



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. A. Besant C. Raj | Director |
| 5. Dr. T. S. Vijayaraghavan | Director |
| 6. Dr. A. Ramakrishna | Director |
| 7. Mr. Ashwin C Muthiah | Director |
| 8. Mr. N. Sivashanmugam | Whole-time Director |

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.

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, recycling and reusing waste and packing

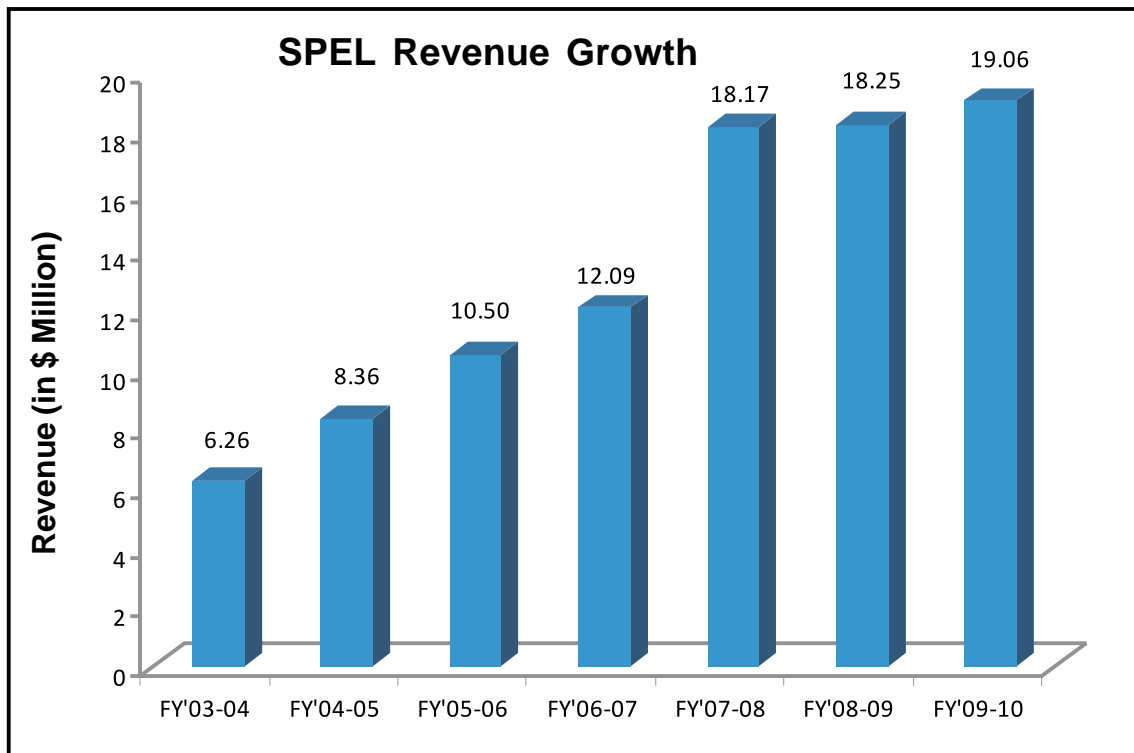
Notifying this policy to all Stakeholders



Previous 5 years performance

(Rs. in lakhs)

	2009-10	2008-09	2007-08	2006-07	2005-06
Sales	8716.00	8100.26	7281.33	5399.67	4628.54
Operating Profit	1962.55	2115.28	1977.77	1208.66	924.43
OTS Benefit	-	-	-	-	314.69
PBIDT	1962.55	2115.28	1977.77	1208.66	1239.12
Interest	214.57	323.98	278.96	145.77	122.58
PBDT	1747.98	1791.30	1698.81	1062.89	1116.54
Depreciation	818.45	830.45	606.71	426.23	381.49
PBT and prior period items	929.53	960.85	1092.10	636.66	735.05
Tax / Deffered Tax	318.69	337.31	361.03	245.48	154.14
PAT	610.84	623.54	731.07	391.18	580.91
Prior Period Expenditure	-	-	-	-	-
Net Profit	610.84	623.54	731.07	391.18	580.91



Contents

No.	Description	Page
1.	Notice of 25th Annual General Meeting	6
2.	Directors' Report	8
3.	Management Discussion & Analysis	11
4.	Report on Corporate Governance`	16
5.	Report of the Auditors	23
6.	Balance Sheet	26
7.	Profit & Loss Account	27
8.	Schedules	28
9.	Notes on Accounts	32
10.	Abstract of Balance Sheet & Business Profile	38
11.	Cash Flow Statement	39
12.	Consolidated Financial Statements	42



Notice to Members

Notice is hereby given that the 25th Annual General Meeting of the Members of SPEL Semiconductor Limited will be held at 2.45 pm on Friday, Jul 30, 2010, 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, 2010 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. Ashwin C. Muthiah, Director who retires by rotation and being eligible, offers himself for re-election.
3. To elect a Director in the place of Mr. N. Sivashanmugam, Whole Time 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 26th Annual General Meeting on a remuneration of Rs.1,50,000/- inclusive of out of pocket expenses.”

Special Business

5. **To vary the terms and conditions of appointment of Mr. N. Sivashanmugam, Director (Whole-time)**

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 paying the following remuneration to Mr. N. Sivashanmugam, as Director (Whole Time), with effect from July 1, 2010 to July 30, 2011 on the following terms and conditions 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 May 3, 2010. The cost to Company will be Rs.30 lakhs p.a., of which Rs.12 lakhs p.a. will be performance based incentive. Following are the breakup of salary.

Remuneration :

- a. Basic salary : Rs. 6,60,000/- p.a (Rupees Six lakhs and sixty thousand only)
- b. Special Allowance : Rs.81,000/- p.a (Rupees Eighty one thousand only)
- c. Variable pay : Rs.6,00,000/- p.a (Rupees Six lakhs only) on a prorata basis as per the internal rules of the Company applicable to other Employees, depending on the sales revenue achieved.

- d. Performance linked incentive : 0.1% on arranging the debt funding to the Company, not exceeding Rs.12,00,000/- p.a (Rupees Twelve lakhs only).

Perquisites : This will be in addition to the above.

- a. Conveyance Reimbursement : At actual subject to a maximum of Rs.3,18,000/- p.a including chauffeur for official purpose.

- b. Medical Reimbursement : As per the rules of the Company

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.12,000/- pa.

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

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 for the period of 3 years from FY 2010-11 to FY 2012-2013.”

(By order of the Board)
For SPEL Semiconductor Limited

MM Nagar
May 3, 2010

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 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 23, 2010 to Jul 30, 2010 (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 vary the terms and conditions of appointment of Mr. N. Sivashanmugam, Director (Whole-time)

The Shareholders of the Company at their 24th Annual General Meeting held on Jul 31, 2009 approved appointment of Mr. N. Sivashanmugam as Chief Financial Officer & Whole time Director for a period of 3 years from Dec 6, 2009 to Mar 31, 2012.

However due to various reasons Mr. N. Sivashanmugam requested the Board that he was not in a position to continue as the Chief Finance Officer of the Company. The Board had also considered the same at its meeting held on Apr 5, 2010. However he continues to occupy the position of the Director (Whole Time). Member will agree that under his able and matured guidance, the Company is now on a growth path and is poised for a steady growth. The Members may be aware that the Semiconductor Industry is experiencing the revival path and hence need for funding the continuous expansion is imperative.

In view of the above, it is thought fit to consider extension of term of office varying in terms and conditions of his appointment at revised salary. Further, the terms of appointment of Mr. N. Sivashanmugam were also considered and approved by

the Remuneration and Compensation Committee (RCC) at their Meeting held on Apr 5, 2010, based on which the Board of Directors at its meeting held on May 3, 2010 passed a resolution revising his terms of appointment. Based on the recommendations of the RCC the Board at its Meeting passed a resolution varying the term of office of the Whole time Director.

Except Mr. N. Sivashanmugam, no other Directors of the Company is in any way concerned 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. Sivashanugam 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 nine years. In the areas of market development and improving the financial performance of the Company, his services have improved the Company's strength substantially.

Shareholders also may be aware that at their 24th Annual General Meeting held on Jul 31, 2009 approved for payment of 3% of commission on the net profits of the Company subject to the approval of the Central Government. The amount to be 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 future potential growth available in 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 and his contribution to overall, it is felt necessary to suitably remunerate him.

Based on the recommendations of the Remuneration & Compensation Committee held on Apr 5, 2010, Board of Directors at its meeting held on May 3, 2010, 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 for the period of 3 years from FY 2010 -11 to FY 2012-13, 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

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

MM Nagar
May 3, 2010



Directors' Report

Your Directors have great pleasure in presenting the 25th Annual Report of the Company together with the Audited Accounts for the year ended Mar 31, 2010. Your Company is celebrating its Silver Jubilee during this year with the support & encouragement from all its Stakeholders.

Global and Indian Industry scenario

While the worst is definitely over, 2009 will probably be known as one of the steepest revenue declines in Semiconductor history due to a drop in orders. The official Semiconductor recession however started with the Q4 2008 financial reports, but could be seen even earlier in the year with failing forecasts and bulging inventories. So realistically it was the Semiconductor debacle of 2008-09. Early part of FY 2009 has been very difficult to most of the Semiconductor companies; some of them haven't been able to handle the economics. Many others have realigned their market strategies and entered into strategic mergers to be able to weather the recession.

The global economic slowdown has severely impacted the Semiconductor industry leading to piling up of inventories and reduced capital expenditure. However in 2010 the Semiconductor market is expected to grow by 20% as per latest estimations by Gartner. Compared to last year, outlook for the Semiconductor industry appears to be healthier. In fact, the confidence level of most companies is quite similar to the level seen in 2007. Industry executives are very bullish on the future growth prospects of energy efficient and renewable products. In summary, while the Semiconductor industry is in a far better position entering 2010 than it was a year ago; the trajectory of the recovery is still unclear. In 2010 the Semiconductor industry will be back on track with revenue and shipments substantially greater than 2009. The mobile internet market will drive Semiconductors for the next decade with an incredible integration of electronic devices targeting the 6,792,600,000 consumers.

The impact of the global "Great Recession" was less severe in India. The country experienced a relatively muted and short-lived downturn. The year 2010 has brought in a lot of confidence to the Semiconductor industry and to the global economy as a whole. There are huge growth opportunities for the electronic industry in India, but there have been some missed opportunities in the past decade. So, while the future holds a lot of promise, we need to address existing challenges in infrastructure, taxation, supply chain and logistics, labour laws, R&D and funding

SPEL performance during the year

Your Company continues to be First & 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.

The Management with its strong commitment and extensive support from its Employees, Suppliers & Customers, has continued to maintain its position as Profit Making Company, despite the Global Slowdown and Economic Crisis.

Current year's performance was largely affected by foreign exchange fluctuation loss, lower pricing due to global recession. Management as an austerity measure introduced various cost saving measures including, Lean manufacturing, investments in Energy saving Equipments. SPEL appreciates its Employees commitment and complements them by assisting their growth to become future leaders. In spite of all the recessionary trends Stakeholders may appreciate the fact that SPEL stood up to the times and posted marginal increase in PAT.

Management is continuing its efforts to rope in more Customers this year, from APAC and European countries also. Your Company had invested in Capex to the tune of Rs.7.8 Crores during the year.

Financial Performance

The Operating results of your Company for the year ended Mar 31, 2010 are given below :

(Rs. In Lakhs)

Particulars	Year ended Mar 31, 2010	Year ended Mar 31, 2009
Sales	8,716.0	8,100.2
Other Income	149.1	222.2
PBIDT	1,962.5	2,115.3
Interest	214.5	323.9
Depreciation	818.4	830.5
Profit before Taxation	929.5	960.9
Tax / Deferred Tax	318.6	337.4
Profit after Taxation	610.8	623.5

Sales of your Company for current year have increased by 8% over the previous year. Increased expenditure on manpower, power, marketing expenses, other overheads, which were necessitated due to operational growth, had an impact on contribution. All the package lines of your Company are in good demand and are expected to increase the contribution in future years.

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

Dividend

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

As mentioned earlier the Company had invested in the Capex for Rs.7.8 Crores, from the internal generations. These investments had helped the Company in offsetting the falling ASP, and had assisted to improve the PE ratio. Your Company is keenly concentrating on creating cash reserves, as the need for this is increasing, as Customers wants to see this in place.

Your Company's above initiatives have assisted increasing 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 fixed deposits for the period were Rs.4 Crores.

Research & Development (R&D)

The Company has carved out an ambitious plan of investment in R&D. This will include investment in PIP and MODLIB. This will assist Company's revenue and profitability in the future years.



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 1,80,39,634 shares (39.12% 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. Ashwin C. Muthiah, Director and Mr. N. Sivashanmugam, Whole Time Director are the directors retiring at the ensuing annual general meeting. As both are being eligible, offering themselves for re-appointment. A brief profile of both directors is provided as follows:

Mr. Ashwin C. Muthiah

Mr. Ashwin C Muthiah holds a bachelor degree in Commerce from Madras University and a post graduate degree in Business Administration from Philadelphia University. He is an entrepreneur with business interests in Logistics, Trading and Shipping. He is Consul General Ad Honorem of the Republic of Philippines at Chennai.

In addition, he is the Chairman in Manali Petrochemical Limited, SICAL Distriparks Limited, SICAL Infra Assets Limited, SDB Certis CISCO India Limited and SICAL Logistics Limited. He is the Vice Chairman in PSA SICAL Terminals Limited, Southern Petrochemical Industries Corporation Limited and Technip India Limited. He holds Directorship in ACM Educational Foundation, ACM Medical Foundation, Indo-Jordan Chemicals Company Limited, MAC Spin Foundation, Mitsuba Sical India Limited, Tamilnadu Petroproducts Limited, Totalcomm Infra Services Private Limited and Tuticorin Alkali Chemicals and Fertilizers Limited. He is also the Chairman of Management Committee of Southern Petrochemical Industries Corporation Limited and Member of Remuneration Committee and Finance Committee of Southern Petrochemical Industries Corporation Limited. He is Chairman of Management Committee of SICAL and Member of Audit Committee of SICAL. He is the member of Share Transfer & Investors' Grievance Committee of Tamilnadu Petroproducts Limited.

Mr. N. Sivashanmugam

Mr. N. Sivashanmugam is a Chartered Accountant with 32 years background in Domestic and International Finance & Accounts. He has worked in Indo-Jordan Chemicals Company Ltd., in Amman,

Jordan as Asst. Managing Director – Finance since May 2000. In his earlier tenure, he had the experience of effectively handling large Company's Treasury, Banking, Insurance and Accounts. He also has good exposure in Project Finance.

In addition, he holds Directorship in Accuspeed Engineering Design Services Ltd. and a member of SPEL's Management Committee.

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 :

1. That in the preparation of the annual accounts for the year ended Mar 31, 2010 the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
2. That the Directors had selected such accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit or loss of your Company for the year under review.
3. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. That the Directors had prepared the accounts for the year ended Mar 31, 2010 on a 'going concern' basis.

Corporate Governance

Your Company is committed to the standards of Corporate Governance and in this direction has laid down well documented internal policies, procedures including Board and Committee procedures and practices in particular relation with Shareholders, Customers, Suppliers and Employees in order to enhance the long-term Shareholder value and maximize interest of all Stakeholders.

Your Company has complied with the provisions of Clause 49 of the Listing Agreement relating to Corporate Governance.

A detailed Report on Corporate Governance and a Management Discussion and Analysis Report have been attached to form part of the Annual Report.

A Certificate from the Auditors of your Company regarding the compliance of conditions of Corporate Governance has been annexed to this report.

Information pursuant to Section 217 of the Companies Act, 1956

In terms of Section 217 (1) (e) of the Companies Act, 1956 and the rules framed there under, the particulars relating to the conservation of energy, technology absorption & foreign exchange earnings and outgo are given below :

a. Conservation of Energy

The Company has in place an Energy Committee which meets once a month. This Committee consists of Cross-functional Executives. This Committee identifies the potential areas to



conserve energy and implements novel energy saving measures, apart from recommending investment proposals to the management.

