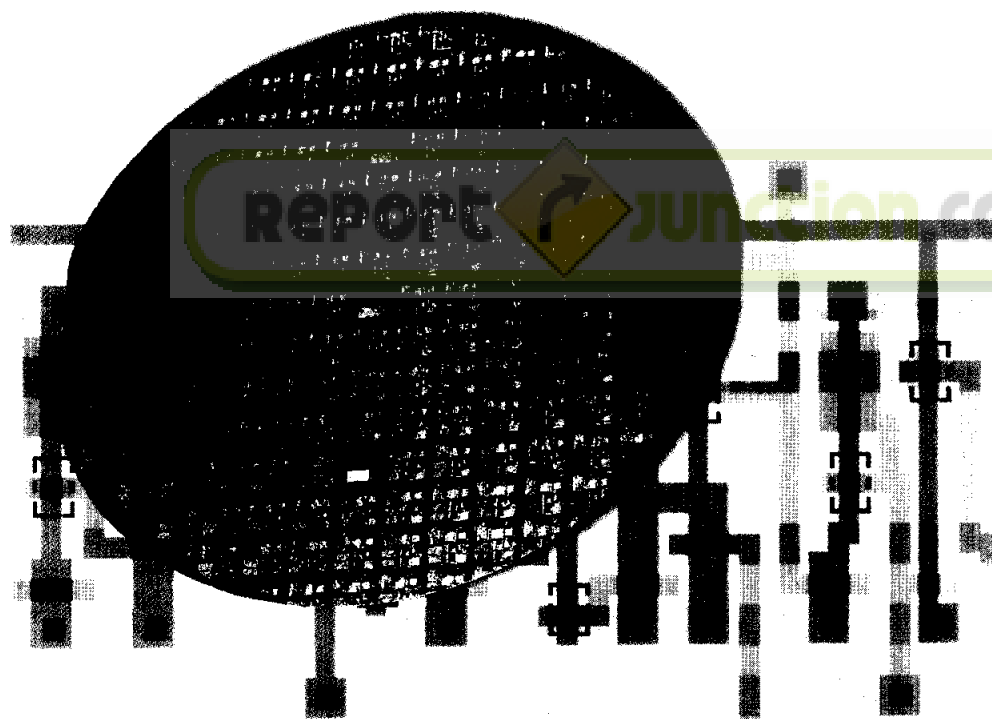
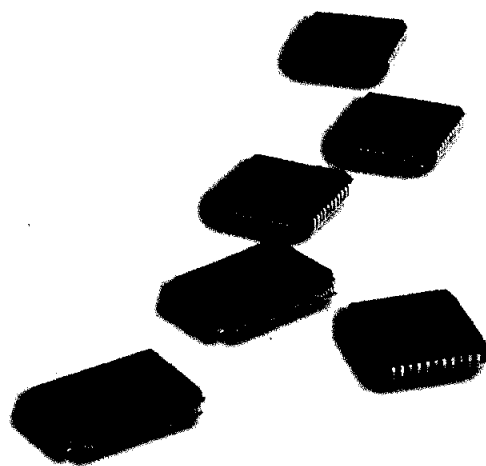


# 2nd ANNUAL REPORT



2000-2001

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## BOARD OF DIRECTORS

Sri K. Ramachandra Reddy	-	CEO / Chairman
Sri C. Dayakar Reddy	-	Managing Director
Sri A. Ramesh	-	Director
Sri Gary Kennedy	-	Director
Prof. Vijay Chandru	-	Director
Dr. S. Sivakumar	-	Director
Ms. C.S. Priya Reddy	-	Alternate Director (For Dr. S. Sivakumar)

<b>BANKERS</b>	:	IndusInd Bank Limited Corporation Bank Limited HDFC Bank Limited Citibank N.A. Global Trust Bank Limited
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<b>AUDITORS</b>	:	PVRK Nageswara Rao & Co Plot: 109, Metro Residency, Rajbhavan Road, Somajiguda Hyderabad.
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<b>COMPANY SECRETARY</b>	:	Dasu Trivikram
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<b>REGISTERED OFFICE</b>	:	H. No: 8-2-684 Plot: 14, Road: 12, Banjara Hills, Hyderabad - 500034. Tel : 040-3379440 Fax : 040-3379439
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**Noida Design Center**  
Noida Export Processing Zone (NEPZ)  
SDF # G 9B, Noida - 201305



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Second Annual General Meeting of MosChip Semiconductor Technology Limited will be held on Friday, the 21st day of September, 2001, at 1600 hrs at Hotel Green Park, Greenlands, Begumpet, Hyderabad - 500 016 to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the financial year ended March 31, 2001 and the Balance Sheet as that date and the Report of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Gary Kennedy, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS

4. *To consider and, if thought fit, to pass with or without modifications as an ordinary resolution, the following:*

"RESOLVED THAT Prof. Vijaya Chandru, who was co-opted as an Additional Director of the company by the Board of Directors, and who holds office under Section 260 of the Companies Act, 1956, until the date of Annual General Meeting, and in respect of whom the company has received a notice in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the company, liable to retire by rotation".

