



6th ANNUAL REPORT 2004 - 2005

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MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED

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BOARD OF DIRECTORS

Mr. K. Ramachandra Reddy	-	CEO & Chairman
Mr. C. Dayakar Reddy	-	Managing Director
Mr. A. Ramesh	-	Director
Prof. Vijay Chandru	-	Director
Mr. G. Prasad	-	Director
Dr. M. Rammohan Rao	-	Director
Mr. K.E.C. Raja Kumar	-	Director

COMMITTEES OF THE BOARD**Audit**

Mr. G. Prasad	-	Chairman
Mr. A. Ramesh	-	Member
Dr. M. Rammohan Rao	-	Member
Prof. Vijay Chandru	-	Member

Remuneration

Mr. G. Prasad	-	Chairman
Mr. A. Ramesh	-	Member
Dr. M. Rammohan Rao	-	Member
Prof. Vijay Chandru	-	Member

Shareholders / Investor Grievance

Mr. A. Ramesh	-	Chairman
Mr. G. Prasad	-	Member
Dr. M. Rammohan Rao	-	Member
Prof. Vijay Chandru	-	Member

Dasu Trivikram

Sr.Manager - Legal & Company Secretary.

REGISTERED OFFICE

H. No: 8-2-685/1/1, Road No. 12,
Banjara Hills, Hyderabad - 500034.
Tel : 040-2337-9440
Fax : 040-2337-9439

BANKERS

IndusInd Bank Limited
Corporation Bank
HDFC Bank Limited

BRANCH

3335, Kifer Road, Santa Clara, CA - 95051 USA

AUDITORS

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

REGISTRAR AND SHARE TRANSFER AGENTS

Sathguru Management Consultants Pvt. Limited
Plot No.15, Hindi Nagar, Behind Saibaba Temple
Punjabgutta, Hyderabad - 500 034
Tel : 040-2335-0586 / 040-2335-6507
Fax : 040-2335-4042

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **Sixth Annual General Meeting** of MosChip Semiconductor Technology Limited, will be held on **Friday the 30 September 2005 at 10.30 hrs at the Registered Office of the company Situated at 8-2-685/1/1, Road No.12, Banjara Hills, Hyderabad-500 034** to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Report of Directors, Profit and Loss Account for the financial year ended 31 March, 2005 and the Balance Sheet as on that date and the report of Auditors thereon.
2. To appoint a Director in place of Mr. A. Ramesh who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Prof. Vijaya Chandru who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s Gokhale & Co., Chartered Accountants, Hyderabad as Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorize Board of Directors or any of its Committee(s) to fix their remuneration.

SPECIAL BUSINESS

5. ***To Consider and if thought fit, to pass with or without modifications, the following Resolution as a Special Resolution:***

"RESOLVED THAT in conformity with the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956; Listing Agreements entered with the Stock Exchanges; Guidelines issued by RBI under FEMA 1999 and by SEBI on Preferential Issue of shares and its other regulations/guidelines, if any, and subject to the consent of all other concerned authorities, if and to the extent required and subject to such conditions and modifications as may be prescribed or imposed while according such consents, which may be considered appropriate by the Board of Directors of the company and/or a duly authorised committee thereof (hereinafter called as "the Board") in its absolute discretion, consent of the company be and

is hereby conveyed to the Board to create, offer, issue, allot and deliver in one or more tranches to (i) Mr. Achal Ghai (ii) Madhu Mohan Katikieni & (iii) Mrs. Sandhya Reddy, 600,000 number of warrants where each warrant is convertible into one Equity share of the face value of Rs.10/- each, at a price of Rs. 57/- per share, (including premium of Rs. 47/-) resulting in the aggregate after conversion, exercise of rights attached to those instruments, not exceeding 600,000 equity shares of the company, on the following terms and conditions:-