Various measures to conserve water and energy, notable amongst them being, reuse of Dicing process water, Rain Water Harvesting, Power factor improvement and extension of length of condenser in the A/c system to improve efficiency. Following Savings were made during the year.

Particulars	Power	Water
Consumed	75,70,905 units	74,670 KLits
Saved	40,827 units	4,142 KLits

b. Technology Absorption

The particulars regarding Technology Absorption are not applicable to your Company.

c. Foreign Exchange Earnings and Outgo

Your Company is a 100% export oriented unit and is constantly striving to increase its exports.

Foreign Exchange used during the year : Rs.5,099.49 lakhs

Foreign Exchange earned during the year : Rs.8,380.91 lakhs

Particulars of Employees

There are no such employees drawing remuneration in excess of limits mentioned as per section 217(2A) and hence no disclosure is required as per the said section.

Corporate Social Responsibility (CSR)

SPEL's answer towards CSR is through SPEL Employees Social Service Organization (SESSO). As part of the Core values, following activities were undertaken through SESSO during the previous year.

- a. Provided educational assistance to the needy people in and around Factory.
- b. Conducted a voluntary Blood Donation camp.
- c. Provided assistance to an orphanage and old age home located near Factory.

Environment and Safety Measures

Your Company understands that every individual has a responsibility towards our environment. Towards this, Your Company has been devising measures and encouraging its Employees to care for the environment and protect it through conservation of resources, waste minimization and proper disposal, pollution prevention and planting of trees.

Further Your Company's manufacturing activities do not result in any significant release of effluent in the environment.

The Environmental Management System established and maintained by your Company is certified by Bureau Veritas Certification. The upgraded ISO 14001 Certificate from 1996 version to 2004 version will comprehensively take care of safe environment practices. It is hopeful that the Company will be able to achieve this certification during the current year

Your Company considers environmental care to be a continuous effort and are always on the look out for more avenues to nurture nature by enhancing its environmental performance.

Acknowledgements

Your Directors wish to place on record their gratitude to the Government of India, the Government of Tamil Nadu, Financial Institutions, Bankers, Insurance Companies, Customs & Excise authorities, valued overseas Customers & Vendors and the Promoters for their continued assistance and support extended to the Company.

Yours Directors wish to place on record, their appreciation of the efficient and loyal services rendered by the employees at all levels to the Company.

Yours Directors wish to thank the Shareholders for their continued support and forbearance and the confidence reposed on the Management.

For and on behalf of Board of Directors

Chennai
May 3, 2010

Dr. A. C. Muthiah
Chairman

Auditors' Certificate on Corporate Governance

To the Members of SPEL Semiconductor Limited

We have examined the compliance of conditions of Corporate Governance by SPEL Semiconductor Limited for the year ended on Mar 31, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock Exchange.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated under the Listing Agreement. We state that no grievance(s) is / are pending for the period exceeding one month against the Company as per the records maintained by the Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the further viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Natarajan & Co.**,
Chartered Accountants,

A.Baskar
Partner
M.No:211721

Chennai
May 3, 2010



Management Discussion & Analysis

Business Environment

The Global Semiconductor sales for the year 2009 were US\$ 226.3 Billion, a decline of 9% compared to 2008 sales of US\$ 248.6 Billion. However the total sales of 2009 surpassed most analyst forecasts of a 24% to 29% decline in sales. In fact 2009 turned out to be a better year for the global Semiconductor industry than earlier expected, in fact sequential quarterly revenue growth was amazingly strong through the last three quarters of 2009. A strong focus on inventories throughout the supply chain mitigated the impact of the worldwide economic downturn and positioned the industry for growth as the global economy recovers.

India & China, two of the key emerging markets drive a lot of demand. In addition to purchasing consumer items such as handsets and computers, both regions continue to invest in wired and wireless infrastructure. These investments in infrastructure create demand for a broad range of Semiconductor products. With improving consumer confidence and signs of economic recovery around the world, the Semiconductor industry is well positioned for growth in 2010.

Industry and Technology trends

The Semiconductor industry is one of the few industries where new products become obsolete in quick succession because the industry is one of the fastest in business. The constant need for innovation and development has time and again fueled change. There is a never ending demand for device integration and the need to shrink sizes for a variety of hand held and miniature applications.

3D Packages : These packages are designed to integrate more circuits into the package. A 3D package contains two or more chips which are stacked vertically and are connected by edge wiring. A new technology called Through Silicon Via (TSV) are used to bridge two or more chips by creating conductive vias in the silicon chip. They help to further reduce the package size.

Touch Screen Devices : The introduction of the Apple iPhone and the touch enabled interface of Windows 7 OS are said to be behind the rapid expansion of this market. Even though touch enabled appliances have been around for some time, the iPhone seems to have triggered the growth for low cost devices with touch enabled screens. Windows 7 on the other hand seems to triggered a whole new segment of tablets after the netbooks.

E-readers & Tablets : These are an entirely new segment of consumer electronics targeted at people on the move. E-readers are typically touch screens with captive memory to read e-papers and e-books. They are becoming hugely popular due to their low cost and ease of use. Tablets on the other hand are miniature laptops slower than the netbooks but come with increased portability. These tablets try to take advantage of the touch interface in Windows 7 to provide users more flexibility and control.

Global Trend for SPEL's package lines

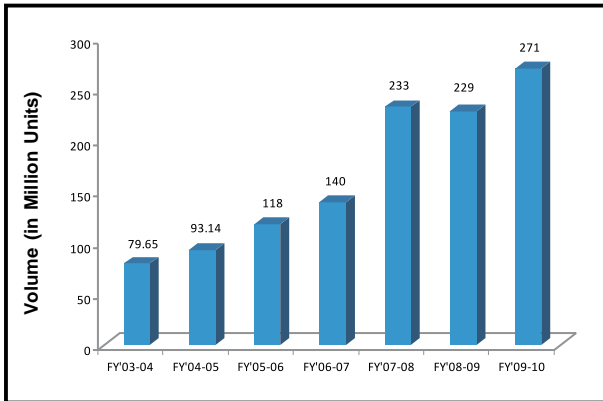
Global volume and revenue forecast for integrated Circuits are as below. As your Company's share in the global volumes and revenues is small, there is a good potential for increasing the volumes and revenues by widening the Product Portfolio, Customer base and further enhancing the QCDS (Quality, Cost, Delivery & Service) factors.

The outlook for the year 2010 looks promising with a 20% growth predicted in 2010, global Semiconductor revenues are expected to reach US\$ 276 Billion up from US\$ 226.3 Billion in 2009. The markets which are predicted to drive growth in 2010 will be the personal computer segment, in particular the ultra mobile segment and memory, in particular DRAM along with the smartphones market.

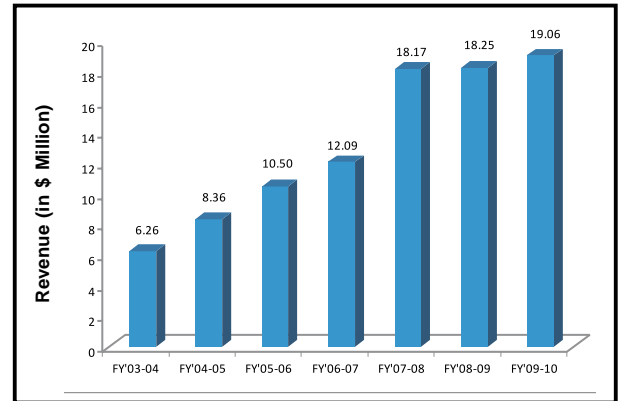
SPEL Volume & Revenue growth

Volume and Revenue for FY 2009-10 saw a growth of 18 percent & 4 percent respectively. It is heartening to note that the demand has started to improve from H2 FY 2009-10 and expected to remain stable.

It is expected to see significantly improved revenues during current fiscal as demand levels more closely align with end user demand.



SPEL Volume Growth



SPEL Revenue Growth

Opportunities & Threats

SPEL is currently eyeing new markets and new geographies to market its capabilities. The economic recession and other recent developments have shown that the United States is starting to lose its sheen as a large & expanding consumer market in the face of competition & buying power of consumers from China, Taiwan and other European countries. In the light of these new developments, SPEL is actively seeking to market its capabilities in the South East Asian countries. Even though the competition for Semiconductor sub-contract services is stiff in SE Asian countries, SPEL is confident of attaining a foothold due to its strengths like quality, cost, customer service and delivery.

The emergence of China, as a low cost destination for Semiconductor assembly services has to be looked cautiously in the present market scenario and Chinese manufacturers are indeed a threat to SPEL in terms of market share. However we find that Chinese manufacturers are slowly losing their attractiveness as low cost destinations due to factors like rising manpower costs and rampant IP infringement. It should also be noted that SPEL is a preferred destination when it comes to packaging needs for a variety of packages; SPEL has a portfolio of more than a 100 different products which customers can choose from, which offers flexibility for Customers to package the same device in a variety of packages based on end market demand. However Chinese manufacturers have not been able to provide the variety which is currently being offered by SPEL due to various reasons.

Mobile phones, consumer electronics and computing products are predicted to have the highest growth after the economic recession. The exceptionally high demand for smart phones and Mobile Internet Devices has played a vital role in helping the industry tide over the recession. Also the demand for personal devices like digital cameras, digital photo frames is on the rise. Your Company already has a significant portfolio for catering to the above mentioned market segments and continuing to create a more varied product portfolio in the years to come.

Your Company continues to be the first & only IC Assembly & Test Subcontractor in India competing with bigger Subcons globally. Due its smaller share in the total market, your Company's performance is dependent on widening of the Customer base, increasing its product portfolio and enhanced QCDS factors, rather than the swings in the market. Towards this, our comprehensive Customer focus agenda will position us well for long term growth. This has been experienced in the near past when your Company's volumes and revenues have been increasing despite the sharp and elongated downtrend faced by the industry. Several cost reduction measures including Energy saving proposals were introduced to reap long term benefits. Your Company with its process driven Quality Management System, remains ahead of the competition to sustain its growth.

Government incentives in China, Korea, Malaysia, Indonesia, Taiwan and Philippines, have far reaching impact in the performance of their Subcon. Round-the-clock Customs clearance and uninterrupted cost-effective power supply are required for the industry. The high power tariff due to power cut imposed by the Government, has rendered a negative effect on production cost. This burden is affecting the pricing



edge that your Company has over other Subcons in China & Taiwan. To address this, throughout 2009 Company maintained a focus on efficiency and tight spending controls, across all our operations. Besides, continuous supply of power & water to meet the needs of the industry is also essential. Your Company sincerely hopes that the Government will extend its support in this regard.

Biggest opportunity for your Company, as you are aware, lies in the size of the global IC packaging market. The market is abundant for packaging of existing and newer packages in the coming years. Globally also, India is getting recognized as a key player in this industry. It is important to utilize the opportunity at the earliest by raising funds from various sources, for expanding existing capacity - more into the introduction of new package portfolio. SPEL has the potential to become one of the leaders soon.

Outlook

The Semiconductor market has gone through one of the worst economic downturns since the 2001 dotcom bubble. Almost all the countries faced the effects of the recession in varying severity. All industrial sectors bore the brunt of the recession. However, the Semiconductor industry showed enough resilience to bounce back to normal attributed to its strict control over inventories.

The year 2010 shows a lot of promise for Semiconductor growth, the market has rebounded from the second quarter of 2009 and is on the way to growth. Various industry analysts are confident of a 20% increase in overall Semiconductor revenues for the year 2010.

Personal computers & memory markets are believed to show exceptional growth for the year 2010. The demand for laptops, netbooks and tablet computers has overtaken the demand for desktop computers due to their advantages like low cost, portability and variety.

The current forecast anticipates a positive growth from 2010 on, peaking in 2011. APAC continues to be fastest growing geographical area, due to the dynamics of both strongly rising domestic demand and the continuing manufacturing shift to this region.

Your Company hopes to improve its industry positioning by constant improvements in productivity, adding new Customers, rejuvenating sales for the existing packages, and adding new packages. Your Company has been enhancing the thrust on Sales & Marketing efforts, because of which the performance and results have substantially improved and will continue in the years to come.

Your Company takes pride in announcing that the Customer satisfaction for the year has further been enhanced. Many Customers qualifying your Company for direct shipments to the end-Customers, is a clear evidence of their confidence in your Company's Quality and Service factors. Your Company also has improved its manufacturing capabilities and facilities requirements for reducing the cost of production by adding the required equipments.

It is highly important to raise funds to expand capacity and widen the package portfolio to meet the increasing demands globally. Your Company's Customers also have been indicating the demand for the new packages which emphasizes the early need for launching the same.

Risks & Concerns

Subcon business depends on the market demand for its OEM Customers products. Customers will have the option of loading more than one Subcon to meet their requirement. Keeping pace with technological advancement, continual improvement in process, cost cutting measures to prune overhead expenditure, elimination of waste and total people involvement will make your Company to grow with the Customers.

Reliance on the single market and the share of the major Customer of your Company in the total revenue being high are some of the risks which your Company is in the process of mitigation. The projected decline in the ASP for the global Industry is also posing a risk of reducing the margin for your Company. As your Company is relatively smaller in its capacity and has lesser expenditure levels compared to the competitors, it could possibly withstand and sustain any decline and ASP fall in the global market.

Corporate Risk Management (CRM) in SPEL

Company has put in place CRM system to mitigate the risks arising in the process of Company's growth. CRM can give comfort that risks are identified, analyzed, and controlled. These solutions are targeted to satisfy our growth partners. Implementing a comprehensive and integrated approach to fraud risk Management across the enterprise remains a significant challenge. Your Company has made the risk



Management as a part of the corporate culture. The Board, senior Management, internal audit, in fact all Employees, has a role to play to ensure that the Company is enacting and achieving ethical and responsible business practices. CRM in SPEL is achieved by segmenting it into three primary objectives — prevention, detection and response. It is a comprehensive and integrated approach that enables control criteria in these three areas to work together.

- **Prevention** covers aspects like fraud & misconduct risk assessment, code of conduct, employee & third-party due diligence, communication & training.
- **Detection** includes issues like hotlines, audit & monitoring, and proactive forensic data analysis.
- **Response** will have to incorporate internal investigation protocols, enforcement & accountability protocols, disclosure protocols and remedial action protocols.

Presently, your Company has identified the risks and addressed suitably to the best of its ability. The Employees at various levels know the importance of the risks, their impact and ways and means to mitigate such risks. In this process, a “Champion Committee”, which would champion the Risk Management process, a Risk Compliance Officer for the purpose of reporting compliance and risk controllers, to be associated with specific individual risks has been nominated. A regular reporting on the CRM to the Board, Audit Committee and Management Committee of Directors is being made in line with the Corporate Governance requirements.

Emphasis on Values & CO's

Your Company has adopted the following as their Core Values and the Management are 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

Your Company has adopted the following as its objectives :

- | | | |
|--------------|---|---|
| Profit | : | Generate sufficient profit that enables our remaining three Corporate Objectives. |
| Competence | : | Widen product portfolio to cover New Packages, make Process Improvements and improve effectiveness of Manpower by Training. |
| Stakeholders | : | Strengthen relationship with all Stakeholders - Customers, Employees, Vendors, Investors and Lenders. |
| Growth | : | Achieve growth by Market spread & distribution, Customer spread, Revenue and Technology improvements. |

Internal Control Systems and Adequacy

Your Company has adequate Internal Control Systems commensurate with the size and the nature of operations. Coverage of the Internal Audit function and the review by Audit Committee of the various operations & Internal Control measures regularly strengthens the Internal Control Systems of your Company.

Human Resources

Your Company has 465 regular Employees besides 115 Apprentices & trainees. The Employees of your Company form the experienced, educated and talented technical pool of Human Resources. In view of better opportunities and career growth within your Company, the attrition rate amongst the Employees is less than 3%. About 50% of the Employees are in the services of your Company for over 12 years.

a. Training

Adequate internal, external and overseas training programs are provided to the Employees for sharpening their skills, knowledge and performance. Your Company has identified Business Ethics, Professionalism, and Citizenship as the 3 Core Values to be adhered to by all the Employees and has hosted in its website. Periodical sessions are held on the Core Values.



b. Employee Motivation

In order to create better accountability and ensure clear demarcation of responsibility among Employees, proper performance appraisal is done to the Employees of all the positions. Your Company adopts a policy of promoting experienced and talented personnel within the organization to shoulder higher responsibilities.

