# LED AND LEADING

INNOVATING THE DISPLAY AND LIGHTING REVOLUTION

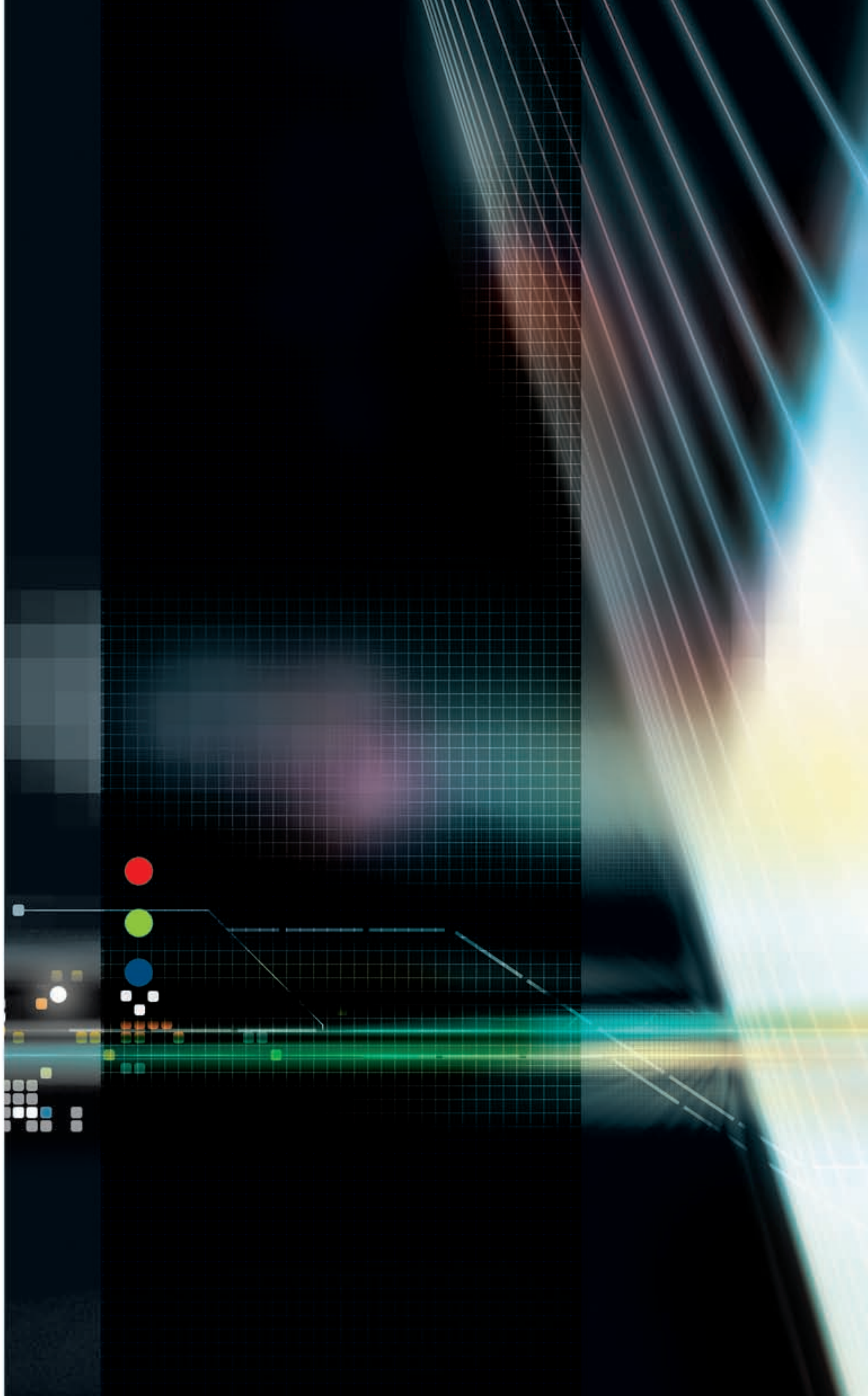
MIC ELECTRONICS LIMITED | ANNUAL REPORT, 2009-10

## Forward-looking statement

In this annual report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



## Inside the document

# BIG PICTURE

MIC Electronics is the only organisation approved by RDSO to provide Passenger Information Displays using True Color LED Displays that provide automatic SIMRAN-based real-time train schedules.

