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BOARD OF DIRECTORS

Mr. K. Ramachandra Reddy	- CEO & Chairman
Mr. C. Dayakar Reddy	- Managing Director
Mr. A. Ramesh	- Director
Prof. Vijaya Chandru	- Director
Mr. G. Prasad	- Director

COMMITTEES OF THE BOARD

Audit

Mr. G. Prasad	- Chairman
Mr. A. Ramesh	- Member
Prof. Vijaya Chandru	- Member

Remuneration

Mr. G. Prasad	- Chairman
Mr. A. Ramesh	- Member
Prof. Vijaya Chandru	- Member

Shareholders / Investor Grievance

Mr. A. Ramesh	- Chairman
Mr. G. Prasad	- Member
Prof. Vijaya Chandru	- Member

Sathya Kalyanasundaram

Chief Financial Officer

Raj Kumar Singh

Company Secretary

REGISTERED OFFICE

H. No: 8-2-685/1/1, Road No. 12,
Banjara Hills, Hyderabad - 500034.

Tel : 040-6622-9292

Fax : 040-6622-9393

BANKERS

IndusInd Bank Limited
Corporation Bank
HDFC Bank Limited
ICICI Bank Limited
UCO 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
Punjagutta, 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 **Tenth Annual General Meeting** of MosChip Semiconductor Technology Limited will be held on Thursday, the 27th August 2009 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 2009 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 an Ordinary Resolution:**

RESOLVED THAT pursuant to the provisions of Section 94(1)(a) of the Companies Act, 1956 consent of the company be and is hereby granted for increasing the Authorised Share Capital of the company from the present Rs. 55 Crores to Rs.70 Crores by creation of 1,50,00,000 equity shares of Rs.10/- each ranking pari passu with the existing equity shares of the company in all respects.

RESOLVED FURTHER THAT pursuant to the provisions of Section 16 of the Companies Act, 1956, the existing Clause V (a) of the Memorandum of Association of the company be amended to read as mentioned below:

The Authorised Share Capital of the company is Rs.70,00,00,000 (Rupees Seventy Crores Only) divided into 7,00,00,000 (Seven Crores Only) Equity shares of Rs.10/- (Rupees Ten Only) each with a power to the company to increase or reduce the capital and to issue any part of its capital with or without any preferential, deferred, guaranteed, qualified or special rights, conditions and with power to vary, modify, amalgamate or abrogate any such rights, privileges of conditions in accordance with the provisions of the Companies Act, 1956 and any other relevant regulations and rules governing the subject.

RESOLVED FURTHER THAT Mr. C. Dayakar Reddy, Managing Director and Mr. Raj Kumar Singh, Company Secretary of the company, be and are hereby authorised severally to do all such acts, deeds and things that are required to give effect to the above resolutions."

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

RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956, Article No.4 of the Articles of Association of the company be and are hereby amended to read as follows:

The Authorised Capital of the company is Rs.70,00,00,000 (Rupees Seventy Crores Only) divided into 7,00,00,000 (Seven Crores Only) Equity shares of Rs.10/- (Rupees Ten only) each and the same may be increased or reduced as per the requirements of the business and in accordance with the provisions of the law.

7. **To consider and if thought fit, to pass with or without modifications(s), the following Resolution as a Special Resolution:**

RESOLVED THAT in conformity with the provisions of Section 81 (1A) and other and all other applicable provisions, if any, of the Companies Act, 1956; Listing Agreements entered with the Bombay Stock Exchange Limited ; 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 (1) Investor X (2) Investor Y on preferential basis up to 27,00,000 Equity Shares of face value of Rs.10/- each and up to 40,80,000 warrants to , (1) Eddie Sin Po Chiu (2) Dr. Madhu Mohan Katikineni (3) C. Dayakar Reddy and (4) Investor X, where each warrant is convertible into one Equity Share of the face value of Rs.10/- each, at a price of Rs.12.50/- per share, (including premium of Rs.2.50/-) resulting in the aggregate after conversion / exercise of rights attached to those instruments, not exceeding 67,80,000 Equity Shares of the Company, on the following terms and conditions :-

- (a) 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.
- (b) An amount equal to 25 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.
- (c) 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.
- (d) The entire pre preferential shareholding of the proposed allottee, if any, is subject to a lock-in from the relevant date i.e. 28 July 2009 upto a period of Six (6) months from the date of preferential allotment.
- (e) 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. 28 July 2009.
- (f) 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 **28 July 2009**.

