



Jul 8, 2016

To,  
The Bombay Stock Exchange Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai 400 001.

Dear Sirs,

Further to our mail dated Jul 8, 2016, wherein we have attached Annual Report of our Company for FY 2015-16, please find attached the same for your kind information and records.

Kindly acknowledge receipt.

Thanking you

Yours faithfully  
for SPEL Semiconductor Limited

A handwritten signature in black ink, appearing to read "S. S. Arunachalam", is written over a horizontal line.

S. S. Arunachalam  
Company Secretary & Compliance Officer

Encl : as above.



**SPEL Semiconductor Limited**  
*an IC Assembly & Test Company*

**31<sup>st</sup> Annual Report**

**2015-16**  
(Abridged)

*Defining The Future Through Partnerships*

## SPEL Semiconductor Limited

|   |  |
|---|--|
| <b>Board of Directors</b>                         | <ol style="list-style-type: none"><li>1. Mr. K. Ravikumar Director</li><li>2. Mr. M. Jayasankar Director</li><li>3. Dr. Enakshi Bhattacharya Director</li><li>4. Mr. D. Balakrishnan Whole Time Director &amp; CEO</li></ol> |
| <b>Chief Financial Officer</b>                    | Mr. V. Srinivasan*   |
| <b>Company Secretary &amp; Compliance Officer</b> | Mr. S. S. Arunachalam**  |
| <b>Auditors</b>                                   | M.S. Krishnaswami & Rajan<br>GB, Anand Apartment, Ground Floor<br>JP Avenue, 6th Cross Street,<br>Dr. Radhakrishnan Salai, Mylapore,<br>Chennai 600 004.   |
| <b>Registered Office &amp; Factory</b>            | 5 CMDA Industrial Estate,<br>MM Nagar (Chennai) 603 209, India.  |
| <b>US Office</b>                                  | 4030 Moorpark Ave # 236<br>San Jose, CA 95117, USA   |
| <b>Bankers</b>                                    | <ol style="list-style-type: none"><li>1. Indian Overseas Bank</li><li>2. Allahabad Bank</li></ol>  |
| <b>Registrar &amp; Share Transfer Agents</b>      | Cameo Corporate Services Limited,<br>Subramanian Building,<br>V Floor, 1 Club House Road,<br>Chennai 600 002.<br>Tel : (044) 2846 0390<br>Fax: (044) 2846 0129   |

\* Appointed w.e.f. Apr 2, 2016

\*\* Appointed w.e.f. Nov 2, 2015

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## Notice

Notice is hereby given that the 31<sup>st</sup> Annual General Meeting of the Members of SPEL Semiconductor Limited will be held at 4.00 pm on Saturday, Jul 30, 2016 at the Registered Office of the Company, No.5 CMDA Industrial Estate, Maraimalai Nagar 603 209 to transact the following business :

### Ordinary Business

#### 1. Adoption of Financial Statements

To receive, consider and adopt the Balance Sheet as at Mar 31, 2016 and the Statement of Profit and Loss and Cash Flow Statement for the year ended on that date, together with the Reports of the Directors and the Auditors thereon.

#### 2. Retirement by Rotation

To appoint a Director in place of Mr. K. Ravikumar, who retires by rotation and being eligible, offers himself for re-appointment.

#### 3. Ratification of Appointment of Auditors

"Resolved that pursuant to provisions of Section 139 of the Companies Act 2013, and Rules thereunder, re-appointment of M/s M. S. Krishnaswami & Rajan, Chartered Accountants (Firm Regn. No.01554S), as the Statutory Auditors of the Company to hold office from the conclusion of this AGM to the conclusion of 2<sup>nd</sup> consecutive AGM be and is hereby ratified"

### Special Business

#### 4. Appointment of Mr. M. Jayasankar as Independent Director

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

"Resolved that in accordance with the provisions of Sections 149, 150, 152 and applicable provisions of the Companies Act, 2013 ("Act") thereunder read with Schedule IV to the Act as is current at any time, Mr. M. Jayasankar, (holding DIN 00048351), a Non-Executive Independent Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149 (6) of the Act and is eligible for appointed as an Independent Director of the Company with effect from Jul 30, 2016 and upto Jul 29, 2021, not liable to retire by rotation."

#### 5. Appointment of Dr. Enakshi Bhattacharya as Independent Director

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

"Resolved that in accordance with the provisions of Sections 149, 150, 152 and applicable provisions of the Companies Act, 2013 ("Act") thereunder read with Schedule IV to the Act as is current at any time, Dr. Enakshi Bhattacharya, (holding DIN 05277571), a Non-Executive Independent Director of the Company, who has submitted a declaration that she meets the criteria for independence as provided in Section 149 (6) of the Act and is eligible for appointed as an Independent Director of the Company with effect from Jul 30, 2016 and upto Jul 29, 2021 not liable to retire by rotation."

#### 6. Issue of Non-Convertible Debenture on private placement

To consider and if thought fit, to pass with or without modification(s) the following resolution as Special Resolutions :

"Resolved that pursuant to Section 42 and 71 of the Companies Act, 2013 ("the Act") read with Rule 14 (2) Companies (Prospectus and allotment of Securities) Rules, 2014 and Companies Share Capital and Debentures Rules, 2014 including any statutory modification(s) or re-enactment(s) thereof, for the time being in force and subject to the 117 (w ii) provisions of Articles of Association of the Company, and subject to such other approvals as may be required from time to time, consent of the Members be and is hereby accorded to the Board of Directors (Board)/ Committee of Directors, to offer, issue and allot in one or more tranches Secured, Non-Convertible Debentures/ Bonds on private placement basis during the Financial Year 2016-17 for an amount not exceeding ₹ 50 Crores on such terms and conditions and at such times at par including individuals, one or more companies, bodies Corporate, banks, financial institutions, as the case may be or such other person(s) as the Board/ Committee of Directors may decide so, however the aggregate amount of funds to be raised by issue of Non-Convertible Debentures/ Bonds shall not exceed ₹50 Crores.

"Resolved further that in connection with the above, the Board/ Committee of Directors be and is hereby authorised to do all such acts, deeds matters and things, including appointment of Trustees and finalize, settle and execute all such documents, deeds, writings or agreements including Trust Deed , as may be deemed necessary, desirable proper or expedient for the purpose, of giving effect to this resolution and for matters connected therewith or incidental thereto"

"Resolved that pursuant to the provisions of Sec 80(1)(a) Board of Directors of the Company or the Committee thereof be and is hereby authorized to



finalize with the investor(s) for creating mortgage / charges / pledge / hypothecate and to negotiate / finalize, sign the documents in connection with the above issue of Non-convertible Debenture”

#### **7. Borrowing Powers of the Board**

To consider and if thought fit, to pass with or without modification(s) the following resolution as Special Resolutions :

“RESOLVED THAT subject to the provisions of Section 180 (1) (c) and other applicable provisions, if any, of the Companies Act, 2013 and relevant rules made thereto including any statutory modifications or re-enactments thereof and in supersession of all the earlier resolutions passed in this regard, the Board of Directors (hereinafter referred to as the Board), including any committee thereof for the time being exercising the powers conferred on them by this resolution, be and are hereby authorized to borrow money, as and when required, from, including without limitation, any Bank and/or other Financial Institution and/or foreign lender and/or any Body corporate/ entity/entities and/or authority/authorities and/ or through suppliers credit, any other securities or instruments, such as floating rate notes, Fixed rate notes, syndicated loans, debentures, commercial papers, short term loans or any other instruments etc. and/or through credit from official agencies and/or by way of commercial borrowings from the private sector window of multilateral Financial institution, either in rupees or in such other foreign currencies as may be permitted by law from time to time, as may be deemed appropriate by the Board for an aggregate amount not exceeding ₹100 Crores (Rupees Hundred Crores Only), notwithstanding that money so borrowed together with the monies already borrowed by the Company, if any (apart from temporary loans obtained from the Company’s bankers in the ordinary course of business) may exceed the aggregate of the paid-up share capital of the Company and its free reserves.”

“FURTHER RESOLVED THAT the Board of Directors be and is hereby authorized to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto, and to sign and to execute deeds, applications, documents and writings that may be required, on behalf of the Company and generally to do all such acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this resolution”.

#### **8. To sell / lease or dispose of the part or the whole of the undertaking of the Company**

Special Resolution to authorize Board of Directors to sell, dispose of the part or the whole of the undertaking of the Company under Sec 180 (1) (a) of Companies Act, 2013:

“RESOLVED THAT in supersession of earlier resolutions, if any, passed in this matter and pursuant to Section 180(1) (a) and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), subject to approvals, if any, consent of the Shareholders of the Company be and is hereby accorded, to sell / lease a portion of land situate at No. 5 CMDA Industrial Estate, M M Nagar, to the Board of Directors, including any Committee thereof (hereinafter referred to as the “Board”) on behalf of the Company”.

“RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board (including Committee thereof), be and is hereby authorized to do all such acts, deeds and things and to give such directions as may be necessary or expedient and to settle any question, difficulty that may arise in this regard as the Board in its absolute discretion, may deem fit and its decision shall be final and binding.”

#### **9. To consider making Disinvestment in the Equity Shares of the Wholly Owned Subsidiary i.e. SPEL-Us**

Special resolution for disinvestment in the Subsidiary Company as per the provisions of the Companies Act, 2013 :

“Resolved that as per the provisions of the Companies Act, 2013 and other applicable provisions made thereunder and subject to the approval of the Shareholders, the investment of \$100 made in SPEL-Us be and is hereby withdrawn”.

By order of the Board  
**for SPEL Semiconductor Limited**

Chennai  
May 30, 2016

**D. Balakrishnan**  
Whole Time Director & CEO  
DIN: 02131242

#### **Notes**

1. Details of Directors seeking appointment / re-appointment at the Annual General Meeting of the Company to be held on Jul 30, 2016 are provided in Annexure - A of this Notice.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy/ Proxies to attend and vote instead of himself/herself. Such a Proxy/ Proxies need



not be a Member of the Company. A person can act as Proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total Share Capital of the Company.

3. The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. A Proxy form is sent herewith. Proxies submitted on behalf of Companies, Societies etc., must be supported by an appropriate resolution/authority, as applicable.
4. The Register of Members and the Share Transfer books of the Company will remain closed from Jul 25, 2016 to Jul 30, 2016 (both days inclusive).
5. 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. Members are requested to address all correspondences to the Registrar and Share Transfer Agents, Cameo Corporate Services Limited, Subramanian Building, 1 Club House Road, Chennai 600 002.
6. To prevent fraudulent transactions, Members are advised to exercise due diligence and notify the Company of any change in address or demise of any Member as soon as possible. Members are also advised not to leave their Demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and be verified.
7. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are requested to submit the PAN to their Depository Participants with whom they are maintaining their Demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
8. Electronic copy of the Abridged Annual Report is being sent to all the Members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any Member has requested for a hard copy of the same. For Members who have not registered their email address, physical copies of the Abridged Annual Report is being sent in the permitted mode.

Members may note that the Notice of the 31<sup>st</sup> Annual General Meeting and full Annual Report will be available on the Company's website [www.spel.com](http://www.spel.com) for download. Physical copies of full Annual Report will be available at the Company's Registered Office for

inspection during normal business hours on working days. Even after registering for e-communication, Members are entitled to full Annual Report in physical form, upon making a request for the same, by post free of cost. For any communication, the Shareholders may also send requests to the Company's Investor eMail id : [investors@spel.com](mailto:investors@spel.com).

9. Voting through electronic means

In compliance with the provisions of Section 108 of the Companies Act, 2013 and the Rules framed thereunder, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by Central Depository Services (India) Limited (CDSL), on all resolutions set forth in this Notice.

The instructions for Shareholders voting electronically are as under :

- (i) The voting period begins on Jul 27, 2016 at 9.00 am and ends on Jul 29, 2016 at 5.00 pm. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date Jul 23, 2016, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
- (iii) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
- (iv) Click on Shareholders.
- (v) Now Enter your User ID
  - a. For CDSL: 16 digits beneficiary ID,
  - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
  - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (vi) Next enter the Image Verification as displayed and Click on Login.
- (vii) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.
- (viii) If you are a first time user follow the steps given below:

| <b>For Members holding shares in Demat Form and Physical Form</b> |  |
|---|--|
| PAN   | Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat |

|  |   |
|--|---|
|  | <p>shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> <li>Members who have not updated their PAN with the Company/ Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.</li> <li>In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.</li> </ul> |
| Dividend Bank Details OR Date of Birth (DOB) | <p>Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login.</p> <ul style="list-style-type: none"> <li>If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).</li> </ul>  |

- (ix) After entering these details appropriately, click on "SUBMIT" tab.
- (x) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (xi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xii) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- (xiii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO

as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

- (xiv) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xvi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvii) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
- (xviii) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xix) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. iPhone and Windows phone users can download the app from the App Store and the Windows Phone Store respectively on or after 30th June 2016. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- (xx) Note for Non – Individual Shareholders and Custodians
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates.
  - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
  - After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
  - The list of accounts linked in the login should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
  - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xxi) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked





Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

10. A statement pursuant to Section 102 (1) of the Companies Act, 2013 relating to Special Business to be transacted at the meeting is annexed herewith.

11. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (9.00 am to 5.00 pm) on all working days except Saturdays and Sundays, up to and including the date of the Annual General Meeting of the Company.

Note: e-Voting shall not be allowed beyond said time.

### **Explanatory Statement in respect of the Special Business pursuant to Section 102 of the Companies Act, 2013**

#### **Item No.4**

Mr. M. Jayasankar was appointed as Additional Director of the Company by the Board of Directors at its Meeting held on Sep 8, 2015 pursuant Section 149, 152 of the Companies Act, 2013 and Article 94 of Articles of Association of the Company and holds office upto the date of this Annual General Meeting of the Company pursuant to Section 161 (1) of the Act and Article 94 of Articles of Association of the Company

A brief profile of Mr. M. Jayasankar is given herein for the information of Shareholders.

Mr. M. Jayasankar, a Chemical Engineer, was Managing Director of Tuticorin Alkali Chemicals (TAC) for 8 years till his superannuation in 1999. He was associated with TAC for 25 years. Prior to this he was with Tata Chemicals for 15 years. Mr. Jayasankar has over 40 years of experience in the Chemical industry, in various functions such as Operations, R&D, Project Development, Execution & Management. He has wide exposure in Corporate and Financial Management. Presently he is a practicing Project & Management Consultant especially in the Soda Ash and allied chemical industry, both in India & abroad. Mr. Jayasankar is a Director of Vibrant Industries Ltd, Kamakshi Lamipack (Pvt) Ltd, and Abirami Packaging (Pvt) Ltd.

In the opinion of the Board, Mr. M. Jayasankar fulfills the conditions specified in the Act and Rules for his appointment as an Independent Director of the Company as he is independent of the management under Section 149(6) & 152(5) of the Act.

Accordingly under Section 149 read with Schedule VI of the Act, the appointment of Mr. M. Jayasankar as Independent Director is placed before the Members in the General Meeting for approval.

The Board recommends the election of Mr. M. Jayasankar as a Director not liable to retire by rotation, for the approval of the Shareholders.

Notice has been received from a Member signifying his intention to propose appoint of Mr. M. Jayasankar as Director of the Company along with a deposit of ₹ 1,00,000/-.

Except Mr. M. Jayasankar, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 4.

#### **Item No.5**

Dr. Enakshi Bhattacharya was appointed as Additional Director of the Company by the Board of Directors at its Meeting held on Sep 8, 2015 pursuant Section 149, 152 of the Companies Act 2013 and Article 94 of Articles of Association of the Company and holds office upto the date of this Annual General Meeting of the Company pursuant to Section 161 (1) of the Act and Article 94 of Articles of Association of the Company

A brief profile of Dr. Enakshi Bhattacharya is given herein for the information of Shareholders

Dr. Enakshi Bhattacharya completed her MSc (Physics) from IIT Bombay in 1980, PhD from TIFR Mumbai in 1985 and did post-doctoral work at the National Renewable Energy Laboratory (then SERI), USA from 1986-88. She was a Faculty Member in the Department of Physics, IIT Kanpur during 1988-91. Since 1991, she has been on the faculty of the Department of Electrical Engineering at IIT Madras, heading the Department from 2010 to 2013 and is currently a professor. She was a Visiting Scientist at the Micromachined Products Division of Analog Devices, USA from 1999 to 2000. She is interested in all forms of silicon: single crystal, poly, amorphous and porous and her current research interests are in Biosensors and MEMS with over 100 published papers in journals and international conference proceedings. She has supervised 4 PhD and 14 MS (by research) theses and is guiding 2 PhD and 2 MS scholars at present. She has successfully handled 14 sponsored projects and is currently engaged in 6 projects being the Principal Investigator for three of them. Major ongoing projects are the National Programme on MEMS, Smart Materials and Systems (NPMASS) sponsored Biosensor System for the detection of Triglycerides and the Department of Information Technology (DIT) sponsored Centre for NEMS and Nanophotonics. Besides regular teaching, she has also been involved in continuous education programme in the fields of Semiconductors, Biosensors, MEMS and Photovoltaics.



In the opinion of the Board, Dr. Enakshi Bhattacharya fulfills the conditions specified in the Act and Rules for her appointment as an Independent Director of the Company as she is independent of the management under Section 149(6) of the Act.

Accordingly, under Section 149 & 152 (5) read with Schedule VI of the Act, the appointment of Dr. Enakshi Bhattacharya as Independent Director is placed before the Members in the General Meeting for approval.

The Board recommends the election of Dr. Enakshi Bhattacharya as a Director not liable to retire by rotation, for the approval of the Shareholders.

Notice has been received from a Member signifying his intention to propose appoint of Dr. Enakshi Bhattacharya as Director of the Company along with a deposit of ₹ 1,00,000/-.

Except Dr. Enakshi Bhattacharya, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 5.

#### **Item No.6**

In order to meet the working capital requirements of the Company that may arise during FY 2016-17, the Board of Directors of the Company at its meeting held on May 30, 2016 has, subject to the approval of the Shareholders in the General Meeting proposed to issue Non-Convertible Debentures/ Bonds to various person(s) on private placement basis, at such terms and conditions and at such price(s) in compliance with the requirements of regulatory authorities, in any and as may be finalised by the Board and/or Committee of Directors. The amount to be raised by way of issue of Secured Non-Convertible Debentures on private placement basis however shall not exceed ₹ 50 Crores in aggregate. It may be noted that Section 42 and 71 of the Companies Act, 2013 ("the Act") read with Rule 14 (2) Companies (Prospectus and allotment of Securities) Rules, 2014 and all other applicable law, allows a company to pass a previous Special Resolution once in a year for all the offer or invitation for Non-Convertible debentures to be made during the year through a private placement basis in one or more tranches. Consent of the Members is therefore sought in connection with the aforesaid issue of Debentures/ Bonds from time to time and they are requested to authorise the Board (including any Committee of the Board) to issue Non-Convertible Debentures/ Bonds during the FY 2016-17 on private placement basis upto ₹ 50 Crores as stipulated above, in one or more tranches.

The Board recommends the Special Resolution set forth in item No 6 of the Notice for approval of the Members.

None of the Directors or Key Management Personnel of the Company including their relatives are interested or concerned in the Resolution except to the extent of their shareholding, if any, in the Company.

"Resolved that Board of Directors of the Company or the Committee thereof be and is hereby authorized to finalize with the investor(s) for creating mortgage / charges / pledge / hypothecate and to negotiate / finalize, sign the documents in connection with the above issue of Non-convertible Debenture."

#### **Item No.7**

As per Section 180 (1) (c) of the Companies Act, 2013, borrowings (apart from temporary loans obtained from the Company's Bankers in ordinary course of business) by the Company beyond the aggregate of the Paid-up Capital of the Company and its Free Reserve requires approval from the Shareholders of the Company.

The Shareholders of the Company had by an Ordinary Resolution passed in Annual General Meeting held on May 11, 1988 authorized the Board of Directors to borrow monies (apart from temporary loans obtained or to be obtained from the Company's Bankers in the ordinary course of business) from time to time on behalf of the Company not exceeding ₹75 Crores, for the business of the Company. However, keeping in view of enhanced requirement of loan and also the legal requirement that Section 180(1) of the Companies Act, 2013 provides that the Board of Directors of a Company shall exercise the said power only with the consent of the Company by a Special Resolution. Hence, the Special Resolution at Item No.7 for authorizing the Board of Directors to borrow monies (apart from temporary loans obtained or to be obtained from the Company's Bankers in the ordinary course of business) from time to time on behalf of the Company not exceeding ₹100 crores is intended for this purpose.

The Directors recommends the resolution for Members' approval as a Special Resolution.

None of the Directors, Key Managerial Personnel or their relatives are in any way concerned or interested, financially or otherwise in this resolution.

#### **Item No.8**

In order to augment the production capacity, and to withstand the competition, Company needs to make further investments in capital expenditure. Management had approached bankers/ FIs and they are not willing to fund our expansion proposal. The Board at its meeting held on May 30, 2016 considered this situation and provided an alternate solution for capacity expansion i.e., to sell / lease a portion of barren land, which is not being utilized for any activities of the Company.

The Board recommends this resolution to the Shareholders to the best interest of the Company.

The Board recommends the Special Resolution set forth in item No.8 of the Notice for approval of the Members.

None of the Directors or Key Managerial Personnel of the Company including their relatives is interested or concerned



in the Resolution except to the extent of their shareholding, if any, in the Company.

**Item No.9**

SPEL-US was incorporated on Jun 1, 2005 in order to cater to the marketing requirements of the Company in USA. The requirement of a separate Subsidiary Company was necessitated at the time when the Company's major Customers' decision makers were located in USA but now most of US based Customers have their Planning & Operations teams based out of Asia.

