

DREAM. INSPIRE. INNOVATE.

20<sup>th</sup>

# ANNUAL REPORT

MARCH • 2019



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## CORPORATE INFORMATION

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### BOARD OF DIRECTORS

Mr. K. Pradeep Chandra	-- Chairman
Mr. Venkata Sudhakar Simhadri*	-- Managing Director & CEO
Mr. K. Ramachandra Reddy	-- Non-Executive Director
Mr. Prasad Gajjala	-- Independent Director
Mr. D. G. Prasad	-- Independent Director
Mr. Raja Praturi	-- Non-Executive Director
Mr. Damodar Rao Gummadapu	-- Non-Executive Director
Mrs. Madhurika Nalluri Venkat**	-- Independent Director

\* Mr. Venkata Sudhakar Simhadri appointed as Managing Director w.e.f. 26th October, 2018.

\*\* Mrs. Madhurika Nalluri Venkat appointed as additional Director w.e.f. 13th August, 2019.

### COMMITTEES OF THE BOARD

#### Audit Committee.

Mr. Prasad Gajjala	-- Chairman
Mr. K. Pradeep Chandra	-- Member
Mr. D.G. Prasad	-- Member
Mr. Damodar Rao. G	-- Member

#### Nomination & Remuneration Committee.

Mr. Prasad Gajjala	-- Chairman
Mr. K. Pradeep Chandra	-- Member
Mr. Raja Praturi	-- Member

#### Stakeholders Relationship Committee.

Mr. Prasad Gajjala	-- Chairman
Mr. Raja Praturi	-- Member
Mr. D. G. Prasad	-- Member

#### Mr. Venkata Sudhakar Simhadri

Chief Executive Officer

#### Mr. Jayaram Susarla

Chief Financial Officer

#### CS Suresh Bachalakura

Company Secretary & Compliance Officer

#### REGISTERED OFFICE

Plot No. 83 & 84, 2nd Floor  
Punnaiah Plaza, Road No. 2  
Banjara Hills, Hyderabad  
Telangana – 500034.  
Tel : 040-6622-9292  
Fax : 040-6622-9393  
Website: www.moschip.com

#### STATUTORY AUDITORS

M/s. S. T. Mohite & Co.  
Chartered Accountants  
G-5, B-Block, Paragon Venkatadri Apartments  
3-4-812, Street No. 1, Barkatpura,  
Hyderabad – 500 027.

#### SECRETARIAL AUDITORS

M/s. B S S & 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 Fintech 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 take immense pleasure in presenting the 20th Annual Report on the business and operations of your company along with the Audited Standalone & Consolidated Financial Statements for the year ended 31<sup>st</sup> March 2019. The consolidated performance of the Company and its subsidiaries has been referred to wherever required.

Your Directors are pleased to inform you that the Amalgamation of First Pass Semiconductors Private Limited (First Pass) and GigaCom Semiconductor Private Limited (GigaCom) with your Company on the appointed date i.e. 1st April, 2018 was approved by the Amaravati bench of National Company Law Tribunal (NCLT) on 03rd December, 2019 and the Hyderabad bench of National Company Law Tribunal (NCLT) on 05th December, 2019. Accordingly, First Pass and GigaCom are amalgamated with MosChip, effective from 1st April, 2018, being the appointed date.

The merger is expected to result in creation of a combined entity and synergy in the business besides achieving economies of scale. Combining the functions and the operations of all the companies is expected to result in better performance with the benefits in the form of better utilization of managerial, technical and the financial resources, thereby enhancing the value of stakeholders. The amalgamation is expected to result in Operational rationalization, Cost reduction, better administration and organizational efficiency.