RESOLVED FURTHER THAT the equity shares allotted and shares allotted upon exercise of warrants shall sent 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.

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 302, 309, 310, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) and subject to Central Government approval and other

sanctions and approvals as may be necessary, approval of the Company be and is hereby accorded to the re-appointment of Mr. K. Ramachandra Reddy as Chairman and Chief Executive Officer of the company for a period of three years with effect from 1 September 2009, on a revised terms and conditions as mentioned below:

Terms of Remuneration

Salary and Perquisites : Rs.5,00,000/- (Rupees Five Lakhs only) per month by way of Salary, Dearness Allowance and any other allowances and perquisites in the scale of Rs. 5,00,000 – 1,00,000 – 7,00,000.

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 198 and 309 of the Companies Act, 1956, read with Schedule XIII of Companies Act, 1956 as amended from time to time.

Mr. K. Ramachandra Reddy, shall also be eligible for Gratuity payable at a rate not exceeding half a months salary for each completed year of service which shall not be included in the computation of the ceiling on remuneration specified above.

Notwithstanding anything contained herein, wherein any financial year during the currency of the tenure of the appointee, the Company has no profit or its profits are inadequate, the Company will pay to Mr. K. Ramachandra Reddy, the above mentioned amount as a remuneration by way of salary and perquisites as hereinabove mentioned as minimum remuneration.

FURTHER RESOLVED THAT the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary or desirable to give effect to these Resolutions."

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 302, 309, 310, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof,

for the time being in force) and subject to Central Government approval and other sanctions and approvals as may be necessary, approval of the Company be and is hereby accorded to the re-appointment of Mr. C. Dayakar Reddy as Managing Director of the company for a period of three years with effect from 1 September 2009, on a revised terms and conditions as mentioned below :

Terms of Remuneration

Salary and Perquisites : Rs.5,00,000/- (Rupees Five Lakhs only) per month by way of Salary, Dearness Allowance and any other allowances and perquisites in the scale of Rs. 5,00,000–1,00,000–7,00,000.

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 198 and 309 of the Companies Act, 1956, read with

Schedule XIII of Companies Act, 1956 as amended from time to time.

Mr. C. Dayakar Reddy, shall also be eligible for Gratuity payable at a rate not exceeding half a months salary for each completed year of service which shall not be included in the computation of the ceiling on remuneration specified above.

Notwithstanding anything contained herein, wherein any financial year during the currency of the tenure of the appointee, the Company has no profit or its profits are inadequate, the Company will pay to Mr. C. Dayakar Reddy, the above mentioned amount as a remuneration by way of salary and perquisites as hereinabove mentioned as minimum remuneration.

FURTHER RESOLVED THAT the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary or desirable to give effect to these Resolution".

By Order of the Board of Directors

Hyderabad
27 July 2009

Raj Kumar Singh
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 21-08-2009 to 27-08-2009 (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, 8 & 9 above is annexed hereto.

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

Item No.5

INCREASE OF AUTHORISED CAPITAL AND AMENDMENT TO MEMORANDUM OF ASSOCIATION

In order to meet the product development expenditure, long term working capital needs and capital expenditure, and also to forge strategic relationship with leading business entities/players in the semiconductor industry, your Company is proposing to issue equity shares and warrants convertible into equity shares to the resident / non-resident investors.

Since the present authorised capital is not adequate to accommodate the proposed issue, it is proposed to raise the authorised capital of the company from present Rs.55 crores to Rs.70 crores by way of creating 1,50,00,000 equity shares of Rs.10/- each and to make consequential amendments to the capital clause of Memorandum of Association. As required under Section 94 for increasing the Authorised Capital of the Company and under Section 16 for making amendment to the Capital Clause of Memorandum of Association of the company, this resolution is placed for the approval of the shareholders.

None of the Directors of the company are, interested or concerned, in anyway, in this resolution.

Item No.6

AMENDMENT TO ARTICLES OF ASSOCIATION

Consequent to the proposed increase in the Authorised Capital of the Company, Article No.4 of the Articles of Association of the Company requires amendment incorporating the increase in the Authorised Capital of the Company from the existing Rs.55 crores to Rs. 70 Crores.

Section 31 of the Companies Act, 1956 requires passing of Special Resolution for carrying out any amendments to the Articles of Association of the

company. Hence your Directors commend these resolutions for your approval.

None of the Directors of the Company are, interested or concerned, in anyway, in these resolutions.