The high cost of overheads does not justify having a subsidiary Company in US since Sales Representatives, working on retainers, take care of the required follow-ups & ensure that the required feedback mechanisms are not compromised. Administratively it will be beneficial for the Company that Sales Representatives are being appointed globally & report to Sales Head who is based out of Chennai. Having a Subsidiary in USA required adherence to lot of

paperwork & local statutory compliances resulting in additional financial & administrative burden. Since the returns did not commensurate the efforts, the Marketing service agreement was severed with SPEL-US.

The Board at its meeting held on May 30, 2016 considered the above scenario and recommends the resolution No.9 to the Shareholders

The Board recommends the Special Resolution set forth in item No.9 of the Notice for approval of the Members

None of the Directors or Key Managerial Personnel of the Company including their relatives is interested or concerned in the Resolution except to the extent of their shareholding, if any, in the Company

By order of the Board  
**for SPEL Semiconductor Limited**

Chennai  
May 30, 2016

**D. Balakrishnan**  
Whole Time Director & CEO  
DIN: 02131242

**ANNEXURE - A**

Pursuant of Resolution Nos. 4 & 5

| Name of the Director   | Mr. K.Ravikumar  | Mr. M. Jayasankar   | Dr. Enakshi Bhattacharya   |
|--|--|---|--|
| Date of Birth  | 15.6.1949  | Sep 24, 1935  | Apr 23, 1959   |
| Date of Appointment  | 26.5.2014  | Sep 8, 2015   | Sep 8, 2015  |
| Qualification  | M. Tech from IIT Madras and Post-Graduation in Business Administration   | Degree in Engineering   | MSc (Physics) from IIT Bombay & PhD from TIFR Mumbai   |
| Expertise in Specific functional areas   | Under his leadership, new technologies like supercritical thermal sets in the field of coal, and gas-based power plants were introduced for the first time in the country. | He has over 40 years of experience in the Chemical industry, in various functions such as Operations, R&D, Project Development, Execution & Management. He has wide exposure in Corporate and Financial Management. | She is interested in all forms of silicon: single crystal, poly, amorphous and porous and her current research interests are in Biosensors and MEMS with over 100 published papers in journals and international conference proceedings. She has also been involved in continuous education programme in the fields of Semiconductors, Biosensors, MEMS and Photovoltaics. |
| Chairmanship / Directorship of other Companies(excluding Foreign companies and Section 25 Companies) | Director in Reliance infrastructure Ltd & Jinbhavish Power Generations Pvt Ltd.  | Director in Vibrant Industries Private Limited Kamakshi Lamipack (Pvt) Ltd, and Abirami Packaging (Pvt) Ltd   | ChipTest Engineering Limited   |
| Committee position held in other Companies   | —  | —   | —  |
| Shareholding ( No. of Shares )   | Nil (in SPEL)  | Nil (in SPEL)   | Nil (in SPEL)  |



## Directors' Report

Your Directors present the 31<sup>st</sup> Annual Report of the Company together with the Audited Accounts for the year ended Mar 31, 2016.

### 1. Financial Highlights / Performance

The Operating results of your Company for the year ended Mar 31, 2016 are given below

| Particulars                                  | ₹ in Lakhs)               |                           |
|--|---------------------------|---------------------------|
|  | Yearended<br>Mar 31, 2016 | Yearended<br>Mar 31, 2015 |
| Sales  | 25,85.04                  | 47,19.37                  |
| Other Income                                 | 81.74                     | 1,37.81                   |
| PBIDT  | (9,39.79)                 | 13,70.71                  |
| Interest                                     | 3,04.40                   | 4,06.71                   |
| Depreciation                                 | 10,71.32                  | 10,12.40                  |
| Profit / (Loss) before }<br>Exceptional item | (22,47.94)                | (48.40)                   |
| Exceptional item                             | (1,14.39)                 | -                         |
| Profit/ (Loss) before Taxation               | (23,62.33)                | (48.40)                   |
| Tax / Deferred Tax                           | (3,83.33)                 | (13.18)                   |
| Profit / (Loss) after Taxation               | (19,79.00)                | (35.22)                   |

During the year combined outcome of Labour unrest, tight cash flow situation, devastating floods and reduction in Customer demand due to traditional year-end holidays, resulted in the above loss.

The above loss was taken after including ₹ 3,98 lakhs from write-off the carrying value of the certain items of plant and machinery and impairment loss of certain other items of plant and machinery.

However, the Forecast from top Customers for FYQ4 2016-17 is positive which will result in reducing losses during FY 2016-17.

### 2. Dividend

Due to the loss for the year, dividend could not be paid for the year.

### 3. Reserves

The reserves of the Company have been reduced from ₹ 40,85.75 Lakhs to ₹ 21,06.75 Lakhs at the end of the year.

### 4. Semiconductor - Global & Indian scenario

#### During FY 2015- 16

The Semiconductor industry witnessed slow growth in 2015 after enjoying strong growth in 2014. This was due to 3.9% YoY (Year-over-Year) growth in the Asia-Pacific region that was offset by a 10.3% fall in Japan and 8.2% fall in Europe. Moreover, the demand for Semiconductors was affected by the slowdown

in PC (Personal Computer) shipments, a strengthening US dollar, economic contraction in Japan, the European crisis, and the crash of the Chinese Stock Market. China accounts for more than 50% of the global Semiconductor consumption.

In the India context, the Indian Semiconductor industry offers high growth potential areas as the industries which source Semiconductors as inputs are themselves witnessing high demand. The end-use industries such as mobile devices, telecommunication equipment, information technology, office automation (IT & OA), industrial machinery, automobiles and several other industries have applications for computing in some form or other and thereby necessarily have growing demand for Semiconductors. Now with the concept of Internet of Things (IoT) picking up momentum, the next generation of interconnected devices would further increase the demand for intelligent computing, thereby creating sustainable demand for Semiconductors.

#### Forecast for FY 2016-17

The Semiconductor market will pick up its pace over the coming years, with 1.4% growth in 2016 and 3.1% growth in 2017. However, the 9.9% growth witnessed in 2014, before the slowdown, is unlikely to repeat in the near term. The forecast is based on the assumption that the macro economy will revive during this period.

According to the 2016 forecast, the highest growth will come from the Americas region, followed by a revival in Japan and loss improvement in Europe. However, the Asia-Pacific region—the key Semiconductor market that has been driving growth in the industry so far—will witness a slowdown, mainly due to China's weak economy, all regions are expected to post growth in 2017.

Looking from the product perspective, all Semiconductor products to report growth, except for memory in 2016 as the demand for PC and Smartphones slows. However, growth is expected to gain momentum in 2017 over the anticipation of renewed demand for PCs.

### 5. Change in the Nature of Business, if any

Nil

### 6. Human Resources Development

Your Company has enthroned the attributes listed below as its Core Values. The Management will assiduously practice and enthuse its Employees to imbibe these virtues. Towards this end training is imparted every month, every Employee goes throughout the drill at least once in six months :



- a. Business Ethics : defines us as a Company
- b. Professionalism : defines us as Individuals
- c. Citizenship : defines our contribution to Society

SPEL's medium for Corporate Social Responsibility (CSR) is through Socio-Economic Contribution (S-E-C) and SPEL Employees Social Service Organization (SESSO). For most people, the idea of Social Service is donating money to a social organization - perhaps an old-age home or an orphanage or similar. This however is the easy part. The difficult part is volunteering one's time to improve society.

When can we make a contribution to Society?

During Phase 1 of our lifetime, perhaps up to the age of 35, we are so focused on building our careers, starting our families & establishing a name for ourselves

During Phase 2 perhaps from age of 35 thru 65, we are the most active in our work, working as a team, being able to significantly contribute to Economic Development

During Phase 3 perhaps from age 65 onwards, we are most able to contribute our time on an increased basis to social causes

S-E-C at SPEL is all about how we can contribute socially during Phase 2 itself while also handling Economic Development. Towards this, there are 3 areas that each of us can assist by making these a part of our day to day approach :

- a. Following discipline in any and everything we do
- b. Providing a helping hand to people around us in any way we possibly can
- c. Showing the right path forward to people around us

S-E-C in SPEL is primarily done by One-to-One Mentoring as each person encourages & motivates the other, towards a more purposeful & effective lifestyle.

As part of the Core Values, following activities were undertaken through SESSO :

- a. Educational assistance to the needy people in and around Factory.
- b. Voluntary Blood Donation camp.
- c. Assistance to orphanage and old age home located near Factory.

**7. Material changes affecting the financial position of the Company which have occurred between the end of Financial Year and the date of the Report**

A section of the Workers of the Company has gone on strike since mid Apr 2015 raising a charter of demands.

This has affected the normal production and the execution of the orders from the Customers. The Company's Management has taken all possible steps and the normalcy has been restored as the strike has been called off on Jun 18, 2015.

**8. Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future**

Nil

**9. Adequacy of internal financial controls with reference to the Financial Statements**

Adequate Internal Finance control manual was in place during the year.

**10. Subsidiary/Joint Ventures / Associate Companies**

The Wholly Owned Subsidiary Company SPEL America Inc., in California, USA has been rendering marketing services to your Company resulting in enhanced Customer base and satisfaction. There has been no material change in the nature of the business of the Subsidiary Company.

Pursuant to provisions of Section 129(3) of the Act, a statement containing salient features of the financial statements of the Company's subsidiary in Form AOC-1 is attached to the financial statements of the Company.

Pursuant to the provisions of Section 136 of the Act, the financial statements of the Company, consolidated financial statements along with relevant documents and separate audited accounts in respect of the Subsidiary Company are available on the Website of the Company [www.spel.com](http://www.spel.com).

The annual accounts of the Subsidiary Company and related detailed information are kept in the Registered Office of the Holding Company and will be made available to the Shareholders during working hours.

**11. Deposits**

The Company has not accepted any deposits from public and as such, no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

**12. Statutory Auditors**

Pursuant to the provisions of Section 139 of the Act and the rules framed thereunder, M/s. M.S. Krishnaswami & Rajan, Chartered Accounts, (Firm Registration No.01554S) were appointed as Statutory Auditors of the Company from the conclusion of the 30<sup>th</sup> Annual General Meeting (AGM) of the Company



held on Sep 8, 2015 till the conclusion of the 33<sup>rd</sup> Annual General Meeting of the Company to be held in the year 2018, subject to ratification of their appointment at every AGM.

### 13. Reply to Auditors' Comments in their Report

The Auditors have commented in their report regarding the value of box stock (inventory) of ₹ 21,25.56 Lakhs and the related internal control system as at Mar 31, 2016. This includes non-moving / possibility of obsolescence in respect of certain items, the value of which needed to be reckoned in the Statement of Profit and Loss.

The production of the said items / products was on the basis of specific orders, utilizing raw materials supplied by the Customers. Hence, pending negotiations / acceptance by Customers and conclusion of discussions with them, the said stock is carried at cost.

### 14. Share Capital

There has been no change in the Share Capital of the Company during the year.

### 15. Extract of the Annual Return

As provided under Section 92 (3) of the Act, the extract of annual return is given in annexure in the prescribed Form MGT9, which forms part of this report.

### 16. Conservation of energy, technology absorption and foreign exchange earnings and outgo

The details of conservation of energy, technology absorption, foreign exchange earnings and outgo are as follows :

#### Conservation of Energy

The Company has in place an Energy Committee which meets once a month. This Committee consists of Cross-functional Executives. It assesses the potential areas, devises means to save energy and implements the plan with the approval of the Management.

Measures were taken during the year to conserve water and electricity resorting to reuse of Dicing process water, rain water harvesting, power factor improvement and modification of the condenser in the Air conditioner. The savings achieved were :

| Power           | Water     |
|-----------------|-----------|
| 11,70,164 Units | 10,378 KL |

#### Technology Absorption

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

#### 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 : ₹ 13,48.03 Lakhs

Foreign Exchange earned during the year : ₹ 27,78.39 Lakhs

### 17. Research & Development (R&D)

The Company has carved out an ambitious plan of investment in R&D. This will include investment in Package Intellectual Property, thereby assisting Company's revenue and profitability in the future years.

### 18. Directors and Key Managerial Personnel

Pursuant to the provisions of Section 149 of the Act, Mr. K. Ravikumar, Mr. M. Jayasankar, Dr. Enakshi Bhattacharya were appointed as Independent Director at the Board Meeting held on Sep 8, 2015. The terms and conditions of appointment of Independent Director are as per Schedule IV of the Act.

They have submitted a declaration that they meet the criteria of Independence as provided in Section 149 (6) of the Act and there has been no change in the circumstances which may affect their status as Independent Directors during the year.

Mr. S. S. Arunachalam was appointed as Company Secretary and Compliance Officer of the Company w.e.f. Nov 2, 2015. Mr. V. Srinivasan, was appointed as Chief Financial Officer of the Company in the place of Mr. R. Venkatesh Kumar, w.e.f. Apr 2, 2016, pursuant to the provisions of Section 203 of the Act.

### 19. Declaration by an Independent Director(s) & Re-appointment, if any

The Independent Directors have submitted their disclosures to the Board that they fulfill all the requirements as stipulated in Section 149 (6) of the Companies Act, 2013 so as to qualify themselves to be appointed independent Directors under the provision of the Companies Act, 2013 and the relevant rule.

### 20. Number of meetings of the Board

7 (Seven) Meetings of the Board were held during the year. For details of the meetings of the Board, please refer to the Corporate Governance Report, which forms part of this report.

### 21. Audit Committee

The details pertaining to composition of Audit Committee are included in the Corporate Governance Report, which forms part of this report.

### 22. Vigil Mechanism for Director and Employees

The Company has a Vigil Mechanism by way of Whistle Blower Policy to provide a Vigil Mechanism for

Employees and Directors to report genuine concerns. The provisions of this policy are in line with Section 177 (9) of the Act and Clause 34 (3) & Schedule V of SEBI (Listing Obligation and Disclosure Requirement) Regulation 2015. A copy of the policy is uploaded in the website of the Company.

**23. Nomination and Remuneration Committee**

The details pertaining to Nomination and Remuneration Committee are included in the Corporate Governance Report, which forms part of this report

**24. Loans, Guarantees or Investments**

Particulars of loans, guarantees and investments have been disclosed in the financial statements

**25. Contracts or Arrangements with Related Parties**

The particulars of every contract or arrangements entered into by the Company with Related Parties referred to in Sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto have been disclosed in Form No. AOC -2.

**26. Managerial Remuneration**

Managerial Remuneration is given in annexure which forms part of this report.

**27. Secretarial Audit Report**

Secretarial Audit Report is given as annexure, which forms part of this report.

**28. Formal Annual Evaluation of Board on its own performance, Committees of the Board and the Individual Directors**

The Board of Directors has carried out an annual evaluation of its own performance, Committees of the Board and the Individual Directors pursuant to the provisions of the Act and Corporate Governance as prescribed under Section 134 of Companies Act, 2013 and Regulation 17 of the SEBI (Listing Obligation and Disclosure Requirement) Regulation 2015.

In a separate meeting of the Independent Directors, performance of the Non-Independent Director and performance of the Board as a whole was evaluated.

**29. Familiarization Programme for Independent Directors**

The Company has prepared and presented a Power Point Presentation for Independent Directors in order to enable them to familiarize with the Company's Policies and Practices.

**30. Risk Management**

A Risk Management Committee to identify and monitor the risks has been formed with a responsibility to review the risks and evolve mitigation plan required. Periodical action is taken to address the major risks identified.

**31. Corporate Governance Certificate**

The Corporate Governance Certificate from the Auditors regarding compliance of conditions of Corporate Governance as stipulated in SEBI (Listing Obligation and Disclosure Requirement) Regulation 2015.

**32. Reply to comments by Secretarial Auditor in his report.**

Regarding the comment that the Company is not regular in depositing undisputed PF, ESI, Income-tax (TDS) and Property dues, the Management is confident that the situation will improve, based on the austerity steps and proactive measures taken during the year. This in turn will improve the liquidity and ensure that the statutory dues will be paid regularly in the future.

In respect of non-filing of MR-1, Company will be filing the necessary forms. In respect of non-filing of form for the Company Secretary, Company will be filing necessary forms.

**33. Directors Responsibility Statement**

Pursuant to Section 134 (5) of the Companies Act, 2013, the Board of Directors, to the best of their knowledge and ability confirm that :

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. they have selected such accounting policies and applied them consistently and made judgments and estimates that are 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 loss of the company for that period;
- c. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. they have prepared the annual accounts on a going concern basis;
- e. they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating effectively and
- f. they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.



Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the Internal, Statutory & Secretarial Auditors and External Consultants and the reviews performed by the Management and the relevant Board Committees, including the Audit Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the Financial Year 2015-16.

**34. Acknowledgements**

Your Directors 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 the continued assistance and support extended to the Company.

Your Directors wish to place on record, their appreciation of the efficient and loyal services rendered by the Employees at all levels to the Company. Your Directors wish to thank the Shareholders who constitute the mainstay of the Company for their unstinted support, forbearance confidence reposed on the Management.

By order of the Board  
**for SPEL Semiconductor Limited**

**K. Ravikumar**  
Director  
DIN: 00119753

**M. Jayasankar**  
Director  
DIN: 00048351

**D. Balakrishnan**  
Whole Time Director  
& CEO  
DIN: 02131242

Chennai  
May 30, 2016

**Form No. AOC -2**

**(Pursuant to Clause (h) of sub-section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)**

Form for disclosure of particulars of contracts / arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto :

- a. Details of contracts or arrangements or transactions not at arm's length basis : Nil
- b. Details of materials contracts or arrangement or transactions at arm's length basis: Nil

Chennai  
May 30, 2016

**for SPEL Semiconductor Limited**

**D. Balakrishnan**  
Whole Time Director & CEO  
DIN: 02131242





### Ratio of Managerial Remuneration

| Sl.No.                | Particulars  | Explanation  | Ratio to median Remn. |              |          |                       |              |     |                      |       |      |  |
|-----------------------|--|--|-----------------------|--------------|----------|-----------------------|--------------|-----|----------------------|-------|------|--|
| i.                    | The ratio of remuneration of each director to the median remuneration of the employees of the Company for the financial year   | Mr. D. Balakrishnan Director & CEO   | 12.96                 |              |          |                       |              |     |                      |       |      |  |
| ii.                   | the percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;   | NIL  |                       |              |          |                       |              |     |                      |       |      |  |
| iii.                  | the percentage increase in the median remuneration of employees in the financial year  | 1 %  |                       |              |          |                       |              |     |                      |       |      |  |
| iv.                   | the number of permanent employees on the rolls of company;   | 360 Employees  |                       |              |          |                       |              |     |                      |       |      |  |
| v.                    | the explanation on the relationship between average increase in remuneration and company performance;  | Increase in the remuneration of employees is in line with industry standards   |                       |              |          |                       |              |     |                      |       |      |  |
| vi.                   | comparison of the remuneration of the Key Managerial Personnel against the performance of the company;   | The remuneration of the KMP's are in line with the remuneration Policy of the Company where their remuneration is determined based on their performance which is co related to the performance of the Company.   |                       |              |          |                       |              |     |                      |       |      |  |
| vii.                  | variations in the market capitalization of the company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer in case of listed companies, and in case of unlisted companies, the variations in the net worth of the company as at the close of the current financial year and previous financial year; | <table border="1"> <thead> <tr> <th>Particulars</th> <th>Mar 31, 2016</th> <th>% Change</th> </tr> </thead> <tbody> <tr> <td>Market Capitalization</td> <td>25,21,15,798</td> <td>24%</td> </tr> <tr> <td>Price Earnings Ratio</td> <td>-3.12</td> <td>-98%</td> </tr> </tbody> </table> | Particulars           | Mar 31, 2016 | % Change | Market Capitalization | 25,21,15,798 | 24% | Price Earnings Ratio | -3.12 | -98% |  |
| Particulars           | Mar 31, 2016   | % Change   |                       |              |          |                       |              |     |                      |       |      |  |
| Market Capitalization | 25,21,15,798   | 24%  |                       |              |          |                       |              |     |                      |       |      |  |
| Price Earnings Ratio  | -3.12  | -98%   |                       |              |          |                       |              |     |                      |       |      |  |
| viii.                 | average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;  | There was no increase in the managerial remuneration.  |                       |              |          |                       |              |     |                      |       |      |  |

|   |   |                   |          |  |       |                                  |           |                                   |       |
|---|---|-------------------|----------|--|-------|----------------------------------|-----------|-----------------------------------|-------|
| <p>ix. comparison of the each remuneration of the Key Managerial Personnel against the performance of the company;</p>  | <p>Comparision of the remuneration of the key managerial personnel against the performance of the company Aggregate remuneration of Key Managerial Personnel (KMP) in 2016</p> <table data-bbox="874 593 1358 786"> <tr> <td>Revenue (₹ Lakhs)</td> <td>26,66.78</td> </tr> <tr> <td>Remuneration of KMPs (as % of revenue)</td> <td>2.14%</td> </tr> <tr> <td>Profit before tax (PBT (₹ Lakhs)</td> <td>-23,62.33</td> </tr> <tr> <td>Remuneration of KMP (as % of PBT)</td> <td>-2.42</td> </tr> </table> | Revenue (₹ Lakhs) | 26,66.78 | Remuneration of KMPs (as % of revenue) | 2.14% | Profit before tax (PBT (₹ Lakhs) | -23,62.33 | Remuneration of KMP (as % of PBT) | -2.42 |
| Revenue (₹ Lakhs)   | 26,66.78  |                   |          |  |       |                                  |           |                                   |       |
| Remuneration of KMPs (as % of revenue)  | 2.14%   |                   |          |  |       |                                  |           |                                   |       |
| Profit before tax (PBT (₹ Lakhs)  | -23,62.33   |                   |          |  |       |                                  |           |                                   |       |
| Remuneration of KMP (as % of PBT)   | -2.42   |                   |          |  |       |                                  |           |                                   |       |
| <p>x. The key parameters for any variable component of remuneration availed by the directors;</p>   | <p>Not Applicable.</p>  |                   |          |  |       |                                  |           |                                   |       |
| <p>xi. the ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year;</p> | <p>Not Applicable</p>   |                   |          |  |       |                                  |           |                                   |       |
| <p>xii. affirmation that the remuneration is as per the remuneration policy of the company:</p>   | <p>The remuneration of Directors, senior management and employees is as per the Remuneration Policy of the Company</p>  |                   |          |  |       |                                  |           |                                   |       |



## **Management Discussion & Analysis**

### **The Global Semiconductor Industry**

The Semiconductor industry witnessed slow growth in 2015 after enjoying strong growth in 2014. This was due to 3.9% YoY (Year-over-Year) growth in the Asia-Pacific region that was offset by a 10.3% fall in Japan and an 8.2% fall in Europe. Moreover, the demand for Semiconductors was affected by the slowdown in PC (Personal Computer) shipments, a strengthening US dollar and the crash of the Chinese Stock Market. China accounts for more than 50% of the global Semiconductor consumption.