Your Company has well defined award schemes to recognize the Best Employee, the Best Stage Production Achievement, the Best suggestion for improvement and Effective 5S Housekeeping schemes. All are implemented with the total involvement of the Employees. An Employee Deficiency Report (EDR) system is also in place to assign demerit points for failures and deficiencies in performance thereby ensure proper care in delivering the quality product.

Your Company views the Employees as 'partners in growth' and provides them adequate opportunity for their career growth within your Company. Family day is being conducted annually to develop sense of family unity. Open Door Policy is adopted to provide a conducive working environment. Periodical open forum sessions are done, where the CEO personally addresses the Employees on the progress of the Company and to motivate better performance. Your Company has not lost a single day of work due to industrial strike. The industrial relations during the year were normal.

c. Succession planning

All the Functions have line matrix which show upto 3rd inline. Each reporting officer does gap analysis that will show the additional training / mentoring required for the next inline to fill in the shoes of his / her reporting authority if & when the need arises.

Health, Safety and Environment (HSE) Standard

Your Company understands that every individual has a responsibility towards our environment. Towards this, Your Company has been devising measures and encouraging its Employees to care for the environment and protect it through conservation of resources, waste minimization and proper disposal, pollution prevention and planting of trees.

Further Your Company's manufacturing activities do not result in any significant release of effluent in the environment.

The Environmental Management System established and maintained by your Company is certified by Bureau Veritas Certification. The upgraded ISO 14001 Certificate from 1996 version to 2004 version will comprehensively take care of safe environment practices. It is hopeful that the Company will be able to achieve this certification during the current year.

Your Company considers environmental care to be a continuous effort and are always on the look out for more avenues to nurture nature by enhancing its environmental performance and also keeping in view the global trends in procurement of environment friendly products.

Your Company is committed to the provision of workplaces, services and plants which comply with correct applicable legal requirements and with the highest Health, Safety, and Environment (HSE) standards as mentioned below. This goal is pursued in every area of Company's activities and during all phases of project execution, such as engineering, procurement and site activities.

Minimizing the environmental impact of our activities

Optimizing the process safety risk analysis and system

Eliminating health threats

Striving for a "zero accident" work place

Endeavor for continuous improvement.

Cautionary Statement

Statements in the Management Discussion and Analysis Report describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence Company's operations include global and domestic supply and demand conditions affecting selling prices of finished goods, input availability and prices, changes in government regulations, tax laws, economic developments within the Country and other factors such as litigation and industrial relations.



Report on Corporate Governance

Pursuant to clause 49 of the Listing Agreement, a Report on Corporate Governance is given below.

1. Company's philosophy on Code of Governance

The Company's philosophy of Corporate Governance is proactively meeting its obligations to its Shareholders and creating goodwill with all its Stakeholders.

SPEL believes to enhance the long-term Shareholders value and maximize interest of other Stakeholders through various measures of good governance and further this endeavor, strives to conduct its business with integrity, fairness, accountability, and transparency in all its dealings with Stakeholders and regulatory authorities. We have always believed that sound corporate governance practices is the cornerstone of any enterprise and is thus forms an integral part of its business policy. Even before the standards were made mandatory, SPEL has been continuously gearing itself to surpass these. The results of good Corporate Governance practices are reflected in confidence reposed by the various Stakeholders.

2. Board of Directors

Composition : The present strength of the Board as on the date of this report is 8 Directors. The Board comprises a combination of Executive and Non-executive Directors.

Composition of Board of Directors (as on last date of Financial Year), their other Directorships and Committeeships is depicted hereunder :

Sl. No.	Name of the Director	Executive / Non-Executive Independent / Promoter	No. of other Companies in which Director*	No. of Committees (other than SPEL Semiconductor Limited) in which he is Member or Chairman**	Attendance at last AGM (Yes/ No)
1	Dr. A. C. Muthiah	Non-Executive – Non Independent	5	—	Yes
2	Mr. Ar Rm Arun	Non-Executive –Non Independent	3	—	Yes
3	Mr. S. R. Vijayakar	Non-Executive – Independent	2	2	Yes
4	Dr. A. Besant C. Raj	Non-Executive – Independent	3	4	Yes
5	Dr. T. S. Vijayaraghavan	Non-Executive – Independent	1	—	Yes
6	Dr. A. Ramakrishna	Non-Executive – Independent	11	7	Yes
7	Mr. Ashwin C Muthiah	Non-Executive – Non Independent	11	2	No
8	Mr. N. Sivashanmugam	Executive	1	—	Yes

Note

* Includes directorships held in Public Limited Companies only. Directorship held in Private Limited Companies, Foreign Companies and Companies formed under Section 25 of the Companies Act, 1956 are excluded.

** Includes positions held in Audit Committee, Securities Transfer and Investors' Grievance Committee

Dr. A. C. Muthiah, Chairman, Mr. Ar Rm Arun, Vice Chairman and Mr. Ashwin C. Muthiah, Director are considered to be related.

No. of Board meetings held, dated on which held & Attendance of each director at the Board Meeting

Five Board Meetings were held on Apr 3, 2009, Jun 2, 2009, Jul 31, 2009, Oct 21, 2009 & Jan 18, 2010

Name of the Director	No. of Board Meetings attended
Dr. A. C. Muthiah	5
Mr. Ar Rm Arun	5
Mr. S. R. Vijayakar	5
Dr. A. Besant C. Raj	5
Dr. T. S. Vijayaraghavan	5
Dr. A. Ramakrishna	4
Mr. Ashwin C Muthiah	2
Mr. N. Sivashanmugam	5

3. Composition of various Board Committees

Name of the Committee	Names of Directors	Category
Audit Committee	Dr. A. Besant C. Raj Dr. T. S. Vijayaraghavan Dr. A. Ramakrishna	Chairman Member Member
Management Committee	Mr. Ar Rm Arun Mr. N. Sivashanmugam	Chairman Member
Securities Transfer and Investors' Grievance Committee	Dr. A. Ramakrishna Dr. A. Besant C. Raj Dr. T. S. Vijayaraghavan	Chairman Member Member
Remuneration and Compensation Committee	Dr. T. S. Vijayaraghavan Mr. S. R. Vijayakar Dr. A. Ramakrishna	Chairman Member Member

4. Board and Committee functioning

a. Board Meetings

1. The Board meetings are generally held in Chennai with the majority of Directors present at each meeting.
2. The detailed Agenda with notes is circulated well in advance and contains all the matters enshrined in Clause 49 of the Listing Agreement
3. Sufficient time is allocated for discussing the items of business, more specifically on the operations front with detailed presentations by the Chief Executive Officer.
4. The Board takes on record the Compliance confirmation from the Head Corporate Affairs & Company Secretary at each meeting which contains the compliance status of all the applicable legislations to the Company. These are also reviewed by the Management Committee at each of its meetings.

b. Management Committee

1. The Management Committee comprises of the Vice Chairman who is the Chairman of the Committee with the other member being the Whole time Director. The Chief Executive Officer of the Company is the invitee to the Committee apart from such invitees from time to time. Head Corporate Affairs & Company Secretary is the Secretary of the Committee.
2. The terms of reference of the Committee are laid down by the Board
3. The Agenda for each of these meeting cover the Production, Sales, Operations, Finance, HR and Corporate Affairs of the Company.
4. The meeting is held once in a month
5. The detailed Agenda with notes are circulated well in advance and detailed discussions are held
6. The Committee takes on record the detailed compliance confirmation on the various applicable legislations to the Company placed by the Head Corporate Affairs & Company Secretary

c. Audit Committee

The Audit Committee comprises a majority of Non-executive Independent Directors. Terms of reference of the Audit Committee includes a review of :

1. Financial statements before submission to the Board
2. Draft financial statements and auditors' report before submission to the Board
3. Accounting policies and practices
4. Risk management policies and practices
5. Compliance with stock exchange and legal requirements concerning financial statements
6. Related party transactions
7. Recommendation of appointment of Auditors and fixing their fees
8. To review the internal control systems and internal audit reports and their compliance thereof

Head Corporate Affairs & Company Secretary is the Secretary of the Committee.

Five Audit Committee Meetings were held on Apr 3, 2009, May 20, 2009, Jul 31, 2009, Oct 21, 2009 & Jan 18, 2010

Name of the Director	No. of Audit Committee Meetings attended
Dr. A. Besant C. Raj	5
Dr. T. S. Vijayaraghavan	5
Dr. A. Ramakrishna	3

d. Remuneration and Compensation Committee

The committees advises the broad policy for remuneration, terms of employment and any changes, including service contracts of Executive and Non-Executive directors and supervise the Employee Stock Option Scheme (ESOS).

Remuneration and Compensation Committee Meeting was held on Jun 2, 2009

Name of the Director	No. of Committee Meetings attended
Dr. T. S. Vijayaraghavan	1
Dr. A. Ramakrishna	1
Mr. S. R. Vijayakar	1

Remuneration Committee decides on the remuneration of the Whole-time Director and the Chief Executive Officer. The Committee takes into account the general market trend pertaining to the industry viz., the rules of the Company.

5. Details of Remuneration paid to Directors

(Amount in Rs.)

Sl. No.	Names of Directors	Remuneration paid during the year 2009-10			
		Salary / Special allowance/ Perquisites	Commission / Bonus / Incentive	Sitting fees	Total
1.	Dr. A. C. Muthiah	NA	NA	30,000	30,000
2.	Mr. Ar Rm Arun	NA	29,36,877*	NA	29,36,877
3.	Mr. S. R. Vijayakar	NA	NA	31,000	31,000
4.	Dr. A. Besant C. Raj	NA	NA	54,000	54,000
5.	Dr. T S. Vijayaraghavan	NA	NA	55,000	55,000
6.	Dr. A. Ramakrishna	NA	NA	40,000	40,000
7.	Mr. Ashwin C Muthiah	NA	NA	12,000	12,000
8.	Mr. N. Sivashanmugam	25,26,818**	NA	NA	25,26,818

* Vice Chairman will be paid Profit incentive after obtaining necessary statutory approvals.

** Following are the Remuneration details of Mr. N. Sivashanmugam, Wholetime Director and Chief financial officer :

Remuneration	Per annum
Basic salary	: Rs.6,60,000/-
Special Allowance	: Rs.6,96,684/-
CCA	: Rs. 33,000/-

In addition to the above, 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. Other perquisites & annual benefits as per the rules of the Company. The Service Contract with him is entered on Dec 2009 for a period from Dec 6, 2009 to Mar 31, 2012.

Number of shares held by Non-Executive Directors

Sl.No	Name of the Director	Number of shares held
1.	Dr. A.C.Muthiah	4000
2.	Mr. Ar Rm Arun	408223

6. The resume in brief and other details of the directors, whose appointment /re-appointment are for the consideration of the members at the ensuing 25th Annual General Meeting, are furnished below :

Mr. Ashwin C. Muthiah

Mr. Ashwin C Muthiah holds a bachelor degree in Commerce from Madras University and a post graduate degree in Business Administration from Philadelphia University. He is an entrepreneur with business interests in Logistics, Trading and Shipping. He is Consul General Ad Honorem of the Republic of Philippines at Chennai.

In addition, he is the Chairman in Manali Petrochemical Limited, SICAL Distriparks Limited, SICAL Infra Assets Limited, SDB Certis CISCO India Limited and SICAL Logistics Limited. He is the Vice Chairman in PSA SICAL Terminals Limited, Southern Petrochemical Industries Corporation Limited and Technip India Limited. He holds Directorship in ACM Educational Foundation, ACM Medical Foundation, Indo-Jordan Chemicals Company Limited, MAC Spin Foundation, Mitsuba Sical India Limited, Tamilnadu Petroproducts Limited, Totalcomm Infra Services Private Limited and Tuticorin Alkali Chemicals and Fertilizers Limited. He is also the Chairman of Management Committee of Southern Petrochemical Industries Corporation Limited and Member of Remuneration Committee and Finance Committee of Southern Petrochemical Industries Corporation Limited. He is Chairman of Management Committee of SICAL and Member of Audit Committee of SICAL. He is the member of Share Transfer & Investors' Grievance Committee of Tamilnadu Petroproducts Limited.

Mr. N. Sivashanmugam

Mr. N. Sivashanmugam is a Chartered Accountant with 32 years background in Domestic and International Finance & Accounts. He has worked in Indo-Jordan Chemicals Company Ltd., in Amman, Jordan as Asst. Managing Director – Finance since May 2000. In his earlier tenure, he had the experience of effectively handling large Company's Treasury, Banking, Insurance and Accounts. He also has good exposure in Project Finance.

In addition, he holds Directorship in Accuspeed Engineering Design Services Ltd. and a member of SPEL's Management Committee.

7. Securities Transfer and Investors' Grievance Committee

- The Securities Transfer and Investors' Grievance Committee comprise a majority of Independent Non-Executive Directors. Dr. A. Ramakrishna is the Chairman of the Committee.
- Mr. S. S. Arunachalam, Head Corporate Affairs & Company Secretary is the Compliance Officer
- The Table below shows the nature of complaints received from shareholders during 2009-10, all of them have been resolved within one month.

Sl. No.	Nature of Complaint	No. of Complaints Received	Attended	Pending
1.	Non-receipt of Share Certificates after transfer & Others	2	2	Nil

- Disclosure on the delegated authority constituted for attending share transfer work

Sl. No.	Description of delegated authority	Full address of delegated authority	Telephone No.(s)	Fax No.(s)	E-mail	Average intervals at which share transfers approved
1.	Head Corporate Affairs & Company Secretary	5 CMDA Industrial Estate, MM Nagar (Chennai) 603 209	(044) 47405490	(044) 47405303	investors@spel.com	15 days
2.	Cameo Corporate Services Limited	"Subramanian Building" 1 Club House Road, Chennai 600 002	(044) 28460390	(044) 28460129	investor@cameoindia.com	

8. General Body Meetings

Details regarding venue, date, and time of last three AGM's.

Sl. No.	Financial Year	Details of Location	Date & Time when held
1.	2006-07	Rajah Annamalai Hall Esplanade (Near High Court) Chennai 600 108	Jul 30, 2007 4.00 pm
2.	2007-08	5 CMDA Industrial Estate Maraimalai Nagar 603 209	Jul 28, 2008 3.30 pm
3.	2008-09	5 CMDA Industrial Estate Maraimalai Nagar 603 209	Jul 31, 2009 2.45 pm



Special Resolutions passed in the previous 3 AGMs :

- 22nd AGM : 1. Directorship of Chairman and Vice Chairman of the Board, not liable to retire by rotation
2. To appoint Mr. N. Sivashanmugam, Director as the Whole-time Director and Chief Financial Officer
3. Increase in profit incentive to Mr. Ar Rm Arun, Vice Chairman of the Company
- 23rd AGM : 1. Revision in terms of remuneration of Mr. N. Sivashanmugam, Whole-time Director and Chief Financial Officer
2. Payment of profit incentive to Mr. Ar Rm Arun, Vice Chairman of the Company
- 24th AGM : 1. Extension of term of office of Mr. N. Sivashanmugam, Whole-time Director and Chief Financial Officer
2. Increase in profit incentive to Mr. Ar Rm Arun, Vice Chairman of the Company

Postal Ballot : The Company has not made use of the Postal Ballot during the year

9. Disclosures

- No transaction of material nature has been entered into by the Company with related parties i.e. Directors or Management, their subsidiaries or relatives that may have potential conflict with the interests of the Company at large.
- The Board duly authorized all transactions with the Companies in which the Promoters or Directors or the Management, their subsidiaries or their relatives are deemed to be interested.
- There were no instances of non-compliance by the Company, on any matter related to capital markets during the last three years. Further, there has been no penalty, and stricture imposed on the Company by Stock Exchanges or SEBI or any statutory authorities against the Company.
- The Company has a Whistle Blower policy, wherein the employees enjoys access of report of the Audit Committee
- All the mandatory requirements have been complied by the Company and also adopted some of the non-mandatory requirements of this clause.

