

MSTL: SEC: BSE: 2016:

13th October 2016

To  
The General Manager  
The Department of Corporate Services – CRD  
Bombay Stock Exchange Ltd,  
PJ Towers, Dalal Street,  
Mumbai – 400 001

Dear Sir/Madam,

**Sub: Submission of Annual Report of the Company for the Financial Year  
2015-16**

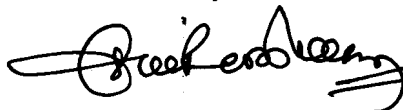
**Ref: MosChip Semiconductor Technology Limited, Scrip Code: 532407**

We are forwarding herewith a copy of Annual Report of the Company for the Financial Year 2015-16 as required under Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements), 2015, duly approved and adopted by Shareholders of the Company in the 17<sup>th</sup> Annual General Meeting of the Company held on 30<sup>th</sup> September, 2016, as per the provisions of Companies Act, 2013.

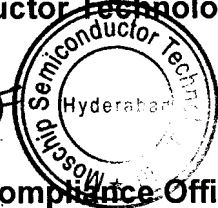
This is for your information and record

Thanking you.

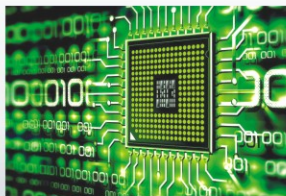
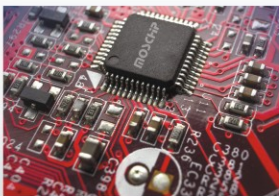
Yours truly,  
For MosChip Semiconductor Technology Limited



**CS Suresh Bachalakura**  
Company Secretary & Compliance Officer



Encl: a/a



**MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED**

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## CORPORATE INFORMATION

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### BOARD OF DIRECTORS

Mr. K. Ramachandra Reddy	--	Chairman & CEO
Mr. G. Damodar Rao*	--	Director
Mr. Seetha Ramam Voleti **	--	Director
Mr. G. Prasad	--	Independent Director
Mr. K. V. Ramana	--	Independent Director
Mrs. Poornima Shenoy	--	Independent Women Director

\* with effect from 12/04/2016

\*\* with effect from 12/04/2016

### COMMITTEES OF THE BOARD

#### Audit Committee.

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

#### Nomination & Remuneration Committee.

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

#### Stakeholders Relationship Committee

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

Mr. Kasinath Tumuluru\*  
Chief Financial Officer

\*with effect from 12/11/2015

CS Suresh Bachalakura\*\*  
Company Secretary & Compliance Officer

\*\*with effect from 31/08/2015

### REGISTERED OFFICE

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

### STATUTORY AUDITORS

M/S Gokhale & Co.  
Chartered Accountants  
3-6-322, Office No. 306, Mahavir House  
Basheer Bagh, Hyderabad – 500 029

### SECRETARIAL AUDITOR

M/S S. Srikanth & Associates  
Company Secretaries  
Off: Parameswara Apartments  
# 6-3-626, 5th Floor, 5 – A  
Anand Nagar, Khairatabad  
Hyderabad-500 004.

### REGISTRAR AND SHARE TRANSFER AGENTS

Karvy Computershare Pvt. Ltd.  
Karvy Selenium, Tower B,  
Plot No. 31 & 32, Financial District,  
Gachibowli, Hyderabad - 500 032,  
Telangana, India  
Tel: 040-4465 5209  
Email: einward.ris@karvy.com

## DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting the Seventeenth Annual Report together with the Audited Accounts (including consolidated accounts) of the Company for the year ended 31<sup>st</sup> March 2016.

### Financial Results

(Rs. In Lakhs)

	Year ended 31 March 2016		Year ended 31 March 2015	
	Standalone	Consolidated	Standalone	Consolidated
Total Income	524.44	551.27	587.98	620.81
Operating Profit before Depreciation & Tax	(1053.22)	(1128.80)	(414.17)	(423.78)
Less: Depreciation	17.65	17.82	40.00	40.16
Profit before Tax	(1070.87)	(1146.62)	(454.17)	(463.94)
Less: provision for FBT	0	0	0	0
Profit after Tax before extraordinary and Prior period item	(1070.87)	(1146.62)	(454.17)	(463.94)
Less: Extraordinary and prior period item	47.23	47.24	0	0
Profit after tax after extraordinary and Prior period item	(1118.10)	(1193.86)	(454.17)	(463.94)
Earnings per Share (EPS)				
Before extraordinary and prior period item				
Basic	(2.33)	(2.49)	(0.99)	(1.01)
Diluted	(2.33)	(2.49)	(0.99)	(1.01)
After extraordinary and prior period item				
Basic	(2.43)	(2.59)	(0.99)	(1.01)
Diluted	(2.43)	(2.59)	(0.99)	(1.01)

### Company's performance

On consolidated basis, revenue from operations for FY 2015-16 at Rs.551.27 lakhs as against Rs.620.81 lakhs for the FY 2014-15. Consolidated Net Loss for the FY 2015-16 was Rs.1193.86 lakhs as against Rs.463.94 lakhs for the FY 2014-15.

On standalone basis, revenue from operations for FY 2015-16 at Rs.524.44 lakhs as against Rs.587.98 lakhs for the FY 2014-15. Standalone Net Loss for the FY 2015-16 was Rs.1118.10 lakhs as against Rs.454.17 lakhs for the FY 2014-15.

### MosChip India

MosChip Semiconductor Technology Limited (MosChip India) is a fabless model semiconductor and Internet of Things/Everything (IOT/E) focused company specializes in providing value added services in VLSI design, Software development & development SOC (System On a Chip) for Aerospace & Defense, Consumer and Industrial applications and IOT/E Products and Services across various industries.

### Subsidiaries, Joint Ventures and Associate Companies

MosChip Semiconductor Technology, USA is the only subsidiary as on March 31, 2016. There are no associate companies or joint venture companies within the meaning of section 2(6) of the Companies Act, 2013. There has been no material change in the nature of the business of the subsidiary.

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

## DIRECTORS' REPORT

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Further, pursuant to the provisions of section 136 of the Act, the financial statements of the Company, consolidated financial statements along with relevant documents and separate audited accounts in respect of subsidiary, are available on the website of the Company.

### **Dividend**

In view of losses for the financial year 2015–2016, your directors have not recommended any dividend on for the year under review.

### **Increase/Decrease in Share Capital**

The Company has only one class of shares, the Company has not allotted any shares during the year under review. However during the year the Company has proposed a preferential issue of 6,77,57,000 Equity shares to the promoters and non-promoters of the company. The preferential issue process is not completed before end of the financial year and the allotment of 6,77,57,000 Equity shares is completed on 12th April, 2016. So the paid up share capital stands at Rs. 92,071,034.

### **Equity Shares with differential voting rights**

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

### **Buy Back of Securities**

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

### **Sweat Equity**

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

### **Bonus Shares**

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

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

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

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

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

### **Transfers to Reserves**

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

### **Listing with Stock Exchanges**

The Company confirms that it has paid the Annual Listing Fee for the year 2016-17 to BSE where the Company' Shares are listed.

### **Dematerialization of Shares**

90.95% of the company's paid up Equity Share Capital is in dematerialized form as on 31st March, 2016 and balance 9.05 % is in physical form. The Company's Registrars are Karvy Computershare Pvt. Ltd., Karvy Selenium, Tower B, Plot No. 31 & 32, Financial District, Gachibowli, Hyderabad - 500 032, Telangana.

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

The Board of Directors duly met 6 times during the financial year from 1st April, 2015 to 31st March, 2016. The dates on which the meetings were held are as follows:

22<sup>nd</sup> May 2015, 12<sup>th</sup> August 2015, 31<sup>st</sup> August 2015, 12<sup>th</sup> November 2015, 11<sup>th</sup> February 2016, 18<sup>th</sup> February 2016

Details of number of Meetings attended by each Director have been given in the corporate governance report, which forms part of the Annual Report.

### **Directors and Key Managerial Personnel**

#### **Directors retire by rotation:**

Pursuant to the requirements of the Companies Act, 2013 and Articles of Association of the Company Mr.

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## DIRECTORS' REPORT

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K.Ramachandra Reddy, Director retires by rotation at the ensuing Annual General Meeting and being eligible offers them self for re-appointment.

### **Changes & Cessations in Directorships**

In the Board Meeting held on 31.08.2015, Mr. C.Dayakar Reddy (DIN: 00042663) was re-appointed as Managing Director of the Company for a period of five years with effect from 31.08.2015 and approval members was taken in the AGM held on 30.09.2015. Mr. C.Dayakar Reddy was re-designated as Whole-time Director in the Board Meeting held on 12.11.2015 and continued in the position of KMP. On 12.04.2016, he resigned from all offices held by him in the company. The Board places on record its sincere appreciation for the valuable contribution and guidance rendered by Mr. C. Dayakar Reddy during his tenure with the Company.

In the Board Meeting held on 31.08.2015, Mr. K.Ramachandra Reddy (DIN: 00042172) was re-appointed as Whole-time Director of the Company for a period of five years with effect from 31.08.2015 and approval members was taken in the AGM held on 30.09.2015.

The board placed on record its appreciation for the Services, assistance and guidance provided by Mr. C. Dayakar Reddy since incorporation of the Company as a Director.

### **Inductions**

On recommendation of the nominations and Remuneration Committee, The Board has appointed Mr. G.Damodar Rao (DIN: 07027779) and Mr. V.Seetha Ramam (DIN: 07332440) as Additional Directors with effect from 12.04.2016. Mr. G.Damodar Rao has rich experience in various capacities in several companies and he is the CEO of Techwave Consulting Inc, USA. Mr. V.Seetha Ramam has a rich experience in various capacities in Banking & Finance industry.

Approval of members by way of ordinary resolution is required for regularization of appointment of Mr. G.Damodar Rao and Mr. V.Seetha Ramam in the AGM to be held on September 30, 2016.

### **Key Managerial Personnel**

Pursuant to the provisions of section 203 of the Companies Act, 2013, the key managerial personnel of the Company as on 01.04.2015 are –

Mr. C. Dayakar Reddy - Managing Director,

Mr. K. Ramachandra Reddy - Chief Financial Officer

Mr. B. Damodar – Company Secretary

### **Changes in the key managerial personnel during the year are as below:**

Mr. B.Damoder resigned from the office of Company Secretary on August 31, 2015. And the Board has appointed Mr. Suresh Bachalakura as Company Secretary of the company with effect from August 31, 2015.

On April 12, 2016, Mr. C. Dayakar Reddy, resigned from the office of KMP. And the Board has considered Mr. K.Ramachandra Reddy, Whole-time Director as KMP.

On April 12, 2016, Mr. K.Ramachandra Reddy, resigned from the office of Chief Financial Officer. And the Board has appointed Mr. Kasinath Tumuluru appointed as Chief Financial Officer with effect from November 12, 2015.

### **Board evaluation**

The Board adopted a formal mechanism for evaluating its performance as well as that of its Committees and individual Directors, including the Chairman of the Board. The exercise was carried out through a structured evaluation process covering various aspects of the Board functioning such as composition of the Board & committees, experience & competencies, performance of specific duties & obligations, contribution at the meetings and otherwise, independent judgment, governance issues etc.

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

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

### **Independent Directors' Meeting**

The Independent Directors met on 23rd March, 2016 without the attendance of Non-Independent Directors and members of the Management. The Independent Directors reviewed the performance of Non-Independent Directors and the Board as a whole; the performance of the Chairman of the Company, taking into account the views

## DIRECTORS' REPORT

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of Executive Directors and Non-Executive Directors and assessed the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

### **Declaration by Independent Directors**

The Company has received necessary declaration from each Independent Director under Section 149(7) of the Companies Act, 2013 that they meet the criteria of independence laid down in Section 149(6) of the Companies Act 2013 and SEBI (LODR) Regulations, 2015.

### **Policy on directors' appointment and remuneration and other details**

The Company's policy on directors' appointment and remuneration and other matters provided in section 178(3) of the Act has been disclosed in the corporate governance report, which forms part of this report.

### **Sub Committees of the Board**

The Board has Audit Committee, Nomination and Remuneration Committee and Stakeholders' Relationship Committee. The composition and other details of these committees have been given in the Report on the Corporate Governance forming part of the Annual Report.

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

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

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

### **Employee Stock Option Plan**

During the year under report the company has eight schemes in operation as mentioned below, for granting stock options to the employees and directors of the company and its wholly owned subsidiary in accordance with SEBI (Share Based Employee Benefits) Regulations, 2014.

- (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)

During the year the company issued 25,46,000 stock options to the eligible employees. No employee has been issued share options during the year, equal to or exceeding 1% of the issued capital of the Company at the time of grant. The details of the employee stock options plan form part of the Notes to accounts of the financial statements in this Annual Report.

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

In pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013, a Vigil Mechanism Whistle Blower Policy in line with listing agreement for directors and employees to report genuine concerns has been established. The Vigil Mechanism Policy has been uploaded on the website of the Company at <http://moschip.com/wp-content/uploads/2016/07/WhistleBlowerPolicy-1.pdf>

### **Fixed Deposits**

During the year under review, your Company has not accepted any fixed deposits within the meaning of Section 73 of the Companies Act, 2013 read with rules made there under.



### Auditors

#### Statutory Auditors and Auditors' Report

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

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

The appointment of the said Statutory Auditors is required to be ratified by the Members of the Company at the ensuing Annual General Meeting.

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

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

#### Secretarial Audit

Pursuant to the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors has appointed M/s. BSS & Associates, Company Secretaries for conducting Secretarial Audit of the Company for the financial year 2015-2016. The Secretarial Audit Report is annexed herewith as **Annexure – B**.

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

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

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

#### Management Discussion & Analysis

Pursuant to the provisions SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, a report on Management Discussion & Analysis is set out as **Annexure – D** to this report.

#### RELATED PARTY TRANSACTIONS:

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

The Board of Directors of the Company has, on the recommendation of the Audit Committee, adopted a policy to regulate transactions between the Company and its Related Parties, in compliance with the applicable provisions of the Companies Act 2013, the Rules thereunder and the Listing Agreement. This Policy was considered and approved by the Board has been uploaded on the website of the Company at <http://moschip.com/wp-content/uploads/2016/07/PolicyOnRelatedPartyTransactions-1.pdf>

#### Extract of Annual Return:

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

#### PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

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

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

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

## DIRECTORS' REPORT

S.No	Name	Designation	Remuneration Paid For the year 2015 -16	Remuneration Paid For the year 2014 -15	Increase in Remuneration of From Previous Year	Ratio / times for median Employee Remuneration
1	Mr. K. Ramachandra Reddy	Chairman & CEO	24,00,000	24,00,000	NIL	3.28
2.	Mr. C. Dayakar Reddy	Director	15,00,000	24,00,000	(9,00,000)	2.05
3.	Mr. G. Prasad	Director	NIL	NIL	NIL	NIL
4	Mr. K. V. Ramana	Director	NIL	NIL	NIL	NIL
5	Mrs. Poornima Shenoy	Director	NIL	NIL	NIL	NIL
6	Mr. Kasinath Tumuluru	CFO*	6,32,285	NA	NA	0.87
7	Mr. Damoder Bethamalla	Company Secretary**	50,000	NA	NA	NA
8	Mr. Suresh Bachalakura	Company Secretary**	4,00,000	1,50,000	2,50,000	0.55

\* with effect from 12.11.2015

\*\*upto 31.08.2015

\*\*\*with effect from 31.08.2015

### The Board of Directors of MosChip states that:

Pursuant to section 134(5) of the Companies Act, 2013, the board of directors, to the best of their knowledge and ability, confirm that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2015-16 and of the loss of the company for that period;
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- The directors had prepared the annual accounts on a going concern basis;
- The Directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively;
- The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory and secretarial auditors and external consultants, including audit of internal financial controls over financial reporting by the statutory auditors, and the reviews performed by management and the relevant board committees, including the audit committee, the board is of the opinion that the Company's internal financial controls were adequate and effective during FY 2015-2016.

### CORPORATE GOVERNANCE AND SHAREHOLDERS INFORMATION

The Company is committed to good corporate governance in line with the provisions of SEBI (LODR) Regulations, 2015 and Provisions, Rules and Regulations of The Companies Act, 2013. The Company is in compliance with the provisions on corporate governance specified in the Listing Agreement with BSE. A certificate of compliance from Mr. Sompally Srikanth, a practicing Company Secretary and the report on Corporate Governance form part of this Directors' Report as **Annexure – G**

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

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

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

## DIRECTORS' REPORT

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

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

### 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

Hyderabad  
31<sup>st</sup> August 2016

K. Ramachandra Reddy  
Chairman & CEO

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## DIRECTORS' REPORT

### Annexure - A

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

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

Name of the subsidiary	Financial period ended	Exchange rate	Share capital	Reserves & surplus	Total assets	Total liabilities (excluding share capital and reserves & surplus)	Investments	Turnover	Profit/(Loss) before taxation	Provision for taxation	Profit / (Loss) after taxation	% of shareholding
MosChip Semiconductor Technology, USA	2016	66.38	2020.61	(2637.52)	202.69	819.60	-	88.21	(476.05)	0.52	(476.57)	100%

For and on behalf of the Board of Directors

Hyderabad  
31<sup>st</sup> August 2016

K. Ramachandra Reddy  
Chairman & CEO

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### Annexure - B

**Form No. MR-3**  
**Secretarial Audit Report**  
**For the Financial Year ended 31st March, 2016**

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

To,

The Members,

**MosChip Semiconductor Technology Limited,**

CIN: L31909TG1999PLC032184

Plot No. 83 & 84, 2nd Floor, Punnaiah Plaza,

Road No. 2, Banjara Hills, Hyderabad,

Telangana-500 034,

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

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

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

- 1) The Companies Act, 2013 (the Act) and the Companies Act, 1956 (to the extent applicable) and the rules made thereunder;
- 2) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- 3) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- 4) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.
- 5) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act')-
  - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ;
  - d. Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999/ The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; Not applicable to the Company during the Audit Period;
  - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 - **Not applicable as the Company has not issued any debt securities the audit period;**
  - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client - Not Applicable as the Company is not **registered as Registrar to Issue and Share Transfer Agent during the audit period;**
  - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 - Not applicable as **the Company has not de-listed / propose to delist its equity shares from any stock exchange during the audit period; and**
  - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 - Not applicable as the **Company has not bought back / propose to buyback any of its securities during the audit period;**

## DIRECTORS' REPORT

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- 6) Other laws applicable specifically to the Company namely:
- (a) Information Technology Act, 2000 and the rules made thereunder
  - (b) Copy Right Act, 1957
  - (c) The Patents Act, 1970
  - (d) The Trade Marks Act, 1999

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

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India which was notified by the Central Government on April 23, 2015 and which was effect from July 1, 2015; and
- (ii) The erstwhile Listing Agreement entered into by the Company with stock exchanges and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 notified with effect from 1st December, 2015.

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

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

**We further report that**, the Board of Directors of the Company is duly constituted. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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

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

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

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

- i. Approvals of members were taken through Special Resolutions passed in the 16th Annual General Meeting to offer, issue and allot 49,78,814 Equity Shares of the Company on a preferential basis pursuant to the provisions of Section 62 of the Companies Act, 2013 and rules made there under.
- ii. Approval of members were taken through Special Resolution passed in the 16th Annual General Meeting to offer, issue and allot of 2,11,86,440 Compulsory Convertible Debentures(CCD's) of the Company on a preferential basis pursuant to the provisions of Section 62 of the Companies Act, 2013 and rules made there under.
- iii. Approvals of members were taken through Special Resolutions passed in the 16th Annual General Meeting for create, offer, issue and allot of 300000 Equity Warrants of the Company pursuant to the provisions of Section 62 and 42 of the Companies Act, 2013 and rules made there under.
- iv. The Shareholders of the Company through Postal Ballot passed the Special Resolutions for the issue and allotment of 6,77,57,000 Equity Share on a preferential basis pursuant to the provisions of Section 62 and 42 of the Companies Act, 2013 and rules made there under.

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

**S. Srikanth**  
Partner

**ACS No.: 22119**  
**CP No.: 7999**

**Place: Hyderabad**  
**Date: 22-08-2016**

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

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## DIRECTORS' REPORT

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

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

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

**For B S S & Associates**

Company Secretaries

**Place: Hyderabad**  
**Date: 22-08-2016**

**S. Srikanth**  
**Partner**  
**ACS No.: 22119**  
**CP No.: 7999**

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**Annexure - C**

**Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:**

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under the Act, are provided here under

**1. Conservation of Energy**

i. Steps taken or impact on conservation of energy

The Company's operations require low energy consumption. The Company continues to work on reducing carbon footprint in all its areas of operations by institutionalizing following measures across all our facilities:

- a. Optimal cooling of work areas and data centers
- b. Switching off computers when not in use
- c. Utilization of lights and stand alone air conditioners only when required
- d. Minimal usage of AC s and lights during weekend.

ii. Steps taken by the company for utilizing alternate sources of energy

At present, Company has not utilized any alternate source of energy and emphasize on the Conservation of energy and be frugal in utilizing the energy.

iii. Capital investment on energy conservation equipments

The Company has not made any capital investment on energy conservation equipments

**2. Technology Absorption**

Efforts made towards technology absorption

Company has made continues effort to develop technology for the better out puts and reduction of cost. With the change of time it is essential to be updated with the latest equipments and technology to serve our client better. Company consistently strives to absorb latest technology suitable to industry size and clients need.