### 1. Summary of Financial Results

(Rs. In Lakhs)

	Year ended 31 March 2019		Year ended 31 March 2018	
	Consolidated	Standalone	Consolidated	Standalone
Income from operations	7,475.87	5,869.07	6,017.24	4555.86
Other Income	166.62	285.30	41.30	132.29
<b>Total Revenue</b>	<b>7,642.49</b>	<b>6,154.37</b>	<b>6,058.54</b>	<b>4688.15</b>
Loss before Interest, Depreciation and Tax	(1,443.00)	(1171.27)	(507.18)	(452.80)
Less: Finance Cost	478.60	463.09	533.20	529.55
Less: Depreciation & Amortization	869.84	640.73	219.64	209.83
<b>Loss before tax</b>	<b>(2,791.44)</b>	<b>(2,275.09)</b>	<b>(1,260.02)</b>	<b>(1,192.18)</b>
Less: Provision for tax	96.16	-	3.48	-
<b>Loss after tax</b>	<b>(2,887.60)</b>	<b>(2,275.09)</b>	<b>(1,263.50)</b>	<b>(1,192.18)</b>
<b>Net Loss for the year</b>	<b>(2,887.60)</b>	<b>(2,275.09)</b>	<b>(1,263.50)</b>	<b>(1,192.18)</b>

### 2. Performance Review

Your Company, MosChip Technologies Limited (formerly MosChip Semiconductor Technology Limited (MosChip India) is a fabless model semiconductor and Internet of Things/Everything (IoT/E) focused company. It specializes in product design and development services ranging from Chip Design to Systems Development. It works with Defense Labs as well as globally acclaimed chip design companies in the areas of Chip (SOC) design and development for Aerospace, Defence, Consumer and Industrial applications and IoT/E Products and Services across various industries.

During the year the name of your Company has changed to “**MosChip Technologies Limited**” from MosChip Semiconductor Technology Limited.

On consolidated basis, the income from operations grew to Rs. 7,475.87 lakhs from Rs. 6,017.24 lakhs registering a growth of 24.24% year on year. The increased growth during the current year is primarily from Semiconductor business due to acquisitions. The loss before Interest, Depreciation and Tax stood at Rs. (1,443.00) lakhs while that of previous year stood at Rs. (507.18) lakhs. The Consolidated results however showed a Net Loss for the year at Rs. 2,887.60 lakhs as against a Net loss of Rs. 1,263.50 lakhs in the previous year. The increase in loss is due to new hires done at the leadership level, this will get rationalized over coming periods.

On a standalone basis, income from operations for the year stood at Rs. 5,869.07 lakhs as against Rs. 4,555.86 lakhs for the preceding year. Standalone Net Loss for the FY 2018-19 was Rs. 2,275.09 lakhs as against Net Loss of Rs. 1,192.18 lakhs for the FY 2017-18.

The Performance review of the Company and its subsidiaries for the year is detailed in **Annexure - A** under 'Management Discussion & Analysis' annexed hereto pursuant to the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015,

### 3. Subsidiaries, Joint Ventures and Associate Companies

During the financial year, your company has acquired 2 subsidiary Companies namely MosChip Institute of Silicon Systems Private Limited (formerly known as Institute of Silicon Systems Private Limited) and GigaCom Semiconductor, LLC. MosChip Global Pte Limited, the Singapore subsidiary of your company was wound up. As on 31st March, 2019, the Company has 4 direct subsidiaries, namely;

- 01) MosChip Technologies, USA (formerly known as MosChip Semiconductor Technology, USA).
- 02) Maven Systems Private Limited
- 03) MosChip Institute of Silicon Systems Private Limited.
- 04) GigaCom Semiconductors, LLC.

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 subsidiaries.

During the year, the Board of Directors reviewed the affairs of the subsidiaries. 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 – B** of the Board's 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.

### 4. Dividend & Transfers to Reserves

In view of the losses your directors have not recommended any dividend for the year under review. As a result, there is no appropriation of any amount to the reserves of the Company during the year under review.

During the period under review, no amount was required to be transferred to the Investor Education and Protection Fund.

### 5. Extension of time for holding of AGM

In order to present consolidated position of the company's financials post amalgamation of First Pass, GigaCom and MosChip, the Company had sought extension of time for holding the 20th Annual General meeting (AGM) and the Registrar of companies (ROC), Hyderabad have granted extension of time of 3 months to hold the said Annual General Meeting.