Item No.7

ISSUE OF FURTHER SHARES & WARRANTS ON PRIVATE PLACEMENT BASIS

To augment resources for product development expenditure, long term working capital needs, capital expenditure and other corporate actions and to suitably reward the Managing Director, your company has proposed to issue further 27,00,000 equity shares and 40,80,000 warrants to Mr. C. Dayakar Reddy, Mr. Eddie Sin Po Chiu, Dr. Madhu Mohan Katikenini, Investor X and Investor Y on preferential allotment basis

Mr. C. Dayakar Reddy, Managing Director is concerned with the above resolution to the extent of his warrants.

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 objects of the proposed issue of equity shares and warrants to proposed allottees are:

- (1) to augment resources for:
 - Product Development expenditure
 - Long Term Working Capital requirements,
 - Capital expenditure,
 - General corporate requirements
- (2) to build and strengthen a business relationships, and to provide adequate incentive to the Managing Director.

Intention of Promoters / Directors / Key management persons to subscribe to the offer

Mr. C. Dayakar Reddy, Managing Director is intended to subscribe 500,000 warrants 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	14600	0.03	14600	0.03
- Non-Resident	4834235	11.14	5334235	10.63
Persons Acting in Concert				
-Resident	0	0.00	0	0.00
- Non-Resident	4035062	9.30	4535062	9.04
Sub - Total	8883897	20.48	9883897	19.70
Non-Promoter Holdings				
Venture Capital Funds	150	0.00	150	0.00
FII's	659146	1.52	659146	1.31
Private Corporate Bodies				
- Domestic	4497486	10.37	4497486	8.97
- Foreign	2896019	6.68	2896019	5.77
Indian Public	23881481	0.65	23881481	47.61
Non - Resident's	2285468	0.00	8065468	16.08
Employees Welfare Trust	281870	55.04	281870	0.56
Depository for GDRs	0	5.27	0	0.00
Sub - Total	34501620	79.52	40281620	80.30
Grand Total	43385517	100.00	50165517	100.00

Note: The post-issue capital considers only the issue of equity shares and warrants under Resolution No.7.

Proposed time within which the allotment shall be completed.

The allotment shall be completed within 15 (Fifteen) days from the date of passing of the resolution provided that where the allotment on preferential basis is pending on account of pendency of any approval of such allotment by any regulatory authority of the Central Government, the allotment shall be completed within 15 (Fifteen) days from the date of such approval.

The identity of the proposed allottees and the percentage of post-preferential issue capital that may be held by them.

The proposed allottees are:

Sl.No.	Name of the allottee	Existing holding	No. of Shares/ warrants allotted	Percentage of post issue capital
01	Mr. C. Dayakar Reddy	583,920	500,000	2.16
02	Mr. Eddie Sin Po Chiu	626,000	500,000	2.25
03	Dr. Madhu Mohan Katikieni	312,480	200,000	1.02
04	Investor X	Nil	27,00,000	5.38
05	Investor Y	Nil	28,80,000	5.74

Mr. C. Dayakar Reddy falls under the category of Promoter and is interested or concerned with the above resolution to the extent of his warrants.

Identity of the class of the proposed allottees

Non-resident and Foreign Investors.

Consequential changes in the Board of Directors of the Company

There will be no change in the Board of Directors of the Company.

Change in the control over the company

This preferential issue of shares to the above-named investors will not result in change in the control over the affairs of the company.

Item No.8**RE-APPOINTMENT OF MR. K. RAMACHANDRA REDDY AS CHAIRMAN & CEO**

Mr. K. Ramachandra Reddy was appointed as the Chairman & CEO with effect from 24 July 2000 for a period of 5 years & reappointed on 24 July 2005 and as a part of the initiative to create enduring leadership for the company, the Board of Directors of the company on 31 August 2006 has resolved to re-appoint Mr. K. Ramachandra Reddy as Chairman & CEO for a period of 3 years commencing from 01 September 2006 on revised terms and conditions and the same was passed by the members of the Company in their Annual General Meeting held on 29 September 2006. Despite the uncertain economic outlook and cash flow pressure, Mr. Ramachandra Reddy steered the Company towards the acquisition of prospective projects and responding to clients' requirements and now the Board of Directors of the company on 27th July 2009 has resolved to re-appoint Mr. K. Ramachandra Reddy as Chairman & CEO for a period of 3 years commencing from 01 September 2009 on revised terms and conditions.