Information regarding imported technology (Imported during last three years)

Details of technology imported	Year of import	Status Implemented / absorbed
NIL	NA	NA

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.

**3. Foreign Exchange Earnings and Outgo**

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

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

The Company has also commenced development of custom products where the customer shares a portion of the development costs. The Company has signed contracts for development and licensing of Intellectual Property. Apart from these, the Company is also planning to tap opportunities in offshore ASIC Development



## DIRECTORS' REPORT

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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, 2016	Year ended March 31, 2015
Foreign Exchange earnings	6,137,934	3,083,842
Foreign Exchange outgo	15,206,983	14,983,170

For and on behalf of the Board of Directors

Hyderabad  
31<sup>st</sup> August 2016

K. Ramachandra Reddy  
Chairman & CEO

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### Annexure - D

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

The Company & Forward Looking Statement:

MosChip Semiconductor Technology Limited (MosChip India) is a fabless model semiconductor and Internet of Things/Everything (IOT/E) focused 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 Aerospace & Defense, Consumer and Industrial applications and IOT/E Products and Services across various industries. In this report, "MosChip Group", "Group", "we", "us" and "our" each refers to MosChip India and also it's wholly owned subsidiary, MosChip Semiconductor Technology, USA (MosChip USA).

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

In addition to the historical information, this report contains certain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the results anticipated in these forward-looking statements as a result of certain factors including those set forth under the sub-heading "Risks and Concerns." Forward looking statements can be identified by the use of forward-looking words, such as "may," "could," "expect," "believe," "plan," "anticipate," "continue," "likely," \* intend, \* estimate,\* or other similar words. The Company disclaims any obligation to update these forward-looking statements, except as may be required by law.

#### Overview

The Chinese economy slowed down with knock-on impact on the rest of the world. Developed economies remained subdued. Britain's exit may further impact outlook for the developed economies. India overtook China to become the fastest growing major economy in the World.

MosChip has been consolidating its position, withstanding the challenges faced by the Industry. MosChip is the first publicly traded fabless model semiconductor Company from India with specific focus on cutting edge products and IOT/E products and Services. MosChip leverages its engineering skills to develop custom products, Embedded Software development, IP development and design/development/implementation services. MosChip is currently focusing on design and development services division. It has services agreements and contracts with several companies in India and abroad.

#### Industry

##### Semi-conductor:

2015-16 witnessed some slowdown in the Global Semi-conductor Industry and experienced the pressure of innovating more advanced technology. The Industry has also witnessed higher R&D cost, war for talent and increased need for consolidation. The Indian semiconductor industry offers high growth potential areas as the industries which source semiconductors as inputs are themselves witnessing high demand

Semiconductor applications or end markets can be divided into six categories:

1. Communications is the largest end-market – growth in this area is driven currently by demand for smart phones and wireless networks and, in the not too distant future, by the Internet of Things (IoT) –connected devices in the home or workplace.
2. Computers– growth in this area is being driven by demand for tablets.
3. Consumer Electronics– leading growth in this category are digital TVs including game consoles, audio for home the atre systems, blue tooth enabled speakers, the sudden proliferation of fitness wearables that track just about every part of your day and the lot.
4. Automotive Electronics– advanced electronics now control just about every aspect of the automobile, and the installation of "infotainment" systems is growing especially fast. Driverless automobiles with vision imaging and IoT are already in the design stages
5. Industrial/Medical– smart grids, smart cities, factory automation and robotics, industrial IoT and health IT are major forces at work in the category.
6. Aerospace and Defense procured products.

##### IOT:

Now with the concept of Internet of Things (IoT) picking up momentum, the next generation of interconnected devices would further increase the demand for intelligent computing, thereby creating sustainable demand for semiconductors.

India has a very fast growing electronics system design manufacturing (ESDM) industry. India also has a strong design base with more than 120 units. According to the Department of Electronics and Information Technology (DeitY), nearly 2,000 chips are being designed every year in India and more than 20,000 engineers are working on various aspects of chip design and verification. The government has a strong focus in developing the ESDM ecosystem in India. Several subsidies and other incentives are on offer for setting up electronics manufacturing units in India.

The Indian electronics and hardware industry is expected to reach US\$ 112-130 billion by 2018 as electronics and hardware manufacturers are looking to increase their manufacturing base in India to cater to the domestic market as well as the Middle East, Africa and SAARC countries.

Over the past several years, many original equipment manufacturers (OEMs) and integrated device manufacturers (IDMs) have invested in the Indian semiconductor space.

The Government of India expects investment proposals in electronics manufacturing to increase two times in the two years to 2017-18, giving a push to the government's 'Make in India' initiative. Of the 54 proposals received, the Centre has approved 30 requests entailing investments of Rs 6,000 crore (US\$ 889.44 million), while 24 are in an advanced stage.

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

### **Government Initiatives**

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

The Government of Telangana has launched T-Hub in Hyderabad, which acts as a prototyping centre for electronics, semiconductors and hardware start-ups on the lines of California State's Innovation Hub or iHub.

The Government of India has taken several steps to boost domestic production of electronic items and reduce dependence on imports. Some of these steps include imposition of basic customs duty on certain items falling outside the purview of IT Agreement, exemption from SAD on inputs/components for PC manufacturing, imposition of education cess on imported electronic products for parity, etc.

The government, in consultation with semiconductor industry, has increased focus on the ESDM sector in last few years. Some of the initiatives outlined in the National Electronics policy and the National Telecom policy are already in the process of implementation, such as Preferential Market Access (PMS), Electronics Manufacturing Clusters (EMC) and Modified Special Incentive Package Scheme (M-SIPS). With the implementation of fabrication capabilities in India, the country could achieve a degree of self-sufficiency in electronics.

India has the third largest pool of scientists and technicians in the world. Skilled manpower is available in abundance in Semiconductor Design and Embedded Software. India also has strong design and R&D capabilities in auto electronics and industrial electronics.

### **Outlook**

**The coming year will see a slew of initiatives to achieve a healthy organic and inorganic growth. The strategy will ensure topline growth as well as improvement in bottom line and Cash position to deliver superior shareholder value.**

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

### **Design Services business**

MosChip leverages its engineering skills to develop custom products, IP development and design/development services. After the sale of I/O products of the company, it is focusing itself on SOC products, which have a very promising future and the design services business. Mixed signal design capabilities will add to the design strength of engineering thereby increasing the competitive edge.

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.

MosChip is also investing heavily in Automation, IOT/E, Artificial Intelligence (AI) and Deep Learning Products and Services. Our focus is to be a leading company in overall VLSI design and development, Embedded Software Development and IOT/E areas.

### **Geographical Expansion:**

MosChip has plans in place to strengthen the Milpitas, CA, USA operations and Revenue growth by extending necessary Investment and support in the form of building Sales team. MosChip also has plans to expand into other geographies i.e. Europe, UK and APAC regions by opening Offices in UK and Singapore.

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

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

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

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

References: Ministry of Finance, Press Information Bureau (PIB), Media Reports and Press Releases, Department of Industrial Policy & Promotion (DIPP), India Semiconductor Association, Ministry of Information Technology and Department of Electronics and Information Technology

### **Offset Business:**

Since 2005, the Indian Ministry of Defence (MoD) has been operating a formal offset policy as part of the Defence Procurement Procedure (DPP), the procurement manual used for capital acquisition for the Indian Armed Forces. The prime objective of the offset policy, which has undergone several rounds of revisions, is to leverage India's huge arms import for strengthening the indigenous arms industry. To achieve the objective, the policy allows foreign vendors to discharge their offset obligations through a combination of avenues that include two key provisions: FDI in Indian Companies; and purchase of certain products/services from qualified Indian enterprises. Till October 2014, MoD signed 25 offset contracts valued \$4.97 billion.

MosChip intends to go after this to offer contracts in the area of Computer Software and Hardware imports and establish itself as a domestic supplier to the Indian Defense Industry

### **IOT/E Products and Services:**

The coming year will witness initiatives in Service & Solution offerings in IOT/E space i.e. Smart Metering, Street Lighting, Commercial Lighting, Township & Home Automation and M2M space i.e. Heavy Equipment, School Bus and Commercial Vehicles etc.

### **Mergers & Acquisitions**

MosChip is actively looking for inorganic growth by involving in Mergers and Acquisitions in Semiconductor, IOT/E, Automation and AI areas. These deals help MosChip to rapidly increase its business scale and business scope.

### **Intense competition in the semiconductor industry is driving the M&A significantly**

The semiconductor industry is characterized by intense competition. Acquisition of a rival firm helps the company to increase market share by increasing customer base.

Internet of Things playing an important role in shaping the M&A deals in the semiconductor industry

The Internet of Things represents a huge growth opportunity for the growth of semiconductor companies. Billions of devices are expected to be connected to the internet by 2020. Semiconductor companies can provide solutions in areas such as wearable electronics, industrial automation, automated lighting, automated heating, and so on. The semiconductor IoT market is expected to grow significantly by 2020 with high growth opportunities for semiconductor companies in segments such as automotive and smart homes.

### **Risks and concerns**

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

#### **Semiconductor Services under pressure**

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

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

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

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

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

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

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

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

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

**Internal control systems**

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

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

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

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**Annexure - E**

**FORM AOC-2**

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso is given below:

**1. Details of contracts or arrangements or transactions not at arm's length basis**

There were no contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 during the year ended March 31, 2016, which are not at arm's length basis.

**2. Details of contracts or arrangements or transactions at Arm's length basis:**

- a. Name(s) of the related party and nature of relationship : NotApplicable
- b. Nature of contracts / arrangements / transactions : NotApplicable
- c. Duration of the contracts / arrangements / transactions : NotApplicable
- d. Salient terms of the contracts or arrangements or transactions including the value, if any : NotApplicable
- e. Date(s) of approval by the Board, if any : NotApplicable
- f. Amount paid as advances, if any : None

**Note:** The above disclosures on material transactions are based on the principle that transactions with wholly owned subsidiaries are exempt for purpose of section 188(1) of the Act.

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

**Hyderabad  
31<sup>st</sup> August 2016**

**K. Ramachandra Reddy  
Chairman & CEO**

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## DIRECTORS' REPORT

### Annexure - F

**Form No.MGT-9**  
**EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON 31ST MARCH 2016**

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

#### I. REGISTRATION AND OTHER DETAILS:

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

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

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

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

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

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

## DIRECTORS' REPORT

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

#### A) Category-wise Shareholding

Category of Share Holders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total	
<b>A. Promoter</b>									
1) Indian									
a) Individual/ HUF	9623	0	9623	0.02	9623	0	9623	0.02	0.00
b) Central Govt									
c) State Govt(s)									
d) Bodies Corp									
e) Banks / FI									
f) Any Other									
<b>Sub-total (A) (1) :-</b>	<b>9623</b>	<b>0</b>	<b>9623</b>	<b>0.02</b>	<b>9623</b>	<b>0</b>	<b>9623</b>	<b>0.02</b>	<b>0.0</b>
<b>2) Foreign</b>									
g) NRIs- Individuals	8459345	0	8459345	18.38	8444345	0	8444345	18.34	(0.04)
h) Other-Individuals	0	0	0	0	0	0	0	0	NIL
i) Bodies Corp.	0	0	0	0	0	0	0	0	NIL
j) Banks / FI	0	0	0	0	0	0	0	0	NIL
k) Any Other....	0	0	0	0	0	0	0	0	NIL
<b>Sub-total (A) (2) :-</b>	<b>8459345</b>	<b>0</b>	<b>8459345</b>	<b>18.38</b>	<b>8444345</b>	<b>0</b>	<b>8444345</b>	<b>18.34</b>	<b>(0.04)</b>
<b>Total Share Holding of Promoters(A)=(A)(1)+(A)(2)</b>	<b>8468968</b>	<b>0</b>	<b>8468968</b>	<b>18.40</b>	<b>8453968</b>	<b>0</b>	<b>8453968</b>	<b>18.36</b>	<b>(0.04)</b>
<b>B. Public Shareholding</b>									
1. Institutions									
a) Mutual Funds	0	0	0	0	0	0	0	0	NIL
b) Banks / FI	150	0	150	0.00	150	0	150	0.00	NIL
c) Central Govt	0	0	0	0	0	0	0	0	NIL
d) State Govt(s)	0	0	0	0	0	0	0	0	NIL
e) Venture Capital Funds	0	0	0	0	0	0	0	0	NIL
f) Insurance Companies	0	0	0	0	0	0	0	0	NIL
g) FIs	0	0	0	0	0	0	0	0	NIL
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	NIL
i) Others (specify)	0	0	0	0	0	0	0	0	NIL
<b>Sub-total (B) (1)</b>	<b>150</b>	<b>0</b>	<b>150</b>	<b>0.00</b>	<b>150</b>	<b>0</b>	<b>150</b>	<b>0.00</b>	<b>0</b>
2. Non Institutions									
<b>a) Bodies Corp.</b>									
(i) Indian	2570258	300	2570558	5.58	2537967	300	2538267	5.51	(0.07)
(ii) Overseas	2896019	0	2896019	6.29	571128	2154546	2725674	5.92	(0.37)
<b>b) Individuals</b>									
(i) Individual share holders holding nominal share capital up to Rs. 1 lakh	17651380	45558	17696938	38.44	23366320	220736	23587056	51.24	12.8
(ii) Individual share holders holding nominal share capital in excess of Rs 1 lakh	9850779	4118511	13969290	30.34	6920728	1788787	8709515	18.92	(11.42)
c) Others(Specify)									
i) Non Resident Indians	433393	0	433393	0.94	607997	0	607997	1.32	0.38
ii) Clearing Members	201	0	201	0.00	4554	0	4554	0.01	0.01
<b>Sub-total(B)(2)</b>	<b>33402030</b>	<b>4164369</b>	<b>37566399</b>	<b>81.6</b>	<b>33417180</b>	<b>4164369</b>	<b>37581549</b>	<b>81.64</b>	<b>0.04</b>



## DIRECTORS' REPORT

<b>Total Public Shareholding (B)=(B)(1)+ (B)(2)</b>	<b>33402180</b>	<b>4164369</b>	<b>37566549</b>	<b>81.60</b>	<b>33417180</b>	<b>4164369</b>	<b>37581549</b>	<b>81.64</b>	<b>0.04</b>
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
<b>Grand Total (A+B+C)</b>	<b>41871148</b>	<b>4164369</b>	<b>46035517</b>	<b>100</b>	<b>41871148</b>	<b>4164369</b>	<b>46035517</b>	<b>100</b>	<b>NIL</b>

### B) Shareholding of promoters

Sr. No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			
		No. of Shares	% of total Shares of of the company	% of Shares Pledged / encumbered to total shares	No. of Shares of the company	% of total Shares of	% of Shares Pledged / encumbered to total shares	% change shareholding during the year
1	K RAMACHANDRA REDDY	3050037	6.63	0	3050037	6.630	0	
2	ART KHACHATURIAN	1757047	3.82	0	1757047	3.82	0	0
3	JOSEPH WAI	708632	1.54	0	708632	1.54	0	0
4	EDDIE SIN PO CHIU	626000	1.36	0	626000	1.36	0	0
5	C. DAYAKAR REDDY	583920	1.27	0	598920	1.30	0	0.03
6	SUREKHA REDDY	530001	1.15	0	530001	1.15	0	0
7	K PRATIBHA REDDY	500398	1.09	0	500398	1.09	0	0
8	GARY KENNEDY	262978	0.57	0	262978	0.57	0	0
9	LAURENCE N. BENZ	198105	0.43	0	198105	0.43	0	0
10	VINAY DANTAPALLY KUMAR	164656	0.36	0	134156	0.29	0	(0.07)
11	STEVE SHU FUN KAM	44400	0.10	0	44400	0.10	0	0
12	SEAN PAUL CARNEY	33671	0.07	0	33671	0.07	0	0
13	NAVEEN REDDY	5623	0.01	0	5623	0.01	0	0
14	CHANDRAM RAMA REDDY	4000	0.01	0	4000	0.01	0	0
	<b>TOTAL</b>	<b>8469468</b>	<b>18.40</b>	<b>0</b>	<b>8453968</b>	<b>18.36</b>	<b>0</b>	<b>(0.04)</b>

### C) Shareholding of Directors & Key Managerial Personnel:

S.No	Shareholding of Directors & KMP	Shareholding at the end of the year		increase / (decrease) in shareholding during the year			Cumulative share holding during the year	
		No. of Shares	% of Total Shares of the company	No of Shares	% of Total Shares of the company	Reason	No of Shares	% of Total Shares of the company
1.	Directors: Mr. K. Ramachandra Reddy (Chairman)	3050037	6.63	0	0	0	3050037	6.63
2.	Mr. C. Dayakar Reddy (Whole Time Director)	583920	1.27	15000	0.03	Transfer From DP	598920	1.30
3.	Mr. G. Prasad (Independent Director)	2750	0.00	0	0	0	2750	0.00
4.	Mr. K. V. Ramana (Independent Director)	0	0	0	0	0	0	0
5.	Mrs. Poomima Shenoy (Independent Director)	0	0	0	0	0	0	0
	Key Managerial Personnel							
6.	Mr. Suresh Bachalakura (Company Secretary)	0	0	0	0	0	0	0
7.	Kasinath Tumuluru (CFO)	0	0	0	0	0	0	0

## DIRECTORS' REPORT

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

S.No	Share Holding of Directors & KMP	Shareholding at the end of the year		Cumulative share holding during the year	
		No. of Shares	% of Total Shares of the company	No of Shares	% of Total Shares of the company.
1	K RAMACHANDRA REDDY Increase/(Decrease) during the year At the End of the Year	3050037 Nil	6.63 Nil 3050037	3050037 Nil 6.63	6.63 Nil
2	ART KHACHATURIAN Increase/(Decrease) during the year At the End of the Year	1757047 Nil	3.82 Nil 1757047	1757047 Nil 3.82	3.82 Nil
3	JOSEPH WAI Increase/(Decrease) during the year At the End of the Year	708632 Nil	1.54 Nil 708632	708632 Nil 1.54	1.54 Nil
4	EDDIE SIN PO CHIU Increase/(Decrease) during the year At the End of the Year	626000 Nil	1.36 Nil 626000	626000 Nil 1.36	1.36 Nil
5	C. DAYAKAR REDDY Increase/(Decrease) during the year At the End of the Year	583920 15000	1.27 0.03 598920	598920 15000 1.30	1.27 0.03
6	SUREKHA REDDY Increase/(Decrease) during the year At the End of the Year	530001 Nil	1.15 Nil 530001	530001 Nil 1.15	1.15 Nil
7	K PRATIBHA REDDY Increase/(Decrease) during the year At the End of the Year	500398 Nil	1.09 Nil 500398	500398 Nil 1.09	1.09 Nil
8	GARY KENNEDY Increase/(Decrease) during the year At the End of the Year	262978 Nil	0.57 Nil 262978	262978 Nil 0.57	0.57 Nil
9	LAURENCE N. BENZ Increase/(Decrease) during the year At the End of the Year	198105 Nil	0.43 Nil 198105	198105 Nil 0.43	0.43 Nil
10	VINAY DANTAPALLY KUMAR Increase/(Decrease) during the year At the End of the Year	164156 (64156)	0.36 (0.14) 164156	164156 (64156) 0.22	0.36 (0.14)
11	STEVE SHU FUN KAM Increase/(Decrease) during the year At the End of the Year	44400 Nil	0.10 Nil 44400	44400 Nil 0.10	0.10 Nil
12	SEAN PAUL CARNEY Increase/(Decrease) during the year At the End of the Year	33671 Nil	0.07 Nil 33671	33671 Nil 0.07	0.07 Nil
13	NAVEEN REDDY Increase/(Decrease) during the year At the End of the Year	5623 Nil	0.01 Nil 5623	5623 Nil 0.01	0.01 Nil
14	CHANDRAM RAMA REDDY Increase/(Decrease) during the year At the End of the Year	4000 Nil	0.01 Nil 4000	4000 Nil 0.01	0.01 Nil

## DIRECTORS' REPORT

### V. INDEBTEDNESS

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

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	12,480,409	146,035,290		158,515,699
ii) Interest due but not paid	-	19,905,426	-	19,905,426
iii) Interest accrued but not Due	-	-	-	
<b>Total (i + ii + iii)</b>	<b>12,480,409</b>	<b>165,940,716</b>	<b>-</b>	<b>178,421,125</b>
Change in Indebtedness during the financial year				
- Addition	2,816,709	72,135,652	-	74,952,361
- Reduction	1,000,000	50,045,000	-	51,045,000
<b>Net Change</b>	<b>1,816,709</b>	<b>22,090,652</b>	<b>-</b>	<b>23,907,361</b>
Indebtedness at the end of the financial year				
i) Principal Amount	11,480,409	156,305,290	-	167,785,699
ii) Interest due but not paid	2,816,709	31,726,078	-	34,542,787
iii) Interest accrued but not due	-	-	-	-
<b>Total (i + ii + iii)</b>	<b>14,297,118</b>	<b>188,031,368</b>	<b>-</b>	<b>202,328,486</b>

### VI. REMUNERATION OF DIRECTOR SAND KEY MANAGERIAL PERSONNEL

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

Sl. No.	Particulars of Remuneration	Name of MD / WTD / Manager		Total Amount
	Grosssalary	K. Ramachandra Reddy	C. Dayakar Reddy	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	24,00,000	15,00,000	39,00,000
	(b) Value of perquisites/s 17(2) Income-tax Act, 1961.			
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961.			
	Stock Option			
	Sweat Equity			
	Commission			
	- as % of profit			
	- Others, specify...			
	Others, please specify			
	<b>Total (A)</b>	<b>24,00,000</b>	<b>15,00,000</b>	<b>39,00,000</b>
	<b>Ceiling as per the Act</b>	<b>30,00,000</b>	<b>30,00,000</b>	<b>60,00,000</b>

## DIRECTORS' REPORT

### b. Remuneration to other directors:

Sl. No.	Particulars of Remuneration	Name of Director			Total Amount
		G. Prasad	K. V. Ramana	Poornima Shenoy	
	Independent Directors • Fee for attending board & committee meetings • Commission • Others, please specify	96,000	96,000	72,000	2,64,000
	<b>Total (1)</b>	<b>96,000</b>	<b>96,000</b>	<b>72,000</b>	<b>2,64,000</b>
	Other Non-Executive Directors • Fee for attending board committee meetings • Commission • Others, please specify	0	0	0	0
	<b>Total (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Total (B) = (1+2)</b>	<b>96,000</b>	<b>96,000</b>	<b>72,000</b>	<b>2,64,000</b>
	Total Managerial Remuneration				
	Overall Ceiling as per the Act	Not applicable as only sitting fee paid			

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

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total
		CFO	Company Secretary		
		Kasinath Tumuluru	Suresh Bachalakura	Damodar Bethamalla	
1	Gross salary	6,32,285*	4,00,000**	50,000***	10,82,285
(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	-	-
(b)	Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
(c)	Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission - as % of profit - others, specify...	-	-	-	-
5	Others	-	-	-	-
	<b>Total</b>	<b>6,32,285</b>	<b>4,00,000</b>	<b>50,000</b>	<b>10,82,285</b>

\* CFO appointed in the month of November 2015.

