

15 TH ANNUAL REPORT 2013-14



MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED

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BOARD OF DIRECTORS

Mr. K. Ramachandra Reddy	-	Chairman & CEO
Mr. C. Dayakar Reddy	-	Managing Director
Dr. Vijay Chandru	-	Director
Mr. G. Prasad	-	Director
Mr. K.V. Ramana	-	Additional Director

COMMITTEES OF THE BOARD**Audit**

Mr. G. Prasad	-	Chairman
Dr. Vijay Chandru	-	Member
Mr. K.V. Ramana	-	Member

Remuneration

Mr. G. Prasad	-	Chairman
Dr. Vijay Chandru	-	Member
Mr. K.V. Ramana	-	Member

Shareholders / Investor Grievance

Mr. G. Prasad	-	Chairman
Dr. Vijay Chandru	-	Member
Mr. K.V. Ramana	-	Member

Mr. Damoder Bethamalla

Company Secretary

REGISTERED OFFICE

Plot No. 83 & 84, 2nd Floor
Punniah Plaza, Road No. 2
Banjara Hills,
Hyderabad - 500 034.
Telangana, India.
Tel: 040-6622-9292
Fax: 040-6622-9393

BANKERS

UCO Bank Limited

AUDITORS

M/s Gokhale & Co.
Chartered Accountants
3-6-322, Office No. 306, Mahavir House
Basheerbagh, Hyderabad - 500 029

REGISTRAR AND SHARE TRANSFER AGENTS

Karvy Computershare Pvt. Ltd.
Plot No. 17-24, Vithal Rao Nagar
Madhapur, Hyderabad - 500 081, Telangana, India
Tel : 040-4465 5209
Email: einward.ris@karvy.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fifteenth Annual General Meeting of MosChip Semiconductor Technology Limited will be held on Thursday, the 11th September 2014 at 10.30 a.m. at the Registered Office of the Company Situated at Plot No.83 & 84, 2nd 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 2014 and the Balance Sheet as on that date and the report of Auditors thereon.
2. To appoint a Director in place of Mr. C. Dayakar Reddy (holding DIN 00042663), who retires by rotation and being eligible offers himself for re-appointment.
3. To re-appoint Auditors and to fix their remuneration and in this connection to consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT M/s. Gokhale & Co., Chartered Accountants (FRN No. 000942S), Hyderabad recommended by the Audit Committee of the Board of Directors, be and are hereby re-appointed as Statutory Auditors of the Company for a period of three financial years i.e., to hold office from the conclusion of this Annual General Meeting till the conclusion of 18th Annual General Meeting at such remuneration as may be fixed by the Board of Directors of the Company."

AS SPECIAL BUSINESS

4. To appoint Mr. G. Prasad (DIN: 00026718) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) Mr. G. Prasad (DIN: 00026718), who was appointed as a Director liable to retire by rotation and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to

hold office for 3 (three) consecutive years for a term upto the conclusion of the 18th Annual General Meeting of the Company in the calendar year 2017."

5. To appoint Dr. Vijaya Chandru (DIN: 00914988) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) Dr. Vijaya Chandru (DIN:00914988), who was appointed as a Director liable to retire by rotation and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 3 (three) consecutive years for a term upto the conclusion of the 18th Annual General Meeting of the Company in the calendar year 2017."
6. To appoint Mr. K.V. Ramana (DIN: 00255421) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) Mr. K.V. Ramana (DIN: 00255421), who was appointed as an additional Director liable to retire by rotation and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 3 (three) consecutive years for a term upto the conclusion of the 18th Annual General Meeting of the Company in the calendar year 2017."
7. To appoint Ms. Poornima Shenoy (DIN: 02270175) as an Independent Director and in this regard to consider and if thought fit, to pass,

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with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) Ms. Poornima Shenoy (DIN: 02270175) in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing her candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 3 (three) consecutive years for a term upto the conclusion of the 18th Annual General Meeting of the Company in the calendar year 2017.”

8. Increase in Borrowing powers of the Company and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as Special Resolution:

“RESOLVED THAT subject to the provisions of Section 180 (1) (c) and other applicable provisions, if any, and the Companies Act, 2013 including any statutory modifications or re-enactments thereof and in supersession of all the earlier resolutions passed in this regard, the Board of Directors (hereinafter referred to as the Board), including any committee thereof for the time being exercising the powers conferred on them by this resolution, be and are hereby authorized to borrow money, as and when required, from, including without limitation, any Bank and/or Public Financial Institution as defined under Section 2 (72) of the Companies Act, 2013 and/or eligible foreign lender and/or any entity/entities and/or authority/ authorities and/or through suppliers credit, any other securities or instruments, such as floating rate notes, fixed rate notes, syndicated loans, debentures, commercial papers, short term loans or any other instruments, etc. and/or through credit from official agencies and/or by way of commercial borrowings from the private sector window of multilateral financial institution, either in rupees or in such other foreign currencies as may be permitted by law from time to time, as may be deemed appropriate by the Board for an aggregate amount not exceeding Rs.100 Crores (Rupees One Hundred Crores Only), notwithstanding that money so borrowed together with the monies already borrowed by

the Company, if any (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specified purpose. RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto, and to sign and to execute deeds, applications, documents and writings that may be required, on behalf of the Company and generally to do all such acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this resolution.”

9. Creation of Charge on Movable and Immovable properties of the Company both present and future and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 180 (1) (a) and other applicable provisions, if any, of the Companies Act, 2013 including any statutory modifications or re-enactments thereof the members of the Company hereby accord their consent to the Board of Directors, including any committee thereof for the time being exercising the powers conferred on them by this resolution, to create mortgage and/or charge on all or any of the moveable and/or immovable assets of the Company, both present and future and/or whole or any part of the Company in favour of the lenders, agents, trustees for securing the borrowings of the Company availed/to be availed by way of loans (in foreign currency and/or in Indian currency) and securities (comprising of fully/partly convertible debentures and/or secured premium notes and/or floating rates notes/ bonds or other debt instruments) issued/to be issued by the Company from time to time, in one or more tranches, upto an aggregate limit of Rs. 100 Crores (Rupees One Hundred Crores Only) together with interest as agreed, additional interest in case of default, accumulated interest, liquidated damages and commitment charges, all other costs, charges and expenses and all other monies payable by the Company in terms of respective loan agreement(s) or any other document entered / to be entered into between the Company and the lenders/agents/investors and trustees in respect of enforcement of

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security as may be stipulated in that behalf and agreed to between the Board of Directors or any committees thereof and the lenders, agents or trustees.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to finalise the terms and conditions for creating the aforesaid mortgage and/or charge and to execute the documents and such other agreements and also to agree to any amendments thereto from time to time as it may think fit for the aforesaid purpose and to do all such acts, deeds, matters and things as may be necessary and expedient for giving effect to the above resolution.”

10. Transactions with Related Parties under Sec.188 of Companies Act, 2013 and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as Special Resolution

“RESOLVED THAT pursuant to the provisions of Section 188 any other applicable provisions, if any of the Companies Act, 2013 consent of the members be and is here by accorded for entering into related party transactions by the company with effect from 01 October 2014 up to the maximum amounts as stated herein below:

11. To consider adoption of newly substituted Articles of Association of the Company containing regulations in line with the Companies Act, 2013, and if thought fit, to pass with or without modification, the following resolution as SPECIAL RESOLUTION:

“RESOLVED THAT pursuant to the provisions of Section 14 and all other applicable provisions of the Companies Act, 2013 (statutory modification (s) or re-enactment thereof, for the time being in force), the new draft Articles as contained in the Articles of Association submitted to this meeting be and are hereby approved and adopted in substitution, and to the entire exclusion of the regulations contained in the existing Articles of Association of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company (including a Committee thereof) be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

12. Approval of a Resolution for Reducing Share Capital:

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

Table for Item No. 10

Sl. No.	Nature of Transactions as per section 188 of the Companies Act, 2013	Name of the Director/KMP who is related and nature of their relationship	Name of the Related Party	Amount (Rupees in Lakhs)
Companies				
01	Availing or rendering of any services	Wholly Owned Subsidiary of M/s. MosChip Semiconductor Technology Limited and K.Ramachandra Reddy and C Dayakar Reddy are common Board Member	MosChip Semiconductor Technology, USA	1,000
02	Sale, Purchase or Supply of any Goods or Materials	Wholly Owned Subsidiary of M/s. MosChip Semiconductor Technology Limited and K.Ramachandra Reddy and C Dayakar Reddy are common Board Member	MosChip Semiconductor Technology, USA	—
Directors/KMPs/ Relatives of KMPs/ Directors				
03	Availing or rendering of any services	Directors/KMPs/ Relatives of KMPs/ Directors	Directors/KMPs/ Relatives of KMPs/ Directors	2,000

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“RESOLVED THAT Pursuant to the provisions of Section 52 of the Companies Act, 2013 and Section 100 of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956 and 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force), Listing Agreement with the Stock Exchanges, Article 61(a) of the Articles of Association of the Company and subject to the confirmation of the Hon'ble High Court of Judicature at Hyderabad for the state of Telangana and the state of Andhra Pradesh and such other approvals as may be required, the approval of the Shareholders be and is hereby given that:

- a. the reduction in Paid up Share Capital of the Company from Rs. 460,355,170 (Rupees Forty Six Crores Three Lacs Fifty Five Thousand One Hundred and Seventy Only) divided into 46,035,517 Equity Shares of Rs.10 each to Rs. 92,071,034 (Rupees Nine Crores Twenty Lacs Seventy One Thousand Thirty Four Only) divided into 46,035,517 equity shares of Rs.2 each and that such reduction be effected by canceling the paid up share capital which has been lost or is unrepresented by available assets, to the extent of Rs.8 per share upon each of the 46,035,517 equity shares of Rs.10 each which have been issued and by reducing the paid up value of all the shares in the Company's paid up share capital from Rs.10 per share to Rs.2 per share.
- b. an amount of Rs.666,633,920 of Share Premium Account of the company as on 31.03.2013, which has been lost or is unrepresented by available assets, be written off and
- c. the major part of accumulated losses of the Company Rs.1,034,918,056 out of Rs. 1,098,166,005 shown in the Profit & Loss Account as on 31.03.2013 be written off by utilizing the aforesaid reduction in the Paid up Capital amount of Rs.368,284,136 and the Share Premium amount of Rs.666,633,920.
- d. and Reduce the par value of the share from Rs.10 each to Rs.2 each, consequent to reduction of capital, on and from the date on which the scheme will come into effect, by way of a reduction on a proportionate basis from each Equity Shares of Rs.10 pursuant to the aforesaid reduction.

“RESOLVED FURTHER THAT Pursuant to the reduction of capital of the company, Clause No.

V (a) in Memorandum of Association of the Company be altered as given hereunder:

“The Authorised Share Capital of the Company is Rs.550,000,000 (Rupees Fifty Five Crores Only) divided into 275,000,000 (Twenty Seven Crores Fifty Lacs) equity shares of Rs.2 (Two Only) each with power of the company to consolidate & convert, subdivide, reduce or increase the capital unto issue any new shares with any preferential or special rights and conditions attached there to, subject to the Companies Act, 2013”

“RESOLVED FURTHER THAT Pursuant to the reduction of capital of the company, Article no.4 in Articles of Association of the Company be altered as given hereunder:

“The Authorised Share Capital of the Company is Rs.550,000,000 (Rupees Fifty Five Crores Only) divided into 275,000,000 (Twenty Seven Crores Fifty Lacs) equity shares of Rs.2 (Two Only) each with power of the company to consolidate & convert, subdivide, reduce or increase the capital unto issue any new shares with any preferential or special rights and conditions attached thereto, subject to the Companies Act, 2013.”

“RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution and for removal of any difficulties or doubts, the Board or the Committee of the Board specially constituted for this purpose or any person(s) whom the Board or the above Committee may nominate, to exercise its powers, including the power, conferred under this Resolution, be and is hereby authorized to do all such acts, deeds, matters, things, as it may in its absolute discretion, deem necessary, expedient, usual or proper and to settle any claim any question or difficulty that may arise with regard to utilization/ adjustment of the paid up Share Capital Account and Share Premium Account including passing of such accounting entries and/or making such other adjustments in the books of accounts, as considered necessary to give effect to the above Resolution or to carry out such modifications/ directions as may be ordered by the Hon'ble High Court of Judicature at Hyderabad for the state of Telangana and the state of Andhra Pradesh to implement the aforesaid Resolutions.”

By Order of the Board of Directors

Hyderabad
08 August 2014

K. Ramachandra Reddy
Chairman & CEO

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NOTES:

1. 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.
2. The Register of Members and Share Transfer Books of the company will remain closed from 04-09-2014 to 11-09-2014 (both days inclusive).
3. 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.
4. 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.
5. 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.
6. 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.
7. 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.
8. Members are requested to carry their copies of Annual Report as these will not be supplied at the meeting.
9. 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.
10. Electronic copy of the Notice of the 15th 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 15th 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.
11. Pursuant to Section 108 of Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members' facility to exercise their right to vote at the 15th Annual General Meeting ("AGM") by electronic means and the business may be transacted through e-voting services provided by Karvy Computershare Private Limited ("Karvy").
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> during the following voting period:
Commencement of e-voting: From 9 a.m. on 05th September, 2014 to 6 p.m. on 07th September, 2014.
12. E-voting shall not be allowed beyond 6 p.m on 07th September, 2014. During the e-voting period, shareholders of the company, holding shares either in physical form or in dematerialised form, as on August 22, 2014 may cast their vote electronically.
13. 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.
14. The Company has appointed Mr. S. Srikanth, Proprietor of M/s. S. Srikanth & Associates, Company Secretaries, as Scrutinizer for conducting the e-voting process for the Annual General Meeting in a fair and transparent manner.

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BRIEF PROFILE OF DIRECTORS SEEKING RE-ELECTION AT THE ENSUING ANNUAL GENERAL MEETING

Mr. C. Dayakar Reddy

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.

Mr. G. Prasad

Mr. G. Prasad is a Chartered Accountant by profession. He is a partner of Nataraja Iyer & Co., Chartered Accountants based at Hyderabad. Mr. Prasad has more than 36 years of experience in audit and taxation matters of medium and large corporate.

Dr. Vijaya Chandru

Dr. Vijaya Chandru is an alumnus of BITS Pilani where he trained in Electrical Engineering and went on to get a Doctorate from MIT. Vijay is an academic and an entrepreneur. His academic career in mathematical and computational sciences has spanned over thirty years as a research scientist and Professor at Purdue University, IBM's TJ Watson Center, Indian Institute of Science, UPenn, Stanford and at MIT. He is a fellow of the national academies of science and engineering in India.