MIC Electronics is the only one in India to offer 'design to display' capabilities in True Color LED Video Displays.

MIC Electronics developed mobile display-cum-audio systems that can display satellite 'live' feeds.

MIC Electronics Networked Displays Solution makes it possible for different advertisers to make common out-of-home (OOH) media to display various advertisements as per the desired timing.

MIC Electronics LED-based lighting products save up to 65% energy over conventional lighting systems.

MIC Electronics introduced solar LED lanterns that is progressively replacing kerosene lamps in rural markets.

MIC ELECTRONICS.
LED DISPLAY TECHNOLOGY LEADER SINCE 1985.
LEVERAGING THE POWER OF LED TO CREATE A SUSTAINABLE BUSINESS.
SUSTAINABLE FOR CUSTOMERS, COMMUNITY AND SHAREHOLDERS.

## VISION

- To be among the top five companies in the world by delivering world-class products of True Colour LED Video Display Systems
- To be among the top 10 companies in the world by designing and delivering high-end LED Luminaries

## Parentage

- Promoted and headed by Dr. M V Ramana Rao (Chairman and Managing Director)
- Started operations in 1985 through the manufacture of single colour LED displays
- Invested in the Design and Development of LED-based illumination, signage and displays

## Products

- Total focus on LED displays and LED lighting
- Developed India's first 3 mm and 4 mm True LED Pixel TV
- Product portfolio comprises over 70 lighting products
- Launched various embedded products leveraging related technologies

# SIGNPOSTS

## 2003

- LED video display products placed in the "Indian Innovator's Forum" – Hall of Fame
- Supply of Digital Loop Carrier Systems to Bharat Electronics Limited, Bangalore and installing and commissioning at MTNL Delhi and Mumbai

## 2004

- Supply of True Colour Outdoor LED Video Display System to Gujarat Council of Science City, Gandhi Nagar
- Design, implementation and service for 'Inter operator Billing & Accounting System' for MTNL Delhi from 2004 to 2009

## 2005

- Export of mobile video display to Systec Retails Solutions Pty Ltd, Durban, South Africa

## 2006

- Acquisition of InfoSTEP Inc, USA

## 2007

- Successful completion of the IPO with issue oversubscribed 51 times
- Development of 'Emergency Lighting (Railways)' and 'Solar Lighting (MNRE)'

- Emerged as a global leader in the design, development and manufacture of True Colour LED video displays, LED lighting products, high-end electronic and telecommunication equipment and development of telecom software

## Presence

- Headquartered in Hyderabad (India); marketing and technical support centres in New Delhi, Mumbai, Kolkata, Chennai and Bangalore
- Manufacturing units in Hyderabad and Roorkee
- Global offices in Sydney (Australia), Santa Clara (California) and Seoul (South Korea)
- Indian Oil Corporation (IOCL) distribution network across Patna, Chennai, Kolkata, Bhubaneswar, Guwahati, Chandigarh and Hyderabad – used for the distribution of MIC lanterns
- Dealer network across Faridabad, Chandigarh, Delhi, Chennai, Hyderabad and Pune

## Pride-enhancing certifications and approvals

- Received ISO 9001:2008 certification for Quality Management System
- Recognised and approved for R&D facilities by DSIR, Government of India
- More than 25 products approved by Telecom Engineering Centre (TEC)
- Patents pending for several displays and lighting products and technologies
- Only company in India cleared for coach lighting and approved for SIMRAN (Satellite IMaging for RAil Navigation) applications by RDSO (Ministry of Railways) using True Colour LED Displays
- Lighting Sciences Inc. USA certified MIC's street lights for compliance with Energy Star Requirements related to luminaire efficacy and power factor
- MIC Lighting products meet IS 10322 / IEC 60598 standards covering safety, electrical and optical parameters as tested by ERDA, Vadodara and Canara Lighting Laboratories, Mangalore
- Solar products comply with MNRE specifications and are registered with DGS&D
- MIC Quality system covers inward inspection of components, in-process testing and final product clearance as per IS 2500
- Environmental and reliability tests carried out as per IS 9000
- Lighting products tested for EMI/EMC as per IEC 61547
- Conformity Certificate for Outdoor Display Unit and UL certificate for DigiTile-10V
- Performance of lights reported as excellent by B&D Latham, Electrical Contractors of Australia