10. Means of Communications

Financial results of the Company are published in Business Standard and Makkal Kural. The results are also displayed in URL, namely **www.spel.com**. The Company does not display official news releases. Company has not made presentations to institutional investors or to the analysts.

11. General Shareholder Information

- Annual General Meeting (as indicated in the notice) : Jul 30, 2010 at Registered Office of the Company
- Financial year : 2009-10
- Dates of Book Closure : Jul 23, 2010 to Jul 30, 2010
- Listed on Stock Exchange : 1. The Bombay Stock Exchange Limited (BSE)
Stock Code : Demat - 517166, Physical - 17166
2. Delhi Stock Exchange Limited (DSE)
- ISIN Number NSDL & CDSL : INE 252A01019
- Outstanding GDR/ADR/Warrants or any convertible instruments : No
- Registrar & Share Transfer Agent : Cameo Corporate Services Limited
- Address for Communication : a. Head Corporate Affairs & Company Secretary
SPEL Semiconductor Limited
5 CMDA Industrial Estate
MM Nagar (Chennai) 603 209
India
b. Cameo Corporate Services Limited
Subramanian Building
1 Club House Road
Chennai 600 002
- Share transfer System : All transfer requests received are processed and approved by an authorized signatory. Normally transfers are processed and approved twice a month.
- Factory Location : 5 CMDA Industrial Estate, MM Nagar (Chennai), 603 209. India.

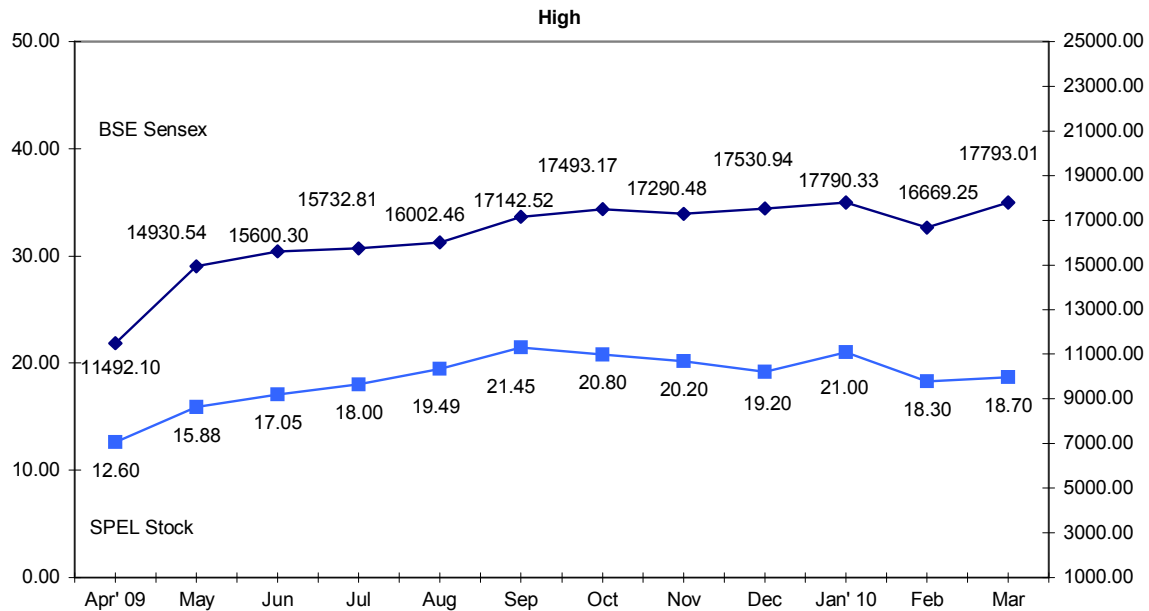
12. Distribution of Shareholding as on Mar 31, 2010

No. of Equity Shares held	No. of Folios	%	No. of Shares	%
1 – 100	14055	42.29	1206711	2.62
101 – 500	14413	43.37	4164286	9.03
501 – 1000	2721	8.19	2276624	4.94
1001 – 2000	1046	3.15	1701762	3.69
2001 – 3000	344	1.03	902396	1.96
3001 – 4000	163	0.49	600397	1.30
4001 – 5000	156	0.47	744373	1.61
5001 – 10000	206	0.62	1563578	3.39
10001 and above	129	0.39	32957316	71.46
Grand Total	33233	100.00	46117443	100.00
No. of Shareholders in Physical Mode	14082			
No. of Shareholders in Electronic Mode	19151			

13. Shareholding Pattern as on Mar 31, 2010

Category	No. of Shareholders	No. of Shares	%
Promoter	1	25811207	55.97
Financial Institutions	1	1048207	2.27
Mutual Funds	2	8700	0.02
Nationalized Banks	1	100	0.00
Overseas Corporate Bodies	1	9000	0.02
Non-Resident Indians	177	132059	0.29
Domestic Companies	483	1822488	3.95
Resident Individuals	32542	17268054	37.44
Clearing Members	22	14078	0.03
Trusts	3	3550	0.01
Total	33233	46117443	100.00

14. Stock Performance V/s BSE Sensex



15. Market Price Data High & Low, Trading volume and no. of trades during each month for FY 2009-10

Month	High	Low	Trading Volume (No. of shares in lakhs)	No. of Trades
Apr 2009	12.60	9.00	2.21	1047
May	15.88	9.00	6.04	2029
Jun	17.05	11.10	10.04	2748
Jul	18.00	9.80	7.27	2212
Aug	19.49	12.66	24.43	4862
Sep	21.45	14.95	21.02	6938
Oct	20.80	14.50	9.16	3620
Nov	20.20	14.05	9.36	3268
Dec	19.20	15.95	9.20	3588
Jan 2010	21.00	15.00	18.19	6241
Feb	18.30	14.85	4.98	2266
Mar	18.70	13.50	4.83	1958

16. Non – Mandatory Requirements

- a. **Remuneration & Compensation Committee** : The Company has a Remuneration & Compensation Committee detailed in this report.
- b. **Whistle Blower Policy** : The Company has a mechanism for employees to report to the management concerns about unethical behavior, actual or suspected fraud or violations of the Company's Code of Conduct or Ethics Policy and the existence of said mechanism was appropriately communicated within the organization.

Chief Executive Officer's Declaration on Code of Conduct

As required by Clause 49 of the Listing Agreement, the CEO declaration for Code of Conduct is given below :

To
The Members of SPEL Semiconductor Limited

This is to certify that all Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct for Directors and Senior Management for the period ended Mar 31, 2010.

For SPEL Semiconductor Limited

Place : MM Nagar
Date : May 3, 2010

D. Balakrishnan
Chief Executive Officer

Certificate by CEO/CFO

The Certificate from CEO and CFO & Whole-time Director was obtained and placed before the Board.



Report of the Auditors

To the Members of SPEL Semiconductor Limited

1. We have audited the attached Balance sheet of SPEL SEMICONDUCTOR LIMITED as at 31st March, 2010 and the Profit and Loss Account and the cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted the audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003, issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that :
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) The Balance Sheet, and the Profit and Loss Account and cash flow statement dealt with by this Report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable;
 - (v) On the basis of the written representations received from the directors as on 31st March 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the schedules and notes on accounts attached thereto give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of the state of the affairs of the Company as at 31st March, 2010; and
 - (b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Chennai
May 3, 2010

For **Natarajan & Co.**,
Chartered Accountants,

A. Baskar
Partner
M.No:211721



Annexure referred to in paragraph 3 of the report of even date of the Auditors to the Members of SPEL Semiconductor Limited on the Accounts for the year ended March 31, 2010.

- (i) (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets; register maintained under Section 301 of the companies Act, 1956
- (b) These fixed assets have been physically verified by the management at reasonable intervals; No material discrepancies were noticed on such verification.
- (c) No substantial part of fixed assets has been disposed off during the year.
- (ii) (a) The physical verification of inventory has been conducted at reasonable intervals by the management;
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) The company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. The company had taken unsecured loan in the form of fixed deposit from companies, firms or other parties covered in the register maintained under section 301 of the companies Act, 1956. The maximum amount involved during the year was Rs.5.00 crores.
- (b) In our opinion, the rate of Interest and other terms and conditions on which loans have been taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie, prejudicial to the interest of the company.
- (c) The company is regular in repaying the principal amount as stipulated and has been regular in the payment of Interest.
- (d) There is no overdue amount of loans taken from companies, firms or other parties listed in the
- (iv) In our opinion and according to information and explanation given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods.
- (v) (a) According to information and explanation given to us, the transactions that need to be entered into a register in pursuance of Section 301 of the Act have been so entered;
- (b) In our opinion and according to information and explanation given to us, these transactions in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time;
- (vi) In our opinion and according to information and explanation given to us, the company has accepted inter-corporate deposits and has complied with the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Act and the rules framed there under, wherever applicable. No order has been passed by the Company Law Board.
- (vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- (viii) We are of the opinion that, prima facie, the Company is maintaining Cost Records as applicable under Section 209 (1) (d) of the Companies Act, 1956.
- (ix) (a) The company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Custom Duty, Excise Duty, and other statutory dues with the appropriate authorities.
- (b) In our opinion and according to information and explanation given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales

tax, customs duty, excise duty and cess were in arrears as at 31st March 2010 for a period of more than six months from the date they became payable.

- (c) The dues of Customs have not been deposited on account of dispute amounting to Rs.19.50 lakhs.
- (x) The Company does not have any accumulated losses as at the end of the financial year and the company has not incurred cash losses in this financial year and in the financial year immediately preceding this financial year also.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions.
- (xii) This clause is not applicable as the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or nidhi/ mutual benefit fund/society. Therefore, the provisions of Clause 4(xiii) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- (xv) According to information and explanations given to us, the company has given guarantee to the extent of Rs. 5.20 crores to Southern Petrochemicals Industries Corporation Limited.
- (xvi) Term loans were applied for the purpose for which the loans were obtained;
- (xvii) According to information and explanations given to us, the funds raised on short-term basis have not been used for long term investment and vice versa.
- (xviii) According to information and explanations given to us, the company has not made any preferential allotment of shares to companies covered in the register maintained under Section 301 of the Act.
- (xix) No debentures have been issued.
- (xx) There was no public issue during the year.
- (xxi) No fraud on or by the company has been noticed or reported during the year.

Chennai
May 3, 2010

For Natarajan & Co.,
Chartered Accountants,

A. Baskar
Partner
M.No:211721



Balance Sheet As at Mar 31, 2010

	Schedule	As at Mar 31, 2010 (in Rupees)	As at Mar 31, 2009 (in Rupees)
Source of Funds			
Shareholders' Funds			
Share Capital	1	46,13,25,280	46,13,25,280
Reserves and Surplus	2	40,71,79,614	34,60,95,355
Loan Funds			
Secured	3	22,57,88,442	33,96,91,577
Unsecured	4	6,82,26,573	10,32,89,216
Deferred Tax Liability		10,77,29,177	8,68,64,536
Total		<u>127,02,49,086</u>	<u>133,72,65,964</u>
Application of Funds			
Fixed Assets			
Gross Block	5	164,20,67,372	160,39,37,798
Less: Depreciation		<u>52,12,01,312</u>	<u>43,93,56,542</u>
		112,08,66,060	116,45,81,256
Capital Work-in-Progress	5	33,90,000	31,50,000
Investments at Cost		4,365	4,365
Current Assets, Loans & Advances			
Inventories	6	16,53,20,559	14,45,79,724
Sundry Debtors		7,87,59,957	4,08,15,700
Cash and Bank Balances		1,58,07,463	5,00,22,707
Loans and Advances		7,37,87,497	7,07,27,516
		<u>33,36,75,476</u>	<u>30,61,45,647</u>
Less: Current Liabilities and Provisions	7	18,76,86,815	13,66,15,304
Net Current Assets (6-7)		<u>14,59,88,661</u>	<u>16,95,30,343</u>
Total		<u>127,02,49,086</u>	<u>133,72,65,964</u>

[Notes on Accounts (Schedule - 9)]

For and on behalf of the Board

Dr. A. C. Muthiah
Chairman

Dr. A. Besant C. Raj
Director

Dr. T. S. Vijayaraghavan
Director

Per our report attached

For Natarajan & Co.
Chartered Accountants

Ashwin C Muthiah
Director

N. Sivashanmugam
Whole Time Director

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

A. Baskar
Partner
M.No. 211721

Chennai
May 3, 2010



Profit and Loss Account for the Year Ended Mar 31, 2010

	Schedule	Year ended Mar 31, 2010 (in Rupees)	Year ended Mar 31, 2009 (in Rupees)
INCOME			
Sales		87,15,99,645	81,00,26,212
Other Income		1,49,17,056	2,22,27,838
TOTAL INCOME		88,65,16,701	83,22,54,050
EXPENDITURE			
Manufacturing and Other Expenses	8	69,02,60,756	62,07,26,046
Interest		2,14,57,005	3,23,97,761
Depreciation		8,18,45,491	8,30,45,134
TOTAL EXPENDITURE		79,35,63,252	73,61,68,941
Profit for the year		9,29,53,449	9,60,85,109
Fringe Benefit Tax		-	9,17,594
Deferred Tax		2,08,64,641	3,28,13,753
Provision for MAT		1,59,30,347	1,08,19,845
Less : MAT Credit Entitlement		(49,25,798)	(1,08,19,845)
Profit after Taxation		6,10,84,259	6,23,53,762
Profit brought forward		15,91,51,535	9,67,97,773
Net Profit Carried to Balance Sheet		22,02,35,794	15,91,51,535
Nominal Value of each shares in Rs.		10.00	10.00
EPS in Rs.		1.32	1.35
Diluted EPS in Rs.		1.32	1.35
Number of Shares		4,61,17,443	4,61,17,443
Number of Shares for Diluted EPS		4,61,17,443	4,61,17,443
[Notes on Accounts (Schedule - 9)]			

For and on behalf of the Board

Dr. A. C. Muthiah
Chairman

Dr. A. Besant C. Raj
Director

Dr. T. S. Vijayaraghavan
Director

Per our report attached
For **Natarajan & Co.**
Chartered Accountants

Ashwin C Muthiah
Director

N. Sivashanmugam
Whole Time Director

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

A. Baskar
Partner
M.No. 211721

Chennai
May 3, 2010



Schedule 1

Share Capital

	As at Mar 31, 2010 (in Rupees)	As at Mar 31, 2009 (in Rupees)
Authorised		
6,00,00,000 Equity Share of Rs.10/- each	<u>60,00,00,000</u>	<u>60,00,00,000</u>
Issued		
4,61,47,613 Equity Shares of Rs.10/- each (of which 6,81,240 equity shares at par were issued during the year 2007- 08 to Employees as per the scheme of ESOS)	<u>46,14,76,130</u>	<u>46,14,76,130</u>
Subscribed and Paid up		
4,61,17,443 Equity Shares of Rs.10/- each	46,11,74,430	46,11,74,430
Add: Forfeited Shares 30,170 Equity Shares of Rs.5/- each	<u>1,50,850</u>	<u>1,50,850</u>
	<u>46,13,25,280</u>	<u>46,13,25,280</u>

Paid-up Capital includes allotment of 86,88,160 Equity Shares at par to Financial Institutions as per the terms of reliefs/concessions sanctioned by them during the year 1995-96.

Paid-up Capital includes 1,52,59,213 Equity Shares at a premium of Rs.15/- to Promoters as per the order of Madras High Court for the approval of the scheme of Financial Restructuring of the Company in 2004-05.

Holding Company held 2,58,11,207 Equity Shares as on Mar 31, 2010.