Sales decreased in most region: China (-4.3% Year-to-Year), Europe (-7.7%), Japan (-5.1%), Asia Pacific/All Other (-6.5%), and the Americas (-16.9%).

The Semiconductor market will pick up its pace over the coming years, with 1.4% growth in 2016 and 3.1% growth in 2017. However, the 9.9% growth witnessed in 2014, before the slowdown, is unlikely to repeat in the near term. The forecast is based on the assumption that the macro economy will revive during this period.

### **Market Drivers for future**

Looking from the product perspective, all Semiconductor products to report growth, except for memory, in 2016 as the demand for PC and Smartphones slows. However, growth is expected to gain momentum in 2017 over the anticipation of renewed demand for PCs.

The Consumer Technology Association (CTA) expects U.S. consumer technology retail sales to be driven by Internet of Things (IoT) this year to touch \$287 billion. The CTA sees IoT in three groups. The first is named Audio and Video, where smart TVs will grow 13%, streaming media players 5%, connected speakers and headphones 40% and wireless headphones 30%. The next category is the Smart Home, encompassing products like thermostats, smart smoke and CO2 detectors, IP/Wi-Fi cameras, smart locks, smart home systems, and smart switches, dimmers and outlets, which will grow 21%. The third category is wearable's, led by fitness trackers, which will grow 12% and smart watches, which will grow 22%.

The emerging fast-growing areas will be drones (up 149%), VR (up 440%) and 3D printing (up 64%). Smartphones, tablets and TVs are mature categories with shipments expected to grow a respective 5%, -9%, -1%. Laptops also play a role here with traditional devices expected to grow 2% and the hybrids, convertibles and detachable category growing 48%.

IDC estimates that the IoT market will grow at a 16.9% CAGR from 2014 to 2020, at which time the market will represent \$1.7 trillion. Through this period, spending will be focused on devices (31.8% of total), with networking and IT services accounting for another third. IoT platforms, application software and as-a-service offerings will grow in the share of spending thereafter.

Automotive has been growing in importance, as the consumption of electronic components for safety, infotainment, navigation and fuel efficiency continues to increase. Semiconductor consumption in this market was worth around \$7 billion in 2015, according to Report linker. Primary areas of strength are hybrid electric vehicles, telematics and connectivity, and Advanced Driver Assistance Systems (ADAS), where the estimated 5-year CAGRs for chip demand are 20%, 19% and 18%, respectively.

### **Outsourced Assembly and Test (OSAT) Industry**

Semiconductor Assembly and Test Services (SATS) are shifting rapidly towards outsourcing mode of business. At present around 50% of the market is utilizing Outsourced Semiconductor Assembly and Test (OSAT). This figure is expected to grow in the next coming years. Semiconductor packaging and test services market is expected to recover slowly as there is growing trend for outsourcing by OEMs and Chipmakers. However, there is a possibility of market consolidation owing to financial stress and persistent excess capacity. In the future a huge investment will be necessary for supporting new trends and technologies, thus, a market consolidation would be required. Investment in copper wire, 3D packaging and TVS are very high.

Though many low-end suppliers are fighting on the price-sensitive products the top leaders such as ASE, Amkor Technology, STATS and Siliconware Precision Industries Co. Ltd. are aiming the big and more expensive packages which requires huge investment and latest technologies. In reality, packaging has become complex and costly with the upgradation and development of silicon based technology. As the business is shifting towards 3D packaging solutions there are expected be abundant cases where the package cost will be more as compared to the silicon cost.

The global Semiconductor Assembly and Test Services market has been experiencing growth in the number of collaborations and alliances among providers and manufacturers. Although, cyclic characteristics of the Semiconductor industry could challenge the growth of SATS market

### **The Indian Semiconductor Industry**

In the India context, The Indian Semiconductor industry offers high growth potential areas as the industries which source Semiconductors as inputs are themselves witnessing high demand. The end-use industries such as mobile devices, telecommunication equipment, Information Technology, Office Automation (IT&OA), industrial machinery, automobiles and several other industries have applications for computing in some form or other and thereby necessarily have growing demand for Semiconductors. Now with the concept of Internet of Things (IoT) picking up momentum, the next generation of interconnected devices would further increase the demand for intelligent computing, thereby creating sustainable demand for Semiconductors.

The Indian Electronic System Design and Manufacturing (ESDM) market will grow from US\$ 76 billion in 2013 to US\$ 400 billion by 2020. Consumption of Semiconductors, in the meantime, has also steadily climbed. According to a report by NOVONOUS, the Semiconductor industry is estimated to grow from US\$ 10.02 billion in 2013 to US\$ 52.58 billion in 2020 at a Compound Annual Growth Rate (CAGR) of 26.72%



The mobile devices are expected to grow at a high CAGR of 33.4% between 2013 and 2020. Consequently the share of mobile devices in Semiconductor revenue is expected to grow from 35.4% in 2013 to 50.7% in 2020. Further, the telecommunication segment is also expected to grow at a high CAGR of 26.8% between 2013 and 2020. The IT&OA segment is estimated to grow at a CAGR of 18.2% over the next seven years. Although consumer electronics segment is expected to grow at a CAGR of 18.8%, its contribution to the total Semiconductor revenue is expected to lower to 3.5% in 2020 from 5.6% in 2013. Automotive electronics segment is expected to grow at a fast clip of 30.5% CAGR from 2013 to 2020. Consequently, its revenue contribution is set to rise to 3.9% in 2020 from 3.2% in 2013.

#### **SPEL's performance**

The financial year 2015-16 had seen a slowdown in terms of order receipts. The first quarter was soft, followed by second quarter. Customer demands in next two quarters further dropped due to market demand drop & delay in new products launches. In particular, demand from a major Europe Customer dropped as their two existing QFN packages face End of Life and they planned to develop new products in advanced packages.

SPEL maintained good relationship with all its Customers in US & Europe. Have seen good improvement in capturing business from one of the big Customers in the US and expected to receive production orders in 2016-17. The outlook for FY2016-17 is good and SPEL has plan to induct new Customers from Europe & US regions.

The business with most of the Important, Growing and Emerging Customers is good. SPEL was able to have improved orders, new product introductions from these Customers. Also, have added few emerging Customers this year.

Sales during the year has been ₹25.85 Crores and it is lower than previous year due to global economic slowdown coupled with reduced orders from some of the premier Customers. Our performance during the year has been lower due to lack of easy funding options for upgradation of machinery which is very critical while competing in global market.

Net Loss after tax of ₹19.79 Crores was mainly due to, ₹3.98 Crores from writing off the carrying value of certain items of Plant and Machinery and impairment loss on certain other items of Plant and Machinery. The business loss off ₹15.81 crores was mainly due to i) devastating floods in Chennai during December 2015 which affected our production for about four weeks and ii) the labour unrest.

New Investments have been planned in 2016-17 to ramp up the capacity, to attract new Customers & to meet Customer specific requirements. The new investment will focus on Capacity and Process Technology improvements besides adding new packages to SPEL portfolio.

#### **Global Trend for SPEL's package lines**

The demand for leaded & QFN packages supported by SPEL is steady and will grow.

- a. Leaded Packages – SPEL is working with existing Customers to find opportunities for increased loading for this package segment for existing available capacity. No new Capacity additions have been planned
- b. QFN Packages – Demand for this segment is growing continuously. Flip Chip QFN is witnessing more growth than normal QFN and SPEL is planning to have this capability in the next Financial Year.

#### **Outlook for FY 2016-17**

The year 2016 will see moderate growth in overall Semiconductor Industry. SPEL will focus on the following for FY2016-17.

1. Performance from Core Companies had been volatile during last FY and will focus to have consistent sales by better service, adding more product lines & application segments
2. Will focus for increasing Sales from Industrial, Automotive, Medical and Military-Aerospace & will reduce dependence on 3C market which is very volatile and price sensitive
3. Addition of new Customers – SPEL is working closely with couple of US Chip Companies having significant business. Also, working with its Sales Representatives in Europe region to identify new Customers
4. Increase Sales from Europe & APAC – Addition of new Customers and Sales from Europe is consistent. For FY2016-17, more Customers and Sales targeted from these two regions as significant qualification activities happened which will help to have additional sales
5. Growth within India – SPEL expects Make in India program to catch up very fast. Already, SPEL has tied up with various Government Organizations (including Defense) and Universities and supporting their Semiconductor packaging requirements. Many new projects aiming indigenization are being discussed
6. Investment in technology, new packages & capacity addition
7. Improvising the Employee relationship through proactive measures

Chennai  
May 30, 2016

By order of the Board  
for **SPEL Semiconductor Limited**  
**D. Balakrishnan**  
Whole Time Director & CEO  
DIN: 02131242



**Form No. MGT-9**

**EXTRACT OF ANNUAL RETURN**

**as on the financial year ended on Mar 31, 2016**

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

**I. REGISTRATION AND OTHER DETAILS**

|      |   |  |
|------|---|--|
| i)   | CIN   | L32201TN1984PLC011434  |
| ii)  | Registration Date   | 26.12.1984   |
| iii) | Name of the Company   | SPEL Semiconductor Limited   |
| iv)  | Category / Sub-Category of the Company                                    | Limited by Shares  |
| v)   | Address of the Registered office and contact details:                     | 5 CMDA Industrial Estate,<br>MM Nagar (Chennai) 603 209<br>Tel: 044 47405300 Fax:044 47405303  |
| vi)  | Whether listed company Yes / No   | Yes  |
| vii) | Name, Address and Contact details of Registrar and Transfer Agent, if any | Cameo Corporate Services Limited,<br>"Subramanian Building", V Floor<br>1, Club House Road, Chennai – 600 002,<br>Tel: 044-28460390-94 Fax: 044-28460129<br>Email: investor@cameoindia.com<br>Contact person: Mr. Murali |

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10 % or more of the total turnover of the Company shall be stated:-

| Sl. No. | Name and Description of main products / services | NIC Code of the Product / Service | % to total turnover of the Company |
|---------|--|-----------------------------------|------------------------------------|
| 1       | Electronic Integrated Circuits                   | 26103                             | 100%                               |

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

| S. NO | Name And Address of the Company                              | CIN/GLN | Holding/ Subsidiary/ Associate | % of Shares Held | Applicable Section |
|-------|--|---------|--------------------------------|------------------|--------------------|
| 1     | Natronix Semiconductor Technology Private Limited, Singapore | —       | Holding Company                | 55.97            | Sec 2 (46)         |
| 2     | SPEL America Inc.,   | —       | Subsidiary                     | 100%             | Sec 2 (87)         |



**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**

i) Category-wise Share Holding

| Category of Shareholders                              | No. of shares held at the beginning of the year |          |                 |                   | No. of Shares at the end of the year |          |                 |                   | % Change during the year |
|---|---|----------|-----------------|-------------------|--------------------------------------|----------|-----------------|-------------------|--------------------------|
|   | Demat   | Physical | Total           | % of Total Shares | Demat                                | Physical | Total           | % of Total Shares |                          |
| <b>A. Promoters</b>                                   |   |          |                 |                   |                                      |          |                 |                   |                          |
| <b>(1) Indian</b>                                     |   |          |                 |                   |                                      |          |                 |                   |                          |
| a) Individual/HUF                                     | 1477573   | 0        | 1477573         | 3.20              | 1477573                              | 0        | 1477573         | 3.20              | —                        |
| b) Central Govt                                       | —   | —        | —               | —                 | —                                    | —        | —               | —                 | —                        |
| c) State Govt (s)                                     | —   | —        | —               | —                 | —                                    | —        | —               | —                 | —                        |
| d) Bodies Corp  | —   | —        | —               | —                 | —                                    | —        | —               | —                 | —                        |
| e) Banks / FI   | —   | —        | —               | —                 | —                                    | —        | —               | —                 | —                        |
| f) Any Other  | —   | —        | —               | —                 | —                                    | —        | —               | —                 | —                        |
| <b>Sub-total (A)(1):-</b>                             | 1477573   | 0        | 1477573         | 3.20              | 1477573                              | 0        | 1477573         | 3.20              | —                        |
| <b>(2) Foreign</b>                                    | —   | —        | —               | —                 | —                                    | —        | —               | —                 | —                        |
| (a) NRIs- Individuals                                 | —   | —        | —               | —                 | —                                    | —        | —               | —                 | —                        |
| (b) Other – Individuals                               | —   | —        | —               | —                 | —                                    | —        | —               | —                 | —                        |
| (c) Bodies Corp.                                      | 25811207  | 0        | 25811207        | 55.97             | 25811207                             | 0        | 25811207        | 55.97             | —                        |
| (d) Banks/ FI   | —   | —        | —               | —                 | —                                    | —        | —               | —                 | —                        |
| (e) Any Other.  | —   | —        | —               | —                 | —                                    | —        | —               | —                 | —                        |
| <b>Sub-total(A)(2):-</b>                              | 25811207  | 0        | 25811207        | 55.97             | 25811207                             | 0        | 25811207        | 55.97             | —                        |
| <b>Total shareholding of Promoter (A)=A(1)+(A)(2)</b> | <b>27288780</b>                                 | <b>0</b> | <b>27288780</b> | <b>59.17</b>      | <b>27288780</b>                      | <b>0</b> | <b>27288780</b> | <b>59.17</b>      | <b>—</b>                 |
| <b>B. Public Shareholding</b>                         |   |          |                 |                   |                                      |          |                 |                   |                          |
| <b>1. Institutions</b>                                |   |          |                 |                   |                                      |          |                 |                   |                          |
| a) Mutual Funds                                       | —   | 8600     | 8600            | 0.02              | —                                    | 8600     | 8600            | 0.02              | —                        |
| b) Banks / FI   | —   | 100      | 100             | 0.00              | —                                    | 100      | 100             | 0.00              | —                        |
| c) Central Govt                                       | —   | —        | —               | —                 | —                                    | —        | —               | —                 | —                        |
| d) State Govt   | —   | —        | —               | —                 | —                                    | —        | —               | —                 | —                        |
| e) Venture Capital Funds                              | —   | —        | —               | —                 | —                                    | —        | —               | —                 | —                        |
| f) Insurance Companies                                | —   | —        | —               | —                 | —                                    | —        | —               | —                 | —                        |
| g) FIs  | 9000  | —        | 9000            | 0.02              | 9000                                 | —        | 9000            | 0.02              | —                        |
| h) Foreign Venture Capital Funds                      | —   | —        | —               | —                 | —                                    | —        | —               | —                 | —                        |
| i) Others (specify)                                   | —   | —        | —               | —                 | —                                    | —        | —               | —                 | —                        |
| <b>Sub-total (B)(1):-</b>                             | 9000  | 8700     | 17700           | 0.04              | 9000                                 | 8700     | 17700           | 0.04              | —                        |



#### IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

##### i) Category-wise Share Holding

| Category of Shareholders   | No. of shares held at the beginning of the year |                |                 |                   | No. Of Shares at the end of the year |                |                 |                   | % Change during the year |
|--|---|----------------|-----------------|-------------------|--------------------------------------|----------------|-----------------|-------------------|--------------------------|
|  | Demat   | Phy-sical      | Total           | % of Total Shares | Demat                                | Phy-sical      | Total           | % of Total Shares |                          |
| <b>2. Non-Institutions</b>   |   |                |                 |                   |                                      |                |                 |                   |                          |
| <b>a) Bodies Corp.</b>   |   |                |                 |                   |                                      |                |                 |                   |                          |
| i) Indian  | 1381234   | 20780          | 1402014         | 3.04              | 1353097                              | 20780          | 1373877         | 2.98              | -0.06                    |
| <b>b) Individuals</b>  |   |                |                 |                   |                                      |                |                 |                   |                          |
| i) Individual shareholders holding nominal share capital up to ₹2 Lakh         | 8276057   | 2523582        | 10799639        | 23.42             | 10988694                             | 2490872        | 13479566        | 29.23             | 5.81                     |
| ii) Individual shareholders holding nominal share capital in excess of ₹2 Lakh | 5778843   | —              | 5778843         | 12.53             | 2992382                              | —              | 2992382         | 6.49              | -6.04                    |
| <b>c) Others(specify)</b>  |   |                |                 |                   |                                      |                |                 |                   |                          |
| Clearing Members   | 10188   | —              | 10188           | 0.02              | 27905                                | —              | 27905           | 0.06              | 0.04                     |
| HUF  | 607774  | 32             | 607806          | 1.32              | 604790                               | 32             | 604822          | 1.31              | -0.01                    |
| NRI  | 170323  | 38600          | 208923          | 0.45              | 290761                               | 38100          | 328861          | 0.71              | 0.26                     |
| Trusts   | 2550  | 1000           | 3550            | 0.01              | 2550                                 | 1000           | 3550            | 0.01              | —                        |
| <b>Sub-total(B)(2)</b>   | <b>16226969</b>                                 | <b>2583994</b> | <b>18810963</b> | <b>40.79</b>      | <b>16260179</b>                      | <b>2550784</b> | <b>18810963</b> | <b>40.79</b>      | <b>--</b>                |
| Shareholding (B)=(B)(1)+(b)(2)   | 16235969  | 2592694        | 18828663        | 40.83             | 16269179                             | 2559484        | 18828663        | 40.83             | —                        |
| <b>C. Shares held by Custodian for GDRs &amp; ADRs</b>                         | <b>—</b>  | <b>—</b>       | <b>—</b>        | <b>—</b>          | <b>—</b>                             | <b>—</b>       | <b>—</b>        | <b>—</b>          | <b>—</b>                 |
| <b>Grand Total(A+B+C)</b>  | <b>43524749</b>                                 | <b>2592694</b> | <b>46117443</b> | <b>100.00</b>     | <b>43557959</b>                      | <b>2559484</b> | <b>46117443</b> | <b>100.00</b>     | <b>—</b>                 |

##### (ii) Shareholding of Promoters

| SlNo. | Shareholding at the beginning of the year |                                  |   | Shareholding at the end of the year |                                  |   | % change in share holding during the year |
|-------|---|----------------------------------|---|-------------------------------------|----------------------------------|---|---|
|       | No. of Shares                             | % of total shares of the Company | % of Shares Pledged/ encumbered of total shares | No. of Shares                       | % of total shares of the Company | % of Shares Pledged/ encumbered of total shares |   |
| 1.    | 27288780                                  | 59.17                            | —   | 27288780                            | 59.17                            | —   | —   |



**(iii) Change in Promoter's Shareholding : No Change**

| Sl. No. | Name of Promoters | Shareholding at the beginning of the year |                                  | Cumulative Shareholding during the year |                                  |
|---------|-------------------|---|----------------------------------|---|----------------------------------|
|         |                   | No. of shares                             | % of total shares of the Company | No. of shares                           | % of total shares of the Company |
| NIL     |                   |   |                                  |   |                                  |

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)**

| SI no. | For each of the top 10 shareholders    | Shareholding at the beginning of the year |                                  | Cumulative Shareholding during the year |                                  |
|--------|--|---|----------------------------------|---|----------------------------------|
|        |  | No. of Shares                             | % of total shares of the Company | No. of Shares                           | % of total shares of the Company |
| 1.     | Hitesh Ramji Javeri                    | 600000                                    | 1.30                             | 627000                                  | 1.36                             |
| 2.     | Jignesh Madhukant Mehta                | 0   | -                                | 300000                                  | 0.65                             |
| 3.     | Angel Fincap Private Limited           | 391400                                    | 0.85                             | 268539                                  | 0.58                             |
| 4.     | Alphonsus Fernandes                    | 207350                                    | 0.45                             | 207350                                  | 0.45                             |
| 5.     | Niraj Hareh Shah                       | 200000                                    | 0.43                             | 200000                                  | 0.43                             |
| 6.     | Harsha Hitesh Javeri                   | 134276                                    | 0.29                             | 150000                                  | 0.32                             |
| 7.     | Shri Parasram Holdings Private Limited | 149600                                    | 0.32                             | 101689                                  | 0.22                             |
| 8.     | Prakash Chandra Modi                   | 100000                                    | 0.22                             | 100000                                  | 0.22                             |
| 9.     | Dinesh Gordhandas Parekh               | 80000                                     | 0.17                             | 80000                                   | 0.17                             |
| 10.    | Gita Devi Dalmia                       | 75000                                     | 0.16                             | 75000                                   | 0.16                             |