\*\* Mr. Suresh Bachalakura appointed as a Company Secretary in the Month of August, 2015.

\*\*\* Mr. Damodar Bethamalla resigned as a Company Secretary in the Month of August 2015

## DIRECTORS' REPORT

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

Type	Section of the companies Act	Brief description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [ RD /NCLT/ Court]	Appeal made. If any (give details)
<b>A. Company</b>					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
<b>B. Directors</b>					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
<b>C. Other Officers In Default</b>					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil

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**Annexure - G**

**Certificate on Corporate Governance**

**To**

The Members of  
MosChip Semiconductor Technology Limited,  
CIN: L31909TG1999PLC032184  
Plot No. 83 & 84, 2nd Floor, Punnaiah Plaza,  
Road No. 2, Banjara Hills, Hyderabad,  
Telangana-500 034

We have examined the compliance of conditions of Corporate Governance by M/s. MosChip Semiconductor Technology Limited ("the Company") for the year ended on 31st March 2016 as stipulated in Clause 49 of the Listing Agreement (up to 30th November 2015) and Schedule V of Listing Regulations (with effect from 1st December 2015) of the said company with the stock exchange(s) in India.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied in general with the conditions of corporate governance as stipulated in the above mentioned Listing Regulation.

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

*For B S S & Associates  
Company Secretaries*

*S. Srikanth  
Partner  
ACS No.: 22119  
C P No.: 7999*

**Place: Hyderabad  
Date: 22-08-2016**

**Declaration by Chairman and Executive Director on Code of Conduct under Regulation 26(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 and the Companies Act, 2013**

To  
The Members,  
MosChip Semiconductor Technology Limited.

I, hereby declare that to the best of my knowledge and information, all the Board Members and Senior Management Personnel have affirmed compliance with the code of conduct for the year ended March 31, 2016.

**Hyderabad  
31 August 2016**

**K. Ramachandra Reddy  
Chairman & CEO**

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**CEO & CFO CERTIFICATION**

We K. Ramachandra Reddy, Chief Executive Officer and Kasinath Tumuluru, Chief Financial Officer responsible for the finance function certify that:

- a) We have reviewed the financial statements and cash flow statement for the year ended 31st March, 2016 and to the best of our Knowledge and belief:
- i) These Statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
- ii) These Statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) To the best of our Knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2016 are fraudulent, illegal or violate the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware, have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- d)
  - i) There has not been any significant change in internal control over financial reporting during the year under reference.
  - ii) There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements.
  - iii) We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

**Kasinath Tumuluru**  
CFO

**K. Ramachandra Reddy**  
Chairman & CEO

Hyderabad  
31 August 2016

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# 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

As at March 31, 2016, our Board had three non-executive directors and two executive directors, of which one executive director is the Chairman and Whole-time director and another is Whole-time Director of our Board. All the three non-executive directors are Independent Directors and free from any business or other relationship that could materially influence their judgment. All the Independent Directors satisfy the criteria of independence as defined under the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### a) Composition and category of directors as on 31st March, 2016

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

#### b) Board Meetings

The Board met six times during the financial year 2015-16 on 22.05.2015, 12.08.2015, 31.08.2015, 12.11.2015, 11.02.2016, 18.02.2016. The necessary quorum was present for all the meetings. The maximum interval between any two meetings did not exceed 120 days.

#### Attendance of each director at the Board meetings held during the year 2015-16 and at the last Annual General meeting

Name of the Director	Category	Meetings held during the tenure	Meetings attended	Last AGM
Mr. K. Ramachandra Reddy	Promoter Executive Chairman	06	06	Yes
Mr. C. Dayakar Reddy	Promoter Executive Director	06	06	Yes
Mr. K. V. Ramana	Independent Non-Executive Director	06	06	Yes
Mr. G. Prasad	Independent Non-Executive Director	06	06	Yes
Ms. Poonima Shenoy	Independent Non-Executive Director	06	05	No

#### Lead Independent Director

The Board has designated Mr. G.Prasad as the Lead Independent Director. The role of the Lead Independent Director is described in the Corporate Governance guidelines of your Company.

#### c) No. of other Boards / Board Committees in which the Directors are either Member or Chairman during the year 2015-16

Name of the Director	Board		Committee	
	Chairman	Member	Chairman	Member
Mr. K. Ramachandra Reddy	Nil	Nil	Nil	Nil
Mr. C. Dayakar Reddy	Nil	01	Nil	Nil
Mr. G. Prasad	Nil	01	04	Nil
Mr. K. V. Ramana	Nil	01	Nil	Nil
Ms. Poonima Shenoy	Nil	02	Nil	Nil

This excludes Directorships held in Private & Foreign Companies and Companies incorporated under Section 8 of the Companies Act, 2013.

In accordance with Regulation 26 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Memberships / Chairmanships of Committees include Audit Committee and Stakeholders' Relationship Committee of Public Company have been considered.

None of the Directors is a director in more than 20 Companies and more than 10 public limited companies in terms of Sec-165 of the Companies Act, 2013



## CORPORATE GOVERNANCE REPORT

None of the Directors is a member of neither more than Ten Committees, nor acts as Chairman of more than Five Committees across all companies in which they are Directors, as required Regulation 26 of the Listing Regulations.

The Independent Directors fulfill the requirements stipulated in Regulation 25 (1) of the Listing Regulations.

**d) No. of Board Meetings held and dates on which they were held during 2015-16.**

Quarter	No. of Meetings	Dates on which held
April - June	01	22 May 2015
July – September	02	12 August 2015, 31 August 2015
October – December	01	12 November 2015
January – March	02	11 February 2016, 18 February 2016
<b>Total</b>	<b>06</b>	

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

- e) No Director is related to any other Director on the Board.
- f) Number of securities held by each director is given in the Board's Report.

### 3. Audit Committee

As on March 31, 2016, the Audit Committee of the Company comprises of Three Independent Directors who are having accounting and finance management expertise. The Chairman of the Audit Committee is Mr. G. Prasad, and Ms. Poornima Shenoy and Mr. K.V.Ramana, are the other members of the Committee. The Annual General Meeting of the Company held on September 30, 2015 was attended by the Chairman of the Audit Committee to address shareholders queries.

**a) Brief description of terms of reference**

The terms of reference of the Audit Committee is in conformity with the provisions of Regulation 18 of the SEBI (LODR) Regulations 2015, which inter alia, includes the following:

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

**b) Composition, name of members and Chairperson**

**The Audit Committee comprises of the following directors**

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

**c) Meetings and attendance during the year 2015-16**

During the year 2015-2016, the Audit Committee met five times viz., on 22nd May, 2015, 12th August, 2015, 12th November 2015, 11th February 2016, 18th February 2016 and there were no instances, where the Board had not accepted the recommendations of the Audit Committee.

The representatives of the Statutory Auditors, Internal Auditors and Chief Financial Officer are the invitees to the Audit Committee Meetings. The Minutes of the Meetings of the Audit Committee are circulated to all the members of the Board.

Particulars relating to the attendance at the Audit Committee meetings held during the year are given below:

Name of the Director	Meetings held during the year	Meetings attended
Mr. K. V. Ramana	05	05
Mr. G. Prasad	05	05
Ms. Poornima Shenoy	05	04

## CORPORATE GOVERNANCE REPORT

### 4. Nomination & 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 Nomination & Remuneration Committee comprises of the following directors

Mr. G. Prasad -- Chairman

Mr. K. V. Ramana -- Member

Ms. Poornima Shenoy -- Member

#### c) Meeting and attendance of the committee

During the year 2015-2016, the Nomination & Remuneration Committee met once 12.08.2015.

Particulars relating to the attendance at the Committee meeting held during the year are given below:

Name of the Director	Meetings held during the year	Meetings attended
G.Prasad - Chairman	01	01
Poornima Shenoy - Member	01	01
K.V.Ramana - Member	01	01

Besides, sitting fee for attending Board and Committee meetings, no special compensation to Non-Executive directors are envisaged during the year 2015-16.

#### d) Performance Evaluation criteria for independent directors

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17 of SEBI (LODR) Regulations, 2015, the Board has carried out the annual performance evaluation of all independent directors individually without the participation of the concerned director. A separate exercise was carried out to evaluate the performance of individual Directors, who were evaluated on parameters such as level of engagement and contribution, independence of judgment, safeguarding the interest of the Company.

The performance evaluation of the Chairman and the Managing Director was carried out by the Independent Directors. The Directors expressed their satisfaction with the evaluation process.

### 5. Remuneration to Directors

a. There were no materially pecuniary relationships or transactions of the non-executive directors vis-avis the Company during the financial year 2015-2016.

b. Criteria for making payments to Non-Executive Directors:

The Company has not made any payments to the Non-Executive Directors except sitting fees for attending Meetings of the Board & Committees.

#### c) Details of remuneration to all the directors

Sl. No.	Name	Designation	Salary In Rs.	Performance Incentives in Rs.	Commission in Rs.	Total in Rs.	Notice period	Severance in Rs.	Sitting Fee in Rs.
01	K. Ramachandra Reddy	Chairman & CEO	24,00,000	Nil	Nil	24,00,000	NA	NA	Nil
02	C. Dayakar Reddy	Director	15,00,000	Nil	Nil	15,00,000	NA	NA	Nil
03	G. Prasad	Director	NA	NA	NA	NA	NA	NA	96,000
05	Mr. K. V. Ramana	Director	NA	NA	NA	NA	NA	NA	72,000

### 6. Stakeholders Relationship Committee

This Committee was re-constituted on 04th August 2014.

## CORPORATE GOVERNANCE REPORT

### a. Composition, name of members and Chairperson

The Committee comprises of the following Non-Executive directors

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

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) Name and Designation of Compliance Officer

Mr. C S Suresh Bachalakura --- Company Secretary & Compliance Officer.

### c) Shareholders' Complaints during the year 2015-16

During the year 2015-16, in total 06 complaints / letters were received from the investors. Details of Shareholders complaints during the year 2015-16 are as below:

#### Details of Shareholders complaints during the year 2015-16

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 (Non Receipt of Annual Reports)	06	06	Nil
<b>TOTAL</b>		<b>06</b>	<b>06</b>	<b>Nil</b>

## 7. General Body Meetings

### a. Details of last three AGMs

AGM	Venue	Time & Date	No. of Special resolutions passed
Fourteenth	Plot No.83 & 84, 2nd Floor, Punnaiah Plaza, Road # 02, Banjara Hills, Hyderabad – 500034	30 <sup>th</sup> September 2013 at 10.30 hrs.	3
Fifteenth	Plot No.83 & 84, 2nd Floor, Punnaiah Plaza, Road # 02, Banjara Hills, Hyderabad – 500034	11 <sup>th</sup> September 2014 at 10.30 hrs.	5
Sixteenth	Plot No.83 & 84, 2nd Floor, Punnaiah Plaza, Road # 02, Banjara Hills, Hyderabad – 500034	30 <sup>th</sup> September 2015 at 10.30 hrs.	Nil

### b. Postal ballot

During the FY 2015-2016, the Company passed the following special resolutions by postal ballot:

Special Resolutions	Voting Details				Date of declaration of results
	Votes cast in favor		Votes cast against		
	No. of votes	%	No. of votes	%	
To issue shares on preferential basis to M/s. Techwave Pte. Limited	9788449	99.71	28660	0.29	March 23, 2016
To issue shares on preferential basis to Mr. K.Ramachandra Reddy	6738112	99.57	28860	0.43	March 23, 2016
To issue shares on preferential basis to Dr. Madhu Mohan Katikineni	9787949	99.71	28860	0.29	March 23, 2016

The Company successfully completed the process of obtaining approval of its shareholders for special resolutions on the items detailed above, vide postal ballot.

## CORPORATE GOVERNANCE REPORT

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Puttaparthi Navajyoth, Practicing Company Secretary was appointed as the scrutinizer for carrying out the postal ballot process in a fair and transparent manner.

No Special Resolution is proposed to be conducted through Postal Ballot.

### 8. Means of Communication

We have established procedures to disseminate, in a planned manner, relevant information to our shareholders, employees and the society at large.

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

**Website:** The Company's website contains a separate dedicated section "Investors" where information sought by shareholders is available. The Annual Report of the Company, earnings, press releases and quarterly reports of the Company, apart from the details about the Company, Board of directors and Management, are also available on the website in a user friendly and downloadable form at [www.moschip.com](http://www.moschip.com).

**Annual Report:** Annual Report containing audited standalone accounts, consolidated financial statements together with Board's Report, Auditors Report and other important information are circulated to members entitled thereto.

### 9. General Shareholder Information

- a) **AGM – Date, Time and Venue** : 30<sup>th</sup> September 2016, 10.30 am at  
Registered Office of the Company at Plot No.83 & 84, 2<sup>nd</sup> Floor, Punnaiah Plaza, Road No.02, Banjara Hills, Hyderabad – 500 034
- b) **Financial Calendar** : The financial year of the Company starts from on the  
01st day of April and ends on 31st day of March of next year.

:

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

#### Un-Audited Financial Results for the FY 2016-17

- First Quarter Results : 15<sup>th</sup> July 2016
- Second Quarter & Half-yearly Results : Between 1<sup>st</sup> & 15<sup>th</sup> November 2016
- Third Quarter Results : Between 1<sup>st</sup> & 15<sup>th</sup> February 2017
- Fourth Quarter & Annual Results : Between 20<sup>th</sup> & 30<sup>th</sup> May 2017

(Audited in lieu of un-audited results)

- d) **Date of Book Closure** : **23<sup>rd</sup> September 2016 to 30<sup>th</sup> September 2016**  
(both days inclusive)
- e) **Dividend Payment Date** : Your Board has not recommended any Dividend
- f) **Listing on Stock Exchanges** : **BSE Limited**  
P J Towers, Dalal Street, Fort  
Mumbai – 400 001.
- g) **Stock Code BSE Limited** : **532407 / MOSCHIP SEMI**
- h) **Listing Fee** : Listing fees to the Stock Exchange for listing of equity shares have been paid for the FY 2016-17.

Market Price data: High / Low during each month in the Financial Year 2015-16 and Performance in comparison to broad-based indices such as BSE Sensex..

The information on market price of MosChip stock and its comparison with BSE Sensex is shown in

## CORPORATE GOVERNANCE REPORT

### i) MosChip Share price on BSE and in comparison with BSE Sensex

Month & Year	MOSCHIP		SENSEX	
	High	Low	High	Low
Apr-15	NIL	NIL	29094.61	26897.54
May-15	6.35	3.	28071.16	26423.99
Jun-15	4.73	3.3	27968.75	26307.07
Jul-15	7.29	3.56	28578.33	27416.39
Aug-15	6.37	3.95	28417.59	25298.42
Sep-15	5.5	4.09	26471.82	24833.54
Oct-15	5.49	4.15	27618.14	26168.71
Nov-15	5.09	4	26824.3	25451.42
Dec-15	7.51	4.33	26256.42	24867.73
Jan-16	9.62	5.75	26197.27	23839.76
Feb-16	7.05	4.98	25002.32	22494.61
Mar-16	8.95	7.23	25479.62	23133.18

j) Registrar and Transfer Agents : **Karvy Computershare Pvt. Ltd.**  
 Karvy Selenium, Tower B, Plot No. 31 & 32, Financial District,  
 Gachibowli, Hyderabad - 500 032, Telangana.

### k) 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 authorized 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.

### l) Distribution of Shareholding

Distribution of Shareholding as on 31st March 2016:

#### DISTRIBUTION SCHEDULE AS ON 31/03/2016

S.No	Category	Cases	% of Cases	Amount	% Amount
1	up to 1 - 5000	22795	92.59	21391734.00	23.23
2	5001 - 10000	923	3.75	7090738.00	7.70
3	10001 - 20000	465	1.89	7055212.00	7.66
4	20001 - 30000	138	0.56	3483680.00	3.78
5	30001 - 40000	70	0.28	2480294.00	2.69
6	40001 - 50000	52	0.21	2401494.00	2.61
7	50001 - 100000	92	0.37	6812194.00	7.40
8	100001 & ABOVE	84	0.34	41355688.00	44.92
	<b>Total:</b>	<b>25423</b>	<b>100.00</b>	<b>460355170.00</b>	<b>100.00</b>

### m) 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 31st March 2016, 90.95% of the outstanding equity shares of the company are in electronic form.

## CORPORATE GOVERNANCE REPORT

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

### n) Plant locations

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

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

### o) Address for Correspondence and contact persons for investor's 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.02,  
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.,**  
Karvy Selenium, Tower B,  
Plot No. 31 & 32, Financial District,  
Gachibowli, Hyderabad - 500 032, Telangana.

#### Contact Person:

**Padala Srirama Murthy,**  
Assistant Manager - (Registrar in Securities)  
Tel: +91-40-4465-5208, Email: einward.ris@karvy.com

## 10. Disclosures

### a. Disclosure of Materially Significant Related Party Transactions

All related party transactions that were entered into during the financial year were at an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

As required under Regulation 23 of SEBI (LODR) Regulations, 2015, the Company has a policy on Related Party Transactions. The abridged policy on Related Party Transactions is available on the Company's website at <http://moschip.com/wp-content/uploads/2016/07/PolicyOnRelatedPartyTransactions-1.pdf>.

Apart from receiving director remuneration, none of the Directors has any pecuniary relationships or transactions vis-à-vis the Company. During the year 2015-16, no transactions of material nature were entered into by the Company with the Management or their relatives that may have a potential conflict of interest with the Company and the concerned officials have given undertakings to that effect as per the provisions of the Listing Regulations.

### b. Details of non-compliance by the Company, penalties, and strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

The Company has complied with the requirements of the Stock Exchanges or SEBI on matters related to Capital Markets, as applicable, during the last three years.