Schedule 2

Reserves and Surplus

	As at Mar 31, 2009 (in Rupees)	Addition (in Rupees)	Deletion (in Rupees)	As at Mar 31, 2010 (in Rupees)
Capital Reserve	6,66,215	-	-	6,66,215
Revaluation Reserve	20,40,36,968	-	-	20,40,36,968
Securities Premium Account	47,34,618	-	-	47,34,618
Profit & Loss Account	13,66,57,554	6,10,84,259	-	19,77,41,813
	<u>34,60,95,355</u>	<u>6,10,84,259</u>	-	<u>40,71,79,614</u>

Schedule 3

Secured Loans

	As at Mar 31, 2010 (in Rupees)	As at Mar 31, 2009 (in Rupees)
Loans from Banks	17,82,73,071	30,99,14,704
Working Capital Loans from Banks	<u>4,75,15,371</u>	<u>2,97,76,873</u>
	<u>22,57,88,442</u>	<u>33,96,91,577</u>

Note

- Term loans from Banks are secured by first mortgage of fixed assets acquired out of Bank Finance. Equitable Mortgage relating to Factory Land and Building at 5 CMDA Industrial Estate, Maraimalai Nagar. First Charge on the existing Plant & Machinery and other Fixed Assets for Term Loan.
- Working Capital Loans from Banks are secured by hypothecation by way of first charge on the current assets of the Company viz. Stock of Raw materials, Stocks in Process, Semi-finished and Finished Goods, Stores and

Spares not relating to Plant and Machinery (Consumables, Stores and Spares) Bills receivables, Book debts, deposits and all other movables excluding such movables as may be permitted by consortium of Banks in their discretion from time to time, both present and future, wherever situated and further secured by the second charges on the immovable assets of the Company both present and future. The charge on current assets of the Company will rank pari passu with the existing charges created and/or agreed to be created thereon in favour of consortium of Banks.

Schedule 4

Unsecured Loans

Equipment Loan

Fixed Deposit from Others

**As at
Mar 31, 2010
(in Rupees)**

2,82,26,573

4,00,00,000

6,82,26,573

As at
Mar 31, 2009
(in Rupees)

10,32,89,216

-

10,32,89,216

Schedule 5

Fixed Assets

(in Rupees)

Description	Gross Block				Depreciation				Net Block	
	As at Apr 1, 2009	Additions during the year	Adjustments / Deletions	As at Mar 31, 2010	As at Apr 1, 2009	For the year	Adjustments / Deletions	As at Mar 31, 2010	As at Mar 31, 2010	As at Mar 31, 2009
1. Land	40,10,11,436	-	-	40,10,11,436	-	-	-	-	40,10,11,436	40,10,11,436
2. Building	6,82,38,202	-	-	6,82,38,202	2,23,62,528	19,81,729	-	2,43,44,257	4,38,93,945	4,58,75,674
3. Plant & Machinery	110,91,83,892	7,80,78,712	4,09,39,352	114,63,23,252	40,17,62,801	8,16,44,314	34,17,168	47,99,89,947	66,63,33,305	70,74,21,091
4. Furniture & Fixtures	73,93,731	1,60,688	-	75,54,419	46,13,248	2,43,401	-	48,56,649	26,97,770	27,80,483
5. Office Equipments	1,50,36,936	8,62,126	32,600	1,58,66,462	95,27,272	11,01,223	721	1,06,27,774	52,38,688	55,09,664
6. Motor Vehicle	30,73,601	-	-	30,73,601	10,90,693	2,91,992	-	13,82,685	16,90,916	19,82,908
	160,39,37,798	7,91,01,526	4,09,71,952	164,20,67,372	43,93,56,542	8,52,62,659	34,17,889	52,12,01,312	112,08,66,060	116,45,81,256
Previous Year	148,15,02,103	14,59,88,067	(2,35,52,372)	160,39,37,798	35,79,14,788	8,30,45,134	(16,03,380)	43,93,56,542	-	-
Capital Work-in-Progress									33,90,000	31,50,000

Note

Capital Work-in-Progress Rs.33.90 lakhs (Previous year Rs.31.50 lakhs) relate to advances and purchases for ERP Projects.

Adjustments during the year represents Rs.409.40 lakhs (Previous year Rs.1046.89 lakhs loss) towards exchange gain adjusted in fixed assets as per GOI Notification (GO No.GSR225(E) dated Mar 31, 2009).



Schedule 6

Current Assets, Loans & Advances

	As at Mar 31, 2010 (in Rupees)		As at Mar 31, 2009 (in Rupees)	
A. Current Assets				
Inventories				
Stores and Spares	2,25,31,438		2,40,62,079	
Raw Materials	5,36,72,510		3,76,63,154	
Work-in-Progress	8,60,86,089		8,06,65,861	
Finished Goods	30,30,522		21,88,630	
		16,53,20,559		14,45,79,724
Sundry Debtors (Unsecured considered good)				
Outstanding exceeding six months	35,95,051		33,45,154	
Others	7,85,10,060		4,08,15,700	
	8,21,05,111		4,41,60,854	
Less : Provision for Bad Debts	33,45,154		33,45,154	
		7,87,59,957		4,08,15,700
Cash & Bank Balances				
Cash on hand	1,24,927		1,06,427	
Balances with scheduled banks				
On Current Accounts	48,32,679		1,25,23,490	
On Deposit Accounts	30,09,492		3,16,59,199	
On Margin Money Account	78,40,365		57,33,591	
		1,58,07,463		5,00,22,707
		25,98,87,979		23,54,18,131
B. Loans and Advances				
(Unsecured considered good)				
Advances recoverable in cash or in kind or value to be received	2,93,63,490		3,01,90,128	
Less: Provision for Doubtful Advances	4,06,500		4,06,000	
	2,89,56,990		2,97,84,128	
Balances with Excise, Customs and other Government Authorities	4,52,42,453		4,09,43,388	
Less: Provision for Doubtful Advances	4,11,946		-	
	4,48,30,507	7,37,87,497	4,09,43,388	7,07,27,516
		33,36,75,476		30,61,45,647

Schedule 7

Current Liabilities & Provisions

	As at Mar 31, 2010 (in Rupees)		As at Mar 31, 2009 (in Rupees)	
Current Liabilities				
1. Sundry Creditors				
- for goods				
a. Total outstanding dues of Small Scale Industrial undertaking(s)		1,91,725		2,35,510
b. Total outstanding dues of Creditors other than Small Scale Industrial undertaking(s)		9,14,41,710		5,59,32,224
- for expenses		1,48,49,011		1,11,70,847
- for gratuity		86,07,680		64,39,005
- for others		26,70,944		22,32,650
2. Provision for Employee Benefits		80,60,282		74,05,824
3. Temporary Overdraft from Banks		-		14,68,261
4. Advance from Customers		2,12,86,104		2,04,60,502
5. Tax Liability		4,05,59,290		3,11,95,518
6. Interest Accrued but not due		20,069		74,963
		18,76,86,815		13,66,15,304

Schedule 8
Manufacturing and Other Expenses

	Year ended Mar 31, 2010 (in Rupees)		Year ended Mar 31, 2009 (in Rupees)
Raw materials and Intermediates consumed	36,54,28,607		27,98,10,529
Stores Consumed	6,52,56,127		7,39,35,707
Characterization & Test Charges	2,37,16,954		1,66,06,580
Power	2,64,77,281		2,53,08,772
Fuel	1,13,74,916		1,31,76,553
Payments to and provisions for employees			
Salaries, Allowances and Gratuity	12,08,46,727	11,49,79,447	
Contribution to P.F. & E.S.I.	86,18,832	86,08,154	
Staff Welfare	<u>85,07,421</u>	<u>88,71,497</u>	
	13,79,72,980		13,24,59,098
Travel and Conveyance	80,09,489		84,94,289
Insurance	5,18,278		8,38,969
Rent	3,89,230		3,77,260
Rates and Taxes	13,86,951		16,63,275
Telephone, Telex, Postage & Telegram	14,01,192		15,21,135
Repairs and Maintenance			
Machinery	21,55,638	11,20,689	
Building	12,37,882	20,30,281	
Others	<u>1,26,69,105</u>	<u>1,16,11,386</u>	
	1,60,62,625		1,47,62,356
Carriage Outwards	31,57,301		35,56,618
Directors' Sitting Fee	2,22,000		1,54,000
Loss on Forward Contract	-		1,87,74,736
Marketing Fee	1,55,79,950		2,11,52,740
Commission to Vice Chairman	29,36,877		29,81,904
Miscellaneous Expenses	<u>1,69,72,327</u>		<u>1,74,86,313</u>
	69,68,63,085		63,30,60,834
Add: Opening Stock			
Work-in-Progress	8,06,65,861	6,99,59,732	
Finished goods	<u>21,88,630</u>	<u>5,59,971</u>	
	8,28,54,491		7,05,19,703
	<u>77,97,17,576</u>		<u>70,35,80,537</u>
Less: Closing Stock			
Work-in-Progress	8,60,86,089	8,06,65,861	
Finished goods	<u>33,70,731</u>	<u>21,88,630</u>	
	8,94,56,820		8,28,54,491
	<u>69,02,60,756</u>		<u>62,07,26,046</u>

SCHEDULE 9

NOTES ON ACCOUNTS

1. Accounting Policies

The significant accounting policies followed by the Company are as follows :

i. Fixed Assets and Depreciation

Expenditure which are of a capital nature are capitalised at a cost, which comprises purchase price (net of rebates and discounts), import duties, levies and any directly attributable cost of bringing the assets to its working condition for the intended use.

Depreciation is being charged on straight line method on a pro-rata basis in accordance with rates specified under Schedule XIV of the Companies Act, 1956.

Certain assets have been revalued as on Mar 31, 2005 & Mar 31, 2008 and the resultant surplus has been added to the cost of the assets with the corresponding credit to revaluation reserve account.

ii. Treatment of Foreign Currency Items

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary items are restated at the rates prevailing at the year end and the difference between the year end rate and the exchange rate at the date of the transaction is recognized as income or expense in the profit and loss account.

Premium or Discount on forward contracts is amortised over the life of such contracts and is recognized as income or expense. Foreign currency contracts are stated at market value as at the year end.

iii. Investments

Long Term Investments are valued at cost. Provision for diminution in the value of long term investments is made only if such decline is other than temporary in nature.

iv. Valuation of Inventories

The method of valuation for various categories of Inventories are as follows :

a. Raw Materials, Stores, Spares and Consumables are valued at weighted average rates.

b. Work-in-progress is valued at cost or net realisable value whichever is less.

c. Finished goods are valued at lower of cost or net realisable value.

v. Revenue Recognition

The income and expenditure are accounted on accrual basis.

vi. Treatment of Retirement Benefits

a. Contribution to provident fund is made monthly at a predetermined rate to the provident fund trust and debited to the Profit and Loss account on accrual basis.

b. The Company accounts for Gratuity Liability equivalent to the premium amount payable to Life Insurance Corporation of India based on percentage of annual salary specified by Life Insurance Corporation of India.

c. Liability for leave encashment is provided on actual basis.

vii. Borrowing Costs

Borrowing Costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

viii. Deferred Tax

Deferred taxes are recognized for the future tax consequences attributable to timing differences, which arise on account of difference between the accounting income and taxable income for the period. The effect on the deferred tax assets & liabilities of change in tax rate is recognized in the statement of Profit and Loss account using the tax rate and tax laws that have been enacted or substantively enacted by the Balance sheet date.

Deferred tax assets are recognized or carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

ix. Contingent Liabilities

All liabilities have been provided for in the financial statements except liabilities which are contingent in nature, which have been disclosed at their estimated value in the notes on accounts.

2. Estimated value of contracts remaining to be executed on capital account and not provided for Rs.13.11 lakhs (Previous year Rs.7.60 lakhs)

3. Contingent Liabilities & Provisions

- a. In respect of :

- i. Letters of Credit for Import Purchases
 ii. Bank Guarantee given for Job work
 iii. Guarantees given to Central Excise/ Banks on behalf of other companies with corresponding counter guarantees from them.

	Year ended Mar 31, 2010 Rs. in lakhs	Year ended Mar 31, 2009 Rs. in lakhs
	538.76	395.87
	0.10	0.10
	520.00	520.00

- b. Claims against the Company not acknowledged as debts – Rs.45.91 lakhs (Previous year – Rs.45.91 lakhs).

- c. Statement on Provisions as per AS 29

(Rs. in lakhs)

	Administrative expenses	Freight & Clearing expenses	Secretarial expenses	Purchase expenses	Gratuity
Opening Balance	5.73	0.65	0.00	0.01	64.39
Addition	7.92	0.42	0.30	0.00	39.91
Utilized / Paid	5.73	0.65	0.00	0.01	18.23
Closing Balance	7.92	0.42	0.30	0.00	86.07

The above provisions for expenses are made based on estimation on account of bills not received. For gratuity, the provision is made based on the premium value indicated by LIC.

4. Payment to Directors

- Salary
 Special Allowance
 Other Perquisites
 Contribution to PF
 Profit Commission to non Whole Time Director
 Directors Sitting Fee

	Year ended Mar 31, 2010 Rs. in lakhs	Year ended Mar 31, 2009 Rs. in lakhs
	6.60	6.60
	6.97	6.97
	10.88	9.55
	0.82	0.82
	29.37*	29.82
	2.22	1.54
	<u>56.86</u>	<u>55.30</u>



Computation of net profit in accordance with section 198 of the Companies Act, 1956

	Year ended Mar 31, 2010 Rs. in lakhs
Net Profit before taxes	929.53
Add: Managerial Remuneration	25.27
Profit Commission to Non Whole Time Director	29.37*
Interest provision for delayed Tax payments	7.96
Loss on Sale of Fixed Assets	0.05
Net profit as per section 198 of the Companies Act	992.18
Payments to Directors	
a. Remuneration to Whole Time Director	25.27
b. Profit Commission to Non Whole Time Director	29.37*

* The provision of commission in the books is subject to the approval by Central Govt. on the company application seeking permission to pay profit commission to a Non Whole Time Director.

5. Miscellaneous expenses includes Auditor's Remuneration

	Year ended Mar 31, 2010 Rs. in lakhs	Year ended Mar 31, 2009 Rs. in lakhs
Audit Fee	1.50	1.50
Taxation	0.30	0.30
Certification charges	0.05	0.14
Reimbursement of expenses	0.15	0.15
	<u>2.00</u>	<u>2.09</u>

6. The company has opted for accounting the exchange difference arising on reporting of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 on Accounting Standard 11 (AS-11) notified by Government of India on Mar 31, 2009 (GO No.GSR225(E) dated Mar 31, 2009). The exchange difference adjusted in the carrying amount of fixed assets during the accounting period is Rs.409.39 lakhs (decrease) (Previous year increase Net Rs.1046.89 lakhs). The amount of profit on exchange differences included in the Profit and Loss Account for the period is Rs.99.39 lakhs (Net) (Previous year gain Net Rs.105.67 lakhs).

