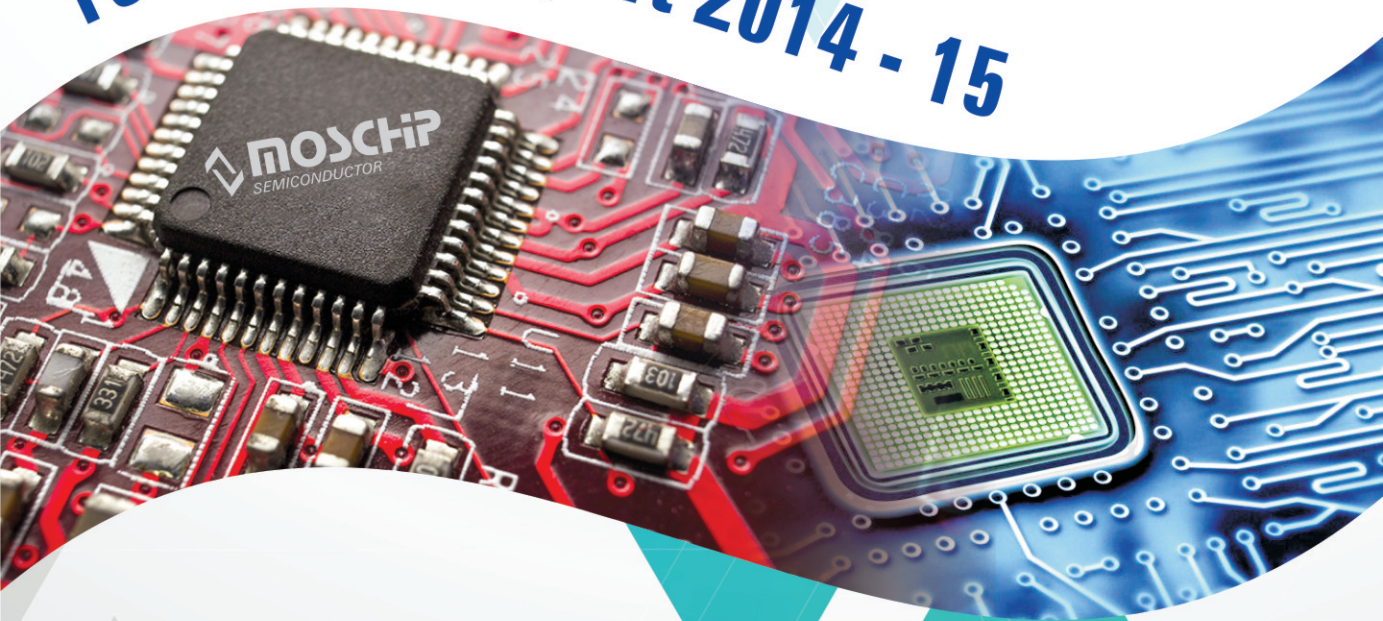


# MOSCHIP

16<sup>th</sup> Annual Report 2014 - 15



MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED

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## CORPORATE INFORMATION

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### BOARD OF DIRECTORS

Mr. K. Ramachandra Reddy	-- Chairman & CEO
Mr. C. Dayakar Reddy	-- Managing Director
Mr. G. Prasad	-- Independent Director
Mr. K. V. Ramana	-- Independent Director
Mrs. Poornima Shenoy	-- Independent Women Director

### COMMITTEES OF THE BOARD

#### Audit

Mr. G. Prasad	- Chairman
Mr. K. V. Ramana	- Member
Mrs. Poornima Shenoy	- Member

#### Nomination & Remuneration

Mr. G. Prasad	- Chairman
Mr. K. V. Ramana	- Member
Ms. Poornima Shenoy	- Member

### Share Holders / Investor Grievance

Mr. G. Prasad	- Chairman
Mr. K. V. Ramana	- Member
Mrs. Poornima Shenoy	- Member

### REGISTERED OFFICE

Plot No. 83 & 84, 2<sup>nd</sup> Floor  
Punnaiah Plaza, Road No. 2  
Banjara Hills, Hyderabad – 500034.  
Telangana, India.  
Tel: 040-6622-9292  
Fax: 040-6622-9393

### CS Suresh Bachalakura

Company Secretary & Compliance Officer

### BANKERS

UCO Bank Limited

### STATUTORY AUDITORS

M/S Gokhale & Co.  
Chartered Accountants  
3-6-322, Office No. 306, Mahavir House  
BasheerBagh, Hyderabad – 500029

### SECRETARIAL AUDITORS

M/s. BSS & Associates  
Company Secretaries

### REGISTRAR AND SHARE TRANSFER AGENTS

Karvy Computershare Pvt. Ltd.  
Karvy Selenium, Tower B,  
Plot No. 31 & 32, Financial District,  
Gachibowli, Hyderabad - 500 032,  
Telangana, India  
Tel: 040-6716 1604  
Email: einward.ris@karvy.com

**NOTICE OF ANNUAL GENERAL MEETING**

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Notice is hereby given that the **Sixteenth Annual General Meeting** of MosChip Semiconductor Technology Limited will be held on Wednesday, the 30<sup>th</sup> September 2015 at 10.30 a.m. at the Registered Office of the Company Situated at Plot No.83 & 84, 2<sup>nd</sup> Floor, Punnaiah Plaza, Road No.2, Banjara Hills, Hyderabad- 500 034 to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Report of Directors, Profit and Loss Account for the financial year ended 31 March 2015 and the Balance Sheet as on that date and the report of Auditors thereon.
2. To appoint a Director in place of Mr. K. Ramachandra Reddy (holding DIN00042172), who retires by rotation and being eligible offers himself for re-appointment
3. To consider and if thought fit to pass with or without modifications(s), the following resolution as an ordinary resolution

"RESOLVED that pursuant to the provisions of section 139 and all other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed there under, as amended from time to time, the company hereby ratifies the appointment of M/s.Gokhale & Co., Chartered Accountants(Firm Registration No. 000942S) as statutory auditors of the company, made at the 15<sup>th</sup> Annual General Meeting(AGM), to hold office until the conclusion of the 18<sup>th</sup>AGM of the Company to be held in the year 2017 at such remuneration plus service tax, out-of-pocket, as may be mutually agreed between the board of directors of the company and the auditors.

**AS SPECIAL BUSINESS:****Item No. 4:**

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

"RESOLVED THAT pursuant to the provisions of Sections 190, 196, 197 and 203 and any other applicable provisions of the Companies Act, 2013 ("the Act") and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule V to the Act, consent of the members be and is hereby accorded to the re-appointment of Mr. K. Ramachandra Reddy (holding DIN00042172) as Chairman & Chief Executive Officer (CEO) of the Company for a period of 5 years commencing from August 31, 2015, on the terms and conditions of appointment and remuneration as follows:

**Overall Remuneration**

The remuneration payable to Mr. K. Ramachandra Reddy, in any financial year, shall not exceed five (5) per cent of the net profits of the Company and the overall remuneration payable to all Executive Directors including the Whole Time Director, in any financial year, shall not exceed ten (10) per cent of the net profits of the Company. In any financial year, during the tenure of Mr. K. Ramachandra Reddy, if the Company has no profits or its profits are inadequate, then Mr. K. Ramachandra Reddy will be paid in accordance with the provisions of **Schedule V** of the Act. Within the aforesaid ceiling, the remuneration payable to Mr. K. Ramachandra Reddy shall be as follows:

**Salary (including perquisites)**

30,00,000/- (Rupees Thirty Lakhs only) per annum by way of Salary, Dearness Allowance and any other allowances and perquisites with annual or mid-term increments as approved by the Board/Committee of the Board within a limit so that the total remuneration is within five (5) per cent of the net profits of the Company.

**Commission:**

Where the Company has sufficient profits, such percentage of Commission on the net profits of the company be paid in addition to salary and perquisites as may be determined by the Board of Directors of the Company at the end of each financial year; and such percentage of commission together with the salary and perquisites paid during the financial year shall not exceed 5% of the net profits, subject to overall ceilings stipulated in Sections 197 and 198 of the Companies Act, 2013, read with **Schedule V** of Companies Act, 2013 as amended from time to time.

Mr. K. Ramachandra Reddy shall also be eligible for Gratuity payable at a rate not exceeding half a month's salary for each completed year of service which shall not be included in the computation of the ceiling on remuneration specified above.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary or desirable to give effect to these Resolutions".

**Item No. 5:**

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

"RESOLVED THAT pursuant to the provisions of Sections 190, 196, 197 and 203 and any other applicable provisions

## NOTICE

of the Companies Act, 2013 ("the Act") and the rules made there under (including any statutory modification(s) or re-enactment there of for the time being in force), read with Schedule V to the Act, consent of the members be and is hereby accorded to the re-appointment of Mr. C. Dayakar Reddy (holding DIN00042663) as a Managing Director of the Company for a period of 5 years commencing from August 31, 2015, on the terms and conditions of appointment and remuneration as follows:

### Overall Remuneration

The remuneration payable to Mr. C. Dayakar Reddy, in any financial year, shall not exceed five (5) per cent of the net profits of the Company and the overall remuneration payable to all Executive Directors including the Whole Time Director, in any financial year, shall not exceed ten (10) per cent of the net profits of the Company. In any financial year, during the tenure of Mr. C. Dayakar Reddy, if the Company has no profits or its profits are inadequate, then Mr. C. Dayakar Reddy will be paid in accordance with the provisions of **Schedule V** of the Act. Within the aforesaid ceiling, the remuneration payable to Mr. C. Dayakar Reddy shall be as follows:

### Salary (including perquisites)

30,00,000/- (Rupees Thirty Lakhs only) per annum by way of Salary, Dearness Allowance and any other allowances and perquisites with annual or mid-term increments as approved by the Board/Committee of the Board within a limit so that the total remuneration is within five (5) per cent of the net profits of the Company.

### Commission:

Where the Company has sufficient profits, such percentage of Commission on the net profits of the company be paid in addition to salary and perquisites as may be determined by the Board of Directors of the Company at the end of each financial year; and such percentage of commission together with the salary and perquisites paid during the financial year shall not exceed 5% of the net profits, subject to overall ceilings stipulated in Sections 197 and 198 of the Companies Act, 2013, read with **Schedule V** of Companies Act, 2013 as amended from time to time.

Mr. C. Dayakar Reddy shall also be eligible for Gratuity payable at a rate not exceeding half a month's salary for each completed year of service which shall not be included in the computation of the ceiling on remuneration specified above.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary or desirable to give effect to these Resolutions".

### Item no. 6:

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

**"RESOLVED THAT** pursuant to the provisions of Section 62 and other applicable provisions, if any, of the Companies Act, 2013 and rules made there under (including any statutory modification or re-enactment thereof for the time being in force), the Memorandum and Articles of Association of the Company, Listing Agreements entered into by the Company with the stock exchanges where the equity shares of the Company are listed, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended (the **"SEBI Regulations"**) and subject to all other applicable laws, rules, regulations, circulars and guidelines and subject to such approvals, permissions, sanctions and consents as may be necessary and required under the applicable laws, rules, regulations, circulars and guidelines and on such terms and conditions (including any alterations, modifications, corrections, changes and variations, if any, that may be stipulated under such approvals, permissions, sanctions, and consents as the case may be) which may be accepted by the Board of Directors of the Company (herein referred to as **"Board"** which term shall include any duly constituted and authorized committee thereof to exercise its powers under this resolution) and subject to any other alterations, modifications, conditions, corrections, changes and variations that may be decided by the Board in its absolute discretion, consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot, from time to time, in one or more tranches, equity shares of face value of **Rs. 2/- (Rupees Two only)** each at a price of **Rs. 4.72/- (Four Rupees Seventy Two Paise only)** per equity share (including a premium of **Rs.2.72 /- (Two Rupee Seventy Two Paise only)** per equity share (hereinafter referred to as **"Issue Shares"**), to Mr. K. Ramachandra Reddy & Mr. K. Sandeep Reddy on a preferential basis.

### Proposed Allotment Details:

S. No.	Name of The Proposed Allottee	No. of Equity Shares to be issued	Aggregate Value In Rupees
1	Mr. K. Ramachandra Reddy	25,42,373	1,20,00,000
2	Mr. K. Sandeep Reddy	24,36,441	1,15,00,000

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**RESOLVED FURTHER THAT** the Issue Shares being offered, issued and allotted to Mr. K. Ramachandra Reddy & Mr. K. Sandeep Reddy by way of a preferential issue shall *inter alia* be subject to the following:

- (i) The Issue Shares to be offered, issued and allotted to Mr. K. Ramachandra Reddy & Mr. K. Sandeep Reddy shall be in dematerialized form and shall be subject to the provisions of the Memorandum and Articles of Association of the Company;
- (ii) The Issue Shares to be offered, issued and allotted shall rank *paripassu* with the existing equity shares of the Company in all respects including as to dividend;
- (iii) The “Relevant Date” for the offer, issue and allotment of the Shares by way of a preferential issue, as per the SEBI Regulations, for the determination of minimum price for the issue of Shares is Monday, 31<sup>st</sup> August 2015, being 30 days prior to the date of the 16<sup>th</sup> Annual General Meeting;
- (iv) The Issue Shares to be offered, issued and allotted shall be subject to lock-in as provided under the provisions of SEBI Regulations; and
- (v) The Issue Shares so offered, issued and allotted will be listed subject to the receipt of necessary regulatory permissions and approvals.

**RESOLVED FURTHER THAT** subject to the provisions of SEBI Regulations and other applicable laws, the Board be and is hereby authorized to decide and approve terms and conditions of the offer, issue and allotment of the Issue Shares and vary, modify or alter any relevant terms and conditions, including size of the preferential issue to the Investor, as it may deem expedient.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as the Board may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation to issue clarifications on the offer, issue and allotment of the Issue Shares, to execute all such writings and instruments and enter into arrangement/ agreements as the Board may in its absolute discretion deem necessary or desirable for purposes of this resolution, to settle all questions, difficulties or doubts that may arise in regard to the offer, issue and allotment of the Issue Shares and utilisation of proceeds of the Issue Shares, take all others steps which may be incidental, consequential, relevant or ancillary in this connection and to effect any modification to the foregoing in the best interests of the Company and its shareholders.

**RESOLVED FURTHER THAT** the Board be and is hereby also authorised to delegate all or any of its powers to any officer(s) or authorized signatory(ies) of the Company to give effect to this resolution including execution of any documents on behalf of the Company and to represent the Company before any governmental authorities and to appoint any merchant bankers or other professional advisors, consultants and legal advisors to give effect to the aforesaid resolution.”

**Item No. 7**

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

**“RESOLVED THAT** pursuant to the provisions of Section 62 and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder (including any statutory modification or re-enactment thereof for the time being in force), the Memorandum and Articles of Association of the Company, Listing Agreements entered into by the Company with the stock exchanges where the equity shares of the Company are listed, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (“**SEBI Regulations**”) and subject to all other applicable laws, rules, regulations, circulars and guidelines and subject to such approvals, permissions, sanctions and consents as may be necessary and required under the applicable laws, rules, regulations, circulars and guidelines and on such terms and conditions (including any alterations, modifications, corrections, changes and variations, if any, that may be stipulated under such approvals, permissions, sanctions, and consents as the case may be) which may be accepted by the Board of Directors of the Company (herein referred to as “**Board**” which term shall include any duly constituted and authorized committee thereof to exercise its powers under the resolutions) and subject to any other alterations, modifications, conditions, corrections, changes and variations that may be decided by the Board in its absolute discretion, consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot, from time to time, in one or more tranches, on a preferential basis up to an aggregate of 2,11,86,440 (Two Crore Eleven Lakhs Eighty Six Thousand Four Hundred and Forty Only) compulsorily convertible debentures of face value of **Rs. 4.72 /- ( Four Rupees Seventy Two Paise only)** each at par aggregating to Rs. 10,00,00,000 (Rupees Ten Crore only) (hereinafter referred to as “**CCDs**”), with each CCD convertible into 1 (One) equity share at a conversion price of **Rs. 4.72 /- (**

## NOTICE

**Four Rupees Seventy Two Paise only** per equity share (hereinafter referred to as “**CCD Shares**”), to Optimend Sales Distribution Network Private Limited (hereinafter referred to as the “**Investor 1**”), M Pot Energy Ventures Private Limited (hereinafter referred to as the “**Investor 2**”), and Mr. PVBLN Reddy (hereinafter referred to as the “**Investor 3**”) and Mr. Pramod Mandalapu (hereinafter referred to as the “**Investor 4**”)

**Proposed allotment details:**

S. NO	Name of The Proposed Allottee	No. of CCDs to be issued	Aggregate Value In Rupees
1	M/s. Optimend Sales & Distribution Network Pvt Ltd	74,15,254	3,50,00,000
2	M/s. M Pot Energy Ventures Pvt Ltd	74,15,254	3,50,00,000
3	Mr. PVBLN Reddy	31,77,966	1,50,00,000
4	Mr. Pramod Mandalapu	31,77,966	1,50,00,000

**RESOLVED FURTHER THAT** the Board is hereby authorised to offer, issue and allot requisite number of CCD Shares to the holders of CCDs upon conversion.

**RESOLVED FURTHER THAT** the CCDs being offered, issued and allotted to **Investor 1, Investor 2, Investor 3 and Investor 4** by way of a preferential issue shall *inter alia* be subject to the following:

- (i) The CCD Shares to be issued and allotted to **Investor 1, Investor 2, Investor 3 and Investor 4** shall be in dematerialised form and shall be subject to the provisions of the Memorandum and Articles of Association of the Company. CCDs to be offered, issued and allotted to **Investor 1, Investor 2, Investor 3 and Investor 4** shall be either in physical form or in dematerialised form and shall be subject to the provisions of the Memorandum and Articles of Association of the Company;
- (ii) The CCD Shares shall rank *paripassu* with the existing equity shares of the Company in all respects including as to dividend;
- (iii) The “Relevant Date” for the offer, issue and allotment of CCDs by way of a preferential basis, as per the SEBI Regulations, for the determination of the minimum price for the issue of the CCDs and CCD Shares is Monday, 31<sup>st</sup> August 2015, being 30 days prior to the date of this Annual General Meeting;
- (iv) The CCDs and CCD Shares to be offered, issued and allotted shall be subject to lock-in as provided under the provisions of SEBI Regulations;
- (v) Each CCD shall be automatically and compulsorily converted into one CCD Share within a period of 18 (eighteen) months from the date of their allotment; and
- (vi) CCD Shares will be listed subject to the receipt of the necessary regulatory permissions and approvals.

**RESOLVED FURTHER THAT** subject to the provisions of SEBI Regulations and other applicable laws, the Board be and is hereby authorized to decide and approve terms and conditions of the issue of the CCDs including the time, mode and manner of conversion of CCDs into CCD Shares and to vary, modify or alter any of the terms and conditions, including size of the preferential issue to **Investor 1, Investor 2, Investor 3 and Investor 4** as it may deem expedient.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as the Board may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation to issue clarifications on the offer, issue and allotment of CCDs and conversion of CCDs into CCD Shares, to execute all such writings and instruments and enter into arrangement/ agreements as the Board may in its absolute discretion deem necessary or desirable for purposes of this resolution, to settle all questions, difficulties or doubts that may arise in regard to the offer, issue and allotment of CCDs, conversion of CCDs into CCD Shares and utilisation of proceeds of CCDs, take all others steps which may be incidental, consequential, relevant or ancillary in this connection and to effect any modification to the foregoing in the best interests of the Company and its shareholders.

**RESOLVED FURTHER THAT** the Board be and is hereby also authorised to delegate all or any of its powers to any officer(s) or authorized signatory(ies) of the Company to give effect to this resolution including execution of any documents on behalf of the Company and to represent the Company before any governmental authorities and to appoint any merchant bankers or other professional advisors, consultants and legal advisors to give effect to the aforesaid resolution.”

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Item no: 8

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

**“RESOLVED THAT** pursuant to Section 62 (1) (C) & Section 42 and all other applicable provisions, if any, of the Companies Act, 2013 read with the enabling provisions of the Memorandum and Articles of Association of the Company and subject to the regulations/rules/guidelines issued by the Securities and Exchange Board of India (SEBI), Listing Agreement entered into with the Stock Exchanges and subject to such approvals, consents, permissions and sanctions of all other appropriate and / or concerned authorities and departments, if any, and subject to such conditions and modifications as may be prescribed by any of them in granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “Board” which term shall be deemed to include any Committee constituted/to be constituted by the Board to exercise its powers conferred by this Resolution), which the Board be and is hereby authorized to accept, if it thinks fit in the interest of the Company, the consent of the Company be and is hereby accorded to the Board to offer, issue, allot and deliver **3,00,000** (Three Lakhs only) Equity warrants on preferential basis at a price of **4.72 /- (Four Rupees Seventy Two Paise only)** including a premium of **Rs.2.72 /- (Two Rupee Seventy Two Paise only)** in one or more tranches, convertible into 3,00,000 (Three Lakhs only) equity shares (One Equity Share for one warrant issued) of the Company of the face value of Rs.2/- each to Mr. Madhu Mohan Venkat Katikineni for cash which shall upon conversion rank pari-passu with the existing equity shares of the Company, in such form and manner and upon such terms and conditions as may be determined by the Board in accordance with SEBI (ICDR) Regulation, 2009 or other provisions of the law as may be prevailing at the time; provided that the minimum price of the warrants so issued shall not be less than the price arrived at in accordance with provisions of Chapter VII of SEBI (ICDR) Regulations, 2009.

**RESOLVED FURTHER THAT** the 'Relevant Date' for the purpose of determining the issue price of warrants is 31 August 2015, being 30 days prior to the date of Annual General Meeting (AGM) in pursuance of SEBI (ICDR) Regulation, 2009.

**RESOLVED FURTHER THAT**

- a) Each warrant be convertible into one equity share can be exercised at any time within a period of 18 months from the date of issue of such Warrants and on such other terms and conditions, subject to SEBI (ICDR) Regulation, 2009, as may be applicable, from time to time.
- b) In accordance with Chapter VII of SEBI (ICDR) Regulations, 2009, 25% of the consideration payable for the warrants (and the equity shares into which they are converted), shall be paid by the proposed allottees to the Company upon issue and allotment of the warrants.
- c) The amount paid on issue of warrants shall be forfeited if the warrants are not exercised within a period of 18 months from the date of issue of warrants.
- d) Equity Shares to be issued and allotted by the Company on exercising of the option against the warrants shall rank pari-passu in all respects with the then existing fully paid-up Equity Shares of the Company.

**RESOLVED FURTHER THAT** the Board be and are hereby authorized to do all such acts, deeds and things as may be necessary to give effect to this resolution and accept any alteration (s) or amendment (s) or corrections as they may deem fit and appropriate and give such directions/instructions as may be necessary to settle any questions, difficulties or doubts that may arise in regard to the offer, issue or allotment of the said securities and with a power to change the number of warrants hereby created, issued and offered to the person (s) referred above and within the limit mentioned above and also to seek listing of such securities at the Stock Exchanges where their existing securities are listed.

By Order of the Board of Directors

Hyderabad  
31<sup>st</sup> August 2015

**CS Suresh Bachalakura**  
Company Secretary



## NOTICE

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### NOTES:

1. The statement pursuant to Section 102(1) of the Companies Act, 2013 in respect of the special business set out in the Notice, is annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of him and such proxy need not be a member of the company. Proxies in order to be effective must be received by the company not less than 48 hours before the commencement of the meeting  

A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or member.
3. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
4. During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged with the Company, at any time during the business hours of the Company, provided that not less than three days of notice in writing is given to the Company
5. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
6. The Register of Members and Share Transfer Books of the company will remain closed from 24-09-2015 to 30-09-2015 (both days inclusive).
7. To avoid inconvenience to members and to facilitate smooth conduct of the meeting, entry to the place of meeting will be only for members / proxies and is regulated by the attendance slip appended to the proxy form. Members are requested to affix their signature on it and hand it over at the entrance.
8. Members, who hold shares in de-materialized form, are requested to bring their Client ID and DP Id No's for easier identification of attendance at the meeting.
9. A member desirous of getting any information on the accounts or operations of the company is requested to forward his/her queries to the company at least seven working days prior to the meeting. So that the required information can be made available at the meeting.
10. Members are requested to notify immediately any change in their address to the company or to the Share Transfer Agents and in case their shares are held in dematerialized form, this information should be passed onto their respective Depository Participants without any delay.
11. In all correspondence with the company, members are requested to quote their folio numbers and in case their shares are held in dematerialized form they must quote their Client ID Number and their DP ID Number.
12. Members are requested to carry their copies of Annual Report as these will not be supplied at the meeting.
13. Trading in the equity shares of the company is in the compulsory demat form. Those members who have not demated their shares are requested to open the demat accounts with the depositories and get the shares demated at the earliest.
14. Electronic copy of the Notice of the 16th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form 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 Notice of the 16th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.
15. Pursuant to Section 108 of Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014, as substituted by the Companies (Management and Administration) Amendment Rules, 2015 and the Clause 35B of the Listing Agreement the Company is pleased to provide members' facility to exercise their right to vote at the 16th Annual General Meeting ("AGM") by electronic means and the business may be transacted through e-voting services provided by Karvy Computer share Private Limited ("Karvy").

## NOTICE

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16. It may be noted that this e-voting facility is optional. The e-voting facility will be available at the link <http://evoting.karvy.com>. Shareholders can cast their vote online from 9 a.m. on 27th September, 2015 to 5 p.m. on 29th September, 2015. During the period, shareholders of the company holding shares either in dematerialized or physical form as on the cut-off date of 23rd September 2015, may cast their vote electronically.
  17. The login ID and password for e-voting along with process, manner and instructions for e-voting is being sent to the members who have not registered their e-mail IDs with the Company / their respective Depository Participants along with physical copy of the Notice. Those members who have registered their e-mail IDs with the Company / their respective Depository Participants are being forwarded the login ID and password for e-voting along with process, manner and instructions by e-mail.
  18. The Company has appointed Mr. CS Puttaparthi Jaganatham, advocate as Scrutinizer for conducting the remote e-voting and Insta Poll process for the Annual General Meeting in a fair and transparent manner.
  19. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date, i.e. 23rd September, 2015 only shall be entitled to avail the facility of remote e-voting / Ballot.
  20. The facility for voting, through ballot or polling paper is available at the meeting and members attending the meeting who have not already cast vote by remote e-voting shall be able to exercise their rights at the meeting.
  21. The members who have cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.
  1. Any person who becomes a member of the Company after dispatch of the Notice of the Meeting and holding shares as on the cut-off date i.e. 23rd September, 2015, may obtain the User ID and password in the manner as mentioned below:
    - a. If the mobile number of the member is registered against Folio No. / DP ID Client ID, the member may send SMS : MYEPWD <space> E-Voting Event Number+Folio No. or DP ID Client ID to 9212993399  
  
Example for NSDL:  
MYEPWD <SPACE> IN12345612345678  
Example for CDSL :  
MYEPWD <SPACE> 1402345612345678  
Example for Physical :  
MYEPWD <SPACE> XXXX1234567890
    - b. If e-mail address or mobile number of the member is registered against Folio No. / DP ID Client ID, then on the home page of <https://evoting.karvy.com>, the member may click "Forgot Password" and enter Folio No. or DP ID Client ID and PAN to generate a password.
    - c. Member may call Karvy's toll free number 1-800-3454-001
    - d. Member may send an e-mail request to <https://evoting.karvy.com>.

If the member is already registered with Karvy e-voting platform then he can use his existing User ID and password for casting the vote through remote e-voting.

1. The remote e-voting facility will be available during the following period:  
Commencement of remote e-voting : From 9.00 a.m. (IST) on September 27, 2015  
End of remote e-voting : Up to 5.00 p.m. (IST) on September 29, 2015  
The remote e-voting will not be allowed beyond the aforesaid date and time and the e-voting module shall be disabled by Karvy upon expiry of aforesaid period.
  2. The Scrutinizer, after scrutinizing the votes cast at the meeting (Insta Poll) and through remote e-voting, will, not later than three days of conclusion of the Meeting, make a consolidated scrutinizer's report and submit the same to the Chairman. The results declared along with the consolidated scrutinizer's report shall be placed on the website of Karvy <https://evoting.karvy.com>. The results shall simultaneously be communicated to the Stock Exchanges.
  3. Subject to receipt of requisite number of votes, the Resolutions shall be deemed to be passed on the date of the Meeting, i.e. September 30, 2015.
  4. Instructions and other information relating to remote e-voting:
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## NOTICE

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1. (i) In case a member receives an e-mail from Karvy [for members whose e-mail addresses are registered with the Company / Depository Participant(s)]:
    - (a) Launch internet browser by typing the URL: <https://evoting.karvy.com>
    - (b) Enter the login credentials (i.e. User ID and password) which will be sent separately. The E-Voting Event Number+Folio No. or DP ID Client ID will be your User ID.