## Recognition and Awards

- Received Department of Science and Industrial Research (DSIR) Award for MIC's Research and Development efforts in Electronics Industry
- LED Display System placed in Indian Innovator's Forum Hall of Fame
- MIC selected for 'Best under a Billion' by *Forbes Asia* in 2008 as one of 22 Indian companies among 200 shortlisted from 24,155 Asia Pacific-listed companies

## 2008

- Selected for 'Best under a Billion' by Forbes Asia in 2008 as one of 22 Indian companies among 200 Asia Pacific companies short listed from 24,155.
- RDSO approval for True Colour Passenger Information Display System
- OEM agreement with GE for LED street lighting
- Established a 100% subsidiary MIC Electronics Inc. (US)

## 2009

- MNRE approval for LED solar lighting products
- Inclusion in LaBL Programme

*Street lights field trials in the US and Australia.

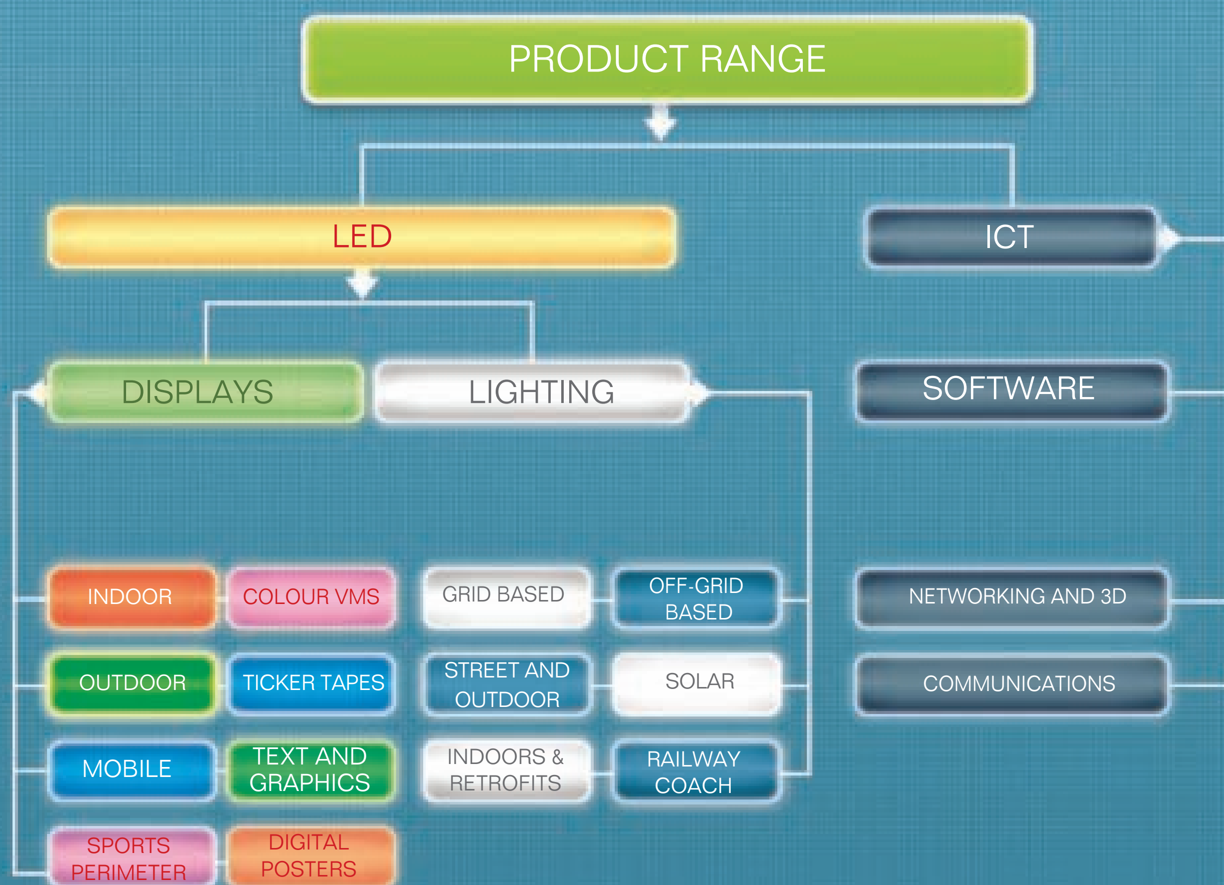
## 2010

- Tied up with IOCL for marketing solar lanterns through its outlets and for joint development efforts for Solar energy devices.