### 6. Share Capital

#### (a) Increase in Paid-up Share Capital

During the year under review, your Company issued and allotted Equity Shares as follows:

- i. On 17.04.2018, 60,74,240 Equity Shares were allotted pursuant to conversion of Equal Number of warrants on preferential basis at a price of Rs. 21.80 .
- ii. On 28.07.2018, 4,00,000 Equity Shares were allotted on preferential basis at a price of Rs. 45.
- iii. On 18.10.2018, 67,00,000 Equity Shares were allotted (Swap Shares) on preferential basis at a price of Rs.33.36.
- iv. On 26.10.2018, 2,76,500 Equity Shares were allotted at a price of Rs. 5.98, on exercise of ESOP scheme.
- v. On 11.12.2018, 22,22,222 Equity Shares were allotted pursuant to conversion of Equal Number of warrants on preferential basis at a price of Rs. 45.

Consequent to the above, the subscribed and paid-up equity share capital of your Company as on March 31, 2019 stood at Rs.29,44,99,554/- comprising of 14,72,49,777 Equity Shares of Rs. 02/- each.

#### (b) Increase in Authorised Share Capital

In view of the scheme of arrangement/amalgamation of First Pass Semiconductors Private Limited and GigaCom Semiconductor Private Limited with MosChip, the authorized share capital of your company now comprises of Rs.56,54,10,000 (Rupees Fifty Six Crore Fifty Four Lakhs Ten Thousand Only) divided into 28,27,05,000 (Twenty Eight Crores Twenty Seven Lakhs and Five Thousand Only) equity shares of Rs.2/- (Two Only).

**(c) Buy Back of Securities**

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

**(d) Sweat Equity**

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

**(e) Bonus Shares**

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

**(f) Dematerialization of Shares**

98.05% of the company's paid up Equity Share Capital is in dematerialized form as on 31st March, 2019 and balance 1.95% is in physical form. The Company's Registrars are Karvy FinTech Pvt. Ltd., Karvy Selenium, Tower B, Plot No. 31 & 32, Financial District, Gachibowli, Hyderabad, Telangana- 500 032.

**7. Major events occurring after the balance sheet date****(a) 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 the period between the end of the financial year to which the financial statements relate and the date of this report excepting that the.

- The name of MosChip Technologies, USA the wholly owned subsidiary Company has changed from MosChip Semiconductor Technology, USA.
- Gigacom Semiconductor Inc, the wholly owned subsidiary Company has merged with MosChip Technologies, USA the wholly owned subsidiary Company.
- The Amalgamation of First Pass Semiconductors Private Limited ('FPS') and GigaCom Semiconductor Private Limited ('GigaCom') with MosChip Technologies Limited ('MosChip') has been approved by the Hon'ble NCLT, Amaravathi bench in its order dated 03rd December, 2019 and the Hon'ble NCLT, Hyderabad bench in its order dated 05th December, 2019. As per the NCLT order the appointed date for Scheme of Amalgamation is 01st April, 2018. Accordingly, the financials of FPS and GigaCom are included in financials of MosChip w.e.f 01st April, 2018.

**(b) Change in the Nature of Business:**

There is no change in the nature of business of the Company.

**(c) 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.

**8. Directors and Key Managerial Personnel****(a) Inductions, Changes & Cessations in Directorships**

Mr. Seetha Ramam Voleti (DIN: 07332440), resigned from the position of Non-Executive Director on 27.04.2018. The Board in its Meeting dated 27.04.2018, placed on record its appreciation for the Services, assistance and guidance provided by Mr. Seetha Ramam Voleti.

On recommendation of the Nomination and Remuneration Committee, the Board has appointed Mr. Singa Rao Gottipati (DIN: 07730448) as an Executive Director and Manager of the Company with effect from 27.04.2018. This appointment was approved by the shareholders through postal ballot results declared on 05th June, 2018. On 23rd July, 2018 Mr. Singa Rao Gottipati has resigned from the positions of Executive Director and Manager of your company. The Board placed on record its appreciation for the Services, assistance and guidance provided by Mr. Singa Rao Gottipati

On recommendation of the Nomination and Remuneration Committee, the Board has appointed Mr. K. Pradeep Chandra (DIN: 05345536) as an Additional Director in Independent Category with effect from 27.04.2018 and his appointment was regularized in 19th AGM held on 29.09.2018.