However, if you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote. If required, please visit <https://evoting.karvy.com> or contact toll free number 1-800-3454-001 for your existing password.
    - (c) After entering these details appropriately, click on "LOGIN".
    - (d) You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric (0-9) and a special character (@, #, \$, etc.). The system will prompt you to change your password and update your contact details like mobile number, email address, etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.
    - (e) You need to login again with the new credentials.
    - (f) On successful login, the system will prompt you to select the E-Voting Event Number for MosChip Semiconductor Technology Limited.
    - (g) On the voting page enter the number of shares (which represents the number of votes) as on the cut-off date under "FOR/ AGAINST" or alternatively, you may partially enter any number in "FOR" and partially in "AGAINST" but the total number in "FOR/ AGAINST" taken together should not exceed your total shareholding as on the cutoff date. You may also choose the option "ABSTAIN" and the shares held will not be counted under either head.
    - (h) Members holding shares under multiple folios / demat accounts shall choose the voting process separately for each of the folios / demat accounts.
    - (i) Voting has to be done for each item of the Notice separately. In case you do not desire to cast your vote on any specific item it will be treated as abstained.
    - (j) You may then cast your vote by selecting an appropriate option and click on "Submit".
    - (k) A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, members can login any number of times till they have voted on the Resolution(s).
    - (l) Corporate / Institutional Members (i.e. other than Individuals, HUF, NRI, etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution / Power of Attorney / Authority Letter, etc., together with attested specimen signature(s) of the duly authorized representative(s), to the Scrutinizer at e-mail ID: [pjagan123@gmail.com](mailto:pjagan123@gmail.com). They may also upload the same in the e-voting module in their login. The scanned image of the above mentioned documents should be in the naming format "Corporate Name\_ EVENT NO."
  - (ii) In case a member receives physical copy of the Notice by Post [for members whose e-mail addresses are not registered with the Company / Depository Participant(s)]:
    - a) User ID and initial password - These will be sent separately.
    - b) Please follow all steps from Sr. No. (a) to (l) as mentioned in (A) above, to cast your vote.
2. Once the vote on a resolution is cast by a member, the member shall not be allowed to change it subsequently or cast the vote again.
  3. In case of any query pertaining to e-voting, please visit Help & FAQ's section available at Karvy's website <https://evoting.karvy.com>.
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**Explanatory Statement**

**[Pursuant to Section 102(1) of the Act, the following Explanatory Statement sets out material facts relating to the business under Item Nos. 4,5,6,7 and 8 of the accompanying Notice dated 31<sup>st</sup> August, 2015 convening the 16<sup>th</sup> Annual General Meeting of the Company scheduled for September 30, 2015.]**

**Item No. 4:**

Mr. K. Ramachandra Reddy was appointed Chairman & CEO of the Company for a period of 3 years at the 13th Annual General Meeting of the Company held on September 30, 2012. The appointment is valid up to 31 August, 2015. The Board of Directors of the Company at its meeting held on August 31, 2015, subject to the approval of the members of the Company, approved the re-appointment of Mr. Ramachandra Reddy Chairman & CEO of the Company for a period of 5 years commencing from September 1, 2015. Mr. K. Ramachandra Reddy has been on the Board of Directors of the Company since incorporation and providing his strategic and Technological expertise to the Company. Mr. K. Ramachandra Reddy is a graduate in Electrical Engineering from IIT, Madras and holds an M.S.E.E. degree from University of Wisconsin, Madison, Wisconsin. He has over 34 years of experience in Silicon Valley in the areas of design, manufacturing and marketing of various integrated circuits (ICs). He has successfully started several semiconductor design companies and sold them to larger companies in the last 18 years. His ventures included Lotus Designs Corp., Silicon Logic and Startech Semiconductor, all of which were based in Silicon Valley. Prior to starting his first company in 1982, he worked as a Section Manager at American Micro Systems in Santa Clara, California. He was responsible for designing the world's first DSP chip. Ram has extensive experience in sub-contracting manufacturing needs of semiconductors and marketing these products worldwide. His customer list included major PC manufacturers such as Compaq Computers and communication technology companies such as Nokia Systems out of Finland.

The draft agreement between the Company and Mr. K. Ramachandra Reddy is open for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all days except Saturdays, Sundays and holidays, until the date of the Annual General Meeting or any adjournment thereof.

The number of Board/Committee meetings attended by Mr. K. Ramachandra Reddy during the financial year is disclosed in the Corporate Governance Report annexed to the Directors' Report.

An Ordinary Resolution in terms as set out in Item No. 3 of the accompanying Notice is placed before the members in the Meeting for approval.

Except Mr. K. Ramachandra Reddy, being an appointee, none of the Directors or KMP of the Company or their relatives is concerned or interested, financially or otherwise, in this resolution. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchange

**Item No. 5:**

Mr. C. Dayakar Reddy was appointed Managing Director of the Company for a period of 3 years at the 13th Annual General Meeting of the Company held on September 30, 2012. The appointment is valid up to 31 August, 2015. The Board of Directors of the Company at its meeting held on 31<sup>st</sup> August, 2015, subject to the approval of the members of the Company, approved the re-appointment of Mr. C. Dayakar Reddy Managing Director of the Company for a period of 5 years commencing from September 1, 2015. Mr. C. Dayakar Reddy has been on the Board of Directors of the Company since incorporation and providing his strategic and Technological expertise to the Company. Mr. C. Dayakar Reddy is a post-graduate in Electronics Engineering from California State University, San Jose, USA (1985). He has over 16 years of experience in Silicon Valley, USA. He started his career with Cirrus Logic, Fremont, USA and held Senior Management positions in Engineering. He founded his own company in 1994, Future Integrated Systems. He sold his company to National Semiconductors in 1997 and worked with them as Director of Systems Engineering till early 1999

The draft agreement between the Company and Mr. C. Dayakar Reddy is open for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all days except Saturdays, Sundays and holidays, until the date of the Annual General Meeting or any adjournment thereof.

The number of Board/Committee meetings attended by Mr. C. Dayakar Reddy during the financial year is disclosed in the Corporate Governance Report annexed to the Directors' Report.

An Ordinary Resolution in terms as set out in Item No. 3 of the accompanying Notice is placed before the members in the Meeting for approval.

Except Mr. C. Dayakar Reddy, being an appointee, none of the Directors or KMP of the Company or their relatives is concerned or interested, financially or otherwise, in this resolution. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchange

## NOTICE

Name of The Director	K. Ramachandra Reddy	C. Dayakar Reddy
Date of Birth	04 Jan 1949	08 Jan 1962
Date of Appointment	27 July 1999	27 July 1999
Qualifications	Electrical Engineering from IIT, Madras M.S.E.E. degree from University of Wisconsin	Post-Graduate in Electronics Engineering from California State University
Expertise in specific functional areas	He has over 34 years of experience in Silicon Valley in the areas of design, manufacturing and marketing of various integrated circuits (ICs). He has successfully started several semiconductor design companies and sold them to larger companies in the last 18 years. His ventures included Lotus Designs Corp., Silicon Logic and Startech Semiconductor, all of which were based in Silicon Valley. Prior to starting his first company in 1982, he worked as a Section Manager at American Micro Systems in Santa Clara, California. He was responsible for designing the world's first DSP chip. Ram has extensive experience in subcontracting manufacturing needs of semiconductors and marketing these products worldwide. His customer list included major PC manufacturers such as Compaq Computers and communication technology companies such as Nokia Systems out of Finland.	He has over 16 years of experience in Silicon Valley, USA. He started his career with Cirrus Logic, Fremont, USA and held Senior Management positions in Engineering.. He founded his own company in 1994, Future Integrated Systems. He sold his company to National Semiconductors in 1997 and worked with them as Director of Systems Engineering till early 1999.
List of Companies in which outside Directorship held as on 31.03.2015	NIL	Speed Projects And Infrastructure Private Limited
Chairman/Member of the Committees of other Companies on which he/she is a Member as on 31.03.2015	NIL	NIL
Number of equity shares held in the Company	3050037	583920

### Item No. 6, 7 & 8

#### BRIEF NOTE ON COMPANY OPERATIONS AND JUSTIFICATION FOR ISSUE

Your Company has a proven track record of designing, developing, marketing and sale of very complex Application Specific Integrated Circuits (ASIC's) and System on Chip (SOC) for PC Peripheral, Data Communication and Consumer Electronics segments. The Company has been working on a very complex custom System on chip (SOC) from a domestic customer. Considering the high growth in Defence Sector and 'Make in India' and 'Made in India' policy of current Central Government the fresh investment in the Company will help in providing services to various Defense contracts which are high value and require large working capital. It further helps in increasing the technical pool to service opportunities with existing clients and tap new customers. The equity infusion will also strengthen the Company's balance sheet and reduce interest costs for the Company besides meeting working capital requirement. It is therefore proposed to raise funds through preferential issue of;

- 1) 4,978,813 (Forty Nine Lakhs Seventy Eight Thousand Eight Hundred and Thirteen Only) Equity Shares to Mr. K. Ramachandra Reddy and Mr. K Sandeep Reddy,
- 2) 21,186,440 (Two Crores Eleven Lakhs Eighty Six Thousand Four Hundred and Forty Only) Compulsory Convertible Debentures to M/s Optimend Sales & Distribution Network Pvt Ltd (hereinafter referred to as the "Investor 1"), M/s M Pot Energy Ventures Pvt Ltd (hereinafter referred to as the "Investor 2"), Mr. PVBLN Reddy (hereinafter referred to as the "Investor 3") and Mr. Pramod Mandalapu (hereinafter referred to as the "Investor 4") and collectively called as "investors".
- 3) 300,000 (Three Lakhs only) convertible warrants to Mr. Madhu Mohan Venkat Katikineni for cash.

**Salient features of the preferential issue are as under:**

**Item No. 6: Issue of Equity Shares.**

Allotment of the Issue Shares to Mr. K. Ramachandra Reddy and Mr. K Sandeep Reddy (hereinafter referred as "Issue Shares") would be made at a price of **Rs. 4.72/- (Four Rupees Seventy Two Paise only)** per equity share comprising Rs. 2/- (Rupees Two only) towards the face value of each equity share and Rs. 2.72 /- (Two Rupees Seventy Two Paise only) towards securities premium per equity share.

**Proposed allotment details:**

S. No	Name of The Proposed Allottee	No. of Equity Shares to be issued	Aggregate Value In Rupees
1	Mr. K. Ramchandra Reddy	25,42,373	1,20,00,000
2	Mr. K. Sandeep Reddy	24,36,440	1,15,00,000

**Item No. 7: Issue of Compulsory Convertible Debentures**

Allotment of 2,11,86,440 (Two Crore Eleven Lakhs Eighty Six Thousand Four Hundred and Forty Only) Compulsorily Convertible Debentures of face value of **Rs. 4.72/- ( Four Rupees Eighty Paise only)** each at par aggregating to Rs. 10,00,00,000 (Rupees Ten Crore only) (hereinafter referred to as "CCDs"), with each CCD convertible into 1 (One) equity share at a conversion price of Rs. Rs. 4.72 /- ( Four Rupees Seventy Two Paise only) per equity share (hereinafter referred to as "CCD Shares"), comprising Rs. 2/- (Rupees Two only) towards the face value of each CCD share and Rs. 2.72 /- (Two Rupees Seventy Two Paise only) towards securities premium per each CCD shares to the below proposed Investors.

**Proposed allotment details:**

S. No	Name of The Proposed Allottee	No. of CCDs to be issued	Aggregate Value In Rupees
1	M/s. Optimend Sales & Distribution Network Pvt Ltd	74,15,254	3,50,00,000
2	M/s. M Pot Energy Ventures Pvt Ltd	74,15,254	3,50,00,000
3	Mr. PVBLN Reddy	31,77,966	1,50,00,000
4	Mr. Pramod Mandalapu	31,77,966	1,50,00,000

**Item No. 8: Issue of Equity Warrants**

Allotment of the Equity warrants on preferential basis to Mr. Madhu Mohan Venkat Katikineni would be made at a price of Rs. 4.72 /- (Five Rupee Eighty Paise only) per Equity warrant comprising Rs. 2/- (Rupees Two only) towards the face value of Equity warrant and Rs. 2.72 /- (Two Rupee Seventy Two Paise only) towards securities premium per Equity warrant. The total issue size assuming allotment of 3,00,000 (Three Lakhs only) Equity warrants is Rs. 14,16,000 (Rupees Fourteen Lakhs Sixteen Thousand only).

- The letter of intent from the aforesaid proposed allottees agreeing to subscribe to the offer has been received. Apart from Mr. K. Ramachandra Reddy, promoter of the company, none of the other promoters, Directors and Key Management Personnel of the company will subscribe to the proposed offer.
- The "Relevant Date" as per SEBI Regulations for determining the minimum price for the preferential offer is Monday, 31<sup>st</sup> August 2015, being 30 days prior to the date of the 16<sup>th</sup> Annual General Meeting.
- The issue price of Rs.4.72/- (Four Rupees Seventy Two paise only) at which proposed securities are to be allotted is higher than the minimum price as per the SEBI pricing formula.
- The price of the Issue Shares to be allotted to Mr. K. Ramachandra Reddy and Mr. K Sandeep Reddy, CCD' s issued to Investors; and Equity Warrants issued to Mr. Madhu Mohan Venkat Katikineni has been arrived at based on the minimum price determined under the SEBI Regulations and an additional premium agreed to between the Company and Mr. K. Ramachandra Reddy, Mr. K. Sandeep Reddy, Investors and Mr. Madhu Mohan Venkat Katikineni under the provisions of first proviso to Rule 13(1) of the Companies (Share Capital and Debenture) Rules, 2014.
- The Company undertakes that if required, the price shall be re-computed in terms of the provisions of the SEBI (ICDR) Regulations. If the amount payable upon the re-computation is not paid within the stipulated time as mentioned in the SEBI (ICDR) Regulations, the specified securities shall continue to be locked-in till such amount is payable by the allottees.

## NOTICE

- The allotment of Equity Shares, CCDs and Equity Warrants shall be completed within a period of 15 days from the date of passing of resolution by the shareholders provided that where the allotment is pending on account of pendency of any approval from any regulatory authority / body, the allotment shall be completed by the company within a period of 15 days from the date of such approval.
- The CCDs shall be converted into 21,186,440 (Two Crores Eleven Lakhs Eighty Six Thousand Four Hundred and Forty Only) equity shares of the Company within a period of 18 (eighteen) months from the date of their allotment.
- The entire amount payable on the Issue Shares, CCDs shall be received by the Company prior to allotment.
- In accordance with Chapter VII of SEBI (ICDR) Regulations, 2009, 25% of the consideration payable for the warrants (and the equity shares into which they are converted), shall be paid by the proposed allottees to the Company upon issue and allotment of the warrants.
- The amount paid on issue of warrants shall be forfeited if the warrants are not exercised within a period of 18 months from the date of issue of warrants.
- Post allotment of the Issue Shares, CCDs & Convertible Warrants, the increase in equity share capital would be Rs. 145,001,542/- (Rupees Fourteen Crores Fifty Lakhs One Thousand Five Hundred and Forty Two only) and the increase in securities premium, would be Rs. 71,985,492/- (Rupees Seven Crores Nineteen Lakhs Eighty five Thousand Four Hundred and Ninety Two only).
- There will be no change in control of the company upon the allotment of the issue of Shares and CCDs Shares consequent to the preferential issue.

### Lock-in period:

The Issue Shares to be offered issued and allotted to Mr. K. Ramachandra Reddy and Mr. K Sandeep Reddy, CCDs issued to Investors; and Equity warrants issued to Mr. Madhu Mohan Venkat Katikineni be subject to Lock-in as provided under the provisions of SEBI Regulations.

The entire pre preferential shareholding of the above allottee, if any shall be locked-in from the relevant date up to the period of 6 months from the date of trading approval as per Regulation 78 (6) of the SEBI (ICDR) Regulations.

### Listing:

The Company will make an application to the stock exchanges at which the existing shares are listed, for listing of the Issue Shares Such Issue Shares once allotted, CCDs and Equity Warrants upon conversion, will rank *paripassu* with the existing equity shares of the Company in all respects, including dividend.

### Shareholding pattern before and after the proposed issue is as follows:

Category	Pre-Issue Equity Shareholding		After Allotment of Equity Shares		After Allotment of Warrants Shares		After Allotment of CCD Shares \	
	No. of shares	% of Holding	No. of shares	% of Holding	No. of shares	% of Holding	No. of shares	% of Holding
<b>(A) Shareholding of Promoter &amp; Promoter Group</b>								
<b>1. Indian</b>								
Individuals/Hindu Undivided Family (Including Persons Acting in concert)	168156	0.37	168156	0.33	168156	0.33	168156	0.23
<b>Sub- Total (A) (1)</b>	<b>168156</b>	<b>0.37</b>	<b>168156</b>	<b>0.33</b>	<b>168156</b>	<b>0.33</b>	<b>168156</b>	<b>0.23</b>
<b>2. Foreign</b>								
Individuals(NRI's)/Foreign individuals Including Persons Acting in concert)	8315812	18.06	10858185	21.28	10858185	21.16	10858185	14.98
<b>Sub- Total (A) (2)</b>	<b>8315812</b>	<b>18.06</b>	<b>10858185</b>	<b>21.28</b>	<b>10858185</b>	<b>21.16</b>	<b>10858185</b>	<b>14.98</b>
<b>Total Shareholding of Promoter &amp; Promoter Group(A)=(A)(1) + (A) (2)</b>	<b>8483968</b>	<b>18.43</b>	<b>11026341</b>	<b>21.61</b>	<b>11026341</b>	<b>21.49</b>	<b>11026341</b>	<b>15.21</b>

**NOTICE**

<b>(B) Public Share Holdings</b>								
<b>1. Institutions</b>								
Financial Institutions/ Banks	150	0.00	150	0.00	150	0.00	150	0.00
FIIIs	0	0.00	0	0.00	0	0.00	0	0.00
<b>Sub- Total (B) (1)</b>	<b>150</b>	<b>0.00</b>	<b>150</b>	<b>0.00</b>	<b>150</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>
<b>2. Non-Institutions</b>								
Bodies Corporate	4962940	10.78	4962940	9.73	4962940	9.67	19793448	27.30
Individuals								
Individuals- Shareholders holding nominal share capital up to Rs.1 Lakh	23669743	51.42	23669743	46.40	23669743	46.13	23669743	32.65
Shareholders holding nominal share capital in excess of Rs.1 Lakh	8343854	18.12	10780295	21.13	11080295	21.59	17436227	24.05
Any Other (specify)-NRI	529659	1.15	529659	1.04	529659	1.03	529659	0.73
CLEARING MEMBER	45203	0.10	45203	0.09	45203	0.09	45203	0.06
<b>Sub- Total (B) (2)</b>	<b>37551399</b>	<b>81.57</b>	<b>39987840</b>	<b>78.39</b>	<b>40287840</b>	<b>78.51</b>	<b>61474280</b>	<b>84.79</b>
<b>(B). Total Public Shareholding (B) = (B)(1) + (B) (2)</b>	<b>37551549</b>	<b>81.57</b>	<b>39987990</b>	<b>78.39</b>	<b>40287990</b>	<b>78.51</b>	<b>1474430</b>	<b>84.79</b>
<b>GRAND TOTAL (A+B)</b>	<b>46035517</b>	<b>100</b>	<b>51014331</b>	<b>100</b>	<b>51314331</b>	<b>100</b>	<b>72500771</b>	<b>100</b>

- \*\* a) The number of shares and percentage of post issue may undergo change based on the exact number of shares that may be allotted.
- b) The proposed allottees have stated that they are not related to any other allottee and are not acting in concert with each other

**Certificate from Auditors:**

The certificate issued by M/s. Gokhale & C, Chartered Accountants, Statutory Auditors of the Company as to the pricing of the Issue Shares, Issue CCDs and Issue Equity Warrants in this preferential issue and certifying that this preferential issue is being made in accordance with the requirements contained in Chapter VII of the SEBI Regulations, will be placed before the shareholders at the meeting and will be kept open for inspection in the manner indicated in Note 9 above. As it is proposed to issue equity shares and convertible securities of the Company on a preferential basis, it is required to be approved by the shareholders by way of a special resolution pursuant to the provisions of Section 62 of the Companies Act, 2013, rules there under and Chapter VII of the SEBI Regulations. The directors recommend the resolution in Item No. 6, 7 & 8 above for approval and adoption.

Mr. K. Ramachandra Reddy, Chairman & CEO, Promoter of the Company, together with their relatives shall be deemed to be concerned or interested in the proposed Resolution in Item No. 6, apart from the above, no other Directors, Key Managerial Persons (KMPs) of the Company or any relatives of such Director or KMPs, shall be deemed to be concerned or interested in the proposed Resolutions in Item No.6, 7 & 8 except to the extent of shares held by any of them in the Company.

By Order of the Board of Directors

Hyderabad  
31<sup>st</sup> August 2015

**CS Suresh Bachalakura**  
Company Secretary



## DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting the Sixteenth Annual Report together with the Audited Accounts (including consolidated accounts) of the Company for the year ended 31<sup>st</sup> March 2015.

### Financial Results

(Rs. In Lakhs)

	Year ended 31 March 2015		Year ended 31 March 2014	
	Standalone	Consolidated	Standalone	Consolidated
Total Income	587.98	620.81	705.29	770.78
Operating Profit before Depreciation & Tax	(414.17)	(423.78)	(635.09)	(857.25)
Less: Depreciation	40.00	40.16	36.07	36.48
Profit before Tax	(454.17)	(463.94)	(671.15)	(893.73)
Less: provision for FBT	0	0	0	0
Profit after Tax before extraordinary and Prior period item	(454.17)	(463.94)	(671.15)	(893.73)
Less: Extraordinary and prior period item	0	0	86.13	86.13
Profit after tax after extraordinary and Prior period item	(454.17)	(463.94)	(757.28)	(979.86)
Earnings per Share (EPS)				
Before extraordinary and prior period item				
Basic	(0.99)	(1.01)	(1.46)	(1.94)
Diluted	(0.99)	(1.01)	(1.46)	(1.94)
After extraordinary and prior period item				
Basic	(0.99)	(1.01)	(1.65)	(2.13)
Diluted	(0.99)	(1.01)	(1.65)	(2.13)

### Operations

The consolidated income of the Company was Rs. 6.21 Crores and the consolidated loss was Rs. 4.64 Crores.

#### MosChip India

The Company has been building the services space in software and customer specific chip development. The company leveraging its vast product development experience has successfully bid on a very complex SOC chip for the Indian defense lab. The company sees very large opportunities in the defense sector with multi fold growth opportunities while the software services offer a very steady growth.

#### Subsidiaries, Joint Ventures and Associate Companies

In accordance with Section 129(3) of the Companies Act, 2013, a statement containing salient features of the financial statements of the subsidiary companies in Form AOC-1 is enclosed as **Annexure – A** of the Board's Report.

#### Dividend

The company has not declared any dividend during the year under review.

#### Increase/Decrease in Share Capital

The Company has only one class of shares. The Company has not allotted any shares during the year under review. However during the year the Company has proposed for Scheme of Capital Reduction. Under this Scheme the Company reduced Face Value of its equity shares from Rs.10/- to Rs.2/- per share. The reduction in share capital amounting to Rs. 368,284,136/- and the balance standing in the share premium account of Rs. 666,633,920/- has been used to set off accumulated losses to the extent of Rs. 1,034,918,056. After the reduction, the paid up share capital stands at Rs. 92,071,034 as on 31 March 2015.

### **Marketing and distribution**

The company has transformed into value added services and has made steady inroads into very large Tier-1 customers including domestic customers. The Company has bagged a very complex custom System on a Chip (SOC) from a domestic customer despite stiff competition from the leading service providers. This chip is to be fabricated using the state of the art 40nm Low Power CMOS technology. The company is increasing focus on Defence projects. The Company is continuing to look for some critical joint ventures and pursuing these vigorously.

### **Material changes and commitments if any affecting the financial position of the Company occurred between the end of the financial year to which this Financial Statements relate and the date of the report**

There have been no material changes and commitments, affecting the financial position of the Company which occurred during between the end of the financial year to which the financial statements relate and the date of this report.

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

There are no significant material orders passed by the Regulators/ Courts which would impact the going concern status of the Company and its future operations

### **Transfers to Reserves**

In view of the loss, your Board of Directors does not appropriate any amount to be transferred to General Reserves during the year under review.

### **Buy Back of Securities**

The Company has not bought back any of its securities during the year under review.

### **Sweat Equity**

The Company has not issued any Sweat Equity Shares during the year under review.

### **Bonus Shares**

The Company has not issued any bonus shares during the year under review.

### **Listing with Stock Exchanges**

The Company confirms that it has paid the Annual Listing Fee for the year 2015-16 to BSE where the Company's Shares are listed.

### **Dematerialization of Shares**

**90.95%** of the company's paid up Equity Share Capital is in dematerialized form as on 31<sup>st</sup> March, 2015 and balance **9.05 %** is in physical form. The Company's Registrars are Karvy Computershare Pvt. Ltd., Karvy Selenium, Tower B, Plot No. 31 & 32, Financial District, Gachibowli, Hyderabad - 500 032, Telangana.

### **Number of Board Meetings held**

The Board of Directors duly met 6 times during the financial year from 1<sup>st</sup> April, 2014 to 31<sup>st</sup> March, 2015. The dates on which the meetings were held are as follows:

18<sup>th</sup> April, 2014, 29<sup>th</sup> May, 2014, 04<sup>th</sup> August, 2014, 08<sup>th</sup> August, 2014, 13<sup>th</sup> November, 2014 and 12<sup>th</sup> February, 2015.

### **Directors**

In terms of Articles of Association of the company Mr. C. Dayakar Reddy, Director and Mr. K. Ramchandra Reddy, Director retires by rotation at the ensuing Annual General Meeting and being eligible offers them self for re-appointment.

Dr. Vijaya Chandru (DIN: 00914988) resigned from the Board on 13th November 2014. The Board expresses its appreciation of the valuable contribution made by Dr. Vijaya Chandru during the tenure of his directorship.

**Appointment of Independent Directors** Your Directors state that Mr. G. Prasad, Mr. K. V. Ramana & Ms. Poornima Shenoy who have been appointed as Independent Director & Independent Women Director possess appropriate balance of skills, expertise and knowledge and are qualified for appointment as Independent Directors.

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

### **Familiarization programme for Independent Directors**

The Company pro-actively keeps its Directors informed of the activities of the Company, its management and operations and provides an overall industry perspective as well as issues being faced by the industry.

### **Board evaluation**

The Board of Directors has carried out an annual evaluation of its own performance, Board committees and individual directors pursuant to the provisions of the Act and the corporate governance requirements as prescribed by Securities and Exchange Board of India ("SEBI") under Clause 49 of the Listing Agreements ("Clause 49").

The performance of the Board was evaluated by the Board after seeking inputs from all the directors on the basis of the criteria such as the Board composition and structure, effectiveness of board processes, information and functioning, etc.

The performance of the committees was evaluated by the board after seeking inputs from the committee members on the basis of the criteria such as the composition of committees, effectiveness of committee meetings, etc.

The Board and the Nomination and Remuneration Committee ("NRC") reviewed the performance of the individual directors on the basis of the criteria such as the contribution of the individual director to the Board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc. In addition, the Chairman was also evaluated on the key aspects of his role.

In a separate meeting of independent Directors, performance of non-independent directors, performance of the board as a whole and performance of the Chairman was evaluated, taking into account the views of executive directors and non-executive directors. The same was discussed in the board meeting that followed the meeting of the independent Directors, at which the performance of the Board, its committees and individual directors was also discussed.

### **Audit Committee**

The Composition of the Audit Committee is provided in the Corporate Governance Report forming part of this report. All the recommendations made by the Audit Committee were accepted by the Board.

### **Nomination and Remuneration Policy**

The Nomination and Remuneration Policy containing guiding principles for payment of remuneration to Directors, Senior Management, Key Managerial Personnel and other employees including Non-executive Directors along with Board Evaluation criteria are provided in the Corporate Governance Report.