As an entrepreneur, Dr. Chandru was a founder of PicoPeta Simputers, the company that commercialized the handheld Amida Simputer which has evolved into the GeoAmida product in the market today. He has also co-founded the leading computational biology company Strand Life Sciences for which he has been recognized as a Technology Pioneer by the World Economic Forum in 2006. He currently serves as Chairman & CEO of Strand Life Sciences for which he has been recognized as Technology Pioneer by the World Economic Forum in 2006. He currently serves as Chairman & CEO of Strand Life Sciences in Bangalore. He serves on the "High Panel on Science and Technology for Development" to advise UNESCO, the Global Advisory Board of the MIT Enterprise Forum (Technology Review Magazine), and the Governing Board of the Indo-US Science and Technology Forum.

Mr. K.V. Ramana

Mr. K.V. Ramana is a Metallurgical Engineer (B.Tech.) from I.I.T. Madras and a Post Graduate in Business administration (PGDBA) from I.I.M. Ahmedabad. His Professional career spans 40 years, of which 30 years has been in various manufacturing industries with Senior Management responsibilities. His last corporate assignment has been as CFO of Nile Limited where he also held the responsibilities for the Non-Ferrous division of Nile Limited as the COO. He has extensive experience in International Trading of Metals. He was a Faculty Member and Management Consultant for 6 years with the prestigious Administrative Staff College of India (ASCI), Hyderabad.

Ms. Poornima Shenoy

Poornima Shenoy is the Founder and CEO of Latitude Edutech. She has over two decades of experience as an entrepreneur and industry executive. Earlier she had been the founding President of the India Semiconductor Association ISA and was a member of its Executive Council for over six years. She has been actively involved in creating a brand for India in electronics and semiconductors on a global arena. Previously she has been a successful entrepreneur and has seen her company's acquisition by an international venture fund. Poornima had worked with NASSCOM and the Manipal Group in a senior management capacity prior to ISA. Poornima has been part of governmental committees and is an invited speaker at both national and international seminars. She believes that education and more importantly skills development of the work force can play an important role in driving the country's growth. Poornima has been awarded the prestigious Chevening Scholarship for Women in Leadership & Management by the British Foreign and Commonwealth Office. She was co-founder of the group Women in Business and Technology (WBT) which later merged with eMERG. She is mentor at National Entrepreneurship Network (NEN) and with the Founder Institute India. Poornima is an Economics graduate from Mount Carmel College, Bangalore and holds an MBA from TAPMI, Manipal. She has undergone Management Development Programs at the University of Michigan at Ann Arbor, USA and at Bradford University in the UK.

By Order of the Board of Directors

Hyderabad
08 August 2014

K. Ramachandra Reddy
Chairman & CEO

NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013 (“the Act”)

In respect of Item Nos. 4, 5, 6 and 7

The Board of Directors of the Company appointed, pursuant to the Provisions of the Act, Mr. K.V. Ramana as an Additional Director of the Company with effect from 04 August 2014.

In terms of the provisions of the Act, Mr. K.V. Ramana would hold office up to the date the ensuing Annual General Meeting.

It is proposed to appoint Mr. G. Prasad, Dr. Vijaya Chandru, Mr. K.V. Ramana and Ms. Poornima Shenoy as Independent Directors under Section 149 of the Act to hold office for 3 (three) consecutive years for a term upto the conclusion of the 18th Annual General Meeting of the Company in the calendar year 2017.

Mr. G. Prasad, Dr. Vijaya Chandru, Mr. K.V. Ramana and Ms. Poornima Shenoy are not disqualified from being appointed as Directors in terms of Section 164 of the Act and have given their consent to act as Directors. The Company has received notices in writing from members along with the deposit of requisite amount under Section 160 of the Act proposing the candidatures of each of Mr. G. Prasad, Dr. Vijaya Chandru, Mr. K.V. Ramana and Ms. Poornima Shenoy for the office of Directors of the Company.

The Company has also received declarations from Mr. G. Prasad, Dr. Vijaya Chandru, Mr. K.V. Ramana and Ms. Poornima Shenoy that they meet with the criteria of Independence as prescribed both under sub-section (6) of Section 149 of the Act.

In the opinion of the Board, Mr. G. Prasad, Dr. Vijaya Chandru, Mr. K.V. Ramana and Ms. Poornima Shenoy fulfill the conditions for appointment as Independent Directors as specified in the Act. Mr. G. Prasad, Dr. Vijaya Chandru, Mr. K.V. Ramana and Ms. Poornima Shenoy are independent of the management.

Copy of the draft letters for respective appointments of Mr. G. Prasad, Dr. Vijaya Chandru, Mr. K.V. Ramana and Ms. Poornima Shenoy as Independent Directors setting out the terms and conditions are available for inspection by members at the Registered Office of the Company.

Mr. G. Prasad, Dr. Vijaya Chandru, Mr. K.V. Ramana and Ms. Poornima Shenoy are interested in the resolutions set out respectively at Item Nos. 4, 5, 6 and 7 of the Notice with regard to their respective appointments.

Save and except the above, none of the other Directors/Key Managerial Personnel of the Company/ their relatives are, in any way, concerned or interested, financially or otherwise, in these resolutions.

The Board commends the Ordinary Resolutions set out at Item Nos. 4, 5, 6 and 7 of the Notice for approval by the shareholders.

In respect of Item No. 8

As per Section 180 (1) (c) of the Companies Act, 2013, borrowings (apart from temporary loans obtained from the Company's bankers in ordinary course of business) by the Company beyond the aggregate of the paid up capital of the company and its free reserve requires approval from the shareholders of the Company.

With a view to meet the funds requirements of the Company for both short term as well as long term, the Company may require to borrow from time to time by way of loans and/or issue of Bonds, Debentures or other securities and the existing approved limit may likely to be exhausted in near future and it is therefore recommended to enhance the borrowing limits of the Company up to Rs.100 Crores (Rupees One Hundred Crores Only).

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

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

In respect of Item No. 9

The Company is required to create security for the said facilities as mentioned under Item No. 7 above in favour of the Lenders/ Trustees for the Non-Convertible Debentures and loans/ financial assistance availed by the Company, by way of creation of mortgage and/ or charge on the assets of the Company, as stated in the resolution.

In furtherance to the Resolution No. 7 of this notice, the said borrowings/ issue of securities may be required to be secured by way of mortgage/ charge over all or any part of the movable and/or immovable assets of the Company and as per provisions of Section 180 (1) (a) of the Companies Act 2013, the mortgage or charge on all or any part of the movable and/or immovable properties of the Company, may be deemed as the disposal of the whole, or substantially the whole, of the undertaking of the Company and hence, requires approval from the shareholders of the Company.

Accordingly, it is proposed to pass an enabling resolution authorizing the Board to create charge on the assets of the Company for a value not exceeding Rs. 100 Crores (Rupees One Hundred Crores Only). Your Directors recommend the resolution for your approval as a Special Resolution.

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

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In respect of Item No.10

Pursuant to Section 188 of Companies Act, 2013 read with Rule 15(3) of Companies (Meetings of Board and its Powers) Rules, 2014 any company having a paid-up share capital of Ten Crores Rupees or more shall not enter into a contract or arrangement with any related party other than transactions which are done in the ordinary course of business and at arm's length price unless it has obtained prior consent of shareholders by passing a Special resolution.

Following are the categories of contracts or arrangements:

1. Sale, purchase or supply of any goods or materials
2. Selling or otherwise disposing of, or buying, property of any kind
3. Leasing of any property of any kind
4. Availing or rendering of any services
5. Appointment of any agent for purchase or sale of goods, materials, services or property
6. Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company and
7. Underwriting the subscription of any securities or derivatives thereof, of the company.

In view of the provisions of Companies Act, 2013, the Board of Directors has approved the proposed transactions along with annual limits that your company may enter into related parties for the FY 2014-15.

The particulars of the transaction pursuant to the provisions of Section 188 and the Companies (Meetings of Board and its Powers) Rules, 2014 are as under:

1. Name of the Related Party: As provided in table below
2. Name of the Director or Key Managerial Personnel who is related, if any:
3. Nature of Relationship:

Name of the Related Party	Name of the Director/ KMP who is related and their nature of Relationship
MosChip Semiconductor Technology USA	Wholly Owned Subsidiary of M/s. MosChip Semiconductor Technology Limited and K. Ramachandra Reddy and C. Dayakar Reddy are common Board Member
Directors/KMPs/ Relatives of KMPs/ Directors	—

4. Nature, material terms, monetary value and particulars of the contract or arrangement: The details are as mentioned below:

Name of related party	Nature of the Transaction	Particulars	Maximum Amount per annum (Rs. in Lakhs)
Companies			
MosChip Semiconductor Technology, USA	Availing or rendering of any services	—	1,000
MosChip Semiconductor Technology, USA	Sale, Purchase or Supply of any Goods or Materials	—	
Directors/KMPs/ Relatives of KMPs/ Directors			
Directors/KMPs/ Relatives of KMPs/ Directors	Availing or rendering of any services	—	2,000

NOTICE

5. Any other information relevant or important for the Board/Members to take a decision:

The support and services being extended by the Company to its associate Companies in relation to business enhancement and for building up robust practices and processes are towards the benefit of all the Companies. The respective agreements are entered on arm's length basis and all factors relevant to the respective contracts have been considered by the Board. The Copies of the above mentioned existing agreements shall be available for inspection by the members at the Registered Office of the Company during the normal business hours on all working days (except Saturdays) upto the date of Annual General Meeting of the Company.

Members are hereby informed that pursuant to second proviso of Section 188 (1) of the Companies Act, 2013 no interested member of the company shall vote on such special resolution to approve any contract or arrangement which may be entered into the company as special resolution.

Except for the promoter Directors and Key managerial Personnel, no other Director is interested in the resolution.

In respect of Item No.11

The Articles of Association of the Company as currently in force was originally adopted when the Company was incorporated under the Companies Act, 1956 and further amendments were adopted pursuant to the provisions under the Companies Act, 1956, from time to time, over the past several years. The references to specific sections of the Companies Act, 1956 in the existing Articles of Association may no longer be in conformity with the Companies Act, 2013. Considering that substantive sections of the Companies Act which deal with the general working of the companies stand notified, it is proposed to amend the existing Articles of Association to align it with the provisions of Companies Act, 2013 including the Rules framed thereunder and adoption of specific sections from Table "F" to Schedule I to the Companies Act, 2013 which sets out the model articles of association for a company limited by shares.

While some of the Articles of the existing Articles of Association of the Company require alteration or deletions, material changes that are proposed in the new draft Articles of Association are given below for ease of reference to shareholders.

Certain provisions of existing Articles of Association have been simplified by providing reference to relevant Sections to the Companies Act, 2013 and the Rules framed thereunder, to avoid repetition in its entirety.

The proposed new draft Articles of Association is being uploaded shortly on the Company's website at www.moschip.com for perusal by the shareholders. None of the Directors/Key Managerial Personnel of the Company/their relatives are, in any way, concerned or interested, financially or otherwise, in the Special Resolution set out at item No.11 of the Notice.

The Board recommends the Special Resolution set out at item No.11 of the Notice for approval by the members.

In respect of Item No. 12

Your Company is envisaging the reduction of share capital by writing off the part of the Paid Up Capital and also by utilizing the Share Premium account.

The Authorized Share Capital of the Company as on 31st March, 2013 is Rs.550,000,000 divided into 55,000,000 equity shares of Rs.10 each and the Issued share capital is Rs.477,505,890 divided into 47,750,589 Equity Shares of Rs.10 and Subscribed and fully Paid up Share Capital is Rs.460,355,170 made up of 46,035,517 Equity Shares of Rs.10 each. As per the Balance Sheet as on 31.03.2013, the Company has Share Premium of Rs.666,633,920 and the accumulated losses of Rs.1,098,166,005.

Proposal and Justification:

Your Company is a fabless semiconductor company which develops several IO bridging products in PCI, USB, Ethernet & PCIe space which normally has long lead times for development with larger capital outlay. The successful sale of these products are contingent on the company customers introducing new models. Due to extended period of downturn in global economy and recession in US & Europe, the Company's customers skipped new product introductions which in turn has drastically affected sale of new chips developed. The company has therefore been incurring losses over the past few years resulting in accumulation of substantial losses.

Your Company envisages to restructure the capital position by reducing the paid up share value of the shares and also by utilizing share premium for writing-off the accumulated losses so as to bring in true and fair representation of the company by the available assets of the company and reflect the real financial position of the company and thus place itself in position to pay dividend or raise further capital.

Article 61(a) of the Articles of Association of the Company enables the Company to reduce the Share Capital by a special resolution in the General Meeting and the resolution in terms of Sections 52 of the Companies Act, 2013 and sections 100 and 101 of the Companies Act, 1956 for reduction of the share capital is detailed in the Resolution.

NOTICE

Table for Item No. 11

Sl. No.	Chapter Reference as per new draft Articles of Association	Article reference as per new draft Articles of Association	Summary of change
1	Chapter II	Interpretation	Definitions are appropriately modified to align with the provisions of the Companies Act, 2013
2	Chapter III	Share Capital: Article 4	Article 4 is amended to state that the Authorised Share Capital of the Company shall be such amount and be divided into such shares as may from time to time, be provided in clause V of Memorandum of Association
3	Chapter IX	Further issue of capital: Article 74	To include offer of shares under employee stock option plan subject to applicable laws and regulations from time to time and; To enable the Company with a right to issue further shares which shall include a right to the Company to issue any instrument including shares resulting in Depository Receipt
4	Chapter XII	Restriction on transfer of shares to more than three persons as joint holders: Article 82	Article 82 is amended to enable the Company to restrict the transfer of shares to more than three persons as joint holders
5	Chapter XIII	General Meetings: Article 87	Amendments are proposed to align with the provisions of the Companies Act, 2013 regarding length of the Notice calling the general meeting, requirement of to whom the notice for the general meeting needs to be given, material facts to be set out in the explanatory statements, business to be transacted at the general meetings and other general meeting matters
6	Chapter XV	Voting rights: Article 111	To include voting through electronic means
7	Chapter XVI	Capitalization: Article 137	To remove redundant provisions and to align new provisions regarding application of funds from reserve accounts when amounts in reserve accounts are to be capitalized
8	Chapter XXI	Proceedings of Board of Directors: Article 170 to 174	Meetings of Board of Directors, quorum for the meeting, notice calling the meeting, etc including the operational parts are amended to align with the provisions of the Companies Act, 2013
9	Chapter XXII	Appointment of Key Managerial Personnel: Article 184	Article 184 is introduced to align new provisions relating to appointment of Key Managerial Personnel (KMP) including Chief Executive Officer, Chief Financial Officer, in addition to manager and company secretary
10	Chapter XXIV	Powers of Directors: Article 190 (v)	Specific powers of Directors are amended to include carrying out CSR activities that are specified in Schedule VII of the Companies Act, 2013
11	Chapter XXIV	Powers of Directors: Article 190 (38)	New Article is introduced to authorise the issue of securities (including depository receipts).
12	Chapter XXVII	Indemnity and Insurance to Directors and Officers	Amended to provide for indemnification to Directors and Officers
13	Chapter XXIX	Notices and Service of Documents: Article 200	Amended to align with the provisions of the Companies Act, 2013
14		General Powers	The statutory provisions of the Act which permit a company to do some acts "if so authorized by its Articles" or provisions which require a company to do acts in a prescribed manner "unless the Articles otherwise provide" have been specifically included.

