at its meeting held on Apr 25, 2012 considered the extension of his term of the office from April 1, 2013 to Jul 31, 2013 and also decided the terms of remuneration from Aug 1, 2012 to Jul 31, 2013 on the recommendation of the Remuneration and Compensation Committee, which it had decided, at its meeting held on Apr 25, 2012

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.

The Board recommends the resolution set forth in Item No. 5 for approval of the Shareholders.

(By order of the Board)
For SPEL Semiconductor Limited

Place : Chennai
Date : Apr 25, 2012

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

Directors' Report

Your Directors hereby present the 27th Annual Report of the Company together with the Audited Accounts for the year ended Mar 31, 2012.

Semiconductor - Global & Indian scenario

Global Scenario: The Semiconductor industry grew by less than 1% in 2011 despite weak global economic scenario and natural disasters that affected production in Asia. The Semiconductor Industry Association (SIA) projected that the industry's worldwide sales will hit $301 billion in 2012 – a 0.4% increase over 2011 sales of $299.50 billion. Beyond 2012, the industry is expected to grow at a significantly faster pace across all regions, Prediction is for a 7.2% growth for 2013 ($322 billion in total sales) and 4.4% growth for 2014 ($337 billion).

The PC shipments have crossed the 89 million mark globally in the Q1 CY 2012, showing a growth of a 1.9% over shipments 87 million in the same quarter last year. As per Gartner, a research agency, these results have exceeded their earlier projections of a 1.2% decline for the quarter. Also the Mobile phone production is expected to grow 6.7% with semiconductor revenue for mobile phones totaling $57.2 billion in 2012.

Indian Scenario: The national policy on Electronics will have an impact across the board and present several new opportunities. The demand for electronics goods in the country in 2011-12 stood at $69.6 billion, with less than half of this sourced locally. With studies pegging the demand at $400 billion and local production at $100 billion by 2020, the country is expected to import goods and components worth $300 billion.

This year will be characterized by opportunities and challenges. The policy if implemented has the potential to be a game changer with far reaching consequences for all of us. This policy will address the huge gap between locally produced electronics and the demand for it. Notwithstanding a weak global economic environment the industry expects boost in demand following the Government of India's decision to connect 2.5 lakh villages with broad band facilities during 2012. Roll out of the National knowledge network project would also be crucial for the industry. Consumer, Industrial and medical segment is also expected to do significantly well during this year.

Forecast for 2012 by segment: The communication segment forecast calls for the strongest semiconductor growth in 2012-13 as it will have 5.5% growth followed by computing industry 4.2% growth.

From an application perspective, smart phones, mobile PCs and tablets will fuel semiconductor growth through 2014. Total smartphone shipments will reach 659.8 million units in 2012-13, up 33.5% from the 494.2 million units shipped in 2011. Gartner estimates that semiconductor revenue from tablets will grow from $2.4 billion in 2010 to $17.8 billion in 2014. India and Brazil are estimated to be in the top five countries in smart phone usage and sales.

In the PC market, consumer PC purchases grown to 1.8% in 2011 as per International Data Corporation and expected to grow 5% in 2012 and 9.5% in 2013. However, some of this slowdown is being made up for by stronger-than-expected sales of tablets. Revenue for other PC semiconductor components, including CPUs, will increase.

The outlook for mobile phone production has improved. Overall semiconductor revenue from mobile phones is on pace to total $51.85 billion in 2011. In 2012, worldwide semiconductor revenue from mobile phones is projected to reach $57.31 billion, a 10.5% increase from 2011.

SPEL performance during the year

Your Company continues still to be 1st & only Semiconductor IC assembly & Test production facility. It is continuously maintaining this position despite the market fluctuations and other external factors. SPEL continues to be a trusted & strategic contract manufacturing partner for many of the world's leading Semiconductor companies.

Your Company faced various challenges during the current financial year and it was addressed efficiently. In the process it also addressed (a) Production bottlenecks to improve productivity (b) Modernization of equipment for enhanced product mix and (c) equipping itself for future expansions. This would enable SPEL to address increased outsourcing from present & potential Customers in future. Due to these pro-active approaches, SPEL had effectively handled the pricing pressures that resulted from the recession and emerged with reduced impact.

Cause of concern

a. The change in Customer loading pattern, i.e. increase in low pin-count packages volumes in place of higher pin-count packages has affected optimum utilization of operating capacity.

b. Increased QFN / DFN packages loading at the expense of leaded packages have resulted in skewed capacity utilization creating bottlenecks in certain areas.

c. SPEL has to respond to critical Customer's requirement for future growth. They are very high volumes and low Average Selling Price (ASP) products. These requirements can be met only if continuous investments are made in certain Assembly and Test Equipment

d. Imposed power restrictions resulted in increased diesel consumption which contributed to reduction in PAT during the year.

How addressed: The Management with its strong commitment and extensive support from its Employees, Suppliers & Customers, maintained its position, despite the Global Slowdown and Economic Crisis in Europe. Investments were made to address the vital requirements of operation with Bank's assistance. Your Company is also sourcing alternate power solutions to combat ever increasing power cost.