# CLIENTELE

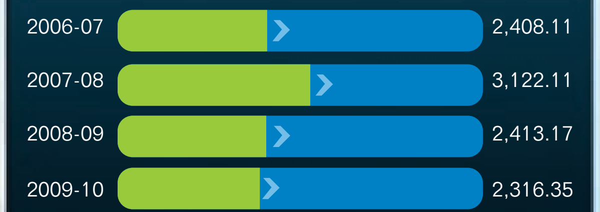
- Air India
- Andhra Pradesh Technology Services
- Andhra Pradesh Tourism Development Corporation
- Bharat Electronics Limited
- BHEL
- Bharat Dynamics Limited
- Bharat Sanchar Nigam Limited
- Bureau of Energy Efficiency
- Coal India
- C.R.I. Pumps
- Electronics Corporation of India Limited
- General Electric (GE)
- Gujarat Science City
- Haryana Renewable Energy Development Agency (HAREDA)
- Heritage Foods (India) Limited
- Hindustan Petroleum
- Hyderabad Race Course
- IDBI Bank
- Idea Cellular Limited
- Indian Institute of Tropical Meteorology
- International Institute of Information Technology
- Indian Oil
- Indian Railways
- ITC
- Karnataka Renewable Energy Development Limited
- Krishna Institute of Medical Sciences
- Larsen & Toubro Limited
- Life Insurance Corporation of India
- Mahindra & Mahindra
- Maruti Udyog Limited
- Mahanagar Telephone Nigam Limited
- Municipal Corporation of Delhi
- National Institute of Rural Development (NIRD)
- Nuclear Power Corporation of India
- Non-conventional Energy Development Corporation of Andhra Pradesh Limited (NEDCAP)
- Oil & Natural Gas Commission
- Paradip Port Trust
- PB Systems Inc.
- Procter & Gamble
- Reserve Bank of India
- Reliance Industries Limited
- Steel Authority of India Limited (SAIL)
- Singareni Collieries Company Limited
- State Bank of India
- Sun TV
- Taj Hotels
- Tata Indicom
- Tirumala Tirupati Devastanams
- Tripura State Electricity Corporation Limited
- TVS Motor Company
- Vijai Electricals Limited
- Virtusa
- Vishakapatnam Port Trust
- Vizag Steel

# MIC'S PRODUCT RANGE

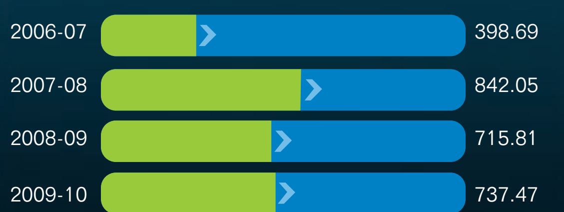


# HOW WE PERFORMED IN 2009-10

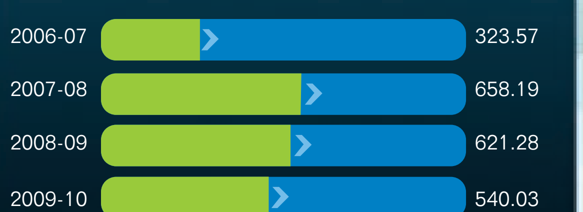
### Net sales (Rs. mn)




### EBITDA (Rs. mn)




### Net profit (Rs. mn)




## Financial performance

- EBIDTA increased 3.03% from Rs. 715.81 million in 2008-09 to Rs. 737.47 million
- EBIDTA margin strengthened 140 basis points from 27.06% in 2008-09 to 28.46%
- Revenue decreased 4.01% from Rs. 2,413.17 million in 2008-09 to Rs. 2,316.35 million
- Cash profit declined 1.72% from Rs. 568.28 million in 2008-09 to Rs. 558.51 million
- Post-tax profit decreased 13.08% from Rs. 621.28 million in 2008-09 to Rs. 540.03 million
- Post-tax profit margin reduced 265 basis points from 23.49% in 2008-09 to 20.84%