Mr. Damodar Rao Gummadapu (DIN: 07027779) resigned from the position of CEO of the Company on 27.04.2018 and the Board has appointed him as an Additional Director in Non-Executive Category with effect from 27.04.2018. His appointment was regularized in 19th AGM held on 29.09.2018.



On recommendation of the Nomination and Remuneration Committee, the Board has appointed Mr. D. G. Prasad (DIN: 00160408) as an Additional Director in Independent Category with effect from 28.05.2018 and his appointment was regularized in 19th AGM held on 29.09.2018.

Mr. Raja Praturi (DIN: 01819707), resigned from the position of Independent Director on 13th August, 2018 and re-designated as Non-Executive Director of the Company and his appointment was regularized in 19th AGM held on 29.09.2018.

On recommendation of the Nomination and Remuneration Committee, the Board has appointed Mr. Venkata Sudhakar Simhadri (DIN: 01883241) as Managing Director of the Company with effect from 26.10.2018. This appointment was approved by the shareholders through postal ballot results declared on 17th January, 2019.

On recommendation of the Nominations and Remuneration Committee, the Board has appointed Ms. Madhurika Nalluri Venkat (DIN: 07147974) as Additional Directors in the Independent Category with effect from 13.08.2019.

Mr. Camillo Martino (DIN: 07785530), resigned from the position of Independent Director on 27.05.2019. The Board in its Meeting dated 27.05.2019 placed on record its appreciation for the Services, assistance and guidance provided by Mr. Camillo Martino.

Ms. Poornima Shenoy (DIN: 02270175), resigned from the position of Independent Director on 22.05.2019. The Board in its Meeting dated 27.05.2019 placed on record its appreciation for the Services, assistance and guidance provided by Ms. Poornima Shenoy.

Approval of members by way of ordinary resolution is required for regularization of appointment of Mrs. Madhurika Nalluri Venkat at the ensuing Annual General Meeting scheduled to be held on 30 December, 2019.

### Directors retire by rotation:

Pursuant to the requirements of the Companies Act, 2013 and Articles of Association of the Company Mr. Raja Praturi, Non-Executive Director retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

### **(b) Key Managerial Personnel**

Pursuant to the provisions of Section 203 of the Companies Act, 2013, the Key Managerial Personnel of the Company as on 01.04.2018 were –

Mr. Damodar Rao Gummadapu – Chief Executive Officer.  
Mr. Suresh Bachalakura – Company Secretary

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

On 27.04.2018, Mr. Damodar Rao Gummadapu resigned from the position of Chief Executive Officer. On recommendation of the Nominations and Remuneration Committee, the Board has appointed Mr. Venkata Sudhakar Simhadri as Chief Executive Officer of the Company w.e.f. 24.07.2018. On recommendation of the Nominations and Remuneration Committee, the Board has appointed Mr. Jayaram Susarla as Chief Financial Officer of the Company with effect from 28.05.2018.

Pursuant to the provisions of Section 203 of the Companies Act, 2013, the Key Managerial Personnel of the Company as on March 31, 2019 are:

Mr. Venkata Sudhakar Simhadri - Chief Executive Officer  
Mr. Jayaram Susarla - Chief Financial Officer  
Mr. Suresh Bachalakura - Company Secretary

### **(c) Independent Directors**

It may be recalled that the Members

- (i) At the Eighteenth Annual General Meeting held on 29.09.2017 re-appointed Mr. Prasad Gajjala and Ms. Poornima Shenoy as Independent Directors of the Company for a further period of 5 years. And Mr. Camillo Martino was appointed as an Independent Director of the Company to hold office for a period of 5 years.
- (ii) At the Nineteenth Annual General Meeting held on 29.09.2018 appointed Mr. K. Pradeep Chandra and Mr. D. G. Prasad as Independent Directors for a period of 05 years.