NOTICE

By virtue of the resolution, the company proposes to reduce the face value of equity shares of the Company by Rs.8 per share from Rs.10 per equity share to Rs.2 per equity share fully paid up and to reduce the said paid up capital of the Company, to write-off major portion of accumulated losses to the extent of Rs.1,034,918,056. Consequently, it would result in the reduction of paid up share capital of the company to Rs.92,071,034 from Rs.460,355,170. Simultaneously your company proposes to utilize total share premium amount of Rs.666,633,920 to write off the losses.

Reduction of capital does not involve neither diminution of any liability in respect of unpaid share capital nor the payment to any shareholders of any paid up share capital, there is no outflow of / payout of funds from the company and hence the interests of the creditors in not adversely affected and hence do not warrant any invitation of any of the objections from the creditors. Further, the proposed reduction would not in any way adversely affect the ordinary operations of the Company or the ability of the Company to honour its commitments or to pay its debts that may arise in the ordinary course of business.

In compliance of clause 24(f) of the Listing Agreement, the Company has filed draft scheme with Bombay Stock Exchange and obtained No objection from stock exchange for reduction of Share Capital, copy of observation letter obtained from BSE is available at our website www.moschip.com, kept open for members at our registered office.

There will be no change in the shareholding pattern of the Applicant Company before and after the proposed reduction of Share Capital and likely to remain the same.

It is clarified that upon the proposed Reduction becoming effective, the entitlement and rights of the employees to the stock options under Schemes will remain unchanged and that the exercise price will be at the post reduced face value/market value per share as per the applicable Scheme of ESOP. The provisions of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, as amended to-date, shall apply, mutatis mutandis, to the extent applicable, to the stock options of the employees in pursuance of the existing ESOP Schemes.

After obtaining approval of the shareholders, the Company would approach the Hon'ble High Court of Judicature at Hyderabad for the state of Telangana and the state of Andhra Pradesh for its confirmation. The "fairness opinion" obtained from an independent merchant banker on valuation of equity shares is available at our website www.moschip.com, kept open for members at our registered office.

The Complaint Report as per Annexure III of SEBI Circular CIR/CFD/DIL/5/2013 dated 4th February, 2013 is available at our website www.moschip.com, kept open for members at our registered office.

The Board recommends the Resolution for approval of the members.

None of the directors key managerial personnel and relatives of director, key managerial personnel of the company are concerned or interest in the said resolution except holding of shares in the Company.

By Order of the Board of Directors

Hyderabad
08 August 2014

K. Ramachandra Reddy
Chairman & CEO

PRE AND POST REDUCTION OF SHARE CAPITAL STRUCTURE AND SHAREHOLDING PATTERN;

a. Pre and Post Reduction of Share Capital Structure of the Company

Particulars	Prior Capital to the Scheme of Reduction as on 31st March 2013 (Audited)	On Reduction of capital and Share Premium
Number of Equity Shares	46,035,517	46,035,517
Value of each Share	10	2
Total Paid up share Capital	460,355,170	92,071,034
Accumulated Losses	(1,098,166,005)	(63,247,949)

b. The Pre and Post Reduction of shareholding pattern of the Company:

Particulars	Prior Holding before reduction of share capital		Holding after reduction of share capital	
	No. of Shares of Rs.10 each	% of Total Share Capital	No. of Shares of Rs.2 each	% of Total Share Capital
Promoter	8,470,535	18.40	8,470,535	18.40
Public	37,564,982	81.60	37,564,982	81.60
Total	46,035,517	100	46,035,517	100

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Fifteenth Annual Report together with the Audited Accounts (including consolidated accounts) of the Company for the year ended 31st March 2014.

Financial Results

(Rs. In Lakhs)

	Year ended 31 March 2014		Year ended 31 March 2013	
	Standalone	Consolidated	Standalone	Consolidated
Total Income	705.29	770.78	1227.45	983.90
Operating Profit before Depreciation & Tax	(635.09)	(857.25)	72.72	757.96
Less: Depreciation	36.07	36.48	56.20	56.94
Profit before Tax	(671.15)	(893.73)	(128.92)	(814.91)
Less: provision for Tax	0	0	0	0
Profit after Tax before extraordinary and prior period item	(671.15)	(893.73)	(128.92)	(814.91)
Less: Extraordinary and prior period item	86.13	86.13	623.62	623.62
Profit after tax after extraordinary and prior period item	(757.28)	(979.86)	(752.54)	(1438.53)
Earnings per Share (EPS)				
Before extraordinary and prior period item				
Basic	(1.46)	(1.94)	(0.28)	(1.77)
Diluted	(1.46)	(1.94)	(0.28)	(1.77)
After extraordinary and prior period item				
Basic	(1.65)	(2.13)	(1.63)	(3.12)
Diluted	(1.65)	(2.13)	(1.63)	(3.12)

Operations

The consolidated income of the Company was Rs.7.71 Crores and the consolidated loss was Rs.9.79 Crores.

MosChip India

After selling I/O division MosChip has SOC (System On a Chip) line which is fairly new and has promise to increase revenues and needs some investment. This money could be spent on the SOC line and focus on this product line to increase the revenues. With the increase in Design Services opportunities worldwide, MosChip decided to add another division to branch into Semiconductor Design Services.

Subsidiaries

MosChip Semiconductor Technology, USA

MosChip Semiconductor Technology, USA (MosChip

USA) the wholly owned subsidiary has recorded revenue of USD 271,307.

MosChip Semiconductor Technology Pte. Ltd., Singapore

MosChip Semiconductor Technology Pte. Ltd., Singapore (MosChip, Singapore) the wholly owned subsidiary has been closed during the year.

Dividend

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

Increase in Share Capital

The Company has only one class of shares. The Company has not allotted any shares during the year under review. The total paid-up equity share capital of the company is Rs.460,355,170 as on 31 March 2014.

DIRECTORS' REPORT

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 continuing to look for some critical joint ventures and pursuing these vigorously.

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)

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

Fixed Deposits

The company has not accepted any fixed deposits in terms of Section 58A of the Companies Act, 1956 from the public.

Directors

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

In view of the provisions of Companies Act, 2013 and the Rules made thereunder, the Board Proposes the candidature of Mr. G. Prasad, Dr. Vijaya Chandru, Mr. K.V. Ramana and Ms. Poornima Shenoy for being appointed as Independent Directors.

Mr. Vivek Bhargava resigned from the Board on 02

December 2013. The Board expresses its appreciation of the valuable contribution made by him during the tenure of his directorship.

Auditors

The Auditors of the company M/s Gokhale & Co., Chartered Accountants, hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment till the conclusion of 18th Annual General Meeting of the company subject to ratification at each Annual General Meeting during the intervening period.

The Company has received letters from them to the effect that their re-appointment, if made would be within the prescribed limits under Section 141(3)(g) of the Companies Act, 2013 and that they are not disqualified for re-appointment.

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

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

The particulars as prescribed pursuant to Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, as amended from time to time, are set out as Annexure– B to this report.

Particulars of Employees

There are no employees in terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rules, 1975.

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 – C to this report.

Directors' Responsibility statement as per Section 217 (2AA) of the Companies Act, 1956

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. they 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

DIRECTORS' REPORT

year 2013-14 and of the loss of the company for that period;

- c. they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- d. the annual accounts were prepared on the basis of a going concern.

Corporate Governance

Pursuant to the provisions of Clause 49 of the Listing Agreement and Section 292A of the Companies Act 1956, a Report on the Corporate Governance, which, inter alia, includes the composition and constitution of audit committee, is featuring as a part of Annual Report. Your company will continue to adhere in letter and spirit to the good corporate governance policies.

Acknowledgements

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

08 August 2014

K. Ramachandra Reddy
Chairman & CEO

DIRECTORS' REPORT

ANNEXURE 'A' 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 2013-14 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	93,000	99,000	110,000	31,000	350,000	779,529	142,674	700,000
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 (As per the plan, options lapsed i.e. unexercised options on account of resignation etc., shall become available for future grants under the existing plans)	58,000	37,000	110,000	7,000	350,000	569,619	66,250	700,000
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	62,000	0	24,000	0	209,910	76,424	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								

DIRECTORS' REPORT

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.

- 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%				

- d. 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

08 August 2014
Hyderabad

DIRECTORS' REPORT

ANNEXURE 'B'

Particulars pursuant to Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988:

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 to 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

(Value in Rs.)

	Year ended March 31, 2014	Year ended March 31, 2013
Foreign Exchange Earnings	13,938,280	57,390,560
Foreign Exchange Outgo	69,632,773	5,790,958

For and on behalf of the Board of Directors

K. Ramachandra Reddy
Chairman & CEO

08 August 2014
Hyderabad

DIRECTORS' REPORT

ANNEXURE 'C'

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 subsidiaries, MosChip Semiconductor Technology, USA (MosChip USA) and MosChip Semiconductor Technology Pte Ltd., Singapore (MosChip Singapore),

The financial statements have been prepared in compliance with the requirements of the Companies Act 1956 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 services industry has been growing as the demand for engineers continue to rise, it presents opportunities to provide value added services. However, many of the MNCs 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 product and revenue potential

Healthy organic growth

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.

Identification of new opportunities for inorganic growth

MosChip is also looking to grow inorganically by identifying opportunities and tie ups for custom products and acquisitions companies from design services business.

Outsourcing opportunities in the engineering design area may offer key revenue potential

Outsourcing of design and engineering services to other providers is growing.

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 tremendous pressure due to this the margins are affecting in a big way.

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

DIRECTORS' REPORT

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 94 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.

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. The total paid-up equity share capital of the company is Rs.460,355,170 as on 31 March 2014.

There are no calls-in-arrears.

2. Reserves and Surplus

Reserves and Surplus primarily consists of Securities Premium Reserves Rs.666,633,920 and accumulative loss of Rs.1,173,894,552

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 upfront amount received Rs.5,431,250 was forfeited and credited to Capital Reserve Account.

3. 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.4.91 crores and the outstanding as on 31.03.2014 is Rs. 10.30 crores at varying interest rates payable.

Loans and Advances from Related Parties

The amount of Advance Rs.17,115,168 was received from its wholly owned subsidiary MosChip Semiconductor Technology, USA against future exports.

4. 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.

During the year under review there is a diminution in value of Rs. 8,612,901 in the carrying cost of investment in Moschip USA which is 100% subsidiary of Moschip India This diminution loss was due to changes in underlying business conditions of Moschip USA. After diminution in value, the investment value recognized as on 31st March 2014 is Rs.956,989.

5. Cash and Bank Balances

The bank balances in India include both Rupee accounts and Foreign Currency Accounts. Fixed Deposits of Rs.9,844,364 are given as security for issue of bank guarantees.

6. Sundry Debtors

The amount of Sundry Debtors of Rs.98,946,343 consists of Rs.61,416,460 is due from its wholly owned subsidiary MosChip Semiconductor Technology, USA.

7. 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.

8. Long Term Provisions

Long Term Provisions of Rs. 8,619,038 includes provision for Leave Encashment amounting to Rs. 2,309,034 and Rs. 6,310,004 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.

DIRECTORS' REPORT

9. Guarantees

The Company has outstanding guarantees for various purposes amounting to Rs. 90,514,145 (previous year Rs. 90,514,145) for the year ended 31 March 2014.

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

Profit and Loss Account

10. Sales Revenue

Revenue from Operations

The sales revenue for the year under review amounted to Rs.69,632,773 as against Rs.122,278,949 during the previous year. Of this Rs. 9,832,565 was on account of software services billed to the wholly owned subsidiaries. Balance amount of Rs.59,800,208 billed to others.

11. Other Income

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

12. Expenditure

The expenditure for the year under review amounted to Rs.131,125,864 as against Rs.129,399,998 during the previous year.

13. Extraordinary Items

The extraordinary Item consists of diminution in value of Rs.8,612,901 in the carrying cost of investment in Moschip USA which is 100% subsidiary of Moschip India This diminution loss was due to changes in underlying business conditions of Moschip USA.

14. Loss for the year

The loss for the year before extraordinary items and tax is Rs.67,115,646 compared to the previous year loss of Rs.12,891,975.

The loss for the year after tax after extraordinary item and Discontinuing Operations is Rs.75,728,547 compared to the previous year loss of Rs.75,253,872.

15. 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.(1.46) before taking into consideration extraordinary and discontinuing operations and Rs.(1.65) after taking into consideration extraordinary and discontinuing operations. More details on computation of EPS are given in Note 18.2.5 of Notes on Accounts.

16. Foreign Exchange Difference

An amount of Rs.4,432,022 has been considered as unrealized gain and an amount of Rs.517,911 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.

17. Related Party Transactions

The transactions with the related parties other than employees are given in Note 18.2.7 of Notes on Accounts.

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

18. Leases

The Company has operating leases for Office Building. The rental expenses for operating leases for the year ended 31 March 2014 amounted to Rs.5,919,500. The Company has the right to terminate the lease agreement for Hyderabad office building by giving three months written notice.

19. 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 ESPPs 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 18.2.4 of Notes on Accounts and Annexure-A to Directors Report.

DIRECTORS' REPORT

ANNEXURE D

CERTIFICATE ON CORPORATE GOVERNANCE

The Members
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 2014 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 **LD Reddy & Co.**,
Company Secretaries

L. Dhanamjaya Reddy

Hyderabad
07 August 2014

Proprietor
C.P. No. 3752

ANNEXURE E

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(l) (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.