### **Corporate Social Responsibility (CSR) Initiatives:**

Section 135 of the Companies Act, 2013 provides the threshold limit for applicability of the CSR to a Company ie. (a) networth of the Company to be ' 500 crore or more; or (b) turnover of the company to be ' 1,000 crore or more; or (c) net profit of the company to be ' 5 crore or more. As the Company does not fall under any of the threshold limits given above, the provisions of section 135 are not applicable to the Company.

### **Internal control systems and their adequacy:**

The Company maintains appropriate systems of internal control, including monitoring procedures, to ensure that all assets are safeguarded against loss from unauthorized use or disposition. Company policies, guidelines and procedures provide for adequate checks and balances and are meant to ensure that all transactions are authorized, recorded and reported correctly.

The Head of Internal Audit together with external audit consultants review the effectiveness and efficiency of these systems and procedures to ensure that all assets are protected against loss and that the financial and operational information is accurate and complete in all respects. The Audit Committee of the Board of Directors approves and reviews audit plans for the year based on internal risk assessment. Audits are conducted on an on-going basis and significant deviations are brought to the notice of the Audit Committee.

### **Employee Stock Option Plan**

During the year under report the company has eight schemes in operation as mentioned below, for granting stock options to the employees and directors of the company and its wholly owned subsidiary in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999.

- (a) MosChip Stock Option Plan – 2001
- (b) MosChip Stock Option Plan – 2002
- (c) MosChip Stock Option Plan – 2004
- (d) MosChip Stock Option Plan – 2005 (MI)
- (e) MosChip Stock Option Plan – 2005 (WOS)
- (f) MosChip Stock Option Plan – 2008
- (g) MosChip Stock Option Plan – 2008 (ALR)
- (h) MosChip Stock Option Plan – 2008 (Director)

## DIRECTORS' REPORT

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Disclosures pursuant to para 12 of the above referred SEBI guidelines are set out as **Annexure – B**, to this report.

### **Vigil Mechanism / Whistle Blower Policy**

In pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013, a Vigil Mechanism Whistle Blower Policy in line with listing agreement for directors and employees to report genuine concerns has been established. The Vigil Mechanism Policy has been uploaded on the website of the Company at [http://www.moschip.com/corporategovernance/Vigil Mechanism Policy link](http://www.moschip.com/corporategovernance/VigilMechanismPolicylink).

### **Fixed Deposits**

The company has not accepted any fixed deposits in terms of Section 73 of the Companies Act, 2013 from the public.

### **Auditors**

#### **Statutory Auditors and Auditors' Report**

M/s. Gokhale & Co., Chartered Accountants (Firm Registration No. 000942S) were re-appointed as the Statutory Auditors of the Company to hold office from the conclusion of the 15th Annual General Meeting (AGM) held on September 11, 2014 until the conclusion of the third consecutive AGM of the Company to be held in the year 2017 (subject to ratification of their appointment by the Members at every AGM held after the AGM held on September 11, 2014).

As required under the provisions of section 139(1) of the Companies Act, 2013, the Company has received a written consent from M/s. Gokhale & Co., Chartered Accountants to their appointment and a Certificate, to the effect that their appointment, if made, would be in accordance with the Companies Act, 2013 and the Rules framed thereunder and that they satisfy the criteria provided in section 141 of the Companies Act, 2013.

The Members are requested to ratify the appointment of the Statutory Auditors as aforesaid and fix their remuneration.

The Notes on Financial Statements referred to in the Auditors Report are self-explanatory and do not call for any further comments.

The Auditors' Report does not contain any qualification, reservation or adverse remark. The Statutory Auditors have not reported any incident of fraud to the Audit Committee of the Company in the year under review.

### **Secretarial Audit**

Pursuant to the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors has appointed M/s. B S S & Associates, Company Secretaries for conducting Secretarial Audit of the Company for the financial year 2014-2015. The Secretarial Audit Report is annexed herewith as **Annexure – C**.

The Secretarial Audit report does not contain any qualification, reservation or adverse remark

### **Conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo**

Information required under Section 134(3)(m) of the Act read with Rule 8(3) of the Companies (Accounts) Rules, 2014, with respect to conservation of energy, technology absorption and foreign exchange earnings/outgo is included in **Annexure D**.

### **Management Discussion & Analysis**

Pursuant to the provisions of Clause 49 of the Listing Agreement, a report on Management Discussion & Analysis is set out as **Annexure – E** to this report.

### **RELATED PARTY TRANSACTIONS:**

Related party transactions that were entered during the financial year were on an arm's length basis and were in the ordinary course of business. There were no materially significant related party transactions with the Company's Promoters, Directors, Management or their relatives, which could have had a potential conflict with the interests of the Company. Transactions with related parties entered by the Company in the normal course of business are periodically placed before the Audit Committee for its omnibus approval and the particulars of contracts entered during the year as per Form AOC-2 is enclosed as **Annexure-F**.

The Board of Directors of the Company has, on the recommendation of the Audit Committee, adopted a policy to regulate transactions between the Company and its Related Parties, in compliance with the applicable provisions of the Companies Act 2013, the Rules thereunder and the Listing Agreement. This Policy was considered and approved by the Board has been uploaded on the website of the Company at [http://www.moschip.com/corporategovernance /Related Party Policy link](http://www.moschip.com/corporategovernance/RelatedPartyPolicylink).

## DIRECTORS' REPORT

### Extract of Annual Return:

The details forming part of the extract of the Annual Return in form **MGT 9** is annexed herewith as **Annexure G**

### PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

### REMUNERATION RATIO OF THE DIRECTORS / KEY MANAGERIAL PERSONNEL (KMP) / EMPLOYEES:

The information required pursuant to Section 197 read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Companies (Particulars of Employees) Rules, 1975, in respect of employees of the Company and Directors is furnished hereunder:

S.No	Name	Designation	Remuneration Paid For the year 2014-15	Remuneration Paid For the year 2013-14	Increase in Remuneration of From Previous Year	Ratio/times for median Employee Remuneration
1	Mr. K. Ramachandra Reddy	Chairman & CEO	24,00,000	24,00,000	NIL	4.7
2.	Mr. C. Dayakar Reddy	Managing Director	24,00,000	24,00,000	NIL	4.7
3.	Mr. G. Prasad	Director	NIL	NIL	NIL	NIL
4	Mr. K. V. Ramana	Director	NIL	NIL	NIL	NIL
5	Mrs. Poomima Shenoy	Director	NIL	NIL	NIL	NIL
6	Mr. Damodar Bethamalla	Company Secretary	1,50,000	1,50,000	NIL	0.30

### Directors' Responsibility statement as per Section 134 (3) (C) of the Companies Act, 2013

The Board of Directors of MosChip states that:

- a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) The Directors had 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 2014-15 and of the loss of the company for that period;
- c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) The directors had prepared the annual accounts on a going concern basis;
- e) The Directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively;
- f) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### CORPORATE GOVERNANCE AND SHAREHOLDERS INFORMATION

The Company is committed to good corporate governance in line with the Listing Agreement and Provisions, Rules and Regulations of The Companies Act, 2013. The Company is in compliance with the provisions on corporate governance specified in the Listing Agreement with BSE. A certificate of compliance from Mr. Sompally Srikanth, a practicing Company Secretary and the report on Corporate Governance form part of this Directors' Report as **Annexure – H**.

### Company's Policy on Prohibition, Prevention and Redressal of Sexual Harassment of Women at Workplace

The Company prohibits any form of sexual harassment and any such incidence is immediately investigated and appropriate action taken in the matter against the offending employee(s) based on the nature and the seriousness of the offence. The Company has a policy on Prohibition, Prevention and Redressal of Sexual Harassment of Women at Workplace (the Policy) and matters connected therewith or incidental thereto covering all the aspects as contained under the "The Sexual Harassment of Women at Workplace (Prohibition, Prevention and Redressal) Act, 2013" notified by the Government of India vide Gazette Notification dated 23rd April, 2013.

## DIRECTORS' REPORT

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There was no case of sexual harassment reported during the year under review

### **DEVELOPMENT AND IMPLEMENTATION OF A RISK MANAGEMENT POLICY:**

The Company has been addressing various risks impacting the Company and the policy of the Company on risk management is provided elsewhere in this Annual Report in Management Discussion and Analysis.

### **Acknowledgments**

Your Directors thank the company's bankers, investors and vendors for their unstinted support during the year. Your Directors also appreciate the contribution made by the employees at all levels, who through their hard work, perseverance and competence, are taking the company in the right direction.

Your directors also thank the Government of India, particularly the Customs and Excise Departments, Software Technology Park – Hyderabad, Department of Industrial Policy & Promotion under the Ministry of Commerce & Industry, Department of Company Affairs, Reserve Bank of India, Department of Telecommunications and all other agencies for their support, and wish their continued support in future.

For and on behalf of the Board of Directors

**K. Ramachandra Reddy**  
Chairman & CEO

31<sup>st</sup> August 2015

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## DIRECTORS' REPORT

### Annexure - A

**Statement containing the salient features of the financial statements of  
subsidiaries / associate companies / joint ventures**

[Pursuant to first proviso to Sub-section (3) of Section 129 of the Companies Act, 2013,  
read with Rule 5 of the Companies (Accounts) Rules, 2014 – AOC-1]

(Rupees in Lakhs)

Name of the subsidiary	Financial period ended	Exchange rate	Share capital	Reserves & surplus	Total assets	Total liabilities (excluding share capital and reserves & surplus)	Investments	Turnover	Profit/(Loss) before taxation	Provision for taxation	Profit / (Loss) after taxation	% of shareholding
MosChip Semiconductor Technology, USA	2015	62.51	1902.80	(2034.26)	594.65	726.11	-	63.67	(11.53)	0.48	(12.01)	100%

For and on behalf of the Board of Directors

**K. Ramachandra Reddy**  
Chairman & CEO

31<sup>st</sup> August 2015

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**ANNEXURE 'B' TO DIRECTORS REPORT**

Disclosures pursuant to Para 12 of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999.

During the year under report the company has eight schemes in operation i.e. 'MosChip Stock Option Plan – 2001', "MosChip Stock Option Plan – 2002", MosChip Stock Option Plan – 2004, MosChip Stock Option Plan – 2005(MI), MosChip Stock Option Plan – 2005(WOS) ", MosChip Stock Option Plan – 2008, MosChip Stock Option Plan – 2008(ALR) and MosChip Stock Option Plan – 2008(Director )for issue and grant of stock options to its directors, employees and employees of its wholly owned subsidiary, in accordance with the provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999.

The requisite disclosures of particulars in respect of these Schemes during the year 2014-15 are as under.

	2001	2002	2004	2005 (MI)	2005 (WOS)	2008	2008 (ALR)	2008 (D'TOR)
a. Options granted during the year	0	0	0	0	0	0	0	0
b. The Pricing formula	Market Price as defined in SEBI (ESOS & ESPS) Guidelines, 1999 in vogue							
c. Options Vested	35,000	62,000	Nil	24,000	Nil	209,910	76,424	Nil
d. Options exercised	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e. The total number of shares arising as a result of exercise of options:	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
f. Options lapsed	Nil	31,000	Nil	20,000	Nil	80,298	26,000	Nil

(As per the plan, options lapsed i.e. unexercised options on account of resignation et., shall become available for future grants under the existing plans)

g. Variation of terms of options	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
h. Money realized by exercise of options	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
i. Total number of options in force	35,000	31,000	0	4,000	0	129,612	50,424	0
j. Employee wise details of options granted to								

1. Senior Managerial/Personal ----- Nil-----
2. Any other employee who received a grant in any one year of option amounting to 5% or more of option granted during the year ----- Nil-----
3. identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant; ----- Nil-----
4. Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard 20. ----- Nil-----

k. The exercise price at which the company has granted stock options is equal to the Market Price as defined in SEBI (ESOS&ESPS) Guidelines, 1999 in vogue, and hence the Intrinsic Value of the stock options is nil. Therefore, the employee compensation cost based on the Intrinsic Value is also nil. If the company had used the Fair Value of the option using the Black Scholes Method, the employee compensation cost would still be nil. The Basic and Diluted Earnings Per Share would thus not change as a result.



## DIRECTORS' REPORT

- a) There are no options granted during the year.
- I. The fair value of the options have been computed using the Black Scholes method, where the following assumptions were made:
- a) There are no options granted during the year.
- b) The expected life of the option is taken as the vesting period of the option.
- c) The expected volatility has been computed using the daily share price movements of 240 trading days prior to the grant date. For annualizing the standard deviation, it is assumed that there are 240 trading days in a year.

Date of Grant	Std Deviation	Date of Grant	Std Deviation	Date of Grant	Std Deviation
21/08/2002	92.67%	10/04/2006	63.62%	26/10/2007	52.93%
31/10/2002	91.48%	18/05/2006	64.05%	26/11/2007	54.10%
29/01/2003	80.30%	30/06/2006	65.85%	30/01/2008	64.70%
27/06/2003	67.24%	04/09/2006	59.50%	24/03/2008	67.64%
19/02/2004	76.37%	27/10/2006	53.03%	30/04/2008	69.88%
26/08/2004	73.93%	06/11/2006	53.64%	29/07/2008	71.30%
18/11/2004	69.61%	18/01/2007	56.30%	22/09/2008	69.10%
31/01/2005	65.11%	29/03/2007	52.26%	23/10/2008	68.65%
30/06/2005	53.39%	25/04/2007	51.82%	30/01/2009	55.97%
23/09/2005	59.77%	28/06/2007	47.56%	04/03/2009	54.76%
24/01/2006	58.53%	31/07/2007	47.22%	02/07/2010	45.24%
14/02/2011	46.83%	25/08/2011	43.89%	25/06/2012	43.28%
20/03/2013	42.80%				

- a) Since the company has been making losses, we have not assumed any dividend payments.
- e) The Market Price of the shares on the grant dates was as follows: Rs. 31 on 21 August 2002, Rs. 23.95 on 31 October 2002, Rs. 26.75 on 29 January 2003, Rs. 33.00 on 27 June 2003 being the closing prices on the date of grant; Rs. 40.51 on 19 February 2004, being the average of the two weeks high and low price of the share preceding the date of grant of option; and Rs. 30.50 on 26 August 2004, Rs. 42.85 on 18 November 2004, Rs. 44.25 on 31 January 2005, Rs. 35.75 on 30 June 2005, Rs. 45.60 on 23 September 2005, Rs. 41.50 on 24 January 2006, Rs. 37.70 on 10 April 2006, Rs. 37.40 on 18 May 2006, Rs. 24.15 (on 30 June 2006), Rs. 25.10 on 04 September 2006, Rs. 26.00 on 27 October 2006, Rs. 24.25 on 06 November 2006, Rs. 32.95 on 18 January 2007, Rs. 24.80 on 29 March 2007, Rs. 24.90 on 25 April 2007, Rs. 22.85 on 28 June 2007, Rs. 21.25 on 31 July 2007, Rs. 23.35 on 26 October 2007, Rs. 24.40 on 26 November 2007, Rs. 25.95 on 30 January 2008 and Rs. 13.45 on 24 March 2008 being the previous days closing price preceding the date of grant of options. Options issued on 23 October 2008, 30 January 2009, 04 March 2009, 02 July 2010, 14 February 2011 and 25 August 2011 were issued at Rs. 10.05 per Option.

For and on behalf of the Board of Directors

**K. Ramachandra Reddy**  
Chairman & CEO

31<sup>st</sup> August 2015

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**ANNEXURE "C"**

**Form No. MR-3  
Secretarial Audit Report**

**For the Financial Year ended 31<sup>st</sup> March, 2015**

*[Pursuant to Section 204(1) of the Companies Act, 2013 and*

*Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

To,

The Members,  
MosChip Semiconductor Technology Limited,  
CIN: L31909TG1999PLC032184, Plot No. 83 & 84,  
2<sup>nd</sup> Floor, Punnaiah Plaza, Road No. 2, Banjara Hills,  
Hyderabad, Telangana-500034.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **M/s. MosChip Semiconductor Technology Limited** (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of **M/s. MosChip Semiconductor Technology 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, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on March 31, 2015, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2015 according to the provisions of:

- 1) The Companies Act, 2013 (the Act) and the Companies Act, 1956 (to the extent applicable) and the rules made thereunder;
- 2) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- 3) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- 4) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.
- 5) 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 (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 - **Not Applicable as the Company has not issued further capital during the financial year;**
  - d. Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999/ Securities Exchange Board of India (Share Based Employee Benefit) Regulations, 2014 (effective 28<sup>th</sup> October 2014);
  - e. Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 - **Not applicable as the Company has not issued any debt securities;**
  - f. Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client - **Not Applicable as the Company is not registered as Registrar to Issue and Share Transfer Agent during the financial year under review;**
  - g. Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 - **Not applicable as the Company has not delisted / propose to delist its equity shares from any stock exchange during the financial year under review;** and
  - h. Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 - **Not applicable as the**

## DIRECTORS' REPORT

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**Company has not bought back / propose to buyback any of its securities during the financial year under review.**

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

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India - **Not notified during the audit period and hence not applicable.**
- (ii) The Listing Agreements entered into by the Company with BSE Limited.

During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above.

**We further report that**, on examination of the relevant documents and records and based on the information provided by the Company, its officers and authorized representatives during the conduct of the audit, and also on the review of quarterly compliance reports by respective department heads / Company Secretary / Managing Director taken on record by the Board of Directors of the Company, in our opinion, there are adequate systems and processes and control mechanism exist in the Company to monitor and ensure compliance with applicable general laws including Industrial Laws, Environmental Laws, Competition Law, Human Resources and Labour laws.

**We further report that**, that the compliance by the Company of applicable financial laws, like direct and indirect tax laws, has not been reviewed in this audit since the same have been subject to review by statutory financial audit and other designated professionals.

**We further report that**, the Board of Directors of the Company is duly constituted. The changes in the 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.

Adequate notice was given to all Directors to schedule the Meetings of the Board and its Committees. Agenda and detailed notes on agenda were sent to all the directors at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications as may be required on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and there were no dissenting views.

**We further report that**, based on review of compliance mechanism established by the Company and on the basis of the Compliance Certificate(s) issued by the Company Secretary and taken on record by the Board of Directors at their meeting(s), we are of the opinion that the management has adequate systems and processes commensurate with its size and operations, to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines.

**We further report that**, during the audit period:

Approvals of members were taken in the 15<sup>th</sup> Annual General Meeting for:

- i. Increase in the borrowing limits of the Company for an aggregate amount not exceeding Rs.100 Crores (Rupees One Hundred Crores Only) pursuant to the provisions of Section 180(1)(c) of the Companies Act, 2013 and rules made there under.
- ii. Enhancing the power of Board of Directors under section 180(1)(a), to create mortgage and / or charge on all or any of the moveable and / or immovable assets of the Company upto the limits authorized to borrow the money.
- iii. Entering into transactions with Related Parties under Section 188 of Companies Act, 2013.
- iv. Adoption of newly substituted Articles of Association of the Company containing regulations in line with the Companies Act, 2013.
- v. For reduction of Share Capital.

Place: Hyderabad  
31<sup>st</sup> August 2015

**S.Srikanth**  
**B S S & Associates**  
**Company Secretaries**  
**ACS: 22119 CP: 7999**

This Report is to be read with our letter of even date which is annexed to the report and forms an integral part of this report.

## DIRECTORS' REPORT

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To,

The Members,  
MosChip Semiconductor Technology Limited,  
CIN: L31909TG1999PLC032184,  
Plot No. 83 & 84, 2<sup>nd</sup> Floor, Punnaiah Plaza,  
Road No. 2, Banjara Hills, Hyderabad,  
Telangana-500034.

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. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the process and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we 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 procedure on test basis.
6. The Secretarial Audit report is neither an assurance as 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: Hyderabad  
31<sup>st</sup> August 2015

**S.Srikanth**  
**B S S & Associates**  
**Company Secretaries**  
**ACS: 22119 CP: 7999**

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**ANNEXURE “D”**

**1. Conservation of Energy**

The Company's operations require low energy consumption. Adequate measures are taken to conserve energy, wherever possible.

**2. Technology Absorption on Form B**

Research & Development (R&D)

Specific areas in which R&D work has been done by the Company

The Company has been focusing on growing the services business and has made inroads into some customers in India and USA. Consequently, the Company has not spent much effort on any new R&D work during the year under review.

Future plan of action

The Company has built up a vast repertoire of expertise and domain knowledge. We are planning to leverage this in partnering with large companies for joint development activities and grow the services business as an another revenue vertical.

Expenditure on R&D

The expenditure on R&D is not separately classified, as there is no separate R&D division.

Technology absorption, adaptation and innovation

The requisite information under the head is not applicable to company as there were no imports of any technology.

**3. Foreign Exchange Earnings and Outgo**

(a) Activities relating to exports; initiative taken to increase exports; development of new export markets for products and services; and export plans;

The Company's products are meant primarily for the international markets. Our products are being designed in by various customers and are generating revenues for the Company. We expect revenues from licensing of software for these products increase significantly during the current year.

The Company has also commenced development of custom products where the customer shares a portion of the development costs. The Company has signed contracts for development and licensing of Intellectual Property. Apart from these, the Company is also planning to tap opportunities in offshore ASIC Development and Software Services for semiconductor companies. The revenues from these initiatives are expected to gain momentum in the coming years.

(b) Foreign exchange earnings and outgo

	<b>Year ended March 31, 2015</b>	<b>Year ended March 31, 2014</b>
Foreign Exchange earnings	3,083,842	9,832,565
Foreign Exchange outgo	14,983,170	13,938,280

For and on behalf of the Board of Directors

**K. Ramachandra Reddy**  
Chairman & CEO

31<sup>st</sup> August 2015

**ANNEXURE “E”**

**MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

MosChip Semiconductor Technology Limited (MosChip India) is a fabless semiconductor company with its headquarters in Hyderabad, India. The Company specializes in providing value added services in VLSI design, Software development & development SOC (System On a Chip) for Consumer, Industrial applications. In this report, “MosChip Group”, “Group”, “we”, “us” and “our” each refers to MosChip India and also its wholly owned subsidiary, MosChip Semiconductor Technology, USA (MosChip USA).

The financial statements have been prepared in compliance with the requirements of the Companies Act 2013 and the Generally Accepted Accounting Principles in India. The management of MosChip accepts responsibility for the integrity and objectivity of these financial statements, as well as, for various estimates and judgments used therein.

In addition to the historical information, this report contains certain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the results anticipated in these forward-looking statements as a result of certain factors including those set forth under the sub-heading “Risks and Concerns.” Forward looking statements can be identified by the use of forward-looking words, such as “may,” “could,” “expect,” “believe,” “plan,” “anticipate,” “continue,” “likely,” or other similar words.

**Overview**

MosChip is the first publicly traded fabless semiconductor Company from India with specific focus on cutting edge products. MosChip leverages its engineering skills to develop custom products, IP development and design/development services.

MosChip is currently focusing on design and development services division. It has services agreements with several companies in India and abroad.

**Industry**

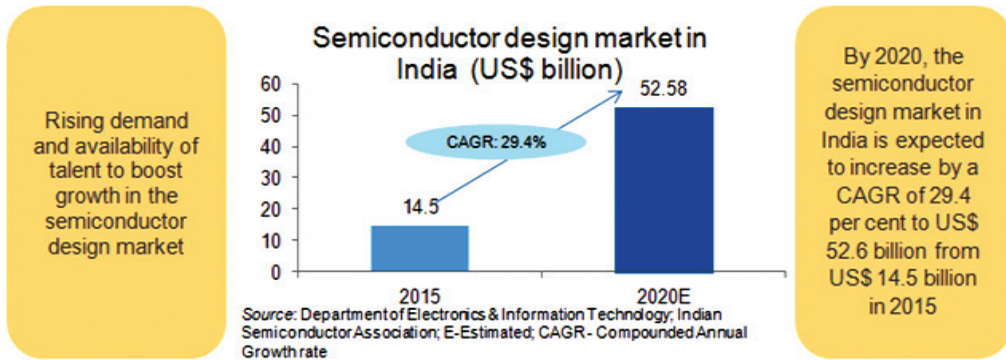
The Indian semiconductor industry offers high growth potential as the areas where semiconductors are extensively used are themselves high growth areas. Semiconductors find applications across a wide range of industries such as Mobile Devices, Telecommunications, Information Technology & Office Automation (IT & OA), Industrial, Automotive and other industries (Aerospace, Defense and Medical industries).

According to the Department of Electronics and Information Technology (DeitY), nearly 2,000 chips are being designed every year in India and more than 20,000 engineers are working on various aspects of chip design and verification.

Over the years, the Indian semiconductor design industry has developed significant capabilities and currently works on state-of-the-art products. Growing technical competence combined with stringent IP protection environment and trend towards localization of contents will help this segment continue to grow.

Considering the continued growth momentum, the Indian semiconductor design market is expected to grow at a CAGR of 29.4 percent to touch US\$ 52.6 billion in 2020.

The key drivers for the semiconductor market in India include telecom infrastructure equipment, wireless handsets, notebooks and other IT and office automation products, set-top boxes and smart cards. Growth sectors, including health care equipment, automotive, consumer goods and industrial goods—all of which increasingly use electronics—are also expected to boost semiconductor consumption in India.



Most of the important components in ISRO-made launch vehicles or satellites are electronics which are mostly being imported at the moment. "In PSLV, the imported component is 10 per cent while in the GSLV, it is 20 per cent and in satellites, it is as high as 35 per cent. There is a lot of scope for the Indian Electronics and Semiconductor Industry to contribute to the space program in the long run

### **Government Initiatives**

The electronic system design and manufacturing (ESDM) industry will benefit from the government's "Make in India" campaign and is projected to see investment proposals worth Rs 10,000 crores (US\$ 1.61 billion) over the next two years, according to the India Electronics and Semiconductor Association (IESA), an industry body.

Steps are being taken to boost domestic production of electronic items and reduce dependence on imports. These include imposition of basic customs duty on certain items falling outside the purview of IT Agreement, exemption from SAD on inputs/components for PC manufacturing, imposition of education cess on imported electronic products for parity, etc.

The services industry has been growing as the demand for engineers continues to rise. It presents opportunities to provide value added services. However many of the MNC's have started establishing development centres within India and thereby the margins have been under tremendous pressure.

### **Outlook**

The following sections highlight management's assessment of business potential.

#### **Design Services business**

MosChip leverages its engineering skills to develop custom products, IP development and design/development services. After the sale of I/O products of the company, it is focusing itself on SOC products, which have a very promising future and the design services business.

MosChip leverages this strength in services business. It is successfully making inroads in design services business and foresees a very bright future ahead. The company has transformed into value added services and has made steady inroads into very large Tier-1 customers, including domestic customers. The Company has been working on a very complex custom System-on-a-Chip (SOC) from a domestic customer. The design has been completed and successfully demonstrated to the Customer. It is now in the process for sending to the Fabrication facilities in 40nm Low power technology.

#### **Increasing focus on Defence projects**

Defence manufacturing in India is at an inflection point with a capex opportunity of \$245 billion over the next decade, underpinned by:

- (1) Defence being one of the 25 sectors in the government's 'Make in India' initiative;
- (2) FDI limit for the defence sector being lifted to 49% from 26%;
- (3) Greater focus on procurement of locally made equipment;
- (4) Liberalization of licensing policies; and,
- (5) Approval for projects worth more than US\$ 28 billion aimed at kick-starting the sector.

One key risk about the defence sector is that the only buyer is the government of the country and hence the most critical growth driver has to be government's policies.

We believe that while demand always existed, the lack of a thrust from the Government of India and the lack of policies to encourage private sector companies prevented the growth of the Indian defence manufacturing industry.

However, we believe that under the present Government, the defence manufacturing sector has already started to get a policy action push. Hence, we believe that the Indian defence sector is likely to offer enormous opportunities for growth.

Given the equipment requirements for the modernization of India's armed forces, along with the thrust from Gol and present policy of 'Make in India', we believe India is about to start one of the world's largest procurement cycles. Citi Research estimated the opportunity of the Indian defence manufacturing sector to be worth US\$245bn over the next 10 years.