- Conversion of option can be exercised in one or more tranches at any time within a period of 18 months from the date of issue of such warrants;
- An amount equal to 10 percent of the share price shall be payable on the date of issue of the warrants, with the balance amount being payable at the time of conversion;
- The amount paid on issue of warrants shall be forfeited if the warrants are not exercised within a period of 18 months from the date of issue of warrants;
- This preferential allotment is subject to the dematerialisation of entire pre preferential allotment shareholding of the proposed allottee;
- The entire pre preferential shareholding of the proposed allottee, if any, is subject to a lock-in from the relevant date i.e. 31 August 2005 upto a period of Six (6) months from the date of preferential allotment.
- The proposed preferential allotment is void if the proposed allottee has sold its shares in the company during the six months period prior to the relevant date i.e. 31 August 2005.
- Other terms and conditions as may be prescribed by the Board at its absolute discretion consider fit.

"RESOLVED FURTHER THAT the Relevant Date in relation to the issue of equity shares and shares resulting upon exercise of warrants for the purpose of determining the issue price under the SEBI Guidelines for Preferential Issues shall be 31 August, 2005."

"RESOLVED FURTHER THAT the equity shares so allotted upon conversion of warrants shall rank *pari passu* with the existing equity shares of the company in all respects."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds and things as may be necessary for the purpose and to settle any questions, difficulties or doubts that may arise in this connection and incidental thereto, in their absolute discretion consider fit without being required to seek any further consent or approval of the company or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution."

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

"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.5,000,000/- (Rupees Fifty Lakhs only) divided into 500,000 (Five Lakhs Only) equity shares 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 in force at the time of said actions and in accordance with any other guidelines, rules, regulations and laws to the extent applicable and in force and subject also to the Memorandum and Articles of Association of the company provided that:

- the price of the share shall be as determined by the Board or Compensation Committee, which can be at a discount to the market price as defined in SEBI (ESOS &ESPS) Guidelines, 1999, on the date of grant. However such discount shall not be more than 20 %, such pricing shall be subject to the provisions of SEBI Guidelines in force, if any;
- the equity shares issued upon exercise of the Options shall rank *pari passu* in all respects with the existing equity shares .
- Each Option granted to eligible employees shall be entitled to one equity share of nominal value of Rs.10/- each at a price to be determined by the Board of Directors or Compensation Committee 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 or Compensation Committee from time to time.

- The Options shall be valid and exercisable for such periods as may be determined by the Board or Compensation Committee, from time to time.
- Options not exercised within the specified period will lapse. All options that are lapsed will be added back to the pool and are eligible for future grants to the employees
- The consideration for the shares to be issued upon exercise of an Option, as determined by the Board or Compensation Committee at the time of granting the Options, may 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, in force, 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, in force, 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 wherever the company's shares are listed.
- The Board or Compensation Committee 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 or Compensation Committee 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 (MI) - 2005" 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 (MI) - 2005 ("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".

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

"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.5,000,000/- (Rupees Fifty Lakhs only) divided into 500,000 (Five Lakhs only) equity shares

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 in force and in accordance with any other guidelines, rules, regulations and laws in force and 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 in force and as determined by the Board or Compensation Committee;
- the equity shares issued upon exercise of the Options shall rank *pari passu* in all respects with the existing equity shares.
- each option granted to eligible employees shall be entitled to one equity share of nominal value of Rs.10/- each at a price to be determined by the Board of Directors or Compensation Committee 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 or Compensation Committee from time to time. However all unvested options granted under this Plan will uniformly vest to employees of the Company, in the event of amalgamation, merger and acquisition of the Company subject to a minimum 12 months vesting period from the date of grant of options.
- the Options shall be valid and exercisable for such periods as may be determined by the Board or Compensation Committee, from time to time.
- Options not exercised within the specified period will lapse. All options that are lapsed will be added back to the pool and are eligible for future grants to the employees.
- the consideration for the shares to be issued upon exercise of an Option, may as determined

by the Board or Compensation Committee 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 in force and 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 or Compensation Committee 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 or Compensation Committee 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 (WOS) - 2005" 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 (WOS)- 2005 ("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 of Directors