**(v) Shareholding of Directors and Key Managerial Personnel**

| SI No. | For each of the Directors and KMP | Shareholding at the beginning of the year |                                  | Cumulative Shareholding during the year |                                  |
|--------|-----------------------------------|---|----------------------------------|---|----------------------------------|
|        |                                   | No. of Shares                             | % of total shares of the Company | No. of Shares                           | % of total shares of the Company |
| 1.     | Mr. K. Ravikumar                  | -   | -                                | -                                       | -                                |
| 2.     | Mr. M. Jayasankar                 | -   | -                                | -                                       | -                                |
| 3.     | Dr. Enakshi Bhattacharya          | -   | -                                | -                                       | -                                |
| 4.     | Mr. D. Balakrishnan               | 10000                                     | 0.02                             | 10000                                   | 0.02                             |
| 5.     | Mr. V. Srinivasan                 | -   | -                                | -                                       | -                                |
| 6.     | Mr. S. S. Arunachalam             | -   | -                                | -                                       | -                                |





## V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ in Lakhs)

|   | Secured Loans<br>Excluding deposits | Deposits(Unsecured) | Total Indebtedness |
|---|-------------------------------------|---------------------|--------------------|
| Indebtedness at the beginning of the financial year |                                     |                     |                    |
| i) Principal Amount                                 | 7,02.25                             | 10,25.00            | 17,27.25           |
| ii) Interest due but not paid                       | 28.78                               | 1,34.76             | 1,63.54            |
| iii) Interest accrued but not due                   | 0.54                                | -                   | 0.54               |
| Total (i+ii+iii)                                    | 7,31.57                             | 11,59.76            | 18,91.33           |
| Change in Indebtedness during the financial year    |                                     |                     |                    |
| i) Addition   |                                     |                     |                    |
| a. Principal  | -                                   | 2,00.00             | 2,00.00            |
| b. Interest due but not paid                        | 65.35                               | -                   | 65.35              |
| c. Interest accrued but not due                     | 3.45                                | -                   | 3.45               |
| ii) Reduction                                       |                                     |                     |                    |
| a. Principal  | 5,55.80                             | 12,25.00            | 17,80.80           |
| b. Interest due but not paid                        | 77.54                               | -                   | 77.54              |
| c. Interest accrued but not due                     | 2.90                                | -                   | 2.90               |
| Net Change  | (5,67.44)                           | (10,25.00)          | (15,92.44)         |
| Indebtedness at the end of the financial year       |                                     |                     |                    |
| i) Principal Amount                                 | 1,46.45                             | -                   | 1,46.45            |
| ii) Interest due but not paid                       | 16.59                               | 1,34.76             | 1,51.35            |
| iii) Interest accrued but not due                   | 1.09                                | -                   | 1.09               |
| Total   | 1,64.13                             | 1,34.76             | 2,98.89            |

## VI. Remuneration of Directors and Key Managerial Personnel

### A. Remuneration to Managing Director, Whole Time Directors and/ or Manager

| SINo. | Particulars of Remuneration  | Mr. D. Balakrishnan<br>Whole Time Director\$\$ (₹) | Total Amount<br>(₹) |
|-------|--|--|---------------------|
| 1.    | Gross Salary   |  |                     |
|       | a. Salary as per provisions contained in Section 17 (1) of the Income Tax Act 1961 | 37,83,544  | 37,83,544           |
|       | b. Value of perquisites u/s 17(2) Income Tax Act, 1961                             | Nil  | Nil                 |
|       | c. Profits in lieu of salary under section 17 (3) Income Tax 1961                  | Nil  | Nil                 |
| 2     | Stock Option   | Nil  | Nil                 |
| 3     | Sweat Equity   | Nil  | Nil                 |
| 4     | Commission   |  |                     |
|       | - as % of Profit   |  |                     |
|       | - others specify   | Nil  | Nil                 |
| 5     | Others, please specify   | Nil  | Nil                 |
|       | Total (A)  | 37,83,544  | 37,83,544           |
|       | Ceiling as per Act   | ₹ 38 Lakhs   |                     |

\$\$Mr. D. Balakrishnan Director & CEO (w.e.f Jun 19, 2014)



**B. Remuneration to other directors:**

| SINo. | Particulars of Remuneration                   | Name of Directors    |                       |                             | Total Amount (₹) |
|-------|---|----------------------|-----------------------|-----------------------------|------------------|
|       |   | Mr. K. Ravikumar (₹) | Mr. M. Jayasankar (₹) | Dr.Enakshi Bhattacharya (₹) |                  |
|       | · Fees for attending board/committee meetings | 78,000               | 86,000                | 48,000                      | 2,21,000         |
|       | · Commission                                  |                      |                       |                             |                  |
|       | · Others, please specify                      | 27,000               | 29,000                | 17,000                      | 73,000           |
|       | Other Non Executive Directors                 | --                   | --                    | --                          | --               |
|       | Total Managerial Remuneration                 | 1,05,000             | 1,15,000              | 65,000                      | 2,85,000         |
|       | Overall ceiling as per the Act                | NA                   | NA                    | NA                          | NA               |

**C. Remuneration to key managerial personnel other than MD/Manager/WTD**

| SI No. | Particulars of Remuneration | Key Managerial Personnel |                       |  |           |
|--------|-----------------------------|--------------------------|-----------------------|--|-----------|
|        |                             | CEO (₹)                  | Company Secretary (₹) | CFO (₹)                                | Total (₹) |
| 1      | Salary                      | 37,83,544                | 4,85,307@             | Mr. R Venkatesh Kumar\$\$<br>14,37,510 | 57,06,361 |

\$\$ (up to Jan 20, 2016)

@ (from Nov 02, 2015)

**VII. Penalties/ Punishments/Compounding of offences: Nil**

| Type                             | Section of the Companies Act | Brief Description | Details of Penalty/ Punishment/ Compounding fees imposed | Authority(RD/ NCLT/Court) | Appeal made, if any(give details) |
|----------------------------------|------------------------------|-------------------|--|---------------------------|-----------------------------------|
| Penalty                          |                              |                   |  |                           |                                   |
| Punishment                       |                              |                   |  |                           |                                   |
| Compounding                      |                              |                   |  |                           |                                   |
| <b>Other Officers in Default</b> |                              |                   | <b>NIL</b>   |                           |                                   |
| Penalty                          |                              |                   |  |                           |                                   |
| Punishment                       |                              |                   |  |                           |                                   |
| Compounding                      |                              |                   |  |                           |                                   |

On behalf of the Board of Directors,

Chennai  
May 30, 2016

K. Ravikumar                      D. Balakrishnan  
Director                      Whole Time Director & CEO



**Form No. MR-3**

**SECRETARIAL AUDIT REPORT**

FINANCIAL YEAR ENDED 31ST MARCH, 2016

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies  
(Appointment and Remuneration Personnel) Rules, 2014]

To,

The Members  
SPEL Semiconductor Limited  
5 CMDA, Industrial Estate,  
MM Nagar (Chennai)  
PIN-603209

I have conducted the secretarial audit of the compliance of the applicable statutory provisions and adherence to good corporate practices by SPEL Semiconductor Limited, an IC Assembly & Test Company. The Company has CIN L32201TN1984PLC011434 with Authorised Capital of Rs.60,00,00,000 and paid up capital of Rs.46,13,25,280. The Company is listed with the Bombay Stock Exchange Limited with stock code demat-517166, possessing ISIN number NSDL&CDSL: INE252A01019. SPEL is certified for ISO 9001:2000; ISO14000:2004&TS16948:2002

Secretarial audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing my opinion thereon.

Based on our verification of SPEL Semiconductor Limited's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering its financial year ended on 31st March, 2016 complied with the statutory provisions listed here under and also the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulations) Act, 1956 ("SCRA") and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye - Laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ("SEBI Act"):-
  - a) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - b) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009. - Not Applicable to the Company during the Audit Period
  - d) The Securities and Exchange Board of India (Employees stock option Scheme and Employees Stock Purchase Scheme Guidelines, 1999; - Not Applicable to the Company during the Audit Period



- e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations 2008; - Not Applicable to the Company during the Audit Period
  - f) The Securities and Exchange Board of India (Registrars to an issue and Share transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - g) The Securities and Exchange Board of India (Delisting of Equity shares) Regulations, 2009; and - Not Applicable to the Company during the Audit Period
  - h) The Securities and Exchange Board of India (buyback of Securities) Regulations, 1998; - Not Applicable to the Company during the Audit Period
  - i) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
- (vi) Any other Applicable Laws like
- a) The Factories Act 1948
  - b) The Industrial Dispute Act 1947
  - c) The Payment of wages Act 1936
  - d) The Minimum Wages Act 1948
  - e) The Employees State Insurance Act, 1948
  - f) The Employees' Provident Fund and Miscellaneous Provision Act, 1952
  - g) The payment of bonus Act, 1965
  - h) The Payment of Gratuity Act, 1972
  - i) The Contract Labour Abolition Act 1970
  - j) The Maternity Benefit Act 1961
  - k) The Child Labour (Prohibition and Regulation) Act 1986
  - l) The Industrial Employment (Standing Orders) Act 1946
  - m) The Employees' Compensation Act 1923 (earlier known as Workman's Compensation Act 1923)
  - n) The Apprentice Act, 1961
  - o) The Equal Remuneration Act, 1976
  - p) The Employment Exchange (Compulsory Notification of Vacancies Act) 1956

I have also examined compliance with the applicable clauses of the following :

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India (ICSI) has been notified with effect from 1st July 2015 and hence not applicable to the Company during the audit period.
- (ii) The Listing agreements entered into by the company with BSE

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines etc. mentioned above except to the extent mentioned below:

#### **Under The Companies Act 2013**

1. *According to information received and examination of records of the company had appointed Ms. Chitra Achuthanandan as company secretary with effect from 14<sup>th</sup> August, 2015. However, Ms. Chitra Achuthanandan tenderd her resignation vide e-mail dated 05<sup>th</sup> September, 2015. There is no record of appointment and subsequent resignation of the Company in the minutes of the Board meeting. Further, as per the intimation sent to the stock exchange the Board Meeting held on 8<sup>th</sup> September, 2015, has considered the appointment of company secretary. No forms has been filed with the Registrar of Companies for appointment and resignation of Ms. Chitra Achuthanandan.*
2. *E Form MR-1 has not been filed for appointment of Mr. D Balakrishnan as Whole Time Director and CEO of the Company.*



3. *As per Section 134(6), The Board's report and any annexures thereto under sub-section (3) shall be signed by its chairperson of the company if he is authorised by the Board and where he is not so authorised, shall be signed by at least two directors, one of whom shall be a managing director, or by the director where there is one director. The Director's report for the financial year ended 31st March, 2015 has been signed by Mr. D. Balakrishnan , Whole Time Director and CEO and Mr. M. Jayasankar, Director of the Company. However the printed copies of the annual report carries the signature of Mr. D Balakrishnan , Whole Time Director only. It has been clarified by the management as printing error. the signatures were found to be in order as per records.*
4. *According to information received and examination of records in respect of statutory dues it is observed that the Company is not regular in depositing undisputed provident fund, employee state insurance and income tax (TDS) and property dues, during the year.*
5. *Dr. Enakshi Bhattacharya and Mr. Jayakumar, additional Director, cease to hold office as on 8<sup>th</sup> September, 2015, the date of Annual General Meeting. The company has conducted Board meeting on 8<sup>th</sup> September, 2015 and appointed them as additional Directors.*

The other laws as may be applicable specifically to the Company which are mentioned in clause (vi) Under any other laws I hereby report that it's based on the reports of the heads of the Departments of the factories and the compliance reports made by the occupier of the factories submitted to the Board of Directors of the Company, I report that the Company has substantially complied with the provisions of those Acts that are applicable to companies having factories which manufacture Integrated circuits Based on the information, explanations and management representation, the Company has substantially complied with the Tax laws applicable to the Company except to the extent mentioned below:

I further report that

Subject to my observations the Board of Directors of the Company in general is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act except the forms which are not filed as mentioned in this report.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarification on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions were carried out in the Board were in compliance with the provisions of the Act.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period the instances of violations and non compliances mentioned above may result in attracting penal provisions which are severe in nature and for the company there is a contingency that it may have to pay penalties.

Place : Chennai  
Date : May 30, 2016

Signature  
Sd/-  
T. Balasubramanian  
FCS: 7987  
CPNO: 3402

This report is to be read with our letter of even date which is annexed as Annexure A which forms an integral part of this report



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## Annexure A

The members  
SPEL Semiconductor Limited  
5CMDA, Industrial Estate,  
MM Nagar (Chennai)  
PIN-603209

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of Secretarial records. The verification was done on test basis to ensure the correct facts as reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records and Book of Accounts of the company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Place : Chennai  
Date : May 30, 2016

Signature  
Sd/-  
T. Balasubramanian  
FCS: 7987  
CPNO: 3402



## Report on Corporate Governance

Pursuant to Regulation 34 (3), 53 (f) & Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015, a Report on Corporate Governance is given below :

### 1. Company's Philosophy on Code of Governance

The Company's policy and practice of Corporate Governance is to proactively meet its obligations to its Shareholders and earn the goodwill of all its Stakeholders.

SPEL seeks to enhance the long-term Shareholders and elevate the interest of its Stakeholders espousing good governance, sincerity, integrity, fairness and transparent accountability in all its dealings. Sound Corporate Governance is the keystone of the Company's arch. SPEL was wedded to the standards even before these became mandatory and strives incessantly to improve on these. The results of good Corporate Governance practices are reflected in confidence reposed by various Stakeholders.

### 2. Board of Directors

Composition: The present strength of the Board as on the date of this report is 4 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 :

| Name and Designation                             | Executive / Non-Executive Independent / Promoter | No. of Board Meetings of the Company |                          | No. of other Boards in which he / she is a Director or Chair-person* | No. of other Board Committee(s) in which he / she is a Member or chairperson** | Attendance at last AGM (Yes/ No) |
|--|--|--------------------------------------|--------------------------|--|--|----------------------------------|
|  |  | Held during the year                 | Attended during the year |  |  |                                  |
| Mr. K. Ravikumar<br>Director                     | Non-Executive – Independent                      | 7                                    | 6                        | 1  | —  | Yes                              |
| Mr. M. Jayasankar<br>Director                    | Non-Executive – Independent                      | 7                                    | 7                        | 1  | —  | Yes                              |
| Dr. Enakshi Bhattacharya<br>Director             | Non-Executive – Independent                      | 7                                    | 4                        | 1  | —  | Yes                              |
| Mr. D. Balakrishnan<br>Whole Time Director & CEO | Executive  | 7                                    | 7                        | —  | —  | Yes                              |

\* Excluding interest in Private Limited Companies, Foreign Companies and Companies under Section 8 of the Companies Act, 2013.

\*\* Includes Chairmanship / Membership of the Audit Committee and the Stakeholders' Relationship Committee only.

During the year ended Mar 31, 2016 Seven (7) Board Meetings were held on Apr 28, 2015, Jul 23, 2015, Sep 8, 2015, Sep 8, 2015, Sep 30, 2015, Nov 2, 2015 & Feb 7, 2016

### 3. Composition of various Board Committees

| Name of the Committee                 | Names of Directors  | Category                     |
|---------------------------------------|---|------------------------------|
| Audit Committee                       | Mr. M. Jayasankar<br>Mr. K. Ravikumar<br>Dr. Enakshi Bhattacharya | Chairman<br>Member<br>Member |
| Stakeholders Relationship Committee   | Dr. Enakshi Bhattacharya<br>Mr. K. Ravikumar<br>Mr. M. Jayasankar | Chairman<br>Member<br>Member |
| Nomination and Remuneration Committee | Mr. K. Ravikumar<br>Mr. M. Jayasankar<br>Dr. Enakshi Bhattacharya | Chairman<br>Member<br>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 in advance and contains all the matters enshrined in Section 173 (3) of Companies Act, 2013
3. Sufficient time is allocated for discussing items of business, more specifically on the operations front. There is also a detailed presentation made by the Chief Executive Officer.
4. The Board takes on record the Compliance confirmation from the 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 at each of its meetings.

#### b. 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

Four Audit Committee Meetings were held on Apr 28, 2015, Jul 23, 2015, Nov 2, 2015 & Feb 7, 2016

| Names of the Directors   | No. of Audit Committee Meetings attended |
|--------------------------|--|
| Mr. K. Ravikumar         | 4  |
| Mr. M. Jayasankar        | 4  |
| Dr. Enakshi Bhattacharya | 2  |





**c. Nomination and Remuneration 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).

Nomination and Remuneration Committee Meeting were held on Nov 2, 2015 & Mar 24, 2016

| Names of the Directors   | No. of Committee Meeting attended |
|--------------------------|-----------------------------------|
| Mr. K. Ravikumar         | 2                                 |
| Mr. M. Jayasankar        | 2                                 |
| Dr. Enakshi Bhattacharya | 2                                 |

**Details of Remuneration paid to Directors**

(Amount in ₹)

| Remuneration paid during the year 2015-16 |                          |   |                                |              |           |
|---|--------------------------|---|--------------------------------|--------------|-----------|
| Sl.No.                                    | Names of Directors       | Salary / Special allowance/ Perquisites | Commission / Bonus / Incentive | Sitting fees | Total     |
| 1.  | Mr. K. Ravikumar         | NA                                      | NA                             | 78,000       | 78,000    |
| 2.  | Mr. M. Jayasankar        | NA                                      | NA                             | 86,000       | 86,000    |
| 3.  | Dr. Enakshi Bhattacharya | NA                                      | NA                             | 48,000       | 48,000    |
| 4.  | Mr. D. Balakrishnan      | 37,83,544                               | NA                             | NA           | 37,83,544 |

Nomination and 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.

**Remuneration Policy :**

The following is the remuneration policy for directors :

**Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:**

a) Fixed pay

The Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee.

b) Minimum Remuneration

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

**Remuneration to Non- Executive / Independent Director**

a) Remuneration / Commission

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Companies Act.

b) Sitting Fees

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed ₹ One Lac per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

**d. Stakeholders Relationship Committee**

- a. The Stakeholders Relationship Committee comprises a majority of Independent Non-Executive Directors. Dr. Enakshi Bhattacharya is the Chairperson of the Committee.



b The Table below shows the nature of complaints received from Shareholders during FY 2015-16

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

c. 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.      | Company Secretary & Compliance Officer | 5 CMDA Industrial Estate, MM Nagar(Chennai) 603 209.     | (044) 47405490   | (044) 47405303 | investors@spel.com      | 15 days   |
| 2.      | Cameo Corporate Services Limited       | "SubramanianBuilding" 1 Club House Road, Chennai 600 002 | (044) 28460390   | (044) 28460129 | investor@cameoindia.com |   |

d. Four Stakeholders Relationship Committee Meetings were held on Apr 28, 2015, Jul 23, 2015, Nov 2, 2015 & Feb 7, 2016

| Names of the Directors   | No. of Committee Meetings attended |
|--------------------------|------------------------------------|
| Mr. K. Ravikumar         | 4                                  |
| Mr. M. Jayasankar        | 4                                  |
| Dr. Enakshi Bhattacharya | 2                                  |

## 5. 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.      | 2012-13        | 5 CMDA Industrial Estate, Maraimalai Nagar 603 209 | Jul 2, 2013 4.00 pm   |
| 2.      | 2013-14        | 5 CMDA Industrial Estate, Maraimalai Nagar 603 209 | Sep 15, 2014 10.45 am |
| 3.      | 2014-15        | 5 CMDA Industrial Estate, Maraimalai Nagar 603 209 | Sep 8, 2015 4.35 pm   |

Special Resolutions passed in the previous 3 AGMs

28<sup>th</sup> AGM :.Extension of term of office and payment of remuneration to Mr. N. Sivashanmugam, Whole Time Director

29<sup>th</sup> AGM : Nil

30<sup>th</sup> AGM : Nil

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

## 6. 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 enjoy access to 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.



## 7. Means of Communications

Financial results of the Company are published in Trinity Mirror and Makkal Kural. The results are also displayed in URL, namely [www.spel.com](http://www.spel.com). The Company does not display official news releases. Company has not made presentations to Institutional Investors or to the Analysts.

## 8. General Shareholder Information

- 1 Annual General Meeting  
(as indicated in the notice) : Jul 30, 2016 at Registered Office of the Company
- 2 Financial year : 2015-16
- 3 Dates of Book Closure : Jul 25, 2016 to Jul 30, 2016
4. Listed on Stock Exchange : The Bombay Stock Exchange Limited (BSE)  
Stock Code: Demat - 517166, Physical - 17166
5. ISIN Number NSDL & CDSL : INE 252A01019
6. Outstanding GDR/ADR/Warrants  
or any convertible instruments : No
7. Registrar & Share Transfer Agent : Cameo Corporate Services Limited
8. Address for Communication
  - a. 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
9. Share transfer System : All transfer requests received are processed and approved by an Authorized Signatory. Normally transfers are processed and approved twice a month.
10. Factory Location : 5 CMDA Industrial Estate,  
MM Nagar (Chennai) 603 209. India.