**Defence Capital Expenditure over The Next 10 Years**

	<b>Defence Capex (Rsbn) – 1</b>	<b>Nominal GDP (Rsbn)-2</b>	<b>½</b>
FY16BE	946	139,192	0.68%
FY17E	1,041	153,111	0.68%
FY18E	1,145	168,422	0.68%
FY19E	1,259	185,264	0.68%
FY20E	1,385	203,791	0.68%
FY21E	1,524	224,170	0.68%
FY22E	1,676	246,587	0.68%
FY23E	1,843	271,245	0.68%
FY24E	2,028	298,370	0.68%
FY25E	2,231	328,207	0.68%
Opportunity (Rsbn)	15,077		
Opportunity (US\$bn)	245		

Source: Ministry of Defence, Budget FY16 and Citi Research estimates

We believe the opportunity will be more back-ended given the long procurement cycles in defence (despite timeline-crunching by the new government). However, not only could orders be large but they also could be recurring, making demand less cyclical. While the larger private companies would target the OEM level, their involvement could nurture tier 1 & tier 2 suppliers, creating a virtuous cycle for India's defence manufacturing sector.

**Risks and concerns**

The following important factors could affect our future results of operations.

**Semiconductor Services under pressure**

There is pricing pressure in the value added services space within the Semiconductor Industry as many MNC's are looking at lowering their R&D budgets and have expanded their operations within India and other countries with cheaper labour force. The billing rates are under pressure, and due to this the margins are affected adversely.

**Future success depends upon the continued services of key personnel, many of whom would be difficult to replace**

The Company's future success depends upon the continued services of its executive officers, key hardware and software engineers, and sales, marketing and support personnel, many of whom would be difficult to replace. The loss of one or more of these employees could seriously harm the Company's business. In addition, because of the highly technical nature of its business, the loss of key engineering personnel could delay product introductions and significantly impair the Company's ability to successfully create future products.

**Others may bring infringement actions against MosChip Group that could be time-consuming and expensive to defend.**

The Group may become subject to claims involving patents and other property rights. Intellectual property claims would subject the Group to significant liability claims for damages and invalidate its proprietary rights. In addition, intellectual property claims may be brought against customers that incorporate its products in the design of their own products. These claims, regardless of their success or merit and regardless of whether the Group is named as a defendant in a lawsuit, would likely be time consuming and expensive to resolve and would divert the time and attention of the Management and technical personnel.

**The cyclical nature of the semiconductor industry may lead to significant variances in the demand for MosChip Group's products and could harm its operations.**



The cyclical nature of the semiconductor industry could lead to significant variances in demand and thereby impacting the margins. The Group may experience periodic fluctuations in its future financial results because of changes in industry-wide conditions.

**The Company's operating and consolidated results may be adversely affected by variations of the Indian rupee against foreign currencies and the US dollar**

The Company has international exposure and is subject to currency fluctuations. The Company also consolidates its results with wholly owned subsidiaries in USA. Any adverse fluctuations in the currencies in which the Company's exports/imports or any adverse fluctuations against the US dollar would affect the Company's results of operations and the consolidated financial position.

**Internal control systems**

The Company has formulated effective internal control systems and implemented the same strictly to ensure that the assets and interests of the Company are safeguarded and to determine the accuracy and reliability of accounting data.

The Company has an internal audit system and its functions are to ensure that systems are designed and implemented with adequate internal controls. The Company's control methodology is commensurate with the size of operations, the transactions that are executed, and the assets that must be safeguarded and deployed in accordance with the Company's policies.

An Audit Committee, headed by a non-executive independent Director, periodically reviews the audit information/observation and all significant issues are brought to the attention of the committee.

**Human Resources**

The Company currently employs a total of 100 employees. All the employees are located at Hyderabad, India. Of these 76 are technical employees and the rest are marketing and support staff.

MosChip firmly believes that the key to its success is in its ability to hire and retain employees with appropriate qualifications and competencies. The Company's human resource management works towards this goal and strives to provide the right work atmosphere, opportunities for learning and personal development to all employees, and appraisal and reward mechanisms to encourage excellence in performance.

The Company regularly ensures that the compensation packages are in line with industry levels and grants stock options to retain talent.

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**COMMENTARY ON THE FINANCIAL STATEMENTS OF MOSCHIP INDIA****Balance Sheet****1. Share Capital**

The Company has only one class of shares. The Company has not allotted any shares during the year under review. However during the year the Company has proposed for Scheme of Capital Reduction. Under this Scheme the Company reduced Face Value of its equity shares from Rs.10/- to Rs.2/- per share. The reduction in share capital amounting to Rs. 368,284,136/- and the balance standing in the share premium account of Rs. 666,633,920/- has been used to set off accumulated losses to the extent of Rs. 1,034,918,056. After the reduction, the paid up share capital stands at Rs. 92,071,034 as on 31 March 2015.

There are no calls-in-arrears.

**2. Reserves and Surplus****Capital Reserve**

The capital reserve of Rs. 1,250,000 is on account of investment subsidy received from Government of Andhra Pradesh.

Due to nonpayment of balance amount within the stipulated time the up-front amount received towards warrants Rs. 5,431,250 was forfeited and credited to Capital Reserve Account.

**Retained Earnings**

Pursuant to the Companies Act, 2013 effective from April 1, 2014, the Company has recomputed the depreciation based on the useful life of the assets as prescribed in Schedule II of the Act. As a result an amount of ` 135.63 lakhs has been adjusted against opening balance of retained earnings for the assets which had no residual life as at April 1, 2014

Accumulated Losses of Rs. 184,393,415.

**2. Short Term Borrowings**

The Company has availed Export Packing Credit facility from UCO Bank and the facility is secured by hypothecation by way of first charge on stocks of finished goods, raw materials, work in progress, stores and spares and book debts, and second charge in respect of other movable assets, and guaranteed by Chairman and Managing Director of the company.

During the period the Company has obtained unsecured loans from a Director of an amount Rs.4.30crores and the outstanding as on 31.03.2015 is Rs. 14.60 crores at varying interest rates payable.

**Loans and Advances from Related Parties**

The amount of Advance Rs. 14,742,985/- was received from its wholly owned subsidiary MosChip Semiconductor Technology, USA against future exports.

**3. Non-Current Investments**

The long-term investments of the Company include 19,192,404 shares of MosChip Semiconductor Technology USA (a company incorporated in USA). Of these, 16,131,180 shares were acquired in consideration of 8,325,770 equity shares of Rs.10 each of the Company at a premium of Rs.27.14 per share. The balance 3,061,224 shares were acquired through cash investment of Rs. 66,359,989/-. The Company owns the entire equity capital of MosChip Semiconductor Technology USA.

After diminution in value, the investment value recognized as on 31<sup>st</sup> March 2015 is Rs.956,989/-.

**4. Cash and Bank Balances**

The bank balances in India include both Rupee accounts and Foreign Currency Accounts. Fixed Deposits of Rs. 11,304,180/- are given as security for issue of bank guarantees.

**5. Sundry Debtors**

The amount of Sundry Debtors of Rs.76,967,527/- consists of Rs. 71,667,722 is due from its wholly owned subsidiary MosChip Semiconductor Technology, USA.

**6. Loans and Advances**

a) Long Term Loans & Advances

### **Deposits**

Deposits represent deposits towards electricity, telephone, rent, etc.

### **Advance to MosChip Employees' Trust**

Advance to MosChip Employees' Trust of Rs. 2,795,000 is the balance amount of interest free loan given to the Trust as a part of the ESOP scheme of the Company.

b) Short Term Loans & Advances

### **Other advances**

Other advances recoverable in cash, kind or value to be received are primarily towards prepayments for value to be received.

### **Prepaid Income Tax**

Prepaid Income Tax represents the refund due from Income Tax Department for the taxes deducted at source by others from the amounts payable to the Company.

### **Service Tax Input Credit**

Service Tax Input Credit represents the refund due from Service Tax Department for the service tax paid to others towards services rendered by them to the Company.

### **7. Long Term Provisions**

Long Term Provisions of Rs. 7,576,101 includes provision for Leave Encashment amounting to Rs. 1,555,451 and Rs. 6,020,650 towards Gratuity.

No provision has been made for Income Tax as the book profit as well as the Taxable Income as per the Income Tax Act is resulting in a loss.

### **8. Guarantees**

The Company has outstanding guarantees for various purposes amounting to Rs. 96,454,145 (previous year Rs. 90,514,145) for the year ended 31 March 2015.

These guarantees are in the nature of performance guarantees relating to execution of Govt. contracts.

### **Profit and Loss Account**

#### **9. Sales Revenue**

##### **Revenue from Operations**

The sales revenue for the year under review amounted to Rs. 57,865,619 as against Rs. 69,632,773 during the previous year. Of this Rs. 3,083,842 was on account of software services billed to the wholly owned subsidiaries. Balance amount of Rs. 54,781,777 billed to others.

#### **10. Other Income**

Other Income consists of interest on deposits with banks & others and profit on sale of current investments.

#### **11. Expenditure**

The expenditure for the year under review amounted to Rs. 100,215,755 as against Rs. 131,125,864 during the previous year.

#### **12. Loss for the year**

The loss for the year before extraordinary items and tax is Rs. 45,416,919 compared to the previous year loss of Rs. 67,115,646.

The loss for the year after tax after extraordinary item and Discontinuing Operations is Rs. 45,416,919 compared to the previous year loss of Rs. 75,728,547.

#### **13. Earnings Per Share**

The Basic and Diluted Earnings per Share computed in accordance with the Accounting Standard 20 issued by the Institute of Chartered Accountants of India is Rs. (0.99) before taking into consideration extraordinary and discontinuing operations and Rs. (0.99) after taking into consideration extraordinary and discontinuing operations. More details on computation of EPS are given in Note 18.2.6 of Notes on Accounts.

**14. Foreign Exchange Difference**

An amount of Rs. 1,427,912 has been considered as unrealized gain and an amount of Rs. 13,704 as realized gain on foreign exchange fluctuation during the current year on account of foreign exchange rate differences arising due to timing differences between accrual of income/expense and receipt/payment of the same.

**15. Related Party Transactions**

The transactions with the related parties other than employees are given in Note 18.2.8 of Notes on Accounts.

All the transactions are on commercial basis and are not detrimental to the interests of the Company.

**16. Leases**

The Company has operating leases for Office Building. The rental expenses for operating leases for the year ended 31 March 2015 amounted to Rs. 4,782,169. The Company has the right to terminate the lease agreement for Hyderabad office building by giving three months written notice.

**17. Employees Stock Options**

The company has set up a Trust called "MosChip Employee Trust" to manage Stock Option plans introduced by the company to its employees. Towards this the company has funded the trust with Rs. 6,005,000 by way of an interest free loan. Since the establishment of trust is prior to the IPO, the Guidelines of SEBI on ESOPs and ESPS are not applicable to this scheme.

The Company has eight more Employee Stock Option Schemes namely MosChip Stock Option Plan 2001, MosChip Stock Option Plan 2002, MosChip Stock Option Plan 2004, MosChip Stock Option Plan 2005 (MI), MosChip Stock Option Plan 2005 (WOS), MosChip Stock Option Plan 2008, MosChip Stock Option Plan 2008(ALR) and MosChip Stock Option Plan 2008(Director) with 300,000 equity shares, 700,000 equity shares, 1,000,000 equity shares, 500,000 equity shares, 500,000 equity shares, 3,000,000 equity shares, 1,000,000 equity shares and 1,000,000 equity shares respectively, in accordance with the Employee Stock Option Scheme and Employee Stock Purchase Guidelines 1999 issued by SEBI.

Details such as options granted, exercised and outstanding under each of the plans are given in Note 18.2.5 of Notes on Accounts and Annexure – A to Directors Report.

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**ANNEXURE "F"**

**FORM AOC-2**

(Pursuant to clause (h) of sub-section (3) of 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 is given below:

1. Details of contracts or arrangements or transactions not at Arm's length basis: NIL
2. Details of contracts or arrangements or transactions at Arm's length basis:

a)	Name of the Related Party	MosChip USA
b)	Nature of Relationship	Wholly Owned Subsidiary
c)	Duration of the contracts / arrangements/ transactions	2014 - 2015
d)	Date (s) of approval by the Board, if any:	Not applicable

Nature of contracts/ arrangements/ transactions	Goods/Services	Silent Terms of the contracts or arrangements or transactions	Amount of contacts or arrangements (Rs. In Lakhs)
Rendering of Services	Engineering Services	To provide IT Enabled Engineering Services	30.84

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## DIRECTORS' REPORT

### ANNEXURE – G

#### MGT-9

#### EXTRACT OF ANNUAL RETURNS ON THE FINANCIAL YEAR ENDED ON 31<sup>ST</sup> MARCH 2015

[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:

CIN	L31909TG1999PLC032184
Registration Date	27-07-1999
Name of the Company	<b>MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED</b>
Category/Sub-Category of the Company	Company Limited by shares and Indian Non-Government Company
Address of the Registered office and contact details	Plot No.83 & 84, 2nd Floor, Punnaiah Plaza, Road No.02, Banjara Hills, Hyderabad – 500 034
Whether listed company	Yes
Name, Address and Contact details of Registrar and Transfer Agent, If any	<b>Karvy Computershare Pvt. Ltd.</b> Karvy Selenium, Tower B, Plot No. 31 & 32, Financial District, Gachibowli, Hyderabad - 500 032, Telangana, India. Phone : +91 040 67161604

#### 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:-

Sr. No.	Name and Description of main products/ services	NIC Code of the Product services company	% to total turnover of the
1	Software development and designing	62011	100%

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

Sr. No.	Name And Address of The Company	CIN / GLN	Holding/ Subsidiary/Associate	%of shares held	Applicable Section
1	MosChip Semiconductor Technology, USA	Not Applicable	Subsidiary	100	Sec 2(87)

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## DIRECTORS' REPORT

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

#### A) Category-wise Share Holding

Category of	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A.Promoter</b>									
<b>1) Indian</b>									
a) Individual/ HUF	168656	0	168656	0.37	168656	0	168156	0.37	0.00
b) Central Govt									
c) State Govt(s)									
d) Bodies Corp									
e) Banks / FI									
f) Any Other									
<b>Sub-total(A)(1):-</b>	<b>168656</b>	<b>0</b>	<b>168656</b>	<b>0.3664</b>	<b>168656</b>	<b>0</b>	<b>168156</b>	<b>0.366</b>	<b>0.0</b>
<b>2) Foreign</b>									
g) NRIs-Individuals	8300812	0	8300812	18.03	8300812	0	8300812	18.03	0.00
h) Other-Individuals	0	0	0	0	0	0	0	0	NIL
i) Bodies Corp.	0	0	0	0	0	0	0	0	NIL
j) Banks / FI	0	0	0	0	0	0	0	0	NIL
k) Any Other....	0	0	0	0	0	0	0	0	NIL
<b>Sub-total(A)(2):-</b>	<b>8300812</b>	<b>0</b>	<b>8300812</b>	<b>18.03</b>	<b>8300812</b>	<b>0</b>	<b>8300812</b>	<b>18.03</b>	<b>0.00</b>
<b>Total Promoter Shareholding (A) = (A)(1)+(A)(2)</b>	<b>8469468</b>	<b>0</b>	<b>8469468</b>	<b>18.40</b>	<b>8469468</b>	<b>0</b>	<b>8468968</b>	<b>18.40</b>	<b>0.00</b>
<b>B.Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	0	0	0	0	0	0	0	0	NIL
b) Banks / FI	150	0	150	0.00	150	0	150	0.00	NIL
c) Central Govt	0	0	0	0	0	0	0	0	NIL
d) State Govt(s)	0	0	0	0	0	0	0	0	NIL
e) Venture Capital Funds	0	0	0	0	0	0	0	0	NIL
f) Insurance Companies	0	0	0	0	0	0	0	0	NIL
g) FIs	0	0	0	0	0	0	0	0	NIL
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	NIL
i) Others(specify)	0	0	0	0	0	0	0	0	NIL
<b>Sub-total (B)(1)</b>	<b>150</b>	<b>0</b>	<b>150</b>	<b>0.00</b>	<b>150</b>	<b>0</b>	<b>150</b>	<b>0.00</b>	<b>0</b>

## DIRECTORS' REPORT

<b>2. Non Institutions</b>									
<b>a) Bodies Corp.</b>									
(i) Indian	2360176	300	2360476	5.13	2570258	300	2570558	5.58	(0.46)
(ii) Overseas	2896019	0	2896019	6.29	2896019	0	2896019	6.29	0.00
<b>b) Individuals</b>									
(i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	18221617	45658	18267275	39.68	17651380	45558	17696938	38.44	1.24
(ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	9499496	3998210	13497706	29.32	9850779	4118511	13969290	30.34	(1.02)
<b>c) Others(Specify)</b>									
i) Non Resident Indians	420135	120301	540436	1.17	433393	0	433393	0.94	0.23
ii) Clearing Members	3987	0	3987	0.01	201	0	201	0.00	0.01
<b>Sub-total(B)(2)</b>	<b>33401430</b>	<b>4164469</b>	<b>37565899</b>	<b>81.6</b>	<b>33402030</b>	<b>4164369</b>	<b>37566399</b>	<b>81.6</b>	<b>NIL</b>
<b>Total Public Shareholding (B)=(B)(1)+ (B)(2)</b>	<b>33401580</b>	<b>4164469</b>	<b>37566049</b>	<b>81.6</b>	<b>33402180</b>	<b>4164369</b>	<b>37566549</b>	<b>81.6</b>	<b>NIL</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	0	0	0	0	0	0	0	0	0
<b>Grand Total (A+B+C)</b>	<b>41871048</b>	<b>4164469</b>	<b>46035517</b>	<b>100</b>	<b>41871148</b>	<b>4164369</b>	<b>46035517</b>	<b>100</b>	<b>NIL</b>

### B) Share holding of Promoters

Sr. No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	% change shareholding during the year
1	K Ramachandra Reddy	3050037	6.63	0	3050037	6.63	0	0
2	Art Khachaturian	1757047	3.82	0	1757047	3.82	0	0
3	Joseph Wai	708632	1.54	0	708632	1.54	0	0
4	Eddie Sin Po Chiu	626000	1.36	0	626000	1.36	0	0
5	C. Dayakar Reddy	583920	1.27	0	583920	1.27	0	0
6	Surekha Reddy	530001	1.15	0	530001	1.15	0	0
7	K Pratibha Reddy	500398	1.09	0	500398	1.09	0	0
8	Gary Kennedy	262978	0.57	0	262978	0.57	0	0
9	Laurence N. Benz	198105	0.43	0	198105	0.43	0	0
10	Vinay Dantapally Kumar	164656	0.36	0	164156	0.36	0	0
11	Steve Shu Fun Kam	44400	0.10	0	44400	0.10	0	0
12	Sean Paul Carney	33671	0.07	0	33671	0.07	0	0
13	Naveen Reddy	5623	0.01	0	5623	0.01	0	0
14	Chandram Rama Reddy	4000	0.01	0	4000	0.01	0	0
	<b>TOTAL</b>	<b>8469468</b>	<b>18.40</b>	<b>0</b>	<b>8468968</b>	<b>18.40</b>	<b>0</b>	<b>0</b>



## DIRECTORS' REPORT

### C) Share Holding of Directors & Key Managerial Personnel:

S.No	For Each of The Directors & KMP	Shareholding at the end of the year		Cumulative share holding during the year	
		No. of Shares	% of Total Shares of the company	No. of Shares	% of Total Shares of the company
1	Share Holding of Directors: Mr. K. Ramachandra Reddy				
	At the beginning of the year	3050037	6.63	3050037	6.63
	At the end of the year	3050037	6.63	3050037	6.63
2	Mr. C. Dayakar Reddy				
	At the beginning of the year	583920	1.27	583920	1.27
	At the end of the year	583920	1.27	583920	1.27
3	Mr. G. Prasad				
	At the beginning of the year	2750	0.00	0.00	0.00
	At the end of the year	2750	0.00	0.00	0.00
4	Mr. K. V. Ramana				
	At the beginning of the year	NIL	NIL	NIL	NIL
	At the end of the year	NIL	NIL	NIL	NIL
5	Mrs. Poomima Shenoy				
	At the beginning of the year	NIL	NIL	NIL	NIL
	At the end of the year	NIL	NIL	NIL	NIL
6	Share Holding of Key Managerial Personnel Mr. Damodar Bethamalla				
	At the beginning of the year	NIL	NIL	NIL	NIL
	At the end of the year	NIL	NIL	NIL	NIL

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## DIRECTORS' REPORT

### D) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No	Name of the Promoter	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	K Ramachandra Reddy	3050037	6.63	3050037	6.63
	Increase/(Decrease) during the year	Nil	Nil	Nil	Nil
	At the End of the Year			3050037	6.63
2	Art Khachaturian	1757047	3.82	1757047	3.82
	Increase/(Decrease) during the year	Nil	Nil	Nil	Nil
	At the End of the Year			1757047	3.82
3	Joseph Wai	708632	1.54	708632	1.54
	Increase/(Decrease) during the year	Nil	Nil	Nil	Nil
	At the End of the Year			708632	1.54
4	Eddie Sin Po Chiu	626000	1.36	626000	1.36
	Increase/(Decrease) during the year	Nil	Nil	Nil	Nil
	At the End of the Year			626000	1.36
5	C. Dayakar Reddy	583920	1.27	583920	1.27
	Increase/(Decrease) during the year	Nil	Nil	Nil	Nil
	At the End of the Year			583920	1.27
6	Surekha Reddy	530001	1.15	530001	1.15
	Increase/(Decrease) during the year	Nil	Nil	Nil	Nil
	At the End of the Year			530001	1.15
7	K Pratibha Reddy	500398	1.09	500398	1.09
	Increase/(Decrease) during the year	Nil	Nil	Nil	Nil
	At the End of the Year			500398	1.09
8	Gary Kennedy	262978	0.57	262978	0.57
	Increase/(Decrease) during the year	Nil	Nil	Nil	Nil
	At the End of the Year			262978	0.57
9	Laurence N. Benz	198105	0.43	198105	0.43
	Increase/(Decrease) during the year	Nil	Nil	Nil	Nil
	At the End of the Year			198105	0.43
10	Vinay Dantapally Kumar	164656	0.36	164656	0.36
	Increase/(Decrease) during the year	(500)	0.00	(500)	0.00
	At the End of the Year			164156	0.36
11	Steve Shu Fun Kam	44400	0.10	44400	0.10
	Increase/(Decrease) during the year	Nil	Nil	Nil	Nil
	At the End of the Year			44400	0.10
12	Sean Paul Carney	33671	0.07	33671	0.07
	Increase/(Decrease) during the year	Nil	Nil	Nil	Nil
	At the End of the Year			33671	0.07
13	Naveen Reddy	5623	0.01	5623	0.01
	Increase/(Decrease) during the year	Nil	Nil	Nil	Nil
	At the End of the Year			5623	0.01
14	Chandram Rama Reddy	4000	0.01	4000	0.01
	Increase/(Decrease) during the year	Nil	Nil	Nil	Nil
	At the End of the Year			4000	0.01

## DIRECTORS' REPORT

### E) Shareholding Pattern of top ten shareholders (Other than Directors, Promoters)

Sl. No.	Name 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	ESS Technology Inc.	1600000	3.48	1600000	3.48
2	Lui Paul Sung	830077	1.80	830077	1.80
3	Chiu Shun Yee Julia	775000	1.68	775000	1.68
4	Chun Yuan Wang	688736	1.50	688736	1.50
5	Artec Group Ou	566927	1.23	566927	1.23
6	ESS Technologies Inc	500000	1.09	500000	1.09
7	Sarju C Jhaveri Bharati C Jhaveri Chandrasen G Jhaveri	177707*	0.39*	461753	1.00
8	Gopal Das Sonkia	400603	0.87	400603	0.87
9	Shaishav C Jhaveri Bharati C Jhaveri Chandrasen G Jhaveri	238695	0.52	303821	0.66
10	Nailesh Vinod Gandhi Sonal Nailesh Gandhi	280000	0.61	280000	0.61

Note : \* Shareholders of Sarju C Jhaveri was not part of top 10 at the beginning of the year.

### V. INDEBTEDNESS

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

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	20,152,406	103,041,093	-	123,193,499
ii) Interest due but not paid	-	9,571,795	-	9,571,795
iii) Interest accrued but not Due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>20,152,406</b>	<b>112,612,888</b>	<b>-</b>	<b>132,765,294</b>
Change in Indebtedness during the financial year				
- Addition	-	67,241,153	-	67,241,153
- Reduction	7,939,029	13,913,325	-	21,852,354
<b>Net Change</b>	<b>(7,939,029)</b>	<b>53,327,828</b>	<b>-</b>	<b>45,388,799</b>
Indebtedness at the end of the financial year				
i) Principal Amount	12,480,409	146,035,290	-	158,515,699
ii) Interest due but not paid	-	19,905,426	-	19,905,426
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>12,480,409</b>	<b>165,940,716</b>	<b>-</b>	<b>178,421,125</b>

## DIRECTORS' REPORT

### VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl. No.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount
	Gross salary	Mr. K. Ramachandra Reddy 24,00,000	Mr. C. Dayakar Reddy 24,00,000	48,00,000
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961			
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961			
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961			
	Stock Option			
	Sweat Equity			
	Commission - as % of profit - Others, specify...			
	Others, please specify			
	Total(A)	24,00,000	24,00,000	48,00,000
	Ceiling as per the Act	30,00,000	30,00,000	60,00,000

#### B. Remuneration to other directors:

Sl. No.	Particulars of Remuneration	Name of MD/WTD/ Manager				Total Amount
	<u>Independent Directors</u>	Mr. G. Prasad	Dr. Vijay Chandrudu	Mr. K.V. Ramana	Ms. Poornima Shenoy	
	• Fee for attending board committee meetings • Commission • Others, please specify	96,000	52,000	44,000	18,000	2,10,000
	<b>Total(1)</b>	<b>96,000</b>	<b>52,000</b>	<b>44,000</b>	<b>18,000</b>	<b>2,10,000</b>
	<u>Other Non-Executive Directors</u>					
	• Fee for attending board committee meetings • Commission • Others, please specify					
	Total(2)					
	<b>Total(B)=(1+2)</b>	<b>96,000</b>	<b>52,000</b>	<b>44,000</b>	<b>18,000</b>	<b>2,10,000</b>
	Total Managerial Remuneration					
	Overall Ceiling as per the Act					

## DIRECTORS' REPORT

### C. Remuneration to Key Managerial Personnel Other Than MD /Manager /WTD

Sl. No.	Particulars of Remuneration	Name of MD/WTD/ Manager	Total Amount
	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	Company Secretary 1,50,000	1,50,000
	Stock Option		
	Sweat Equity		
	Commission - as % of profit - Others, specify...		

### VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

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)
<b>A. Company</b>					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
<b>B. Directors</b>					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
<b>C. Other Officers In Default</b>					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil

## CORPORATE GOVERNANCE REPORT

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### ANNEXURE "H"

#### CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of *MosChip Semiconductor Technology Limited*.

We have examined the compliance of conditions of Corporate Governance by MosChip Semiconductor Technology Limited for the year ended 31 March 2015 as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the review of the procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us 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 above mentioned Listing Agreement.

We further 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.

**For B S S & Associates**  
Company Secretaries

Hyderabad  
31<sup>st</sup> August 2015

**(S.Srikanth)**  
Partner  
C.P. No. 7999

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## CORPORATE GOVERNANCE REPORT

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### CEO'S DECLARATION

The Members,  
MosChip Semiconductor Technology Limited.

I, K. Ramachandra Reddy, Chairman & CEO of the Company do hereby declare that pursuant to the provisions of Clause 49(I) (D) (ii) of the Listing Agreement, all the members of the Board and the Senior Management Personnel have furnished their affirmation of compliance with the Code of Conduct of the Company.

31<sup>st</sup> August 2015

**K. Ramachandra Reddy**  
Chairman & CEO

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### CEO & CFO CERTIFICATION

We, C. Dayakar Reddy, Managing Director and K. Ramachandra Reddy, Chief Financial Officer responsible for the finance function certify that:

- a) We have reviewed the financial statements and cash flow statement for the year ended 31st March, 2015 and to the best of our Knowledge and belief:
  - 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) To the best of our Knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2015 are fraudulent, illegal or violate the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware, have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- d)
  - i) There has not been any significant change in internal control over financial reporting during the year under reference.
  - ii) There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements.
  - iii) We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

**C. Dayakar Reddy**  
Managing Director

**K. Ramachandra Reddy**  
Chairman & CFO

## CORPORATE GOVERNANCE REPORT

### REPORT ON CORPORATE GOVERNANCE

#### 1. Company's Philosophy

MosChip is committed to pursue the principles of good corporate governance in order to be a good corporate citizen of India and also to keep abreast the shareholders of the company with day-to-day affairs of the Company in the best possible manner.