Hyderabad
31 August 2005

Dasu Trivikram
Sr. Manager-Legal &
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 him and such proxy need not be a member of the company. Proxies in order to be effective must be received by the company not less than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the company will remain closed from 23-09-2005 to 30-09-2005 (both days inclusive)
3. To avoid inconvenience to members and to facilitate smooth conduct of the meeting, entry to the place of meeting will be only for members / proxies and is regulated by the attendance slip appended to the proxy form. Members are requested to affix their signature on it and hand it over at the entrance.
4. Members, who hold shares in de-materialized form, are requested to bring their Client ID and DP Id No's for easier identification of attendance at the meeting.
5. A member desirous of getting any information on the accounts or operations of the company is requested to forward his/her queries to the company at least seven working days prior to the meeting. So that the required information can be made available at the meeting.
6. Members are requested to notify immediately any change in their address to the company or to the Share Transfer Agents and in case their shares are held in dematerialized form, this information should be passed onto their respective Depository Participants without any delay.
7. In all correspondence with the company, members are requested to quote their folio numbers and in case their shares are held in dematerialized form they must quote their Client ID Number and their DP ID Number.
8. Members are requested to carry their copies of Annual Report as these will not be supplied at the meeting.
9. Trading in the equity shares of the company is in the compulsory demat form. Those members who have not demated their shares are requested to open the demat accounts with the depositories and get the shares demated at the earliest.
10. Explanatory Statement Under Section 173(2) of the Companies Act, 1956 in relation to item Nos 5, 6 & 7 above is annexed hereto.

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

Item No.5: Issue of Warrants on Private Placement Basis.

To build and strengthen business relationships, and to provide adequate incentive to a key employee of MosChip Semiconductor Technology, USA, your company is proposing to issue 600,000 numbers of warrants to (i) Mr. Achal Ghai (ii) Madhu Mohan Katikieni & (iii) Mrs. Sandhya Reddy, on preferential allotment basis.

No Director is interested or concerned with the above resolution.

Disclosure pursuant to Clause 13.1A of the SEBI Disclosure and Investor Protection Guidelines for Preferential Issues.

Objects of the issue through preferential offer.

The object of the proposed issue of warrants to proposed allottees is to build and strengthen business relationships with Mr. Achal Ghai and Madhu Mohan Katikieni and provide adequate incentive to Mrs. Sandhya Reddy, who has joined MosChip Semiconductor Technology, USA as an employee.

Intention of promoters/directors/key management persons to subscribe to the offer

No Promoter/Director/Key management person of the company is intended to subscribe to the offer.

Shareholding pattern before and after the issue

Category	Before the offer		After the offer	
	No. of shares	%	No. of shares	%
Promoters Holding				
- Resident	171454	0.40	171454	0.39
- Non-Resident	4729778	10.95	4729778	10.80
Persons Acting in Concert				
- Resident	330000	0.76	330000	0.75
- Non-Resident	5736291	13.28	5836291	13.32
Sub- Total	10967523	25.38	11067523	25.26
Non-Promoter Holdings				
Venture Capital Funds	3286401	7.61	3286401	7.50
FIs	3354143	7.76	3354143	7.66
Private Corporate Bodies				
- Domestic	4425521	10.24	4425521	10.10
- Foreign	3036120	7.03	3036120	6.93
Indian Public	14018939	32.45	14018939	32.00
Non-Resident's	2380669	5.51	2880669	6.58
Employees Welfare Trust	425470	0.98	425470	0.97
Depository for GDRs	1312480	3.04	1312480	3.00
Sub-Total	32239743	74.62	32739743	74.74
Grand Total	43207266	100.00	43807266	100.00

Note: The post-issue capital considers only the issue of warrants under resolution no.5