### c. Whistle Blower Policy and affirmation that no personnel have been denied access to the Audit, Risk & Compliance Committee

The Company has adopted an Ombus process which is a channel for receiving and redressing employees' complaints. No personnel in the Company has been denied access to the Audit Compliance Committee or its Chairman. The Vigil Mechanism Policy has been uploaded on the website of the Company at <http://moschip.com/wp-content/uploads/2016/07/WhistleBlowerPolicy-1.pdf>

### d. Web link for Policy for determining material subsidiary:

Web link: [http://moschip.com/wp-content/uploads/2016/07/Policy\\_on\\_Material\\_Subsiidiaries-1.pdf](http://moschip.com/wp-content/uploads/2016/07/Policy_on_Material_Subsiidiaries-1.pdf)

## CORPORATE GOVERNANCE REPORT

### 11. Compliance Report on Non-mandatory requirements under Regulation 27(1)

a. The Board

As per Para A of Part E of Schedule II of the Listing Regulations, a non-executive Chairman of the Board may be entitled to maintain a Chairman's Office at the company's expense and also allowed reimbursement of expenses incurred in performance of his duties. The Chairman of the Company is an Executive Director and hence this provision is not applicable to us.

b. Shareholders Rights

We display our quarterly and half yearly results on our web site [www.moschip.com](http://www.moschip.com) and also publish our results in widely circulated newspapers. We publish the voting results of shareholder meetings and make it available on our website [www.moschip.com](http://www.moschip.com), and report the same to Stock Exchanges in terms of Regulation 44 of the Listing Regulations.

c. Modified opinion(s) in audit report

The Auditors have issued an un-qualified opinion on the financial statements of the Company.

d. Reporting of internal auditor

Reporting of Head of Internal Audit is to the Chairman of the Audit Committee of the Board and administratively to the Chief Financial Officer. Head of Internal Audit has regular and exclusive meetings with the Audit Committee prior to reports of Internal Audit getting discussed with the Management Team.

### 12. Compliance with Mandatory Requirements

Your Company has complied with all the mandatory corporate governance requirements under the Listing Regulations. Specifically, your Company confirms compliance with corporate governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 of the Listing Regulations

For and on behalf of the Board of Directors

Hyderabad  
31<sup>st</sup> August 2016

K. Ramachandra Reddy  
Chairman & CEO

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**INDEPENDENT  
AUDITOR'S REPORT**

The Members

**MosChip Semiconductor Technology Limited**

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Mos Chip Semiconductor Technology Limited (hereinafter referred to as "the Holding Company") and its subsidiary MosChip Semiconductor Technology, USA (the Holding Company and its subsidiary together referred to as "the Group") comprising of the Consolidated Balance Sheet as at 31st March 2016, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

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

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

**Auditor's Responsibility**

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

included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Holding Company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31st March, 2016, and their consolidated loss and their consolidated cash flows for the year ended on that date.

**Other Matters**

(a) We did not audit the financial statements of the company's subsidiary Moschip Semiconductor Technology, USA whose financial statements reflect total assets of Rs. 2,02,52,967.13 as at 31st March 2016, total revenues of Rs. 88,20,849.83 and net cash flows amounting to Rs. 36,396 for the year ended on that date, as considered in the consolidated financial



**INDEPENDENT  
AUDITOR'S REPORT**

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

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

**Report on Other Legal and Regulatory Requirements**

As required by Section 143(3) of the Act, we report, to the extent applicable, that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports furnished by the management in respect of the unaudited financial statements of the subsidiary.
- c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

- e) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2016 taken on record by the Board of Directors of the Holding Company, none of the directors of the Group companies, incorporated in India is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) The company has only one subsidiary which is registered in the USA and hence is not an Indian company. As per Guidance Note issued by the ICAI on this subject, reporting on clause (3)(i) of Section 143 of The Companies Act, 2013 is not required for consolidated financials. With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company and the operating effectiveness of such controls, refer to our separate Report in 'Annexure A'.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Group did not have any pending litigations which would impact its consolidated financial position.
  - ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company incorporated in India.

**For Gokhale & Co.,**  
Chartered Accountants  
Firm Regn. No. 000942S  
**Chandrashekhhar Gokhale**  
Partner  
Membership No 23839

Hyderabad  
27 May 2016

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**INDEPENDENT  
AUDITOR'S REPORT**

**Annexure - A to the Auditors' Report**

Report on the Internal Financial Controls over Financial Reporting in terms of Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act").

We have audited the Internal Financial Controls over financial reporting of **MosChip Semiconductor Technology Limited** ('the Company') as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

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

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

**Auditors' Responsibility**

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

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

internal financial controls system over financial reporting.

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

A company's internal financial controls over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of Internal Financial Control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

**Chandrashekhar Gokhale**  
Partner  
Membership No. 023839

**CONSOLIDATED**

**CONSOLIDATED BALANCE SHEET  
AS AT 31 MARCH 2016**

PARTICULARS	Note No.	As at	
		31 March 2016 Rs.	31 March 2015 Rs.
<b>I. EQUITY AND LIABILITIES</b>			
1. Shareholder's funds			
(a) Share Capital	1	92,071,034	92,071,034
(b) Reserves and Surplus	2	(335,520,588)	(215,309,883)
		(243,449,554)	(123,238,849)
<b>2. Non-current liabilities</b>			
(a) Long-term Provisions	3	8,080,456	7,759,2226
		8,080,456	7,759,226
<b>3. Current Liabilities</b>			
(a) Short term borrowings	4	257,244,409	164,761,699
(b) Trade payables		29,383,707	31,924,772
(c) Short term provisions	5	61,897,833	52,706,056
		348,525,948	249,392,527
<b>TOTAL</b>		<u>113,156,850</u>	<u>133,912,905</u>
<b>II ASSETS</b>			
1. Non-current assets			
(a) Fixed assets	6		
(i) Tangible assets		2,081,820	3,319,320
(ii) Intangible assets		279,297	798,816
(b) Long-term loans and advances	7	5,131,828	5,083,152
		7,492,945	9,201,288
<b>2. Current assets</b>			
(a) Inventories	8	51,362,296	71,742,333
(b) Trade receivables	9	12,787,098	8,446,732
(c) Cash and Cash equivalents	10	18,658,584	14,815,086
(d) Short-term loans and advances	11	22,855,927	29,707,466
		105,663,905	124,711,617
<b>TOTAL</b>		<u>113,156,850</u>	<u>133,912,905</u>
Significant accounting policies and notes to accounts	18		

Per and subject to our report of even date

For and on behalf of the Board of Directors

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

**Chandrashekhhar Gokhale**  
Partner  
Membership No. 23839

**K. Ramachandra Reddy**  
Chairman & CEO

**Seetha Ramam Voleti**  
Director

Place Hyderabad  
Date 27 May 2016

**Kasinath Tumuluru**  
Chief Financial Officer

**Suresh Bachalakura**  
Company Secretary

**CONSOLIDATED**

**CONSOLIDATED PROFIT AND LOSS STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2016**

PARTICULARS	Note No.	As at	
		31 March 2016	31 March 2015
		Rs.	Rs.
I Revenue from operations	12	53,635,043	59,939,844
II Other Income	13	1,492,058	2,141,305
<b>III Total Revenue (I + II)</b>		<b>55,127,102</b>	<b>62,081,149</b>
IV Expenses			
Cost of Materials Consumed	14	466,939	1,113,850
Employee benefits expense	15	64,737,253	51,739,511
Finance Costs	16	30,639,620	22,363,126
Depreciation and amortization expense		1,782,305	4,015,841
Other expense	17	72,064,245	29,242,494
<b>Total Expense</b>		<b>169,690,362</b>	<b>108,474,822</b>
V Profit/(Loss) before exceptional and extraordinary items and tax (III-IV)		(114,563,261)	(46,393,673)
VI Exceptional Items		98,799	-
VII Profit/(Loss) before extraordinary items and tax (V-VI)		(114,662,060)	(46,393,673)
VIII Extraordinary items		4,723,733	-
IX Profit/(Loss) before tax (VII-VIII)		(119,385,793)	(46,393,673)
<b>X Tax expense:</b>			
(1) Current tax		-	-
(2) Deferred tax		-	-
		-	-
XI Profit/(Loss) for the period		(119,385,793)	(46,393,673)
XII Earnings per equity share:			
(1) Basic		(1.72)	(1.01)
(2) Diluted		(2.59)	(1.01)
Significant accounting policies and notes to accounts	18		

Per and subject to our report of even date

For and on behalf of the Board of Directors

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

**Chandrashekhar Gokhale**  
Partner  
Membership No. 23839

**K. Ramachandra Reddy**  
Chairman & CEO

**Seetha Ramam Voleti**  
Director

Place Hyderabad  
Date 27 May 2016

**Kasinath Tumuluru**  
Chief Financial Officer

**Suresh Bachalakura**  
Company Secretary

**CONSOLIDATED**

**NOTES FORMING PART OF  
CONSOLIDATED BALANCE SHEET**

NOTES	As at 31 March 2016 Rs.	As at 31 March 2015 Rs.
<b>NOTE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Share Capital</b>	<u>550,000,000</u>	<u>550,000,000</u>
275,000,000 (Previous Year 275,000,000 @ Rs.2/- each) equity shares of Rs.2/- each		
<b>Issued share capital</b>		
47,750,589 ( Previous Year 47,750,589 @ Rs.2/- each) equity shares of Rs.2/- each	<u>95,501,178</u>	<u>95,501,178</u>
<b>Subscribed and fully paid share capital</b>		
46,035,517 (Previous Year 46,035,517 @ Rs.2/- each) equity shares of Rs.2/- each	<u>92,071,034</u>	<u>92,071,034</u>
<b>Shareholders having more than 5% of the shares with the number of shares &amp; Percentage</b>		
<b>Name of the Shareholder</b>	<b>2015-16</b>	<b>2014-15</b>
	<b>No. of Shares %</b>	<b>No. of Shares %</b>
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%
<b>TOTAL</b>	<u>92,071,034</u>	<u>92,071,034</u>
<b>NOTE - 2</b>		
<b>RESERVES AND SURPLUS:</b>		
<b>Capital Reserves:</b>		
State Govt Subsidy	1,250,000	1,250,000
Foreign Currency Translation Reserve	23,162,438	23,961,831
Capital Reserve	138,804,760	138,804,760
Retained Earnings (Depreciation Reserve as per New Co. Act 2013)	(13,588,158)	(13,562,639)
	<u>149,629,040</u>	<u>150,453,952</u>
<b>Forfeited Share Warrants:</b>		
Opening Balance	5,431,250	5,431,250
Additions	-	-
	<u>5,431,250</u>	<u>5,431,250</u>
<b>Securities Premium Reserves</b>		
Opening Balance	-	-
Deletions under Scheme of Capital Reduction	-	-
	<u>-</u>	<u>-</u>
<i>Surplus, showing allocations and appropriations such as dividend, Bonus Shares and transfer to / from reserves</i>		
Opening Balance	(371,195,085)	(1,359,719,468)
Add: Current Year Surplus	(119,385,793)	(46,393,673)
	<u>(490,580,878)</u>	<u>(1,406,113,141)</u>
Less: Reduction in losses under the scheme of Capital Reduction	-	1,034,918,056
	<u>(490,580,878)</u>	<u>(371,195,085)</u>
<b>TOTAL</b>	<u>(335,520,588)</u>	<u>(215,309,883)</u>

**CONSOLIDATED**

**NOTES FORMING PART OF  
CONSOLIDATED BALANCE SHEET**

NOTES	As at 31 March 2016 Rs.	As at 31 March 2015 Rs.
<b>NOTE - 3</b>		
<b>LONG TERM PROVISIONS:</b>		
Leave Encashment	2,255,633	1,738,576
Gratuity	5,824,823	6,020,650
<b>TOTAL</b>	<b>8,080,456</b>	<b>7,759,226</b>
<b>NOTE - 4</b>		
<b>SHORT TERM BORROWINGS</b>		
Loan from Bank (Packing Credit) (Export Packing Credit facility obtained from UCO Bank is secured by hypothecation by way of first charge on stocks of finished goods, raw materials, work in progress, stores and spares and book debts, and second charge in respect of other movable assets, and guaranteed by Chairman and managing Director) Terms of repayment is 180 days from the date of availment of loan	14,297,119	12,480,409
Loan From Directors	162,947,290	152,281,290
Loan from (ICD)	80,000,000	-
<b>TOTAL</b>	<b>257,244,409</b>	<b>164,761,699</b>
<b>NOTE - 5</b>		
<b>SHORT TERM PROVISIONS</b>		
Provision for Expenses	4,745,529	2,493,941
TDS Payable	4,324,950	6,921,345
Service Tax Payable	837,512	3,017,523
Salaries Payable	8,893,766	11,364,659
Director Remuneration Payable	5,970,619	4,407,897
Interest Payable on Loans	35,450,978	22,283,965
Provision for Taxation	1,531,238	1,814,382
PT, PF and ESI Payable	143,241	402,344
<b>TOTAL</b>	<b>61,897,833</b>	<b>52,706,056</b>

NOTES FORMING PART OF  
CONSOLIDATED BALANCE SHEET

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

S.No.	Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Balance as at 01.04.2015	Additions during the Year	Adjustments during the year*	**Deletions during the year	Balance as at 31.03.2016	For the Year	Deletions During the Year	Adjustments During the Year**	Balance as at 31.03.2016	Balance as at 31.03.2015
	<b>Tangible Assets</b>										
1	Computers	24,780,827	294,951	-	840,226	24,235,551	488,415	840,226	-	23,349,098	1,079,919
2	Electrical Installation	1,694,898	-	-	191,679	1,503,219	136,770	16,126	-	1,398,365	417,178
3	Plant and Machinery	1,483,349	-	-	39,650	1,443,699	17,537	(33,384)	-	1,397,228	70,273
4	Furniture and Fitting	4,357,877	-	27,720	228,328	4,157,267	131,311	222,871	24,948	3,900,067	391,199
5	Office Equipment	3,332,319	-	53,886	763,615	2,622,590	83,915	146,387	(488,105)	2,565,179	216,562
6	Vehicles	84,257	-	-	-	84,257	3,032	-	-	83,984	3,305
7	Lab Equipment	6,220,048	-	-	44,889	6,175,159	59,078	34,963	-	6,131,460	112,703
8	Leasehold Emprovements	2,190,947	-	-	-	2,190,947	342,728	-	-	1,505,491	1,028,184
9	Mask Tools	0	-	-	-	-	-	-	-	-	-
	<b>TOTAL</b>	44,144,521	294,651	81,606	2,108,388	42,412,690	1,262,786	1,227,188	(463,157)	40,330,870	3,319,321
	<b>Intangible Assets</b>										
1	Software	62,349,317	-	-	-	62,349,317	519,519	-	-	62,070,020	798,816
	<b>TOTAL</b>	62,349,317	0	0	0	62,349,317	519,519	0	-	62,070,020	798,816
	<b>GRAND TOTAL</b>	106,493,838	294,951	81,606	2,108,388	104,762,007	1,782,305	1,227,305	(463,157)	102,400,890	4,118,137
	Previous Year	119,913,120	92,250	51,107	13,562,639	106,493,838	4,015,841	15,084	44,648	102,375,703	4,118,135

**Note:**

\* Adjustments for the year includes Rs.81,606/- considered in Foreign Currency Translation Reserve due to Translation of non-integral foreign subsidiaries.  
\*\* Adjustments for the year includes Rs.463,157/- 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 2016 Rs.	As At 31 March 2015 Rs.
<b>NOTE - 7</b>		
<b>LONG TERM LOANS &amp; ADVANCES</b>		
(Unsecured, Considered Good)		
<b>Deposits</b>		
<b>Deposit - Government Authorities</b>		
Deposits -Telephone	29,400	29,400
<b>Deposits - Others</b>		
Deposits - Others	825,428	776,752
Deposits - Rent	1,482,000	1,482,000
<b>Other Loans &amp; Advances</b>		
Moschip Employees Trust	2,795,000	2,795,000
<b>TOTAL</b>	<u><u>5,131,828</u></u>	<u><u>5,083,152</u></u>
 <b>NOTE - 8</b>		
<b>INVENTORIES</b>		
Finished Goods	6,453,798	43,546,662
Work In Progress	44,908,498	28,195,671
<b>TOTAL</b>	<u><u>51,362,296</u></u>	<u><u>71,742,333</u></u>
 <b>NOTE - 9</b>		
<b>TRADE RECEIVABLES</b>		
(Unsecured, Considered Good)		
Outstanding for a period exceeding six months	1,570,295	1,487,372
Others	11,216,803	6,959,360
<b>TOTAL</b>	<u><u>12,787,098</u></u>	<u><u>8,446,732</u></u>



**CONSOLIDATED**

**NOTES FORMING PART OF  
CONSOLIDATED BALANCE SHEET**

NOTES	As At 31 March 2016 Rs.	As At 31 March 2015 Rs.
<b>NOTE-10</b>		
<b>CASH AND CASH EQUIVALENTS</b>		
Cash on hand	181,234	16,881
Balance with Scheduled Banks		
— In Current accounts	2,779,069	3,135,579
— In fixed deposit accounts	15,513,981	11,304,180
(Rs.15,513,981 (Previous Year Rs.11,304,180/-) pledged towards margin on Bank Guarantee)		
Balance with Non-Scheduled Banks in Current Accounts	184,300	358,446
<b>TOTAL</b>	<u><u>18,658,584</u></u>	<u><u>14,815,086</u></u>
 <b>NOTE - 11</b>		
<b>SHORT TERM LOANS &amp; ADVANCES</b>		
<b>Other Loans &amp; Advances - (Unsecured , Considered Good)</b>		
Prepaid Expenses	2,151,931	14,021,235
Service Tax Input Credit	4,002,262	3,877,309
Interest Accrued but not due	298,860	404,112
Advance to Employees	145,707	-
Prepaid Income Tax-TDS	15,224,990	11,216,362
Other Advances	1,032,177	188,448
<b>TOTAL</b>	<u><u>22,855,927</u></u>	<u><u>29,707,466</u></u>

**CONSOLIDATED**

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

NOTES	As At 31 March 2016 Rs.	As At 31 March 2015 Rs.
<b>NOTE - 12</b>		
<b>REVENUE FROM OPERATIONS</b>		
Semiconductor Sales	928,390	1,380,026
Software Services	52,706,654	58,559,818
<b>TOTAL</b>	<u>53,635,043</u>	<u>59,939,844</u>
<b>NOTE - 13</b>		
<b>OTHER INCOME</b>		
Interest Earned (Gross)	1,492,058	2,141,305
<b>TOTAL</b>	<u>1,492,058</u>	<u>2,141,305</u>
<b>NOTE - 14</b>		
<b>COST OF MATERIAL CONSUMED</b>		
Materials, Finished and Processed stocks	482,536	1,113,731
Import Clearance Charges	(15,597)	120
<b>TOTAL</b>	<u>466,939</u>	<u>1,113,850</u>
<b>NOTE - 15</b>		
<b>EMPLOYEE BENEFIT EXPENSES</b>		
Salaries and Other Allowances to Employees	56,203,965	42,705,193
Contribution to PF, ESI & Gratuity	2,371,777	2,564,504
Directors Remuneration	3,900,000	4,800,000
Staff Welfare Expenses	2,261,510	1,669,813
<b>TOTAL</b>	<u>64,737,253</u>	<u>51,739,511</u>

**CONSOLIDATED**

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

NOTES	For the year ended 31 March 2016 Rs.	For the year ended 31 March 2015 Rs.
<b>NOTE - 16</b>		
<b>FINANCE COST</b>		
Interest on Packing Credit	2,354,597	1,702,018
Interest on loan from Directors	27,130,344	20,423,470
Interest on ICDs	843,088	-
Bank Charges	311,591	237,638
<b>TOTAL</b>	<u><u>30,639,620</u></u>	<u><u>22,363,126</u></u>
<b>NOTE - 17</b>		
<b>OTHER EXPENSES</b>		
Rent	5,710,933	5,619,460
Electricity Charges	1,747,580	1,711,898
Consumables	347,155	22,655
Research and Development Expenses	5,191	1,891
Software Charges	10,365,806	15,188,428
Communication Expenses	267,411	262,273
Directors Sitting Fee	264,000	210,000
Printing and Stationery	93,171	73,498
Postage, Telegrams and Telephones	893,235	696,758
Fees, Rates and Taxes	1,354,933	1,685,849
Repairs and Maintenance	118,526	402,689
Travelling and Conveyance	2,257,171	817,983
Marketing Expenses	-	8,879
Advertisement Expenses	152,452	174,444
Payment to Auditors	538,106	602,203
Insurance	779,873	1,399,764
Professional charges	1,252,568	1,621,452
Recruitment Expenses	203,935	197,832
General Expenses	4,330,500	(13,844)
Bad Debts Written Off	3,373,500	-
Realised Loss/(Gain) on Forex Fluctuation	40,000,000	-
Unrealised Loss/(Gain) on Forex Fluctuation	(23,343)	(13,704)
<b>TOTAL</b>	<u><u>(1,968,714)</u></u>	<u><u>(1,427,912)</u></u>
	<u><u>72,064,245</u></u>	<u><u>29,242,494</u></u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

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

**Company overview**

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

**MosChip has its headquarters in Hyderabad.**

**18.1 Significant Accounting Policies**

**18.1.1 Basis for Preparation of Financial Statements**

The Consolidated financial statements present the accounts of the Company and its wholly owned subsidiary MosChip Semiconductor Technology, USA. The Consolidation is based on the unaudited financial statements of MosChip Semiconductor Technology, USA (Wholly Owned Subsidiary) for the year ended 31 March 2016.