#### 2. Board of Directors

The Company has an Executive Chairman. The Chairman along with Managing Director manages the day-to-day affairs of the Company. The Board of the Company has a combination of Executive and Non-Executive directors. Non-Executive directors comprise 60.00% of the Board.

a) Composition and category of directors as on 31<sup>st</sup> March, 2015.

Table - 1

Category	No. of Directors
Executive Directors (Promoter Directors )	02
Non-Executive Independent Directors	03
<b>Total</b>	<b>05</b>

b) Attendance of each director at the Board meetings held during the year 2014-15 and at the last Annual General Meeting

Table: 2

Name of the Director	Category of Director	Meetings held during the tenure	Meetings attended	Last AGM
Mr. K. Ramachandra Reddy	Chairman & CEO	06	06	Yes
Mr. C. Dayakar Reddy	Managing Director	06	04	Yes
Mr. K. V. Ramana	Independent Director	04	03	Yes
Mr. G. Prasad	Independent Director	06	06	Yes
Ms. Poornima Shenoy*	Independent Director	02	01	Yes
Mr. Vijaya Chandru*	Independent Director	04	02	No

\* Mr. Vijaya Chnadru Resigned as Director on 13th November 2014

\* Ms. Poornima Shenoy Joined as a Director from 11th September 2014

c) No. of other Boards/Board Committees in which the Directors are either Member or Chairman during the year 2014-15

Table - 3

Name of the Director	Board		Committee	
	Chairman	Member	Chairman	Member
Mr. K. Ramachandra Reddy	Nil	Nil	Nil	Nil
Mr. C. Dayakar Reddy	Nil	01	Nil	Nil
Mr. G. Prasad	Nil	02	03	Nil
Mr. K. V. Ramana	Nil	01	Nil	Nil
Ms. Poornima Shenoy	Nil	02	Nil	Nil



## CORPORATE GOVERNANCE REPORT

d) No. of Board Meetings held and dates on which they were held during 2014-15.

Table - 4

Quarter	No. of Meetings	Dates on which held
April - June	02	18 April 2014, 29 May 2014
July – September	02	04 August 2014, 08 August 2014
October – December	01	13 November 2014
January – March	01	12 February 2015
<b>Total</b>	<b>06</b>	

None of the directors on the Board are members in more than Ten Committees and they do not act as Chairman of more than Five Committees across all companies in which they are directors.

None of the Non-Executive directors have any pecuniary relationship or transactions with the Company.

e) **Details of shares of the Company held by Directors as on 31 March, 2015 are as under:**

Table - 5

Name of the Director	No. of shares held
Mr. K Ramachandra Reddy	3050037
Mr. C Dayakar Reddy	583920
Mr. Gajjala Prasad	2750

f) Independent Directors Meeting

During the year under review the Independent Directors met on March 27, 2015, inter alia to review the performance of Non Independent Directors including that of the Chairman taking into account the views of the Executive and Non – Executive Directors; assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties and other related matters. All the three Independent Directors attended the said meeting.

### 3. Audit Committee

The Audit Committee was reconstituted on 04 August 2014. The Company Secretary acts as Secretary of the Committee

a) Brief description of terms of reference

The terms of reference of the Audit Committee is in conformity with the provisions of paragraphs C & D in Sub-clause II of Clause 49 of the Listing Agreements entered with Bombay Stock Exchange Limited, Mumbai, which inter alia, includes the following:

- Overseeing the Company's financial reporting process and ensuring correct, adequate and credible disclosure of financial information.
- Recommending appointment and removal of external auditors and fixing of their fees.
- Reviewing with management the annual financial statements with special emphasis on accounting policies and practices, compliances with accounting standards and other legal requirements concerning financial statements.
- Reviewing the adequacy of the Audit and compliance functioning including their policies, procedures, techniques and other regulatory requirements.
- Reviewing the adequacy of internal control systems and significant audit findings.

b) Composition, name of members and Chairperson

The Audit Committee comprises of the following directors

Mr. G. Prasad	--	Chairman
Ms. Poornima Shenoy	--	Member
Mr. K. V Ramana	--	Member

## CORPORATE GOVERNANCE REPORT

Meetings and attendance during the year 2014-15

Five meetings of the Audit Committee were held during the year 2014-15. Mr. G. Prasad attended all five meetings, Mr. K. V. Ramana attended Three meetings and Ms. Poornima Shenoy attended one meeting.

#### 4. **Remuneration Committee**

Brief description of terms of reference

To determine on behalf of Board and Shareholders, the Company's policy on specific remuneration packages for Executive directors and Non-Executive directors, including pension rights and any compensation payment.

Composition, name of members and Chairperson

The Remuneration Committee comprises of the following directors

Mr. G. Prasad -- Chairman

Mr. K. V. Ramana -- Member

Ms. Poornima Shenoy -- Member

Attendance during the year 2014-15

No Meeting was conducted during the year under review.

Besides, sitting fee for attending Board and Committee meetings, no special compensation to Non-Executive directors are envisaged during the year 2014-15.

Details of remuneration to all the directors.

Table - 6

Sl. No.	Name	Designation	Salary In Rs.	Performance & Incentives in Rs.	Commission in Rs.	Total In Rs.	Notice period	Severance Fee in Rs.	Sitting Fee in Rs.
<b>Executive Directors</b>									
01	Mr. K. Ramachandra Reddy	Chairman & CEO	24,00,000	Nil	Nil	24,00,000	NA	NA	Nil
02	Mr. C. Dayakar Reddy	M.D.	24,00,000	Nil	Nil	24,00,000	NA	NA	Nil
<b>Non-Executive Directors</b>									
03	Mr. G. Prasad	Director	NA	NA	NA	NA	NA	NA	96,000
04	Dr. Vijaya Chandru	Director	NA	NA	NA	NA	NA	NA	52,000
05	Ms. Poornima Shenoy	Director	NA	NA	NA	NA	NA	NA	18,000
06	Mr. K. V. Ramana	Director	NA	NA	NA	NA	NA	NA	44,000

#### 5. **Shareholders / Investors Grievance Committee**

This Committee was re-constituted on 04<sup>th</sup> August 2014.

a) Terms of reference

The Committee shall specifically look into the redressing of shareholder and investor complaints like transfer of shares, non-receipt of balance-sheet, non-receipt of declared dividend etc.

b) Composition, name of members and Chairperson

The Committee comprises of the following Non-Executive directors

Mr. G. Prasad --- Chairman

Mr. K. V. Ramana --- Member

Ms. Poornima Shenoy --- Member

c) Name and Designation of Compliance Officer

Mr. CS Suresh Bachalakura --- Company Secretary & Compliance Officer

d) No. of Shareholders Complaints received during the year 2014-15.

During the year 2014-15, in total 4 complaints / letters were received from the investors. Please see the Table-7 given below.

e) No. of complaints not solved to the satisfaction of shareholders

There were no complaints during the year under review.

f) No. of pending share transfer

## CORPORATE GOVERNANCE REPORT

All shares which were received for transfer during the year were transferred and no transfer was pending.  
Details of Shareholders complaints during the year 2014-15

Table - 7

SI.No.	Nature of Complaint/Request	Received	Disposed	Pending
01	Change / Correction of address	Nil	Nil	Nil
02	Loss/Issue of duplicate Share Certificate	Nil	Nil	Nil
03	Non-receipt of Share Certificate	Nil	Nil	Nil
04	Non-receipt of Refund order/dividend warrant	Nil	Nil	Nil
05	Others (Non Receipt of Annual Reports)	04	04	Nil
	<b>TOTAL</b>	<b>04</b>	<b>04</b>	<b>Nil</b>

### 6. General Body Meetings

a) Details of last three AGMs

The information about the last three general body meetings is given in *table-8* as shown below:

Table - 8

AGM	Financial Year	Venue	Date & Time	Special Resolutions Passed
13th	2011 - 2012	Plot No.83 & 84, 2nd Floor, Punnaiah Plaza, Road # 02, Banjara Hills, Hydd-34.	29.09.2012 at 10.30 hrs	<ul style="list-style-type: none"> <li>• Re-appointment of Mr. K. Ramachandra Reddy as Chairman and Chief Executive Officer</li> <li>• Re-appointment of Mr. C. Dayakar Reddy as Managing Director</li> </ul>
14th	2012 - 2013		30.09.2013 at 10.30 hrs	<ul style="list-style-type: none"> <li>• No Special resolutions were passed in this AGM</li> </ul>
15th	2013 - 2014		11.09.2014 at 10.30 hrs	<ul style="list-style-type: none"> <li>• Increase in Borrowing powers of the Company</li> <li>• Enhancement to power for Creation of Charge on Movable and Immovable properties of the Company</li> <li>• Transactions with Related Parties under Sec.188 of Companies Act, 2013</li> <li>• Adoption of newly substituted Articles of Association</li> <li>• Approval of a Resolution for Reducing Share Capital</li> </ul>

b) Neither any resolution was put through postal ballot last year nor any resolution is proposed to be conducted through postal ballot in the ensuing Annual General Meeting.

### 7. Disclosures

a) During the year 2014-15 the Company has entered into related party transactions worth Rs.30.84 Lakhs (both receivables and payables) with MosChip Semiconductor Technology, USA the Wholly Owned Subsidiary of the Company. Rs. 6.82 Crores with Directors. All these transactions were at arm's length and do not have potential conflict with the interest of the Company at large.

b) Disclosures on compliance of law :

The Company has complied with the mandatory requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters related to capital markets during the last three years. No penalties or strictures were imposed by SEBI, Stock Exchanges, or any statutory authorities on any matter related to capital markets during the last three years.

c) Whistle Blower policy

The Company has a Whistle Blower Policy / Vigil Mechanism which is posted on the website of the Company for its directors and employees to report their concerns about the Company's working or about any violation of its policies and no personnel are being denied any access to the Audit Committee.

d) Details of compliance with mandatory requirements and adoption of non mandatory requirements

All mandatory requirements have been complied with and the non-mandatory requirements are dealt with at the end of the Report.

## CORPORATE GOVERNANCE REPORT

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### **8. Certificate on Corporate Governance**

In terms of Clause 49 of the Listing Agreement with Stock Exchanges, Certificate from a Practicing Company Secretary regarding compliance of the conditions of Corporate Governance is annexed to the Report of the Board of Directors.

This Certificate will be forwarded to the Stock Exchanges along with the Annual Report of the Company.

### **9. Code of Conduct:**

The Board has laid down a Code of Business Conduct and Ethics (the "Code") for all the Board Members and Senior Management of the Company. All Board Members and Senior Management Personnel have affirmed compliance of the Code of Conduct. A declaration signed by the CEO to this effect is attached as annexure to the Directors' Report.

The Board has also adopted separate code of conduct with respect to duties of Independent Directors as per the provisions of the Companies Act, 2013.

### **10. Means of Communication**

Quarterly and Half-yearly results will normally be published in Financial Express in English and Nava Telangana Regional Language Daily (Telugu).

Apart from the financial results, all official press releases of the Company and presentation made to the institutional investors and analysts if any, are being made available on the Company's website [www.moschip.com](http://www.moschip.com).

Management's Discussion and Analysis forms part of the Annual Report.

### **11. General Shareholder Information**

**AGM – Date, Time and Venue** : 30<sup>th</sup> September 2015, 10.30 am at  
Registered Office of the Company at Plot No.83 & 84,  
2<sup>nd</sup> Floor, Punnaiah Plaza, Road No.02, Banjara Hills,  
Hyderabad – 500 034

**Financial Year** : 1<sup>st</sup> April, 2014 to 31<sup>st</sup> March, 2015.

**Financial Calendar** :

The following is the tentative financial calendar of the Company, which is subject to change:

*Un-Audited Financial Results for the FY 2015-16*

First Quarter Results : 12<sup>th</sup> August 2015  
Second Quarter & Half-yearly Results : Between 1<sup>st</sup> & 15<sup>th</sup> November 2015  
Third Quarter Results : Between 1<sup>st</sup> & 15<sup>th</sup> February 2016  
Fourth Quarter & Annual Results : Between 20<sup>th</sup> & 30<sup>th</sup> May 2016  
(Audited in lieu of un-audited results)

**Date of Book Closure** : 24<sup>th</sup> September 2015 to 30<sup>th</sup> September  
2015 (both days inclusive)

**Dividend Payment Date** : Not Applicable

**Listing on Stock Exchanges** : Bombay Stock Exchange Limited  
P J Towers, Dalal Street, Fort, Mumbai – 400 001.

**Stock Code**

Bombay Stock Exchange Limited : 532407 / MOSCHIP SEMI

*Market Price data : High / Low during each month in the Financial Year 2014-15 and Performance in comparison to broad-based indices such as BSE Sensex, Crisil Index etc.*

## CORPORATE GOVERNANCE REPORT

The information on market price of MosChip stock and its comparison with BSE Sensex is shown in *Table - 9*  
MosChip Share price on BSE and in comparison with BSE Sensex

Table - 9

Month & Year	MOSCHIP		SENSEX	
	High	Low	High	Low
Apr-14	2.27	1.65	22939.31	22197.51
May-14	2.83	1.80	25375.63	22277.04
Jun-14	4.04	2.55	25725.12	24270.20
Jul-14	4.33	2.98	26300.17	24892.00
Aug-14	4.50	3.12	26674.38	25232.82
Sep-14	4.65	3.05	27354.99	26220.49
Oct-14	4.08	3.09	27894.32	25910.77
Nov-14	5.80	3.65	28822.37	27739.56
Dec-14	4.49	3.00	28809.64	26469.42
Jan-15	5.48	3.10	29844.16	26776.12
Feb-15	5.75	4.43	29560.32	28044.49
Mar-15	0.00	0.00	30024.74	27248.45

Note : Trading was suspended from 5th Feb 2015 to 8th May 2015 for the purpose of reduction of share capital.

*Registrar and Transfer Agents* : Karvy Computershare Pvt. Ltd.  
Karvy Selenium, Tower B, Plot No. 31 & 32, Financial District,  
Gachibowli, Hyderabad - 500 032, Telangana, India.  
Phone : +91 040 67161604  
Email: einward.ris@karvy.com

#### *Share Transfer System*

The applications for transfers, transmission etc., are received by the Company at Registered Office address at Hyderabad or at Karvy Computershare Pvt. Ltd., Registrar and Transfer Agents, Hyderabad. As the Company's shares are currently traded in dematerialized form the transfers are processed and approved in the electronic form by NSDL / CDSL through their depository participants.

Shares sent for physical transfer are generally registered and returned within a week from the date of receipt; provided the documents are clear in all respects. The authorised persons for share transfers will meet at regular interval to clear the transfer cases as early as possible.

Karvy Computershare Pvt. Ltd. is the Common Share Transfer Agent for both Physical and Demat mode.

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## CORPORATE GOVERNANCE REPORT

### *Distribution of Shareholding*

The Distribution of shareholding of the Company as on 31<sup>st</sup> March 2015 is shown in *Table-10*

Distribution of Shareholding as on 31<sup>st</sup> March 2015:

Table - 10

<b>DISTRIBUTION SCHEDULE AS ON 31/03/2015</b>					
<b>S.No</b>	<b>Category</b>	<b>Cases</b>	<b>% of Cases</b>	<b>Amount</b>	<b>% Amount</b>
1	upto 1 - 5000	17661	69.47	40282580.00	8.75
2	5001 - 10000	3619	14.24	31810800.00	6.91
3	10001 - 20000	1907	7.50	30915830.00	6.72
4	20001 - 30000	667	2.62	17574910.00	3.82
5	30001 - 40000	306	1.20	11215250.00	2.44
6	40001 - 50000	351	1.38	16982810.00	3.69
7	50001 - 100000	477	1.88	35982940.00	7.82
8	100001 & ABOVE	435	1.71	275590050.00	59.86
	<b>Total:</b>	<b>25423</b>	<b>100.00</b>	<b>460355170.00</b>	<b>100.00</b>

Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity: NIL

### *Dematerialization of shares and liquidity*

As per SEBI guidelines on investors' protection, the Company's shares are to be traded only in dematerialized mode. Accordingly, the Company has entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to establish electronic connectivity and facilitate scrip-less trading. As at the end of 31<sup>st</sup> March 2015, **90.95%** of the outstanding equity shares of the company are in electronic form.

The Company's shares are being traded in the Bombay Stock Exchange Limited (BSE) under **ISIN-INE935B01025**

### *Plant locations*

The Company doesn't have manufacturing facilities. The Company has the Design Centre at Hyderabad, the particulars of which are given in *Table -11*:

Table - 11

Design House / Branch Office	Location
Hyderabad	Plot No. 83 & 84, 2nd Floor, Punnaiah Plaza, Road No.02, Banjara Hills, Hyderabad – 500 034, AP, India

### *Address for Correspondence and contact persons for investors queries*

Investors' correspondence may be addressed to the Compliance Officer at the registered office of the Company at Plot No. 83 & 84, 2<sup>nd</sup> Floor, Punnaiah Plaza, Road No.02, Banjara Hills, Hyderabad – 500 034, Tel: +91-40-6622 9292 Fax: +91-6622 9393, Email : [investorrelations@moschip.com](mailto:investorrelations@moschip.com)

Besides, investors are also requested to make any correspondence with the Share Transfer Agents, whose particulars are furnished as under:

Karvy Computershare Pvt. Ltd., Plot No.17 – 24, Karvy Selenium, Tower B, Plot No. 31 & 32, Financial District, Gachibowli, Hyderabad - 500 032, Telangana, India..Phone : +91 040 67161604 Email: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)

*Contact Person:* R. Chandra Sekhar, Senior Manager - (Registrar in Securities)

*Tel:* +91-40-6716-1604, Email: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)

For and on behalf of the Board of Directors

**K. Ramachandra Reddy**  
Chairman & CEO

31<sup>st</sup> August 2015

**INDEPENDENT  
AUDITOR'S REPORT**

The Members

**Moschip Semiconductor Technology Limited**  
Hyderabad

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Moschip Semiconductor Technology Limited (hereinafter referred to as "the Holding Company") and its subsidiary Moschip Semiconductor Technology, USA (the Holding Company and its subsidiary together referred to as "the Group") comprising of the Consolidated Balance Sheet as at 31st March 2015, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

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

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 specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. 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.

**Auditor's Responsibility**

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.

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.

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 but not for the purpose of expressing an opinion on whether the Holding Company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. 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.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, 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 31st March, 2015, and their consolidated loss and their consolidated cash flows for the year ended on that date.

**Other Matters**

- (a) We did not audit the financial statements of the company's subsidiary Moschip Semiconductor Technology, USA whose financial statements reflect total assets of Rs. 5,93,31,470.81 as at 31st March 2015, total revenues of Rs. 51,58,067 and net cash flows amounting to Rs. 1,23,355 for the year ended on that date, as considered in the consolidated financial statements. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and

**INDEPENDENT  
AUDITOR'S REPORT**

disclosures included in respect of the subsidiary and our report in terms of sub-sections (3) and (11) of Section 143 of the Act in so far as it relates to the aforesaid subsidiary is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the information certified by the Management.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order for the holding company alone as this is the only company in the group which is incorporated in India.
2. 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 furnished by the management in respect of the unaudited financial statements of the subsidiary.
  - (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 specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2015 taken on record by the Board of Directors of the Holding Company, none of the directors of the Group companies, incorporated in India is disqualified as on 31st March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) 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 Group did not have any pending litigations which would impact its consolidated financial position.
  - ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company incorporated in India.

**For Gokhale & Co.,**  
Chartered Accountants  
Firm Regn. No. 000942S

**Chandrashekhar Gokhale**  
Partner  
Membership No 23839  
22 May 2015



**INDEPENDENT  
AUDITOR'S REPORT**

**Annexure**

As required by the Companies ( Auditor's Report ) Order, 2015 issued by the Central Government of India in terms of Sub-section (11) of section 143 of the Companies Act, 2013 (18 of 2013 ) and on the basis of such checks, as we considered appropriate, we further report that:

- (i) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management according to a phased programme designed to cover all assets on rotation basis. In respect of assets verified according to this programme, which is reasonable, no material discrepancies were noticed.
- (ii) The company had no physical inventory at any point during the year.
- (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.
- (iv) In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of its services.
- (v) The company has not accepted deposits from the public covered by the provisions of section 73 or section 76 of the Companies Act.
- (vi) We have been informed that as per the Companies ( Cost Records and Audit ) Amendment Rules, 2014 the company is not required to maintain cost records.
- (vii) (a) The company has not been regular in depositing its undisputed statutory dues. As at the end of the year, the amounts outstanding for a period of more than six months from the date they became payable are as under:

TDS on Salaries	Rs 13,00,542
Service Tax	Rs 8,29,660

According to the explanations and information given to us, apart from the above, there were no other undisputed statutory dues including towards Provident Fund, ESI, Income-tax,

Sales-tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other statutory dues outstanding for a period of more than six months from the date they became payable.

- (b) As at the year end there were no dues of income tax, sales tax, wealth tax, service tax or duty of customs or duty of excise, value added tax or cess which have not been deposited on account of any dispute.
- (c) There were no amounts required to be transferred to investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder.
- (viii) The company's accumulated losses at the end of the financial year were more than fifty percent of its net worth. The company has incurred cash losses in the year under audit. The company had incurred cash losses in the immediately preceding financial year also.
- (ix) The Export Packing Credit balance of Rs 1,24,80,409 payable to UCO Bank as at the Balance Sheet date is overdue. There were no dues payable to any financial institution/s during the year.
- (x) The company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xi) The company has not taken any fresh term loans during the year. The Export Packing Credit obtained from UCO Bank in earlier years has been utilized for the intended purpose.
- (xii) On the basis of information and explanations given to us no fraud on or by the company has been noticed or reported during the year.

**For Gokhale & Co.,**  
Chartered Accountants  
Firm Regn. No. 000942S

**Chandrashekhar Gokhale**  
Partner  
Membership No 23839  
22 May 2015

**CONSOLIDATED**

**CONSOLIDATED BALANCE SHEET  
AS AT 31 MARCH 2015**

PARTICULARS	Note No.	As at 31 March 2015 Rs.	As at 31 March 2014 Rs.
<b>I. EQUITY AND LIABILITIES</b>			
1. Shareholder's funds			
(a) Share Capital	1	92,071,034	460,355,170
(b) Reserves and Surplus	2	<u>(215,309,882)</u>	<u>(523,093,327)</u>
		(123,238,848)	(62,738,157)
2. Non-current liabilities			
(a) Long-term Provisions	3	7,759,226	8,853,007
		7,759,226	8,853,007
3. Current Liabilities			
(a) Short term borrowings	4	164,761,699	129,191,499
(b) Trade payables		31,924,772	26,617,324
(c) Short term provisions	5	<u>52,706,056</u>	<u>45,414,112</u>
		<u>249,392,527</u>	<u>201,222,935</u>
<b>TOTAL</b>		<u><u>133,912,905</u></u>	<u><u>147,337,785</u></u>
<b>II ASSETS</b>			
1. Non-current assets			
(a) Fixed assets			
(i) Tangible assets	6	3,319,320	20,026,694
(ii) Intangible assets		798,816	1,586,299
(b) Long-term loans and advances	7	<u>5,083,152</u>	<u>5,055,668</u>
		9,201,288	26,668,661
2. Current assets			
(a) Inventories	8	71,742,333	48,725,869
(b) Trade receivables	9	8,446,732	32,251,820
(c) Cash and Cash equivalents	10	14,815,086	13,961,325
(d) Short-term loans and advances	11	<u>29,707,466</u>	<u>25,730,110</u>
		<u>124,711,617</u>	<u>120,669,124</u>
<b>TOTAL</b>		<u><u>133,912,905</u></u>	<u><u>147,337,785</u></u>
Significant accounting policies and notes to accounts	18		

Per and subject to our report of even date

For and on behalf of the Board of Directors

**For Gokhale & Co.,**  
Chartered Accountants  
Reg.No.FRN 000942S

**Chandrashekhar Gokhale**  
Partner  
Membership No. 23839

**K. Ramachandra Reddy**  
Chairman & CEO

**C.Dayakar Reddy**  
Managing Director

Place Hyderabad  
Date 22 May 2015

**Damoder Bethamalla**  
Company Secretary

**CONSOLIDATED**

**CONSOLIDATED PROFIT AND LOSS STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2015**

PARTICULARS	Note No.	As at	
		31 March 2015 Rs.	31 March 2014 Rs.
I Revenue from operations	12	59,939,844	76,177,296
II Other Income	13	2,141,305	900,978
<b>III Total Revenue (I + II)</b>		<b>62,081,149</b>	<b>77,078,273</b>
IV Expenses			
Cost of Materials Consumed	14	1,113,850	3,431,755
Employee benefits expense	15	51,739,511	91,006,809
Finance Costs	16	23,867,565	16,234,802
Depreciation and amortization expense		4,015,841	3,648,082
Other expense	17	27,738,055	49,028,156
<b>Total Expense</b>		<b>108,474,822</b>	<b>163,349,605</b>
V Profit/(Loss) before exceptional and extraordinary items and tax (III-IV)		(46,393,673)	(86,271,331)
VI Exceptional Items		-	3,102,116
VII Profit/(Loss) before extraordinary items and tax (V-VI)		(46,393,673)	(89,373,447)
VIII Extraordinary items		-	8,612,901
IX Profit/(Loss) before tax (VII-VIII)		(46,393,673)	(97,986,348)
<b>X Tax expense:</b>			
(1) Current tax		-	-
(2) Deferred tax		-	-
		-	-
XI Profit/(Loss) for the period from continuing operations (IX - X)		(46,393,673)	(97,986,348)
XII Profit/(Loss) for the period from discontinuing operations		-	-
XIII Tax expense of discontinuing operations		-	-
XIV Profit/(Loss) from discontinuing operations (after tax) (XII-XIII)		-	-
<b>XV Profit/(Loss) for the period (XI + XIV)</b>		<b>(46,393,673)</b>	<b>(97,986,348)</b>
XVI Earnings per equity share:			
(1) Basic		(1.01)	(2.13)
(2) Diluted		(1.01)	(2.13)
Significant accounting policies and notes to accounts	18		

Per and subject to our report of even date

For and on behalf of the Board of Directors

**For Gokhale & Co.,**  
Chartered Accountants  
Reg.No.FRN 000942S

**Chandrashekhara Gokhale**  
Partner  
Membership No. 23839

**K. Ramachandra Reddy**  
Chairman & CEO

**C. Dayakar Reddy**  
Managing Director

Place Hyderabad  
Date 22 May 2015

**Damoder Bethamalla**  
Company Secretary

**CONSOLIDATED**

**NOTES FORMING PART OF  
CONSOLIDATED BALANCE SHEET**

NOTES	As at 31 March 2015 Rs.	As at 31 March 2014 Rs.
<b>NOTE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Share Capital</b>	<b>550,000,000</b>	550,000,000
275,000,000 (Previous Year 55,000,000 @ Rs.10/- each) equity shares of Rs.2/- each		
<b>Issued share capital</b>		
47,750,589 ( Previous Year 47,750,589 @ Rs.10/- each) equity shares of Rs.2/- each	<b>95,501,178</b>	477,505,890
<b>Subscribed and fully paid share capital</b>		
46,035,517 (Previous Year 46,035,517 @ Rs.10/- each) equity shares of Rs.2/- each	<b>92,071,034</b>	460,355,170
<b>Shareholders having more than 5% of the shares with the number of shares &amp; Percentage</b>		
<b>Name of the Shareholder</b>	<b>2014-15</b>	<b>2013-14</b>
	<b>No. of Shares</b>	<b>No. of Shares</b>
	<b>%</b>	<b>%</b>
1) K Ramachandra Reddy	3,050,037	3,050,037
	6.63%	6.63%
2) ESS Tech. International Inc	2,329,092	2,329,092
	5.06%	5.06%
<b>TOTAL</b>	<b>92,071,034</b>	460,355,170
<b>NOTE - 2</b>		
<b>RESERVES AND SURPLUS:</b>		
<b>Capital Reserves:</b>		
State Govt Subsidy	1,250,000	1,250,000
Foreign Currency Translation Reserve	23,961,831	24,506,209
Capital Reserve	138,804,760	138,804,760
Retained Earnings (Depreciation Reserve as per New Co. Act 2013)	(13,562,639)	-
	<b>150,453,952</b>	164,560,969
<b>Forfeited Share Warrants:</b>		
Opening Balance	5,431,250	5,431,250
Additions	-	-
	<b>5,431,250</b>	5,431,250
<b>Securities Premium Reserves</b>		
Opening Balance	666,633,920	666,633,920
Deletions under Scheme of Capital Reduction	666,633,920	-
	-	666,633,920
<i>Surplus, showing allocations and appropriations such as dividend, Bonus Shares and transfer to / from reserves</i>		
Opening Balance	(1,359,719,468)	(1,261,733,120)
Add: Current Year Surplus	(46,393,673)	(97,986,348)
	<b>(1,406,113,140)</b>	(1,359,719,468)
Less: Reduction in losses under the scheme of Capital Reduction	1,034,918,056	-
	<b>(371,195,084)</b>	(1,359,719,468)
<b>TOTAL</b>	<b>(215,309,882)</b>	(523,093,328)