## 9. Distribution of shareholding as on Mar 31, 2016

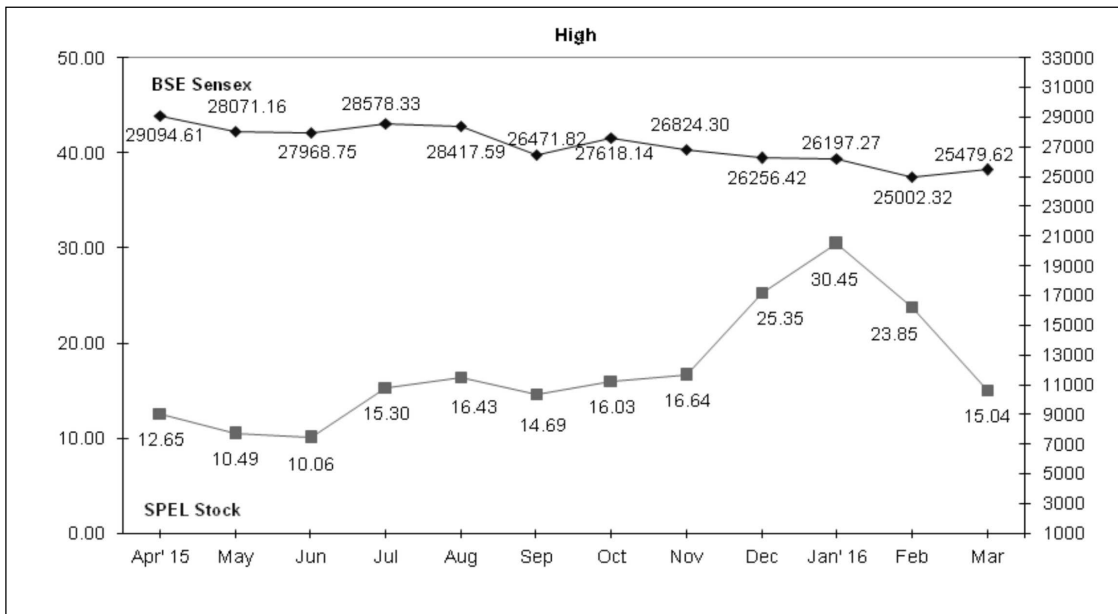
| No. of Equity Shares held              | No. of Folios | %             | No. of Shares   | %             |
|--|---------------|---------------|-----------------|---------------|
| 1 – 100                                | 13878         | 43.47         | 1107423         | 2.40          |
| 101 – 500                              | 13074         | 40.96         | 3786541         | 8.21          |
| 501 – 1000                             | 2624          | 8.22          | 2218719         | 4.81          |
| 1001 – 2000                            | 1139          | 3.57          | 1849193         | 4.01          |
| 2001 – 3000                            | 412           | 1.29          | 1081684         | 2.35          |
| 3001 – 4000                            | 198           | 0.62          | 732860          | 1.59          |
| 4001 – 5000                            | 191           | 0.60          | 919204          | 1.99          |
| 5001 – 10000                           | 246           | 0.77          | 1842782         | 4.00          |
| 10001 and above                        | 160           | 0.50          | 32579037        | 70.64         |
| <b>Grand Total</b>                     | <b>31922</b>  | <b>100.00</b> | <b>46117443</b> | <b>100.00</b> |
| No. of Shareholders in Physical Mode   |               |               |                 | 13332         |
| No. of Shareholders in Electronic Mode |               |               |                 | 18590         |



**10. Shareholding Pattern as on Mar 31, 2016**

| Category                             | No. of Shareholders | No. of Shares   | in %          |
|--------------------------------------|---------------------|-----------------|---------------|
| <b>Promoter &amp; Promoter Group</b> | 5                   | 27288780        | 59.17         |
| <b>Overseas Corporate Bodies</b>     | 1                   | 9000            | 0.02          |
| <b>Mutual Funds</b>                  | 2                   | 8600            | 0.02          |
| <b>Nationalized Banks</b>            | 1                   | 100             | 0.00          |
| <b>Non-Resident Indians</b>          | 187                 | 328861          | 0.71          |
| <b>Domestic Companies</b>            | 381                 | 1283877         | 2.78          |
| <b>Resident Individuals</b>          | 31315               | 17166770        | 37.23         |
| <b>Clearing Members</b>              | 27                  | 27905           | 0.06          |
| <b>Trusts</b>                        | 3                   | 3550            | 0.01          |
| <b>Total</b>                         | <b>31922</b>        | <b>46117443</b> | <b>100.00</b> |

**11. Stock Performance V/s BSE Sensex**





**12. Market Price Data High & Low, Trading volume and No. of trades during each month for FY 2015-16**

| Month    | High  | Low   | Trading Volume<br>(No. of shares<br>in lakhs) | No. of Trades |
|----------|-------|-------|---|---------------|
| Apr 2015 | 12.65 | 9.38  | 2.86  | 1767          |
| May      | 10.49 | 7.11  | 1.69  | 1151          |
| Jun      | 10.06 | 6.90  | 1.90  | 635           |
| Jul      | 15.30 | 8.65  | 11.15   | 2927          |
| Aug      | 16.43 | 11.77 | 6.18  | 1539          |
| Sep      | 14.69 | 10.33 | 2.77  | 565           |
| Oct      | 16.03 | 12.75 | 4.00  | 1113          |
| Nov      | 16.64 | 11.05 | 2.44  | 648           |
| Dec      | 25.35 | 13.35 | 54.11   | 9147          |
| Jan 2016 | 30.45 | 17.75 | 39.05   | 9970          |
| Feb      | 23.85 | 12.95 | 14.99   | 3177          |
| Mar      | 15.04 | 11.75 | 9.02  | 1661          |

**13. Accounting Standards**

Your Company is in compliance with Accounting Standards and Accounting Rules in preparation of its financial statements.

**14. CEO/CFO Certification**

A Certificate of the CEO and CFO of the Company in terms of SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015, inter alia, confirming the correctness of the financial statements, adequacy of the internal control measures and reporting of matters to the Audit Committee, is also annexed.

**15. Non – Mandatory Requirements**

- a. The Company has appointed a third party Firm as the Internal Auditors.
- b. Nomination and Remuneration Committee : The Company has a Nomination and Remuneration Committee detailed in this report.
- c. 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 per Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015)

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, 2016.

Place: Chennai  
Date : May 30, 2016

For SPEL Semiconductor Limited  
D. Balakrishnan  
Chief Executive Officer



**CHIEF EXECUTIVE OFFICER / CHIEF FINANCIAL OFFICER CERTIFICATION**

To

The Board of Directors  
SPEL Semiconductor Limited

We, D. Balakrishnan, Whole Time Director & Chief Executive Officer and V. Srinivasan, Chief Financial Officer of the Company do solemnly certify that :

- a. We have reviewed the financial statements for the year and that to the best of our knowledge and belief that :
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations
- b. There are to the best of our knowledge and belief, no transactions entered into by the Company during the year that are fraudulent, illegal or violative of the Company's Code of Conduct except non-payment of the following :
  - i. Service Tax (Part payment made)
  - ii. Thrift Society
  - iii. LIC – Gratuity Fund
  - iv. Property Tax
  - v. Professional Tax
  - vi. Salary outstanding
- c. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the Auditors and the Audit Committee :
  - i. significant changes in internal control during the quarter
  - ii. significant changes in accounting policies during the quarter and that the same have been disclosed in the notes to the financial statements and
  - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system

**Date: May 30, 2016**

**Place: Chennai**

Sd/-

**D.Balakrishnan**

**Whole Time Director & CEO**

Sd/-

**V. Srinivasan**

**Chief Financial Officer**

**Independent Auditors' Certificate**

**To the Members of SPEL Semiconductor Limited**

1. We have examined the compliance of conditions of Corporate Governance by **SPEL SEMICONDUCTOR LIMITED**("the Company"), for the year ended on March 31, 2016, as stipulated in:
  - Clause 49 (excluding clause 49(VII)(E)) of the Listing Agreements of the Company with stock exchange for the period from April 01, 2015 to November 30, 2015.
  - Clause 49(VII)(E) of the Listing Agreements of the Company with the stock exchange for the period from April 01, 2015 to September 01, 2015.
  - Regulation 23(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations) for the period from September 02, 2015 to March 31, 2016 and
  - Regulations 17 to 27 (excluding Regulation 23(4))and clauses (b) to (i) of Regulation 46(2) and Para C, D and E of Schedule V of the Listing Regulations for the period from December 01, 2015 to March 31, 2016.
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. We have examined the relevant records of the Company in accordance with the Generally Accepted Auditing Standards in India, to the extent relevant, and as per the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India.
4. In our opinion and to the best of our information and according to our examination of the relevant records and the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement and Regulation 17 to 27 and clauses (b) to (i) of regulation 46(2) and Para C, D and E of Schedule V of the Listing Regulations for the respective periods of applicability as specified under paragraph 1 above, during the year ended March 31, 2016
5. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**M.S. Krishnaswami & Rajan**

Chartered Accountants  
Registration No: 01554S

M.S.Murali - Partner  
Membership No: 26453  
May 30, 2016



**INDEPENDENT AUDITORS' REPORT ON THE  
ABRIDGED STANDALONE FINANCIAL STATEMENTS  
TO THE MEMBERS OF SPEL SEMICONDUCTOR  
LIMITED**

1. The accompanying abridged standalone financial statements of **SPEL SEMICONDUCTOR LIMITED** ("the Company"), which comprise the abridged Balance Sheet as at March 31, 2016, the abridged Statement of Profit and Loss and the abridged Cash Flow Statement for the year ended and related notes, are derived from the audited standalone financial statements for the year ended March 31, 2016. We expressed a qualified audit opinion on those financial statements in our report dated May 30, 2016.
2. The abridged standalone financial statements do not contain all the disclosures required by the Accounting Standards prescribed under section 133 of the Companies Act, 2013 applied in the preparation of the audited standalone financial statements of the Company. Reading the abridged standalone financial statements, therefore, is not a substitute for reading the audited standalone financial statements of the Company.

**Management's Responsibility for the Abridged  
Financial Statements**

3. The Company's Board of Directors is responsible for the preparation of summary of the audited standalone financial statements in accordance with Rule 10 of Companies (Account) Rules, 2014 and are based on the audited financial statements for the year ended March 31, 2016, prepared in accordance with the accounting principles generally accepted in India including the Accounting Standards specified under Section 133 of the Companies Act, 2013 as applicable.

**Auditors' Responsibility**

4. Our responsibility is to express an opinion on these abridged standalone financial statements based on our procedures, which were conducted in accordance with the Standards on Auditing(SA) 810,"Engagements to Report on Summary Financial Statements" issued by the Institute of Chartered Accountants of India.

**Opinion**

5. In our opinion the abridged standalone financial statements, prepared in accordance with Rule 10 of Companies (Account) Rules, 2014 are derived from the audited standalone financial statements of the Company for the year ended March 31, 2016 and are a fair summary of those financial statements.
6. Our qualified opinion on the audited standalone financial statements for the year then ended March 31, 2016 in our report dated May 30, 2016 is on the basis that box stock (Inventory - Work-in - Progress) of Rs 2125.56 lakhs as at March 31, 2016 of the Company revealed non-moving / possibility of obsolescence in value to be reckoned in the Statement of Profit and Loss. We are informed that the production of such products was on the basis of specific orders, utilising raw materials supplied by the customers. Hence it was represented that pending negotiations / acceptance by customers the said stock is carried at cost.

For **M.S. Krishnaswami & Rajan**  
Chartered Accountants  
Registration No. 01554S

May 30, 2016  
Chennai

**S. Murali**  
Partner  
Membership No. 26453



## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF SPEL SEMICONDUCTOR LIMITED

#### Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of **SPEL SEMICONDUCTOR LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year and a summary of the significant accounting policies and other explanatory information for the year then ended.

#### Management's Responsibility for the Standalone Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act, as applicable.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order under Section 143(11) of the Act.
4. We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone financial statements.

#### Basis for Qualified Opinion

7. Box stock (Inventory-work-in-progress) of Rs.2125.56 lakhs as at March 31, 2016 revealed non-moving/possibility of obsolescence in value to be reckoned in the Statement of Profit and Loss. We are informed that the production of such products was on the basis of specific orders, utilising raw materials supplied by the customer. Hence, it was represented that pending negotiations/acceptance by customers, the said stock is carried at cost.

#### Qualified Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, and its loss and its cash flows for the year ended on that date.

#### Report on Other Legal and Regulatory Requirements

9. As required by Section 143(3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.





- c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards prescribed under section 133 of the Act as applicable.
  - e) On the basis of the written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses a modified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The company has, in accordance with the generally accepted accounting practice, disclosed the impact of pending litigations on its financial position in its financial statements - Also Refer Note 29(e) (i) to the financial statements.
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses under the applicable law or accounting standards.
    - iii. There were no amounts which are required to be transferred to the Investor Education and Protection Fund by the Company.
10. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

**For M.S. Krishnaswami & Rajan**  
Chartered Accountants  
Registration No. 01554S

**M.S. Murali**  
Partner  
Membership No. 26453

May 30, 2016  
Chennai

#### **ANNEXURE "A" TO THE INDEPENDENT AUDITORS' REPORT**

**(Referred to in paragraph 10(g) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)**

**Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

1. We have audited the internal financial controls over financial reporting of **SPEL SEMICONDUCTOR LIMITED** ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities

include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors' Responsibility**

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was



established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls Over Financial Reporting**

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are

subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Qualified Opinion**

8. According to the information and explanations given to us and based on our audit, the following material weakness has been identified as at March 31, 2016:

The Company did not have an appropriate internal control system for identification and valuation of non-moving/obsolete box stock (Inventory-Work-in-progress) and this could potentially result in the Company recognising inventory at erroneous values.

9. A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.
10. In our opinion and to the best of our information and according to the explanations given to us, except for the effects/possible effects of the material weakness described in paragraph 8 above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.
11. We have considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the financial statements of the Company for the year ended March 31, 2016, and the said material weakness has affected our opinion on the Standalone financial statements of the Company and we have accordingly, issued a qualified opinion on the standalone financial statements of the Company for the year ended March 31, 2016.

**For M.S. Krishnaswami & Rajan**  
Chartered Accountants  
Registration No. 01554S

**M.S. Murali**  
Partner  
Membership No. 26453

May 30, 2016  
Chennai



**ANNEXURE “B” TO THE INDEPENDENT AUDITORS’ REPORT  
(Referred to in paragraph 11 under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date on the accounts of SPEL SEMICONDUCTOR LIMITED (“the Company”) for the year ended March 31, 2016)**

- (i) In respect of its fixed assets:
- the Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
  - the fixed assets were physically verified by the Management during the year under a phased programme of verification, which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals having regard to the size of the Company, nature and value of its assets. According to the information and explanations given to us, no material discrepancies have been noticed during the year on such verification.
  - The title deeds of immovable properties are held in the name of the company.
- (ii) In respect of its inventories as explained to us, the inventories have been physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 189 of the Companies Act, 2013.
- (iv) The Company has not granted any loans, made investments, provided guarantees, and security covered under provisions of section 185 and 186 of the Companies Act, 2013.
- (v) According to information and explanations given to us, the Company has not accepted any deposit from public during the year, and accordingly, the provision of clause (v) of paragraph 3 of the Companies (Auditors Report) order, 2015 are not applicable to the Company. There are no unclaimed deposits to which the provision of section 73 to 76 or any other relevant provision of the Companies act are applicable
- (vi) In our opinion and according to the information and explanations given to us, the requirement for maintenance of cost records pursuant to the Companies (Cost Records and Audit) Rules, 2014 specified by the Central Government of India under Section 148 of the Companies Act, 2013 are not applicable to the Company for the year under audit.
- (vii) According to the information and explanations given to us and the books of account examined by us, in respect of statutory dues:
- The Company has generally been regular in depositing undisputed statutory dues including

Sales tax, Customs Duty, Excise Duty, Value Added tax, Cess and any other material statutory dues applicable to it with the appropriate authorities during the year. However, the Company is not regular in depositing undisputed provident fund, employee state insurance, income tax (TDS), Service tax, Professional tax, Swatch Bharat Cess and property tax during the year.

- In respect of the above, delays were noticed in depositing undisputed Provident fund, income tax (TDS), service tax, Professional tax, Property Tax with the appropriate authorities during the year and the arrears of such dues outstanding as at March

| Nature of Dues   | Amount (Rs.lakhs) |
|------------------|-------------------|
| Provident fund   | 42.37             |
| TDS              | 8.69              |
| Service Tax      | 2.69              |
| Professional Tax | 4.86              |
| Property tax     | 17.28             |

- There are no dues of Sales Tax, Service Tax, Excise Duty, Customs duty and Value Added Tax which have not been deposited on account of any dispute. Details of dues towards income tax that have not been deposited as at March 31, 2016 on account of disputes are as stated below:

| Nature of dues | Disputed dues by Holding Company (₹ in lakhs) | Period to which the amount relates | Forum where the dispute is pending   |
|----------------|---|------------------------------------|--------------------------------------|
| Income Tax     | 37.62   | Assessment year 2005-06            | Assessing Officer under Section 154  |
| Income Tax     | 2.57  | Assessment year 2006-07            | Commissioner of Income Tax (Appeals) |

- There are no dues to a financial institution, government or debenture holders. In respect of dues of Rupee term loan to Allahabad Bank, the amount and period of default is as under:

| Sl.No. | Particulars        | Amount of Default (Rs. In lakhs) | Due Date         | Period of Default |
|--------|--------------------|----------------------------------|------------------|-------------------|
| 1.     | Principal          | 140.55                           | January 25, 2016 | 2 Months          |
| 2.     | Interest           | 16.59                            | January 25, 2016 | 2 Months          |
| 3.     | Processing Charges | 5.89                             | January 25, 2016 | 2 Months          |

- In our opinion and according to the information and explanation given to us, term loans have been applied by the Company during the year for the purpose for which they were raised. There are no monies raised



during the year by way of public offer (including debt instruments).

- (x) To the best of our knowledge and belief, and according to the information and explanations given to us, and considering the size and nature of the Company's operations, no fraud by the Company and no fraud of material significance on the Company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid/ provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of Paragraph 3 of the Order is not applicable to the Company.
- (xiii) In our opinion and according to the information and explanations given to us the Company has complied with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been

disclosed in the financial statements as required by the applicable accounting standards.

- (xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of paragraph 3 of the Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not entered into any non-cash transactions during the year with its directors or persons connected with him/her and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **M.S.Krishnaswami & Rajan**  
Chartered Accountants  
Firm Regn. No. 01554S

May 30, 2016  
Chennai

**M.S.Murali** - Partner  
Membership No. 26453



## Abridged Balance Sheet as at Mar 31, 2016

[(Statement containing salient features of Balance Sheet as per the first proviso to Sub-Section (1) of Section 136 of the Act and Rule 10 of the Companies (Accounts) Rules, 2014)]

(All amounts are in Indian Rupees unless otherwise stated)

|  | Notes | Mar 31, 2016          | Mar 31, 2015          |
|--|-------|-----------------------|-----------------------|
| <b>Equity and liabilities</b>  |       |                       |                       |
| <b>1) Shareholders' funds</b>  |       |                       |                       |
| (a) Share capital  |       | 46,13,25,280          | 46,13,25,280          |
| (b) Reserves and surplus   |       |                       |                       |
| i. Capital reserve   |       | 16,500                | 16,500                |
| ii. Revaluation Reserve  |       | 20,40,36,968          | 20,40,36,968          |
| iii. Securities Premium  |       | 47,34,618             | 47,34,618             |
| iv. Surplus in profit and loss account   |       | 18,86,694             | 19,97,86,837          |
|  |       | <b>67,20,00,060</b>   | <b>86,99,00,203</b>   |
| <b>2) Non-current liabilities</b>  |       |                       |                       |
| i. Long-term borrowings  |       | -                     | 10,25,00,000          |
| ii. Deferred tax liabilities (net)   | 4     | 6,66,68,117           | 10,50,01,473          |
| iii. Other Long-term liabilities   |       | 12,25,00,000          |                       |
| iv. Long-term provisions   |       | 3,35,53,048           | 3,09,14,792           |
|  |       | <b>22,27,21,165</b>   | <b>23,84,16,265</b>   |
| <b>3) Current liabilities</b>  |       |                       |                       |
| i. Short-term borrowings   |       | 16,16,00,690          | 10,02,57,369          |
| ii. Trade payables   |       |                       |                       |
| (a) Total outstanding dues of Micro, Small and Medium enterprises                      |       | 9,13,945              | 10,24,278             |
| (b) Total outstanding dues of creditors other than Micro, Small and Medium enterprises |       | 9,85,27,262           | 9,04,44,039           |
| iii. Other current liabilities   |       | 14,24,64,488          | 13,96,06,369          |
| iv. Short-term provisions  |       | 54,21,938             | 27,54,022             |
|  |       | <b>40,89,28,323</b>   | <b>33,40,86,077</b>   |
| <b>TOTAL</b>   |       | <b>1,30,36,49,548</b> | <b>1,44,24,02,545</b> |
| <b>Assets</b>  |       |                       |                       |
| <b>4) Non-current assets</b>   |       |                       |                       |
| a) Fixed assets  |       |                       |                       |
| i. Tangible assets   |       | 87,19,56,730          | 98,02,70,845          |
| ii. Intangible assets  |       | 53,814                | 8,13,197              |
| b) Non-Current Investments   |       | 4,365                 | 4,365                 |
| c) Long term loans and advances  |       | 4,62,22,110           | 4,30,81,289           |
| d) Other Non-current assets  |       | 5,14,413              | 37,10,684             |
|  |       | <b>91,87,51,432</b>   | <b>1,02,78,80,380</b> |
| <b>5) Current assets</b>   |       |                       |                       |
| a) Inventories   |       | 33,81,85,572          | 34,14,96,317          |
| b) Trade receivables   |       | 3,82,15,337           | 5,63,81,674           |
| c) Cash and Bank balances  | 5     | 53,44,088             | 86,05,604             |
| d) Short-term loans and advances   |       | 30,76,957             | 71,25,440             |
| e) Other current assets  |       | 76,162                | 9,13,130              |
|  |       | <b>38,48,98,116</b>   | <b>41,45,22,165</b>   |
| <b>Total</b>   |       | <b>1,30,36,49,548</b> | <b>1,44,24,02,545</b> |

The Statement of significant accounting policies and the accompanying notes are an integral part of this Abridged Balance Sheet.