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

**18.1.2 Principles of Consolidation**

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

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

**18.1.3 Use of Estimates**

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

**18.1.4 Foreign Currency Translation**

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

**18.1.5 Revenue Recognition**

Revenue from product sales is recognised on dispatch of material

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

Interest income is recognized on accrual basis.

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

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

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

Fixed Assets sold or retired from active use are eliminated from accounts by removing the related cost and accumulated depreciation.

**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS**

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 is provided under Straight Line method at the rates specified in Schedule II of the Companies Act, 1956, except as stated in Note 18.2.9.

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

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

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

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

**18.1.8 Foreign Exchange Transactions**

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

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

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

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

**18.1.9 Investments**

Investments are classified into current investments and long-term investments. Current Investments are carried at the lower of

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

**18.1.10 Retirement benefits**

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

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

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

**18.1.11 Earnings per share**

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

**18.2 Notes on Accounts**

**18.2.1 Contingent Liabilities:**

(Amount in Rupees)

Particulars	AS AT 31 MARCH	
	2016	2015
Estimated amount of unexecuted capital contracts not provided	Nil	Nil
Outstanding Bank Guarantee given by Bankers	12,896,415	11,304,179
Outstanding Bank Guarantee on account of Bond executed by the Company to Government of India towards execution of Govt. contracts	96,454,145	96,454,145

**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS**

**18.2.2 Short Term Borrowings**

During the period the Company has obtained unsecured loans from Directors an amount of Rs.4.81 crores and the outstanding as on 31.03.2016 is Rs. 15.63 crores at varying interest rates payable. In Moschip USA an amount of Rs. 0.66 crores (USD \$100,000) is outstanding towards unsecured loan from a Director as on 31.03.2016. The provision for the same has been made in these accounts in the financial year ending 31st March 2016.

Similarly the company has also obtained interest bearing Inter Corporate Deposit of Rs.8.00 crores at the rate of 12% interest. The provision for the same has been made in these accounts in the financial year ending 31st March 2016

**18.2.3 Earnings per Share**

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

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

(Amount in Rupees except share numbers)

	Year ended 31 March 2016	Year ended 31 March 2015
<b>BASIC EARNINGS/(LOSS) PER SHARE</b>		
Net Profit/(Loss) for the period before exceptional, extraordinary and Discontinuing Operations	(74,563,261)	(46,393,673)
Net Profit/(Loss) for the period after exceptional, extraordinary and Discontinuing Operations	(79,385,793)	(46,393,673)
Weighted average number of equity shares	46,035,517	46,035,517
EPS before extraordinary item	(1.62)	(1.01)
EPS after extraordinary item	(1.72)	(1.01)
<b>DILUTED EARNINGS/(LOSS) PER SHARE</b>		
Net Profit/(Loss) for the period before exceptional, extraordinary and Discontinuing Operations	(74,563,261)	(46,393,673)
Net Profit/(Loss) for the period before exceptional, extraordinary and Discontinuing Operations	(79,385,793)	(46,393,673)
Adjustments	Nil	Nil
Diluted Net Profit/(Loss) for the period before exceptional, extraordinary and Discontinuing Operations	(74,563,261)	(46,393,673)
Diluted Net Profit/(Loss) for the period after exceptional, extraordinary and Discontinuing Operations	(79,385,793)	(46,393,673)
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	(1.62)	(1.01)
EPS after extraordinary item	(1.72)	(1.01)

**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS**

**18.2.4 Segment Reporting**

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

**a) Business Segment Information:**

**Year ended 31 March 2016**

Particulars	Software Rs.	ASICs Rs.
<b>Revenue</b>	<b>52,706,654</b>	928,390
Sales to external customers		
<b>Segment Profit / (loss)</b>	<b>(62,341,762)</b>	(13,713,567)
Other Income	1,491,919	139
Profit / (loss) before Tax	<b>(60,849,843)</b>	(13,713,427)
Tax	0	0
Exceptional Item	98,799	0
Profit / (loss) after Tax before Extraordinary and Discontinuing operations	<b>(60,948,642)</b>	(13,713,427)
Extraordinary Items and Profit / (Loss) on Discontinuing Operations	4,723,733	0
Net profit/(loss)	<b>(65,672,375)</b>	(13,713,427)
<b>Other Segment Information</b>		
Depreciation	1,764,835	17,470
Non-cash expenses other than depreciation	0	0
<b>Particulars of Segment Assets and Liabilities</b>		
Segment Assets	74,377,715	60,120,551
Investments	0	0
Cash and Bank Deposits	18,474,283	184,301
Other Assets	0	0
Total Assets	<b>92,851,999</b>	60,304,851
Segment Liabilities	<b>350,530,352</b>	6,076,052
Total Liabilities	<b>350,530,352</b>	6,076,052

**b) Geographic Segment Information:**

Revenue	Software	ASICs Rs.
Hong Kong	0	210,042
Taiwan	0	542,536
India	52,706,654	0
Rest of World	0	175,812
<b>Carrying amount of segment fixed assets</b>		
India	0	103,414,202
North America	0	104,002,102
<b>Additions to fixed assets</b>		
India	0	294,951
North America	0	0

**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS**

**18.2.5 Accounting for taxes on income**

During the period under review, the Company carried its operations in India registered with the Software Technology Parks of India (STPI), Hyderabad. The operations of the STPI Unit resulted in a net loss for the year ended 31 March 2016. Hence, no provision has been made in the books of account for the tax liability for the year as well as for the deferred taxes as per the Accounting Standard – 22 on Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India.

**18.2.6 Employee Stock Option Plans**

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

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

YEAR ENDED 31 MARCH 2016	MOSCHIP STOCK OPTION PLAN								
Particulars	Emp.Stock Option Plan	2001	2002	2004	2005 MI	2005 WOS	2008	2008 (ALR)	2008 (DIR)
Options Outstanding at the beginning of the Year	9,000	35,000	31,000	0	4,000	0	129,612	50,424	0
Granted during the year	0	0	0	0	400,000	0	2,146,000	0	0
Forfeited during the year	9,000	35,000	31,000	0	4,000	0	2,93,612	50,424	0
Exercised during the year	0	0	0	0	0	0	0	0	0
Outstanding at the end of the year	0	0	0	0	400,000	0	1,982,000	0	0

**18.2.7 MosChip India's Gratuity Plan**

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

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

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**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS**

(Amounts in Rupees)	
	<b>Year ended 31 March 2016</b>
	Rs.
<b>Gratuity cost for the period</b>	
Current Service Cost	761,949
Interest cost on defined benefit obligation	465,026
Expected Return on Plan Assets	(45,286)
Net Actuarial losses/(gain) recognised in year	(539,296)
Net Gratuity cost	<b>642,393</b>
<b>Balance Sheet</b>	
Reconciliation of present value of the obligation and the fair value of plan assets	
Fair Value of Plan Assets at the end of the year	191,978
Present Value of the funded obligation at the end of the year	208,008
Asset/(Liability) recognized in the balance sheet	(5,824,823)
<b>Change in the present value of defined benefit obligation are as follows:</b>	
<b>Present value of obligations at the beginning of year</b>	6,212,628
Current Service Cost	761,949
Interest cost	465,026
Actuarial (gain)/loss	(568,552)
Benefits paid	(838,220)
Present value of obligations as at the end of year	<b>6,032,831</b>
<b>Change in the fair value of plan assets are as follows:</b>	
Fair Value of Plan Assets at beginning of year	191,978
Expected return on plan assets	45,286
Actuarial gain/(loss)	(29,256)
Contributions	838,220
Benefits paid	(838,220)
Fair Value of Plan Assets at end of year	<b>208,008</b>

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

Discount Rate - 8.00%

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 2016 is Rs. 2,076,603.

**18.2.8 Prior Period Item**

Prior Period Item consists of Interest on late payment of TDS for the previous financial years and interest charged by Bank on overdue loan of Export Packing Credit from 2013.

**18.2.9 Provision for Doubtful Debts**

Amount realizable from Moschip, USA has to be received only out of sale proceeds of Inventory lying with the Wholly Owned Subsidiary. In view of the fact that Moschip, USA has written down the value of Inventory by Rs.4.00 Crores, the realizable value of the debt also had to be adjusted accordingly. Hence a provision of Rs.4.00 Crores has been made towards doubtful debts in standalone.

**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS**

However, in consolidated financials this provision is not reflected as it is in relation to the amount receivable from the Wholly Owned Subsidiary.

**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:

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

Had the Subsidiary followed the deprecation rates in line with that of parent company, depreciation for the year ended 31 March 2016 would have been higher by Rs.34,098/- and loss for the period would have been higher by Rs.34,098/-.

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

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

**Chandrashekhar Gokhale**  
Partner  
Membership No. 23839

**K. Ramachandra Reddy**  
Chairman & CEO

**Seetha Ramam Voleti**  
Director

Place Hyderabad  
Date 27 May 2016

**Kasinath Tumuluru**  
Chief Financial Officer

**Suresh Bachalakura**  
Company Secretary

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**CONSOLIDATED**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2016**

	31 March 2016 Rs.	31 March 2015 Rs.
<b>A. Cash Flow from Operating Activities</b>		
Net Profit Before Tax, Exceptional, Prior Period and Extraordinary Item	(114,563,261)	(46,393,673)
<b>Adjustments for:</b>		
Depreciation	1,782,305	4,015,841
Interest Income	(1,492,058)	(2,141,305)
Loss on Sale of Fixed Assets	98,799	0
Profit on sale of Current Investments	0	0
Provision for Retirement Benefits	321,230	(1,093,781)
Exchange differences on translation of foreign currency cash	-	0
<b>Operating Profit before changes in working capital</b>	<b>(113,852,986)</b>	<b>(45,612,918)</b>
Increase/(Decrease) in Secured Loans/Unsecured loans	92,482,709	35,570,200
(Increase)/Decrease in Sundry Debtors	(4,340,366)	23,805,088
(Increase)/Decrease in Inventories	20,380,037	(23,016,464)
(Increase)/Decrease in Loans and Advances	6,697,610	(4,029,273)
(Increase)/Decrease in Bank Guarantee Deposits with Bankers	(4,209,801)	(1,459,816)
Increase/(Decrease) in Current liabilities	6,650,712	12,599,392
<b>Cash from operations before Tax , Exceptional, Extra Ordinary and Prior Period items</b>	<b>3,807,916</b>	<b>(2,143,791)</b>
Income-taxes paid	0	0
<b>Cash from operations before Exceptional, Extra Ordinary and Prior Period items</b>	<b>3,807,916</b>	<b>(2,143,791)</b>
Exceptional Item	(98,799)	0
Extra ordinary and prior period item	4,723,733	0
Income from discontinuing operations	0	0
<b>Net cash from operating Activities [A]</b>	<b>(1,014,616)</b>	<b>(2,143,791)</b>
<b>B. Cash flow from Investing Activities:</b>		
Purchase of Fixed Assets	(294,951)	(77,166)
Sale proceeds of Fixed Assets	156,162	0
Interest received on Fixed Deposits	1,597,310	2,165,738
Purchase of Current Investments	0	0
Sale of Current Investments	0	0
Foreign currency translation adjustment for non-integral operation	(810,208)	(550,837)
<b>Net Cash used for Investing Activities [B]</b>	<b>648,313</b>	<b>1,537,735</b>
<b>C. Cash flow from Financing Activities:</b>		
Proceeds from Issue of Share Capital	0	0
Securities Premium	0	0
Convertible Warrants	0	0
<b>Net Cash from Financing Activities [C]</b>	<b>0</b>	<b>0</b>

**CONSOLIDATED**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2016**

	31 March 2016 Rs.	31 March 2015 Rs.
<b>D. Exchange differences on translation of foreign currency cash</b>	<u>0</u>	<u>0</u>
<b>Net Increase/(Decrease) in cash &amp; cash equivalents [A+B+C+D]</b>	<b>(366,303)</b>	<b>(606,056)</b>
Cash and Cash equivalents at the beginning of the year	<u>3,510,906</u>	<u>4,116,961</u>
<b>Cash and Cash equivalents at the end of the year</b>	<b><u>3,144,603</u></b>	<b><u>3,510,906</u></b>
<b>Supplementary Information</b>		
Cash and Cash Equivalents as per Balance Sheet	<b>18,658,584</b>	14,815,086
Less: Fixed Deposits towards Bank Guarantee considered as investments	<u>15,513,981</u>	<u>11,,304,180</u>
	<b><u>3,144,603</u></b>	<b><u>3,510,906</u></b>

Per and subject to our report of even date

For and on behalf of the Board of Directors

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

**Chandrashekhar Gokhale**  
Partner  
Membership No. 23839

**K. Ramachandra Reddy**  
Chairman & CEO

**Seetha Ramam Voleti**  
Director

Place Hyderabad  
Date 27 May 2016

**Kasinath Tumuluru**  
Chief Financial Officer

**Suresh Bachalakura**  
Company Secretary

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To

**The Members**

**Moschip Semiconductor Technology Limited**

**Report on the Standalone financial statements**

We have audited the accompanying Standalone financial statements of Mos Chip Semiconductor Technology Limited, the company which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Standalone financial statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these Standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these Standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Standalone financial statements are free from material misstatement.

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

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

**Opinion**

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

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order 2016 ('the order'), issued by the Central Government of India in terms of Subsection 11 of Section 143 of the Companies Act, 2013, we give in 'Annexure A', a statement on the matters specified in paragraphs 3 and 4 of the order to the extent applicable.
2. As required by Section 143 (3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

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- d) In our opinion, the aforesaid Standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - e) On the basis of the written representations received from the directors as on 31st March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in 'Annexure B'.
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company does not have any pending litigations which would impact its financial position.
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There were no amounts required to be transferred to the Investor Education and Protection Fund by the Company during the year.

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

**ChandrashekharGokhale**  
Partner  
Membership No 023839

Place: Hyderabad  
Date: 27 May 2016

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**Annexure A to the Auditors' report dated May 27, 2016 issued to the Members of Moschip Semiconductor Technology Limited**

As required by the Companies ( Auditor's Report ) Order, 2016 issued by the Central Government of India in terms of Sub-section (11) of section 143 of the Companies Act, 2013 (18 of 2013 ) and on the basis of such checks, as we considered appropriate, we further report that:

- i.
  - a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) The fixed assets have been physically verified by the management according to a phased programme designed to cover all assets on rotation basis. In respect of assets verified according to this programme, which is reasonable, no material discrepancies were noticed.
  - c) The company is not holding any immovable property and hence paragraph 3 (i) (c ) of the order is not applicable.
- ii. The company is a service company, primarily rendering software services. Accordingly it does not hold any physical inventories. Thus, paragraph 3(ii) of the order is not applicable to the company.
- iii. The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act.
- iv. In our opinion and according to the explanations given to us, the company has complied with the provisions of Sec.185 and 186 of the Act, with respect to the loans and investments made.
- v. The company has not accepted deposits from the public covered by the provisions of sections 73 to 76 of the Companies Act.
- vi. The Central government has not prescribed maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the company.

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- vii. a) The company has not been regular in depositing its undisputed statutory dues. However, as on the last day of the financial year there were no undisputed statutory dues including towards Provident Fund, ESI, Income-tax, Sales-tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other statutory dues outstanding for a period of more than six months from the date they became payable.
- b) As at the yearend there were no dues of income tax, sales tax, wealth tax, service tax or duty of customs or duty of excise, value added tax or cess which have not been deposited on account of any dispute.
- viii. The Export Packing Credit balance of Rs1,42,97,119 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.
- ix. The company has not taken any fresh term loans during the year. The Export Packing Credit obtained from UCO Bank in earlier years has been utilized for the intended purpose.
- x. On the basis of information and explanations given to us, no material fraud by the company or on the company by its officers or employees has been noticed or reported during the year.
- xi. According to information and explanations given to us and on the basis of our examination of the records of the company, the company has paid or provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act.
- xii. In our opinion according to the information and explanations given to us the company is not a nidhi company. Accordingly paragraph 3(xii) of the order is not applicable.
- xiii. According to information and explanations given to us and on the basis of our examination of the records of the company, transactions with related parties are in compliance with sections 177 and 188 of the act and details of such transactions have been disclosed in the Standalone financial statements as required by the applicable accounting standards.
- xiv. According to information and explanations given to us and on the basis of our examination of the records of the company, the company has not made any preferential allotment or private placement of share or fully or partially convertible debentures during the year.
- xv. According to information and explanations given to us and on the basis of our examination of the records of the company, the company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly paragraph 3(xv) of the order is not applicable.
- xvi. The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

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

**Chandrashekhar Gokhale**  
Partner  
Membership No 023839  
Date: 27 May 2016

#### **Annexure - B to the Auditors' Report**

##### **Report on the Internal Financial Controls over Financial Reporting in terms of Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act").**

We have audited the Internal Financial Controls over financial reporting of Moschip Semiconductor Technology Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

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

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

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**Auditors' Responsibility**

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

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

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

A company's internal financial controls over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

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

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of Internal Financial Control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For Gokhale & Co**

Chartered Accountants  
Firm Regn. No 000942S

**Chandrashekhar Gokhale**

Partner  
Membership No 023839  
Date: 27 May 2016



## BALANCE SHEET AS AT 31 MARCH 2016

PARTICULARS	Note No.	As at	
		31 March 2016	31 March 2015
		Rs.	Rs.
<b>I. EQUITY AND LIABILITIES</b>			
1. Shareholder's funds			
(a) Share Capital	1	92,071,034	92,071,034
(b) Reserves and Surplus	2	(303,110,624)	(191,274,804)
		(211,039,590)	(99,203,770)
<b>2. Non-current liabilities</b>			
(a) Long-term Provisions	3	7,901,426	7,576,101
		7,901,426	7,576,101
<b>3. Current Liabilities</b>			
(a) Short term borrowings	4	262,440,823	173,258,684
(b) Trade payables		25,416,443	27,886,418
(c) Short term provisions	5	93,303,220	45,927,271
		381,160,486	247,072,373
<b>TOTAL</b>		<b>178,022,322</b>	<b>155,444,704</b>
<b>II ASSETS</b>			
<b>1. Non-current assets</b>			
(a) Fixed assets	6		
(i) Tangible assets		2,005,808	3,163,596
(ii) Intangible assets		279,297	798,817
(b) Non-current investments	7	956,989	956,989
(c) Long-term loans and advances	8	4,316,500	4,316,500
(d) Other non-current assets		-	-
		7,558,594	9,235,902
<b>2. Current assets</b>			
(a) Inventories	9	44,904,498	28,195,671
(b) Trade receivables	10	84,395,960	76,967,527
(c) Cash and Cash equivalents	11	18,303,343	14,456,639
(d) Short-term loans and advances	12	22,855,927	26,588,965
		170,463,728	146,208,802
<b>TOTAL</b>		<b>178,022,322</b>	<b>155,444,704</b>
Significant accounting policies and notes to accounts	18		

Per and subject to our report of even date

For and on behalf of the Board of Directors

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

**Chandrashekhara Gokhale**  
Partner  
Membership No. 23839

Place Hyderabad  
Date 27 May 2016

**K. Ramachandra Reddy**  
Chairman & CEO

**Seetha Ramam Voleti**  
Director

**Kasinath Tumuluru**  
Chief Financial Officer

**Suresh Bachalakura**  
Company Secretary

**PROFIT AND LOSS STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2016**

PARTICULARS	Note No.	As at	
		31 March 2016 Rs.	31 March 2015 Rs.
I Revenue from operations	13	50,952,267	57,865,619
II Other Income	14	1,491,919	932,738
<b>III Total Revenue (I + II)</b>		<b>52,444,186</b>	<b>58,798,357</b>
IV Expenses			
Employee benefits expense	15	61,993,218	48,746,376
Finance Costs	16	29,466,425	21,267,196
Depreciation and amortization expense		1,764,834	3,999,521
Other expense	17	66,280,532	30,202,183
<b>Total Expense</b>		<b>159,505,010</b>	<b>104,215,276</b>
V Profit/(Loss) before exceptional and extraordinary items and tax (III-IV)		(107,060,824)	(45,416,919)
VI Exceptional Items		25,743	-
VII Profit/ (Loss) before extraordinary items and tax (V-VI)		(107,086,567)	(45,416,919)
VIII Extraordinary items		4,723,733	-
IX Profit/ (Loss) before tax (VII-VIII)		(111,810,300)	(45,416,919)
<b>X Tax expense:</b>			
(1) Current tax			-
(2) Deferred tax			-
<b>XI Profit/(Loss) for the period (XI + XIV)</b>		<b>(111,810,300)</b>	<b>(45,416,919)</b>
<b>XII Earnings per equity share:</b>			
Equity Share of face value Rs.2/- each			
(1) Basic		(2.43)	(0.99)
(2) Diluted		(2.43)	(0.99)
Significant accounting policies and notes to accounts	18		