**CONSOLIDATED**

**NOTES FORMING PART OF  
CONSOLIDATED BALANCE SHEET**

NOTES	As at 31 March 2015 Rs.	As at 31 March 2014 Rs.
<b>NOTE - 3</b>		
<b>LONG TERM PROVISIONS:</b>		
Leave Encashment	1,738,576	2,543,003
Gratuity	6,020,650	6,310,004
<b>TOTAL</b>	<b>7,759,226</b>	<b>8,853,007</b>
<b>NOTE - 4</b>		
<b>SHORT TERM BORROWINGS</b>		
Loan from Bank (Packing Credit) (Export Packing Credit facility obtained from UCO Bank is secured by hypothecation by way of first charge on stocks of finished goods, raw materials, work in progress, stores and spares and book debts, and second charge in respect of other movable assets, and guaranteed by Chairman and managing Director) Terms of repayment is 180 days from the date of availment of loan	12,480,409	20,152,406
Loan From Directors	152,281,290	109,039,093
<b>TOTAL</b>	<b>164,761,699</b>	<b>129,191,499</b>
<b>NOTE - 5</b>		
<b>SHORT TERM PROVISIONS</b>		
Provision for Expenses	2,493,941	1,861,781
TDS Payable	6,921,345	11,551,781
Service Tax Payable	3,017,523	5,189,603
Salaries Payable	11,364,659	10,100,343
Director Remuneration Payable	4,407,897	2,452,054
Interest Payable on Loans	22,283,965	10,776,253
Provision for Taxation	1,814,382	3,397,326
PT, PF and ESI Payable	402,344	84,970
<b>TOTAL</b>	<b>52,706,056</b>	<b>45,414,112</b>

NOTES FORMING PART OF  
CONSOLIDATED BALANCE SHEET

**NOTE - 6**  
**FIXED ASSETS - CONSOLIDATED**  
(Amount in Rupees)

S.No.	Description	GROSS BLOCK				DEPRECIATION				NET BLOCK		
		Balance as at 01.04.2014	Additions during the year	Adjustments during the year*	***Deletions during the year	Balance as at 01.04.2014	For the Year	Additions (Deletions) During the Year	Adjustments During the Year**	Balance as at 31.03.2015	Balance as at 31.03.2014	
	<b>Tangible Assets</b>											
1	Computers	24,990,805	-	-	209,978	22,890,713	810,195	-	-	23,700,908	10,79,919	2,100,092
2	Electrical Installation	1,843,480	-	-	148,582	842,786	434,934	-	-	1,277,720	417,178	1,000,694
3	Plant and Machinery	2,255,469	92,250	-	864,370	1,311,491	86,502	15,084	-	1,413,076	70,273	943,978
4	Furniture and Fitting	4,978,641	-	17,360	638,124	3,374,465	576,589	-	15,624	3,966,678	391,199	1,604,176
5	Office Equipment	5,041,912	-	33,747	1,743,340	2,367,114	719,621	-	29,024	3,115,759	216,560	2,674,798
6	Vehicles	84,257	-	-	-	77,929	3,023	-	-	80,952	3,305	6,328
7	Lab Equipment	16,178,293	-	-	9,966,245	5,852,581	254,764	-	-	6,107,345	112,703	10,325,712
8	Leasehold Improvements	2,190,947	-	-	-	820,034	342,729	-	-	1,162,763	1,028,184	1,370,913
9	Mask Tools	-	-	-	-	-	-	-	-	-	-	-
	<b>TOTAL</b>	<b>57,563,803</b>	<b>92,250</b>	<b>51,107</b>	<b>13,562,639</b>	<b>37,537,112</b>	<b>3,228,358</b>	<b>15,084</b>	<b>44,648</b>	<b>40,825,201</b>	<b>3,319,320</b>	<b>20,026,690</b>
	<b>Intangible Assets</b>											
1	Software	62,349,317	-	-	-	60,763,018	787,483	-	-	61,550,501	798,816	1,586,299
	<b>TOTAL</b>	<b>62,349,317</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>60,763,018</b>	<b>787,483</b>	<b>0</b>	<b>-</b>	<b>61,550,501</b>	<b>798,816</b>	<b>1,586,299</b>
	<b>GRAND TOTAL</b>	<b>119,913,120</b>	<b>92,250</b>	<b>51,107</b>	<b>13,562,639</b>	<b>98,300,130</b>	<b>4,015,841</b>	<b>15,084</b>	<b>44,648</b>	<b>102,375,702</b>	<b>41,18,136</b>	<b>21,612,989</b>
	Previous Year	126,580,547	192,486	125,028	6,984,939	99,664,694	3,648,082	5,129,155	96,507	98,300,129	21,612,993	

**Note:**

\* Adjustments for the year includes Rs.51,107/- considered in Foreign Currency Translation Reserve due to Translation of non-integral foreign subsidiaries.  
 \*\* Adjustments for the year includes Rs.44,648/- considered in Foreign Currency Translation Reserve due to Translation of non-integral foreign subsidiaries.  
 \*\*\* Pursuant of the Companies Act, 2013 effective from April 1, 2014, the Company has recomputed the depreciation based on the useful life of the assets as prescribed in Schedule II of the Act an amount of Rs. 135.63 lakhs has been adjusted against opening balance of retained earnings for the assets which had no residual life as at April, 1, 2014 show in Deletions during the Year.

**CONSOLIDATED**

**NOTES FORMING PART OF  
CONSOLIDATED BALANCE SHEET**

NOTES	As At 31 March 2015 Rs.	As At 31 March 2014 Rs.
<b>NOTE - 7</b>		
<b>LONG TERM LOANS &amp; ADVANCES</b>		
<b>(Unsecured, Considered Good)</b>		
<b>Deposits</b>		
<b>Deposit - Government Authorities</b>		
Deposits -Telephone	29,400	32,400
<b>Deposits - Others</b>		
Deposits - Others	776,752	746,268
Deposits - Rent	1,482,000	1,482,000
<b>Other Loans &amp; Advances</b>		
Moschip Employees Trust	2,795,000	2,795,000
<b>TOTAL</b>	<u><u>5,083,152</u></u>	<u><u>5,055,668</u></u>
 <b>NOTE - 8</b>		
<b>INVENTORIES</b>		
Finished Goods	43,546,662	42,517,783
Work In Progress	28,195,671	6,208,086
<b>TOTAL</b>	<u><u>71,742,333</u></u>	<u><u>48,725,869</u></u>
 <b>NOTE - 9</b>		
<b>TRADE RECEIVABLES</b>		
<b>(Unsecured, Considered Good)</b>		
Outstanding for a period exceeding six months	1,487,372	592,627
Others	6,959,360	31,659,193
<b>TOTAL</b>	<u><u>8,446,732</u></u>	<u><u>32,251,820</u></u>

**CONSOLIDATED**

**NOTES FORMING PART OF  
CONSOLIDATED BALANCE SHEET**

NOTES	As At 31 March 2015 Rs.	As At 31 March 2014 Rs.
<b>NOTE-10</b>		
<b>CASH AND CASH EQUIVALENTS</b>		
Cash on hand	16,881	17,564
Balance with Scheduled Banks		
— In Current accounts	3,135,579	3,592,797
— In fixed deposit accounts	11,304,180	9,844,364
(Rs.11,304,179/- (Previous Year Rs.9,844,364/-) pledged towards margin on Bank Guarantee)		
Balance with Non-Scheduled Banks in Current Accounts	358,446	506,601
<b>TOTAL</b>	<u><u>14,815,086</u></u>	<u><u>13,961,325</u></u>
<b>NOTE - 11</b>		
<b>SHORT TERM LOANS &amp; ADVANCES</b>		
<b>Other Loans &amp; Advances - (Unsecured , Considered Good)</b>		
Prepaid Expenses	14,021,235	14,245,707
Service Tax Input Credit	3,877,309	3,877,309
Interest Accrued but not due	404,112	428,545
Prepaid Income Tax-TDS	11,216,362	6,725,254
Other Advances	188,448	453,295
<b>TOTAL</b>	<u><u>29,707,466</u></u>	<u><u>25,730,110</u></u>



**CONSOLIDATED**

**NOTES FORMING PART OF  
CONSOLIDATED PROFIT AND LOSS STATEMENT**

NOTES	As At 31 March 2015 Rs.	As At 31 March 2014 Rs.
<b>NOTE - 12</b>		
<b>REVENUE FROM OPERATIONS</b>		
Semiconductor Sales	1,380,026	5,085,295
Software Services	58,559,818	71,092,000
<b>TOTAL</b>	<u><u>59,939,844</u></u>	<u><u>76,177,296</u></u>
<b>NOTE - 13</b>		
<b>OTHER INCOME</b>		
Interest Earned (Gross)	2,141,305	900,978
<b>TOTAL</b>	<u><u>2,141,305</u></u>	<u><u>900,978</u></u>
<b>NOTE - 14</b>		
<b>COST OF MATERIAL CONSUMED</b>		
Materials, Finished and Processed stocks	1,113,731	3,436,530
Import Clearance Charges	120	(4,775)
<b>TOTAL</b>	<u><u>1,113,850</u></u>	<u><u>3,431,755</u></u>
<b>NOTE - 15</b>		
<b>EMPLOYEE BENEFIT EXPENSES</b>		
Salaries and Other Allowances to Employees	42,705,193	82,511,907
Contribution to PF, ESI & Gratuity	2,564,504	1,375,724
Directors Remuneration	4,800,000	4,800,000
Staff Welfare Expenses	1,669,813	2,319,178
<b>TOTAL</b>	<u><u>51,739,511</u></u>	<u><u>91,006,809</u></u>

**CONSOLIDATED**

**NOTES FORMING PART OF  
CONSOLIDATED PROFIT AND LOSS STATEMENT**

<b>NOTES</b>	<b>For the year ended 31 March 2015 Rs.</b>	<b>For the year ended 31 March 2014 Rs.</b>
<b>NOTE - 16</b>		
<b>FINANCE COST</b>		
Interest on Packing Credit	1,702,018	2,523,615
Interest on loan from Directors	20,423,470	12,428,713
Interest on ICDs	1,504,439	911,829
Bank Charges	237,638	370,646
<b>TOTAL</b>	<u><u>23,867,565</u></u>	<u><u>16,234,802</u></u>
<b>NOTE - 17</b>		
<b>OTHER EXPENSES</b>		
Rent	5,619,460	7,294,407
Electricity Charges	1,711,898	2,087,001
Consumables	22,655	4,200,161
Research and Development Expenses	1,891	21,484
Software Charges	15,188,428	12,854,768
Communication Expenses	262,273	335,331
Directors Sitting Fee	210,000	208,000
Printing and Stationery	73,498	69,637
Postage, Telegrams and Telephones	696,758	940,352
Fees, Rates and Taxes	181,410	293,227
Repairs and Maintenance	402,689	446,760
Travelling and Conveyance	817,983	2,768,950
Marketing Expenses	8,879	325,733
Advertisement Expenses	174,444	129,571
Payment to Auditors	602,203	876,565
Insurance	1,399,764	1,890,190
Professional charges	1,621,452	1,327,617
Recruitment Expenses	197,832	17,465
General Expenses	(13,844)	2,083,310
Bad Debts Written Off	-	15,807,559
Realised Loss/(Gain) on Forex Fluctuation	(13,704)	(517,911)
Unrealised Loss/(Gain) on Forex Fluctuation	(1,427,912)	(4,432,022)
<b>TOTAL</b>	<u><u>27,738,055</u></u>	<u><u>49,028,156</u></u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2015**

**18 Significant accounting policies and notes on accounts**

**Company overview**

MosChip Semiconductor Technology Limited (and reduced) ("MosChip" or "the Company") and its subsidiary (hereinafter collectively referred to as "the Group") is a a fabless semiconductor company engaged in the business of development and manufacture of System on Chip (SOC) technologies. The Company is mainly focusing on providing services in customized application specific integrated circuits (ASICs), System on Chip (SOC) and Software technology to its clients across the globe.

MosChip has its headquarters in Hyderabad.

**18.1 Significant Accounting Policies**

**18.1.1 Basis for Preparation of Financial Statements**

The Consolidated financial statements present the accounts of the Company and its wholly owned subsidiary MosChip Semiconductor Technology, USA. The Consolidation is based on the audited financial statements of MosChip Semiconductor Technology, USA (Wholly Owned Subsidiary) for the year ended 31 March 2015.

The Consolidated financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 2013. The financial statements have been prepared under the historical cost convention on an accrual basis. Consistency in adoption of accounting policies among group companies is ensured to the extent practicable.

**18.1.2 Principles of Consolidation**

The financial statements of the Parent and its subsidiary have been Consolidated on a line-by-line basis by adding together the book value of like item of assets, liabilities, income and expenses, after eliminating intra group balance and unrealised profit / losses on intra group transaction, and are presented to the extent possible, in the same manner as the Parent's independent financial statements.

The excess/shortage of cost to the Parent of its investment over its equity in the subsidiary at the respective dates on which the investment in such Subsidiary was made is recognized as Goodwill/Capital Reserve in Consolidated Financial Statements.

**18.1.3 Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting

principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Examples of such estimates include future obligations under employee retirement benefit plans and the useful life of fixed assets. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in future, actual results ultimately may differ from the estimates.

**18.1.4 Foreign Currency Translation**

Indian Rupee is the functional currency of MosChip Semiconductor Technology Limited and US Dollar is the functional currency of MosChip Semiconductor Technology, USA. Wholly owned subsidiary is classified as non-integral operation according to Accounting Standard 11. Therefore, in respect of Wholly owned subsidiary all the assets and liabilities both Monetary and Non – Monetary are translated using exchange rate prevailing at the Balance Sheet date and revenue, cost and expenses are translated using average exchange rate prevailing during the reporting period. The resultant translation exchange gain / loss have been disclosed as "Foreign Currency Translation Reserve" under Reserves & Surplus.

**18.1.5 Revenue Recognition**

Revenue from product sales is recognised on dispatch of material.

Revenue from Software sales is recognized based on software developed and billed as per the terms of specific contracts. Provision for doubtful debts are recorded in the period in which such losses become probable based on the current estimates.

Interest income is recognized on accrual basis.

**18.1.6 Fixed Assets and Capital Work-in-Progress**

Fixed Assets are stated at cost of acquisition inclusive of inland freight, duties and taxes and incidental expenditure incurred during installation wherever applicable.

Leasehold improvements represent expenses incurred towards civil works, interior furnishings, etc. on the leased premises.

Fixed Assets sold or retired from active use are eliminated from accounts by removing the related cost and accumulated depreciation. On elimination or removal any gain or loss is included in the results of operations.

**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS**

**18.1.7 Depreciation**

Depreciation on Fixed Assets other than Improvement to Leasehold Premises is provided under Straight Line method at the rates specified in Schedule II of the Companies Act, 1956, except as stated in Note 18.2.9.

Depreciation on additions and deletions to assets during the year is charged to revenue pro rata to the period of their use.

Leasehold Improvements are amortized over the estimated useful life or unexpired period of lease (whichever is lower) on a straight line basis.

Assets costing less than Rs.5,000/- individually have been fully depreciated in the year of purchase.

Depreciation on fixed assets of the subsidiary company is computed using the straight-line method and is charged to income over the estimated useful life of two, three, five and seven years.

**18.1.8 Foreign Exchange Transactions**

Initial Recognition :-Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency approximately at the date of the transaction.

Conversion: Foreign currency monetary items are reported using the closing rate. Non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

Exchange Differences: Exchange differences arising on the settlement or conversion of monetary items, are recognised as income or as expenses in the period in which they arise except those arising on liabilities pertaining to fixed assets acquired from outside India, which are adjusted with the cost of the fixed assets.

Foreign Operations : The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself. Exchange differences arising on a monetary item forming part of net investment in a non-integral foreign operation is accumulated in foreign currency translation reserve until disposal of the net investments.

**18.1.9 Investments**

Investments are classified into current investments and long-term investments. Current Investments are carried at the lower of cost and fair value, and provision is made to recognize any decline in the carrying value. Long-term investments are carried at cost, and provision is made to recognize any decline,

other than temporary, in the value of such investment.

**18.1.10 Retirement benefits**

Provident Fund: The Company contributes to the employees' provident fund (a defined contribution benefit) maintained under the Employees Provident Fund scheme by the Central Government.

Gratuity: The Company Contributes to LIC Group Gratuity Fund. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as on the balance sheet date.

Leave Encashment: Liabilities with regard to the Leave Encashment are determined by actuarial valuation as on the balance sheet date.

**18.1.11 Earnings per share**

The Company reports basic and diluted earnings per share in accordance with Accounting Standard 20 "Earnings Per Share". Basic earnings per share is computed by dividing the net profit or loss for the period by the weighted average number of Equity shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit or loss for the period by the weighted average number of Equity shares outstanding during the period as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

**18.2 Notes on Accounts**

**18.2.1 Contingent Liabilities:**

(Amount in Rupees)		
As at 31 March		
Particulars	2015	2014
Estimated amount of unexecuted capital contracts not provided	Nil	Nil
Outstanding Bank Guarantee given by bankers	11,304,179	9,844,364
Outstanding Bank Guarantee on account of Bond executed by the Company to Government of India towards execution of Govt. contracts	96,454,145	90,514,145
Outstanding amount payable to JI Corporate Consulting (P) Ltd towards professional fee for Scheme of Capital Reduction	3,10,000	7,30,000

**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS**

**18.2.2 Short Term Borrowings**

During the period the MosChip, India has obtained further unsecured loans from a Directors an amount Rs.4.31 crores and the outstanding as on 31.03.2015 is Rs. 14.60 crores at varying interest rates payable. In Moschip USA an amount of Rs.0.60 crores (\$100,000) is outstanding towards unsecured loan from a Director as on 31.03.2015. The provision for the same has been made in these accounts in the financial year ending 31<sup>st</sup> March 2015.

**18.2.3 Earnings per Share**

The Company reports basic and diluted earnings per equity share in accordance with AS-20, "Earnings Per Share".

Basic earnings per equity share has been computed by dividing net loss after tax by the weighted average number of equity shares outstanding during the applicable periods. Diluted earnings per equity share has been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the applicable periods. The reconciliation between basic and diluted earnings per equity share is as follows:

(Amount in Rupees except share numbers)

	Year ended 31 March 2015	Year ended 31 March 2014
<b>BASIC EARNINGS/(LOSS) PER SHARE</b>		
Net Profit/(Loss) for the period before exceptional, extraordinary and Discontinuing Operations	(46,393,673)	(86,271,331)
Net Profit/(Loss) for the period after exceptional, extraordinary and Discontinuing Operations	(46,393,673)	(97,986,348)
Weighted average number of equity shares	46,035,517	46,035,517
EPS before extraordinary item	(1.01)	(1.94)
EPS after extraordinary item	(1.01)	(2.13)
<b>DILUTED EARNINGS/(LOSS) PER SHARE</b>		
Net Profit/(Loss) for the period before exceptional, extraordinary and Discontinuing Operations	(46,393,673)	(86,271,331)
Net Profit/(Loss) for the period before exceptional, extraordinary and Discontinuing Operations	(46,393,673)	(97,986,348)
Adjustments	Nil	Nil
Diluted Net Profit/(Loss) for the period before exceptional, extraordinary and Discontinuing Operations	(46,393,673)	(86,271,331)
Diluted Net Profit/(Loss) for the period after exceptional, extraordinary and Discontinuing Operations	(46,393,673)	(97,986,348)
Weighted average number of equity shares	46,035,517	46,035,517
Diluted Potential weighted average number of equity shares	Nil	Nil
Weighted average number of diluted equity shares	46,035,517	46,035,517
EPS before extraordinary item	(1.01)	(1.94)
EPS after extraordinary item	(1.01)	(2.13)

## CONSOLIDATED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 18.2.4 Segment Reporting

The Company recognizes ASIC design as its only primary segment since its operations during the year consists of ASIC design and sale/license of related intellectual property developed by it. Accordingly revenues from sale/license of software (designs/intellectual property) comprise the primary basis of segmental information set out in these Financial Statements. Secondary segmental reporting is performed on the basis of the geographical location of customers

#### a) Business Segment Information:

Particulars	Year ended 31 March 2015	
	Software Rs.	ASICs Rs.
<b>Revenue</b>		
Sales to external customers	58,559,818	1,380,026
<b>Segment Profit / (loss)</b>	<b>(44,198,553)</b>	<b>(4,336,425)</b>
Other Income	932,738	1,208,567
Profit / (loss) before Tax	<b>(43,265,815)</b>	<b>(3,127,858)</b>
Tax	0	0
Exceptional Item	0	0
Profit/(loss) after Tax before Extraordinary and Discontinuing operations	<b>(43,265,815)</b>	<b>(3,127,858)</b>
Extraordinary Items and Profit / (Loss) on Discontinuing Operations	0	0
Net profit/(loss)	<b>(43,265,815)</b>	<b>(3,127,858)</b>
<b>Other Segment Information</b>		
Depreciation	3,999,521	16,320
Non-cash expenses other than depreciation	0	0
<b>Particulars of Segment Assets and Liabilities</b>		
Segment Assets	59,870,824	59,226,995
Investments	0	0
Cash and Bank Deposits	14,456,639	358,447
Other Assets	0	0
Total Assets	<b>74,327,464</b>	<b>59,585,441</b>
Segment Liabilities	<b>250,793,459</b>	<b>6,358,295</b>
Total Liabilities	<b>250,793,459</b>	<b>6,358,295</b>

#### b) Geographic Segment Information:

	Software Rs.	ASICs Rs.
<b>Revenue</b>		
Hong Kong	0	935,005
Taiwan	0	221,646
India	58,559,818	0
Rest of World	0	223,376
<b>Carrying amount of segment fixed assets</b>		
India		97,810,987
North America		105,208,532
<b>Additions to fixed assets</b>		
India		92,250
North America		0

**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS**

**18.2.5 Accounting for taxes on income**

During the period under review, the Company carried its operations in India through its 100% Export Oriented Unit, registered with the Software Technology Parks of India (STPI), Hyderabad. The operations of the STPI Unit resulted in a net loss for the year ended 31 March 2015. Hence, no provision has been made in the books of account for the tax liability for the year as well as for the deferred taxes as per the Accounting Standard – 22 on Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India.

**18.2.6 Employee Stock Option Plans**

As per the Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 1999 issued by the Securities and Exchange Board of India, the excess of the market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the options is to be recognized and amortized on a straight-line basis over the vesting period.

The Company has established nine schemes i.e., Employee Stock Option Plan, MosChip Stock Option Plan 2001, MosChip Stock Option Plan 2002, MosChip Stock Option Plan 2004, MosChip Stock Option Plan 2005 (MI), MosChip Stock Option Plan 2005 (WOS), MosChip Stock Option Plan 2008, MosChip Stock Option Plan 2008(ALR) and MosChip Stock Option Plan 2008(Director) with 600,000 equity shares, 300,000 equity shares, 700,000 equity shares, 1,000,000 equity shares, 500,000 equity shares, 500,000 equity shares, 3,000,000 equity shares, 1,000,000 equity shares and 1,000,000 equity shares respectively. Of these the Employee Stock Options Plan was established when the Company was unlisted and consequently, the Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 1999 are not applicable to the options granted under this Plan.

YEAR ENDED 31 MARCH 2015	MOSCHIP STOCK OPTION PLAN								
PARTICULARS	Emp. Stock Option Plan	2001	2002	2004	2005 MI	2005 WOS	2008	2008 (ALR)	2008 (DIR)
Options Outstanding at the beginning of the Year	18,000	35,000	62,000	0	24,000	0	209,910	76,424	0
Granted during the year	0	0	0	0	0	0	0	0	0
Forfeited during the year	9,000	0	31,000	0	20,000	0	80,298	26,000	0
Exercised during the year	0	0	0	0	0	0	0	0	0
Outstanding at the end of the year	9,000	35,000	31,000	0	4,000	0	129,612	50,424	0

**18.2.7 MosChip India's Gratuity Plan**

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following table summarizes the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans:

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**CONSOLIDATED**

**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS**

(Amounts in Rupees)

	Year ended 31 March 2015
	Rs.
<b>Gratuity cost for the period</b>	
Current Service Cost	668,559
Interest cost on defined benefit obligation	537,575
Expected Return on Plan Assets	(22,636)
Net Actuarial losses/(gain) recognised in year	180,629
<b>Net Gratuity cost</b>	<b>1,364,127</b>
<b>Balance Sheet</b>	
Reconciliation of present value of the obligation and the fair value of plan assets	
Fair Value of Plan Assets at the end of the year	176,127
Present Value of the funded obligation at the end of the year	191,978
Asset/(Liability) recognized in the balance sheet	(6,020,65)
<b>Change in the present value of defined benefit obligation are as follows:</b>	
<b>Present value of obligations at the beginning of year</b>	6,486,131
Current Service Cost	668,559
Interest cost	537,575
Actuarial (gain)/loss	173,844
Benefits paid	(1,653,481)
<b>Present value of obligations as at the end of year</b>	<b>6,212,628</b>
<b>Change in the fair value of plan assets are as follows:</b>	
Fair Value of Plan Assets at beginning of year	176,127
Expected return on plan assets	22,636
Actuarial gain/(loss)	(6,785)
Contributions	1,653,481
Benefits paid	(1,653,481)
Fair Value of Plan Assets at end of year	<b>191,978</b>

The principal assumptions used in determining gratuity and other postemployment benefit obligations for the company's plan are as follows:

Discount Rate - 7.90%

Expected rate of return on assets – 7.50%

The fund is administered by Life Insurance Corporation of India ("LIC"). The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Above figures have been adopted as per actuarial valuation done by Thanawala Consultancy Services.

The defined benefit obligation of compensated absence (leave encashment) in respect of the employees of the company as at 31<sup>st</sup> March 2015 is Rs. 1,555,451.

**18.2.8 Reduction in Share Capital (Scheme of Capital Reduction)**

During the year the Company has proposed for Scheme of Capital Reduction. Under this Scheme the Company reduced Face Value of its equity shares from 10/- to Rs.2/- per share. After the reduction, the paid up share capital stands at Rs. 92,071,034/- divided into 46,035,517 equity shares of Rs.2/- each fully paid up. The reduction in share capital amounting to Rs 368,284,136/- and the balance standing in the share premium account of Rs 666,633,920/- has been used to set off accumulated losses to the extent of Rs 1,034,918,056



**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS**

The Company has received necessary approval from High Court of Judicature at Hyderabad for the State of Telangana and for the State of Andhra Pradesh on 09 January 2015. The Company filed the form INC-28 with ROC and received necessary approvals.

**18.2.9 Differences in accounting policies and estimates**

Depreciation on certain fixed assets of subsidiary is provided at rates which are different from the rates used by the parent Company. The estimates of useful life on which different rates are followed are as follows:

<b>Asset Description</b>	<b>Estimated useful life</b>
Furniture & Fixtures	7 Yrs
Computer Software	3 Yrs

Had the Subsidiary followed the depreciation rates in line with that of parent company, depreciation for the year ended 31 March 2015 would have been higher by Rs.31,852/- and loss for the period would have been higher by Rs.31,852/-.

**18.2.10 Regrouping/ Reclassification**

The figures for previous year have been regrouped / reclassified wherever necessary.