5. *To consider and, if thought fit, to pass with or without modifications as an ordinary resolution, the following:*

"RESOLVED THAT Dr. S. Sivakumar, who was co-opted as an Additional Director of the company by the Board of Directors, and who holds office under Section 260 of the Companies Act, 1956, until the date of Annual General Meeting, and in respect of whom the company has received a notice in writing proposing his candidature for the office of a Director,

be and is hereby appointed as a Director of the company, liable to retire by rotation".

6. *To consider and, if thought fit, to pass with or without modifications as an ordinary resolution, the following:*

"RESOLVED THAT pursuant to provisions of Section 257 of the Companies Act, 1956 Mr. Art Khachaturian, be and is hereby appointed as a Director of the company, liable to retire by rotation".

7. *To consider and, if thought fit, to pass with or without modifications as an ordinary resolution, the following:*

"RESOLVED THAT pursuant to provisions of Section 257 of the Companies Act, 1956 Mr. V. Ramesh, be and is hereby appointed as a Director of the company, liable to retire by rotation".

8. *To consider and, if thought fit, to pass with or without modifications as a special resolution, the following:*

"RESOLVED THAT in terms of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI Guidelines") issued by the Securities and Exchange Board of India ("SEBI") and pursuant to the provisions of Section 81 (1A) and all other applicable provisions of the Companies Act, 1956 ("the Act") (including any statutory modification(s) or re-enactment of the Act or the SEBI Guidelines for the time being in force) and subject to the provisions contained in the Articles of Association of the company and subject to such other consents, permissions, sanctions and approvals as may be required from the appropriate authorities and bodies and subject to such conditions and modifications as may be prescribed or imposed while granting such consents, permissions, sanctions and approvals which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include a Compensation Committee or any Committee of the Board constituted by the Board to exercise its powers conferred on the Board by this resolution), consent of the company be and is hereby accorded to the Board to create, issue, offer and allot at any

time or from time to time to the present and future employees of the company selected on the basis of criteria prescribed by the Board in accordance with the SEBI guidelines, hereinafter referred to as "the Eligible Employees" ( which expression shall, unless repugnant to the context, mean and include the permanent Employees of the Company including those on deputation at the instance of the Company excluding the employees belonging to promoter group) such number of options as the Board may decide which could give rise to the issue of equity shares of nominal face value not exceeding Rs. 30,00,000/- ( Rupees Thirty Lakhs only) divided into 3,00,000 (Three Lakhs only) equity shares(including the equity shares issued pursuant to the Resolution at Item No.9 of the Notice) of the face value of Rs.10/- each on such terms and conditions described below:

The offer shall be in accordance with the terms and conditions as regards price, payment, application, allotment, entitlement to dividend and other rights, transferability and all other matters as stipulated by the SEBI Guidelines and in accordance with any other guidelines, rules, regulations and laws to the extent applicable and subject also to the Memorandum and Articles of Association of the company provided that:

- the price of the share shall not be less than such minimum price, if any, prescribed under the SEBI Guidelines and as determined by the Board;
- the equity shares issued upon exercise of the Options shall rank pari passu in all respects with the existing equity shares save and except their entitlement to dividend which will commence only from the date of allotment of such equity shares and pro-rata for the financial year in which the dividend is declared.
- Each Option granted to eligible employees shall be entitled to one equity share of nominal value of Rs.10/- each at a fair market price to be determined by the Board of Directors and subject to any regulation or guidelines of the SEBI in regard to the pricing of the Options, as applicable from time to time.
- Each option shall be vested in the Optionee after a minimum of 12 months from the date of grant of the Option or at such times as may be determined by the Board from time to time.
- The Options shall be valid and exercisable for such periods as may be determined by the Board, from time to time.
- The consideration for the shares to be issued upon exercise of an Option, may as determined by the Board at the time of granting the Options, consist of cash, cheque or consideration received by the Company under a cashless exercise program implemented by the company or any combination of the foregoing methods of payment.
- No employee shall, during any fiscal year of the company, be granted Options exceeding the limit fixed by the SEBI or any other relevant regulation as is applicable to such options.
- The company shall conform to the accounting policies mandated by applicable law or regulations of the SEBI or any other relevant regulation as is applicable to the account of such options.
- Subject to the approval of the stock exchanges, the relevant equity shares on exercise of the Options shall be listed on the stock exchanges.
- The Board shall have the power to make reasonable adjustments to the number of options to be exercised and the exercise price in case of rights issues, bonus issues, stock splits and other corporate actions.
- The Board shall have absolute discretion from time to time to modify or substitute any such terms or, if it thinks fit, not to undertake or proceed with the implementation of this Resolution in whole or in part.