08 August 2014

K. Ramachandra Reddy
Chairman & CEO

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 **50.00%** of the Board.

a) Composition and category of directors as on 31st March 2014:

Table - 1

Category	No. of Directors
Executive Directors (Promoter Directors)	02
Non-Executive Independent Directors	02
Total	04

b) Attendance of each director at the Board meetings held during the year 2013-14 and at the last Annual General Meeting:

Table - 2

Name of the Director	Meetings held during the tenure	Meetings attended	Last AGM
Mr. K. Ramachandra Reddy	08	05	Yes
Mr. C. Dayakar Reddy	08	08	Yes
Dr. Vijay Chandru	08	02	No
Mr. G. Prasad	08	08	Yes
Mr. Vivek Bhargava*	08	04	No

* Resigned as Director on 02 December 2013

c) No. of other Boards/Board Committees in which the Directors are either Member or Chairman during the year 2013-14

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
Dr. Vijay Chandru	01	05	Nil	Nil
Mr. G. Prasad	Nil	02	01	Nil

d) No. of Board Meetings held and dates on which they were held during 2013-14:

Table - 4

Quarter	No. of Meetings	Dates on which held
April – June	02	14 May 2013, 28 May 2013
July – September	02	14 August 2013, 26 August 2013
October – December	01	14 November 2013
January – March	03	07 Feb 2014, 26 Feb 2014, 11 March 2014
Total	08	

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.

CORPORATE GOVERNANCE REPORT

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
Dr. Vijay Chandru	—	Member
Mr. K.V. Ramana	—	Member

c) Meetings and attendance during the year 2013-14

Five meetings of the Audit Committee were held during the year 2013-14. Mr. G. Prasad attended all five meetings. Mr. Vijay Chandru attended two meetings and Mr. Vivek Bhargava attended Three meetings. Mr. K.V. Ramana was inducted on 04 August 2014.

4. Remuneration Committee

a) 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.

b) Composition, name of members and Chairperson

The Remuneration Committee comprises of the following directors

Mr. G. Prasad	—	Chairman
Dr. Vijay Chandru	—	Member
Mr. K.V. Ramana	—	Member

c) Attendance during the year 2013-14

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 2013-14.

d. Details of remuneration to all the directors:

Table - 5

Name	Designation	Salary Rs.	Perfor- mance Incentives Rs.	Commi- ssion Rs.	Total Rs.	Notice period	Seve- rance Fee Rs.	Sitting Fee Rs.
K.Ramachandra Reddy	Chairman	24,00,000	Nil	Nil	24,00,000	NA	NA	Nil
C.Dayakar Reddy	M.D.	24,00,000	Nil	Nil	24,00,000	NA	NA	Nil
G. Prasad	Director	NA	NA	NA	NA	NA	NA	112,000
Dr. Vijay Chandru	Director	NA	NA	NA	NA	NA	NA	34,000
Mr. Vivek Bhargava	Director	NA	NA	NA	NA	NA	NA	62,000

CORPORATE GOVERNANCE REPORT

5. Shareholders / Investors Grievance Committee

This Committee was re-constituted on 4th 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
Dr. Vijay Chandru	—	Member
Mr. K.V. Ramana	—	Member

c) Name and Designation of Compliance Officer

Mr. C. Dayakar Reddy	—	Managing Director
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d) No. of Shareholders Complaints received during the year 2013-14

During the year 2013-14, in total no complaints / letters were received from the investors. Please see the Table-6 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 transfers

All shares which were received for transfer during the year were transferred and no transfer was pending.

Details of shareholders' complaints during the year 2013-14.

Table - 6

Sl.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	Nil	Nil	Nil
TOTAL		Nil	Nil	Nil

6. General Body Meetings

a) Details of last three AGMs

The information about the last three General Body Meetings is given in Table-7 as shown below:

Table - 7

AGM	Venue	Time & Date
Twelfth	8-2-685/1/1, Road No.12, Banjara Hills, Hyderabad – 500 034	30 th September 2011 at 10.30 hrs.
Thirteenth	Plot No. 83 & 84, 2nd Floor, Punnaiah Plaza Road # 02, Banjara Hills, Hyderabad – 500 034	29 th September 2012 at 10.30 hrs.
Fourteenth	Plot No. 83 & 84, 2nd Floor, Punnaiah Plaza Road # 02, Banjara Hills, Hyderabad – 500 034	30 th September 2013 at 10.30 hrs.

CORPORATE GOVERNANCE REPORT

7. Disclosures

- a) During the year 2013-14 the Company has entered into related party transactions worth Rs.9,941,311 (both receivables and payables) with MosChip Semiconductor Technology, USA and MosChip Semiconductor Technology PTE Ltd., Singapore, the Wholly Owned Subsidiaries of the Company. All these transactions were at arm's length and do not have potential conflict with the interest of the Company at large.

8. Means of Communication

- Quarterly and Half-yearly results will normally be published in Financial Express in English and Prajashakti 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.
- Management's Discussion and Analysis forms part of the Annual Report.

9. General Shareholder Information

- AGM – Date, Time and Venue : 11th September 2014, 10.30 am at Registered Office of the Company at Plot No. 83 & 84, 2nd Floor, Punnaiah Plaza, Road No. 2, Banjara Hills, Hyderabad – 500 034

- Financial Calendar :

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

Un-Audited Financial Results for the FY 2014-15		
First Quarter Results	:	8 th August 2014
Second Quarter & Half-yearly Results	:	Between 1 st & 15 th November 2014
Third Quarter Results	:	Between 1 st & 15 th February 2015
Fourth Quarter & Annual Results (Audited in lieu of un-audited results)	:	Between 20 th & 30 th May 2015

- Date of Book Closure : 04th September 2014 to 11th September 2014 (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 2013-14 and Performance in comparison to broad-based indices such as BSE Sensex, Crisil Index etc.
The information on market price of MosChip stock and its comparison with BSE Sensex is shown in *Table-8*.

CORPORATE GOVERNANCE REPORT

MosChip Share price on BSE and in comparison with BSE Sensex

Table - 8

Month & Year	MosChip		Sensex	
	High	Low	High	Low
Apr 13	2.79	2.23	19,622.68	18,144.22
May 13	2.74	1.96	20,443.62	19,451.26
Jun 13	2.86	2.09	19,860.19	18,467.16
Jul 13	2.29	1.41	20,351.06	19,126.82
Aug 13	1.63	1.38	19,569.20	17,448.71
Sep 13	1.65	1.30	20,739.69	18,166.17
Oct 13	2.31	1.36	21,205.44	19,264.72
Nov 13	2.41	2.00	21,321.53	20,137.67
Dec 13	2.65	1.94	21,483.74	20,568.70
Jan 14	3.76	2.78	21,409.66	20,343.78
Feb 14	2.80	2.30	21,140.51	19,963.12
Mar 14	2.33	1.66	22,467.21	20,920.98

- Registrar and Transfer Agents : Karvy Computershare Pvt. Ltd.
Plot No. 17-24, Vithal Rao Nagar
Madhapur, Hyderabad – 500 081. AP, India.
Tel: +91-40-44655208
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.

- Distribution of Shareholding

The Distribution of shareholding of the Company as on 31 March 2014 is shown in Table-9.
Distribution of Shareholding as on 31 March 2014:

Table - 9

Sl. No.	Category		No. of members		Equity Shares Amount		% of equity	
	From	To	Physical	Electronic	Physical	Electronic	Physical	Electronic
1	1	5000	77	18458	135680	42269230	0.03	9.18
2	5001	10000	02	3813	18000	33496510	0.00	7.26
3	10001	20000	00	1966	00	31668320	0.00	6.88
4	20001	30000	03	689	80000	18164600	0.02	3.95
5	30001	40000	00	301	00	11022720	0.00	2.39
6	40001	50000	03	345	150000	16715160	0.03	3.63
7	50001	100000	01	482	75900	36511300	0.02	7.93
8	100001	Above	19	418	41185110	228862640	8.95	49.71
Total			105	26472	41644690	418710480	9.05	90.95
Grand Total			26577		460355170		100.00%	

CORPORATE GOVERNANCE REPORT

- 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 March 2014, **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-INE935B01017

- 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 -9:

Table - 10

Design House /Branch Office	Location
Hyderabad	Plot No. 83 & 84, 2nd Floor, Punnaiah Plaza, Road No. 2 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, 2nd Floor, Punnaiah Plaza, Road No.2, Banjara Hills, Hyderabad – 500 034, Tel: +91-40-6622 9292 Fax: +91-6622 9393, Email : 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, Vithal Rao Nagar, Madhapur, Hyderabad - 500 081, T.S., India
Email: einward.ris@karvy.com

Contact Person: Mr. R. Chandra Sekher – Senior Manager (Registrar in Securities)
Tel: +91-40-4465 5208
Email: einward.ris@karvy.com

For and on behalf of the Board of Directors

08 August 2014

K. Ramachandra Reddy
Chairman & CEO

**AUDITORS' REPORT ON THE
CONSOLIDATED FINANCIAL STATEMENTS**

The Board of Directors
Moschip Semiconductor Technology Limited
Hyderabad

We have audited the accompanying consolidated financial statements of Moschip Semiconductor Technology Limited ("the Company") and its subsidiaries MosChip Semiconductor Technology, USA and MosChip Semiconductor Technology Pte. Ltd., Singapore (as at year end this company ceased to have any business operations and name of the company has been struck off), which comprise the consolidated Balance Sheet as at March 31, 2014, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, 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 control relevant to the

Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b. in the case of the consolidated Profit and Loss Account, of the loss for the year ended on that date; and
- c. in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

We did not audit the financial statements of the company's wholly owned subsidiaries Moschip Semiconductor Technology Limited, USA and Moschip Semiconductor Technology Pte Ltd., Singapore. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

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

Chandrashekhhar Gokhale
Partner

29 May 2014

Membership No 23839

CONSOLIDATED

**CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2014**

PARTICULARS	Note No.	As at 31 March 2014 Rs.	As at 31 March 2013 Rs.
I. EQUITY AND LIABILITIES			
1. Shareholders' funds			
a. Share Capital	1	460,355,170	460,355,170
b. Reserves and Surplus	2	<u>(523,093,327)</u>	<u>(436,938,575)</u>
		(62,738,157)	23,416,595
2. Non-current liabilities			
a. Long-term Provisions	3	<u>8,853,007</u>	<u>8,514,783</u>
		8,853,007	8,514,783
3. Current Liabilities			
a. Short term borrowings	4	129,191,499	94,431,970
b. Trade payables	5	26,702,294	8,702,172
c. Short term provisions	5	45,329,142	13,232,284
		<u>201,222,935</u>	<u>116,366,427</u>
TOTAL		<u>147,337,785</u>	<u>148,297,805</u>
II ASSETS			
1. Non-current assets			
a. Fixed assets	6		
i. Tangible assets		20,026,694	24,489,218
ii. Intangible assets		1,586,299	2,406,634
b. Long-term loans and advances	7	<u>5,055,668</u>	<u>6,140,252</u>
		26,668,661	33,036,104
2. Current assets			
a. Inventories	8	48,725,869	40,583,193
b. Trade receivables	9	32,251,820	47,254,905
c. Cash and Cash equivalents	10	13,961,325	13,340,114
d. Short-term loans and advances	11	<u>25,730,110</u>	<u>14,083,489</u>
		<u>120,669,124</u>	<u>115,261,701</u>
TOTAL		<u>147,337,785</u>	<u>148,297,805</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

Chandrashekhar Gokhale
Partner
Membership No 23839

K. Ramachandra Reddy
Chairman & CEO

C. Dayakar Reddy
Managing Director

Place: Hyderabad
Date : 29 May 2014

Damoder Bethamalla
Company Secretary

CONSOLIDATED

**CONSOLIDATED PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

PARTICULARS	Note No.	For the year ended 31 March 2014		For the year ended 31 March 2013	
		Rs.	Rs.	Rs.	Rs.
I. Revenue from operations	12	76,177,296		97,922,871	
II. Other Income	13	900,978		467,340	
III. Total Revenue (I + II)			77,078,273		98,390,211
IV. Expenses					
Cost of Materials Consumed	14	3,431,755		(4,087)	
Employee benefits expense	15	91,006,809		112,858,007	
Finance Costs	16	16,234,802		7,243,754	
Depreciation and amortization expense		3,648,082		5,694,252	
Other expense	17	49,028,156		52,716,516	
Total Expense			163,349,605		178,508,441
V. Profit/(Loss) before exceptional and extraordinary items and tax (III-IV)			(86,271,331)		(80,118,231)
VI. Exceptional Items			3,102,116		1,372,391
VII. Profit/(Loss) before extraordinary items and tax (V-VI)			(89,373,447)		(81,490,621)
VIII. Extraordinary items			8,612,901		62,361,897
IX. Profit/(Loss) before tax (VII-VIII)			(97,986,348)		(143,852,518)
X. Tax expense:					
1. Current tax		—		—	
2. Deferred tax		—		—	
XI. Profit/(Loss) for the period from continuing operations (IX - X)			(97,986,348)		(143,852,518)
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)			—		—
XV. Profit/(Loss) for the period (XI + XIV)			(97,986,348)		(143,852,518)
XVI. Earnings per equity share:					
1. Basic			(2.13)		(3.12)
2. Diluted			(2.13)		(3.12)
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

Chandrashekhhar Gokhale
Partner
Membership No 23839

K. Ramachandra Reddy
Chairman & CEO

C. Dayakar Reddy
Managing Director

Place: Hyderabad
Date : 29 May 2014

Damoder Bethamalla
Company Secretary

CONSOLIDATED

**NOTES FORMING PART OF
CONSOLIDATED BALANCE SHEET**

NOTES	As At 31 March 2014 Rs.	As At 31 March 2013 Rs.
NOTE - 1		
SHARE CAPITAL		
Authorised Share Capital		
55,000,000 (Previous Year 55,000,000) equity shares of Rs.10/- each	<u>550,000,000</u>	<u>550,000,000</u>
Issued share capital		
47,750,589 (Previous Year 47,750,589) equity shares of Rs.10/- each	<u>477,505,890</u>	<u>477,505,890</u>
Subscribed and fully paid share capital		
46,035,517 (Previous Year 46,035,517) equity shares of Rs.10/- each	<u>460,355,170</u>	<u>460,355,170</u>
Shareholders having more than 5% of the shares with the number of shares & Percentage		
Name of the Shareholder	2013-14	2012-13
	No. of Shares	No. of Shares
	%	%
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%
Total	<u>460,355,170</u>	<u>460,355,170</u>
NOTE - 2		
RESERVES AND SURPLUS:		
<i>Capital Reserves:</i>		
State Govt Subsidy	1,250,000	1,250,000
Foreign Currency Translation Reserve	24,506,209	21,287,515
Capital Reserve	<u>138,804,760</u>	<u>130,191,859</u>
	<u>164,560,969</u>	<u>152,729,374</u>
<i>Forfeited Share Warrants:</i>		
Opening Balance	5,431,250	5,431,250
Additions	—	—
	<u>5,431,250</u>	<u>5,431,250</u>
<i>Securities Premium Reserves</i>		
Opening Balance	666,633,920	666,633,920
Additions	—	—
	<u>666,633,920</u>	<u>666,633,920</u>
<i>Surplus, showing allocations and appropriations such as dividend, Bonus Shares and transfer to / from reserves</i>		
Opening Balance	(1,261,733,119)	(1,117,880,601)
Add: Current Year Surplus	(97,986,348)	(143,852,518)
	<u>(1,359,719,467)</u>	<u>(1,261,733,119)</u>
Total	<u>(523,093,327)</u>	<u>(436,938,575)</u>