Per and subject to our report of even date

**For and on behalf of the Board of Directors**

**For Gokhale & Co.,**  
Chartered Accountants  
Reg.No.FRN 000942S

**Chandrashekhar Gokhale**  
Partner  
Membership No. 23839

**K. Ramachandra Reddy**  
Chairman & CEO

**C.Dayakar Reddy**  
Managing Director

Place Hyderabad  
Date 22 May 2015

**Damoder Bethamalla**  
Company Secretary

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**CONSOLIDATED**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2015**

	31 March 2015 Rs.	31 March 2014 Rs.
<b>A. Cash Flow from Operating Activities</b>		
Net Profit Before Tax, Exceptional, Prior Period and Extraordinary Item	(46,393,673)	(86,271,331)
<b>Adjustments for:</b>		
Depreciation	4,015,841	3,648,082
Interest Income	(2,141,305)	(900,978)
Loss on Sale of Fixed Assets	0	0
Profit on sale of Current Investments	0	0
Provision for Retirement Benefits	(1,093,781)	338,224
Exchange differences on translation of foreign currency cash	-	0
<b>Operating Profit before changes in working capital</b>	<b>(45,612,918)</b>	<b>(83,186,002)</b>
Increase/(Decrease) in Secured Loans/Unsecured loans	35,570,200	34,759,529
(Increase)/Decrease in Sundry Debtors	23,805,088	15,003,085
(Increase)/Decrease in Inventories	(23,016,464)	(8,142,676)
(Increase)/Decrease in Loans and Advances	(4,029,273)	(10,500,083)
(Increase)/Decrease in Bank Guarantee Deposits with Bankers	(1,459,816)	(769,364)
Increase/(Decrease) in Current liabilities	12,599,392	5,00,96,979
<b>Cash from operations before Tax , Exceptional, Extra Ordinary and Prior Period items</b>	<b>(2,143,791)</b>	<b>(2,738,531)</b>
Income-taxes paid	0	0
<b>Cash from operations before Exceptional, Extra Ordinary and Prior Period items</b>	<b>(2,143,791)</b>	<b>(2,738,531)</b>
Exceptional Item	0	(1,604,750)
Extra ordinary and prior period item	0	0
Income from discontinuing operations	0	0
<b>Net cash from operating Activities [A]</b>	<b>(2,143,791)</b>	<b>(4,343,281)</b>
<b>B. Cash flow from Investing Activities:</b>		
Purchase of Fixed Assets	(77,166)	(192,486)
Sale proceeds of Fixed Assets	0	386,930
Interest received on Fixed Deposits	(2,165,738)	839,024
Purchase of Current Investments	0	0
Sale of Current Investments	0	0
Foreign currency translation adjustment for non-integral operation	(550,837)	3,161,661
<b>Net Cash used for Investing Activities [B]</b>	<b>1,537,735</b>	<b>4,195,129</b>
<b>C. Cash flow from Financing Activities:</b>		
Proceeds from Issue of Share Capital	0	0
Securities Premium	0	0
Convertible Warrants	0	0
<b>Net Cash from Financing Activities [C]</b>	<b>0</b>	<b>0</b>

**CONSOLIDATED****CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2015**

	31 March 2015 Rs.	31 March 2014 Rs.
<b>D. Exchange differences on translation of foreign currency cash</b>	<u>0</u>	<u>0</u>
<b>Net Increase/(Decrease) in cash &amp; cash equivalents [A+B+C+D]</b>	<b>(606,056)</b>	(148,153)
Cash and Cash equivalents at the beginning of the year	<u>4,116,961</u>	4,265,114
<b>Cash and Cash equivalents at the end of the year</b>	<u><b>3,510,906</b></u>	<u>4,116,961</u>
<b>Supplementary Information</b>		
Cash and Cash Equivalents as per Balance Sheet	<b>14,815,086</b>	13,961,325
Less: Fixed Deposits towards Bank Guarantee considered as investments	<u>11,304,180</u>	9,844,364
	<u><b>3,510,906</b></u>	<u>4,116,961</u>

Per and subject to our report of even date

**For and on behalf of the Board of Directors****For Gokhale & Co.,**  
Chartered Accountants  
Reg.No.FRN 000942S**Chandrashekhar Gokhale**  
Partner  
Membership No. 23839**K. Ramachandra Reddy**  
Chairman & CEO**C. Dayakar Reddy**  
Managing DirectorPlace Hyderabad  
Date 22 May 2015**Damoder Bethamalla**  
Company Secretary**Blank Space**

## INDEPENDENT AUDITOR'S REPORT

To  
The Members  
**Moschip Semiconductor Technology Limited**  
Hyderabad.

### Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Moschip Semiconductor Technology Limited, which comprise the Balance Sheet as at March 31, 2015, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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 specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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.

### Auditor's Responsibility

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.

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 standalone financial statements are free from material misstatement.

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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, 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 31st March, 2015 and its loss and its cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order 2015 ('the order'), issued by the Central Government of India in terms of Subsection 11 of Section 143 of the Companies Act, 2013, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the order to the extent applicable.
2. 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.

## INDEPENDENT AUDITOR'S REPORT

- (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 specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors as on 31st March, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) 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 does not have any pending litigations which would impact its financial position.
  - ii. The Company 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 Company.

**For Gokhale & Co**  
Chartered Accountants  
FRN:000942S

Chandrashekhar Gokhale  
Partner  
Membership No. 023839

Place: Hyderabad  
Date: 22 May 2015

### ANNEXURE

As required by the Companies ( Auditor's Report ) Order, 2015 issued by the Central Government of India in terms of Sub-section (11) of section 143 of the Companies Act, 2013 (18 of 2013 ) and on the basis of such checks, as we considered appropriate, we further report that:

- (i) (a) The company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
- (b) The fixed assets have been physically verified by the management according to a phased programme designed to cover all assets on rotation basis. In respect of assets verified according to this programme, which is reasonable, no material discrepancies were noticed.
- (ii) The company had no physical inventory at any point during the year.
- (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.
- (iv) In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of its services.
- (v) The company has not accepted deposits from the public covered by the provisions of section 73 or section 76 of the Companies Act.
- (vi) We have been informed that as per the Companies (Cost Records and Audit) Amendment Rules, 2014 the company is not required to maintain cost records.
- (vii)(a) The company has not been regular in depositing its undisputed statutory dues. As at the end of the year, the amounts outstanding for a period of more than six months from the date they became payable are as under:

TDS on Salaries	Rs 13,00,542
Service Tax	Rs 8,29,660

**INDEPENDENT  
AUDITOR'S REPORT**

- According to the explanations and information given to us, apart from the above, there were no other undisputed statutory dues including towards Provident Fund, ESI, Income-tax, Sales-tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other statutory dues outstanding for a period of more than six months from the date they became payable.
- (b) As at the year end there were no dues of income tax, sales tax, wealth tax, service tax or duty of customs or duty of excise, value added tax or cess which have not been deposited on account of any dispute.
- (c) There were no amounts required to be transferred to investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder.
- (viii) The company's accumulated losses at the end of the financial year were more than fifty percent of its net worth. The company has incurred cash losses in the year under audit. The company had incurred cash losses in the immediately preceding financial year also.
- (ix) The Export Packing Credit balance of Rs 1,24,80,409 payable to UCO Bank as at the Balance Sheet date is overdue. There were no dues payable to any financial institution/s during the year.
- (x) The company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xi) The company has not taken any fresh term loans during the year. The Export Packing Credit obtained from UCO Bank in earlier years has been utilized for the intended purpose.
- (xii) On the basis of information and explanations given to us no fraud on or by the company has been noticed or reported during the year.

**For Gokhale & Co**  
Chartered Accountants  
Firm Regn. No 000942S

**Chandrashekhar Gokhale**  
Partner  
Membership No 023839  
22 May 2015

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## BALANCE SHEET AS AT 31 MARCH 2015

PARTICULARS	Note No.	As at	
		31 March 2015 Rs.	31 March 2014 Rs.
<b>I. EQUITY AND LIABILITIES</b>			
1. Shareholder's funds			
(a) Share Capital	1	92,071,034	460,355,170
(b) Reserves and Surplus	2	(191,274,804)	(500,579,382)
		(99,203,770)	(40,224,212)
2. Non-current liabilities			
(a) Long-term Provisions	3	7,576,101	8,619,038
		7,576,101	8,619,038
3. Current Liabilities			
(a) Short term borrowings	4	173,258,684	140,308,667
(b) Trade payables		27,886,418	21,973,972
(c) Short term provisions	5	45,927,271	37,391,194
		247,072,373	199,673,833
<b>TOTAL</b>		<b>155,444,704</b>	<b>168,068,659</b>
<b>II ASSETS</b>			
1. Non-current assets			
(a) Fixed assets	6		
(i) Tangible assets		3,163,597	19,861,106
(ii) Intangible assets		798,816	1,586,300
(b) Non-current investments	7	956,989	956,989
(c) Long-term loans and advances	8	4,316,500	4,319,500
(d) Other non-current assets		-	-
		9,235,902	26,723,894
2. Current assets			
(a) Inventories	9	28,195,671	6,208,086
(b) Trade receivables	10	76,967,527	98,946,343
(c) Cash and Cash equivalents	11	14,456,639	13,454,726
(d) Short-term loans and advances	12	26,588,965	22,735,610
		146,208,802	141,344,765
<b>TOTAL</b>		<b>155,444,704</b>	<b>168,068,659</b>
Significant accounting policies and notes to accounts	18		

Per and subject to our report of even date

For and on behalf of the Board of Directors

**For Gokhale & Co.,**  
Chartered Accountants  
Reg.No.FRN 000942S

**Chandrashekhara Gokhale**  
Partner  
Membership No. 23839

**K. Ramachandra Reddy**  
Chairman & CEO

**C.Dayakar Reddy**  
Managing Director

Place Hyderabad  
Date 22 May 2015

**Damoder Bethamalla**  
Company Secretary

**PROFIT AND LOSS STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2015**

PARTICULARS	Note No.	As at	
		31 March 2015 Rs.	31 March 2014 Rs.
I Revenue from operations	13	57,865,619	69,632,773
II Other Income	14	932,738	896,212
<b>III Total Revenue (I + II)</b>		<b>58,798,357</b>	<b>70,528,985</b>
IV Expenses			
Employee benefits expense	15	48,746,376	85,700,012
Finance Costs	16	21,267,196	14,091,536
Depreciation and amortization expense		3,999,521	3,606,824
Other expense	17	30,202,183	31,334,316
<b>Total Expense</b>		<b>104,215,276</b>	<b>134,732,688</b>
V Profit/(Loss) before exceptional and extraordinary items and tax (III-IV)		<b>(45,416,919)</b>	<b>(64,203,703)</b>
VI Exceptional Items		-	2,911,943
VII Profit/ (Loss) before extraordinary items and tax (V-VI)		<b>(45,416,919)</b>	<b>(67,115,646)</b>
VIII Extraordinary items		-	8,612,901
IX Profit/ (Loss) before tax (VII-VIII)		<b>(45,416,919)</b>	<b>(75,728,547)</b>
<b>X Tax expense:</b>			
(1) Current tax		-	-
(2) Deferred tax		-	-
		-	-
XI Profit/(Loss) for the period from continuing operations (IX - X)		<b>(45,416,919)</b>	<b>(75,728,547)</b>
XII Profit/(Loss) for the period from discontinuing operations		-	-
XIII Tax expense of discontinuing operations		-	-
XIV Profit/(Loss) from discontinuing operations (after tax) (XII-XIII)		-	-
<b>XV Profit/(Loss) for the period (XI + XIV)</b>		<b>(45,416,919)</b>	<b>(75,728,547)</b>
XVI Earnings per equity share:			
Equity Share of face value Rs.2/- each			
(1) Basic		<b>(0.99)</b>	<b>(1.65)</b>
(2) Diluted		<b>(0.99)</b>	<b>(1.65)</b>
Significant accounting policies and notes to accounts	18		

Per and subject to our report of even date

For and on behalf of the Board of Directors

**For Gokhale & Co.,**  
Chartered Accountants  
Reg.No.FRN 000942S

**Chandrashekhara Gokhale**  
Partner  
Membership No. 23839

**K. Ramachandra Reddy**  
Chairman & CEO

**C. Dayakar Reddy**  
Managing Director

Place Hyderabad  
Date 22 May 2015

**Damodar Bethamalla**  
Company Secretary



**NOTES FORMING PART OF  
BALANCE SHEET**

NOTES	As at 31 March 2015 Rs.	As at 31 March 2014 Rs.
<b>NOTE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Share Capital</b>	<b>550,000,000</b>	550,000,000
275,000,000 (Previous Year 55,000,000 @ Rs.10/- each) equity shares of Rs.2/- each		
<b>Issued share capital</b>		
47,750,589 ( Previous Year 47,750,589 @ Rs.10/- each) equity shares of Rs.2/- each	<b>95,501,178</b>	477,505,890
<b>Subscribed and fully paid share capital</b>		
46,035,517 (Previous Year 46,035,517 @ Rs.10/- each) equity shares of Rs.2/- each	<b>92,071,034</b>	460,355,170
<b>Shareholders having more than 5% of the shares with the number of shares &amp; Percentage</b>		
<b>Name of the Shareholder</b>	<b>2014-15</b>	<b>2013-14</b>
	<b>No. of Shares</b>	<b>No. of Shares</b>
	<b>%</b>	<b>%</b>
1) K Ramachandra Reddy	3,050,037	3,050,037
	6.63%	6.63%
2) ESS Tech. International Inc	2,329,092	2,329,092
	5.06%	5.06%
<b>TOTAL</b>	<b>92,071,034</b>	460,355,170
<b>NOTE - 2</b>		
<b>RESERVES AND SURPLUS:</b>		
<b>Capital Reserves:</b>		
State Govt Subsidy	<b>1,250,000</b>	1,250,000
Retained Earnings (Depreciation Reserve as per New Co. Act 2013)	<b>(13,562,639)</b>	-
<b>Forfeited Share Warrants:</b>		
Opening Balance	<b>5,431,250</b>	5,431,250
Additions	-	-
	<b>5,431,250</b>	5,431,250
<b>Securities Premium Reserves</b>		
Opening Balance	<b>666,633,920</b>	666,633,920
Deletions under Scheme of Capital Reduction	<b>666,633,920</b>	-
	-	666,633,920
<i>Surplus, showing allocations and appropriations such as dividend, Bonus Shares and transfer to / from reserves</i>		
Opening Balance	<b>(1,173,894,552)</b>	(1,098,166,005)
Add: Current Year Surplus	<b>(45,416,919)</b>	(75,728,547)
	<b>(1,219,311,471)</b>	(1,173,894,552)
Less: Reduction in losses under the scheme of Capital Reduction	<b>1,034,918,056</b>	-
	<b>(184,393,415)</b>	(1,173,894,552)
<b>TOTAL</b>	<b>(191,274,804)</b>	(500,579,382)

**NOTES FORMING PART OF  
BALANCE SHEET**

NOTES	As at 31 March 2015 Rs.	As at 31 March 2014 Rs.
<b>NOTE - 3</b>		
<b>LONG TERM PROVISIONS:</b>		
Leave Encashment	1,555,451	2,309,034
Gratuity	6,020,650	6,310,004
<b>TOTAL</b>	<b>7,576,101</b>	<b>8,619,038</b>
<b>NOTE - 4</b>		
<b>SHORT TERM BORROWINGS</b>		
Loan from Bank (Packing Credit) (Export Packing Credit facility obtained from UCO Bank is secured by hypothecation by way of first charge on stocks of finished goods, raw materials, work in progress, stores and spares and book debts, and second charge in respect of other movable assets, and guaranteed by Chairman and managing Director) Terms of repayment is 180 days from the date of availment of loan	12,480,409	20,152,406
Loan From Directors	146,035,290	103,041,093
<b>Loans and Advances from Related Parties - Unsecured</b> Moschip Semiconductor Technology, USA	14,742,985	17,115,168
<b>TOTAL</b>	<b>173,258,684</b>	<b>140,308,667</b>
<b>NOTE - 5</b>		
<b>SHORT TERM PROVISIONS</b>		
Provision for Expenses	2,171,507	926,393
TDS Payable	6,921,345	11,551,781
Service Tax Payable	3,017,523	5,189,603
Interest Payable	19,905,426	9,571,795
Salaries Payable	9,101,229	7,614,598
Director Remuneration Payable	4,407,897	2,452,054
ESI, PT and PF Payable	402,344	84,970
<b>TOTAL</b>	<b>45,927,271</b>	<b>37,391,194</b>

**NOTES FORMING PART OF  
BALANCE SHEET**

S.No. Description		GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Balance as at 01.04.2014	Additions during the Year	*Deletions during the Year	Balance as at 31.03.2015	Balance as at 01.04.2014	For the Year	Additions/ (Deletions) During the Year	Balance as at 31.03.2015	Balance as at 31.03.2014	
<b>Tangible Assets</b>											
1	Computers	24,990,805	0	209,978	24,780,827	22,890,713	810,195	0	23,700,908	1,079,919	2,100,092
2	Electrical Installation	1,843,480	0	148,582	1,694,898	842,786	434,934	0	1,277,720	417,178	1,000,694
3	Plant and Machinery	2,255,469	92,250	864,370	1,483,349	1,311,491	86,502	15,084	1,413,076	70,273	943,978
4	Furniture and Fitting	4,559,411	0	638,124	3,921,287	2,997,157	576,589	0	3,573,746	347,541	1,562,254
5	Office Equipment	4,226,945	0	1,743,340	2,483,605	1,675,809	703,302	0	2,379,110	104,495	2,551,136
6	Vehicles	84,257	0	0	84,257	77,929	3,023	0	80,952	3,305	6,328
7	Lab Equipment	16,178,293	0	9,958,245	6,220,048	5,852,581	254,764	0	6,107,345	112,703	10,325,712
8	Leasehold Improvements	2,190,947	0	0	2,190,947	820,034	342,729	0	1,162,763	1,028,184	1,370,913
	<b>TOTAL</b>	<b>56,329,606</b>	<b>92,250</b>	<b>13,562,639</b>	<b>42,859,217</b>	<b>36,465,500</b>	<b>3,212,038</b>	<b>15,084</b>	<b>39,695,620</b>	<b>3,163,597</b>	<b>19,861,106</b>
<b>Intangible Assets</b>											
1	Software	62,349,317	0	0	62,349,317	60,763,018	787,483	0	61,550,501	798,816	1,586,299
	<b>TOTAL</b>	<b>62,349,317</b>	<b>0</b>	<b>0</b>	<b>62,349,317</b>	<b>60,763,018</b>	<b>787,483</b>	<b>0</b>	<b>61,550,501</b>	<b>798,816</b>	<b>15,862,299</b>
	<b>GRAND TOTAL</b>	<b>118,678,923</b>	<b>92,250</b>	<b>13,562,639</b>	<b>105,208,534</b>	<b>97,231,518</b>	<b>3,999,521</b>	<b>15,084</b>	<b>101,246,121</b>	<b>3,962,413</b>	<b>21,447,405</b>
	Previous Year	125,146,428	192,486	6,659,991	118,678,923	98,702,342	3,606,824	5,077,648	97,231,518	21,447,405	0

\* Pursuant to the Companies Act, 2013 effective from April 1, 2014, the Company has recomputed the depreciation based on the useful life of the assets as prescribed in Schedule II of the Act an amount of Rs.135.63 lakhs has been adjusted against opening balance of retained earnings for the assets which had no residual life as at April 1, 2014 shown in Deletions during the Year.

NOTES FORMING PART OF  
BALANCE SHEET

NOTES	As at 31 March 2015 Rs.	As at 31 March 2014 Rs.
<b>NOTE - 7</b>		
<b>NON CURRENT INVESTMENTS:</b>		
Investments		
Unquoted		
a) Wholly-owned Subsidiary:		
19,192,404 (Previous Year 19,192,404) shares of MosChip Semiconductor Technology USA (a company incorporated in USA)		
At Cost	956,989	9,569,890
Less: Diminution in Value	-	8,612,901
<b>TOTAL</b>	<b>956,989</b>	<b>956,989</b>
<b>NOTE - 8</b>		
<b>LONG TERM LOANS &amp; ADVANCES - (Unsecured, Considered Good):</b>		
<b>Deposits</b>		
<b>Deposit - Government Authorities</b>		
Deposits -Telephone	29,400	32,400
<b>Deposits - Others</b>		
Deposits - Others	10,100	10,100
Deposits - Rent	1,482,000	1,482,000
<b>Other Loans &amp; Advances</b>		
Moschip Employees Trust	2,795,000	2,795,000
<b>TOTAL</b>	<b>4,316,500</b>	<b>4,319,500</b>
<b>NOTE - 9</b>		
<b>INVENTORIES</b>		
Work In Progress	28,195,671	6,208,086
<b>TOTAL</b>	<b>28,195,671</b>	<b>6,208,086</b>

**NOTES FORMING PART OF  
BALANCE SHEET**

NOTES	As at 31 March 2015 Rs.	As at 31 March 2014 Rs.
<b>NOTE - 10</b>		
<b>TRADE RECEIVABLES:</b>		
(Unsecured, Considered Good)		
Outstanding for a period exceeding six months	71,667,722	67,110,160
Others	5,299,805	31,836,183
<b>TOTAL</b>	<b>76,967,527</b>	<b>98,946,343</b>
<b>NOTE - 11</b>		
<b>CASH AND CASH EQUIVALENTS:</b>		
Cash on hand	16,881	17,564
Balance with Scheduled Banks		
- In Current accounts	3,135,579	3,592,798
- In fixed deposit accounts	11,304,180	9,844,364
(Rs.11,304,179 (Previous Year Rs.9,844,364/-) pledged towards margin on Bank Guarantee)		
<b>TOTAL</b>	<b>14,456,639</b>	<b>13,454,726</b>
<b>NOTE - 12</b>		
<b>SHORT TERM LOANS &amp; ADVANCES:</b>		
<b>Other Loans &amp; Advances - (Unsecured , Considered Good)</b>		
Prepaid Expenses	10,902,735	11,251,207
Service Tax Input Credit	3,877,309	3,877,309
Interest Accrued but not due	404,112	428,545
Prepaid Income Tax - TDS	11,216,362	6,725,254
Other Advances	188,448	453,295
<b>TOTAL</b>	<b>26,588,965</b>	<b>22,735,610</b>

**NOTES FORMING PART OF  
PROFIT AND LOSS STATEMENT**

NOTES	As at 31 March 2015 Rs.	As at 31 March 2014 Rs.
<b>NOTE - 13</b>		
<b>REVENUE FROM OPERATIONS:</b>		
Software Services	57,865,619	69,632,773
<b>TOTAL</b>	<b>57,865,619</b>	<b>69,632,773</b>
<b>NOTE - 14</b>		
<b>OTHER INCOME:</b>		
Interest Earned (Gross)	932,738	896,212
<b>TOTAL</b>	<b>932,738</b>	<b>896,212</b>
<b>NOTE - 15</b>		
<b>EMPLOYEE BENEFITS EXPENSES:</b>		
Salaries and Other Allowances to Employees	39,753,408	77,351,693
Contribution to PF, ESI & Gratuity	2,564,504	1,375,724
Directors Remuneration	4,800,000	4,800,000
Staff Welfare Expenses	1,628,464	2,172,595
<b>TOTAL</b>	<b>48,746,376</b>	<b>85,700,012</b>
<b>NOTE - 16</b>		
<b>FINANCE COST:</b>		
Interest on Packing Credit	1,702,018	2,523,615
Interest on loan from Directors	19,327,540	11,224,870
Bank Charges	237,638	343,051
<b>TOTAL</b>	<b>21,267,196</b>	<b>14,091,536</b>

**NOTES FORMING PART OF  
PROFIT AND LOSS STATEMENT**

NOTES	As at 31 March 2015 Rs.	As at 31 March 2014 Rs.
<b>NOTE - 17</b>		
<b>OTHER EXPENSES:</b>		
Rent	4,782,169	5,919,500
Electricity Charges	1,711,898	2,087,001
Consumables	22,655	4,200,161
Software Charges	15,188,428	12,854,768
Communication Expenses	262,273	335,331
Directors Sitting Fee	210,000	208,000
Printing and Stationery	73,498	69,637
Postage, Telegrams and Telephones	480,142	686,374
Fees, Rates and Taxes	101,785	140,559
Repairs and Maintenance	402,689	446,760
Travelling and Conveyance	817,983	2,677,651
Advertisement Expenses	174,444	129,571
Payment to Auditors	273,500	337,000
Insurance	1,169,092	1,409,471
Professional charges	1,615,698	1,063,119
Recruitment Expenses	197,832	17,465
General Expenses	4,159,713	3,701,880
Realised Loss/(Gain) on Forex Fluctuation	(13,704)	(517,911)
Unrealised Loss/(Gain) on Forex Fluctuation	(1,427,912)	(4,432,022)
<b>TOTAL</b>	<b>30,202,183</b>	<b>31,334,316</b>

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## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

<p><b>18: Significant accounting policies and notes on accounts</b></p> <p><b>Company overview</b></p> <p>MosChip Semiconductor Technology Limited (and reduced) ("MosChip" or "the Company") is a fabless semiconductor company engaged in providing customized Services in application specific integrated circuits (ASICs), System on Chip (SOC) and Software technology services to its clients across the globe. MosChip has its headquarters in Hyderabad, India</p> <p><b>18.1 Significant Accounting Policies</b></p> <p><b>18.1.1 Basis for Preparation of Financial Statements</b></p> <p>The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 2013. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used during the previous year.</p> <p><b>18.1.2 Use of Estimates</b></p> <p>The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Examples of such estimates include future obligations under employee retirement benefit plans and the useful life of fixed assets. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in future, actual results ultimately may differ from the estimates.</p> <p><b>18.1.3 Revenue Recognition</b></p> <p>Revenue from software sales / Services are recognized and billed as per the terms of specific contracts.</p> <p>Interest income is recognized on accrual basis.</p> <p>Provision for doubtful debts are recorded in the period in which such losses become probable based on the current estimates.</p>	<p><b>18.1.4 Fixed Assets and Capital Work-in-Progress</b></p> <p>Fixed Assets are stated at cost of acquisition inclusive of inland freight, duties and taxes and incidental expenditure incurred during installation wherever applicable.</p> <p>Leasehold improvements represent expenses incurred towards civil works, interior furnishings, etc. on the leased premises.</p> <p>Capital work-in-progress comprises outstanding advances paid to acquire fixed assets, and the cost of fixed assets that are not yet ready for their intended use at the balance sheet date.</p> <p>Fixed Assets sold or retired from active use are eliminated from accounts by removing the related cost and accumulated depreciation. On elimination or removal any gain or loss is included in the results of operations.</p> <p><b>18.1.5 Depreciation</b></p> <p>Depreciation on Fixed Assets other than Improvement to Leasehold Premises provided as per Schedule II of the Companies Act, 2013.</p> <p>Depreciation on additions and deletions to assets during the year is charged to revenue pro rata to the period of their use.</p> <p>Leasehold Improvements are amortized over the estimated useful life.</p> <p>Assets costing less than Rs.5,000/- individually have been fully depreciated in the year of purchase.</p> <p><b>18.1.6 Impairment of Fixed Assets</b></p> <p>Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds recoverable amount.</p> <p><b>18.1.7 Foreign Exchange Transactions</b></p> <p><u>Initial Recognition:</u> Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency approximately at the date of the transaction.</p>
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## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

**Conversion:** Foreign currency monetary items are reported using the closing rate. Non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

**Exchange Differences:** Exchange differences arising on the settlement or conversion of monetary items, are recognised as income or as expenses in the period in which they arise except those arising on liabilities pertaining to fixed assets acquired from outside India, which are adjusted with the cost of the fixed assets.

**Foreign Operations:** The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself. Exchange differences arising on a monetary item forming part of net investment in a non-integral foreign operation is accumulated in foreign currency translation reserve until disposal of the net investments.

### 18.1.8 Investments

Investments are classified into current investments and long-term investments. Current Investments are carried at the lower of cost and fair value, and provision is made to recognize any decline in the carrying value. Long-term investments are carried at cost, and provision is made to recognize any decline, other than temporary, in the value of such investment.

### 18.1.9 Retirement benefits

**Provident Fund:** The Company contributes to the employees' provident fund (a defined contribution benefit) maintained under the Employees Provident Fund scheme by the Central Government.

**Gratuity:** The Company Contributes to LIC Group Gratuity Fund. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as on the balance sheet date.

**Leave Encashment:** Liabilities with regard to the Leave Encashment are determined by actuarial valuation as on the balance sheet date.