## Products

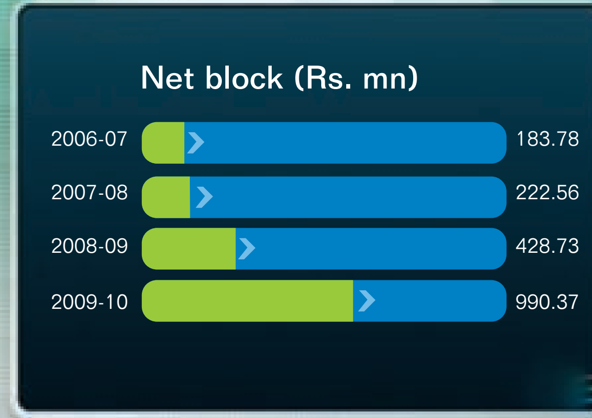
- Introduced five new products into the market in the lighting segment
- Introduced 4-mm True LED TV in India

## Operating performance

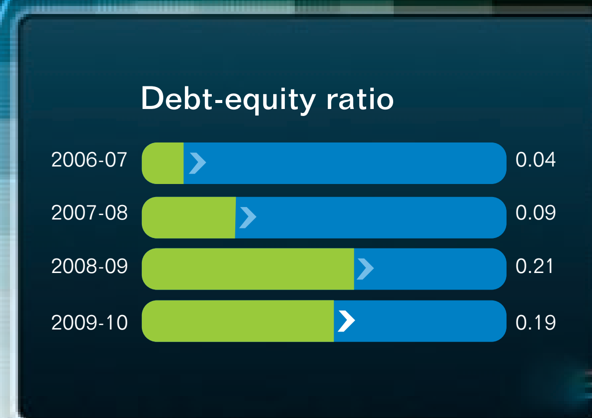
- Added 10 new clients
- Created presence in five new countries
- Tied up with Indian Oil Corporation Limited to initiate a pilot project to market its solar-based LED lanterns on a commercial scale in select states
- Secured orders from the Indian Railways for installing railway Passenger Information Display systems
- Bagged an order from Parramatta League Club, Australia, to install a 120 sq. m screen for three years
- Formed a joint venture with Hyperion Green Energy India Private Limited to secure an energy saving project for municipal street lighting for a town in Andhra Pradesh
- Filed 5 applications for patents, 22 for trademarks, 20 for design registrations and 3 for Copy Rights