Note : Complete Balance Sheet, Statement of Profit and Loss, Cash Flow Statement and notes thereto prepared as per the requirements of Schedule III to the Companies Act, 2013 are available at the Company's website : [www.spel.com](http://www.spel.com)

In terms of our report of even date

**For M.S Krishnaswami & Rajan**  
Chartered Accountants

**M.S Murali**  
Partner

**K. Ravikumar**  
Director  
DIN : 00119753

**M. Jayasankar**  
Director  
DIN : 00048351

May 30, 2016  
Chennai

**D. Balakrishnan**  
Director & CEO  
DIN : 02131242

**V. Srinivasan**  
Chief Financial Officer

**S. S. Arunachalam**  
Company Secretary



### Abridged Statement of Profit and Loss for the year ended Mar 31, 2016

[(Statement containing salient features of Statement of Profit & Loss as per of the first proviso to Sub-Section (1) of Section 136 of the Act and Rule 10 of the Companies (Accounts) Rules, 2014)]

(All amounts are in Indian Rupees unless otherwise stated)

|  | Notes | Mar 31, 2016          | Mar 31, 2015        |
|--|-------|-----------------------|---------------------|
| <b>Income</b>  |       |                       |                     |
| Revenue from operations (gross)                      | 6     | 25,88,46,241          | 47,21,66,916        |
| Less: excise duty                                    |       | (3,42,000)            | (2,29,438)          |
| Revenue from operations (net)                        |       | 25,85,04,241          | 47,19,37,478        |
| Other income   |       | 81,74,098             | 1,40,22,649         |
| <b>Total Revenue (I)</b>                             |       | <b>26,66,78,339</b>   | <b>48,59,60,127</b> |
| <b>Expenses</b>                                      |       |                       |                     |
| Cost of raw materials and components consumed        |       | 10,73,12,117          | 21,09,60,462        |
| (Increase)/decrease in inventories of finished goods |       | (25,11,100)           | (15,10,98,870)      |
| Employee benefits expense                            |       | 13,90,84,838          | 16,62,97,112        |
| Finance costs  |       | 3,04,39,880           | 4,06,70,685         |
| Depreciation and amortization expenses               |       | 10,71,32,297          | 10,12,39,512        |
| Other expenses                                       |       | 11,00,14,319          | 12,27,31,434        |
| <b>Total Expenses (II)</b>                           |       | <b>49,14,72,351</b>   | <b>49,08,00,335</b> |
| Profit / (loss) before Exceptional Item and Tax      |       | <b>(22,47,94,012)</b> | <b>(48,40,208)</b>  |
| Exceptional Item                                     | 7     | 1,14,39,488           | -                   |
| <b>Profit / (loss) before tax (I-II)</b>             |       | <b>(23,62,33,500)</b> | <b>(48,40,208)</b>  |
| <b>Tax expenses</b>                                  |       |                       |                     |
| Current tax  |       | -                     | -                   |
| Deferred tax   |       | (3,83,33,357)         | (13,17,796)         |
| <b>Profit / (Loss) after tax</b>                     |       | <b>(19,79,00,143)</b> | <b>(35,22,412)</b>  |
| Earnings per share (EPS)                             | 8     |                       |                     |
| - Basic  |       | (4.29)                | (0.08)              |
| - Diluted  |       | (4.29)                | (0.08)              |

The Statement of significant accounting policies and the accompanying notes are an integral part of this Abridged Statement of Profit and Loss Account.

In terms of our report of even date  
**For M.S Krishnaswami & Rajan**  
Chartered Accountants

**M.S Murali**  
Partner

May 30, 2016  
Chennai

**K. Ravikumar**  
Director  
DIN : 00119753

**D. Balakrishnan**  
Director & CEO  
DIN : 02131242

**M. Jayasankar**  
Director  
DIN : 00048351

**V. Srinivasan**  
Chief Financial Officer

**S. S. Arunachalam**  
Company Secretary



**Abridged Cash Flow Statement for the year ended Mar 31, 2016**

[(Statement containing salient features of Cash Flow Statement as per the first proviso to Sub-Section (1) of Section 136 of the Act and Rule 10 of the Companies (Accounts) Rules, 2014)]

(All amounts are in Indian Rupees unless otherwise stated)

|   | <b>Mar 31, 2016</b>      | <b>Mar 31, 2015</b>       |
|---|--------------------------|---------------------------|
| Cash flows from operating activities (A)  | (6,66,52,039)            | 5,81,02,752               |
| Cash flows from investing activities (B)  | 80,44,817                | 38,45,515                 |
| Cash flows from financing activities (C)  | 5,78,81,025              | (6,33,06,100)             |
| <b>Net increase / (decrease) in cash and cash equivalents (A + B + C)</b>   | <b><u>(7,26,197)</u></b> | <b><u>(13,57,833)</u></b> |
| Cash and cash equivalents at the beginning of the year  | 7,76,181                 | 21,34,395                 |
| Exchange differences on translation of foreign currency cash and cash equivalents                                   | 1,68,981                 | (381)                     |
| <b>Cash and cash equivalents at the end of the year</b><br>(as per Note 5 (a) of the Abridged Financial Statements) | <b><u>2,18,965</u></b>   | <b><u>7,76,181</u></b>    |

Note :Long-term borrowings aggregating to ₹ 12,25,00,000 has been treated as Advance against capital asset during the year and accordingly not reflected in the Cash Flow Statement

The Statement of significant accounting policies and the accompanying notes are an integral part of this Abridged Cash Flow Statement.

In terms of our report of even date  
**For M.S Krishnaswami & Rajan**  
Chartered Accountants

**M.S Murali**  
Partner

May 30, 2016  
Chennai

**K. Ravikumar**  
Director  
DIN : 00119753

**D. Balakrishnan**  
Director & CEO  
DIN : 02131242

**M. Jayasankar**  
Director  
DIN : 00048351

**V. Srinivasan**  
Chief Financial Officer

**S. S. Arunachalam**  
Company Secretary



## STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

### 1. Corporate information

SPEL is India's 1<sup>st</sup> and only semiconductor IC (Integrated Circuit) Assembly & Test facility. Based in Chennai, SPEL has been servicing the demanding US market for over 12 years now. SPEL's factory is located in the CMDA Industrial Estate, MM Nagar, near Chennai.

### 2. Accounting convention

- 2.1 The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 and other relevant provisions of the Companies Act, 2013 ("the 2013 Act") / Companies Act, 1956 ("the 1956 Act"), as applicable. The financial statements have been prepared on accrual basis under the historical cost convention except for categories of fixed assets acquired before 1 Apr, 2008, that are carried at revalued amounts. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.
- 2.2 All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has determined its operating cycle as twelve months for the purpose of current-non current classification of assets and liabilities.

### 3. Use of Estimates

The preparation of the financial statements, in conformity with the generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities on the date of the financial statements, disclosure of contingent liabilities and reported amounts of revenues and expenses for the year. Estimates are based on historical experience, where applicable and other assumptions that management believes are reasonable under the circumstances. Actual results could vary from these estimates and any such differences are dealt with in the period in which the results are known/ materialize.

### 4. Tangible and Intangible Fixed assets and depreciation / amortisation

- 4.1 Expenditure which are of a capital nature are capitalized 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. Cost of fixed assets is net of eligible credits under CENVAT / VAT Scheme. Expenditure directly related and incidental to construction / development and borrowing costs in para 5 below are capitalised upto the date the assets are ready for their intended use. Exchange differences are capitalised to the extent dealt with in para 8.3 below.
- 4.2 Assets are depreciated / amortised, as below, on straight line basis:
- Buildings, assets in leased premises, plant and machinery (except assets subject to impairment) and other assets, over their estimated useful lives as prescribed in Schedule II to the Companies Act, 2013.
  - Assets subject to impairment, on the asset's revised carrying amount, over its remaining useful life.
  - Intangible assets are amortized over their estimated useful life.
    - Depreciation / amortisation is provided on a pro-rata basis from the month the assets are put to use during the financial year. In respect of assets sold or disposed off during the year, depreciation / amortisation is provided upto the month of sale or disposal of the assets.
    - At each balance sheet date, the carrying values of fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the said asset is estimated in order to determine the extent of impairment loss (if any).

### 5. Borrowing Cost

Borrowing cost are capitalized as part of the cost of qualifying asset when it is possible that they will result in future economic benefit. All other borrowing costs are recognised in the Statement of Profit and Loss in the period in which they are incurred.

### 6. Investments

Long Term Investments are carried at cost. Provision for diminution is however made to recognised a decline, other than temporary in nature, in its value.

### 7. Inventories

- 7.1 Inventories are valued at lower of cost and net realisable value; cost being ascertained on the following basis:
- Stores, spares, consumables, raw materials and components; on weighted average basis.
  - Work-in-progress (including box stock) under absorption costing method
  - Finished / trading goods: under absorption costing method.
- 7.2 Cost includes taxes and duties and is net of eligible credits under CENVAT / VAT Schemes.
- 7.3 Surplus / obsolete / slow moving inventories are adequately provided for.





## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Contd.,)

### 8. Foreign Currency Transactions

- 8.1 Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currency as at the balance sheet date are translated at the rate of exchange prevailing at the year end. Exchange differences arising on actual payments / realizations and year end restatements are dealt with in the Statement of Profit and Loss.
- 8.2 Premium or Discount on forward contracts is amortized 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.
- 8.3 Exchange difference on translation or settlement of long term foreign currency monetary item (i.e. whose terms of settlement is 12 months from the date of its origination) at rates different from those at which they were originally recorded are reported in the previous financial statements, relating to acquisition of depreciable assets are adjusted to the cost of the assets.

### 9. Segment Reporting

The Company's primary segment is identified as business segment based on nature of product, risks, returns and the internal business reporting system and secondary segment is identified based on geographical location of the customers as per Accounting Standard – 17. The Company is principally engaged in a single business segment viz. Integrated Circuits.

### 10. Revenue Recognition

- 10.1 Sale of goods:  
Revenue from sale of products is recognised on despatch or appropriation of goods in accordance with the terms of sale, when the significant risks and rewards of ownership of goods have been passed to the buyer and is inclusive of excise duty.
- 10.2 Sale of Services:  
Revenue from services is recognised on completion of the service in accordance with the terms of contract.
- 10.3 Others  
Interest income is recognised on time proportion basis.

### 11. Employee Benefit

- 11.1 Short term employee benefit obligations are estimated and provided for.
- 11.2 Post-employment benefits and other long term employee benefits  
Defined contribution plans:  
Company's contribution to provident fund, superannuation fund, employee state insurance and other funds are determined under the relevant schemes and / or statute and charged to the Statement of Profit and Loss in the period of incurrence.
- Defined benefit plans  
Company's liability towards gratuity and compensated absences are actuarially determined at each balance sheet date using the projected unit credit method. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period of occurrence.

### 12. Income taxes

Income tax expenses comprise current and deferred taxes. Current tax is determined on the income for the year chargeable to tax in accordance with applicable tax rates and the provisions of Income Tax Act, 1961 and other applicable tax laws and after considering credit for Minimum Alternate Tax available under the said Act. MAT paid in accordance with the tax laws which gives future economic benefits in the form of adjustments to future tax liability, is considered as an asset if there is convincing evidence that the future economic benefit associated with it will flow to the Company resulting in payment of normal income tax.

Deferred tax is recognized for all the timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversing in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date.

Deferred tax assets are recognised for timing differences other than unabsorbed depreciation and carry forward losses only to the extent that there is a reasonable certainty that there will be sufficient future taxable income to realise the assets. Deferred tax asset pertaining to unabsorbed depreciation and carry forward of losses are recognised only to the extent there is a virtual certainty of its realisation.

### 13. Provisions and Contingencies

A provision is recognized when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.



**Notes to Abridged financial statements for the year ended Mar 31, 2016**

(All amounts are in Indian Rupees unless otherwise stated)

**1. Contingent Liabilities and commitments (to the extent not provided)**

(Note 29 e. of the Financial Statements)

|  | <b>Mar 31, 2016</b> | <b>Mar 31, 2015</b> |
|--|---------------------|---------------------|
| (i) Contingent Liabilities   |                     |                     |
| - Letter of Credit for import purchases  | 1,41,09,424         | 2,96,58,183         |
| - Income Tax Demand  | 40,19,136           | 40,19,136           |
| (ii) Capital commitments   |                     |                     |
| Estimated amount of contracts remaining to be executed on capital account and not provided for | Nil                 | Nil                 |

**2 Depreciation (Note 30 of the Financial Statement)**

During the previous year, pursuant to the notification of Schedule II to the Companies Act, 2013 with effect from Apr 1, 2014, the Company revised the estimated useful life of some of its assets to align the useful life with those specified in Schedule II. The details of previously applied depreciation rates / useful life are as follows:

| <b>Asset</b>   | <b>Revised useful life based on SLM</b> | <b>Previous useful life</b> |
|--|---|-----------------------------|
| Factory Buildings  | 30 years                                | 30 years                    |
| Non-Factory Buildings                                      | 3 / 5 / 10 / 20 / 60 years              | 60 years                    |
| General Plant and Machinery                                | 15 years                                | 20 years                    |
| Machinery used in the manufacture of Electronic Components | 15 years                                | 18 years                    |
| Office Equipment   | 5 years                                 | 20 years                    |
| Computers and Data Processing Equipment                    | 3 years                                 | 6 years                     |
| Vehicles   | 8 years                                 | 10 years                    |
| Furniture & Fixtures                                       | 10 years                                | 15 years                    |

Pursuant to the transitional provisions prescribed in Schedule II to the Companies Act, 2013, the Company has fully depreciated the carrying value of assets, (net of residual value, if any), where the remaining useful life of the asset was determined to be nil as on Apr 1, 2014, and has adjusted an amount of ₹ 31,40,593 (net of deferred tax of ₹ 14,04,404) against the opening Surplus balance in the Statement of Profit and Loss under Reserves and Surplus in the previous year.

Further, pursuant to the adoption of lower useful life prescribed in Schedule II to the Companies Act, 2013, the depreciation expenses in the statement of profit and loss for the previous year is higher by ₹ 51,66,988 and consequent loss for the previous year is higher by the said amount as a result of the change in the useful life of the assets, as detailed above.

**3 Long Term Borrowings (Note 3.2 & 3.3 of the Financial Statements)**

- i) The term loan is repayable in 16 equal quarterly instalments commencing from 25.04.2012. The applicable interest rate is 14.25% p.a payable monthly. The principal amount of ₹1,46,44,719 due on Jan 25, 2016 is outstanding as at Mar 31, 2015 along with overdue interest of ₹ 16,58,903.
- ii) The interest payable on deposits from others are in the range of 10% to 10.25% p.a payable quarterly. The interest due on Dec 31, 2013, Mar 31, 2014 and for all four quarters of 2014-2015 amounting to ₹ 1,34,76,459 is outstanding as at Mar 31, 2015.



## Notes to Abridged financial statements for the year ended Mar 31, 2016

(All amounts are in Indian Rupees unless otherwise stated)

### 4 Deferred tax liabilities (Net)

(Note 4 of the Financial Statements)

|  | Mar 31, 2016        | Mar 31, 2015        |
|--|---------------------|---------------------|
| a) Deferred tax liability due to                   |                     |                     |
| i) Depreciation                                    | 10,43,04,788        | 12,04,53,540        |
| ii) Other timing differences                       | -                   | -                   |
| A  | <u>10,43,04,788</u> | <u>12,04,53,540</u> |
| b) Deferred tax asset arising out of               |                     |                     |
| i) Provision for Gratuity / Leave encashment       | 1,48,36,947         | 26,00,948           |
| ii) Carry forward losses / Unabsorbed depreciation | 1,28,83,115         | 1,02,60,381         |
| iii) Other timing differences                      | 99,16,609           | 25,90,738           |
| B  | <u>3,76,36,671</u>  | <u>1,54,52,067</u>  |
| A - B  | <u>6,66,68,117</u>  | <u>10,50,01,473</u> |

### 5 Cash and Bank Balances

(Note 17 of the Financial Statements)

|                              | Mar 31, 2016     | Mar 31, 2015     |
|------------------------------|------------------|------------------|
| a) Cash and cash equivalents |                  |                  |
| i) On current accounts       | 1,05,035         | 6,18,520         |
| ii) Cash on hand             | 1,13,930         | 1,57,661         |
| A                            | <u>2,18,965</u>  | <u>7,76,181</u>  |
| b) Other Bank balances       |                  |                  |
| i) Margin money deposits #   | 51,25,123        | 78,29,423        |
| B                            | <u>51,25,123</u> | <u>78,29,423</u> |
| A + B                        | <u>53,44,088</u> | <u>86,05,604</u> |

# Margin money deposits are given as security for opening of letter of credit with banks

### 6 Revenue from operations

(Note 20 of the Financial Statements)

|   | Mar 31, 2016        | Mar 31, 2015        |
|---|---------------------|---------------------|
| a) Sale of products   |                     |                     |
| Export sales  | 25,09,78,869        | 46,67,43,397        |
| b) Sale of services   | 43,54,723           | 36,56,903           |
| Other operating revenue   |                     |                     |
| c) Scrap sales  | 35,12,649           | 17,66,616           |
| Revenue from operations (gross)                                   | <u>25,88,46,241</u> | <u>47,21,66,916</u> |
| Sale of Products is related to sale of Integrated Circuits (IC's) |                     |                     |

### 7 Exceptional Item (Note 28 of the Financial Statements)

The production was stopped for 27 days during the year due to the break down of the air-conditioning plant. The depreciation charged on plant and machinery ₹ 46,82,160, Employee benefit expenses ₹ 57,07,904, Power and Fuel ₹ 9,45,000 and Miscellaneous Expenses ₹ 1,04,424 for the said period has accordingly been considered and disclosed as an Exceptional Item.

### 8 Earnings Per Share: (Note 31 of the Financial Statements)

|   | Mar 31, 2016   | Mar 31, 2015 |
|---|----------------|--------------|
| a. Profit/(Loss) as per Statement of Profit and Loss          | (19,79,00,143) | (35,22,412)  |
| b. Weighted average number of equity shares outstanding (Nos) | 4,61,17,443    | 4,61,17,443  |
| c. Par value of equity shares - ₹                             | 10             | 10           |
| d. Basic and Diluted earnings per share - ₹                   | (4.29)         | (0.08)       |



**Notes to Abridged financial statements for the year ended Mar 31, 2016**

*(All amounts are in Indian Rupees unless otherwise stated)*

| <b>9 Related party disclosures</b><br>(Note 32 of the Financial Statements)                         | <b>Mar 31, 2016</b> | <b>Mar 31, 2015</b> |
|---|---------------------|---------------------|
| <b>1. Names of related parties</b>  |                     |                     |
| a. Holding Company  |                     |                     |
| - Natronix Semiconductor Technology Pvt. Limited  |                     |                     |
| i) Business Promotion - Marketing Fee   | 74,76,198           | 1,06,31,255         |
| ii) Other Payables  | 94,27,785           | 51,48,291           |
| b. Subsidiary Company   |                     |                     |
| - SPEL America Inc  |                     |                     |
| i) Business Promotion - Marketing Fee   | 63,90,023           | 56,66,403           |
| ii) Other Payables  | 54,10,843           | 15,58,250           |
| c. Fellow Subsidiary  |                     |                     |
| - Natronix Semiconductor Technology Limited<br>(From Mar 24, 2014)                                  |                     |                     |
| i) Manpower Deputation Charges  | -                   | 3,45,000            |
| d. Enterprise over which key management personnel /<br>Relatives can exercise significant influence |                     |                     |
| - Valingro Exponenta Limited (upto Apr 29, 2014)  |                     |                     |
| i) Corporate Communication Charges  | -                   | 1,50,000            |
| ii). Corporate Rent Charges   | -                   | 1,12,360            |
| - Chiptest Engineering Limited (upto Apr 29, 2014)  |                     |                     |
| i) Other manufacturing expenses   | -                   | 9,08,426            |
| e. Key Management Personnel   |                     |                     |
| i) Mr. D. Balakrishnan<br>Director & CEO (Director from Jun 19, 2014)<br>Remuneration               | 37,83,544           | 37,36,266           |
| ii) Mr. N. Sivashanmugam<br>Whole Time Director (upto July 31, 2014)<br>Remuneration                | -                   | 5,08,354            |
| iii) Mr. Rajesh Jeyaraman<br>Chief Financial Officer (upto Aug 08, 2014) *<br>Remuneration          | -                   | 4,42,718            |
| iv) Mr. R. Venkatesh Kumar<br>Chief Financial Officer (from Jul 30, 2014) *<br>Remuneration         | 14,37,510           | 10,39,310           |
| v) Ms. Rohini Ramanathan<br>Company Secretary (upto Feb 28, 2015) *<br>Remuneration                 | -                   | 2,76,070            |
| vi) Mr S. S. Arunachalam<br>Company Secretary (from Nov 2, 2015) *<br>Remuneration                  | 4,85,307            | -                   |

\* Key managerial personnel as defined under the Companies Act, 2013.