"RESOLVED FURTHER THAT in this resolution the expression "Employee" or "Eligible Employee" shall include the Non-promoter Director(s), and accordingly the provisions of this resolution shall apply to them as they apply to other eligible employees".

"RESOLVED FURTHER THAT a document titled "MOSCHIP STOCK OPTION PLAN - 2001" tabled at the meeting and initialed by the Chairman for identification be and is hereby approved".

"RESOLVED FURTHER THAT without prejudice to the generality of the above, but subject to the terms as approved by the members, the Board / Compensation Committee or any committee of the Board, be and is hereby authorised to implement the MOSCHIP STOCK OPTION PLAN - 2001 ("Plan"), (with or without modifications and variations) in such manner as the Board / Compensation Committee / any committee of the Board may determine".

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board / Compensation Committee or any committee of the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary or desirable and pay fees and commission and incur expenses in relation thereto".

"RESOLVED FURTHER THAT the said equity shares may be allotted in accordance with the plan framed in that behalf, directly to such employees or through a Trust, which may be set up in any permissible manner or to the trust to be held on behalf of such employees and that the plan may also envisage for providing any financial assistance to the employees or the Trust to enable the employees / Trust to acquire, purchase or subscribe to the said equity shares of the company".

"RESOLVED FURTHER THAT the Board / Compensation Committee or any Committee of the Board be and is hereby authorised to settle all

questions, difficulties or doubts that may arise in relation to the implementation of the Plan and to the Shares (including to amend or modify any of the terms thereof) issued herein without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by authority of this resolution".

9. *To consider and, if thought fit, to pass with or without modifications as a special resolution, the following:*

"RESOLVED THAT in terms of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI Guidelines") issued by the Securities and Exchange Board of India ("SEBI") and pursuant to the provisions of Section 81 (1A) and all other applicable provisions of the Companies Act, 1956 ("the Act") (including any statutory modification(s) or re-enactment of the Act or the SEBI Guidelines for the time being in force) and subject to the provisions contained in the Articles of Association of the company and subject to such other consents, permissions, sanctions and approvals as may be required from the appropriate authorities and bodies and subject to such conditions and modifications as may be prescribed or imposed while granting such consents, permissions, sanctions and approvals which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include a Compensation Committee or any Committee of the Board constituted by the Board to exercise its powers conferred on the Board by this resolution), consent of the company be and is hereby accorded to the Board to create, issue, offer and allot at any time or from time to time to the present and future employees of the subsidiary company selected on the basis of criteria prescribed by the Board in accordance with the SEBI guidelines, hereinafter referred to as "the Eligible Employees" ( which expression shall, unless repugnant to the context, mean and include the permanent Employees of the subsidiary company including those on deputation

at the instance of the subsidiary company excluding the employees belonging to promoter group) such number of options as the Board may decide which could give rise to the issue of equity shares of nominal face value not exceeding Rs. 30,00,000/- (Rupees Thirty Lakhs only) divided into 3,00,000 (Three Lakhs only) equity shares (including the equity shares issued pursuant to the Resolution at Item No 8 of the Notice) of the face value of Rs.10/- each on such terms and conditions described below:

The offer shall be in accordance with the terms and conditions as regards price, payment, application, allotment, entitlement to dividend and other rights, transferability and all other matters as stipulated by the SEBI Guidelines and in accordance with any other guidelines, rules, regulations and laws to the extent applicable and subject also to the Memorandum and Articles of Association of the company provided that:

- the price of the share shall not be less than such minimum price, if any, prescribed under the SEBI Guidelines and as determined by the Board;
- the equity shares issued upon exercise of the Options shall rank pari passu in all respects with the existing equity shares save and except their entitlement to dividend which will commence only from the date of allotment of such equity shares and pro-rata for the financial year in which the dividend is declared.
- each option granted to eligible employees shall be entitled to one equity share of nominal value of Rs.10/- each at a fair market price to be determined by the Board of Directors and subject to any regulation or guidelines of the SEBI in regard to the pricing of the Options, as applicable from time to time.
- each option shall be vested in the Optionee after a minimum of 12 months from the date of grant of the Option or at such times as may be determined by the Board from time to time.