7. CIF Value of Imports

	Year ended Mar 31, 2010 Rs. in lakhs	Year ended Mar 31, 2009 Rs. in lakhs
Capital goods and spares	841.94	487.69
Raw-materials & Consumables	4,091.19	3,100.14

8. a. Expenditure in Foreign Currency

	Year ended Mar 31, 2010 Rs. in lakhs	Year ended Mar 31, 2009 Rs. in lakhs
Travel and training	15.33	13.25
Marketing Fee	155.80	211.53
Characterization	235.84	159.96
IC Evaluation Charges	0.72	1.05
Interest on Equipment Loan	4.96	17.62

8. b. Earnings in Foreign Exchange

	Year ended Mar 31, 2010 Rs. in lakhs	Year ended Mar 31, 2009 Rs. in lakhs
Export on FOB basis	8,716.00	8,090.07
Scrap Sales	-	6.60

9. Other income of Rs.149.17 lakhs (Previous year Rs.222.27 lakhs) represents exchange profit Rs.99.39 lakhs, interest from deposits Rs.11.87 lakhs, scrap sales Rs.13.33 lakhs, lease rental income Rs.6.30 lakhs and Miscellaneous income of Rs.18.28 lakhs. (Tax deducted at source Rs.4.48 lakhs)

10. Capacity and Production

Classification of goods	Unit measurement	Licensed capacity		Installed capacity		Actual production	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Integrated Circuits	Million Nos.	473	473	473	473	258.11	229.20

11. a. Raw Materials and Intermediates Consumed

	Year ended Mar 31, 2010		Year ended Mar 31, 2009	
	Qty.	Value Rs. in lakhs	Qty.	Value Rs. in lakhs
Lead Frame	294.56 Mill Nos.	1,119.73	241.17 Mill Nos.	982.63
Gold Wire	12,887.80 Kms	1,902.10	10,770.70 Kms	1,275.16
Moulding Compound	52,835.28 Kgs	364.84	62,493.07 Kgs	357.29
Others		267.62		183.03

11. b. Consumption of Imported and Indigenous Raw Materials, Stores and Spare parts and the percentage of each to the Consumption

	Year ended Mar 31, 2010		Year ended Mar 31, 2009	
	% of total Consumption	Value Rs. in lakhs	% of total Consumption	Value Rs. in lakhs
i. Raw Materials consumed				
Imported	100.00	3,654.29	100.00	2,789.11
	100.00	3,654.29	100.00	2,789.11
ii. Stores and Spare parts				
Imported	82.61	539.07	75.26	556.47
Indigenous	17.39	113.49	24.74	182.89
	100.00	652.56	100.00	739.36



12. Sales

	Year ended Mar 31, 2010		Year ended Mar 31, 2009	
	Qty. Mill. Nos.	Value Rs. in lakhs	Qty. Mill. Nos.	Value Rs. in lakhs
Integrated Circuits - Export (FOB)	257.50	8,628.69	228.66	7,997.58
- Indigenous	-	0.10	-	-
Testing - Export	-	34.20	-	64.54
Other Services - Export	-	45.75	-	27.95
- Indigenous	-	7.25	-	10.19

13. Stock Particulars of Finished Goods

	Closing Stock as at Mar 31, 2010		Opening Stock as at Apr 1, 2009	
	Qty. Mill Nos	Value Rs. in lakhs	Qty. Mill Nos	Value Rs. in lakhs
Integrated Circuits	1.25	33.71	0.64	21.89

14. Segmental Reporting

The Integrated Circuits is the only segment for the company

15. Related party disclosure under Accounting Standard 18 :

Nature of Relationship	Name of the Party	Nature of Transaction with Value
A. Holding Company	Southern Petrochemical Industries Corporation Limited	Balance as on Mar 31, 2010 : a. Current Account Rs.1.77 lakhs (Dr) b. Guarantee issued Rs.520.00 lakhs
B. Subsidiary Company	SPEL America Inc.	Marketing Fee – Rs.155.80 lakhs Balance Outstanding to them as on Mar 31, 2010 Rs.0.90 lakhs
C. Key Management Personnel	Dr. A.C. Muthiah Chairman Mr. Ar Rm Arun Vice Chairman Mr. D. Balakrishnan Chief Executive Officer Mr. N. Sivashanmugam Chief Financial Officer	Personal Guarantee Commission – Rs.24.47 lakhs Profit Commission – Rs.29.37 lakhs * Remuneration – Rs.28.35 lakhs ** Remuneration – Rs.25.27 lakhs
D. Enterprise owned by/over which Key Management Personnel is able to exercise significant influence	ChipTest Engineering Limited Vice Chairman is the Chairman for the Holding Company of ChipTest Engineering Ltd Cherrytec Intelisolve Limited Vice Chairman is the Chairman of Cherrytec Intelisolve Limited. Valingro Exponenta Limited. Vice Chairman is Chairman in Valingro Exponenta Limited Natronix Semiconductor Technology Limited Vice Chairman is Chairman in Natronix Semiconductor Technology Limited.	Characterization Charges Rs.235.84 lakhs Test Engineering Charges Rs.69.79 lakhs Reliability Testing Income – Rs.4.68 lakhs Rental Income – Rs.5.52 lakhs Balance Outstanding to them as on Mar 31, 2010 Rs.113.41 lakhs Balance Outstanding to them as on Mar 31, 2010 Rs.0.58 lakhs towards ERP implementation. Corporate Communications charges of Rs.18.00 lakhs. Balance Outstanding to them as on Mar 31, 2010 Rs. 4.63 lakhs Manpower Deputation Charges of Rs.15.00 lakhs. Balance Outstanding to them as on Mar 31, 2010 Rs.6.03 lakhs

* Provision has been made, subject to the statutory approvals.

** part of the year.

16. Accounting for taxes on income

	Year ended Mar 31, 2010 (Rs. in lakhs)	Year ended Mar 31, 2009 (Rs. In lakhs)
A. Deferred Tax Asset for Temporary difference		
i. Gratuity, Employee Benefits & Bonus	15.22	26.57
Total (A)	<u>15.22</u>	<u>26.57</u>
B. Deferred Tax Liability for Temporary difference		
i. Depreciation	52.22	174.27
ii. Carry forward loss Adjustment	171.65	180.44
Total (B)	<u>223.87</u>	<u>354.71</u>
Deferred Tax (Net) (A-B)	(208.65)	(328.14)

17. No Provision for Income Tax has been made in the current year considering the carried forward losses of the company. However, tax has been provided considering Minimum Alternate Tax as per the Income Tax Act. In pursuant to the provisions of Income Tax Act, MAT credit of Rs.49.26 lakhs has been for carry forward during this year for adjustment against the future tax payments.

18. Impairment of Assets has been considered as per AS 28 & there is no impairment as on Mar 31, 2010.

19. Previous year's figures have been regrouped wherever necessary.

For and on behalf of the Board

Dr. A. C. Muthiah
Chairman

Dr. A. Besant C. Raj
Director

Dr. T. S. Vijayaraghavan
Director

Per our report attached
For **Natarajan & Co.**
Chartered Accountants

Ashwin C Muthiah
Director

N. Sivashanmugam
Whole Time Director

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

A. Baskar
Partner
M.No. 211721

Chennai
May 3, 2010



**Balance Sheet Abstract and Company's General Business Profile
As Per Part IV to Schedule VI to the Companies Act, 1956**

I. Registration Details	Registration No.	1 1 4 3 4	State Code	1 8
	Balance Sheet date	3 1	0 3	1 0
II. Capital raised during the year (Rupees in Thousands)	Public Issue		N I L	
	Rights Issue		N I L	
	Bonus Issue		N I L	
	Private Placement		N I L	
III. Position of mobilisation and Deployment of funds (Rupees in Thousands)	Total Liabilities		1 2 7 0 2 4 9	
	Total Assets		1 2 7 0 2 4 9	
Sources of Funds	Paid-up Capital		4 6 1 3 2 5	
	Reserves and Surplus		4 0 7 1 8 0	
	Secured Loans		2 2 5 7 8 8	
	Unsecured Loans		6 8 2 2 7	
	Deferred Tax-Liability		1 0 7 7 2 9	
Application of Funds	Net Fixed Assets		1 1 2 4 2 5 6	
	Investments			4
	Net Current Assets		1 4 5 9 8 9	
IV. Performance of Company (Rupees in Thousands)	Turnover (Including other income)		8 8 6 5 1 6	
	Total Expenditure		7 9 3 5 6 3	
	Profit/(Loss) Before Tax		9 2 9 5 3	
	Profit/(Loss) After Tax		6 1 0 8 4	
	Earnings Per Share in Rupees		1 . 3 2	
	Dividend Rate %		N I L	
V. Generic names of three principal products/services of Company (as per monetary terms)	Item Code No. (ITC Code)			
	Product Description			
	Electronic Integrated Circuits		8 5 4 2 0 0	

For and on behalf of the Board

Dr. A. C. Muthiah
Chairman

Dr. A. Besant C. Raj
Director

Dr. T. S. Vijayaraghavan
Director

Per our report attached

For **Natarajan & Co.**
Chartered Accountants

Ashwin C Muthiah
Director

N. Sivashanmugam
Whole Time Director

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

A. Baskar
Partner
M.No. 211721

Chennai
May 3, 2010



Cash Flow Statement for the year ended Mar 31, 2010
Pursuant to Clause 32 of the Listing Agreement

(Rupees in lakhs)

	Year ended Mar 31, 2010	Year ended Mar 31, 2009
A. Cash Flow from Operating Activities :		
Net Profit before tax and extraordinary item :	929.53	960.85
Adjustments for :		
Depreciation	818.45	830.45
Foreign Exchange gain	(99.39)	(105.67)
Interest Income	(11.87)	(40.28)
Rental Income	(6.30)	(7.31)
Amortisation of Employee Compensation	-	(70.18)
Provision for Inventory Written off	8.11	-
Provision for Doubtful Advances	4.12	-
Loss on sale of Fixed Assets	0.05	0.03
Forward premium profit	-	(3.28)
Interest Expense	<u>214.57</u>	<u>323.31</u>
Operating Profit before working capital changes	1857.27	1887.92
Adjustments for :		
Trade and other receivables	(306.77)	(50.53)
Inventories	(215.52)	27.11
Trade payables	<u>354.87</u>	<u>150.38</u>
Cash generated from operations	1689.85	2014.88
Direct Tax Paid	<u>58.31</u>	<u>110.18</u>
Net Cash from Operating Activities	1631.54	1904.70
B. Cash Flow from Investing Activities :		
Purchase of Fixed Assets (including Capital Work-in-Progress)	(793.41)	(1473.18)
Exchange fluctuation on Fixed Assets	58.52	-
Proceeds from Sale of Fixed Assets	0.27	5.00
Interest Income	11.87	40.28
Rental Income	<u>6.30</u>	<u>7.31</u>
Net Cash Flow in Investing Activities	(716.45)	(1420.59)



(Rupees in lakhs)

	Year ended Mar 31, 2010	Year ended Mar 31, 2009
C. Cash Flow from Financing Activities :		
Proceeds from Working Capital Borrowings	177.38	83.94
Term Loan from Bank	-	174.48
Equipment Loan	(678.69)	(154.53)
Foreign Exchange gain	99.39	105.67
Repayment of Long Term Borrowings	(1040.76)	-
Fixed Deposit accepted	400.00	-
Fixed Deposit refunded	-	(350.00)
Interest Paid	(214.57)	(323.31)
Net Cash Flow in Financing Activities	(1,257.25)	(463.75)
Net increase in Cash and Cash Equivalents	(342.16)	20.36
Cash and Cash Equivalents as at Apr 01, 2009 (Opening Balance)	500.23	479.87
Cash and Cash Equivalents as at Mar 31, 2010 (Closing Balance)	158.07	500.23

For and on behalf of the Board

Dr. A. C. Muthiah
Chairman

Dr. A. Besant C. Raj
Director

Dr. T. S. Vijayaraghavan
Director

Ashwin C Muthiah
Director

N. Sivashanmugam
Whole Time Director

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

Chennai
May 3, 2010

Auditors' Report

We have examined the above Cash Flow Statement of SPEL Semiconductor Limited, for the year ended 31st March 2010, which is in agreement with the corresponding profit and loss account and balance sheet of the company, covered by our report of 3rd May 2010 to the members of the Company.

For Natarajan & Co.
Chartered Accountants

Chennai
May 3, 2010.

A. Baskar
Partner
M.No.211721



Statement Regarding Subsidiary Companies Pursuant to Section 212 of the Companies Act, 1956

- | | |
|---|-------------------------|
| a. Name of the Subsidiary Company | SPEL America, Inc., USA |
| b. Financial Year of the Subsidiary Company ended on | Mar 31, 2010 |
| c. Holding Company's Interest : | |
| i. No. of Equity Shares | 10 |
| ii. Face Value | \$ 10 |
| iii. Paid up Value | \$ 100 |
| iv. Extent of Holding | 100 Percent |
| d. Net aggregate amount of Subsidiary's profit/(losses) not dealt with in the Holding Company's accounts : | |
| i. for subsidiary's financial year | Loss - Rs.0.52 Lakhs |
| ii. for its previous year | Profit - Rs.0.53 Lakhs |
| e. Net aggregate amount of Subsidiary's profit/(losses) dealt with in the Holding Company's accounts : | |
| i. for subsidiary's financial year | Nil |
| ii. for its previous financial year | Nil |
| f. Changes in the interest of the Holding Company between the end of the Subsidiary's financial year ended and Mar 31, 2010 | Nil |
| g. Material Changes between the end of the subsidiary's financial year ended and Mar 31, 2010 | Not Applicable |

For and on behalf of the Board

Dr. A. C. Muthiah
Chairman

Ashwin C Muthiah
Director

Chennai
May 3, 2010

Dr. A. Besant C. Raj
Director

N. Sivashanmugam
Whole Time Director

Dr. T. S. Vijayaraghavan
Director

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary



Consolidated Financial Statements
of
SPEL Semiconductor Limited
2009-2010



AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF SPEL SEMICONDUCTOR LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES

1. We have audited the attached Consolidated Balance sheet of SPEL Semiconductor Limited and its subsidiaries as at 31st March, 2010 and the Consolidated Profit and Loss Account and the Consolidated cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted the audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiaries whose financial statements reflects total assets of Rs.0.04 lacs as at 31st March 2010, total revenues of Rs.155.80 lacs for the year then ended. These financial statements and other financial information have been audited by other auditors.
4. We report that the consolidated financial statements have been prepared by SPEL Semiconductor Limited's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
5. Based on our audit, and on consideration of reports of other auditors on separate financial statements, and on the other financial information of the components and to the best of our knowledge and according to information and explanation given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the Accounting Principles generally accepted in India :
 - (a) In the case of Consolidated Balance Sheet, of the state of the affairs of the SPEL Semiconductor Group as at 31st March, 2010; and
 - (b) In the case of Consolidated Profit and Loss Account, of the Profit for the year ended on that date; and
 - (c) In the case of Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **Natarajan & Co.**
Chartered Accountants

A. Baskar
Partner
M.No. 211721

Chennai
May 3, 2010



Consolidated Balance Sheet As at Mar 31, 2010

	Schedule	As at Mar 31, 2010 (in Rupees)		As at Mar 31, 2009 (in Rupees)
Source of Funds				
Shareholders' Funds				
Share Capital	1		46,13,25,280	46,13,25,280
Reserves and Surplus	2		40,71,27,801	34,61,47,960
Loan Funds				
Secured	3		22,57,88,442	33,96,91,577
Unsecured	4		6,82,26,573	10,32,89,216
Deferred Tax Liability			<u>10,77,29,177</u>	<u>8,68,64,536</u>
Total			<u>127,01,97,273</u>	<u>133,73,18,569</u>
Application of Funds				
Fixed Assets				
Gross Block	5	164,24,55,079	160,46,18,710	
Less: Depreciation		<u>52,15,89,019</u>	<u>44,00,21,585</u>	
		112,08,66,060		116,45,97,125
Capital Work-in-Progress	5		33,90,000	31,50,000
Current Assets, Loans & Advances				
Inventories	6	16,53,20,559	14,45,79,724	
Sundry Debtors		7,87,59,957	4,08,15,700	
Cash and Bank Balances		1,58,53,180	5,02,16,095	
Loans and Advances		<u>7,39,61,646</u>	<u>7,09,19,189</u>	
		33,38,95,342	30,65,30,708	
Less:				
Current Liabilities and Provisions	7	<u>18,79,54,129</u>	<u>13,69,59,264</u>	
Net Current Assets (6-7)			<u>14,59,41,213</u>	<u>16,95,71,444</u>
Total			<u>127,01,97,273</u>	<u>133,73,18,569</u>

[Notes on Accounts (Schedule - 9)]

For and on behalf of the Board

Dr. A. C. Muthiah
Chairman

Dr. A. Besant C. Raj
Director

Dr. T. S. Vijayaraghavan
Director

Per our report attached
For **Natarajan & Co.**
Chartered Accountants

Ashwin C Muthiah
Director

N. Sivashanmugam
Whole Time Director

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

A. Baskar
Partner
M.No. 211721

Chennai
May 3, 2010



Consolidated Profit and Loss Account for the Year Ended Mar 31, 2010

	Schedule	Year ended Mar 31, 2010 (in Rupees)	Year ended Mar 31, 2009 (in Rupees)
INCOME			
Sales		87,15,99,645	81,00,26,212
Other Income		1,47,54,377	2,25,07,427
TOTAL INCOME		88,63,54,022	83,25,33,639
EXPENDITURE			
Manufacturing and Other Expenses	8	68,99,93,914	62,04,04,231
Interest		2,14,57,005	3,23,97,761
Depreciation		8,19,94,066	8,33,32,388
TOTAL EXPENDITURE		79,34,44,985	73,61,34,380
Profit for the year		9,29,09,037	9,63,99,259
Fringe Benefit Tax		-	9,17,594
Deferred Tax		2,08,64,641	3,28,13,753
Provision for Current Tax & MAT		1,59,90,353	1,09,46,860
Less : MAT Credit Entitlement		(49,25,798)	(1,08,19,845)
Profit after Tax		6,09,79,841	6,25,40,897
Profit brought forward		15,92,04,140	9,66,63,243
Net Profit Carried to Balance Sheet		22,01,83,981	15,92,04,140
Nominal Value of each shares in Rs.		10	10
EPS in Rs.		1.32	1.36
Diluted EPS in Rs.		1.32	1.36
Number of Shares		4,61,17,443	4,61,17,443
Number of Shares for Diluted EPS		4,61,17,443	4,61,17,443
[Notes on Accounts (Schedule - 9)]			

For and on behalf of the Board

Dr. A. C. Muthiah
Chairman

Dr. A. Besant C. Raj
Director

Dr. T. S. Vijayaraghavan
Director

Per our report attached

For **Natarajan & Co.**
Chartered Accountants

Ashwin C Muthiah
Director

N. Sivashanmugam
Whole Time Director

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

A. Baskar
Partner
M.No. 211721

Chennai
May 3, 2010



Schedule 1

Share Capital

	As at Mar 31, 2010 (in Rupees)	As at Mar 31, 2009 (in Rupees)
Authorised		
6,00,00,000 Equity Share of Rs.10/- each	60,00,00,000	60,00,00,000
Issued		
4,61,47,613 Equity Shares of Rs.10/- each (of which 6,81,240 equity shares at par were issued during the year 2007-08 to Employees as per the scheme of ESOS)	46,14,76,130	46,14,76,130
Subscribed and Paid up		
4,61,17,443 Equity Shares of Rs.10/- each	46,11,74,430	46,11,74,430
Add : Forfeited Shares 30,170 Equity Shares of Rs.5/- each	1,50,850	1,50,850
	46,13,25,280	46,13,25,280

Paid-up Capital includes allotment of 86,88,160 Equity Shares at par to Financial Institutions as per the terms of reliefs/ concessions sanctioned by them during the year 1995-96.