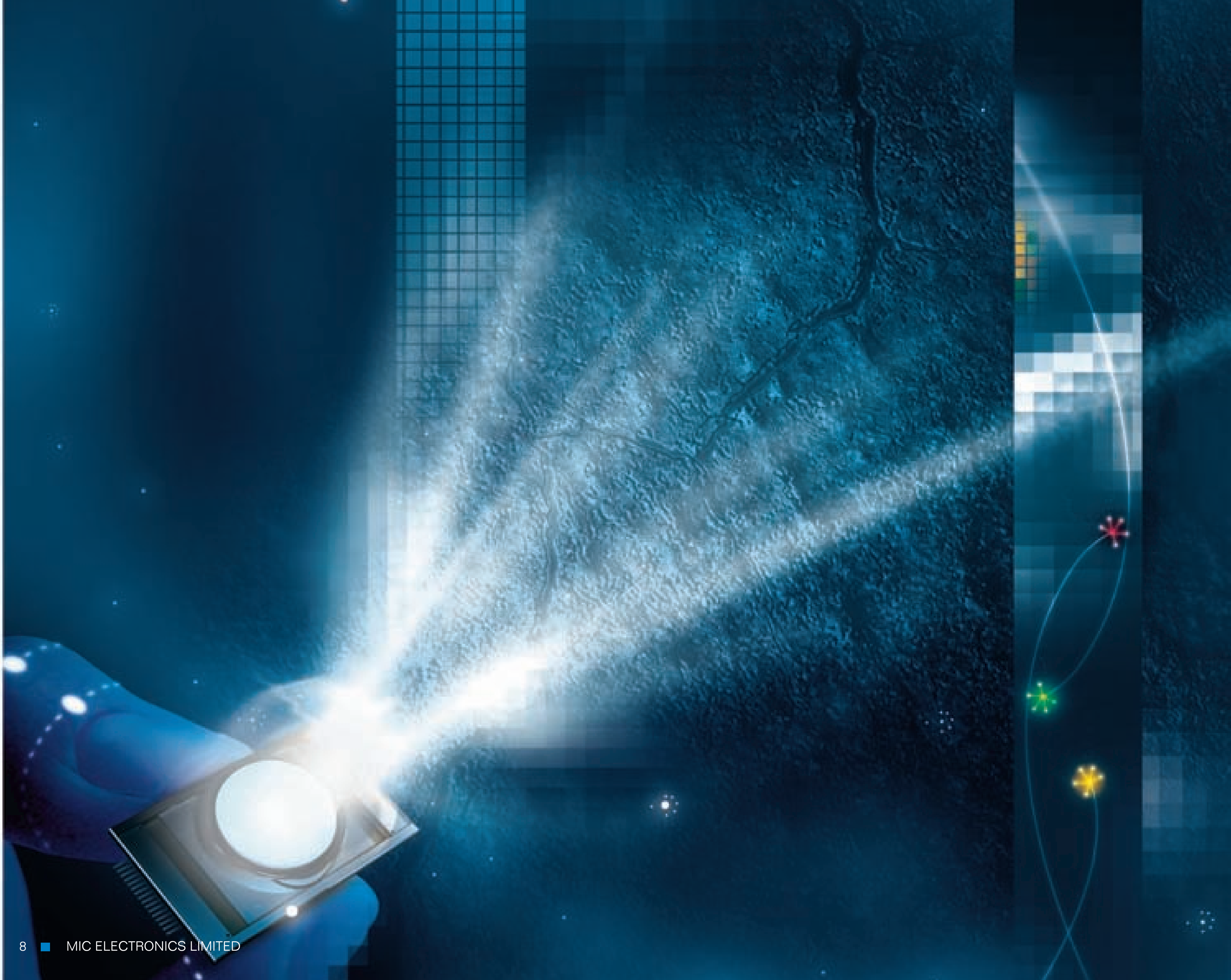
## Post-balance sheet achievements

- Launched 15 LED lighting products in five categories
- Tied up with Home resources  and LED Ray companies of Taiwan, for the design, development, production and marketing of LED lights
- Bagged an order from Uttar Pradesh New and Renewable Energy Development Agency (UPNEDA) for supplying LED solar street lighting systems worth Rs. 66.3 million
- Secured orders worth Rs. 58.7 million from Indian Railways to supply a gamut of true colour LED display systems and emergency LED lighting solutions
- Won orders worth Rs. 41.3 million LED lighting systems and Rs. 72.6 million for True Color LED display system from various corporate houses









# SAVING COSTS. SAVING RESOURCES.

MIC ELECTRONICS MAKES SAVINGS, WHILE SAVING THE PLANET.

The Company's LED lighting solutions help save up to 65% energy compared with conventional lighting systems.

Replacing 100,000, 250-watt SV/MH street lights with 100-watt LED lights could save 60 million units annually and 900 million units in 15 years of LED life.

The financial implications are as attractive: at a grid energy cost of Rs. 5 per unit, around Rs. 4,500 million can be potentially saved in 15 years.

The IREDA indicates that one unit of power saved is equal to 2.5 units of power generated (after taking into account the power loss in transmission and distribution). This means a saving of 20 MW power plant capacity for fifteen years.

The saving is estimated at around USD 180 million [(15yrs*24 hrs*365 days*20000 units* US 6 c) + USD 20 mn (set up cost)]. This saving can be potentially diverted into investments in other infrastructure activities.

This is without factoring environment savings. One unit of energy burns 0.49 kg of coal. The energy saving in one year could eliminate the combustion of 29,500 MT of coal with a corresponding reduction of 51,690 MT of green house gases.

LED is not just what a consumer seeks. It is what the world needs.

# RAISING LEVELS.
# PUSHING FRONTIERS.

MIC ELECTRONICS IS BRINGING TOMORROW TODAY.

MIC engineers are obsessed about whether one can see the shine on the eyeball. Whether the close-up of a tiger can scare the sweat out of the audience. Whether the armchair would be the best stadium seat.

MIC engineers have just taken a decisive step towards the ultimate viewing experience. The Company is leveraging more than two decades of rich LED display production experience to create 3D LED display (with and without eye glasses).