- the Options shall be valid and exercisable for such periods as may be determined by the Board, from time to time.
- the consideration for the shares to be issued upon exercise of an Option, may as determined by the Board at the time of granting the Options, consist of cash, cheque or consideration received by the Company under a cashless exercise program implemented by the company or any combination of the foregoing methods of payment.
- no employee shall, during any fiscal year of the company, be granted Options exceeding the limit fixed by the SEBI or any other relevant regulation as is applicable to such options.
- the company shall conform to the accounting policies mandated by applicable law or regulations of the SEBI or any other relevant regulation as is applicable to the account of such options.
- subject to the approval of the stock exchanges, the relevant equity shares on exercise of the Options shall be listed on the stock exchanges.
- the Board shall have the power to make reasonable adjustments to the number of options to be exercised and the exercise price in case of rights issues, bonus issues, stock splits and other corporate actions.
- the Board shall have absolute discretion from time to time to modify or substitute any such terms or, if it thinks fit, not to undertake or proceed with the implementation of this Resolution in whole or in part.

"RESOLVED FURTHER THAT in this resolution the expression "Employee" or "Eligible Employee" shall include the Non-promoter Director(s), and accordingly the provisions of this resolution shall apply to them as they apply to other eligible employees".





"RESOLVED FURTHER THAT a document titled "MOSCHIP STOCK OPTION PLAN - 2001" tabled at the meeting and initialed by the Chairman for identification be and is hereby approved".

"RESOLVED FURTHER THAT without prejudice to the generality of the above, but subject to the terms as approved by the members, the Board / Compensation Committee or any committee of the Board, be and is hereby authorised to implement the MOSCHIP STOCK OPTION PLAN - 2001 ("Plan"), (with or without modifications and variations) in such manner as the Board / Compensation Committee / any Committee of the Board may determine".

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board / Compensation Committee or any committee of the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary or desirable and pay fees and commission and incur expenses in relation thereto".

"RESOLVED FURTHER THAT the said equity shares may be allotted in accordance with the plan framed in that behalf, directly to such employees or through a Trust, which may be set up in any permissible manner or to the trust to be held on behalf of such employees and that the plan may also envisage for providing any financial assistance to the employees or the Trust to enable the employees / Trust to acquire, purchase or subscribe to the said equity shares of the company".

"RESOLVED FURTHER THAT the Board / Compensation Committee or any Committee of the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in relation to the implementation of the Plan and to the Shares (including to amend or modify any of the terms thereof) issued herein without being required to seek any further consent or approval of the members or otherwise to the end and intent that the

members shall be deemed to have given their approval thereto expressly by authority of this resolution".

By Order of the Board

Place : Hyderabad  
Date : 20-08-2001

**Dasu Trivikram**  
Company Secretary

#### NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and such proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the commencement of the meeting.
2. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in relation to the Special Business of the Meeting is annexed hereto and forms part of this Notice.
3. The Register of Members and Share Transfer Books of the company will remain closed from September 17, 2001 to September 21, 2001 (both days inclusive).
4. To avoid inconvenience to members and to facilitate smooth conduct of the meeting, entry to the place of meeting will be 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.
5. Members, who hold shares in de-materialised form, are requested to bring their Client ID and DP ID Nos. for easier identification of attendance at the meeting.
6. 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.