## Notes to Abridged financial statements for the year ended Mar 31, 2016

(All amounts are in Indian Rupees unless otherwise stated)

### 10 Dues to Micro, Small and Medium Enterprises (Note 38 of the Financial Statements)

The information required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined on the basis of information available with the Company. The amount of principal and interest outstanding is given below:

| Particulars  | Mar 31, 2016 | Mar 31, 2015 |
|--|--------------|--------------|
| a). Principal amount and the interest due thereon remaining unpaid to any supplier at the end of the accounting year   |              |              |
| Principal  | 3,75,685     | 10,24,833    |
| Interest   | 1,04,389     | 2,06,025     |
| b). Amount of interest paid by the Company in terms of Sec.16 of the MSMED Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during each year.  |              |              |
| c). Amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed date during the year) but without adding interest specified under the MSMED Act, 2006   |              |              |
| d). Amount of interest accrued and remaining unpaid at the end of the accounting year.   | 1,04,389     | 2,06,025     |
| e). Amount of further Interest remaining due and payable even in the succeeding years, until such date when the Interest dues above are actually paid to the supplier for the purpose of disallowance of a deductible expenditure under Sec.23 of the MSMED Act, 2006. | 1,04,389     | 2,06,025     |

### 11 Segment information (Note 39 of the Financial Statements)

The Company's primary segment is identified as business segment based on nature of products, risks, returns and the internal business reporting system and secondary segment is identified based on the geographical location of the customers as per Accounting Standard 17. The Company is principally engaged in a single business segment viz Integrated Circuits for overseas market. Hence, the Company does not have separate non-overseas reportable geographical segment.

12 The figures for the previous year have been reclassified / regrouped / amended, wherever necessary.

May 30, 2016  
Chennai

**K. Ravikumar**  
Director  
DIN : 00119753

**D. Balakrishnan**  
Director & CEO  
DIN : 02131242

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DIN : 00048351

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Chief Financial Officer

**S. S. Arunachalam**  
Company Secretary



**Form AOC-1**

(Pursuant of first provision to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

**Statement containing salient features of the Financial Statements of Subsidiaries / Associate Companies / Joint Ventures**

**Part A : Subsidiaries**

|   |   |
|---|---|
| Name of the subsidiary  | ^SPEL America Inc                                 |
| Reporting period for the subsidiary concerned, if different from the holding company's reporting period                     | ^Not Applicable                                   |
| Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries | Reporting Currency-US\$<br>Exchange rate- ₹ 65.81 |
| Share capital   | 4,365   |
| Reserves & Surplus  | 13,863  |
| Total assets  | 55,37,342   |
| Total Liabilities   | 55,37,342   |
| Investments   | Nil   |
| Turnover  | 63,90,023   |
| Profit before taxation  | (9,533)   |
| Provision for taxation  | 52,716  |
| Profit after taxation   | (62,249)  |
| Proposed Dividend   | Nil   |
| % of shareholding   | 100%  |
| Names of subsidiaries which are yet to commence operations  | Not Applicable                                    |
| Names of subsidiaries which have been liquidated or sold during the year.   | Not Applicable                                    |

**Part B : Associates and Joint Ventures**

|  |                |
|--|----------------|
| Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures | Not Applicable |
|--|----------------|

May 30, 2016  
Chennai

**K. Ravikumar**  
Director  
DIN : 00119753

**M. Jayasankar**  
Director  
DIN : 00048351

**D. Balakrishnan**  
Director & CEO  
DIN : 02131242

**V. Srinivasan**  
Chief Financial Officer



## INDEPENDENT AUDITORS' REPORT ON THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

### TO THE MEMBERS OF SPEL SEMICONDUCTOR LIMITED

1. The accompanying abridged consolidated financial statements of SPEL SEMICONDUCTOR LIMITED ("the holding company") and its subsidiary together referred to as "the Group", which comprise the abridged consolidated balance sheet as at March 31, 2016, the abridged consolidated statement of profit and loss and abridged consolidated cash flow statement for the year then ended, and related notes are derived from the audited consolidated financial statements of the Group for the year ended March 31, 2016. We expressed a qualified audit opinion on those consolidated financial statements in our report dated May 30, 2016.
2. The abridged consolidated financial statements do not contain all the disclosures required by the Accounting Standards referred to in Section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 applied in the preparation of the audited consolidated financial statements of the Group. Reading the abridged consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of the Company.

#### Management's Responsibility for the Abridged Consolidated financial statements

3. The Holding Company's Board of Directors is responsible for the preparation of a summary of the audited Consolidated financial statements in accordance with Rule 10 of Companies (Accounts) Rules, 2014 and are based on the audited Consolidated financial statements for the year ended March 31, 2016, prepared in accordance with the accounting principles generally accepted in India including Accounting Standards prescribed under Accounting Standards prescribed under Section 133 of the Act as applicable.

#### Auditors' Responsibility

4. Our responsibility is to express an opinion on the abridged consolidated financial statements based on our procedures, which were conducted in accordance with Standard on Auditing (SA) 810. "Engagements to Report on Summary financial statements" issued by the Institute of Chartered Accountants of India.

#### Opinion

5. In our opinion, the abridged consolidated financial statements, prepared in accordance

with Rule 10 of the Companies (Accounts) Rules, 2014 are derived from the audited consolidated financial statements of the Group for the year ended March 31, 2016 and are a fair summary of those consolidated financial statements.

6. Our qualified opinion on the audited consolidated financial statements for the year ended March 31, 2016 in our report dated May 30, 2016 on the basis that box stock (Inventory - Work-in-Progress) of Rs 2125.56 lakhs as at March 31, 2016 of the holding company revealed non-moving / possibility of obsolescence in value to be reckoned in the Consolidated Statement of Profit and Loss. We are informed that the production of such products was on the basis of specific orders, utilising raw materials supplied by the customers. Hence it was represented that pending negotiations / acceptance by customers the said stock is carried at cost.

#### Other Matters

7. We did not audit the financial statements of the subsidiary (SPEL Inc. USA) whose financial statements reflect total assets (net) of Rs.55.37 lakhs as at March 31, 2016, total revenues of Rs. 63.90 lakhs and net cash outflows/(cash inflows) amounting to (Rs.0.74) lakhs for the year then ended as considered in the consolidated financial statements. The financial statements and other financial information of the said subsidiary have been audited by another auditor whose report has been furnished to us by the Management. Our opinion, in so far it relates to the amounts and disclosures included in respect of the subsidiary, is based solely on the report of the said other auditor.

Our opinion on the Abridged consolidated financial statements, is not modified in respect of the above matters stated in paragraph 7 above with respect to our reliance on the work done and the report of the other auditor on the financial statements of the subsidiary.

For **M.S. Krishnaswami & Rajan**  
Chartered Accountants  
Registration No. 01554S

**S. Murali**  
Partner

Membership No. 26453

May, 30 2016  
Chennai



## Independent Auditors' Report

### TO THE MEMBERS OF SPEL SEMICONDUCTOR LIMITED

#### Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of **SPEL SEMICONDUCTOR LIMITED** (hereinafter referred to as "the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") comprising of the Consolidated Balance Sheet as at March 31, 2016, the Consolidated Statement of Profit and Loss, Consolidated Cash Flow Statement, a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements") for the year then ended.

#### Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act as applicable.

The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

#### Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing

standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

4. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.
6. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditor in terms of their report referred to in the other matters paragraph 8 below is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated financial statements.

#### Basis for Qualified Opinion

7. Box stock (Inventory-work-in-progress) of Rs. 2125.56 lakhs as at March 31, 2016 of the Holding Company revealed non-moving/possibility of obsolescence in value to be reckoned in the Statement of Profit and Loss, We are informed that the production of such products was on the basis of specific orders, utilising, raw materials supplied by the customer. Hence, it was represented that pending negotiations/ acceptance by customers, the said stock is carried at cost.

#### Qualified Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, except for





the effect of the matters described in the Basis for qualified opinion paragraph, and based on our audit and on consideration of report of the other auditor on the financial statements of the subsidiary referred to below in the other matters paragraph, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2016, and their consolidated loss and their consolidated cash flows for the year ended on that date.

#### Other Matters

9. We did not audit the financial statements of a subsidiary (SPEL Inc. USA) whose financial statements reflect total assets (net) of Rs.55.37 lakhs as at March 31, 2016, total revenues of Rs.63.90 lakhs and net cash outflows/(inflow) amounting to (Rs.0.74) lakhs for the year then ended are reflected in the Consolidated Financial Statements. The financial statements and other financial information of the said subsidiary have been audited by another auditor whose report has been furnished to us by the Management. Our opinion, in so far it relates to the amounts and disclosures included in respect of the subsidiary, is based solely on the report of the said other auditor.
10. Our opinion on the consolidated financial statements and Other Legal and Regulatory Requirements below, is not modified in respect of the above matters stated in paragraph 9 above with respect to our reliance on the work done and the report of the other auditor on the financial statements of the subsidiary.

#### Report on Other Legal and Regulatory Requirements

11. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
  - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
  - c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the

purpose of preparation of the consolidated financial statements.

- d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards prescribed under Section 133 of the Act as applicable.
- e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2016 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, our Report in "Annexure A", is based on the auditor's report of the Holding company only as there are no subsidiaries of the Holding Company incorporated in India. Our report expresses a modified opinion on the adequacy and operating effectiveness of the Holding Company's internal financial controls over financial reporting.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group in accordance with the generally accepted accounting practice – Also Refer Note 29(b) (i) to the consolidated financial statements.
  - ii. The Group did not have any long term contracts, including derivative contracts, for which there were any material foreseeable losses.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company.

For **M.S.Krishnaswami & Rajan**  
Chartered Accountants  
Firm Regn. No. 01554S

May 30, 2016  
Chennai

**M.S.Murali** - Partner  
Membership No. 26453



## **ANNEXURE “A” TO THE INDEPENDENT AUDITORS’ REPORT**

**(Referred to in paragraph 11(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)**

### **Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

1. We have audited the internal financial controls over financial reporting of **SPEL SEMICONDUCTOR LIMITED** (hereinafter referred to as “the Holding Company”) as of March 31, 2016 in conjunction with our audit of the consolidated financial statements of the SPEL SEMICONDUCTOR LIMITED for the year ended on that date.

#### **Management’s Responsibility for Internal Financial Controls**

2. The Board of Directors of the Holding Company is responsible for establishing and maintaining internal financial controls based on the criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditor’s Responsibility**

3. Our responsibility is to express an opinion on the Holding Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and the Standards on Auditing deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls Over Financial Reporting**

6. A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

#### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate



because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Qualified Opinion**

8. According to the information and explanations given to us and based on our audit, the following material weakness has been identified as at March 31, 2016:

The Holding Company did not have an appropriate internal control system for identification and valuation of non-moving/obsolete box stock (Inventory-Work-in-progress) and this could potentially result in the Holding Company recognising inventory at erroneous values.

9. A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Group's annual or interim financial statements will not be prevented or detected on a timely basis.
10. In our opinion and to the best of our information and according to the explanations given to us, except for the effects/possible effects of the material weakness described in paragraph 8 above on the achievement of the objectives of the control criteria, the Holding Company has maintained, in all material respects, adequate internal financial controls over financial

reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2016, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

11. We have considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the financial statements of the Holding Company for the year ended March 31, 2016, and the said material weakness has affected our opinion on the consolidated financial statements and we have accordingly, issued a qualified opinion on the Consolidated financial statements of SPEL SEMICONDUCTOR LIMITED for the year ended March 31, 2016.

For **M.S.Krishnaswami & Rajan**  
Chartered Accountants  
Firm Regn. No. 01554S

May 30, 2016  
Chennai

**M.S.Murali** - Partner  
Membership No. 26453



### Abridged Consolidated Balance Sheet as at Mar 31, 2016

[(Statement containing salient features of Consolidated Balance Sheet as per the first proviso to Sub-section (1) of section 136 of the Act and Rule 10 of the Companies (Accounts) Rules, 2014)]

(All amounts are in Indian Rupees unless otherwise stated)

|  | Notes | Mar 31, 2016          | Mar 31, 2015          |
|--|-------|-----------------------|-----------------------|
| <b>Equity and liabilities</b>  |       |                       |                       |
| <b>1) Shareholders' funds</b>  |       |                       |                       |
| (a) Share capital  |       | 46,13,25,280          | 46,13,25,280          |
| (b) Reserves and surplus   |       |                       |                       |
| i. Capital reserve   |       | 16,500                | 16,500                |
| ii. Revaluation Reserve  |       | 20,40,36,967          | 20,40,36,967          |
| iii. Securities Premium  |       | 47,34,618             | 47,34,618             |
| iv. Surplus in profit and loss account   |       | 19,00,575             | 19,98,62,967          |
|  |       | <b>67,20,13,940</b>   | <b>86,99,76,332</b>   |
| <b>2) Non-current liabilities</b>  |       |                       |                       |
| i. Long-term borrowings  |       | -                     | 10,25,00,000          |
| ii. Deferred tax liabilities (net)   | 5     | 6,66,68,117           | 10,50,01,473          |
| iii. Other Long Term Liabilities   |       | 12,25,00,000          | -                     |
| iv. Long-term provisions   |       | 3,35,53,048           | 3,09,14,792           |
|  |       | <b>22,27,21,165</b>   | <b>23,84,16,265</b>   |
| <b>3) Current liabilities</b>  |       |                       |                       |
| i. Short-term borrowings   |       | 16,16,00,691          | 10,02,57,369          |
| ii. Trade payables   |       |                       |                       |
| (a) Total outstanding dues of Micro, Small and Medium enterprises                      |       | 9,13,945              | 10,24,278             |
| (b) Total outstanding dues of creditors other than Micro, Small and Medium enterprises |       | 9,82,25,369           | 9,04,42,991           |
| iii. Other current liabilities   |       | 14,24,64,488          | 13,95,44,686          |
| iv. Short-term provisions  |       | 58,32,102             | 28,15,704             |
|  |       | <b>40,90,36,595</b>   | <b>33,40,85,028</b>   |
| <b>Total</b>   |       | <b>1,30,37,71,700</b> | <b>1,44,24,77,625</b> |
| <b>Assets</b>  |       |                       |                       |
| <b>4) Non-current assets</b>   |       |                       |                       |
| a) Fixed assets  |       |                       |                       |
| i. Tangible assets   |       | 87,19,66,868          | 98,03,08,319          |
| ii. Intangible assets  |       | 53,814                | 8,13,197              |
| b) Long-term loans and advances  |       | 4,62,22,111           | 4,30,81,289           |
| c) Other non-current assets  |       | 5,14,413              | 37,10,684             |
|  |       | <b>91,87,57,206</b>   | <b>1,02,79,13,489</b> |
| <b>5) Current assets</b>   |       |                       |                       |
| i. Inventories   |       | 33,81,85,572          | 34,14,96,317          |
| ii. Trade receivables  |       | 3,82,15,337           | 5,63,81,674           |
| iii. Cash and Bank balances  |       | 54,60,465             | 86,47,574             |
| iv. Short-term loans and advances  | 6     | 30,76,957             | 71,25,440             |
| v. Other current assets  |       | 76,163                | 9,13,131              |
|  |       | <b>38,50,14,494</b>   | <b>41,45,64,136</b>   |
| <b>Total</b>   |       | <b>1,30,37,71,700</b> | <b>1,44,24,77,625</b> |

The Statement of significant accounting policies and the accompanying notes are an integral part of this Abridged Consolidated Balance Sheet.

Note : Complete Consolidated Balance Sheet, Consolidated Statement of Profit and Loss, Consolidated Cash Flow Statement and notes thereto prepared as per the requirements of Schedule III to the Companies Act , 2013 are available at the Company's website : [www.spel.com](http://www.spel.com)

In terms of our report of even date  
**For M.S Krishnaswami & Rajan**  
Chartered Accountants

**M.S Murali**  
Partner

May 30, 2016  
Chennai

**K. Ravikumar**  
Director  
DIN : 00119753

**D. Balakrishnan**  
Director & CEO  
DIN : 02131242

**M. Jayasankar**  
Director  
DIN : 00048351

**V. Srinivasan**  
Chief Financial Officer

**S. S. Arunachalam**  
Company Secretary



### Abridged Consolidated Statement of Profit and Loss for the year ended Mar 31, 2016

[(Statement containing salient features of Consolidated Statement of Profit and Loss as per the first proviso to Sub-section (1) of section 136 of the Act and Rule 10 of the Companies (Accounts) Rules, 2014)]

(All amounts are in Indian Rupees unless otherwise stated)

|   | Notes | Mar 31, 2016                 | Mar 31, 2015               |
|---|-------|------------------------------|----------------------------|
| <b>Income</b>   |       |                              |                            |
| Revenues from operations (gross)                              | 7     | 25,88,46,241                 | 47,21,66,916               |
| Less: excise duty   |       | <u>(3,42,000)</u>            | <u>(2,29,438)</u>          |
| Revenues from operations (net)                                |       | 25,85,04,241                 | 47,19,37,478               |
| Other income  |       | 81,30,581                    | 1,39,97,458                |
| <b>Total revenue (I)</b>                                      |       | <b><u>26,66,34,822</u></b>   | <b><u>48,59,34,936</u></b> |
| <b>Expenses</b>   |       |                              |                            |
| Cost of raw materials and components consumed                 |       | 10,73,12,117                 | 21,09,60,462               |
| Changes in inventories of finished goods and work in progress |       | (25,11,100)                  | (15,10,98,870)             |
| Employee benefits expense                                     |       | 13,90,88,235                 | 16,64,14,114               |
| Finance costs   |       | 3,04,64,835                  | 4,07,05,503                |
| Depreciation and amortization expense                         |       | 10,71,59,635                 | 10,13,11,665               |
| Other expenses  |       | <u>10,99,24,646</u>          | <u>12,21,22,716</u>        |
| <b>Total Expenses (II)</b>                                    |       | <b><u>49,14,38,368</u></b>   | <b><u>49,04,15,590</u></b> |
| <b>Profit / (Loss) before Exceptional Item and Tax</b>        |       | <b>(22,48,03,546)</b>        | <b>(44,80,654)</b>         |
| <b>Exceptional Item</b>                                       | 8     | <b>1,14,39,488</b>           | <b>-</b>                   |
| <b>Profit / (loss) before tax (I-II)</b>                      |       | <b><u>(23,62,43,034)</u></b> | <b><u>(44,80,654)</u></b>  |
| <b>Tax expenses</b>   |       |                              |                            |
| Current tax   |       | 52,716                       | 97,553                     |
| Deferred tax  |       | <u>(3,83,33,357)</u>         | <u>(13,17,796)</u>         |
| <b>Total tax expense</b>                                      |       | <b><u>(3,82,80,641)</u></b>  | <b><u>(12,20,243)</u></b>  |
| <b>Profit / (Loss) after tax</b>                              |       | <b><u>(19,79,62,393)</u></b> | <b><u>(32,60,411)</u></b>  |
| Earnings per share (EPS)                                      | 9     |                              |                            |
| - Basic   |       | (4.29)                       | (0.07)                     |
| - Diluted   |       | (4.29)                       | (0.07)                     |

The Statement of significant accounting policies and the accompanying notes are an integral part of this Abridged Consolidated Statement of Profit and Loss Account.

In terms of our report of even date  
**For M.S Krishnaswami & Rajan**  
Chartered Accountants

**M.S Murali**  
Partner

**K. Ravikumar**  
Director  
DIN : 00119753

**M. Jayasankar**  
Director  
DIN : 00048351

May 30, 2016  
Chennai

**D. Balakrishnan**  
Director & CEO  
DIN : 02131242

**V. Srinivasan**  
Chief Financial Officer

**S. S. Arunachalam**  
Company Secretary



**Abridged Consolidated Cash Flow Statement for the year ended Mar 31, 2016**

*(All amounts are in Indian Rupees unless otherwise stated)*

[(Statement containing salient features of Consolidated Cash Flow Statement as per the first proviso to Sub-section (1) of section 136 of the Act and Rule 10 of the Companies (Accounts) Rules, 2014)]

| Particulars   | Mar 31, 2016      | Mar 31, 2015       |
|---|-------------------|--------------------|
| Cash flows from operating activities (A)  | (6,65,77,633)     | 5,81,33,573        |
| Cash flows from investing activities (B)  | 80,44,817         | 38,45,515          |
| Cash flows from financing activities (C)  | 5,78,81,025       | (6,33,06,100)      |
| <b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>   | <b>(6,51,791)</b> | <b>(13,27,012)</b> |
| Cash and cash equivalents at the beginning of the year  | 8,18,151          | 21,45,544          |
| Exchange differences on translation of foreign currency cash and cash equivalents                                     | 1,68,981          | (381)              |
| <b>Cash and cash equivalents at the end of the year</b><br>(Note 6 (a) to Abridged consolidated financial statements) | <b>3,35,342</b>   | <b>8,18,151</b>    |

Note :Long-term borrowings aggregating to ₹ 12,25,00,000 has been treated as Advance against capital asset during the year and accordingly not reflected in the Consolidated Cash Flow Statement

The Statement of significant accounting policies and the accompanying notes are an integral part of this Abridged Consolidated Cash Flow Statement.

In terms of our report of even date  
**For M.S Krishnaswami & Rajan**  
Chartered Accountants

**M.S Murali**  
Partner

May 30, 2016  
Chennai

**K. Ravikumar**  
Director  
DIN : 00119753

**D. Balakrishnan**  
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**M. Jayasankar**  
Director  
DIN : 00048351

**V. Srinivasan**  
Chief Financial Officer

**S. S. Arunachalam**  
Company Secretary



## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### 1. Accounting convention

- 1.1 The consolidated financial statements of the Group have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 and other relevant provisions of the Companies Act, 2013 ("the 2013 Act") / Companies Act, 1956 ("the 1956 Act"), as applicable. The financial statements have been prepared on accrual basis under the historical cost convention except for categories of fixed assets acquired before 1 Apr, 2008, that are carried at revalued amounts. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.
- 1.2 All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has determined its operating cycle as twelve months for the purpose of current - non-current classification of assets and liabilities.