MIC is also initiating mobile display units with audio systems for the live telecast of events to various places. The system will find applications for large public gatherings, colleges/universities and corporate training centres, among others.

MIC's initiatives thrive on captive Design and Development as well as proprietary technology. For instance, the Company's 'Scan+' technology refined the moving display content and embedded technology led to improved picture quality. The Company's networking technology facilitated displays to be operated from any remote global location, helping advertisers optimise space usage.

So that the next time one sees a moving image on a screen one may believe that it is better than the actual.


SOUND TECHNOLOGY › ROBUST BUS NESS › ATTRACTIVE FINANCIALS › SUPERIOR


# INCREASING SATISFACTION. ENHANCING WEALTH.

SOUND TECHNOLOGY CREATES ROBUST BUSINESS. ROBUST BUSINESS CREATES ENDURING FINANCIALS. ENDURING FINANCIALS CREATE ATTRACTIVE WEALTH. ATTRACTIVE WEALTH CREATES HAPPY SHAREHOLDERS.

MIC has a fair record in this regard.

Its book value reflects the value of every share represented by the Company's assets, improved from Rs. 32.49 per share in 2008-09 to Rs. 37.71 per share in 2009-10.

# "WE ARE LEVERAGING OUR TECHNOLOGICAL SUPERIORITY TO EMERGE AS THE ONLY LED-BASED DISPLAY AND HIGH-END LIGHTING PRODUCT MANUFACTURING COMPANY IN INDIA."

**Dr. M.V. Ramana Rao**
Chairman and Managing Director

*Dear Shareholders*

I am pleased to present our results for 2009-10.

Our conscious shift in focus from InfoTech to the LED Display and Lighting space resulted in a 4% drop in revenue. Despite this decline, our EBIDTA margins increased from 27.06% in 2008-09 to 28.46% in 2009-10, due to an optimised product mix, cost control and a prudent focus on a relatively under-affected India.

## Superior technology

MIC's success is a result of its technology competence. At MIC, we recognised early in our existence that the key to our success in a rapidly evolving business space would not merely be intent but technology.

Besides, the technology would need to provide distinctive consumer benefits – the product would have to stand for a cutting-edge standard, enduring appeal and lower cost. At MIC, we made a proactive investment in Design and Development – people, plant and processes – leading to pride-enhancing achievements:

- The pioneering development of the proprietary 'Scan+' technology, which enhanced moving content quality.
- The pioneering development of embedded technology that improved image quality.
- The successful design of display systems that progressively rationalised hardware inputs leading to competitive product manufacture.
- The pioneering design of VHDL (hardware description language) code for chip design and application-specific integrated circuits leading to the creation of 280 trillion colours through the creative use of the three primary colours – Red, Green and Blue.
- The facility to vary LED brightness as per requirements, widening potential for increasing colour output in the future.

I am pleased to state that through the prudent leverage of our LED display experience, we moved ahead to create more than 70 environment-friendly, LED-based lighting products.

## Market overview

Globally, the market for large area displays stood at around USD 3.4 bn with North America accounting for 33% of the global market, followed by Asia and Europe. With a recovery in the economy and growing income levels, the display market is expected to grow at a CAGR of 61% over five years. The Rs. 18-bn Indian live entertainment industry is expected to grow at around 18%. The Rs. 17.5-bn out-of-home advertisement industry is expected to grow 12.5% annually.

The USD 210-mn international display renting industry is one of the fastest growing live entertainment segments, expected to record annual 12.5% growth. LED displays are rented to outdoor events like film concerts, fashion shows and corporate presentations, among others. On an average, in the US, a medium-sized LED display can generate a rental income of USD 15,000 for weekend use, indicating attractive market potential.

## The triple bottomline approach

Over the years, a number of people have asked me the reason of our success. The answer lies in our triple bottomline approach.