7. Members are requested to notify immediately any change in their address to the company or its Share Transfer Agents and in case their shares are held in dematerialized form, this information should be passed on to their respective Depository Participants without any delay.
  8. In all correspondence with the company, members are requested to quote their folio numbers and in case their shares are held in the dematerialized form, they must quote their Client ID Number and their DP ID Number.
  9. Members can now avail the facility of nomination in respect of shares held by them pursuant to the amendment in the Companies Act, 1956. The prescribed Form (Form 2B) is placed elsewhere in the Annual Report. Members desiring to avail this facility may send their nomination Form duly filled in, to the Company or its share Transfer Agents by quoting their respective Folio Numbers.
  10. Members are requested to carry their copies of Annual Report and no copies of Annual Report will be supplied at the meeting.
  11. Trading in the equity shares of the company is compulsorily in dematerialized form for all investors. The ISIN (International Securities Identification Number) allotted to the Company's equity shares is INE935B01017. Those members who have not yet dematerialized their shareholdings are requested to do so by opening a depository account with a Depository Participant (DP).
- Chandru holds office of director upto the date of the ensuing Annual General Meeting. The company has received notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Prof. Vijay Chandru for the office of Director under the provisions of Section 257 of the Companies Act, 1956.
- None of the Directors of the company other than Prof. Vijay Chandru are interested in this resolution.
- ITEM - 5**
- Dr. S. Sivakumar was co-opted as an Additional Director of the company with effect from January 19, 2001, pursuant to Section 260 of the Companies Act, 1956. Dr. S. Sivakumar holds office of director upto the date of the ensuing Annual General Meeting. The company has received notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Dr. S. Sivakumar for the office of Director under the provisions of Section 257 of the Companies Act, 1956.
- None of the Directors of the company other than Dr. S. Sivakumar are interested in this resolution.
- ITEM - 6**
- The company has received notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Mr. Art Khachaturian for the office of Director under the provisions of Section 257 of the Companies Act, 1956.
- None of the Directors of the company other than Mr. Art Khachaturian, are interested in this resolution.

#### **EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956.**

##### **ITEM - 4**

Prof. Vijay Chandru was co-opted as an Additional Director of the company with effect from March 5, 2001, pursuant to Section 260 of the Companies Act, 1956. Prof. Vijay

##### **ITEM - 7**

The company has received notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Mr. V. Ramesh for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

None of the Directors of the company other than Mr. V. Ramesh, are interested in this resolution.

**ITEM - 8**

In order to reward, motivate and retain the key performers and also to tap the talented personnel in the field of VLSI design, the business of the company, the Board of Directors at its meeting held on August 20, 2001 have approved and proposed, for the approval of the shareholders, issue of Stock Options to the eligible employees of the company.

"The Moschip Stock Option Plan - 2001" would be in conformity with the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, laid down by the Securities and Exchange Board of India (SEBI).

The object of the plan is to attract, retain and encourage the talented personnel and to enable such personnel to participate in the long-term growth of the company and to seek the convergence of interest of shareholders and eligible employees such that eligible employees consciously work towards value creation for the shareholders.

The existing Authorised Capital of the Company which comprises of 2,00,00,000 equity shares of Rs.10/- each aggregating to Rs.20,00,00,000 (Rupees Twenty Crores only) covers the present allotment of 3 lakh equity shares of Rs.10/- each pursuant to the Plan as the present issued, subscribed and paid-up capital of the company is Rs.18,82,57,700 comprising of 1,88,25,770 equity shares of Rs.10/- each.

The salient features of the Plan are mentioned below:

**TOTAL NUMBER OF OPTIONS / SHARES TO BE ISSUED UNDER THE PLAN:**

As per the estimated requirement for the next two to three years, it is proposed to grant options for a total of three Lakh equity shares of the face value of Rs.10/- each comprising 1.59% of the present paid-up capital of the company. This is only an enabling resolution and actual number of options to be granted over the next two

to three years will be decided by the Compensation committee of the Board. The company will seek the fresh approval from the members as and when these limits get exhausted.

**IDENTIFICATION OF CLASSES OF EMPLOYEES ENTITLED TO PARTICIPATE IN THE PLAN:**

The present and future employees of the company including those on deputation at the instance of the company but excluding the employees who belong to the promoter group, will be entitled to participate in the Plan subject to the applicable regulatory requirements and guidelines issued by SEBI. The Non-promoter Directors are also included in this plan.

**REQUIREMENT OF VESTING AND PERIOD OF VESTING:**

The vesting period shall commence after twelve months from the date of grant of the option. The share options could be granted in tranches and could vest in tranches as per the discretion of the Board / Compensation Committee of the Board.

**MAXIMUM PERIOD WITHIN WHICH THE OPTIONS SHALL BE VESTED:**

The maximum period within which the options to be vested shall be four years from the Grant Date.

**EXERCISE PRICE / PRICING FORMULA:**

The equity shares would be issued to the eligible employees at the closing market price on the stock exchange that recorded the highest trading volume on the grant date.

**EXERCISE PERIOD AND THE PROCESS OF EXERCISE:**

The employees shall exercise their options within 5 years from the date of vesting or such other period fixed by the Compensation Committee.