CONSOLIDATED

**NOTES FORMING PART OF
CONSOLIDATED BALANCE SHEET**

NOTES	As At 31 March 2014 Rs.	As At 31 March 2013 Rs.
NOTE - 3		
LONG TERM PROVISIONS		
Leave Encashment	2,543,003	2,627,217
Gratuity	6,310,004	5,887,566
Total	<u><u>8,853,007</u></u>	<u><u>8,514,783</u></u>
NOTE - 4		
SHORT TERM BORROWINGS		
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)	20,152,406	24,814,817
Loan From Directors	109,039,093	69,617,153
Total	<u><u>129,191,499</u></u>	<u><u>94,431,970</u></u>
NOTE - 5		
SHORT TERM PROVISIONS		
Provision for Expenses	1,861,781	3,523,948
TDS Payable	11,551,781	1,443,615
Service Tax Payable	5,189,603	2,955,696
Salaries Payable	10,100,343	1,961,556
Director Remuneration Payable	2,452,054	—
Interest Payable on Loans	10,776,253	—
Provision for Taxation	3,397,326	3,347,469
Total	<u><u>45,329,142</u></u>	<u><u>13,232,284</u></u>

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 01.04.13	Additions during the year	Adjustments during the year	Deletions during the year	Balance as at 01.04.13	For the Year	Deletions during the year	Adjustments during the year	Balance as at 31.03.14	Balance as at 31.03.13
	Tangible Assets										
1	Computers	28,792,329	192,486	—	3,994,010	26,184,380	3,990,410	—	22,890,713	2,100,092	2,607,949
2	Electrical Installation	1,958,053	—	—	114,573	842,101	88,053	—	842,786	1,000,694	1,115,952
3	Plant and Machinery	2,493,462	—	—	237,993	1,288,194	88,901	—	1,311,491	943,978	1,205,268
4	Furniture and Fittings	6,406,592	—	48,688	1,476,637	3,547,721	560,059	33,484	3,374,464	1,604,179	2,858,871
5	Office Equipment	5,031,824	—	76,340	66,252	2,146,454	46,490	63,023	2,367,113	2,674,799	2,885,370
6	Vehicles	84,257	—	—	—	74,906	—	—	77,929	6,328	9,351
7	Lab Equipment	16,178,293	—	—	—	5,085,490	767,091	—	5,852,581	10,325,712	11,092,803
8	Leasehold Improvements	3,286,421	—	—	1,095,474	572,765	355,242	—	820,034	1,370,913	2,713,656
9	Mask Tools	—	—	—	—	—	—	—	—	—	—
	TOTAL	64,231,230	192,486	125,028	6,984,939	39,742,011	5,129,155	96,507	37,537,111	20,026,694	24,489,218
	Intangible Assets										
1	Software	62,349,317	—	—	—	59,942,683	820,335	—	60,763,018	1,586,299	2,406,634
	TOTAL	62,349,317	—	—	—	59,942,683	820,335	—	60,763,018	1,586,299	2,406,634
	GRAND TOTAL	126,580,547	192,486	125,028	6,984,939	99,684,694	5,129,155	96,507	98,300,129	21,612,993	26,895,852
	Previous Year	227,879,853	2,525,382	54,382	103,879,070	197,191,884	103,258,709	57,268	99,684,695	26,895,852	

Note:

* Adjustments for the year includes Rs.125,028/- considered in Foreign Currency Translation Reserve due to Translation of non-integral foreign subsidiaries.

** Adjustments for the year includes Rs.96,507/- considered in Foreign Currency Translation Reserve due to Translation of non-integral foreign subsidiaries.

CONSOLIDATED

**NOTES FORMING PART OF
CONSOLIDATED BALANCE SHEET**

NOTES	As At 31 March 2014 Rs.	As At 31 March 2013 Rs.
NOTE - 7		
LONG TERM LOANS & ADVANCES (Unsecured, Considered Good)		
Deposits		
Deposit - Government Authorities		
Deposits - Electricity	—	116,800
Deposits -Telephone	32,400	141,714
Deposits - Others		
Deposits - Others	746,268	845,538
Deposits - Rent	1,482,000	2,241,200
Other Loans & Advances		
Moschip Employees Trust	2,795,000	2,795,000
Total	<u>5,055,668</u>	<u>6,140,252</u>
NOTE - 8		
INVENTORIES		
Finished Goods	42,517,783	40,583,193
Work In Progress	6,208,086	—
Total	<u>48,725,869</u>	<u>40,583,193</u>

CONSOLIDATED

**NOTES FORMING PART OF
CONSOLIDATED BALANCE SHEET**

NOTES	As At 31 March 2014 Rs.	As At 31 March 2013 Rs.
NOTE - 9		
TRADE RECEIVABLES		
(Unsecured, Considered Good)		
Outstanding for a period exceeding six months	592,627	-
Others	31,659,193	47,254,905
Total	32,251,820	47,254,905
NOTE-10		
CASH AND CASH EQUIVALENTS		
Cash on hand	17,564	15,520
Balance with Scheduled Banks		
— In Current accounts	3,592,797	2,169,066
— In fixed deposit accounts	9,844,364	9,075,000
(Rs.9,844,364/- (Previous Year Rs.9,075,000/-) pledged towards margin on Bank Guarantee)		
Balance with Non-Scheduled Banks in Current Accounts	506,601	2,080,528
Total	13,961,325	13,340,114
NOTE - 11		
SHORT TERM LOANS & ADVANCES		
Other Loans & Advances - (Unsecured , Considered Good)		
Prepaid Expenses	14,245,707	5,710,365
Service Tax Input Credit	3,877,309	3,877,310
Interest Accrued but not due	428,545	366,591
Prepaid Income Tax-TDS	6,725,254	4,027,188
Other Advances	453,295	102,036
Total	25,730,110	14,083,489

CONSOLIDATED

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

NOTES	For the year ended 31 March 2014 Rs.	For the year ended 31 March 2013 Rs.
NOTE - 12		
REVENUE FROM OPERATIONS		
Semiconductor Sales (Sales Returns net off Sales)	5,085,295	(3,074,048)
Software Services	71,092,000	100,996,918
Total	<u>76,177,296</u>	<u>97,922,871</u>
NOTE - 13		
OTHER INCOME		
Interest Earned (Gross)	900,978	467,340
(Tax Deducted at Source Rs.44,752 (previous year Rs.43,533))		
Total	<u>900,978</u>	<u>467,340</u>
NOTE - 14		
COST OF MATERIAL CONSUMED		
Materials, Finished and Processed stocks (COGs on Sales Returns net off COGs)	3,436,530	(124,364)
Import Clearance Charges	(4,775)	120,276
Total	<u>3,431,755</u>	<u>(4,087)</u>
NOTE - 15		
EMPLOYEE BENEFIT EXPENSES		
Salaries and Other Allowances to Employees	82,511,907	99,428,641
Contribution to PF, ESI & Gratuity	1,375,724	2,990,967
Directors Remuneration	4,800,000	7,200,000
Staff Welfare Expenses	2,319,178	3,238,399
Total	<u>91,006,809</u>	<u>112,858,007</u>

CONSOLIDATED

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

NOTES	For the year ended 31 March 2014 Rs.	For the year ended 31 March 2013 Rs.
NOTE - 16		
FINANCE COST		
Interest on Packing Credit	2,523,615	4,253,898
Interest on loan from Directors	12,428,713	2,649,228
Interest on ICDs	911,829	—
Bank Charges	370,646	340,628
Total	16,234,802	7,243,754
NOTE - 17		
OTHER EXPENSES		
Rent	7,294,407	9,436,901
Electricity Charges	2,087,001	2,223,117
Consumables	4,200,161	2,154,208
Research and Development Expenses	21,484	505,392
Software Charges	12,854,768	5,511,360
Communication Expenses	335,331	428,855
Directors Sitting Fee	208,000	206,000
Printing and Stationery	69,637	230,351
Postage, Telegrams and Telephones	940,352	1,441,271
Fees, Rates and Taxes	293,227	277,722
Repairs and Maintenance	446,760	748,467
Travelling and Conveyance	2,768,950	8,406,152
Marketing Expenses	325,733	1,720,248
Advertisement Expenses	129,571	1,195,122
Payment to Auditors	876,565	1,347,197
Insurance	1,890,190	4,057,284
Professional charges	1,327,617	6,127,614
Recruitment Expenses	17,465	169,389
General Expenses	2,083,310	7,054,806
Bad Debts Written Off	15,807,559	1,527,300
Realised Loss/(Gain) on Forex Fluctuation	(517,911)	1,572,890
Unrealised Loss/(Gain) on Forex Fluctuation	(4,432,022)	(3,625,131)
Total	49,028,156	52,716,516

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

18. Significant accounting policies and notes on accounts

Company overview

MosChip Semiconductor Technology Limited ("MosChip" or "the Company") and its subsidiary (hereinafter collectively referred to as "the Group") is 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 customized 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.

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 Limited, MosChip Semiconductor Technology PTE Ltd, Singapore (Wholly Owned Subsidiary) and MosChip Semiconductor Technology, USA (Wholly Owned Subsidiary) for the year ended 31 March 2014.

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, 1956. 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

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

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.

18.1.7 Depreciation

Depreciation on Fixed Assets other than Improvement to Leasehold Premises, Mask Tool Charges (Part of Plant & Machinery) and Computer Software is provided under Straight Line method at the rates specified in Schedule XIV of the Companies Act, 1956., except as stated in Note 18.2.10.

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.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

18.2 Notes on Accounts

18.2.1 Contingent Liabilities:

(Amount in Rupees)

Particulars	As at 31 March	
	2014	2013
Estimated amount of unexecuted capital contracts not provided	Nil	Nil
Outstanding Bank Guarantee given by bankers	9,844,364	9,075,000
Outstanding Bank Guarantee on account of Bond executed by the Company to Government of India towards execution of Govt. contract	90,514,145	90,514,145
Outstanding amount payable to JI Corporate Consulting (P) Ltd towards professional fee for Scheme of Capital Reduction	730,000	Nil

18.2.2 Short Term Borrowings

During the period the MosChip, India has obtained further unsecured loans from a Director of an amount Rs.4.91 crores and the outstanding as on 31.03.2014 is Rs.10.30 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 31.03.2014. The provision for the same has been made in these accounts in the financial year ending 31st March 2014.

18.2.3 Exceptional Items

Exceptional Items consist of assets discarded during the year which were retired from active use and as no further benefit was expected Rs.1,497,366.

The amounts being material in nature has been disclosed under "Exceptional Item" for the year.

18.2.4 Extraordinary Items

The extraordinary items represents an Impairment loss on Goodwill of Rs.8,612,901 pertaining to the investment made by Moschip India in its 100% wholly owned Subsidiary of Moschip USA. This impairment loss was due to changes in underlying business conditions of Moschip USA.

18.2.5 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:

CONSOLIDATED**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

(Amount in Rupees except share numbers)

	Year ended 31 March 2014	Year ended 31 March 2013
BASIC EARNINGS/(LOSS) PER SHARE		
Net Profit/(Loss) for the period before exceptional, extraordinary and Discontinuing Operations	(86,271,331)	(80,118,231)
Net Profit/(Loss) for the period after exceptional, extraordinary and Discontinuing Operations	(97,986,348)	(143,852,518)
Weighted average number of equity shares	46,035,517	46,035,517
EPS before extraordinary item	(1.94)	(1.77)
EPS after extraordinary item	(2.13)	(3.12)
DILUTED EARNINGS/(LOSS) PER SHARE		
Net Profit/(Loss) for the period before exceptional, extraordinary and Discontinuing Operations	(86,271,331)	(80,118,231)
Net Profit/(Loss) for the period before exceptional, extraordinary and Discontinuing Operations	(97,986,348)	(143,852,518)
Adjustments	Nil	Nil
Diluted Net Profit/(Loss) for the period before exceptional, extraordinary and Discontinuing Operations	(86,271,331)	(80,118,231)
Diluted Net Profit/(Loss) for the period after exceptional, extraordinary and Discontinuing Operations	(97,986,348)	(143,852,518)
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	(1.94)	(1.17)
EPS after extraordinary item	(2.13)	(3.12)

18.2.6 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

CONSOLIDATED

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

a) Business Segment Information:

Particulars	Year ended 31 March 2014	
	<i>Software</i> Rs.	<i>ASICs</i> Rs.
Revenue		
Sales to external customers	71,092,000	5,085,295
Segment Profit / (loss)	(73,962,887)	(13,209,422)
Other Income	900,687	291
Profit / (loss) before Tax	(73,062,200)	(13,209,131)
Tax	0	0
Exceptional Item	3,102,116	0
Profit/(loss) after Tax before Extraordinary and Discontinuing operations	(76,164,316)	(13,209,131)
Extraordinary Items and Profit / (Loss) on Discontinuing Operations	8,612,901	0
Net profit/(loss)	(84,777,217)	(13,209,131)
Other Segment Information		
Depreciation	3,606,824	41,258
Non-cash expenses other than depreciation	0	0
Particulars of Segment Assets and Liabilities		
Segment Assets	76,405,885	56,970,575
Investments	0	0
Cash and Bank Deposits	13,454,724	506,601
Other Assets	0	0
Total Assets	89,860,610	57,477,176
Segment Liabilities	200,206,010	9,869,933
Total Liabilities	200,206,010	9,869,933

b) Geographic Segment Information:

Particulars	Year ended 31 March 2014	
	<i>Software</i> Rs.	<i>ASICs</i> Rs.
Revenue		
Hong Kong	0	10,444,513
Canada	0	(5,737,255)
USA	10,946,009	0
India	59,800,208	0
Rest of World	345,783	378,037
Carrying amount of segment fixed assets		
India		93,921,758
North America		118,678,921
Additions to fixed assets		
India		192,486
North America		0

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

18.2.7 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. Pursuant to the scheme of Amalgamation, the Company continues to carry on the business of erstwhile Verasity Technologies and treats it as an overseas branch office. The operations of the STPI Unit and overseas branch have resulted in a net loss for the year ended 31 March 2014. 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.

