



MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED

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CORPORATE INFORMATION

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 31st 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

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's 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:

22nd May 2015, 12th August 2015, 31st August 2015, 12th November 2015, 11th February 2016, 18th 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.

DIRECTORS' REPORT

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

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.

DIRECTORS' REPORT

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

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
31st August 2016

K. Ramachandra Reddy
Chairman & CEO

Blank Space