The appointment is subject to the approval of members and the Central Government. The terms and conditions of his appointment are as follows:

1. Period of appointment: 3 years beginning 01 September 2009 and ending on 31 August 2012.
2. Details of remuneration: As provided in resolution will be paid for a period of 3 years with effect from 01 September 2009.
3. Mr. K. Ramachandra Reddy shall perform such duties as shall from time to time be entrusted to him, subject to the superintendence, guidance and control of the Board of Directors and he shall perform such other duties as shall from time to time be entrusted to him by the Board of Directors of the company.

The terms of re-appointment of Mr. K. Ramachandra Reddy as stated in this notice may be treated as the abstract under Section 302 of the Companies Act, 1956. The Board accordingly recommends the resolution for approval of the members.

Disclosure pursuant to provisions of Schedule XIII

1. General Information:

- a. Nature of Industry: Software Development (ASIC Designing and IP Development)
- b. Date of commencement of commercial production: 01 August 2000.
- c. Financial performance based on given indicators:

Particulars	For the year 2006-07		For the year 2007-08		For the year 2008-09	
	MosChip, India	Cons- olidated	MosChip, India	Cons- olidated	MosChip, India	Cons- olidated
Total Income from operations	625.56	2773.92	672.68	2438.05	1054.29	2750.70
Operating Profit before Depreciation & Tax	(479.25)	(84.47)	(811.65)	(758.13)	(698.73)	(1089.88)
Less: Depreciation	(149.91)	240.74	128.62	340.93	114.28	438.37
Profit before tax (PBT)	(629.16)	(355.21)	(940.27)	(1099.06)	(813.01)	(1528.25)
Less: Provision for FBT	3.29	3.29	4.34	4.34	3.80	3.80
Profit after Tax before extraordinary and prior period item	(632.45)	(358.50)	(944.61)	(1103.04)	(816.81)	(1532.05)
Less: Extraordinary and prior period item	(39.34)	(39.34)	(38.87)	(38.87)	(0.06)	(0.06)
Profit after tax after extraordinary and prior period item	(593.11)	(319.16)	(905.74)	(1064.53)	(816.75)	(1531.99)
Earnings per share (EPS) Before extraordinary and prior period item						
Basic	(1.46)	(0.83)	(2.18)	(2.54)	(1.88)	(3.53)
Diluted	(1.46)	(0.83)	(2.18)	(2.54)	(1.88)	(3.53)
After extraordinary and prior period item						
Basic	(1.37)	(0.74)	(2.09)	(2.54)	(1.88)	(3.53)
Diluted	(1.37)	(0.74)	(2.09)	(2.54)	(1.88)	(3.53)

- d. Export performance and net foreign exchange collaborations :
- e. Foreign Investments or collaborators, if any: 35.95% equity shares are held by Non-residents and there is no foreign collaboration.

2. Information about Mr. K. Ramachandra Reddy:

- a. Background details: Mr. K. Ramachandra Reddy aged 60, is a graduate in Electronics Engineering from IIT, Madras and M.S.E.E. from University of Wisconsin, Madison, Wisconsin, USA. He has over 24 years of experience in Silicon Valley in the area of design, manufacturing and marketing of various integrated circuits (ICs). He has successfully started semiconductor design companies and sold them to larger companies in the last 19 years. His companies were Lotus Designs Corp., Silicon Logic and Startech Semiconductor. All these companies were based in Silicon Valley, USA. Prior to starting his first company in 1982, he worked as a Section Manager at American Micro Systems in Santa Clara, California. Mr. Ramachandra Reddy 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.
- b. Past remuneration: Rs. 4,50,000/- per month.
- c. Recognition or awards: He was responsible for designing the world's first DSP chip.
- d. Job profile and his suitability: As CEO and Chairman of the Company, Mr. K. Ramachandra Reddy, is the person responsible for giving business direction to consolidated entity.

Mr. K. Ramachandra Reddy has over 20 years of experience in the semiconductor industry in USA and 30 years overall.

- e. Remuneration proposed:

Salary and Perquisites : Rs. 5,00,000/- (Rupees Five Lakhs only) per month by way of Salary, Dearness Allowance and any other allowances and perquisites in the scale of Rs. 500,000 – 100,000 – 700,000.

3. 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 198 and 309 of the Companies Act, 1956, read with Schedule XIII of Companies Act, 1956 as amended from time to time

- a. Comparative remuneration profile with respect to industry, size of the company, profile of the position and persons:

The remuneration package of Rs. 500,000/- in the scale of Rs. 500,000 – 100,000 – 700,000 is very reasonable in comparison to the semiconductor industry standards.