Paid-up Capital includes 1,52,59,213 Equity Shares at a premium of Rs.15/- to Promoters as per the order of Madras High Court for the approval of the scheme of Financial Restructuring of the Company in 2004-05.

Holding Company held 2,58,11,207 Equity Shares as on Mar 31, 2010.

Schedule 2

Reserves and Surplus

	As at Mar 31, 2009 (in Rupees)	Addition (in Rupees)	Deletion (in Rupees)	As at Mar 31, 2010 (in Rupees)
Capital Reserve	6,66,215	-	-	6,66,215
Revaluation Reserve	20,40,36,968	-	-	20,40,36,968
Securities Premium Account	47,34,618	-	-	47,34,618
Profit & Loss Account	13,67,10,159	6,09,79,841	-	19,76,90,000
	34,61,47,960	6,09,79,841	-	40,71,27,801

Schedule 3

Secured Loans

	As at Mar 31, 2010 (in Rupees)	As at Mar 31, 2009 (in Rupees)
Loans from Banks	17,82,73,071	30,99,14,704
Working Capital Loans from Banks	4,75,15,371	2,97,76,873
	22,57,88,442	33,96,91,577

Note

- Term loans from Banks are secured by first mortgage of fixed assets acquired out of Bank Finance. Equitable Mortgage relating to Factory Land and Building at 5 CMDA Industrial Estate, Maraimalai Nagar. First Charge on the existing Plant & Machinery and other Fixed Assets for Term Loan.

2. Working Capital Loans from Banks are secured by hypothecation by way of first charge on the current assets of the Company viz. Stock of Raw materials, Stocks in Process, Semi-finished and Finished Goods, Stores and Spares not relating to Plant and Machinery (Consumables, Stores and Spares) Bills receivables, Book debts, deposits and all other movables excluding such movables as may be permitted by consortium of Banks in their discretion from time to time, both present and future, wherever situated and further secured by the second charges on the immovable assets of the Company both present and future. The charge on current assets of the Company will rank pari passu with the existing charges created and/or agreed to be created thereon in favour of consortium of Banks.

Schedule 4

Unsecured Loans

	As at Mar 31, 2010 (in Rupees)	As at Mar 31, 2009 (in Rupees)
Equipment Loan	2,82,26,573	10,32,89,216
Fixed Deposit from Others	4,00,00,000	-
	6,82,26,573	10,32,89,216

Schedule 5

Fixed Assets

(in Rupees)

Description	Gross Block				Depreciation				Net Block	
	As at Apr 1, 2009	Additions during the year	Adjustments / Deletions	As at Mar 31, 2010	As at Apr 1, 2009	For the year	Adjustments / Deletions	As at Mar 31, 2010	As at Mar 31, 2010	As at Mar 31, 2009
1. Land	40,10,11,436	-	-	40,10,11,436	-	-	-	-	40,10,11,436	40,10,11,436
2. Building	6,82,38,202	-	-	6,82,38,202	2,23,62,528	19,81,729	-	2,43,44,257	4,38,93,945	4,58,75,674
3. Plant & Machinery	110,91,83,892	7,80,78,712	4,09,39,352	114,63,23,252	40,17,71,080	8,16,36,035	34,17,168	47,99,89,947	66,63,33,305	70,74,12,812
4. Furniture & Fixtures	74,15,425	1,60,688	-	75,76,113	46,34,942	2,43,401	-	48,78,343	26,97,770	27,80,483
5. Office Equipments	1,56,96,154	9,94,832	4,58,511	1,62,32,475	1,01,62,342	12,58,077	4,26,632	1,09,93,787	52,38,688	55,33,812
6. Motor Vehicle	30,73,601	-	-	30,73,601	10,90,693	2,91,992	-	13,82,685	16,90,916	19,82,908
	160,46,18,710	7,92,34,232	4,13,97,863	164,24,55,079	44,00,21,585	8,54,11,234	38,43,800	52,15,89,019	112,08,66,060	116,45,97,125
Previous Year	148,19,10,493	14,62,60,589	(2,35,52,372)	160,46,18,710	35,82,92,577	8,33,32,388	(16,03,380)	44,00,21,585	-	-
Capital Work-in- Progress									33,90,000	31,50,000

Note

Capital Work-in-Progress Rs.33.90 lakhs (Previous year Rs.31.50 lakhs) relate to advances and purchases for ERP Projects.

Adjustments during the year represents Rs.409.40 lakhs (Previous year Rs.1046.89 lakhs loss) towards exchange gain adjusted in fixed assets as per GOI Notification (GO No.GSR225(E) dated Mar 31, 2009).



Schedule 6

Current Assets, Loans & Advances

	As at Mar 31, 2010		As at Mar 31, 2009	
	(in Rupees)		(in Rupees)	
A. Current Assets				
Inventories				
Stores and Spares	2,25,31,438		2,40,62,079	
Raw Materials	5,36,72,510		3,76,63,154	
Work-in-Progress	8,60,86,089		8,06,65,861	
Finished Goods	30,30,522		21,88,630	
		16,53,20,559		14,45,79,724
Sundry Debtors (Unsecured considered good)				
Outstanding exceeding six months	35,95,051		33,45,154	
Others	7,85,10,060		4,08,15,700	
	8,21,05,111		4,41,60,854	
Less : Provision for Bad Debts	33,45,154		33,45,154	
		7,87,59,957		4,08,15,700
Cash & Bank Balances				
Cash on hand	1,24,927		1,06,427	
Balances with scheduled banks				
On Current Accounts	48,78,396		1,27,16,878	
On Deposit Accounts	30,09,492		3,16,59,199	
On Margin Money Account	78,40,365		57,33,591	
		1,58,53,180		5,02,16,095
		25,99,33,696		23,56,11,519
B. Loans and Advances				
(Unsecured considered good)				
Advances recoverable in cash or in kind or value to be received	2,94,77,633		3,02,60,199	
Less: Provision for Doubtful Advances	4,06,500		4,06,000	
	2,90,71,133		2,98,54,199	
Balances with Excise, Customs and other Government Authorities	4,53,02,459		4,10,64,990	
Less: Provision for Doubtful Advances	4,11,946		-	
	4,48,90,513		4,10,64,990	
		7,39,61,646		7,09,19,189
		33,38,95,342		30,65,30,708

Schedule 7

Current Liabilities & Provisions

	As at Mar 31, 2010 (in Rupees)	As at Mar 31, 2009 (in Rupees)
Current Liabilities		
1. Sundry Creditors		
- for goods		
a. Total outstanding dues of Small Scale Industrial undertaking(s)	1,91,725	2,35,510
b. Total outstanding dues of Creditors other than Small Scale Industrial undertaking(s)	9,13,51,310	5,59,32,224
- for expenses	1,52,06,725	1,15,14,807
- for gratuity	86,07,680	64,39,005
- for others	26,70,944	22,32,650
2. Provision for Employee Benefit	80,60,282	74,05,824
3. Temporary Overdraft from Banks	-	14,68,261
4. Advance from Customers	2,12,86,104	2,04,60,502
5. Tax Liability	4,05,59,290	3,11,95,518
6. Interest Accrued but not due	20,069	74,963
	18,79,54,129	13,69,59,264



Schedule 8

Manufacturing and Other Expenses

	Year ended Mar 31, 2010 (in Rupees)		Year ended Mar 31, 2009 (in Rupees)
Raw materials and Intermediates consumed		36,54,28,607	27,98,10,529
Stores Consumed		6,52,56,127	7,39,35,707
Characterization & Testing Charges		2,37,16,954	1,66,06,580
Power		2,64,77,281	2,53,08,772
Fuel		1,13,74,916	1,31,76,553
Payments to and provisions for employees			
Salaries, Allowances and Gratuity	12,92,31,705		12,84,60,793
Contribution to P.F. & E.S.I.	91,53,568		94,44,692
Staff Welfare	89,54,756		91,60,458
		<u>14,73,40,029</u>	14,70,65,943
Travel and Conveyance		81,98,274	93,18,524
Insurance		5,18,278	8,38,969
Rent		6,43,030	6,23,447
Rates and Taxes		13,89,871	16,63,275
Telephone, Telex, Postage & Telegram		18,93,199	20,40,967
Repairs and Maintenance			
Machinery	21,55,638		11,20,689
Building	12,37,882		20,30,281
Others	1,27,59,843		1,17,01,878
		<u>1,61,53,363</u>	1,48,52,848
Carriage Outwards		31,57,301	35,56,617
Directors' Sitting Fee		2,22,000	1,54,000
Commission to Vice Chairman		29,36,877	29,81,904
Commission		1,17,770	1,69,879
Loss on Forward Contract		-	1,87,74,736
Miscellaneous Expenses		2,17,72,366	2,18,59,769
		<u>69,65,96,243</u>	63,27,39,019
Add: Opening Stock			
Work-in-Progress	8,06,65,861		6,99,59,732
Finished goods	21,88,630		5,59,971
		<u>8,28,54,491</u>	7,05,19,703
		<u>77,94,50,734</u>	70,32,58,722
Less: Closing Stock			
Work-in-Progress	8,60,86,089		8,06,65,861
Finished goods	33,70,731		21,88,630
		<u>8,94,56,820</u>	8,28,54,491
		<u>68,99,93,914</u>	<u>62,04,04,231</u>



SCHEDULE 9

Notes on the Consolidated Accounts

A. Basis of Consolidation

The Consolidated Financial Statements comprises of financial statements of SPEL Semiconductor Limited (the company) and its subsidiary SPEL America Inc. The Consolidated Financial Statements have been prepared in accordance with AS-21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

The subsidiary company SPEL America Inc., is Incorporated in USA. SPEL Semiconductor Limited is having 100% ownership interest in the subsidiary as at Mar 31, 2010.

B. Accounting Policies

The significant accounting policies followed by the Company are as follows :

i. Fixed Assets and Depreciation

Expenditure which are of a capital nature are capitalised at a cost, which comprises of purchase price (net of rebates and discounts), import duties, levies and any directly attributable cost of bringing the assets to its working condition for the intended use.

Depreciation on fixed assets of the parent company is being charged on straight line method on a pro-rata basis in accordance with rates specified under Schedule XIV of the Companies Act, 1956. Subsidiary company provides depreciation in accordance with US Tax laws.

Certain assets have been revalued as on Mar 31, 2005 & Mar 31, 2008 and the resultant surplus has been added to the cost of the assets with the corresponding credit to revaluation reserve account.

ii. Treatment of Foreign Currency Items

a. Indian Operations

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary items are restated at the rates prevailing at the year end and the difference between the year end rate and the exchange rate at the date of the transaction is recognized as income or expense in the profit and loss account.

b. Overseas Operations

The financial Statements have been consolidated after considering "SPEL America Inc." as an integral foreign operation.

Fixed Assets are recorded at the rates of exchange prevailing on the date of acquisition of such assets. Monetary items are translated at the exchange rate prevailing on the last date of the accounting year and difference in exchange is recognized as income or expense in the profit & loss account. All the non-monetary assets & liabilities and revenue items are translated at monthly average rate.

iii. Investments

Long Term Investments are valued at cost. Provision for diminution in the value of long term investments is made only if such decline is other than temporary in nature.

iv. Valuation of Inventories

The method of valuation for various categories of Inventories are as follows :

- a. Raw Materials, Stores, Spares and Consumables are valued at weighted average rates.
- b. Work-in-progress is valued at cost or realisable value whichever is less.
- c. Finished goods are valued at lower of cost or net realisable value.

v. Revenue Recognition

The income and expenditure are accounted on accrual basis.

vi. Treatment of Retirement Benefits

- a. Contribution to provident fund is made monthly at a predetermined rate to the provident fund trust and debited to the Profit and Loss account on accrual basis.
- b. The Company accounts for Gratuity Liability equivalent to the premium amount payable to Life Insurance Corporation of India based on percentage of annual salary specified by Life Insurance Corporation of India.
- c. Liability for leave encashment is provided on actual basis.

vii. Borrowing Costs

Borrowing Costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

viii. Deferred Tax

Deferred taxes are recognized for the future tax consequences attributable to timing differences, which arise on account of difference between the accounting income and taxable income for the period. The effect on the deferred tax assets & liabilities of change in tax rate is recognized in the statement of Profit and loss account using the tax rate and tax laws that have been enacted or substantively enacted by the Balance sheet date.

Deferred tax assets are recognized or carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

ix. Contingent Liabilities

All liabilities have been provided for in the account except liabilities of a contingent nature, which have been disclosed at their estimated value in the notes on account.

2. The company has opted for accounting the exchange difference arising on reporting of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 on Accounting Standard 11 (AS-11) notified by Government of India on Mar 31, 2009 (GO No.GSR225(E) dated Mar 31, 2009). The exchange difference adjusted in the carrying amount of fixed assets during the accounting period is Rs.409.39 lakhs (decrease) (Previous year increase Net Rs.1046.89 lakhs). The amount of profit on exchange differences included in the Profit and Loss Account for the period is Rs.99.39 lakhs (Net) (Previous year gain Net Rs.105.67 lakhs).

3. Segmental Reporting

The Integrated Circuits is the only operating segment for the Company.