Per and subject to our report of even date

For and on behalf of the Board of Directors

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

**Chandrashekhhar Gokhale**  
Partner  
Membership No. 23839

**K. Ramachandra Reddy**  
Chairman & CEO

**Seetha Ramam Voleti**  
Director

Place Hyderabad  
Date 27 May 2016

**Kasinath Tumuluru**  
Chief Financial Officer

**Suresh Bachalakura**  
Company Secretary

**NOTES FORMING PART OF  
BALANCE SHEET**

NOTES	As at 31 March 2016 Rs.	As at 31 March 2015 Rs.
<b>NOTE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Share Capital</b>	<u>555,000,000</u>	<u>555,000,000</u>
275,000,000 (Previous Year 275,000,000 @ Rs.2/- each) equity shares of Rs.2/- each		
<b>Issued share capital</b>		
47,750,589 ( Previous Year 47,750,589 @ Rs.2/- each) equity shares of Rs.2/- each	<u>95,501,178</u>	<u>95,501,178</u>
<b>Subscribed and fully paid share capital</b>		
46,035,517 (Previous Year 46,035,517 @ Rs.2/- each) equity shares of Rs.2/- each	<u>92,071,034</u>	<u>92,071,034</u>
<b>Shareholders having more than 5% of the shares with the number of shares &amp; Percentage</b>		
<b>Name of the Shareholder</b>	<b>2015-16</b>	<b>2014-15</b>
	<b>No. of Shares %</b>	<b>No. of Shares %</b>
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%
<b>TOTAL</b>	<u>92,071,034</u>	<u>92,071,034</u>
<b>NOTE - 2</b>		
<b>RESERVES AND SURPLUS:</b>		
<b>Capital Reserves:</b>		
State Govt Subsidy	1,250,000	1,250,000
Retained Earnings (Depreciation Reserve as per New Co. Act 2013)	(13,588,158)	(13,562,639)
<b>Forfeited Share Warrants:</b>		
Opening Balance	5,431,250	5,431,250
Additions	-	-
	5,431,250	5,431,250
<i>Surplus, showing allocations and appropriations such as dividend, Bonus Shares and transfer to / from reserves</i>		
Opening Balance	(184,393,415)	(1,173,894,552)
Add: Current Year Surplus	(111,810,300)	(45,416,919)
	(296,203,716)	(1,219,311,471)
Less: Reduction in losses under the scheme of Capital Reduction	-	1,034,918,056
<b>TOTAL</b>	<u>(303,110,624)</u>	<u>(191,274,804)</u>

**NOTES FORMING PART OF  
BALANCE SHEET**

NOTES	As at 31 March 2016 Rs.	As at 31 March 2015 Rs.
<b>NOTE - 3</b>		
<b>LONG TERM PROVISIONS:</b>		
Leave Encashment	2,076,603	1,555,451
Gratuity	5,824,823	6,020,650
<b>TOTAL</b>	<b>7,901,426</b>	<b>7,576,101</b>
<b>NOTE - 4</b>		
<b>SHORT TERM BORROWINGS</b>		
Loan from Bank (Packing Credit) (Export Packing Credit facility obtained from UCO Bank is secured by hypothecation by way of first charge on stocks of finished goods, raw materials, work in progress, stores and spares and book debts, and second charge in respect of other movable assets, and guaranteed by Chairman and managing Director) Terms of repayment is 180 days from the date of availment of loan	14,297,119	12,480,409
Loan From Directors (ICD)	80,000,000	-
<b>Loans and Advances from Related Parties - Unsecured</b>		
Loan From Directors	156,305,290	146,035,290
Moschip Semiconductor Technology, USA	11,838,414	14,742,985
<b>TOTAL</b>	<b>262,440,823</b>	<b>173,258,684</b>
<b>NOTE - 5</b>		
<b>SHORT TERM PROVISIONS</b>		
Provision for Expenses	4,347,009	2,171,507
TDS Payable	4,324,950	6,921,345
Service Tax Payable	837,512	3,017,523
Provision for Doubtful Debts	40,000,000	-
Interest Payable	31,726,078	19,905,426
Salaries Payable	5,953,811	9,101,229
Director Remuneration Payable	5,970,619	4,407,897
ESI, PT and PF Payable	143,241	402,344
<b>TOTAL</b>	<b>93,303,220</b>	<b>45,927,271</b>

**NOTES FORMING PART OF  
BALANCE SHEET**

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

S.No.	Description	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		Balance as at 01.04.2015	Additions during the Year	*Deletions during the Year	Balance as at 31.03.2016	For the Year	Addition(Del. eitions) during the Year	Balance as at 31.03.2016	Balance as at 31.03.2015
	<b>Tangible Assets</b>								
1	Computers	24,780,827	294,951	840,226	24,235,551	23,700,908	488,415	23,349,098	1,079,919
2	Electrical Installation	1,694,898	0	191,679	1,503,219	1,277,720	136,770	1,398,365	417,178
3	Plant and Machinery	1,483,349	0	39,650	1,443,699	1,413,076	17,537	1,397,228	70,273
4	Furniture and Fitting	3,921,287	0	228,328	3,692,959	3,573,746	131,311	3,482,187	347,541
5	Office Equipment	2,483,605	0	156,609	2,326,996	2,379,110	66,445	2,299,167	104,495
6	Vehicles	84,257	0	0	84,257	80,952	3,032	83,984	3,305
7	Lab Equipment	6,220,048	0	44,889	6,175,159	6,107,345	59,078	6,131,460	112,703
8	Leasehold Emprovements	2,190,947	0	0	2,190,947	1,162,763	342,728	1,505,491	1,028,184
	<b>TOTAL</b>	42,859,217	294,951	1,501,382	41,652,786	39,695,620	1,245,316	39,646,979	3,163,597
	<b>Intangible Assets</b>								
1	Software	62,349,317	0	0	62,349,317	60,550,501	519,519	62,070,020	798,816
	<b>TOTAL</b>	62,349,317	0	0	62,349,317	61,550,501	519,519	62,070,020	798,816
	<b>GRAND TOTAL</b>	105,208,534	294,951	1,501,382	104,002,103	101,246,121	1,764,835	101,716,999	3,962,413
	Previous Year	56,329,606	92,250	13,562,639	42,859,217	36,468,500	3,212,038	39,695,620	0

**NOTES FORMING PART OF  
BALANCE SHEET**

NOTES	As at 31 March 2016 Rs.	As at 31 March 2015 Rs.
<b>NOTE - 7</b>		
<b>NON CURRENT INVESTMENTS:</b>		
Investments		
Unquoted		
a) Wholly-owned Subsidiary:		
19,192,404 (Previous Year 19,192,404) shares of MosChip Semiconductor Technology USA (a company incorporated in USA)		
At Cost	956,989	956,989
<b>TOTAL</b>	<b>956,989</b>	<b>956,989</b>
<b>NOTE - 8</b>		
<b>LONG TERM LOANS &amp; ADVANCES - (Unsecured, Considered Good):</b>		
<b>Deposits</b>		
<b>Deposit - Government Authorities</b>		
Deposits -Telephone	29,400	29,400
<b>Deposits - Others</b>		
Deposits - Others	10,100	10,100
Deposits - Rent	1,482,000	1,482,000
<b>Other Loans &amp; Advances</b>		
Moschip Employees Trust	2,795,000	2,795,000
<b>TOTAL</b>	<b>4,316,500</b>	<b>4,316,500</b>
<b>NOTE - 9</b>		
<b>INVENTORIES</b>		
Work In Progress	44,908,498	28,195,671
<b>TOTAL</b>	<b>44,908,498</b>	<b>28,195,671</b>

**NOTES FORMING PART OF  
BALANCE SHEET**

NOTES	As at 31 March 2016 Rs.	As at 31 March 2015 Rs.
<b>NOTE - 10</b>		
<b>TRADE RECEIVABLES:</b>		
(Unsecured, Considered Good)		
Outstanding for a period exceeding six months	<b>36,037,550</b>	71,667,722
(Unsecured, Considered Good)		
Outstanding for a period exceeding six months	<b>40,000,000</b>	-
Others	<b>8,358,410</b>	5,299,805
<b>TOTAL</b>	<b>84,395,960</b>	76,967,527
<b>NOTE - 11</b>		
<b>CASH AND CASH EQUIVALENTS:</b>		
Cash on hand	<b>10,293</b>	16,881
Balance with Scheduled Banks		
- In Current accounts	<b>2,779,069</b>	3,135,579
- In fixed deposit accounts	<b>15,513,981</b>	11,304,180
(Rs.15,513,981 (Previous Year Rs.11,304,180/-) pledged towards margin on Bank Guarantee)		
<b>TOTAL</b>	<b>18,303,343</b>	14,456,639
<b>NOTE - 12</b>		
<b>SHORT TERM LOANS &amp; ADVANCES:</b>		
<b>Other Loans &amp; Advances - (Unsecured , Considered Good)</b>		
Prepaid Expenses	<b>2,151,931</b>	10,902,735
Service Tax Input Credit	<b>4,002,262</b>	3,877,309
Interest Accrued but not due	<b>298,860</b>	404,112
Prepaid Income Tax - TDS	<b>15,224,990</b>	11,216,362
Advance to Employees	<b>145,707</b>	-
Other Advances	<b>1,032,177</b>	188,448
<b>TOTAL</b>	<b>22,855,927</b>	26,588,965

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

NOTES	As at 31 March 2016 Rs.	As at 31 March 2015 Rs.
<b>NOTE - 13</b>		
<b>REVENUE FROM OPERATIONS:</b>		
Software Services	50,952,267	57,865,619
<b>TOTAL</b>	<b>50,952,267</b>	<b>57,865,619</b>
<b>NOTE - 14</b>		
<b>OTHER INCOME:</b>		
Interest Earned (Gross)	1,491,919	932,738
<b>TOTAL</b>	<b>1,491,919</b>	<b>932,738</b>
<b>NOTE - 15</b>		
<b>EMPLOYEE BENEFITS EXPENSES:</b>		
Salaries and Other Allowances to Employees	53,503,930	39,753,408
Contribution to PF, ESI & Gratuity	2,371,777	2,564,504
Directors Remuneration	3,900,000	4,800,000
Staff Welfare Expenses	2,217,511	1,628,464
<b>TOTAL</b>	<b>61,993,218</b>	<b>48,746,376</b>



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

NOTES	As at 31 March 2016 Rs.	As at 31 March 2015 Rs.
<b>NOTE - 16</b>		
<b>FINANCE COST:</b>		
Interest on Packing Credit	2,354,597	1,702,018
Interest on loan from Directors	25,957,149	19,327,540
Interest on ICD	843,088	-
Bank Charges	311,591	237,638
<b>TOTAL</b>	<b>29,466,425</b>	<b>21,267,196</b>
<b>NOTE - 17</b>		
<b>OTHER EXPENSES:</b>		
Rent	4,907,606	4,782,169
Electricity Charges	1,747,580	1,711,898
Consumables	347,155	22,655
Software Charges	10,365,806	15,188,428
Communication Expenses	267,411	262,273
Directors Sitting Fee	264,000	210,000
Printing and Stationery	93,171	73,498
Postage, Telegrams and Telephones	679,284	480,142
Fees, Rates and Taxes	789,811	101,785
Repairs and Maintenance	118,526	402,689
Travelling and Conveyance	1,823,841	817,983
Advertisement Expenses	152,452	174,444
Payment to Auditors	211,000	273,500
Insurance	668,436	1,169,092
Professional charges	1,244,978	1,615,698
Recruitment Expenses	203,935	197,832
General Expenses	4,387,597	4,159,713
Provision for Doubtful Debts	40,000,000	-
Realised Loss/(Gain) on Forex Fluctuation	(23,343)	(13,704)
Unrealised Loss/(Gain) on Forex Fluctuation	(1,968,714)	(1,427,912)
<b>TOTAL</b>	<b>66,280,532</b>	<b>30,202,183</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

### Notes to the Financial Statements for the year ended 31 March 2016

#### 18: Significant accounting policies and notes on accounts

##### Company overview

MosChip Semiconductor Technology Limited (and reduced) ("MosChip" or "the Company") is a fabless semiconductor company engaged in providing customized Services in application specific integrated circuits (ASICs), System on Chip (SOC) and Software technology services to its clients across the globe. MosChip has its headquarters in Hyderabad, India

#### 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, 2013. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used during the previous year.

##### 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 provided as per Schedule II of the Companies Act, 2013.

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.

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.

**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.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

### 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	
	2016	2015
Estimated amount of unexecuted capital contracts not provided	Nil	Nil
Outstanding Bank Guarantee given by bankers	12,896,415	11,304,179
Outstanding Bank Guarantee on account of Bond executed by the Company to Government of India towards execution of Govt. contracts	96,454,145	96,454,145

### 18.2.2 Accounting for taxes on income

During the period under review, the Company carried its operations in India, registered with the Software Technology Parks of India (STPI), Hyderabad. The operations of the STPI Unit have resulted in a net loss for the year ended 31 March 2016. 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 unsecured loans from Directors an amount of Rs.4.81 crores and the outstanding as on 31.03.2016 is Rs. 15.63 crores at varying interest rates payable. The provision for the same has been made in these accounts in the financial year ending 31st March 2016.

Similarly the company has also obtained interest bearing Inter Corporate Deposit of Rs.8.00 crores at the rate of 12% interest. The provision for the same has been made in these accounts in the financial year ending 31st March 2016.

### 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**

YEAR ENDED 31 MARCH 2016	MOSCHIP STOCK OPTION PLAN								
	Emp. Stock Option Plan	2001	2002	2004	2005 MI	2005 WOS	2008	2008 (ALR)	2008 (DIR)
Options Outstanding at the beginning of the Year	9,000	35,000	31,000	0	4,000	0	129,612	50,424	0
Granted during the year	0	0	0	0	400,000	0	2,146,000	0	0
Forfeited during the year	9,000	35,000	31,000	0	4,000	0	293,612	50,424	0
Exercised during the year	0	0	0	0	0	0	0	0	0
Outstanding at the end of the year	0	0	0	0	400,000	0	1,982,000	0	0

**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:

	Year ended 31 March 2016	Year ended 31 March 2015
<b>BASIC EARNINGS/(LOSS) PER SHARE</b>		
Net Profit/(Loss) for the period before exceptional ,extraordinary, prior period item and discontinuing operations	<b>(67,060,824)</b>	(45,416,919)
Net Profit/(Loss) for the period after exceptional ,extraordinary, prior period item and discontinuing operations	<b>(71,810,300)</b>	(45,416,919)
Weighted average number of equity shares	<b>46,035,517</b>	46,035,517
EPS before extraordinary item	<b>(1.46)</b>	(0.99)
EPS after extraordinary item	<b>(1.56)</b>	(0.99)
<b>DILUTED EARNINGS/(LOSS) PER SHARE</b>		
Net Profit/(Loss) for the period before exceptional ,extraordinary, prior period item and discontinuing operations	<b>(67,060,824)</b>	(45,416,919)
Net Profit/(Loss) for the period after exceptional ,extraordinary, prior period item and discontinuing operations	<b>(71,810,300)</b>	(45,416,919)
Adjustments	<b>Nil</b>	Nil
Diluted Net Profit/(Loss) for the period before exceptional ,extraordinary, prior period item and discontinuing operations	<b>(67,060,824)</b>	(45,416,919)
Diluted Net Profit/(Loss) for the period after exceptional ,extraordinary, prior period item and discontinuing operations	<b>(71,810,300)</b>	(45,416,919)
Weighted average number of equity shares	<b>46,035,517</b>	46,035,517
Diluted Potential weighted average number of equity shares	<b>Nil</b>	Nil
Weighted average number of diluted equity shares	<b>46,035,517</b>	46,035,517
EPS before extraordinary item	<b>(1.46)</b>	(0.99)
EPS after extraordinary item	<b>(1.56)</b>	(0.99)

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

### 18.2.6. Directors' Remuneration:

(Amounts in Rupees)

	Year ended 31 March 2016	Year ended 31 March 2015
1. Salary and allowances	3,900,000	4,800,000
2. No Provision for Commission to Whole Time Directors has been made in the books, as there is no profit in accordance with Section 198 of the Companies Act, 1956.		

### 18.2.7. Related Party disclosures

#### A. List of Related Parties

Description of Relationship	Name of Related Parties	Designation
Subsidiaries	MosChip Semiconductor Technology, USA.	
Whole-time Directors	K. Ramachandra Reddy	Chairman & CEO
	C. Dayakar Reddy	Managing Director
<b>Key Management Personnel</b>	Kasinath Tumuluru	Chief Financial Officer
	Suresh Bachalakura	Company Secretary

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

(Amounts in Rupees)

Nature of Transaction	Transactions during the year	Balance as on 31 March 2016
<b>Transactions with Subsidiary</b>		
Reimbursement of expenses / Payable	144,177	51,812
Reimbursement of expenses / Receivable	105,031	374,638
Advance for sales/ Payable	0	11,838,414
Sales / Receivable	6,137,934	74,326,547
<b>Transactions with whole time directors</b>		
Remuneration to Chairman & CEO	2,400,000	3,203,427
Remuneration to Managing Director	1,500,000	2,767,192
Loan from Directors	10,270,000	156,305,290
Interest Payable on Directors Loan	11,116,433	31,021,859
<b>Transactions with Key Management Personnel</b>		
Remuneration to Key Management Personnel	2,100,000	186,173
Stock Options Granter/Outstanding to Key Management Personnel	220,000	220,000

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## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

### 18.2.8. Additional information as required under Schedule III of the Companies Act, 2013:

(Amounts in Rupees)

	Particulars	Year ended 31 March 2016	Year ended 31 March 2015
A.	<b>C I F Value of Imports :</b>	Rs.	Rs.
	Capital Goods	0	0
	Material purchase	0	0
B.	<b>Expenditure in Foreign currency</b>		
	Software Charges	10,256,521	14,983,170
	Traveling Expenses	0	0
	Professional Charges	0	0
	Consumables	4,989,709	0
	Other Expenses	0	0
C.	<b>Earnings in Foreign Exchange</b>		
	Sales Revenue	6,137,934	3,083,842

### 18.2.9 Segment Reporting

The Company recognizes design services as its only primary segment since its operations during the year consists of Services in application specific integrated circuits (ASICs), System on Chip (SOC) and Software technology services. Accordingly revenues from services 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 2016	Year ended 31 March 2015
	Rs.	Rs.
<b>Revenue</b>		
Sales to external customers	50,952,267	57,865,619
<b>Segment Profit / (loss)</b>	(68,552,743)	(46,349,657)
Other Income	1,491,919	932,738
Profit / (loss) before Tax	(67,060,824)	(45,416,919)
Fringe Benefit Tax	0	0
Exceptional Item	25,743	0
Profit / (loss) after Tax before Extraordinary and Prior Period Item	(67,086,567)	(45,416,919)
Extraordinary items and Profit/(loss) on discontinuing operations	4,723,733	0
Net profit/(loss)	(71,810,300)	(45,416,919)
<b>Other Segment Information</b>		
Depreciation	1,764,835	3,999,521
Non-cash expenses other than depreciation	0	0
<b>Particulars of Segment Assets and Liabilities</b>		
Segment Assets	113,853,492	111,835,405
Investments	956,989	956,989
Inventories	44,908,498	28,195,671
Cash and Bank Deposits	18,303,343	14,456,639
Other Assets	0	0
Total Assets	178,022,322	155,444,704
Segment Liabilities	349,061,912	254,648,474
Total Liabilities	349,061,912	252,648,474

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

### b) Geographic Segment Information:

(Amounts in Rupees)

Particulars	Year ended 31 March 2016	Year ended 31 March 2015
	Rs.	Rs.
<b>Revenue</b>		
North America	6,137,934	30,83,842
Singapore		
Others	44,814,333	54,781,777
<b>Carrying amount of segment fixed assets</b>		
India	104,002,103	105,208,534
<b>Additions to fixed assets</b>		
North America	294,951	92,250
	Nil	Nil

### 18.2.10 Amounts paid/payable to Auditors:

(Amounts in Rupees)

	Year ended March 2016	Year ended 31 March 2015
	Rs.	Rs.
For Statutory Audit	125,000	125,000
For Tax Audit	50,000	50,000
For Other Services	36,000	98,500
<b>Total</b>	<b>211,000</b>	<b>273,500</b>

### 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:

Particulars	Year ended 31 March 2016
	Rs.
<b>Gratuity cost for the period</b>	
Current Service Cost	761,949
Interest cost on defined benefit obligation	465,026
Expected Return on Plan Assets	(45,286)
Net Actuarial losses/(gain) recognised in year	(539,296)
<b>Net Gratuity cost</b>	<b>642,393</b>
<b>Balance Sheet</b>	
Reconciliation of present value of the obligation and the fair value of plan assets	
Fair Value of Plan Assets at the end of the year	191,978
Present Value of the funded obligation at the end of the year	208,008
Asset/(Liability) recognized in the balance sheet	(5,824,823)
<b>Change in the present value of defined benefit obligation are as follows:</b>	
<b>Present value of obligations at the beginning of year</b>	<b>6,212,628</b>
Current Service Cost	761,949
Interest cost	465,026
Actuarial (gain)/loss	(568,552)
Benefits paid	(838,220)
<b>Present value of obligations as at the end of year</b>	<b>6,032,831</b>
<b>Change in the fair value of plan assets are as follows:</b>	
Fair Value of Plan Assets at beginning of year	191,978
Expected return on plan assets	45,286
Actuarial gain/(loss)	(29,256)
Contributions	838,220
Benefits paid	(838,220)
Fair Value of Plan Assets at end of year	<b>208,008</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

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

Discount Rate - 8.00%

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 2016 is Rs. 2,076,603.