### 18.1.10 Earnings per share

The Company reports basic and diluted earnings per share in accordance with

Accounting Standard 20 "Earnings per Share". Basic earnings per share is computed by dividing the net profit or loss for the period by the weighted average number of Equity shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit or loss for the period by the weighted average number of Equity shares outstanding during the period as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

### 18.1.11 Provisions

A provision is recognised when the Company has a present obligation as a result of past event 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 except those disclosed elsewhere in the financial statements, are not discounted to their present value and are determined based on best estimate required to settle the obligation at the each Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

## 18.2 Notes on Accounts

### 18.2.1 Contingent Liabilities:

(Amount in Rupees)

Particulars	As at 31 March	
	2015	2014
Estimated amount of unexecuted capital contracts not provided	Nil	Nil
Outstanding Bank Guarantee given by bankers	11,304,179	9,844,364
Outstanding Bank Guarantee on account of Bond executed by the Company to Government of India towards execution of Govt. contracts	96,454,145	90,514,145
Outstanding amount payable to JI Corporate Consulting (P) Ltd towards professional fee for Scheme of Capital Reduction	310,000	730,000

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

### 18.2.2 Accounting for taxes on income

During the period under review, the Company carried its operations in India through its 100% Export Oriented Unit, registered with the Software Technology Parks of India (STPI), Hyderabad. The operations of the STPI Unit have resulted in a net loss for the year ended 31 March 2015. Hence, no provision has been made in the books of account for the tax liability for the year as well as for the deferred taxes as per the Accounting Standard – 22 on Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India.

### 18.2.3 Reduction in Share Capital (Scheme of Capital Reduction)

During the year the Company has proposed for Scheme of Capital Reduction. Under this Scheme the Company reduced Face Value of its equity shares from 10/- to Rs.2/- per share. After the reduction, the paid up share capital stands at Rs. 92,071,034/- divided into 46,035,517 equity shares of Rs.2/- each fully paid up. The reduction in share capital amounting to Rs 368,284,136/- and the balance standing in the share premium account of Rs 666,633,920/- has been used to set off accumulated losses to the extent of Rs 1,034,918,056.

The Company has received necessary approval from High Court of Judicature at Hyderabad for the State of Telangana and for the State of Andhra Pradesh on 09 January 2015. The Company filed the form INC-28 with ROC and received necessary approvals.

### 18.2.4 Short Term Borrowings

During the period the Company has obtained further unsecured loans from Directors an

amount of Rs.4.30 crores and the outstanding as on 31.03.2015 is Rs. 14.60 crores at varying interest rates payable. The provision for the same has been made in these accounts in the financial year ending 31<sup>st</sup> March 2015.

### 18.2.5 Employee Stock Option Plans

As per the Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 1999 issued by the Securities and Exchange Board of India, the excess of the market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the options is to be recognized and amortized on a straight-line basis over the vesting period.

The Company has established nine schemes i.c, Employee Stock Option Plan, MosChip Stock Option Plan 2001, MosChip Stock Option Plan 2002, MosChip Stock Option Plan 2004, MosChip Stock Option Plan 2005 (MI), MosChip Stock Option Plan 2005 (WOS), MosChip Stock Option Plan 2008, MosChip Stock Option Plan 2008(ALR) and MosChip Stock Option Plan 2008(Director) with 600,000 equity shares, 300,000 equity shares, 700,000 equity shares, 1,000,000 equity shares, 500,000 equity shares, 500,000 equity shares, 3,000,000 equity shares, 1,000,000 equity shares and 1,000,000 equity shares respectively. Of these the Employee Stock Options Plan was established when the Company was unlisted and consequently, the Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 1999 are not applicable to the options granted under this Plan.

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**SIGNIFICANT ACCOUNTING POLICIES AND  
NOTES ON ACCOUNTS**

YEAR ENDED 31 MARCH 2015	MOSCHIP STOCK OPTION PLAN								
	Emp. Stock Option Plan	2001	2002	2004	2005 MI	2005 WOS	2008	2008 (ALR)	2008 (DIR)
Options Outstanding at the beginning of the Year	18,000	35,000	62,000	0	24,000	0	209,910	76,424	0
Granted during the year	0	0	0	0	0	0	0	0	0
Forfeited during the year	9,000	0	31,000	0	20,000	0	80,298	26,000	0
Exercised during the year	0	0	0	0	0	0	0	0	0
Outstanding at the end of the year	9,000	35,000	31,000	0	4,000	0	129,612	50,424	0

**18.2.6 Earnings per Share**

The Company reports basic and diluted earnings per equity share in accordance with AS-20, "Earnings per Share".

Basic earning per equity share has been computed by dividing net loss after tax by the weighted average number of equity shares outstanding during the applicable periods. Diluted earnings per equity share has been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the applicable periods. The reconciliation between basic and diluted earnings per equity share is as follows:

(Amount in Rupees except share data)

	Year ended 31 March 2015	Year ended 31 March 2014
<b>BASIC EARNINGS/(LOSS) PER SHARE</b>		
Net Profit/(Loss) for the period before exceptional, extraordinary and Discontinuing Operations	<b>(45,416,919)</b>	(64,203,703)
Net Profit/(Loss) for the period after exceptional, extraordinary and Discontinuing Operations	<b>(45,416,919)</b>	(75,728,547)
Weighted average number of equity shares	<b>46,035,517</b>	46,035,517
EPS before extraordinary item	<b>(0.99)</b>	(1.46)
EPS after extraordinary item	<b>(0.99)</b>	(1.65)
<b>DILUTED EARNINGS/(LOSS) PER SHARE</b>		
Net Profit/(Loss) for the period before exceptional, extraordinary and Discontinuing Operations	<b>(45,416,919)</b>	(64,203,703)
Net Profit/(Loss) for the period before exceptional, extraordinary and Discontinuing Operations	<b>(45,416,919)</b>	(75,728,547)
Adjustments	<b>Nil</b>	Nil
Diluted Net Profit/(Loss) for the period before exceptional, extraordinary and Discontinuing Operations	<b>(45,416,919)</b>	(64,203,703)
Diluted Net Profit/(Loss) for the period after exceptional, extraordinary and Discontinuing Operations	<b>(45,416,919)</b>	(75,728,547)
Weighted average number of equity shares	<b>46,035,517</b>	46,035,517
Diluted Potential weighted average number of equity shares	<b>Nil</b>	Nil
Weighted average number of diluted equity shares	<b>46,035,517</b>	46,035,517
EPS before extraordinary item	<b>(0.99)</b>	(1.46)
EPS after extraordinary item	<b>(0.99)</b>	(1.65)

**SIGNIFICANT ACCOUNTING POLICIES AND  
NOTES ON ACCOUNTS**
**18.2.7. Directors' Remuneration:**

(Amounts in Rupees)

	Year ended 31 March 2015	Year ended 31 March 2014
1. Salary and allowances	4,800,000	4,800,000
2. No Provision for Commission to Whole Time Directors has been made in the books, as there is no profit in accordance with Section 198 of the Companies Act, 1956.		

**18.2.8. Related Party disclosures**
**A. List of Related Parties**

Description of Relationship	Name of Related Parties	Designation
<b>Subsidiaries</b>	MosChip Semiconductor Technology, USA	—
	MosChip Semiconductor Technology PTE Ltd., Singapore	—
<b>Key Management Personnel</b>	K. Ramachandra Reddy	Chairman & CEO
	C. Dayakar Reddy	Managing Director

**B. Transactions and balances due to / from related parties:**

(Amounts in Rupees)

Nature of Transaction	Transactions during the year	Balance as on 31 March 2015
<b>Transactions with Subsidiary</b>		
Reimbursement of expenses / Payable	0	0
Reimbursement of expenses / Receivable	0	254,337
Advance for sales/ Payable	2,372,183	14,742,985
Sales / Receivable	2,879,831	69,989,991
<b>Transactions with whole time directors</b>		
Remuneration to Chairman & CEO	2,400,000	2,307,166
Remuneration to Managing Director	2,400,000	2,100,731
Loan from Directors	42,994,197	146,035,290
Interest Payable on Directors Loan	10,333,631	19,905,426

**18.2.9. Additional information as required under Part II of Schedule VI of the Companies Act, 1956:**

(Amounts in Rupees)

	Particulars	Year ended 31 March 2015	Year ended 31 March 2014
A.	<b>C I F Value of Imports :</b>	Rs.	Rs.
	Capital Goods	0	0
	Material purchase	0	0
B.	<b>Expenditure in Foreign currency</b>		
	Software Charges	14,983,170	10,828,239
	Traveling Expenses	0	0
	Professional Charges	0	0
	Consumables	0	3,110,041
	Other Expenses	0	0
C.	<b>Earnings in Foreign Exchange</b>		
	Sales Revenue	3,083,842	9,832,565

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

### 18.2.10 Segment Reporting

The Company recognizes ASIC design as its only primary segment since its operations during the year consists of ASIC design and sale/license of related intellectual property developed by it. Accordingly revenues from sale/license of software (designs/intellectual property) comprise the primary basis of segmental information set out in these Financial Statements. Secondary segmental reporting is performed on the basis of the geographical location of customers

#### a) Business Segment Information:

(Amounts in Rupees)

Particulars	Year ended	Year ended
	31 March 2015	31 March 2014
	Rs.	Rs.
<b>Revenue</b>		
Sales to external customers	57,865,619	69,632,773
<b>Segment Profit / (loss)</b>	(46,349,657)	(65,099,915)
Other Income	932,738	896,212
Profit / (loss) before Tax	(45,416,919)	(64,203,703)
Fringe Benefit Tax	0	0
Exceptional Item	0	2,911,943
Profit / (loss) after Tax before Extraordinary and Prior Period Item	(45,416,919)	(67,115,646)
Extraordinary items and Profit/(loss) on discontinuing operations	0	8,612,901
Net profit/(loss)	(45,416,919)	(75,728,547)
<b>Other Segment Information</b>		
Depreciation	3,999,521	3,606,824
Non-cash expenses other than depreciation	0	0
<b>Particulars of Segment Assets and Liabilities</b>		
Segment Assets	111,835,405	147,448,858
Investments	956,989	956,989
Inventories	28,195,671	6,208,086
Cash and Bank Deposits	14,456,639	13,454,726
Other Assets	0	0
Total Assets	155,444,704	168,068,659
Segment Liabilities	254,648,474	208,292,871
Total Liabilities	254,648,474	208,292,871

#### b) Geographic Segment Information:

(Amount in Rupees)

Particulars	Year ended	Year ended
	31 March 2015	31 March 2014
	Rs.	Rs.
<b>Revenue</b>		
North America	30,83,842	9,596,646
Singapore		235,919
Others	54,781,777	59,800,208
<b>Carrying amount of segment fixed assets</b>		
India	105,208,534	118,678,923
<b>Additions to fixed assets</b>		
India	92,250	192,486
North America	Nil	Nil

**SIGNIFICANT ACCOUNTING POLICIES AND  
NOTES ON ACCOUNTS**
**18.2.11 Amounts paid/payable to Auditors:**

(Amount in Rupees)

	Year ended 31 March 2015	Year ended 31 March 2014
	Rs.	Rs.
For Statutory Audit	125,000	125,000
For Tax Audit	50,000	50,000
For Other Services	98,500	62,500
<b>Total</b>	<b>273,500</b>	<b>237,500</b>

**18.2.12 Gratuity Plan**

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following table summarizes the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans:

(Amounts in Rupees)

Particulars	Year ended 31 March 2015
	Rs.
<b>Gratuity cost for the period</b>	
Current Service Cost	668,559
Interest cost on defined benefit obligation	537,575
Expected Return on Plan Assets	(22,636)
Net Actuarial losses/(gain) recognised in year	180,629
<b>Net Gratuity cost</b>	<b>1,364,127</b>
<b>Balance Sheet</b>	
Reconciliation of present value of the obligation and the fair value of plan assets	
Fair Value of Plan Assets at the end of the year	176,127
Present Value of the funded obligation at the end of the year	191,978
Asset/(Liability) recognized in the balance sheet	(6,020,650)
<b>Change in the present value of defined benefit obligation are as follows:</b>	
<b>Present value of obligations at the beginning of year</b>	<b>6,486,131</b>
Current Service Cost	668,559
Interest cost	537,575
Actuarial (gain)/loss	173,844
Benefits paid	(1,653,481)
<b>Present value of obligations as at the end of year</b>	<b>6,212,628</b>
<b>Change in the fair value of plan assets are as follows:</b>	
Fair Value of Plan Assets at beginning of year	176,127
Expected return on plan assets	22,636
Actuarial gain/(loss)	(6,785)
Contributions	1,653,481
Benefits paid	(1,653,481)
Fair Value of Plan Assets at end of year	<b>191,978</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

The principal assumptions used in determining gratuity and other post employment benefit obligations for the company's plan are as follows:

Discount Rate - 7.90%

Expected rate of return on assets – 7.50%

The fund is administered by Life Insurance Corporation of India ("LIC"). The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Above figures have been adopted as per actuarial valuation done by Thanawala Consultancy Services.

The defined benefit obligation of compensated absence (leave encashment) in respect of the employees of the company as at 31<sup>st</sup> March 2015 is Rs. 1,555,451.

### 18.2.13 Retained Earnings

Pursuant to the Companies Act, 2013 effective from April 1, 2014, the Company has recomputed the depreciation based on the useful life of the assets as prescribed in Schedule II of the Act. As a result an amount of Rs. 135.63 lakhs has been adjusted against opening balance of retained earnings for the assets which had no residual life as at April 1, 2014.

### 18.2.14 Dues to Micro and Small Enterprises (SME):

In terms of Section 22 of the Micro, Small and Medium Enterprises Development Act 2006, (SME Act) the outstanding payable to Micro and Small enterprises, as defined under the SME Act, are required to be disclosed in the prescribed format. However, such Enterprises are required to be registered under the SME Act.

There are no dues to any small scale industrial undertakings and micro, small & medium enterprises which are outstanding for more than 30 days or 45 days respectively at the Balance Sheet date. This information has been determined to the extent such parties have been identified on the basis of information available with the company.

### 18.2.15 Regrouping/ Reclassification

The figures for previous year have been regrouped / reclassified wherever necessary.

Per and subject to our report of even date

**For and on behalf of the Board of Directors**

**For Gokhale & Co.,**  
Chartered Accountants  
Reg.No.FRN 000942S

**Chandrashekhar Gokhale**  
Partner  
Membership No. 23839

**K. Ramachandra Reddy**  
Chairman & CEO

**C.Dayakar Reddy**  
Managing Director

Place Hyderabad  
Date 22 May 2015

**Damoder Bethamalla**  
Company Secretary

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**STATEMENT PURSUANT TO SECTION 212 OF  
THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY**

1	Name of subsidiary	:	MosChip Semiconductor Technology, USA
2	Financial year ended	:	Year ended 31 March 2015
3	Holding Company's Interest	:	100%
4	Shares held by the holding company In the subsidiary's common stock	:	19,192,404 shares
5	The net aggregate of profits(losses) For the current financial year of the Subsidiary so far as it concerns the Members of the holding company		
	a. dealt with or provided for in the Accounts of the holding company	:	Nil
	b. not dealt with or provided for in the Accounts of the holding company	:	US \$ (19,265)
6	The net aggregate of profits or losses for the previous financial years of the Subsidiary so far as it concerns the Members of the holding company		
	a. dealt with or provided for in the Accounts of the holding company	:	NA
	b. not dealt with or provided for in the Accounts of the holding company As on 31.03.2015	:	US \$ (3,254,311)

Per and subject to our report of even date  
**For Gokhale & Co.,**  
Chartered Accountants  
Reg.No.FRN 000942S

**For and on behalf of the Board of Directors**

**Chandrashekhhar Gokhale**  
Partner  
Membership No. 23839

**K. Ramachandra Reddy**  
Chairman & CEO

**C.Dayakar Reddy**  
Managing Director

Place Hyderabad  
Date 22 May 2015

**Damoder Bethamalla**  
Company Secretary



**CASH FLOW STATEMENT FOR THE  
YEAR ENDED 31 MARCH 2015**

	31 March 2015 Rs.	31 March 2014 Rs.
<b>A. Cash Flow from Operating Activities</b>		
Net Profit Before Tax, Exceptional, Prior Period and Extraordinary Item	(45,416,919)	(64,203,703)
Depreciation	3,999,521	3,606,824
Interest Income	(932,738)	(896,212)
Profit on sale of Investments	0	(1,604,750)
Provision for Retirement Benefits	(1,042,937)	453,012
Exchange differences on translation of foreign currency cash	-	0
<b>Operating Profit before changes in working capital</b>	<b>(43,393,073)</b>	<b>(62,644,829)</b>
Increase/(Decrease) in Secured/Unsecured loans	35,322,200	39,633,529
(Increase)/Decrease in Inventory	(21,987,585)	(6,208,086)
(Increase)/Decrease in Sundry Debtors	21,978,816	(2,808,442)
(Increase)/Decrease in Investment	0	22,82,953
(Increase)/Decrease in Loans and Advances	(3,850,355)	(10,482,361)
(Increase)/Decrease in Bank Guarantee Deposits with Bankers	(1,459,816)	(769,364)
Increase/(Decrease) in Current Liabilities	12,076,340	41,443,544
<b>Cash from operations before Tax, Exceptional, Extra Ordinary and Prior Period items</b>	<b>(1,313,473)</b>	<b>446,944</b>
Income-taxes paid	0	0
<b>Cash from operations before Exceptional, Extra Ordinary and Prior Period items</b>	<b>(1,313,473)</b>	<b>446,944</b>
Exceptional Item	0	0
Extra ordinary and prior period item	0	0
Income from discontinuing operations	0	0
<b>Net Cash from Operating Activities [A]</b>	<b>(1,313,473)</b>	<b>446,944</b>
<b>B. Cash flow from Investing Activities:</b>		
Purchase of Fixed Assets	(77,167)	(192,486)
Sale proceeds of Fixed Assets	0	275,150
Interest received on Fixed Deposits	932,738	896,212
Purchase of Current Investments	0	0
Sale of Current Investments	0	0
<b>Net Cash used for Investing Activities [B]</b>	<b>855,571</b>	<b>978,876</b>
<b>C. Cash flow from Financing Activities:</b>		
Proceeds from Issue of Share Capital	0	0
Share Application money refund	0	0
Convertible Warrants	0	0
<b>Net Cash from Financing Activities [C]</b>	<b>0</b>	<b>0</b>

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2015**

	31 March 2015 Rs.	31 March 2014 Rs.
<b>D. Exchange differences on translation of foreign currency cash</b>	<u>0</u>	<u>0</u>
<b>Net Increase/(Decrease) in cash &amp; cash equivalents [A+B+C+D]</b>	<b>(457,902)</b>	1,425,820
Cash and Cash equivalents at the beginning of the year	<u>3,610,362</u>	<u>2,184,542</u>
Cash and Cash equivalents at the end of the year	<u>3,152,460</u>	<u>3,610,362</u>
<b>Supplementary Information</b>		
Cash and Cash Equivalents as per Balance Sheet	<b>14,456,639</b>	13,454,726
Less: Fixed Deposits towards Bank Guarantee considered as investments	<u>11,304,179</u>	<u>9,844,364</u>
	<u>3,152,460</u>	<u>3,610,362</u>

Per and subject to our report of even date

**For and on behalf of the Board of Directors**

**For Gokhale & Co.,**  
Chartered Accountants  
Reg.No.FRN 000942S

**Chandrashekhar Gokhale**  
Partner  
Membership No. 23839

**K. Ramachandra Reddy**  
Chairman & CEO

**C. Dayakar Reddy**  
Managing Director

Place Hyderabad  
Date 22 May 2015

**Damoder Bethamalla**  
Company Secretary


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**FORM - A**

Format of covering letter of the annual audit report to be filled with the stock exchanges:

1. Name of the Company : MosChip Semiconductor Technology Limited
2. Annual Financial Statements for the year ended : 31st March 2015
3. Type of Audit qualification : Unqualified
4. Frequency of qualification : NA
5. To be signed by :

Gajjala Prasad - Audit Committee Chairman : 

C. Dayakar Reddy - MD : 

Chandrasekhar Gokhale - Statutory Auditor  
(Membership No. 23839 Firm Regd. No. 000942S) : 

**MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED**

Regd. Office: Plot No.83 & 84, 2nd Floor, Punnaiah Plaza, Road No.02,  
Banjara Hills, Hyderabad – 500 034. Ph: 040-6622 9292. Fax : 040-6622 9393.  
CIN : L31909TG1999PLC032184

The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies vide its circular no. 17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011 after considering certain provisions of the Information Technology Act, 2000, permitted the companies to send the notices / annual reports etc. through email to its members. To support this green initiative of the MCA whole heartedly, members who have not yet registered their email address, are requested to register their e-mail address with the Depository through their concerned Depository Participant and members who hold shares in physical mode are requested to intimate their e-mail address at which they would like to receive the above documents electronically, either to the company or to its Registrar and Share Transfer Agent. Shareholders are requested to fill the consent form below and send it to the Registrar and Share Transfer Agent, Karvy Computershare Pvt. Ltd or to the company

**CONSENT FOR RECEIVING DOCUMENTS IN ELECTRONIC MODE**

(Pursuant to circulars no. 17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011)

To,  
Karvy Computershare Pvt. Ltd.  
Plot No.17 – 24, Karvy Selenium, Tower B,  
Plot No. 31 & 32, Financial District,  
Gachibowli, Hyderabad - 500 032,

Dear Sir,

I/We shareholder (s) of MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED, agree to receive all notices and documents including the Annual Report, Notice for General Meetings and other Shareholders Communication in electronic mode (through email).

I/We request you to kindly register my / our below mentioned email id in the Company's records for sending such communication through email.

Folio No. .... /DP ID No.\* ..... and Client ID No.\* .....

\*Applicable for members holding shares in electronic form.

Name of the Sole / First Shareholder : \_\_\_\_\_

Name of the Joint Shareholders (if any) : \_\_\_\_\_

No. of Shares held : \_\_\_\_\_

E-mail id for receipt of documents in : \_\_\_\_\_

Electronic mode : \_\_\_\_\_

Date:  
Place:

Signature: \_\_\_\_\_  
(Sole / First Shareholder)

Note:

1. Shareholders are requested to inform the Company's Registrar and Share Transfer Karvy Computershare Pvt. Ltd, as and when there is change in their registered email-id.
2. for shares held in demat form, shareholders are also requested to inform /update their email-ids to their respective Depository Participants.

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**MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED**

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CIN : L31909TG1999PLC032184

**FORM NO. MGT - 11**  
**PROXY FORM**

[Pursuant to the provisions of 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 : \_\_\_\_\_  
\_\_\_\_\_

E-mail ID : \_\_\_\_\_

Folio No./ Client ID : \_\_\_\_\_ DP ID: \_\_\_\_\_

I/We being the Member(s) of \_\_\_\_\_ equity shares of Rs. 2 each of MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED, hereby appoint:

1. Name: \_\_\_\_\_ E-mail Id: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_ Signature: \_\_\_\_\_

or failing him

2. Name: \_\_\_\_\_ E-mail Id: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_ Signature: \_\_\_\_\_

or failing him

3. Name: \_\_\_\_\_ E-mail Id: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_ Signature: \_\_\_\_\_

or failing him

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 16th Annual General Meeting of the Company, to be held on Wednesday, September, 30, 2015 at 10.30 a.m. at Regd. Office: Plot No.83 & 84, 2nd Floor, Punnaiah Plaza, Road No.02, Banjara Hills, Hyderabad – 500034 and at any adjournment(s) thereof, in respect of the resolutions, as indicated below:

- 
1. Adoption of the audited Balance Sheet as at March 31, 2015, the Statement of Profit and Loss for the financial year ended on that date and the reports of the Board of Directors and auditors thereon.
  2. To appoint a Director in place of Mr. K. Ramachandra Reddy (holding DIN00042172), who retires by rotation and being eligible offers himself for re-appointment
  3. Re- Appointment of M/S Gokhale & Co., Chartered Accountants, (FRN No. 000942S) as the Auditors of the Company.
  4. Re-appointment of Mr. K. Ramachandra Reddy as a Chairman & CEO of the company for a period of five years.
  5. Re-appointment of Mr. C. Dayakar Reddy as a Managing Director of the company for a period of five years.
  6. To issue shares on preferential basis to K. Ramachandra Reddy & K, Sandeep Reddy under section 62 of the companies act.
  7. To issue CCD (Compulsory Convertible Debentures) to Optimend Sales & Distribution Network Pvt Ltd, M Pot Energy Ventures Pvt Ltd, Mr. PVBLN Reddy and Mr. Pramod Mandalapu on preferential basis.
  8. To issue of Equity Warrants to Madhu Mohan Venkat Katikineni.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

Affix  
1 Rupee  
Revenue  
Stamp

\_\_\_\_\_  
Signature of Shareholder/s

Note: The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.

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**MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED**

Regd. Office: Plot No.83 & 84, 2nd Floor, Punnaiah Plaza, Road No.02,  
Banjara Hills, Hyderabad – 500 034. Ph: 040-6622 9292. Fax : 040-6622 9393.  
CIN : L31909TG1999PLC032184

(To be handed over at entrance of the Meeting Venue)

**ATTENDANCE SLIP**

Regd. Folio No. / DPID – Client ID No. : \_\_\_\_\_

SHAREHOLDER'S NAME : \_\_\_\_\_  
(In Block Capitals)

In case of Proxy  
NAME OF PROXY : \_\_\_\_\_  
(In Block Capitals)

No. of Shares held : \_\_\_\_\_

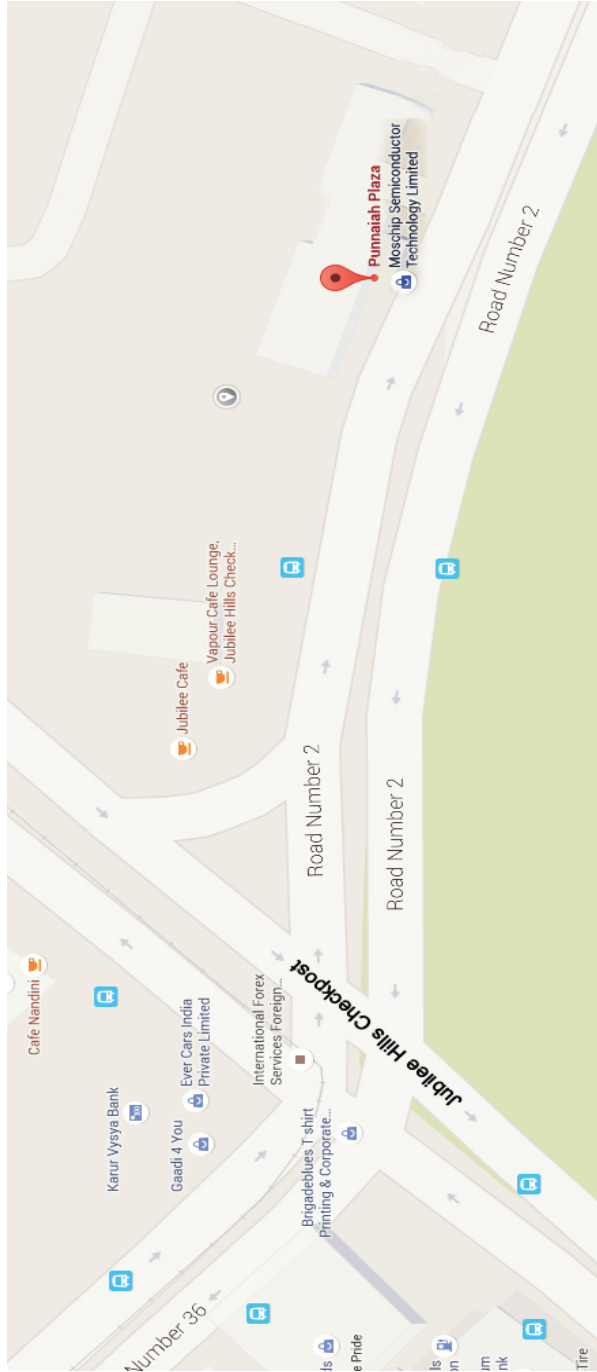
I certify that I am a registered shareholder / proxy for the registered shareholder of the Company.

I hereby record my presence at the Annual General Meeting of the Company held on Wednesday, the September 30, 2015 at 10.30 A.M. at Plot No.83 & 84, 2nd Floor, Punnaiah Plaza, Road No.02, Banjara Hills, Hyderabad – 500 034.

**Signature of Shareholder/s / Proxy**

Note: Please bring this Attendance Slip when coming to the Meeting.

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Plot No. 83 & 84, 2nd Floor, Punnaiah Plaza, Road No. 2, Banjara Hills, Hyderabad - 500 034.

Tel: +91-40-6622 9292. Fax: +91-40-6622 9393.

CIN : L31909TG1999PLC032184