18.2.8 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.

Stock Options Outstanding under the Employee Stock Option Plan

	Year ended 31 March 2014	Year ended 31 March 2013
Options outstanding at the beginning of the year	44,400	47,400
Granted during the year	0	0
Forfeited during the year	26,400	3,000
Exercised during the year	0	0
Outstanding at the end of the year	18,000	44,400

Stock Options Outstanding under the MosChip Stock Option Plan 2001

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Options outstanding at the beginning of the year	93,000	102,000
Granted during the year	0	0
Forfeited during the year	58,000	9,000
Exercised during the year	0	0
Outstanding at the end of the year	35,000	93,000

Stock Options Outstanding under the MosChip Stock Option Plan 2002

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Options outstanding at the beginning of the year	99,000	120,000
Granted during the year	0	0
Forfeited during the year	37,000	21,000
Exercised during the year	0	0
Outstanding at the end of the year	62,000	99,000

CONSOLIDATED**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

Stock Options Outstanding under the MosChip Stock Option Plan 2004

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Options outstanding at the beginning of the year	110,000	110,000
Granted during the year	0	0
Forfeited during the year	110,000	0
Exercised during the year	0	0
Outstanding at the end of the year	0	110,000

Stock Options Outstanding under the MosChip Stock Option Plan 2005-MI

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Options outstanding at the beginning of the year	31,000	38,000
Granted during the year	0	0
Forfeited during the year	7,000	7,000
Exercised during the year	0	0
Outstanding at the end of the year	24,000	31,000

Stock Options Outstanding under the MosChip Stock Option Plan 2005-WOS

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Options outstanding at the beginning of the year	350,000	200,000
Granted during the year	0	350,000
Forfeited during the year	350,000	200,000
Exercised during the year	0	0
Outstanding at the end of the year	0	350,000

Stock Options Outstanding under the MosChip Stock Option Plan 2008

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Options outstanding at the beginning of the year	779,529	359,822
Granted during the year	0	900,000
Forfeited during the year	569,619	480,293
Exercised during the year	0	0
Outstanding at the end of the year	209,910	779,529

Stock Options Outstanding under the MosChip Stock Option Plan 2008(ALR)

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Options outstanding at the beginning of the year	142,674	311,674
Granted during the year	0	0
Forfeited during the year	66,250	169,000
Exercised during the year	0	0
Outstanding at the end of the year	76,424	142,674

CONSOLIDATED

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

Stock Options Outstanding under the MosChip Stock Option Plan 2008 (Director)		
Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Options outstanding at the beginning of the year	700,000	700,000
Granted during the year	0	0
Forfeited during the year	700,000	0
Exercised during the year	0	0
Outstanding at the end of the year	0	700,000

18.2.9 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:

(Amounts in Rupees)

	Year ended 31 March 2014
<u>Gratuity cost for the period</u>	
Current Service Cost	1,055,331
Interest cost on defined benefit obligation	560,827
Expected Return on Plan Assets	(114,292)
Net Actuarial losses/(gain) recognised in year	(952,646)
Net Gratuity cost	549,220
<u>Balance Sheet</u>	
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	598,931
Present Value of the funded obligation at the end of the year	176,127
Asset/(Liability) recognized in the balance sheet	(6,310,004)
<u>Change in the present value of defined benefit obligation are as follows:</u>	
Present value of obligations at the beginning of year	6,486,497
Current Service Cost	1,055,331
Interest cost	560,827
Actuarial (gain)/loss	(1,038,201)
Benefits paid	(578,323)
Present value of obligations as at the end of year	6,486,131
<u>Change in the fair value of plan assets are as follows:</u>	
Fair Value of Plan Assets at beginning of year	598,931
Expected return on plan assets	114,292
Actuarial gain/(loss)	(85,555)
Contributions	126,782
Benefits paid	(578,323)
Fair Value of Plan Assets at end of year	176,127

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

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

Discount Rate	—	9.30%
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 March 2014 is Rs.2,309,034.

18.2.10 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:

Asset Description	Estimated useful life
Equipment	5 Yrs
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 2014 would have been lower by Rs.180,846 and loss for the period would have been lower by Rs.180,846.

18.2.11 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

Chandrashekhhar Gokhale
Partner
Membership No 23839

K. Ramachandra Reddy
Chairman & CEO

C. Dayakar Reddy
Managing Director

Place: Hyderabad
Date : 29 May 2014

Damoder Bethamalla
Company Secretary

CONSOLIDATED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

	31 March 2014 Rs.	31 March 2013 Rs.
A. Cash Flow from Operating Activities		
Net Profit Before Tax, Exceptional, Prior Period and Extraordinary Item	(86,271,331)	(80,118,231)
Adjustments for:		
Depreciation	3,648,082	5,694,252
Interest Income	(900,978)	(467,340)
Loss on fixed assets sold / discarded	0	0
Profit on sale of Investments	0	0
Provision for Retirement Benefits	338,224	2,654,862
Exchange differences on translation of foreign currency cash	0	0
Operating Profit before changes in working capital	(83,186,002)	(72,236,457)
Increase/(Decrease) in Secured/Unsecured loans	34,759,529	67,193,045
(Increase)/Decrease in Sundry Debtors	15,003,085	(5,050,005)
(Increase)/Decrease in Inventories	(8,142,676)	(3,365,340)
(Increase)/Decrease in Loans and Advances	(10,500,083)	(3,262,847)
(Increase)/Decrease in Bank Guarantee Deposits with Bankers	(769,364)	(8,489,699)
Increase/(Decrease) in Current Liabilities	50,096,979	10,908,570
Cash from operations before Tax, Exceptional, Extra Ordinary and Prior Period items	(2,738,531)	(14,302,733)
Income-taxes paid	0	0
Cash from operations before Exceptional, Extra Ordinary and Prior Period items	(2,738,531)	(14,302,733)
Exceptional Item	(1,604,750)	0
Extra ordinary and prior period item	0	0
Income from discontinuing operations	0	0
Net Cash from Operating Activities [A]	(4,343,281)	(14,302,733)
B. Cash flow from Investing Activities:		
Purchase of Fixed Assets	(192,486)	(2,525,382)
Sale proceeds of Fixed Assets	386,930	3,000
Interest received on Fixed Deposits	839,024	281,307
Purchase of Current Investments	0	0
Sale of Current Investments	0	0
Foreign currency translation adjustment for non-integral operation	3,161,661	4,643,679
Net Cash used for Investing Activities [B]	4,195,129	2,402,604
C. Cash flow from Financing Activities:		
Proceeds from Issue of Share Capital	0	0
Securities Premium	0	(127,225)
Convertible Warrants	0	0
Net Cash from Financing Activities [C]	0	(127,225)

CONSOLIDATED**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

	31 March 2014 Rs.	31 March 2013 Rs.
D. Exchange differences on translation of foreign currency cash	<u>0</u>	<u>0</u>
Net Increase/(Decrease) in cash & cash equivalents [A+B+C+D]	(148,153)	(12,027,354)
Cash and Cash equivalents at the beginning of the year	4,265,114	16,292,468
Cash and Cash equivalents at the end of the year	<u>4,116,961</u>	<u>4,265,114</u>
Supplementary Information		
Cash and Cash Equivalents as per Balance Sheet	13,961,325	13,340,114
Less: Fixed Deposits towards Bank Guarantee considered as investments	<u>9,844,364</u>	<u>9,075,000</u>
	<u>4,116,961</u>	<u>4,265,114</u>

Per and subject to our report of even date

For and on behalf of the Board of Directors

For **Gokhale & Co.**,
Chartered Accountants**Chandrashekhar Gokhale**
Partner
Membership No 23839**K. Ramachandra Reddy**
Chairman & CEO**C. Dayakar Reddy**
Managing DirectorPlace: Hyderabad
Date : 29 May 2014**Damoder Bethamella**
Company Secretary

AUDITORS' REPORT

To

The Members
Moschip Semiconductor Technology Limited
Hyderabad

Report on the Financial Statements

We have audited the accompanying financial statements of Moschip Semiconductor Technology Limited, which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that day and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these 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 Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control 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 financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and 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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of entity's internal control. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the 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:

- a. In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b. In the case of the Profit and Loss Account, of the loss for the year ended on that date, and
- c. In the case of the Cash Flow Statement of the Cash Flows for the year ended on March 31, 2014.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order 2003, issued by the Central Government of India in terms of Subsection (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. As required by section 227(3) of the Act, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - c. The Balance Sheet and Statement of Profit and Loss dealt with by this Report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet and Statement of Profit and Loss comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section of the Companies Act, 2013.

AUDITORS' REPORT

- e. On the basis of written representations received from the Directors, as on 31st March, 2014 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2014 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.
- iii. a. The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Act.
- b. The company has taken unsecured loans and advances from one of its directors as well as its US subsidiary company. The balance outstanding in loan account of director as at March 31, 2014 is Rs.1126.13 Lakhs (including interest of Rs.95.72 Lakhs). The balance outstanding in advance account of US subsidiary as at the year end is Rs 177.75 Lakhs. The advance from subsidiary company is in the nature of trade advance and hence, doesnot carry any interest. The rate of interest and other terms and conditions of the loan from director are, prima facie, not prejudicial to the interests of the company.

For **Gokhale & Co.**
Chartered Accountants

Chandrashekhar Gokhale
Partner

Membership No 23839
Firm Regn. No 000942S

29 May 2014

- iv. In our opinion, and according to the information and explanations given to us, the company has adequate internal control systems commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of services.
- v. Transactions that need to be entered into a register in pursuance of Section 301 of the Act have been entered. In our opinion and based on information and explanations given to us transactions of the value of Rs 5 lakhs or more have been made at prices which are reasonable having regard to the nature of transactions. However, no comparative market prices are available because of the nature of products and services.
- vi. The company has not accepted deposits from the public covered by the provisions of section 58 A of the Companies Act.
- vii. The company has an internal audit system commensurate with its size and nature of its business.
- viii. We have been informed that the company is not required to maintain any cost records under clause (d) of sub-section (1) of Section 209 of the Act.
- ix. The company is generally regular in depositing the Provident Fund and ESI dues with the appropriate authorities. According to the explanations and information given to the following statutory dues were outstanding for a

ANNEXURE

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of subsection (4A) of Section 227 of the Companies Act, 1956 (1 of 1956) 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 the 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. The company has not disposed off substantial part of its fixed assets during the period year ended March 31, 2014.
- ii. For the year under audit the company had no semiconductor chip sales and its entire revenue is from software services. Hence, the clause relating to inventory is not applicable.

AUDITORS' REPORT

period of more than six months from the date they became payable.

Taxes Deducted at Source - Rs. 29,26,120

Service Tax - Rs. 6,30,185

As at the year end there were no other undisputed statutory dues including Investor Education and Protection Fund, ESI, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty etc outstanding for a period of more than six months from the date they became payable.

- x. 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.
- xi. The Export Packing Credit balance of Rs 2.02 Crores 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.
- xii. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii. The company has not given any guarantee for loans taken by others from bank or financial institutions.

xiv. No part of the funds raised on short-term basis have been used for long-term investments.

xv. During the year under audit the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act.

xvi. 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 under audit.

The other clauses of the order are not applicable to the company for the period under audit.

For **Gokhale & Co.**
Chartered Accountants
Chandrashekhar Gokhale
Partner

29 May 2014

Membership No 23839
Firm Regn. No 000942S

MOSCHIP INDIA

BALANCE SHEET AS AT 31 MARCH 2014

PARTICULARS	Note No.	As at	
		31 March 2014	31 March 2013
		Rs.	Rs.
I. EQUITY AND LIABILITIES			
1. Shareholders' funds			
a. Share Capital	1	460,355,170	460,355,170
b. Reserves and Surplus	2	(500,579,382)	(424,850,835)
		<u>(40,224,212)</u>	<u>35,504,335</u>
2. Non-current liabilities			
a. Long-term Provisions	3	8,619,038	8,166,026
		<u>8,619,038</u>	<u>8,166,026</u>
3. Current Liabilities			
a. Short term borrowings	4	140,308,667	110,065,589
b. Trade payables		22,058,942	2,669,530
c. Short term provisions	5	37,306,224	5,861,641
		<u>199,673,833</u>	<u>118,596,760</u>
TOTAL		<u><u>168,068,659</u></u>	<u><u>162,267,121</u></u>
II ASSETS			
1. Non-current assets			
a. Fixed assets	6		
i. Tangible assets		19,861,106	24,037,452
ii. Intangible assets		1,586,299	2,406,635
b. Non-current investments	7	956,989	11,852,843
c. Long-term loans and advances	8	4,319,500	5,304,814
d. Other non-current assets		—	—
		<u>26,723,894</u>	<u>43,601,743</u>
2. Current assets			
a. Inventories	9	6,208,086	—
b. Trade receivables	10	98,946,343	96,137,901
c. Cash and Cash equivalents	11	13,454,726	11,259,542
d. Short-term loans and advances	12	22,735,610	11,267,935
		<u>141,344,765</u>	<u>118,665,378</u>
TOTAL		<u><u>168,068,659</u></u>	<u><u>162,267,121</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

Chandrashekhhar Gokhale
Partner
Membership No 23839

K. Ramachandra Reddy
Chairman & CEO

C. Dayakar Reddy
Managing Director

Place: Hyderabad
Date : 29 May 2014

Damodar Bethamalla
Company Secretary

MOSCHIP INDIA

**PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

PARTICULARS	Note No.	For the year ended 31 March 2014		For the year ended 31 March 2013	
		Rs.	Rs.	Rs.	Rs.
I. Revenue from operations	13	69,632,773		122,278,949	
II. Other Income	14	896,212		466,192	
III. Total Revenue (I + II)			70,528,985		122,745,141
IV. Expenses					
Employee benefits expense	15	85,700,012		92,027,728	
Finance Costs	16	14,091,536		6,495,159	
Depreciation and amortization expense		3,606,824		5,619,758	
Other expense	17	31,334,316		30,877,111	
Total Expense			134,732,688		135,019,756
V. Profit/(Loss) before exceptional and extraordinary items and tax (III-IV)			(64,203,703)		(12,274,615)
VI. Exceptional Items			2,911,943		617,360
VII. Profit/ (Loss) before extraordinary items and tax (V-VI)			(67,115,646)		(12,891,975)
VIII. Extraordinary items			8,612,901		62,361,897
IX. Profit/(Loss) before tax (VII-VIII)			(75,728,547)		(75,253,872)
X. Tax expense:					
1. Current tax			—		—
2. Deferred tax			—		—
XI. Profit/(Loss) for the period from continuing operations (IX - X)			(75,728,547)		(75,253,872)
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)			—		—
XV. Profit/(Loss) for the period (XI + XIV)			(75,728,547)		(75,253,872)
XVI. Earnings per equity share:					
Equity Share of face value Rs.10/- each					
1. Basic			(1.65)		(1.63)
2. Diluted			(1.65)		(1.63)
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