### 18.2.12 Prior Period Item

Prior Period Item consists of Interest on late payment of TDS for the previous financial years and interest charged by Bank on overdue loan of Export Packing Credit from 2013.

### 18.2.13 Provision for Doubtful Debts

Amount realizable from Moschip, USA has to be received only out of sale proceeds of Inventory lying with the Wholly Owned Subsidiary. In view of the fact that Moschip, USA has written down the value of Inventory by Rs.4.00 Crores, the realizable value of the debt also had to be adjusted accordingly. Hence a provision of Rs.4.00 Crores has been made towards doubtful debts.

### 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

**Per and subject to our report of even date**

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

**Chandrashekhhar Gokhale**  
Partner  
Membership No. 23839

Place Hyderabad  
Date 27 May 2016

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

**K. Ramachandra Reddy**  
Chairman & CEO

**Setha Ramam Voleti**  
Director

**Kasinath Tumuluru**  
Chief Financial Officer

**Suresh Bachalakura**  
Company Secretary



**STATEMENT PURSUANT TO SECTION 129 OF  
THE COMPANIES ACT, 2013 RELATING TO SUBSIDIARY COMPANY**

1	Name of subsidiary	:	MosChip Semiconductor Technology, USA
2	Financial year ended	:	Year ended 31 March 2016
3	Holding Company's Interest	:	100%
4	Shares held by the holding company In the subsidiary's common stock	:	19,192,404 shares
5	The net aggregate of profits(losses) For the current financial year of the Subsidiary so far as it concerns the Members of the holding company		
	a. dealt with or provided for in the Accounts of the holding company	:	Nil
	b. not dealt with or provided for in the Accounts of the holding company	:	US \$ (719,062.24)
6	The net aggregate of profits or losses for the previous financial years of the Subsidiary so far as it concerns the Members of the holding company		
	a. dealt with or provided for in the Accounts of the holding company	:	NA
	b. not dealt with or provided for in the Accounts of the holding company	:	US \$ (3,973,373.11)

As on 31.03.2016

**Per and subject to our report of even date**

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

**Chandrashekhhar Gokhale**  
Partner  
Membership No. 23839

Place Hyderabad  
Date 27 May 2016

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

**K. Ramachandra Reddy**  
Chairman & CEO

**Setha Ramam Voleti**  
Director

**Kasinath Tumuluru**  
Chief Financial Officer

**Suresh Bachalakura**  
Company Secretary

**CASH FLOW STATEMENT FOR THE  
YEAR ENDED 31 MARCH 2016**

	31 March 2016 Rs.	31 March 2015 Rs.
<b>A. Cash Flow from Operating Activities</b>		
Net Profit Before Tax, Exceptional, Prior Period and Extraordinary Item	(107,060,824)	(45,416,919)
Depreciation	1,764,834	3,999,521
Interest Income	(1,491,919)	(932,738)
Profit on sale of Investments	0	0
Provision for Retirement Benefits	325,325	(1,042,937)
Exchange differences on translation of foreign currency cash	-	0
<b>Operating Profit before changes in working capital</b>	<b>(106,462,583)</b>	<b>(43,393,073)</b>
Increase/(Decrease) in Secured/Unsecured loans	92,086,709	35,322,200
(Increase)/Decrease in Inventory	(16,712,827)	(21,987,585)
(Increase)/Decrease in Sundry Debtors	(7,428,433)	21,978,816
(Increase)/Decrease in Investment	0	0
(Increase)/Decrease in Loans and Advances	3,733,038	(3,850,355)
(Increase)/Decrease in Bank Guarantee Deposits with Bankers	(4,209,801)	(1,459,816)
Increase/(Decrease) in Current Liabilities	42,001,403	12,076,340
<b>Cash from operations before Tax, Exceptional, Extra Ordinary and Prior Period items</b>	<b>3,007,507</b>	<b>(1,313,473)</b>
Income-taxes paid	0	0
<b>Cash from operations before Exceptional, Extra Ordinary and Prior Period items</b>	<b>(3,007,507)</b>	<b>(1,313,473)</b>
Exceptional Item	0	0
Extra ordinary and prior period item	(4,723,733)	0
Income from discontinuing operations	0	0
<b>Net Cash from Operating Activities [A]</b>	<b>(1,716,226)</b>	<b>(1,313,473)</b>
<b>B. Cash flow from Investing Activities:</b>		
Purchase of Fixed Assets	(294,951)	(77,167)
Sale proceeds of Fixed Assets	156,162	0
Interest received on Fixed Deposits	1,491,919	932,738
Purchase of Current Investments	0	0
Sale of Current Investments	0	0
<b>Net Cash used for Investing Activities [B]</b>	<b>1,353,130</b>	<b>855,571</b>
<b>C. Cash flow from Financing Activities:</b>		
Proceeds from Issue of Share Capital	0	0
Share Application money refund	0	0
Convertible Warrants	0	0
<b>Net Cash from Financing Activities [C]</b>	<b>0</b>	<b>0</b>

**CASH FLOW STATEMENT FOR THE  
YEAR ENDED 31 MARCH 2016**

	31 March 2016 Rs.	31 March 2015 Rs.
<b>D. Exchange differences on translation of foreign currency cash</b>	<b>0</b>	<b>0</b>
<b>Net Increase/(Decrease) in cash &amp; cash equivalents [A+B+C+D]</b>	<b>(363,097)</b>	<b>(457,902)</b>
Cash and Cash equivalents at the beginning of the year	<b>3,152,460</b>	3,610,362
Cash and Cash equivalents at the end of the year	<b>2,789,363</b>	<b>3,152,460</b>
Supplementary Information		
Cash and Cash Equivalents as per Balance Sheet	<b>18,303,343</b>	14,456,639
Less: Fixed Deposits towards Bank Guarantee considered as investments Sale of Current Investments	<b>15,513,980</b>	11,304,179
	<b>2,789,363</b>	<b>3,152,460</b>

Per and subject to our report of even date

For and on behalf of the Board of Directors

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

**Chandrashekhhar Gokhale**  
Partner  
Membership No. 23839

**K. Ramachandra Reddy**  
Chairman & CEO

**Seetha Ramam Voleti**  
Director

Place Hyderabad  
Date 27 May 2016

**Kasinath Tumuluru**  
Chief Financial Officer

**Suresh Bachalakura**  
Company Secretary

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Seventeenth Annual General Meeting of MosChip Semiconductor Technology Limited will be held on Friday, the 30th September 2016 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 financial statements (standalone and consolidated) of the Company for the year ended March 31, 2016, including the audited Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date, along with the reports of the Board of Directors and Auditors thereon.**

“RESOLVED THAT the audited Financial Statements of the Company for the year ended March 31, 2016 together with the reports of the Auditors and Directors thereon and the Audited Consolidated and Standalone Financial Statements of the Company for the year ended March 31, 2016 be and are hereby received, considered, approved and adopted.”

2. **To appoint a Director in place of Mr. K.Ramachandra Reddy (DIN - 00042172), who retires by rotation and being eligible offers himself for re-appointment.**

“RESOLVED THAT Mr. K.Ramachandra Reddy (DIN - 00042172), who retires by rotation in accordance with section 152 of the Companies Act, 2013 be and is hereby re-appointed as a director liable to retire by rotation.”

3. **Ratification of Appointment of Auditors**

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

"RESOLVED THAT pursuant to the provisions of section 139, 142 and all other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed there under, as amended from time to time, pursuant to the recommendations of the audit committee of the Board pursuant to the recommendations of the audit committee of the Board of Directors, and pursuant to the resolution passed by the members at the AGM held on September 11, 2014, the appointment of M/s. Gokhale & Co., Chartered Accountants (Firm Registration No. 000942S) as Statutory Auditors of the Company to hold office till the conclusion of the next AGM be and is hereby ratified and that the Board of Directors be and is hereby authorized to fix the remuneration payable to them for the financial year ending March 31, 2017, as may be determined by the audit committee in consultation with the auditors, and that such remuneration may be paid on a progressive billing basis as may be agreed upon between the auditors and the Board of Directors.

### Special Business:

4. **Appointment of Mr. Damodar Rao Gummadapu (DIN - 07027779) as a Director**

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

“RESOLVED THAT pursuant to the provisions of Section 149, 152 and any other applicable provisions of the Companies Act, 2013 ("Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactments thereof for the time being in force) and Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Mr. Damodar Rao Gummadapu (DIN - 07027779), who was appointed as an Additional Director of the Company by the Board of Directors at its meeting held on April 12, 2016, in terms of Section 161(1) of the Act and Article 164 of the Articles of Association of the Company and whose term of office expires at this Annual General Meeting('AGM') and in respect of whom the Company has received a notice in writing from him along with the deposit of requisite amount under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation”.

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

5. **Appointment of Mr. Seetha Ramam Voleti (DIN - 07332440) as a Director**

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

“RESOLVED THAT pursuant to the provisions of Section 149, 152 and any other applicable provisions of the Companies Act, 2013 ("Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactments thereof for the time being in force) and Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Mr.

## NOTICE OF ANNUAL GENERAL MEETING

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Seetha Ramam Voleti (DIN - 07332440), who was appointed as an Additional Director of the Company by the Board of Directors at its meeting held on April 12, 2016, in terms of Section 161(1) of the Act and Article 164 of the Articles of Association of the Company and whose term of office expires at this Annual General Meeting ('AGM') and in respect of whom the Company has received a notice in writing from him along with the deposit of requisite amount under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation".

"**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to do all such acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

**6. Appointment of Mr. Seetha Ramam Voleti (DIN - 07332440) as Whole-time Director & Chief Financial Officer**

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

"**RESOLVED THAT** pursuant to the provisions of Sections 196, 197 and 203 and any other applicable provisions of the Companies Act, 2013 ("the Act") and the rules made there under, including the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule V to the Act and the Articles of Association of the Company and subject to such other approvals as may be necessary, consent of the members be and is hereby accorded to the appointment of Mr. Seetha Ramam Voleti (DIN - 07332440) as Whole-time Director & Chief Financial Officer (CFO) of the Company for a period of 5 years whose office is liable to retire by rotation and upon the following terms and conditions, including remuneration and perquisites, as approved by the Board of Directors, with liberty to the Board of Directors from time to time to alter the said terms and conditions, in such manner as may be agreed to between the Board and Mr. Seetha Ramam Voleti and as may be permissible at law:

**A) Period**

Five years w.e.f. September 01, 2016 to August 31, 2021, with the liberty to either party to terminate the appointment on three months' notice in writing to the other.

**B) Remuneration**

Basic Salary of Rs. 21.50,000/- (Rupees Twenty one Lakhs and Fifty thousand only) per annum by way of Salary, Dearness Allowance and any other allowances and perquisites with annual or mid-term increments as approved by the Board/Committee of the Board.

**Commission**

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

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

The aggregate of the remuneration and perquisites in any financial year, shall not exceed the limit set out under Sections 197 and 198 read with Schedule V and other applicable provisions of the Companies Act, 2013 or any statutory modifications or re-enactments thereof for the time being in force, or otherwise as may be permissible at law.

Provided that where, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay the above salary and allowances and provide the perquisites and other amenities as aforesaid to Mr. Seetha Ramam Voleti as and by way of minimum remuneration, subject to the applicable provisions of Schedule V of the Act and the approval of the Central Government, if required, or any other approvals as may be required under law.

"**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to do all such acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

**7. Delivery of documents through a particular mode of delivery to a member**

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

## NOTICE OF ANNUAL GENERAL MEETING

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**“RESOLVED THAT** pursuant to provisions of Section 20 of the Companies Act, 2013 and other applicable provisions, if any, of the said Act and relevant rules prescribed thereunder, whereby a document may be served on any member by the Company by sending it to him by post or by registered post or by speed post or by courier or by delivery to his office address or by such electronic or other mode as may be prescribed, the consent of the Company be and is hereby accorded to charge from the member in advance equivalent to the estimated actual expenses of delivery of the documents pursuant to any request made by the shareholder for delivery of such document to him through a particular mode of services mentioned above provided such request along with the requisite fee has been duly received by the Company at least one week advance of the dispatch of the document by the Company and that no such request shall be entertained by the Company to post the dispatch of such document by the Company to the shareholder.”

**“RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

**8. Approval of the limits for the Loans, Guarantee, Security and Investment by the Company in terms of the provisions Section 186 of the Companies Act, 2013**

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

**“RESOLVED THAT** pursuant to the provisions of Section 186 of the Companies Act, 2013, read with The Companies (Meetings of Board and its Powers) Rules, 2014 as amended from time to time (including any amendment thereto or re-enactment thereof for the time being in force), if any, the approval of the members of the Company be and is hereby accorded to the Board to (a) give any loan to any Body corporate(s) / person (s); (b) give any guarantee or provide security in connection with a loan to any Body corporate(s) / person (s); and (c) acquire by way of subscription, purchase or otherwise, securities of any Body corporate from time to time in one or more tranches as the Board of Directors as in their absolute discretion deem beneficial and in the interest of the Company, for an amount not exceeding INR 1,000,000,000 (Indian Rupees One billion only) outstanding at any time notwithstanding that such investments, outstanding loans given or to be given and guarantees and security provided are in excess of the limits prescribed under Section 186 of the Companies Act, 2013”.

**“RESOLVED FURTHER THAT** in case of divestment of the investment, the Directors of the Company be and are hereby authorized to sign the necessary applications, papers, forms, documents etc. for effective implementation of decision of divestment taken by the Company from time to time”.

**“RESOLVED FURTHER THAT** for the purpose of giving effect to the above, Board of Directors of the Company and/or any person authorized by the Board from time to time be and is hereby empowered and authorised to take such steps as may be necessary for obtaining approvals, statutory 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.”

**By Order of the Board of Directors**

**Hyderabad  
31st August 2016**

**Suresh Bachalakura  
Company Secretary**

**NOTES:**

1. The Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 in respect of the Special Business under Item Nos. 4 to 8 of the Notice, is annexed hereto. The relevant details as required under Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), of the person seeking re-appointment as Director under Item No. 2, 4, 5 and 6 of the Notice, are annexed.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of him and such proxy need not be a member of the company. Proxies in order to be effective must be received by the company not less than 48 hours before the commencement of the meeting.

A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or member.

**NOTICE OF ANNUAL GENERAL MEETING**

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3. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
4. During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged with the Company, at any time during the business hours of the Company, provided that not less than three days of notice in writing is given to the Company
5. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
6. The Register of Members and Share Transfer Books of the company will remain closed from 23-09-2016 to 30-09-2016 (both days inclusive).
7. To avoid inconvenience to members and to facilitate smooth conduct of the meeting, entry to the place of meeting will be only for members / proxies and is regulated by the attendance slip appended to the proxy form. Members are requested to affix their signature on it and hand it over at the entrance.
8. In case of joint holders attending the AGM, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote.
9. 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.
10. 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.
11. 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.

The Securities and Exchange Board of India has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their depository participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to M/s Karvy Computershare Pvt. Ltd.
12. 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.
13. Members are requested to carry their copies of Annual Report as these will not be supplied at the meeting.
14. 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.
15. Electronic copy of the Notice of the 17th 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 17th 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.
16. Pursuant to Section 108 of Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014, as substituted by the Companies (Management and Administration) Amendment Rules, 2015 and the Regulation 44 of the SEBI (LODR) Regulations, 2015 the Company is pleased to provide members' facility to exercise their right to vote at the 17th Annual General Meeting ("AGM") by electronic means and the business may be transacted through e-voting services provided by Karvy Computershare Private Limited ("Karvy").
17. The facility for voting through electronic voting system ('Insta Poll') shall be made available at the Meeting and the members attending the Meeting who have not cast their vote by remote e-voting shall be able to vote at the Meeting through 'Insta Poll'.
18. It may be noted that this e-voting facility is optional. The e-voting facility will be available at the link



## NOTICE OF ANNUAL GENERAL MEETING

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<http://evoting.karvy.com>. Shareholders can cast their vote online from 9.00 a.m. (IST) on 27th September, 2016 to 5.00 p.m. (IST) on 29th September, 2016. During the period, shareholders of the company holding shares either in dematerialized or physical form as on the cut-off date of 23rd September 2016, may cast their vote electronically.

19. 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.
20. The Company has appointed Mr. CS Navajyoth Puttaparthi, practicing Company Secretary as Scrutinizer for conducting the remote e-voting and Insta Poll process for the Annual General Meeting in a fair and transparent manner.
21. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date, i.e. 23rd September, 2016 only shall be entitled to avail the facility of remote e-voting / Ballot.
22. The facility for voting, through ballot or polling paper is available at the meeting and members attending the meeting who have not already cast vote by remote e-voting shall be able to exercise their rights at the meeting.
23. The members who have cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.
24. Any person who becomes a member of the Company after dispatch of the Notice of the Meeting and holding shares as on the cut-off date i.e. 23rd September, 2016, may obtain the User ID and password in the manner as mentioned below:
  - a. If the mobile number of the member is registered against Folio No. / DP ID Client ID, the member may send SMS : MYEPWD <space> E-Voting Event Number+Folio No. or DP ID Client ID to 9212993399
 

Example for NSDL:  
MYEPWD <SPACE> IN12345612345678

Example for CDSL:  
MYEPWD <SPACE> 1402345612345678

Example for Physical:  
MYEPWD <SPACE> XXXX1234567890
  - b. If e-mail address or mobile number of the member is registered against Folio No. / DP ID Client ID, then on the home page of <https://evoting.karvy.com>, the member may click "Forgot Password" and enter Folio No. or DP ID Client ID and PAN to generate a password.
  - c. Member may call Karvy's toll free number 1-800-3454-001
  - d. Member may send an e-mail request to [evoting.msctl@karvy.com](mailto:evoting.msctl@karvy.com).  
If the member is already registered with Karvy e-voting platform then he can use his existing User ID and password for casting the vote through remote e-voting.

1. The remote e-voting facility will be available during the following period:  
Commencement of remote e-voting: From 9.00 a.m. (IST) on 27th September, 2016  
End of remote e-voting: Up to 5.00 p.m. (IST) on 29th September, 2016  
The remote e-voting will not be allowed beyond the aforesaid date and time and the e-voting module shall be disabled by Karvy upon expiry of aforesaid period.
2. The Scrutinizer shall, immediately after the conclusion of voting at the AGM, count the votes cast at the AGM, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and make, not later than 48 hours of conclusion of the AGM, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing who shall countersign the same. The result declared along with the Scrutinizer's Report shall be placed on the Company's website [www.moschip.com](http://www.moschip.com) immediately. The Company shall simultaneously forward the results to the Bombay Stock Exchange. The results declared



## NOTICE OF ANNUAL GENERAL MEETING

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along with the consolidated scrutinizer's report shall also be placed on the website of Karvy <https://evoting.karvy.com>.