4. Related party disclosure under Accounting Standard 18 :

Nature of Relationship	Name of the Party	Nature of Transaction with Value
A. Holding Company	Southern Petrochemical Industries Corporation Limited	Balance as on Mar 31, 2010 : a. Current Account Rs.1.77 lakhs (Dr) b. Guarantee issued Rs.520.00 lakhs
B. Subsidiary Company	SPEL America Inc.	Marketing Fee – Rs.155.80 lakhs Balance Outstanding to them as on Mar 31, 2010 Rs.0.90 lakhs
C. Key Management Personnel	Dr. A. C. Muthiah – Chairman	Personal Guarantee Commission – Rs.24.47 lakhs Profit Commission – Rs.29.37 lakhs
	Mr. Ar Rm Arun Vice Chairman *	Remuneration – Rs.40.68 lakhs
	Mr. Sam Varghese Chief Executive Officer of SPEL America, Inc., **	Remuneration – Rs.28.35 lakhs
	Mr. D. Balakrishnan Chief Executive Officer** Mr. N. Sivashanmugam Chief Financial Officer	Remuneration – Rs.25.27 lakhs
D. Enterprise owned by/over which Key Management Personnel is able to exercise significant influence	ChipTest Engineering Limited Vice Chairman is the Chairman for the Holding company of ChipTest Engineering Ltd	Characterization Charges Rs.235.84 lakhs Test Engineering Charges Rs.69.79 lakhs Reliability Testing Income – Rs.4.68 lakhs Rental Income – Rs.5.52 lakhs Balance Outstanding to them as on Mar 31, 2010 Rs.113.41 lakhs Consultancy Charges - Rs.39.58 Lakhs
	Cherrytec Solution Inc, USA Vice Chairman is the Chairman of Cherrytec Solution Inc, USA.	
	Cherrytec Intelisolve Limited Vice Chairman is the Chairman of Cherrytec Intelisolve Limited	Balance Outstanding to them as on Mar 31, 2010 Rs.0.58 lakhs towards ERP implementation.
	Valingro Exponenta Limited. Vice Chairman is Chairman in Valingro Exponenta Limited	Corporate Communications - Rs.18.00 lakhs. Balance Outstanding to them as on Mar 31, 2010 Rs.4.63 lakhs
	Natronix Semiconductor Technology Limited Vice Chairman is Chairman in Natronix Semiconductor Technology Limited.	Manpower Deputation Charges - Rs.15.00 lakhs. Balance Outstanding to them as on Mar 31, 2010 Rs.6.03 lakhs

* Provision has been made, subject to the statutory approvals.

** part of the year.

5. Previous year's figures have been regrouped wherever necessary.

For and on behalf of the Board

Dr. A. C. Muthiah
Chairman

Dr. A. Besant C. Raj
Director

Dr. T. S. Vijayaraghavan
Director

Per our report attached

For **Natarajan & Co.**
Chartered Accountants

Ashwin C Muthiah
Director

N. Sivashanmugam
Whole Time Director

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

A. Baskar
Partner
M.No. 211721

Chennai
May 3, 2010



**Consolidated Cash Flow Statement for the year ended Mar 31, 2010
Pursuant to Clause 32 of the Listing Agreement**

(Rupees in lakhs)

	Year ended Mar 31, 2010	Year ended Mar 31, 2009
A. Cash Flow from Operating Activities :		
Net Profit before tax and extraordinary item :	929.09	963.99
Adjustments for :		
Depreciation	819.94	833.32
Foreign Exchange gain	(97.76)	(108.47)
Interest Income	(11.87)	(40.28)
Rental Income	(6.30)	(7.31)
Amortisation of Employee Compensation	-	(70.18)
Provision for Inventory Written off	8.11	-
Provision for Doubtful Advances	4.12	-
Loss on sale of Fixed Assets	0.05	0.03
Forward premium profit	-	(3.28)
Interest Expense	214.57	323.31
	<u>930.86</u>	<u>927.14</u>
Operating Profit before working capital changes	1,859.95	1,891.13
Adjustments for :		
Trade and other receivables	(306.59)	(50.82)
Inventories	(215.52)	27.11
Trade payables	353.50	149.88
	<u>(168.61)</u>	<u>126.17</u>
Cash generated from operations	(1,691.34)	2,017.30
Direct Tax Paid	58.31	111.45
Net Cash from Operating Activities	1,633.03	1,905.85
B. Cash Flow from Investing Activities :		
Purchase of Fixed Assets (including Capital Work -in-Progress)	(794.74)	(1,475.91)
Exchange fluctuation on Fixed Assets	58.52	-
Proceeds from Sale of Fixed Assets	0.27	5.00
Interest Income	11.87	40.28
Rental Income	6.30	7.31
Net Cash Flow in Investing Activities	(717.78)	(1,423.32)



(Rupees in lakhs)

	Year ended Mar 31, 2010	Year ended Mar 31, 2009
C. Cash Flow from Financing Activities :		
Proceeds from Working Capital Borrowings	177.38	83.94
Term Loan from Bank	-	174.48
Equipment Loan	(678.69)	(154.53)
Foreign Exchange gain	97.76	108.47
Repayment of Long Term Borrowings	(1040.76)	-
Fixed Deposit accepted	400.00	-
Fixed Deposit refunded	-	(350.00)
Interest Paid	<u>(214.57)</u>	<u>(323.31)</u>
Net Cash Flow in Financing Activities	(1258.88)	(460.95)
Net increase in Cash and Cash Equivalents	(343.63)	21.58
Cash and Cash Equivalents as at Apr 01, 2009 (Opening Balance)	502.16	480.58
Cash and Cash Equivalents as at Mar 31, 2010 (Closing Balance)	<u>158.53</u>	<u>502.16</u>

For and on behalf of the Board

Dr. A. C. Muthiah
Chairman

Dr. A. Besant C. Raj
Director

Dr. T. S. Vijayaraghavan
Director

Ashwin C Muthiah
Director

N. Sivashanmugam
Whole Time Director

S. S. Arunachalam
Head Corporate Affairs &
Company Secretary

Chennai
May 3, 2010

Auditors' Report

We have examined the above Cash Flow Statement of SPEL Semiconductor Limited, for the year ended 31st March 2010, which is in agreement with the corresponding profit and loss account and balance sheet of the company, covered by our report of 3rd May 2010 to the members of the Company.

For Natarajan & Co.
Chartered Accountants

Chennai
May 3, 2010.

A. Baskar
Partner
M.No.211721



Financial Statements
of
SPEL America Inc, USA
2009-2010



SPEL America Inc, USA

Directors' Report

Your Directors have great pleasure in presenting the 5th Annual Report of the Company together with the Audited Accounts for the year ended Mar 31, 2010.

Performance during the year

The performance of your Company for the year has improved. Board of Directors of the Company is happy to announce that entire accumulated losses of the Company have been wiped off during the FY 2008-09.

During the year under review, your Company was able to provide improved service to its holding Company.

Financial Performance

The Operating results of your Company for the year ended Mar 31, 2010 are given below (In US\$)

Particulars	Year ended Mar 31, 2010	Year ended Mar 31, 2009
Marketing Fee	326,000.00	456,000.00
PBT	(977.82)	7,320.96
Provision for Taxation	1,248.00	2,623.00
Profit after Taxation	(2,225.82)	4,697.96
Carried Over Profit / Loss	1,121.75	(3,576.21)
Net Profit Carried to Balance sheet	(1,104.07)	1,121.75

Directors

Mr. N. Sivashanmugam and Mr. D. Balakrishnan were appointed as Directors during the year under review.

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 :

1. That in the preparation of the Annual Accounts for the year ended Mar 31, 2010, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
2. That the Directors had selected such Accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit or loss of your Company for the year under review;
3. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors had prepared the accounts for the year ended Mar 31, 2010 on a 'going concern' basis.

Information pursuant to Section 217 the Companies Act, 1956

There are no such transactions requiring disclosure of particulars relating to the conservation of energy, technology absorption & foreign exchange earnings and outgo as required under Section 217 (1) (e) of the Companies Act, 1956 and the rules framed there under.

Acknowledgements

Your Directors wish to place on record their gratitude to all the concerned who have been associated with the Company during the year.

Santa Clara
Apr 3, 2010

D. Balakrishnan
Director

N. Sivashanmugam
Director



Auditors' report

To the Board of Directors of SPEL America Incorporation, USA

We have audited the accompanying Balance Sheet of SPEL America Incorporation as of 31st March 2010, and the related statement of Income for the twelve months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of SPEL America Incorporation, USA as of March 31, 2010 and the results of its operations for the twelve months then ended, in conformity with generally accepted accounting principles.

For R. Krishna Kumar & Associates
Chartered Accountants

R. Krishna Kumar
Membership No. 205250

Place : Chennai
Date : Apr 3, 2010



SPEL America, Inc.

Balance Sheet as at Mar 31, 2010

Source of Funds	As at Mar 31, 2010 (in Rupees)	As at Mar 31, 2009 (in Rupees)
Shareholders' Funds		
Share Capital	4,365.00	4,365.00
Reserves and Surplus	-	52,605.00
Total	<u>4,365.00</u>	<u>56,970.00</u>
Application of Funds		
Fixed Assets		
Gross Block	3,87,707.00	6,80,912.00
Less: Depreciation	<u>3,87,707.00</u>	<u>6,65,043.00</u>
	-	15,869.00
Current Assets, Loans & Advances		
Cash and Bank Balances	45,717.00	1,93,388.00
Sundry Debtors	90,400.00	-
Loans and Advances	<u>1,74,149.00</u>	<u>1,91,673.00</u>
	3,10,266.00	3,85,061.00
Less: Current Liabilities & Provisions		
Outstanding expenses	<u>3,57,714.00</u>	<u>3,43,960.00</u>
Net Current Assets	(47,448.00)	41,101.00
Profit and Loss Account	51,813.00	-
Total	<u>4,365.00</u>	<u>56,970.00</u>

As per our report attached
For R. Krishnakumar & Associates
Chartered Accountants

Santa Clara
Apr 3, 2010

D. Balakrishnan
Director

N. Sivashanmugam
Director

R. Krishnakumar
Proprietor
M.No.205250



SPEL America, Inc.

Profit and Loss Account for the year ended Mar 31, 2010

	Year ended Mar 31, 2010 (in Rupees)	Year ended Mar 31, 2009 (in Rupees)
Income		
Marketing Fee	1,55,79,950.00	2,11,52,740.00
Other Income	-	2,79,589.00
Total Income	1,55,79,950.00	2,14,32,329.00
Expenditure		
Salaries and Allowances	83,84,978.00	1,34,81,346.00
Contribution to Expenses	5,34,736.00	8,36,538.00
Staff Welfare	4,47,335.00	2,88,961.00
Travel and Conveyance	1,88,785.00	8,24,235.00
Consultancy Charges	39,57,786.00	33,53,088.00
Rent	2,53,800.00	2,46,187.00
Rates and Taxes	2,920.00	553.00
Telephone, Telex, Postage & Telegram	4,92,007.00	5,19,832.00
Office Maintenance	90,738.00	90,492.00
Commission	1,17,770.00	1,69,879.00
Advertisement and Sales Promotion	4,54,583.00	7,68,750.00
Miscellaneous Expenses	5,50,349.00	2,51,617.00
Depreciation	1,48,575.00	2,87,254.00
Total Expenditure	1,56,24,362.00	2,11,18,732.00
Profit / (Loss) for the year	(44,412.00)	3,13,597.00
Taxation	60,006.00	1,26,462.00
	(1,04,418.00)	1,87,135.00
Profit / (Loss) brought forward	52,605.00	(1,34,530.00)
Net Profit / (Loss) Carried to Balance Sheet	(51,813.00)	52,605.00

As per our report attached
For R. Krishnakumar & Associates
Chartered Accountants

Santa Clara
Apr 3, 2010

D. Balakrishnan
Director

N. Sivashanmugam
Director

R. Krishnakumar
Proprietor
M.No.205250



FORM 2B

The Companies Act, 1956

(See Rule 4CCC and 5D)

Nomination Request Form

(For shares held in physical form)

To
 Cameo Corporate Services Limited
 Unit : SPEL Semiconductor Limited
 "Subramanian Building"
 1 Club House Road
 Chennai 600 002

From : _____

Folio No. _____
 Shares held _____

I am/we are the holder(s) of Shares of the Company as mentioned above. I/We nominate the following person(s) in whom all rights of transfer and/or amount payable in respect of Shares shall vest in the event of my/our death.

Nominee's name										Age			
To be furnished in case the nominee is minor					Date of Birth								
Guardian's Name*													
Occupation of Nominee Tick	1	Service		2	Business		3	Student		4	Household		
	5	Professional		6	Farmer		7	Others					
Nominee's Address													
Telephone No.													
Email Address													
Specimen Signature of Nominee/ Guradian (in case of nominee is minor)													

* To be filled in case nominee is minor
 Kindly take the aforesaid details on record

Thanking you,
 Yours faithfully,

Name of all the holder(s) (as appearing on the Certificate(s))	Signature as per specimen recorded with the Company
Sole/1st holder	
2nd holder	
3rd holder	

Signature of two Witnesses

Name and address	signature with date
1.	
2.	



Instructions

Please read the Instructions given below very carefully and follow the same to the letter. If the form is not filled as per the instructions the same will be rejected.

1. The nomination can be made individuals only. Non - individuals including society, trust, body corporate, partnership firm, karta of Hindu Undivided Family, holder of power of attorney cannot nominate. If the shares are held jointly all joint holders will sign (as per the specimen recorded with the Company) the Nomination Form. A Non-resident Indian can be a nominee on re-partriabale basis.
2. A minor can be norminated by a holder of shares and in that event the name and address of the Gurdian shall be given by the holder.
3. Transfer of share in favour of nominee and repayment of amount to the nominee shall be valid discharges by a company against the legal heir.
4. Only one person canbe nominated per folio.
5. Details of all the holders in a foilo required to be filled; else the request will be rejected.
6. The nomination will be registered only when it is complete in all respects including the signature of (a) all the registered holders (as per the specimen recorded with the company) and (b) the nominee.
7. Whenever the shares in the given foilo are entirely transferred or transposed with some other foilo, then this nomination will stand rescinded.
8. On receipt of duly executed nomination from, the company will register the form and allot a registration number and date. This number and foilo number, should be quoted by the nominee in all future correspondence.
9. The nomination can be revoked by executing fresh nomination form.
10. The Company will not entertain any claims other than those of a registered nominee, unless so directed by a Court.

For Office use Only	
Nomination Registration Number	Registered Foilo Nuber
Date of Registration	
Checked and Signed by	



SPEL Semiconductor Limited

Registered Office : 5 CMDA Industrial Estate, Maraimalai Nagar (Chennai) 603 209.

Attendance Slip

Members attending the Meeting in person or by proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

I here by record my presence at the 25th Annual General Meeting of the Company to be held at 2.45 p.m on Friday, July 30, 2010 at 5 CMDA Industrial Estate, Maraimalai Nagar (Chennai) 603 209.

_____	_____
Full Name of the Member (in block letters)	Signature
Folio No : _____ DP ID No.* _____	Client ID No.* _____
* Applicable if Members holding shares in electronic form	

_____	_____
Full name of the proxy (in block letters)	Signature
Note : 1. Member/proxy holder wishing to attend the meeting must bring the Attendance Slip to the Meeting. 2. Member /proxy holder desiring to attend the meeting should bring his copy of the Notice for reference at the meeting.	

SPEL Semiconductor Limited

Registered Office : 5 CMDA Industrial Estate, Maraimalai Nagar (Chennai) 603 209.

Proxy

I/We.....
ofin the district ofbeing a
Member/Members of the above named Company hereby appoint
..... of in the district of or failing him
..... of in the District of
..... as my / our proxy to attend and vote for me/us and on my/our behalf at the 25th Annual
General Meeting of the Company to be held at 2.45 p.m on Friday, July 30, 2010 at 5 CMDA Industrial
Estate, Maraimalai Nagar (Chennai) 603 209

Signed this day of 2010

Folio No : _____ DP ID No.* _____	Client ID No.* _____
* Applicable if Member holding shares in electronic form	

No. of shares

This form is to be used ^{** in favour of} _____ the resolution. Unless otherwise instructed,
_{**against} _____
the Proxy will act as he thinks fit.

** Strike out whichever is not desired.

Affix
Re.1
Revenue
Stamp

- NOTES:** i) The Proxy must be returned so as to reach the Registered Office of the Company, 5 CMDA Industrial Estate, Maraimalai Nagar (Chennai) 603 209 not less than FORTY-EIGHT HOURS before the time for holding the aforesaid meeting.
- ii) Those members who have multiple folios with different jointholders may use copies of this Attendance Slip / Proxy.