Chandrashekhhar Gokhale
Partner
Membership No 23839

K. Ramachandra Reddy
Chairman & CEO

C. Dayakar Reddy
Managing Director

Place: Hyderabad
Date : 29 May 2014

Damodar Bethamalla
Company Secretary

**NOTES FORMING PART OF
BALANCE SHEET**

NOTES	As At 31 March 2014 Rs.	As At 31 March 2013 Rs.
NOTE - 1		
SHARE CAPITAL:		
Authorised Share Capital		
55,000,000 (Previous Year 55,000,000) equity shares of Rs.10/- each	<u>550,000,000</u>	<u>550,000,000</u>
Issued share capital		
47,750,589 (Previous Year 47,750,589) equity shares of Rs.10/- each	<u>477,505,890</u>	<u>477,505,890</u>
Subscribed and fully paid share capital		
46,035,517 (Previous Year 46,035,517) equity shares of Rs.10/- each	<u>460,355,170</u>	<u>460,355,170</u>
Shareholders having more than 5% of the shares with the number of shares & Percentage		
Name of the Shareholder	2013-14	2012-13
	No. of Shares %	No. of Shares %
1.K Ramachandra Reddy	3,050,037 6.63%	3,050,037 6.63%
2. ESS Tech. International Inc.	2,329,092 5.06%	2,329,092 5.06%
Total	<u>460,355,170</u>	<u>460,355,170</u>
NOTE - 2		
RESERVES AND SURPLUS:		
Capital Reserves		
State Govt Subsidy	1,250,000	1,250,000
Forfeited Share Warrants:		
Opening Balance	5,431,250	5,431,250
Additions	<u>—</u>	<u>—</u>
	<u>5,431,250</u>	<u>5,431,250</u>
Securities Premium Reserves		
Opening Balance	666,633,920	666,633,920
Additions	<u>—</u>	<u>—</u>
	<u>666,633,920</u>	<u>666,633,920</u>
Surplus, showing allocations and appropriations such as dividend, Bonus Shares and transfer to / from reserves		
Opening Balance	(1,098,166,005)	(1,022,912,133)
Add: Current Year Surplus	(75,728,547)	(75,253,872)
	<u>(1,173,894,552)</u>	<u>(1,098,166,005)</u>
Total	<u>(500,579,382)</u>	<u>(424,850,835)</u>

**NOTES FORMING PART OF
BALANCE SHEET**

NOTES	As At 31 March 2014 Rs.	As At 31 March 2013 Rs.
NOTE - 3		
LONG TERM PROVISIONS:		
Leave Encashment	2,309,034	2,278,460
Gratuity	6,310,004	5,887,566
Total	8,619,038	8,166,026
NOTE - 4		
SHORT TERM BORROWINGS:		
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	20,152,406	24,814,817
Loans from Directors	103,041,093	58,745,153
Loans and Advances from Related Parties - Unsecured Moschip Semiconductor Technology, USA	17,115,168	26,505,619
Total	140,308,667	110,065,589
NOTE - 5		
SHORT TERM PROVISIONS:		
Provision for Expenses	926,393	1,462,330
TDS Payable	11,551,781	1,443,615
Service Tax Payable	5,189,603	2,955,696
Interest Payable	9,571,795	—
Salaries Payable	7,614,598	—
Directors Remuneration Payable	2,452,054	—
Total	37,306,224	5,861,641

**NOTES FORMING PART OF
BALANCE SHEET**

		(Amount in Rupees)									
		GROSS BLOCK					DEPRECIATION				
S. No.	Description	Balance as at 01.04.13	Additions during the year	Deletions during the year	Balance as at 31.03.14	Balance as at 01.04.13	For the Year	Deletions during the year	Balance as at 31.03.14	Balance as at 31.03.14	Balance as at 31.03.13
	Tangible Assets										
1	Computers	28,792,329	192,486	3,994,010	24,990,805	26,184,380	696,743	3,990,410	22,890,713	2,100,092	2,607,949
2	Electrical Installation	1,958,063	0	114,573	1,843,480	842,101	88,738	88,053	842,786	1,000,694	1,115,952
3	Plant and Machinery	2,493,462	0	237,993	2,255,469	1,288,194	112,198	88,901	1,311,491	943,978	1,205,268
4	Furniture and Fittings	5,711,100	0	1,151,689	4,559,411	3,174,440	331,269	508,552	2,997,157	1,562,254	2,536,660
5	Office Equipment	4,293,197	0	66,252	4,226,945	1,537,383	184,916	46,490	1,675,809	2,551,136	2,755,814
6	Vehicles	84,257	0	0	84,257	74,906	3,023	0	77,929	6,328	9,351
7	Lab Equipment	16,178,293	0	0	16,178,293	5,085,490	767,091	0	5,852,581	10,325,712	11,092,803
8	Leasehold Improvements	3,286,421	0	1,095,474	2,190,947	572,765	602,511	355,242	820,034	1,370,913	2,713,656
	TOTAL	62,797,111	192,486	6,659,991	56,229,606	38,759,659	2,786,489	5,077,648	36,466,500	19,861,106	24,037,452
	Intangible Assets										
1	Software	62,949,317	0	0	62,949,317	59,942,683	820,335	0	60,763,018	1,586,299	2,406,634
	TOTAL	62,949,317	0	0	62,949,317	59,942,683	820,335	0	60,763,018	1,586,299	2,406,634
	GRAND TOTAL	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	26,444,086
	Previous Year	148,150,646	2,193,342	25,197,560	125,146,428	117,659,784	5,619,758	24,577,200	98,702,342	26,444,086	0

**NOTES FORMING PART OF
BALANCE SHEET**

NOTES	As At 31 March 2014 Rs.	As At 31 March 2013 Rs.
NOTE - 7		
NON CURRENT INVESTMENTS:		
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	9,569,890	71,931,787
Less: Diminution in Value	<u>8,612,901</u>	<u>62,361,897</u>
	956,989	9,569,890
Unquoted		
b) Wholly-owned Subsidiary:		
Nil (Previous Year 55,001 Share) shares of MosChip Semiconductor Technology Pte Ltd. (a company incorporated in Singapore)	—	2,282,953
Amount pending for Allotment	—	—
Total	<u><u>956,989</u></u>	<u><u>11,852,843</u></u>
NOTE - 8		
LONG TERM LOANS & ADVANCES - (Unsecured, Considered Good):		
Deposits		
Deposit - Government Authorities		
Deposits - Electricity	—	116,800
Deposits -Telephone	32,400	141,714
Deposits - Others		
Deposits - Others	10,100	10,100
Deposits - Rent	1,482,000	2,241,200
Other Loans & Advances		
MosChip Employees Trust	<u>2,795,000</u>	<u>2,795,000</u>
Total	<u><u>4,319,500</u></u>	<u><u>5,304,814</u></u>
NOTE - 9		
INVENTORIES		
Work In Progress	<u>6,208,086</u>	—
Total	<u><u>6,208,086</u></u>	<u><u>—</u></u>

**NOTES FORMING PART OF
BALANCE SHEET**

NOTES	As At 31 March 2014 Rs.	As At 31 March 2013 Rs.
NOTE - 10		
TRADE RECEIVABLES:		
(Unsecured, Considered Good)		
Outstanding for a period exceeding six months	61,416,460	65,709,033
Others	37,529,883	30,428,868
Total	98,946,343	96,137,901
NOTE - 11		
CASH AND CASH EQUIVALENTS:		
Cash on hand	17,564	15,476
Balance with Scheduled Banks		
- In Current accounts	3,592,798	2,169,066
- In fixed deposit accounts	9,844,364	9,075,000
(Rs.9,844,364 (Previous Year Rs.9,075,000) pledged towards margin on Bank Guarantee)		
Total	13,454,726	11,259,542
NOTE - 12		
SHORT TERM LOANS & ADVANCES:		
Other Loans & Advances - (Unsecured , Considered Good)		
Prepaid Expenses	11,251,207	2,894,811
Service Tax Input Credit	3,877,309	3,877,309
Interest Accrued but not due	428,545	366,591
Prepaid Income Tax - TDS	6,725,254	4,027,188
Loans & Advances to Employees	—	—
Other Advances	453,295	102,036
Total	22,735,610	11,267,935

MOSCHIP INDIA

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

NOTES	For the year ended 31 March 2014 Rs.	For the year ended 31 March 2013 Rs.
NOTE - 13		
REVENUE FROM OPERATIONS:		
Semiconductor Sales	—	—
Software Services	69,632,773	122,278,949
Total	<u>69,632,773</u>	<u>122,278,949</u>
NOTE - 14		
OTHER INCOME:		
Interest Earned (Gross)	896,212	466,192
(Tax Deducted at Source Rs.44,752 (previous year Rs.43,533))		
Profit on Sale of Investment	—	—
Total	<u>896,212</u>	<u>466,192</u>
NOTE - 15		
EMPLOYEE BENEFITS EXPENSES:		
Salaries and Other Allowances to Employees	77,351,693	79,189,916
Contribution to PF, ESI & Gratuity	1,375,724	2,990,967
Directors Remuneration	4,800,000	7,200,000
Staff Welfare Expenses	2,172,595	2,646,845
Total	<u>85,700,012</u>	<u>92,027,728</u>

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

NOTES	For the year ended 31 March 2014 Rs.	For the year ended 31 March 2013 Rs.
NOTE - 16		
FINANCE COST:		
Interest on Packing Credit	2,523,615	3,505,303
Interest on loan from Directors	11,224,870	2,649,228
Bank Charges	343,051	340,628
Total	<u>14,091,536</u>	<u>6,495,159</u>
NOTE - 17		
OTHER EXPENSES:		
Rent	5,919,500	6,723,600
Electricity Charges	2,087,001	2,163,454
Consumables	4,200,161	2,154,208
Software Charges	12,854,768	5,511,360
Communication Expenses	335,331	428,855
Directors Sitting Fee	208,000	206,000
Printing and Stationery	69,637	130,915
Postage, Telegrams and Telephones	686,374	703,214
Fees, Rates and Taxes	140,559	36,137
Repairs and Maintenance	446,760	748,467
Travelling and Conveyance	2,677,651	5,579,333
Advertisement Expenses	129,571	146,710
Payment to Auditors	337,000	255,000
Insurance	1,409,471	2,201,353
Professional charges	1,063,119	1,738,734
Recruitment Expenses	17,465	114,485
General Expenses	3,701,880	3,663,827
Bad Debts Written off	—	423,700
Realised Loss/(Gain) on Forex Fluctuation	(517,911)	1,572,890
Unrealised Loss/(Gain) on Forex Fluctuation	(4,432,022)	(3,625,131)
Total	<u>31,334,316</u>	<u>30,877,111</u>

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Notes to the Financial Statements for the year ended 31 March 2014

18. Significant accounting policies and notes on accounts

Company overview

MosChip Semiconductor Technology Limited ("MosChip" or "the Company") is a fabless semiconductor company engaged in providing customized 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

18.1 Significant Accounting Policies

18.1.1 Basis for Preparation of Financial Statements

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, 1956. 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.

18.1.2 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.

18.1.3 Revenue Recognition

Revenue from software sales / Services are recognized and billed as per the terms of specific contracts.

Interest income is recognized on accrual basis.

Provision for doubtful debts are recorded in the period in which such losses become probable based on the current estimates.

18.1.4 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.

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.

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.

18.1.5 Depreciation

Depreciation on Fixed Assets other than Improvement to Leasehold Premises and Computer Software is provided under Straight Line method at the rates specified in Schedule XIV of the Companies Act, 1956.

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.

18.1.6 Impairment of Fixed Assets

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.

18.1.7 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.

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	
	2014	2013
Estimated amount of unexecuted capital contracts not provided	Nil	Nil
Outstanding Bank Guarantee given by bankers	9,844,364	9,075,000
Outstanding Bank Guarantee on account of Bond executed by the Company to Government of India towards execution of Govt. contract	90,514,145	90,514,145
Outstanding amount payable to JI Corporate Consulting (P) Ltd. towards professional fee for Scheme of Capital Reduction	7,30,000	Nil

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 and overseas branch have resulted in a net loss for the year ended 31 March 2014. 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 Short Term Borrowings

During the period the Company has obtained further unsecured loans from a Director of an amount Rs.4.91 crores and the outstanding as on 31.03.2014 is Rs. 10.30 crores at varying interest rates payable. The provision for the same has been made in these accounts in the financial year ending 31st March 2014.

18.2.4 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.