- b. Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel if any: Mr. K. Ramachandra Reddy holds 7.03 % of equity shares in the Company.

4. Other Information:

a. Reasons of loss or inadequate profits

As a fabless semiconductor company, MosChip Semiconductor Technology Ltd designs products and developed ASIC & SOC software. The manufacturing of products is outsourced to the ASIC service providers. The ASIC software is licensed to its wholly owned subsidiary MosChip Semiconductor Technology USA which subcontracts the manufactured chip through its worldwide distribution network. MosChip USA collects the revenue from the sales of products and pays a license fee to MosChip India which is linked to the gross margins on the products designed by MosChip India. In addition, MosChip India also sells products directly to MosChip USA, utilizing the export working capital facility availed through its bankers.

MosChip enjoyed the two best quarters in terms of revenue, for the quarters ending June 2008 and September 2008 respectively. The Company's acquisition of Indigita in May 2008 has also opened avenues to the Audio Video worldwide segment, which includes major electronic players such as Sony, Toshiba, Hitachi & Samsung to name a few. However, the global slowdown in consumption as a result of the financial crisis in the United States has impacted the semiconductor industry worldwide, with consumption dropping as much as 30%. As a result, the investments in people and technologies that the Company has made in 2008 have not borne fruit fully, though the consolidated revenues are higher than the prior financial year.

b. Steps taken or proposed to be taken for improvement

The Company has launched two new chips in January 2009 and April 2009 respectively. These chips are extremely powerful, cutting edge technology chips that have been

extremely well received by potential customers. These chips are months ahead of competition in their respective market spaces, they are also competitively priced. The volume production of these chips is set to begin in August 2009, when customers are expected to complete their sample testing for these chips. The revenues and the corresponding gross margins generated by these chips are anticipated to improve the top line by at least 30% in the year ending March 2009. In addition, as global demand for consumer electronics begins to rebound slowly, the sales of the legacy chips are expected to begin their upward rise as well. The investments in people and technologies during the last year are expected to bear fruit.

c. Expected increase in productivity and profits in measurable terms.

The Company thus plans to achieve cash profitability by December 2009 and net profitability by March 2010, with total revenues exceeding Rs. 50 crores for the year ending March 2010.

Except Mr. K. Ramachandra Reddy, none of the Directors is interested or concerned with the above resolution.

Item No.9

RE-APPOINTMENT OF MR. C. DAYAKAR REDDY AS MANAGING DIRECTOR

Mr. C. Dayakar Reddy was initially appointed as the Managing Director with effect from 24 July 2000 for a period of 5 years and was reappointed w.e.f. 24 July 2005 as Managing Director on revised remuneration and again as a part of the initiative to create enduring leadership for the Company, the Board of Directors of the company on 31 August 2006 has resolved to re-appoint Mr. C. Dayakar Reddy as Managing Director of the Company for a period of 3 years commencing from 01 September 2006 on revised terms and conditions and the same was passed by the members

of the Company in their Annual General Meeting held on 29 September 2006. The Company was immensely benefitted by his hard work and innovative ideas. The Company was thus in a better position a better to face the economic slow down and benefit quicker from the recovery. So, the Board of the Company on 7 August 2009 has resolved to re-appoint Mr. C. Dayakar Reddy as Managing Director for a period of 3 years commencing from 01 September 2009 on revised terms and conditions.

The appointment is subject to the approval of members and the Central Government. The terms and conditions of his appointment are as follows:

1. Period of appointment: 3 years beginning 01 September 2009 and ending on 31 August 2012.
2. Details of remuneration: As provided in resolution will be paid for a period of 3 years with effect from 01 September 2009.
3. Mr. C. Dayakar Reddy shall perform such duties as shall from time to time be entrusted to him, subject to the superintendence, guidance and control of the Board of Directors and he shall perform such other duties as shall from time to time be entrusted to him by the Board of Directors of the company.

The terms of re-appointment of Mr. C. Dayakar Reddy as stated in this notice may be treated as the abstract under Section 302 of the Companies Act, 1956. The Board accordingly recommends the resolution for approval of the members.

Disclosure pursuant to provisions of Schedule XIII

1. General Information:

- a. Nature of Industry: Software Development (ASIC Designing and IP Development)
- b. Date of commencement of commercial production: 01 August 2000.
- c. Financial performance based on given indicators: