

REPORT OF THE AUDIT COMMITTEE OF MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION AND ARRANGEMENT BETWEEN FIRST PASS SEMICONDUCTORS PRIVATE LIMITED ("TRANSFEROR COMPANY-1") GIGACOM SEMICONDUCTOR PRIVATE LIMITED ("TRANSFEROR COMPANY-2"), MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED ("TRANSFeree COMPANY"/"COMPANY") AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS.

Present:

Mr. Prasad Gajjala : Chairperson
Mr. K. Pradeep Chandra : Member
Mr. D. G. Prasad : Member
Mr. Damodar Rao Gummadapu : Member

In Attendance:

Mr. Suresh Bachalakura : Company Secretary

By Invitation:

Mr. Jayaram Susarla : Chief Financial Officer
Mr. Maruti Nagendram : Financial Consultant

Background:

The Audit Committee of the Company at the meeting held on July 23, 2018, has considered and reviewed the draft Scheme of Amalgamation and Arrangement ("**Scheme**") proposed between First Pass Semiconductors Private Limited ("Transferor Company-1") Gigacom Semiconductor Private Limited ("Transferor Company-2"). Moschip Semiconductor Technology Limited ("Transferee Company"/"Company") And their respective Shareholders and creditors under the provisions of section 230 to 232 and other applicable provisions of the Companies Act, 2013 read with relevant rules framed thereunder.

The Securities and Exchange Board of India vide its circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 ("Circular") has, amongst other requirements, sought a report from the Audit Committee of the listed company, recommending the draft Scheme, after taking into consideration Valuer's Report on Share Entitlement Ratio and the Fairness Opinion. This report of the Audit Committee is made in order to comply with such provisions of the said Circular.

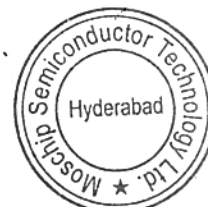
1) DOCUMENTS FOR VALUATION AND FAIRNESS OPINION IN RELATION TO THE PROPOSED SCHEME OF ARRANGEMENT

The following documents were placed before the Audit Committee:

- a. Draft Scheme, duly initialed by the Chairperson of the Audit Committee for the purpose of identification;

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- b. Valuer's Report on Share Entitlement Ratio dated 21st July, 2018 as obtained from K. V. Srinivas & Associates., Chartered Accountants (FRN: 016283S) & CA Bhavani Shankar Mylavarapu, Practicing Chartered Accountant ("**Valuer's Report**"); and
- c. Fairness Opinion dated 21st July, 2018 as obtained from M/s. Quintessence Enterprises Private Limited, a SEBI Registered Category I Merchant Banker ("**Fairness Opinion**").

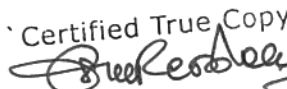
2) OBJECTS AND RATIONALE FOR THE SCHEME

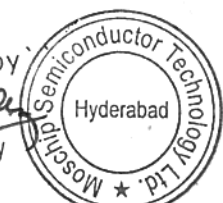
- 1) The Transferor Companies and the Transferee Company are engaged in the same line of business namely Semiconductor design services. The Transferee Company proposes to acquire the Transferor Companies to expand its scale of business, customer reach and geographical spread. The Transferor Companies have the requisite talent pool which will enhance the skill sets of the transferee Company's business.
- 2) The amalgamation of the Companies will facilitate in providing a complete suite of Semiconductor design services to customers thus augmenting the business and overall profitability. The amalgamation will ensure a complete synergy between all the Companies to further the business prospects and provide a strong and focused base to undertake the business more advantageously. The amalgamation will have beneficial results for the amalgamating companies, their stakeholders and all concerned.
- 3) The synergies created by the scheme of arrangement would increase the organizational capability, the project execution abilities, the operational efficiencies arising from pooling of human capital and leadership having vast experience as well as divergent to compete in an increasingly globalized and competitive industry.
- 4) The proposed arrangement will strengthen the 'MosChip' brand, leading to a stronger market presence with expanded footprint, and providing customers with seamless experience, thus strengthening its position in the industry, in terms of the asset base, revenues, product and service range.
- 5) This Scheme provides for the amalgamation of the Transferor Companies with the Transferee Company and the consequent treatment of assets and liabilities of respective Companies in the manner provided for in the Scheme.

3. AUDIT COMMITTEE OBSERVATIONS:

The Audit Committee considered and observed the following in relation to the Scheme:

- a) The draft Scheme is presented for the Amalgamation of Transferor Company-1 and Transferor Company-2 (collectively the "Transferor Companies") with the Transferee Company and the consequent dissolution of the Transferor Companies without Winding up and issuance of New Equity Shares (as defined hereinafter) to the shareholders of the Transferor Companies in accordance with the Share Exchange Ratio-1 and Share

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Exchange Ration-2 (as defined hereinafter), pursuant to Section 230 - 232 and other applicable provisions of the Companies Act, 2013.

- b) The transfer and vesting of Transferor Company-1 and Transferor Company-2 into Transferee Company, the consideration of which will be discharged by the Transferee Company by issuing its equity shares to each shareholder of the Transferor Company-1 and Transferor Company-2 in the following manner:
- 4568 (Four Thousand Five Hundred and Sixty Eight only) Equity Shares of the Transferee Company, credited as fully paid-up with rights attached thereto for every 1000 (One thousand) Equity Shares of Rs.10 /- each fully paid-up, held by such shareholder in the capital of the Transferor Company-1 ("Share Exchange Ratio - 01").
 - 2234 (Two Thousand Two Hundred and Thirty Four) Equity Shares of the Transferee Company, credited as fully paid-up with rights attached thereto for every 10 (Ten) Equity Share of Rs.10 /- each fully paid-up, held by such shareholder in the capital of the Transferor Company-2 ("Share Exchange Ratio - 02").
- c) That the Scheme shall be effective from 01st April, 2018 or such other date as may be approved by the NCLT and / or the Concerned Authority ("**Appointed Date**").
- d) After taking into account the Valuer's Report, Fairness Opinion and due deliberations on aforesaid points, the Audit Committee recommends the draft Scheme providing for the transfer and vesting of Transferor Company-1 and Transferor Company-2 into the Transferee Company to the Board for its approval and for favorable consideration by the stock exchange(s), Securities and Exchange Board of India (SEBI) and other regulatory authorities.

By order of Audit Committee

For and behalf of MosChip Semiconductor Technology Limited



Chairperson Audit Committee



Date: July 23, 2018

Place: Hyderabad

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Company Secretary