As detailed earlier, Mrs. Madhurika Nalluri Venkat was appointed as an Additional Director in the category of Independent and possess appropriate balance of skills, expertise and knowledge and is qualified for appointment as Independent Director.

Independent Directors Declaration:

All Independent Directors have submitted a declaration that each of them meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the SEBI (LODR) Regulations, 2015 and there has been no change in the circumstances which may affect their status as an independent director during the year.

**(d) Familiarization programme for Independent Directors**

At the time of appointment, the Company conducts familiarization programmes for an Independent Director through meetings with key officials of the Company. During these meetings, presentations are made on the roles and responsibilities, duties and obligations of the Director, Company's business, Company's strategy, financial reporting, governance and compliances and other related matters.

**(e) Board evaluation**

The Board of Directors has carried out an annual evaluation of its own performance, Board Committees and individual directors pursuant to the provisions of the Act and the corporate governance requirements as prescribed by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 ("SEBI Listing Regulations").

The performance of the Board was evaluated by the Board after seeking inputs from all the directors on the basis of the criteria such as the Board composition and structure, effectiveness of board processes, information and functioning, etc.

The performance of the committees was evaluated by the Board after seeking inputs from the committee members on the basis of the criteria such as the composition of committees, effectiveness of committee meetings, etc.

The Board and the Nomination and Remuneration Committee ("NRC") reviewed the performance of the individual directors on the basis of the criteria such as the contribution of the individual director to the Board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc. In addition, the Chairman was also evaluated on the key aspects of his role.

In a separate meeting of independent Directors, performance of non-independent directors, performance of the board as a whole and performance of the Chairman was evaluated, taking into account the views of executive directors and non-executive directors. The same was discussed in the board meeting that followed the meeting of the independent Directors, at which the performance of the Board, its committees and individual directors was also discussed.

**(f) Audit Committee**

The Composition of the Audit Committee is provided in the Corporate Governance Report forming part of this report. All the recommendations made by the Audit Committee were accepted by the Board.

**(g) Nomination and Remuneration Committee:**

Details pertaining to composition of the Nomination and Remuneration Committee are included in the Report on Corporate Governance.

The Company's Nomination and Remuneration Policy was prepared in conformity with the requirements of the provisions of Section 178(3) of the Act.

The Policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under Section 178(3) for payment of remuneration to Directors and policy containing guiding principles for payment of remuneration to Senior Management, Key Managerial Personnel and other employees including Non-executive Directors has been uploaded on the website of the Company at <https://moschip.com/wp-content/uploads/2017/07/Nominatio-remuneration-Policy.pdf>.

**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 is annexed herewith as **Annexure – C** to this report.



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**(h) ESOP plans**

During the year under report the company has Six 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 – 2005(MI)
- (b) MosChip Stock Option Plan – 2005(WOS)
- (c) MosChip Stock Option Plan – 2008
- (d) MosChip Stock Option Plan – 2008(ALR)
- (e) MosChip Stock Option Plan – 2008(Director)
- (f) MosChip Stock Option Plan – 2018

The Company has closed the following three schemes during the year

- (a) MosChip Stock Option Plan – 2001
- (b) MosChip Stock Option Plan – 2002
- (c) MosChip Stock Option Plan – 2004

The Company granted 42,98,000 Options during the financial year to certain eligible employees and Managing Director-cum-CEO of the Company, other than Independent Directors. Disclosures with respect to Stock Options, as required under Rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014 and Regulation 14 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 are annexed herewith as **Annexure – D** to this report.

**(i) Number of meetings of the Board**

8 meetings of the Board were held during the year 2018-2019. Details of these meetings as well as the meetings of its Committees have been given in the Corporate Governance Report, which forms part of the Annual Report.

**9. Corporate Social Responsibility (CSR) Initiatives:**

Section 135 of the Companies Act, 2013 provides the threshold limit for applicability of the CSR to a Company i.e. (a) Networth of the Company to be Rs.500 crore or more; or (b) turnover of the company to be Rs.1,000 crore or more; or (c) net profit of the company to be Rs.5 crore or more. As the Company does not fall under any of the threshold limits given above, the provisions of Section 135 are not applicable to the Company.