3. Subject to receipt of requisite number of votes, the Resolutions shall be deemed to be passed on the date of the Meeting, i.e. September 30, 2016.
  4. Instructions and other information relating to remote e-voting:
    1. (i) In case a member receives an e-mail from Karvy [for members whose e-mail addresses are registered with the Company / Depository Participant(s)]:
      - (a) Launch internet browser by typing the URL: <https://evoting.karvy.com>
      - (b) Enter the login credentials (i.e. User ID and password) which will be sent separately. The E-Voting Event Number+Folio No. or DP ID Client ID will be your User ID.  
However, if you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote. If required, please visit <https://evoting.karvy.com> or **contact toll free number 1-800-3454-001** for your existing password.
      - (c) After entering these details appropriately, click on "LOGIN".
      - (d) You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric (0-9) and a special character (@, #, \$, etc.). The system will prompt you to change your password and update your contact details like mobile number, email address, etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.
      - (e) You need to login again with the new credentials.
      - (f) On successful login, the system will prompt you to select the E-Voting Event Number for MosChip Semiconductor Technology Limited.
      - (g) On the voting page enter the number of shares (which represents the number of votes) as on the cut-off date under "FOR/AGAINST" or alternatively, you may partially enter any number in "FOR" and partially in "AGAINST" but the total number in "FOR/ AGAINST" taken together should not exceed your total shareholding as on the cutoff date. You may also choose the option "ABSTAIN" and the shares held will not be counted under either head.
      - (h) Members holding shares under multiple folios / demat accounts shall choose the voting process separately for each of the folios / demat accounts.
      - (i) Voting has to be done for each item of the Notice separately. In case you do not desire to cast your vote on any specific item it will be treated as abstained.
      - (j) You may then cast your vote by selecting an appropriate option and click on "Submit".
      - (k) A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, members can login any number of times till they have voted on the Resolution(s).
      - (l) Corporate / Institutional Members (i.e. other than Individuals, HUF, NRI, etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution / Power of Attorney / Authority Letter, etc., together with attested specimen signature(s) of the duly authorized representative(s), to the Scrutinizer at e-mail ID: [csnavijyoth@gmail.com](mailto:csnavijyoth@gmail.com). They may also upload the same in the e-voting module in their login. The scanned image of the above mentioned documents should be in the naming format "CorporateName\_EVENT NO."
    - (ii) In case a member receives physical copy of the Notice by Post [for members whose e-mail addresses are not registered with the Company / Depository Participant(s)]:
      - a) User ID and initial password - These will be sent separately.
      - b) Please follow all steps from Sr. No. (a) to (l) as mentioned in (A) above, to cast your vote.
  2. Once the vote on a resolution is cast by a member, the member shall not be allowed to change it subsequently or cast the vote again.
  3. In case of any query pertaining to e-voting, please visit Help & FAQ's section available at Karvy's website <https://evoting.karvy.com>.
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**NOTICE OF ANNUAL GENERAL MEETING**

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**Explanatory Statement**

*[Pursuant to Section 102(1) of the Act, the following Explanatory Statement sets out material facts relating to the business under Item Nos. 4, 5, 6, 7 and 8 of the accompanying Notice dated 31st August, 2016 convening the 17th Annual General Meeting of the Company scheduled for September 30, 2016.]*

**Item No. 4:**

Mr. Damodar Rao Gummadapu (DIN – 07027779) was appointed as an Additional Director of the Company with effect from April 12, 2016 by the Board of Directors. In terms of Section 161(1) of the Companies Act, 2013, Mr. Damodar Rao Gummadapu holds office up to the date of this Annual General Meeting but is eligible for the appointment as a Director. The Company has received a Notice from a member in writing along with requisite deposit of 1,00,000/- under Section 160 of the Act, proposing his candidature for the office of Director.

The Board recommends the passing of the Ordinary Resolution as set out in the Item no. 4 of the Notice for the appointment of Mr. Damodar Rao Gummadapu as a Director, liable to retire by rotation.

A statement containing his profile is given as per Annexure 1.

Except Mr. Damodar Rao Gummadapu, being an appointee, none of the Directors or KMP of the Company or their relatives is concerned or interested, financially or otherwise, in this resolution. This Explanatory Statement may also be regarded as a disclosure under Regulation 27 of the SEBI (LODR) Regulations, 2015.

**Item No. 5:**

Mr. Seetha Ramam Voleti (DIN – 07332440) was appointed as an Additional Director of the Company with effect from April 12, 2016 by the Board of Directors. In terms of Section 161(1) of the Companies Act, 2013, Mr. Seetha Ramam Voleti holds office up to the date of this Annual General Meeting but is eligible for the appointment as a Director. The Company has received a Notice from a member in writing along with requisite deposit of 1,00,000/- under Section 160 of the Act, proposing his candidature for the office of Director.

The Board recommends the passing of the Ordinary Resolution as set out in the Item no. 5 of the Notice for the appointment of Mr. Seetha Ramam Voleti as a Director, liable to retire by rotation.

A statement containing his profile is given as per Annexure 1.

Except Mr. Seetha Ramam Voleti, being an appointee, none of the Directors or KMP of the Company or their relatives is concerned or interested, financially or otherwise, in this resolution. This Explanatory Statement may also be regarded as a disclosure under Regulation 27 of the SEBI (LODR) Regulations, 2015.

**Item No. 6:**

In terms of the Corporate Governance Guidelines of the Company and pursuant to the recommendation of the Nomination and Compensation Committee, the Board of Directors of the Company by their resolution passed on April 12, 2016 approved appointment of Mr. Seetha Ramam Voleti (DIN – 07332440) as Additional Director on the Board of the Company with effect from April 12, 2016 in accordance with the provisions contained in Section 196 and 197 read with Section 203 of the Companies Act, 2013 and that Mr. Seetha Ramam Voleti shall hold office up to the date of the Annual General Meeting to be held on September 30, 2016 and shall be eligible for election subject to the approval of the shareholders at this Annual General meeting.

The Board of Directors of the Company at its meeting held on August 31, 2016, subject to the approval of the members of the Company, approved the appointment of Mr. Seetha Ramam Voleti as Whole-time Director & CFO of the Company for a period of 5 years commencing from September 01, 2016.

This explanatory statement may also be read and treated as disclosure in compliance with the requirements of Section 190 of the Companies Act, 2013.

The Board of Directors recommends the resolution in relation to the appointment of Director, for the approval of the members of the Company. Approval of the members is required by way of Ordinary Resolution for appointment and payment of remuneration.

Except Mr. Seetha Ramam Voleti, being an appointee, none of the Directors or KMP of the Company or their relatives is concerned or interested, financially or otherwise, in this resolution. This Explanatory Statement may also be regarded as a disclosure under Regulation 27 of the SEBI (LODR) Regulations, 2015.

**Item No. 7:**

As per the provisions of Section 20 of the Companies Act, 2013, a document may be served on any member by sending it to him by post or by registered post or by speed post or by courier or by delivery at his office or residence address or by such electronic or other mode as may be prescribed. Further, proviso to sub-section (2) of Section 20

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**NOTICE OF ANNUAL GENERAL MEETING**

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states that a member may request for delivery of any document through a particular mode, for which he shall pay such fees in advance as may be determined by the company in its Annual General Meeting. Accordingly, the Board of Directors in their meeting held on 31 August 2016 has proposed that a sum equivalent to the estimated actual expenses of delivery of the documents through a particular mode, if any request has been made by any member for delivery of such documents to him through such mode of service, be taken to cover the cost of such delivery.

None of the Directors or Key Managerial Personnel including their relatives is concerned or interested, financial or otherwise, in the said resolution.

The Board recommends the Ordinary Resolution as set out in the Notice for approval of the Members.

**Item No. 8:**

To achieve long term strategic and business objectives, the Board of Directors of the Company proposes to make use of the same by making investment in other bodies corporate or granting loans, giving guarantee or providing security to other persons or other body corporate or as and when required.

Pursuant to the provisions of section 186(3) of the Companies Act, 2013 and rules made there under, the Company needs to obtain prior approval of shareholders / members by way of special resolution passed at the General Meeting in case the amount of investment, loan, guarantee or security proposed to be made is more than the higher of sixty percent of the paid up share capital, free reserves and securities premium account or one hundred percent of free reserves and securities premium account.

Accordingly, the Board of Directors of the Company proposes to obtain approval of shareholders by way of special resolution as contained in the notice of the 17th Annual General Meeting for an amount not exceeding INR 1,000,000,000 (Indian Rupees One billion Only) outstanding at any time notwithstanding that such investments, outstanding loans given or to be given and guarantees and security provided are in excess of the limits prescribed under Section 186 of the Companies Act, 2013.

The Directors therefore, recommend the Special Resolution for approval of the shareholders.

None of the Directors or Key Managerial Personnel including their relatives is concerned or interested, financial or otherwise, in the said resolution.

**By Order of the Board of Directors**

**Hyderabad  
31st August 2016**

**CS Suresh Bachalakura  
Company Secretary**

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## NOTICE OF ANNUAL GENERAL MEETING

Name of The Director	K. Ramachandra Reddy	Mr. Damodar Rao Gummadapu	Mr. Seetha Ramam Voleti
Date of Birth	04 Jan 1949	08 Jun 1970	18 Oct 1964
Date of First Appointment	27 July 1999	12 April 2016	12 April 2016
Qualifications	Electrical Engineering from IIT, Madras, M.S.E.E. degree from University of Wisconsin	Commerce Graduate and a qualified Chartered Accountant and Management & Cost Accountant.	Masters in Commerce and is also a qualified Cost Accountant and Company Secretary.
Expertise in specific functional areas	He has over 34 years of experience in Silicon Valley in the areas of design, manufacturing and marketing of various integrated circuits (ICs). He has successfully started several semiconductor design companies and sold them to larger companies in the last 18 years. His ventures included Lotus Designs Corp., Silicon Logic and Startech Semiconductor, all of which were based in Silicon Valley. Prior to starting his first company in 1982, he worked as a Section Manager at American Micro Systems in Santa Clara, California. He was responsible for designing the world's first DSP chip. Ram has extensive experience in sub-contracting manufacturing needs of semiconductors and marketing these products worldwide. His customer list included major PC manufacturers such as Compaq Computers and communication technology companies such as Nokia Systems out of Finland.	Mr. Damodar Rao Gummadapu has more than 25 years of global experience across various Fortune 500 companies including big 5 consulting companies including KPMG, Bearing Point, Deloitte, Johnson & Johnson and Pfizer. Mr. Damodar Rao Gummadapu is the co-founder of Techwave. He is a proven leader, entrepreneur and instrumental for Techwave's rapid growth. He has tremendous experience and vision for role of technology solutions for business growth, optimization and expansion. In his leadership, Techwave has not only grown in size but also expanded globally in to Europe, Middle East and APAC regions.	Mr. Seetha Ramam Voleti is a result oriented professional with experience of over 28 years corporate Banking Industry and Global Forex Treasury. Mr. Seetha Ramam Voleti has wide experience in Foreign Exchange Treasury of a large Public Sector Bank in India and at London Treasury Front Office. Head of Back Office and Mid Office, and also lead the team in implementation of Integrated Treasury Management Solution. He has hands-on experience in big ticket forex transactions and serving large corporate clients in India and UK. Prior to MosChip, Mr. Seetha Ramam Voleti was associated with Techwave as Director of Techwave InfoTech Pvt Ltd. He has played key roles in the M&A activities for the organization. During his tenure with Techwave he successfully completed acquisitions of substantial value in India, UK, US, Hungary, and a listed Company in India.
List of Companies in which outside Directorship held as on 31.03.2016	NIL	Techwave Consulting India Pvt. Ltd Jaagruthi Info technologies Pvt Ltd Techwave Infotech Pvt Ltd	Techwave Infotech Pvt Ltd.
Chairman/Member of the Committees of other Companies on which he/she is a Member as on 31.03.2016	NIL	NIL	NIL
Number of equity shares held in the Company	64,43,037	NIL	NIL
No of Board Meetings attended during the last year	06	NA	NA

NOTICE OF ANNUAL GENERAL MEETING

MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED

Regd. Office: Plot No.83 & 84, 2nd Floor, Punnaiah Plaza, Road No.02, Banjara Hills, Hyderabad – 500 034, CIN: L31909TG1999PLC032184

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

CONSENT FOR RECEIVING DOCUMENTS IN ELECTRONIC MODE

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

To,

Karvy Computershare Pvt. Ltd.
Karvy Selenium, Tower B,
Plot No. 31 & 32, Financial District,
Gachibowli, Hyderabad - 500 032,
Telangana, India

Dear Sir,

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

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

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

\*Applicable for members holding shares in electronic form.

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

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

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

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

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

Date:

Place:

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

(Sole / First Shareholder)

Note:

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

**NOTICE OF ANNUAL GENERAL MEETING**

**MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED**

**Regd. Office: Plot No.83 & 84, 2nd Floor, Punnaiah Plaza, Road No.02, Banjara Hills, Hyderabad – 500 034.  
CIN: L31909TG1999PLC032184**

**FORM NO. MGT - 11**

**PROXY FORM**

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

Name of the Member(s) :

Registered Address :

E-mail ID :

Folio No. / Client ID: DP ID :

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

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

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

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

**Or failing him**

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

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

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

**Or failing him**

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

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

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

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 17th Annual General Meeting of the Company, to be held on Friday, September, 30, 2016 at 10.30 a.m. at Regd. Office: Plot No.83 & 84, 2nd Floor, Punnaiah Plaza, Road No.02, Banjara Hills, Hyderabad – 500034 and at any adjournment(s) thereof, in respect of the resolutions, as indicated below:

1. Adoption of the audited Balance Sheet as at March 31, 2016, the Statement of Profit and Loss for the financial year ended on that date and the reports of the Board of Directors and auditors thereon.
2. To appoint a Director in place of Mr. K. Ramachandra Reddy (DIN - 00042172), who retires by rotation and being eligible offers himself for re-appointment
3. Ratification of the Appointment of M/S Gokhale & Co., Chartered Accountants, (FRN No. 000942S) as the Auditors of the Company.
4. Regularization of Mr. Damodar Rao Gummadapu (DIN – 07027779) as a Director of the Company.
5. Regularization of Mr. Seetha Ramam Voleti (DIN – 07332440) as a Director of the Company.
6. Appointment of Mr. Seetha Ramam Voleti ((DIN – 07332440) as Whole-time Director & CFO of the company for a period of five years.
7. Service of Documents through electronic Mode to the Shareholders as per Section 20 of the Companies Act, 2013.
8. Give any loans / guarantee or provide security in connection with a loan to any Body corporate(s) / person (s); and acquire by way of subscription, purchase or otherwise, securities of any Body corporate from time to time in one or more tranches for an amount not exceeding INR 1,000,000,000 (Indian Rupees One Thousand Million Only).

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

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

Affix 1 Rupee Revenue Stamp
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**Note:** The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.

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

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

**ATTENDANCE SLIP**

Regd. Folio No. / DPID – Client ID No. : \_\_\_\_\_  
SHAREHOLDER'S NAME : \_\_\_\_\_  
(In Block Capitals)  
In case of Proxy  
NAME OF PROXY : \_\_\_\_\_  
(In Block Capitals)  
No. of Shares held : \_\_\_\_\_

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

I hereby record my presence at the Annual General Meeting of the Company held on Friday, the September 30, 2016 at 10.30 A.M. at Plot No.83 & 84, 2nd Floor, Punnaiah Plaza, Road No.02, Banjara Hills, Hyderabad – 500 034.

**Signature of Shareholder/s / Proxy**

Notes:

- a) Only Member/Proxy can attend the meeting. No minors would be allowed at the meeting.
- b) Member/Proxy who wishes to attend the meeting must bring this attendance slip to the meeting and hand over at the entrance duly filled in and signed.
- c) Member/Proxy should bring his/her copy of the annual report for reference at the meeting.
- d) Please bring this Attendance Slip when coming to the Meeting.

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## NOTICE OF ANNUAL GENERAL MEETING

**FORM NO. MGT-12  
POLLING PAPER**

**[Pursuant to Section 109 (5) of the Companies Act, 2013 and Rule 21 (1) (C) of the Companies (Management and Administration) Rules, 2014]**

Name of the Company	MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED
CIN	L31909TG1999PLC032184
Registered Office	Plot No.83 & 84, 2nd Floor, Punnaiah Plaza, Road No.02, Banjara Hills, Hyderabad – 500 034.
Telephone	040-66229292

**BALLOT PAPER**

Sr. No.	Particulars	Details
1.	Name of the First Named Shareholder (In BLOCK letters)	
2.	Postal address	
3.	Registered Folio No./ *DP ID and Client ID No. (*Applicable to investors holding shares in dematerialized form)	
4.	Class of Share Equity Shares of 2/- each	

I hereby exercise my vote in respect of Ordinary/ Special Resolution/s enumerated below by Recording my assent or dissent to the said resolution in the following manner:

Sr. No.	ITEM NO.	No. of shares held by me	I/we assent to the resolution	I/we dissent from the resolution
	<b>ORDINARY BUSINESS</b>			
1.	To adopt Standalone and Consolidated Financial Statements of the Company including Report of Board of Directors and Auditors			
2.	To appoint a Director in place of Mr. K. Ramachandra Reddy (holding DIN00042172), who retires by rotation and being eligible offers himself for re-appointment			
3.	To appoint M/s. Gokhale & Co., Chartered Accountants(FRN No. 000942S) as Statutory Auditors and fix their remuneration			



**NOTICE OF ANNUAL GENERAL MEETING**

	<b>SPECIAL BUSINESS</b>			
4.	Appointment of Mr. Damodar Rao Gummadapu as a Director of the company			
5.	Appointment of Mr. Seetha Ramam Voleti as a Director of the company			
6.	Appointment of Mr. Seetha Ramam Voleti as Whole-time Director & CFO of the company for a period of five years			
7.	Service of Documents through electronic Mode to the Shareholders as per Section 20 of the Companies Act, 2013.			
8.	Give any loans / guarantee or provide security in connection with a loan to any Body corporate(s) / person (s); and acquire by way of subscription, purchase or otherwise, securities of any Body corporate from time to time in one or more tranches for an amount not exceeding INR 1,000,000,000 (Indian Rupees One billion Only) as per Section 186 of the Companies Act, 2013			

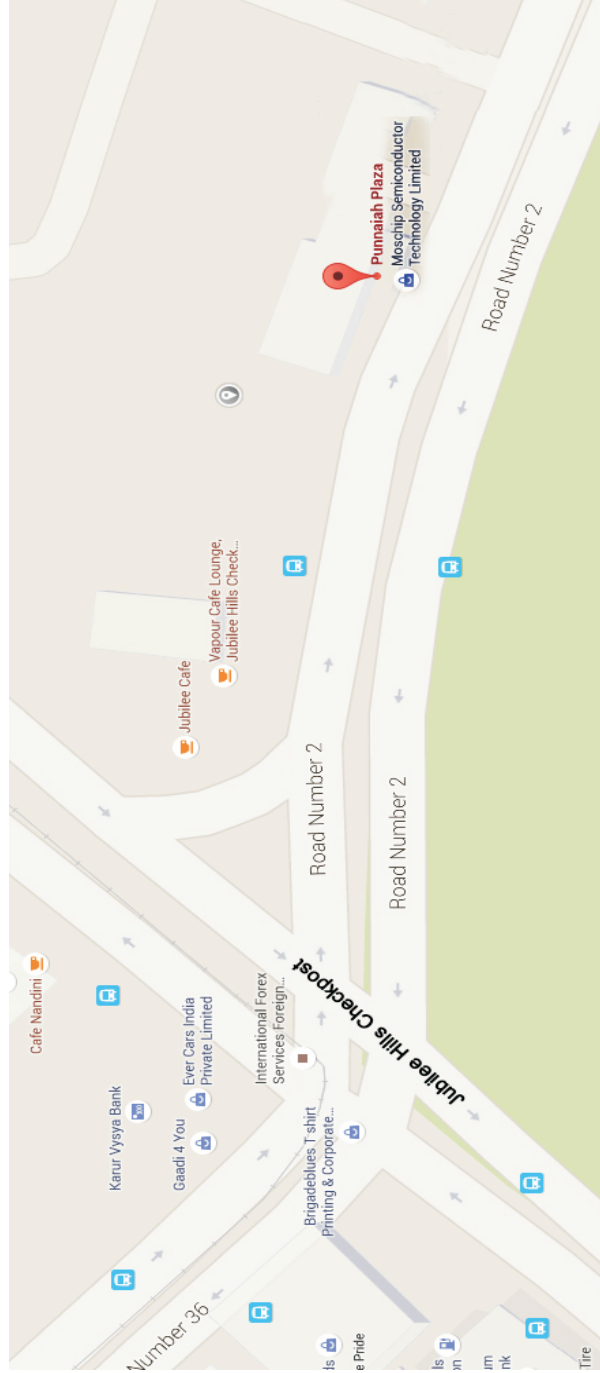
Place:

Date:

**(Signature of the shareholder)**

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## Route Map for the venue of AGM





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

Tel: +91-40-6622 9292. Fax: +91-40-6622 9393. Web: [www.moschip.com](http://www.moschip.com)

CIN : L31909TG1999PLC032184