**SIGNIFICANT ACCOUNTING POLICIES AND
NOTES ON ACCOUNTS**

Stock Options Outstanding under the Employee Stock Option Plan

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Options outstanding at the beginning of the year	44,400	47,400
Granted during the year	0	0
Forfeited during the year	26,400	3,000
Exercised during the year	0	0
Outstanding at the end of the year	18,000	44,400

Stock Options Outstanding under the MosChip Stock Option Plan 2001

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Options outstanding at the beginning of the year	93,000	102,000
Granted during the year	0	0
Forfeited during the year	58,000	9,000
Exercised during the year	0	0
Outstanding at the end of the year	35,000	93,000

Stock Options Outstanding under the MosChip Stock Option Plan 2002

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Options outstanding at the beginning of the year	99,000	120,000
Granted during the year	0	0
Forfeited during the year	37,000	21,000
Exercised during the year	0	0
Outstanding at the end of the year	62,000	99,000

Stock Options Outstanding under the MosChip Stock Option Plan 2004

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Options outstanding at the beginning of the year	110,000	110,000
Granted during the year	0	0
Forfeited during the year	110,000	0
Exercised during the year	0	0
Outstanding at the end of the year	0	110,000

Stock Options Outstanding under the MosChip Stock Option Plan 2005-MI

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Options outstanding at the beginning of the year	31,000	38,000
Granted during the year	0	0
Forfeited during the year	7,000	7,000
Exercised during the year	0	0
Outstanding at the end of the year	24,000	31,000

**SIGNIFICANT ACCOUNTING POLICIES AND
NOTES ON ACCOUNTS**

Stock Options Outstanding under the MosChip Stock Option Plan 2005-WOS

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Options outstanding at the beginning of the year	350,000	200,000
Granted during the year	0	350,000
Forfeited during the year	350,000	200,000
Exercised during the year	0	0
Outstanding at the end of the year	0	350,000

Stock Options Outstanding under the MosChip Stock Option Plan 2008

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Options outstanding at the beginning of the year	779,529	359,822
Granted during the year	0	900,000
Forfeited during the year	569,619	480,293
Exercised during the year	0	0
Outstanding at the end of the year	209,910	779,529

Stock Options Outstanding under the MosChip Stock Option Plan 2008(ALR)

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Options outstanding at the beginning of the year	142,674	311,674
Granted during the year	0	0
Forfeited during the year	66,250	169,000
Exercised during the year	0	0
Outstanding at the end of the year	76,424	142,674

Stock Options Outstanding under the MosChip Stock Option Plan 2008 (Director)

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Options outstanding at the beginning of the year	700,000	700,000
Granted during the year	0	0
Forfeited during the year	700,000	0
Exercised during the year	0	0
Outstanding at the end of the year	0	700,000

**SIGNIFICANT ACCOUNTING POLICIES AND
NOTES ON ACCOUNTS**
18.2.5 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 2014	Year ended 31 March 2013
BASIC EARNINGS/(LOSS) PER SHARE		
Net Profit/(Loss) for the period before exceptional, extraordinary, prior period item and discontinuing operations	(64,203,703)	(12,274,615)
Net Profit/(Loss) for the period after exceptional, extraordinary, prior period item j and discontinuing operations	(75,728,547)	(75,253,872)
Weighted average number of equity shares	46,035,517	46,035,517
EPS before extraordinary item	(1.46)	(0.28)
EPS after extraordinary item	(1.65)	(1.63)
DILUTED EARNINGS/(LOSS) PER SHARE		
Net Profit/(Loss) for the period before exceptional, extraordinary, prior period item and discontinuing operations	(64,203,703)	(12,274,615)
Net Profit/(Loss) for the period after exceptional, extraordinary, prior period item j and discontinuing operations	(75,728,547)	(75,253,872)
Adjustments	Nil	Nil
Diluted Net Profit/(Loss) for the period before exceptional, extraordinary, prior period item and discontinuing operations	(64,203,703)	(12,274,615)
Diluted Net Profit/(Loss) for the period after exceptional, extraordinary, prior period item and discontinuing operations	(75,728,547)	(75,253,872)
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	(1.46)	(0.28)
EPS after extraordinary item	(1.65)	(1.63)

18.2.6 Directors' Remuneration:

(Amounts in Rupees)

	Year ended 31 March 2014	Year ended 31 March 2013
1. Salary and allowances	4,800,000	7,200,000
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.		

**SIGNIFICANT ACCOUNTING POLICIES AND
NOTES ON ACCOUNTS**
18.2.7 Related Party disclosures
A. List of Related Parties

Description of Relationship	Name of Related Parties	Designation
Subsidiaries	MosChip Semiconductor Technology, USA	—
	MosChip Semiconductor Technology PTE Ltd., Singapore	—
Key Management Personnel	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 2014
Transactions with Subsidiary		
Reimbursement of expenses / Payable	70,905	718,077
Reimbursement of expenses / Receivable	37,841	58,180
Advance for sales / Payable	0	17,115,168
Sales / Receivable	9,832,565	67,110,160
Transactions with whole time directors		
Remuneration to Chairman & CEO	2,400,000	1,227,742
Remuneration to Managing Director	2,400,000	1,224,312
Loan from Directors/Payables	49,110,000	103,041,093
Interest Payable on Directors Loan	11,161,231	9,571,795

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

(Amounts in Rupees)

Particulars	Year ended 31 March 2014 Rs.	Year ended 31 March 2013 Rs.
A. C I F Value of Imports		
Capital Goods	0	154,673
Material purchase	0	0
B. Expenditure in Foreign currency		
Software Charges	10,828,239	3,889,607
Traveling Expenses	0	1,143,805
Professional Charges	0	0
Consumables	3,110,041	594,674
Other Expenses	0	8,199
C. Earnings in Foreign Exchange		
Sales Revenue	9,832,565	57,390,560

**SIGNIFICANT ACCOUNTING POLICIES AND
NOTES ON ACCOUNTS**
18.2.9 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 31 March 2014 Rs.	Year ended 31 March 2013 Rs.
Revenue		
Sales to external customers	69,632,773	122,278,949
Segment Profit / (loss)	(65,099,915)	(12,740,807)
Other Income	896,212	466,192
Profit / (loss) before Tax	(64,203,703)	(12,274,615)
Tax	0	0
Exceptional Item	2,911,943	617,360
Profit / (loss) after Tax before Extraordinary and Prior Period Item	(67,115,646)	(12,891,975)
Extraordinary items and Profit/(loss) on discontinuing operations	8,612,901	62,361,897
Net profit/(loss)	(75,728,547)	(75,253,872)
Other Segment Information		
Depreciation	3,606,824	5,619,758
Non-cash expenses other than depreciation	0	0
Particulars of Segment Assets and Liabilities		
Segment Assets	147,448,858	139,154,736
Investments	956,989	11,852,843
Inventories	6,208,086	0
Cash and Bank Deposits	13,454,726	11,259,542
Other Assets	0	0
Total Assets	168,068,659	162,267,121
Segment Liabilities	208,292,871	126,762,786
Total Liabilities	208,292,871	126,762,786

b) Geographic Segment Information:

(Amounts in Rupees)

Revenue		
North America	9,596,646	54,695,745
Singapore	235,919	2,694,815
Others	59,800,208	64,888,389
Carrying amount of segment fixed assets		
India	118,678,923	125,146,428
North America	0	0
Additions to fixed assets		
India	192,486	2,193,342
North America	Nil	Nil

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

(Amounts in Rupees)

	Year ended 31 March 2014 Rs.	Year ended 31 March 2013 Rs.
For Statutory Audit	125,000	125,000
For Tax Audit	50,000	50,000
For Certification	62,000	80,000
Total	237,000	255,000

18.2.11 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)

	Year ended 31 March 2014 Rs.
Gratuity cost for the period	
Current Service Cost	1,055,331
Interest cost on defined benefit obligation	560,827
Expected Return on Plan Assets	(114,292)
Net Actuarial losses/(gain) recognised in year	(952,646)
Net Gratuity cost	549,220
Balance Sheet	
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	598,931
Present Value of the funded obligation at the end of the year	176,127
Asset/(Liability) recognized in the balance sheet	(6,310,004)
Change in the present value of defined benefit obligation are as follows:	
Present value of obligations at the beginning of year	6,486,497
Current Service Cost	1,055,331
Interest cost	560,827
Actuarial (gain)/loss	(1,038,201)
Benefits paid	(578,323)
Present value of obligations as at the end of year	6,486,131
Change in the fair value of plan assets are as follows:	
Fair Value of Plan Assets at beginning of year	598,931
Expected return on plan assets	114,292
Actuarial gain/(loss)	(85,555)
Contributions	126,782
Benefits paid	(578,323)
Fair Value of Plan Assets at end of year	176,127

**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	- 9.30%
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 31st March 2014 is Rs. 2,309,034.

18.2.12 Investments

During the year, Moschip Semiconductor Technology Ltd., has written off its investment of Rs.2,282,953 in its wholly owned subsidiary MosChip Semiconductor Technology Pte. Ltd., Singapore, owing to the latter closing down its business operations, which has resulted in a net loss of Rs.1,604,750.

18.2.13 Extraordinary Items

The extraordinary item represents the diminution in value of Rs.8,612,901 in the carrying cost of investment in MosChip USA which is 100% subsidiary of MosChip India. This diminution loss was due to changes in underlying business conditions of MosChip USA.

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

Chandrashekhhar Gokhale
Partner
Membership No 23839

K. Ramachandra Reddy
Chairman & CEO

C. Dayakar Reddy
Managing Director

Place: Hyderabad
Date : 29 May 2014

Damoder Bethamalla
Company Secretary

MOSCHIP INDIA

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

1	Name of subsidiary	:	MosChip Semiconductor Technology, USA	MosChip Semiconductor Technology PTE Ltd. Singapore
2	Financial year ended	:	Year ended 31 March 2014	Year ended 31 March 2014
3	Holding Company's Interest	:	100%	100%
4	Shares held by the holding company in the subsidiary's common stock	:	19,192,404 shares	41,082 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	Nil
	b. not dealt with or provided for : in the Accounts of the holding company		US \$ (367,352)	SG \$ (9,244)
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	NA
	b. not dealt with or provided for : in the Accounts of the holding company as on 31.03.2014		US \$ (3,235,046)	SG \$ (41,082)

Per and subject to our report of even date

For and on behalf of the Board of Directors

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

Chandrashekhhar Gokhale
Partner
Membership No 23839

K. Ramachandra Reddy
Chairman & CEO

C. Dayakar Reddy
Managing Director

Place: Hyderabad
Date : 29 May 2014

Damoder Bethamalla
Company Secretary

**CASH FLOW STATEMENT FOR THE
YEAR ENDED 31 MARCH 2014**

	31 March 2014 Rs.	31 March 2013 Rs.
A. Cash Flow from Operating Activities		
Net Profit Before Tax, Exceptional, Prior Period and Extraordinary Item	(64,203,703)	(12,274,615)
Depreciation	3,606,824	5,619,758
Interest Income	(896,212)	(466,192)
Profit on sale of Investments	(1,604,750)	0
Provision for Retirement Benefits	453,012	2,872,128
Exchange differences on translation of foreign currency cash	0	0
Operating Profit before changes in working capital	(62,644,829)	(4,248,921)
Increase/(Decrease) in Secured/Unsecured loans	39,633,529	56,321,045
(Increase)/Decrease in Inventory	(6,208,086)	0
(Increase)/Decrease in Sundry Debtors	(2,808,442)	(21,672,339)
(Increase)/Decrease in Investment	2,282,953	(974,584)
(Increase)/Decrease in Loans and Advances	(10,482,361)	(2,571,698)
(Increase)/Decrease in Bank Guarantee Deposits with Bankers	(769,364)	(8,489,699)
Increase/(Decrease) in Current Liabilities	41,443,544	(15,753,479)
Cash from operations before Tax , Exceptional, Extra Ordinary and Prior Period items	446,944	2,610,325
Income-taxes paid	0	0
Cash from operations before Exceptional, Extra Ordinary and Prior Period items	446,944	2,610,325
Exceptional Item	0	0
Extra ordinary and prior period item	0	0
Income from discontinuing operations	0	0
Net Cash from Operating Activities [A]	446,944	2,610,325
B. Cash flow from Investing Activities:		
Purchase of Fixed Assets	(192,486)	(2,193,342)
Sale proceeds of Fixed Assets	275,150	3,000
Interest received on Fixed Deposits	896,212	466,192
Purchase of Current Investments	0	0
Sale of Current Investments	0	0
Net Cash used for Investing Activities [B]	978,876	(1,724,150)
C. Cash flow from Financing Activities:		
Proceeds from Issue of Share Capital	0	0
Share Application money refund	0	(127,225)
Convertible Warrants	0	0
Net Cash from Financing Activities [C]	0	(127,225)

MOSCHIP INDIA**CASH FLOW STATEMENT FOR THE
YEAR ENDED 31 MARCH 2014**

	31 March 2014 Rs.	31 March 2013 Rs.
D. Exchange differences on translation of foreign currency cash	0	0
Net Increase/(Decrease) in cash & cash equivalents [A+B+C+D]	1,425,820	758,950
Cash and Cash equivalents at the beginning of the year	<u>2,184,542</u>	<u>1,425,592</u>
Cash and Cash equivalents at the end of the year	<u>3,610,362</u>	<u>2,184,541</u>
Supplementary Information		
Cash and Cash Equivalents as per Balance Sheet	13,454,726	11,259,542
Less: Fixed Deposits towards Bank Guarantee considered as investments	<u>9,844,364</u>	<u>9,075,000</u>
	<u>3,610,362</u>	<u>2,184,542</u>

Per and subject to our report of even date

For and on behalf of the Board of Directors

For **Gokhale & Co.**,
Chartered Accountants**Chandrashekhhar Gokhale**
Partner
Membership No 23839**K. Ramachandra Reddy**
Chairman & CEO**C. Dayakar Reddy**
Managing DirectorPlace: Hyderabad
Date : 29 May 2014**Damoder Bethamalla**
Company Secretary

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 2014
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)



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MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED

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

ATTENDANCE SLIP

(To be handed over at the entrance of the meeting hall)

I hereby record my presence at the **Fifteenth Annual General Meeting** of the Company held at the Regd. Office of the Company at 83 & 84, 2nd Floor, Punnaiah Plaza, Road No. 2, Banjara Hills, Hyderabad - 500 034 on Thursday, the 11 September 2014 at 10:30 hrs.

NAME OF THE SHAREHOLDER (IN BLOCK LETTERS) _____

NAME OF THE PROXY (IN BLOCK LETTERS) _____

FOLIO NO. _____ DP.Id. No. _____ Client Id. No. _____ No. of Shares held _____

SIGNATURE OF SHAREHOLDER _____

SIGNATURE OF PROXY (1) _____ PROXY (2) _____

*Note: Please complete the attendance slip and hand it over at the entrance of the meeting hall. Joint Shareholders desiring to attend the meeting may obtain additional Attendance Slips on request provided the Company receives such request **before 4 September 2014**. No duplicate Attendance Slip will be issued at the Meeting Hall. You are requested to bring your copy of the Annual Report to the Meeting. **Kindly note that gifts will not be distributed at Annual General Meeting.***

MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED

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

PROXY FORM

FOLIO NO. _____ DP.Id No. _____ Client Id. No. _____ No. of Shares Held _____

I/We _____ residing at _____

being a member/member of MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED hereby appoint

_____ resident of _____ (signature of proxy) _____

failing him/her _____ resident of _____ (signature of proxy) _____

as my/our Proxy to attend and vote for me / us on my / our behalf at the **Fifteenth Annual General Meeting** of the Company to be held at the Regd. Office of the Company at 83 & 84, 2nd Floor, Punnaiah Plaza, Road No. 2, Banjara Hills, Hyderabad - 500 034 on Thursday, the 11 September 2014 at 10:30 hrs.

Dated _____ September, 2014

Notes:

- The form should be signed across the stamp as per signatures registered with the company.
- The proxy form duly completed must be deposited at the Registered Office of the company not less than 48 hrs before the time fixed for holding the aforesaid meeting.
- The proxy need not be a member of the company.
- Un-filled proxy form is liable to be rejected. Kindly ensure all blanks of the form is filled-in before its submission.

Affix
Revenue
Stamp
of Re.1 and
sign across

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MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED

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