**10. Internal control systems and their adequacy:**

The Company has adequate internal control system consistent with the nature of business and size of its operations, to effectively provide safety of its assets, reliability of financial transactions with adequate checks and balances, adherence to applicable statutes, accounting policies, approval procedures and to ensure optimum use of available resources. These systems are reviewed and improved on a regular basis. The Company has a comprehensive budgetary control system to monitor revenue and expenditure against approved budget on an ongoing basis.

The Company has an external audit firm to perform internal audit function to monitor and assess the adequacy and effectiveness of the Internal Controls and System across all key processes. Deviations, if any, are reviewed quarterly and due compliance is ensured. Summary of Significant Audit Observations along with recommendations and its implementation is reviewed by the Audit Committee and reported to the Board.

**11. 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 regulations for directors and employees to report genuine concerns has been established. The Vigil Mechanism / Whistle Blower Policy has been uploaded on the website of the Company at <https://moschip.com/investor-relations/policies-documents/WhistleBlowerPolicy-document.pdf>

**12. Public Deposits**

The Company has not accepted any deposits from public and as such, no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

**13. Statutory Auditors and Auditors' Report**

M/s. S. T. Mohite & Co., Chartered Accountants (Firm Registration No. 011410S) were appointed as the Statutory Auditors of the Company to hold office from the conclusion of the 18th Annual General Meeting (AGM) held on September 29, 2017 until the conclusion of the fifth consecutive AGM of the Company to be held in the year 2022.

The requirement to place the matter relating to appointment of Auditors for ratification by members at every Annual General Meeting is done away with vide Notification dated May 7, 2018 issued by the Ministry of Corporate Affairs, New Delhi. Accordingly, no resolution is proposed for ratification of appointment of Auditors, who were appointed in the Annual General Meeting held on September 29, 2017.

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

The Report of the Statutory Auditors for the year ended 31st March, 2019 forming part of the Annual Report does not contain any qualification, reservation, observation, adverse remark or disclaimer. The Statutory Auditors have not reported any incident of fraud to the Audit Committee of the Company in the year under review.

Further, in compliance with the RBI requirements the Company has obtained Statutory Auditors Report in relation to downstream investments.

### **14. Internal Audit:**

As per the provisions of Section 138 of the Act and the rules made there under, the Board of Directors had appointed M/s Gokhale & Co, Chartered Accountants, Hyderabad (FRN No: 000942S), as Internal Auditor to conduct the internal audit of the Company for the Financial Year 2018-19.

Further, on the recommendation of audit committee, the Board of Directors of the Company has approved the re-appointment of aforesaid audit firm as internal auditors for the Financial Year 2019-20.

### **15. 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 2018-2019. The Secretarial Audit Report is annexed herewith as **Annexure – E**. The Secretarial Audit report does not contain any qualifications, reservation or adverse remark.

### **16. Cost Records and Audit**

Maintenance of cost records and requirement of cost audit as prescribed under the provisions of Section 148(1) of the Companies Act, 2013 are not applicable for the business activities carried out by the Company.

### **17. 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 - F**.

### **18. 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. All Related Party Transactions are placed before the Audit Committee and before the Board for approval. Prior omnibus approval of the Audit Committee was obtained for the transactions which are of a foreseeable and repetitive nature. The particulars of contracts or arrangements with related parties referred to in section 188(1) and applicable rules of the Companies Act, 2013 in **Form AOC-2** is provided as **Annexure - G** to this Annual Report.

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 Regulations. This Policy was considered and approved by the Board has been uploaded on the website of the Company at <https://moschip.com/investor-relations/policies-documents/PolicyOnRelatedPartyTransactions-document.pdf>

### **19. Extract of Annual Return:**

As required by Section 92(3) of the Act read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of the Annual Return in **Form MGT-9** is provided as **Annexure - H** to this Annual Report.

### **20. Particulars of Loans, Guarantees or Investments**

Pursuant to Section 186 of Companies Act, 2013 and Schedule V of the Listing Regulations, disclosure on particulars relating to Loans, Advances, Guarantees and Investments are provided as part of the financial statements.