### 2. Use of Estimates

The preparation of the consolidated financial statements, in conformity with the generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities on the date of the financial statements, disclosure of contingent liabilities and reported amounts of revenues and expenses for the year. Estimates are based on historical experience, where applicable and other assumptions that management believes are reasonable under the circumstances. Actual results could vary from these estimates and any such differences are dealt with in the period in which the results are known/ materialize.

### 3. Tangible and Intangible Fixed assets and depreciation / amortisation

- 3.1 Expenditure which are of a capital nature are capitalized 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. Cost of fixed assets is net of eligible credits under CENVAT / VAT Scheme. Expenditure directly related and incidental to construction / development and borrowing costs in para 4 below are capitalised upto the date the assets are ready for their intended use. Exchange differences are capitalised to the extent dealt with in para 7.3 below.
- 3.2 Assets are depreciated / amortised, as below, on straight line basis:
- Buildings, assets in leased premises, plant and machinery (except assets subject to impairment) and other assets, over their estimated useful lives as prescribed in Schedule II to the Companies Act, 2013.
  - Assets subject to impairment, on the asset's revised carrying amount, over its remaining useful life.
  - Intangible assets are amortized over their estimated useful life.
    - Depreciation / amortisation is provided on a pro-rata basis from the month the assets are put to use during the financial year. In respect of assets sold or disposed off during the year, depreciation / amortisation is provided upto the month of sale or disposal of the assets.
    - At each balance sheet date, the carrying values of fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the said asset is estimated in order to determine the extent of impairment loss (if any).

### 4. Borrowing Cost

Borrowing cost are capitalized as part of the cost of qualifying asset when it is possible that they will result in future economic benefit. All other borrowing costs are recognised in the Statement of Profit and Loss in the period in which they are incurred.

### 5. Investments

Long Term Investments are carried at cost. Provision for diminution is however made to recognised a decline, other than temporary in nature, in its value.

### 6. Inventories

- 6.1 Inventories are valued at lower of cost and net realisable value; cost being ascertained on the following basis:
- Stores, spares, consumables, raw materials and components; on weighted average basis.
  - Work-in-progress : under absorption costing method.
  - Finished / trading goods : under absorption costing method.
- 6.2 Cost includes taxes and duties and is net of eligible credits under CENVAT / VAT Schemes.
- 6.3 Surplus / obsolete / slow moving inventories are adequately provided for.

### 7. Foreign Currency Transactions

- 7.1 Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction. Monetary



items denominated in foreign currency as at the balance sheet date are translated at the rate of exchange prevailing at the year end. Exchange differences arising on actual payments / realizations and year end restatements are dealt with in the Statement of profit and loss.

- 7.2 Premium or Discount on forward contracts is amortized 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.
- 7.3 Exchange difference on translation or settlement of long term foreign currency monetary item (i.e. whose terms of settlement is 12 months from the date of its origination) at rates different from those at which they were originally recorded are reported in the previous financial statements, relating to acquisition of depreciable assets are adjusted to the cost of the assets.

#### **8. Segment Reporting**

The Group's primary segment is identified as business segment based on nature of product, risks, returns and the internal business reporting system and secondary segment is identified based on geographical location of the customers as per Accounting Standard – 17. The Group is principally engaged in a single business segment viz. Integrated Circuits.

#### **9. Revenue Recognition**

##### **9.1 Sale of goods:**

Revenue from sale of products is recognised on despatch or appropriation of goods in accordance with the terms of sale, when the significant risks and rewards of ownership of goods have been passed to the buyer and is inclusive of excise duty.

##### **9.2 Sale of Services:**

Revenue from services is recognised on completion of the service in accordance with the terms of contract.

##### **9.3 Others**

Interest income is recognised on time proportion basis.

#### **10. Employee Benefit**

##### **10.1 Short term employee benefit obligations are estimated and provided for.**

##### **10.2 Post-employment benefits and other long term employee benefits**

Defined contribution plans:

Group's contribution to provident fund, superannuation fund, employee state insurance and other funds are determined under the relevant schemes and / or statute and charged to the Statement of Profit and Loss in the period of incurrence.

Defined benefit plans

Group's liability towards gratuity and compensated absences are actuarially determined at each balance sheet date using the projected unit credit method. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period of occurrence.

#### **11. Income taxes**

##### **11.1 Income tax expenses comprise current and deferred taxes. Current tax is determined on the income for the year chargeable to tax in accordance with applicable tax rates and the provisions of Income Tax Act, 1961 and other applicable tax laws and after considering credit for Minimum Alternate Tax available under the said Act. MAT paid in accordance with the tax laws which gives future economic benefits in the form of adjustments to future tax liability, is considered as an asset if there is convincing evidence that the future economic benefit associated with it will flow to the Group resulting in payment of normal income tax.**

##### **11.2 Deferred tax is recognized for all the timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversing in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date.**

##### **11.3 Deferred tax assets are recognised for timing differences other than unabsorbed depreciation and carry forward losses only to the extent that there is a reasonable certainty that there will be sufficient future taxable income to realise the assets. Deferred tax asset pertaining to unabsorbed depreciation and carry forward of losses are recognised only to the extent there is a virtual certainty of its realisation.**

##### **11.4 Foreign companies recognise tax assets / liabilities in accordance with applicable local laws**

#### **12. Provisions and Contingencies**

A provision is recognized when the Group has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.





**Notes to Abridged Consolidated financial statements for the year ended Mar 31, 2016**

(All amounts are in Indian Rupees unless otherwise stated)

- 1 The following subsidiary company is considered in the consolidated financial statements  
 Name of the subsidiary company : SPEL America, Inc  
 Country of incorporation : USA  
 % of ownership interest ( Mar 31, 2016): 100%  
 (Note 28.1 (c) of the Consolidated Financial Statements)

**2 Contingent Liabilities and commitments (to the extent not provided)**  
 (Note 29 b. of the Consolidated Financial Statements)

|  | Mar 31, 2016 | Mar 31, 2015 |
|--|--------------|--------------|
| i) Contingent Liabilities  |              |              |
| - Letter of Credit for import purchases  | 1,41,09,424  | 2,96,58,183  |
| - Income Tax Demand  | 40,19,136    | 40,19,136    |
| ii) Capital commitments  |              |              |
| Estimated amount of contracts remaining to be executed on capital account and not provided for | Nil          | Nil          |

**3 Depreciation** (Note 30 of the Consolidated Financial Statements)

During the previous year, pursuant to the notification of Schedule II to the Companies Act, 2013 with effect from Apr 1, 2014, the group revised the estimated useful life of some of its assets to align the useful life with those specified in Schedule II. The details of previously applied depreciation rates / useful life are as follows:

| Asset  | Revised useful life based on SLM | Previous useful life |
|--|----------------------------------|----------------------|
| Factory Buildings  | 30 years                         | 30 years             |
| Non Factory Buildings                                      | 3 / 5 / 10 / 20 / 60 years       | 60 years             |
| General Plant and Machinery                                | 15 years                         | 20 years             |
| Machinery used in the manufacture of Electronic Components | 15 years                         | 18 years             |
| Office Equipment   | 5 years                          | 20 years             |
| Computers and Data Processing Equipment                    | 3 years                          | 6 years              |
| Vehicles   | 8 years                          | 10 years             |
| Furniture & Fixtures                                       | 10 years                         | 15 years             |

Pursuant to the transitional provisions prescribed in Schedule II to the Companies Act, 2013, the Group has fully depreciated the carrying value of assets, (net of residual value, if any), where the remaining useful life of the asset was determined to be nil as on Apr 1, 2014, and has adjusted an amount of ₹ 31,40,593 (net of deferred tax of ₹14,04,404) against the opening Surplus balance in the Statement of Profit and Loss under Reserves and Surplus in the previous year.

Further, pursuant to the adoption of lower useful life prescribed in Schedule II to the Companies Act, 2013, the depreciation expenses in the statement of profit and loss for the previous year is higher by ₹ 51,66,988 and consequent loss for the previous year is higher by the said amount as a result of the change in the useful life of the assets, as detailed above.

**4 Long Term Borrowing** (Notes 3.2 & 3.3 of the Consolidated Financial Statements)

- i) The term loan is repayable in 16 equal quarterly instalments commencing from 25.04.2012. The applicable interest rate is 14.25% p.a payable monthly. The principal amount of ₹ 1,46,44,719 due on Jan 25, 2016 is outstanding as at Mar 31, 2016 along with overdue interest of ₹ 16,58,903.



**Notes to Abridged Consolidated financial statements for the year ended Mar 31, 2016**

(All amounts are in Indian Rupees unless otherwise stated)

- ii) The interest payable on deposits from others are in the range of 10% to 10.25% p.a payable quarterly. The interest due on Dec 31, 2013, Mar 31, 2014 and for all four quarters of 2014-2015 amounting to ₹ 1,34,76,459 is outstanding as at Mar 31, 2015.

**5 Deferred tax liabilities (Net)** (Notes 4 of the Consolidated Financial Statements)

|  | <b>Mar 31, 2016</b> | <b>Mar 31, 2015</b> |
|--|---------------------|---------------------|
| a) Deferred tax liability due to                   |                     |                     |
| i) Depreciation                                    | 10,43,04,788        | 12,04,53,540        |
| ii) Other timing differences                       | -                   | -                   |
| <b>A</b>   | <b>10,43,04,788</b> | <b>12,04,53,540</b> |
| b) Deferred tax asset arising out of               |                     |                     |
| i) Provision for Gratuity / Leave encashment       | 1,48,36,946         | 26,00,948           |
| ii) Carry forward losses / Unabsorbed depreciation | 1,28,83,116         | 1,02,60,381         |
| iii) Other timing differences                      | 99,16,609           | 25,90,738           |
| <b>B</b>   | <b>3,76,36,671</b>  | <b>1,54,52,067</b>  |
| <b>A - B</b>                                       | <b>6,66,68,117</b>  | <b>10,50,01,473</b> |

**6 Cash and Bank Balances**

(Note 16 of the Consolidated Financial Statements)

|                              | <b>Mar 31, 2016</b> | <b>Mar 31, 2015</b> |
|------------------------------|---------------------|---------------------|
| a) Cash and Cash equivalents |                     |                     |
| a) On current accounts       | 2,21,412            | 6,60,490            |
| b) Cash on hand              | 1,13,930            | 1,57,661            |
| <b>A</b>                     | <b>3,35,342</b>     | <b>8,18,151</b>     |
| b) Other bank balances       |                     |                     |
| a) Margin money deposit #    | 51,25,123           | 78,29,423           |
| <b>A+B</b>                   | <b>54,60,465</b>    | <b>86,47,574</b>    |

# Margin money deposits are given as security for opening of letter of credit with banks

**7 Revenue from operations**

(Note 19 of the Consolidated Financial Statements)

|  | <b>Mar 31, 2016</b> | <b>Mar 31, 2015</b> |
|--|---------------------|---------------------|
| Sale of products                       |                     |                     |
| Export sales                           | 25,09,78,869        | 46,67,43,397        |
| Sale of services                       | 43,54,723           | 36,56,903           |
| <b>Other operating revenue</b>         |                     |                     |
| Scrap sales                            | 35,12,649           | 17,66,616           |
| <b>Revenue from operations (gross)</b> | <b>25,88,46,241</b> | <b>47,21,66,916</b> |

Sale of Products is related to sale of Integrated Circuits (IC's)

**8 Exceptional Item** (Note 27 of the Consolidated Financial Statements)

The production was stopped for 27 days during Sep 2015 due to the break down of the air conditioning plant. The depreciation charged on Plant and Machinery ₹ 46,82,160, Employee benefit expenses ₹ 57,07,904, Power and Fuel ₹ 9,45,000 and Miscellaneous Expenses ₹ 1,04,424 for the said period has accordingly been considered and disclosed as an Exceptional Item.



**Notes to Abridged Consolidated financial statements for the year ended Mar 31, 2016**

*(All amounts are in Indian Rupees unless otherwise stated)*

**9 Earnings Per Share: (Note 31 of the Consolidated Financial Statements)**

|   | <b>Mar 31, 2016</b> | <b>Mar 31, 2015</b> |
|---|---------------------|---------------------|
| a. Profit/(Loss) as per Statement of Profit and Loss          | (19,79,62,393)      | (32,60,411)         |
| b. Weighted average number of equity shares outstanding (Nos) | 4,61,17,443         | 4,61,17,443         |
| c. Par value of equity shares - ₹                             | 10                  | 10                  |
| d. Basic and Diluted earnings per share - ₹                   | (4.29)              | (0.07)              |

**10 Related party disclosures (Note 32 of the Consolidated Financial Statements)**

| <b>1. Names of related parties</b>   | <b>Mar 31, 2016</b> | <b>Mar 31, 2015</b> |
|--|---------------------|---------------------|
| a. Fellow Subsidiary<br>Natronix Semiconductor Technology Limited (From Mar 24, 2014)  |                     |                     |
| a. Manpower Charges  | -                   | 3,45,000            |
| b. Enterprise over which Key Management Personnel /<br>Relatives can exercise significant influence is able to exercise<br>significant influence |                     |                     |
| Valingro Exponenta Limited (Upto Apr29, 2014)  |                     |                     |
| a. Corporate Communication Charges   |                     | 15,00,000           |
| b. Corporate Rent Charges  |                     | 1,12,360            |
| Chiptest Engineering Limited (Upto Apr 29, 2014)   |                     |                     |
| a. Other manufacturing expenses  | -                   | 9,08,426            |
| c. Key Management Personnel  |                     |                     |
| - Mr. D. Balakrishnan<br>Director & CEO (Director with effect from Jun 19, 2014)<br>Remuneration   | 37,83,544           | 37,36,266           |
| - Mr. N. Sivashanmugam<br>Whole Time Director (upto July 31, 2014)<br>Remuneration   | -                   | 5,08,354            |
| - Mr. Rajesh Jeyaraman<br>Chief Financial Officer (upto Aug 08, 2014) *<br>Remuneration  | -                   | 4,42,718            |
| - Mr. R. Venkatesh Kumar<br>Chief Financial Officer ( from Jul 30, 2014) *<br>Remuneration   | 14,37,510           | 10,39,310           |
| - Ms. Rohini Ramanathan<br>Company Secretary (upto Feb 28, 2015) *<br>Remuneration   | -                   | 2,76,070            |
| - Mr. S.S. Arunachalam<br>Company Secretary (from Nov 2, 2015) *<br>Remuneration   | 4,85,307            | -                   |

\* Key managerial personnel as defined under the Companies Act, 2013

**Notes to Abridged Consolidated financial statements for the year ended Mar 31, 2016**

(All amounts are in Indian Rupees unless otherwise stated)

**11 Dues to Micro, Small and Medium Enterprises** (Note 38 of the Consolidated Financial Statements)

The information required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined on the basis of information available with the group. The amount of principal and interest outstanding is given below:

| Particulars   | Mar 31, 2016 | Mar 31, 2015 |
|---|--------------|--------------|
| a) Principal amount and the interest due thereon remaining unpaid to any supplier at the end of the accounting year   |              |              |
| Principal   | 3,75,685     | 10,24,833    |
| Interest  | 1,04,389     | 2,06,025     |
| b) Amount of interest paid by the Company in terms of Sec.16 of the MSMED Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during each year.  | -            | -            |
| c) Amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed date during the year) but without adding interest specified under the MSMED Act, 2006   | -            | -            |
| d) Amount of interest Accrued and remaining unpaid at the end of the accounting year.   | 1,04,389     | 2,06,025     |
| e) Amount of further interest remaining due and payable even in the succeeding years, until such date when the Interest dues above are actually paid to the supplier for the purpose of disallowance of a deductible expenditure under Sec.23 of the MSMED Act, 2006. | 1,04,389     | 2,06,025     |

**12 Segment information** (Note 39 of the Consolidated Financial Statements)

The group's primary segment is identified as business segment based on nature of products, risks, returns and the internal business reporting system and secondary segment is identified based on the geographical location of the customers as per Accounting Standard 17. The group is principally engaged in a single business segment viz Integrated Circuits for overseas market. Hence, the group does not have separate non-overseas reportable geographical segment.

**13 Additional Information, as required under Schedule III to the Companies Act, 2013 of entities consolidated as Subsidiaries.** (Note 40 of the Consolidated Financial Statements)

| Name of the Entity                                      | Net Assets,                       |              | Share in profit or loss               |                |
|---|-----------------------------------|--------------|---------------------------------------|----------------|
|   | As a % of Consolidated Net Assets | Amount       | As a % of Consolidated Profit or Loss | Amount         |
| Spel Semiconductor Limited<br><b>Foreign Subsidiary</b> | 99.99                             | 67,19,95,712 | 99.97                                 | (19,79,00,144) |
| Spel America INC  | 0.01                              | 18,228       | 0.03                                  | (62,249)       |
| <b>Total</b>  | 100                               | 67,20,13,940 | 100                                   | (19,79,62,393) |

14 The figures for the previous year have been reclassified / regrouped / amended, wherever necessary.

|                         |   |   |   |
|-------------------------|---|---|---|
| May 30, 2016<br>Chennai | <b>K. Ravikumar</b><br>Director<br>DIN : 00119753<br><br><b>D. Balakrishnan</b><br>Director & CEO<br>DIN : 02131242 | <b>M. Jayasankar</b><br>Director<br>DIN : 00048351<br><br><b>V. Srinivasan</b><br>Chief Financial Officer | <b>S. S. Arunachalam</b><br>Company Secretary |
|-------------------------|---|---|---|



**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.

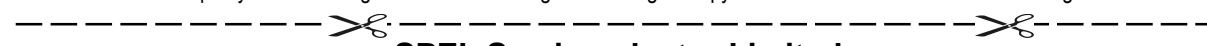
I here by record my presence at the 31<sup>st</sup> Annual General Meeting of the Company to be held at 4.00 pm on Saturday, Jul 30, 2016 at 5 CMDA Industrial Estate, Maraimalai Nagar (Chennai) 603 209.

|  |                      |
|--|----------------------|
| _____                                      | _____                |
| 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**

Regd. Office : 5 CMDA Industrial Estate, Maraimalai Nagar (Chennai) 603 209  
Telephone : 91 (44) 4740 5300, Fax No. 91 (44) 4740 5303 / 5404, Website : www.spel.com, Email : info@spel.com,  
CIN : L32201TN1984PLC011434

**PROXY FORM**

Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014.

|                        |  |
|------------------------|--|
| Name of the member (s) |  |
| Registered Address     |  |
| Folio No./Client Id    |  |
| E-mail Id              |  |

I/We, being the member(s) of \_\_\_\_\_ shares of the above named Company hereby appoint

|                      |            |           |
|----------------------|------------|-----------|
| 1.                   | Name :     | Address:  |
|                      | E-Mail Id: | Signature |
| or failing him / her |            |           |
| 2.                   | Name :     | Address:  |
|                      | E-Mail Id: | Signature |
| or failing him / her |            |           |
| 3.                   | Name :     | Address:  |
|                      | E-Mail Id: | Signature |

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 31<sup>st</sup> Annual General Meeting of the Company to be held on Saturday, Jul 30, 2016 at 4.00 pm at the Registered Office of the Company at 5 CMDA Industrial Estate, Maraimalai Nagar (Chennai) 603 209 and at any adjournment thereof in respect of such resolutions as are indicated below:



----- ✂ ----- ✂ -----

| Resolution Number        | Resolution  | Vote (Optional see note 2)<br>(Please mention no. of shares) |         |         |
|--------------------------|---|--|---------|---------|
|                          |   | For  | Against | Abstain |
| <b>Ordinary Business</b> |   |  |         |         |
| 1.                       | Adoption of Audited Financial Statements for the financial year ended Mar 31, 2016 and reports of the Board of Directors and the Auditors thereon |  |         |         |
| 2.                       | Re-appointment of Mr. K. Ravikumar as the Director, liable to retire by rotation  |  |         |         |
| 3.                       | Re-appointment of M/s. M.S.Krishnaswami & Rajan, Chartered Accountants, as Statutory Auditors   |  |         |         |
| <b>Special Business</b>  |   |  |         |         |
| 4.                       | Appointment of Mr. M. Jayasankar as Independent Director  |  |         |         |
| 5.                       | Appointment of Dr. Enakshi Bhattacharya as Independent Director   |  |         |         |
| 6.                       | Issue of Non-Convertible Debenture on private placement   |  |         |         |
| 7.                       | Borrowing Powers of the Board   |  |         |         |
| 8.                       | To sell / lease or dispose of the part or the whole of the undertaking of the Company   |  |         |         |
| 9.                       | To consider making Disinvestment in the Equity Shares of the Wholly Owned Subsidiary i.e. SPEL-Us   |  |         |         |

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

\_\_\_\_\_  
Signature of Shareholder

\_\_\_\_\_  
Signature of proxy holder(s)

Affix One  
Rupee  
Revenue  
Stamp

**Notes :**

1. This Form, in order to be effective should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before the meeting.
2. It is optional to indicate your preference. If you leave the for, against or abstain column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he/ she may deem appropriate.
3. A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in aggregate not more than ten percent (10%) of the total Share Capital of the Company. A Member holding more than ten percent (10%) of the total Share Capital of the Company carrying voting rights may appoint a single person as proxy. However, such person shall not act for any other person or Shareholder.
4. Please provide your email ID, if it is not provided already.



**31<sup>st</sup> Annual Report  
2015-16**

To

*If undelivered, please return to :*  
**SPEL Semiconductor Limited**  
5 CMDA Industrial Estate  
MM Nagar (Chennai) 603 209, India.