The global lighting segment accounts for USD 185 bn of expenditure, 2,300 tn KWh of power consumption and 2 bn tonnes of carbon emission. These are not mere numbers; they represent the rationale of our existence. At a time when environmental conservation is

"THE ATTENTION BEING PAID AT THE HIGHEST LEVELS IN THE GOVERNMENT OF INDIA ON THE NEED TO CONSERVE ENERGY AND LOCATE ALTERNATIVE SOURCES FOR ENERGY PROVIDES A FILLIP TO THE LED LIGHTING INDUSTRY – BOTH GRID BASED AND SOLAR POWERED."

gaining importance and consumers are seeking energy-efficient alternatives, our Company is engaged in manufacturing LED lighting solutions that save up to 65% energy over conventional lighting. An 8-watt LED lamp provides the same luminance as a 60-watt conventional lamp. As an extension of this argument, one unit of energy saved is equivalent to 2.5 to 3 units of energy generated, which makes our energy-saving proposition just what the world needs in this critical hour. The result is evident: at MIC, we have a robust business model with social, ecological and commercial bottomline implications.

## Lighting Africa

We are glad to inform that the Company has initiated steps for necessary product approval to actively participate in the

"Lighting Africa "programme.

Lighting Africa is a joint program of World Bank and IFC that seeks to accelerate the development of markets for modern off-grid lighting products in Sub-Saharan Africa.

Lighting Africa's goal is to mobilise and support the private sector to supply quality, affordable and safe lighting to 2.5 million people by 2012. This will be achieved by facilitating the sales of 500,000 good quality off-grid lighting products through commercial sector players by 2012, while establishing a sustainable commercial platform to realise the vision of supplying 250 million people with off-grid lighting products by 2030.

The Company hopes to complete the process of approvals before the end of this financial year and start marketing its products in 2011-12.

## Shareholder message

With more than 25 years of experience, we are the only Indian company possessing in-house Design and Development capability as well as proprietary technology in the area of cutting-edge product development.

Besides, a growing global consciousness of energy-efficient products provides us with considerable optimism. I am pleased to state that we are fully prepared, having test-marketed various lighting products across diverse domains and expect to commercialise products 2010-11 onwards.

The Company's exclusive focus on LED products is expected to yield benefits soon. Although the withdrawal from the telecom segment impacted the Company's topline, the prospects of LED display products and lighting products should more than offset the decline.

The display products, the flagship products of MIC, will continue to play a dominant role in the Company's operation. Several new applications are being contemplated and planned for these products, the most important of which are related to outdoor TV applications. The 3D viewing experience planned for these products will certainly be a novelty. LED screens for theatre and cinema applications are expected to take-off in a big way in addition to drive in viewing applications.

The attention being paid at the highest levels in the Government of India on the need to conserve energy and locate alternative sources for energy provides a fillip to the LED lighting industry – both grid based and solar powered. MIC is taking steps to enhance its production capabilities for lighting products. The lighting operations, planned to be organised into an autonomous division, are expected to take off capitalising on new and comprehensive infrastructure being planned.

From a micro perspective, we expect that revenues from LED lighting will increase from 5% of revenues in 2009-10 to 20% in 2010-11; the lighting segment is expected to contribute equally to our revenues in later years.

From a macro perspective, we expect to achieve a turnover of Rs. 1,000 crore in five years, enhancing value for all stakeholders associated with our Company.

# LED DISPLAY SYSTEM

THERE WAS A DEMAND LULL IN THE MARKETPLACE ACROSS THE LAST COUPLE OF YEARS DUE TO THE GLOBAL SLOWDOWN. HOWEVER, FOLLOWING THE REVIVAL OF THE GLOBAL ADVERTISEMENT INDUSTRY AND AN INCREASING NUMBER OF PUBLIC EVENTS WARRANTING LARGE DISPLAYS, THE LED DISPLAY MARKET IS SET TO RECOVER.

MIC is attractively placed to capitalise on the upturn as soon as it happens: we are the only player in India with True Colour LED displays covering indoor and outdoor applications. Besides, our communication and networking expertise helps us to remotely operate boards resulting in effective space utilisation. There are other advantages as well: LED boards reduce printing expenses and can be used in information dissemination across the country for targeted customers in corporate, government and public domains.

## Developments, 2009-10

- **4 mm LED display:** We introduced the cutting-edge 4-mm True LED TV, which finds application both indoor and outdoors. Unlike the other LED TV claims that use backlighting, MIC's True LED TV comprises chip LED or LED cluster with an inbuilt brightness adjustment capability and the ability to produce 280 trillion colours. The difference: MIC LED TV displays more colours, visibility from any angle and visibility during day time, which is impossible for conventional TV sets.
- **Railways:** We introduced a unique Train Passenger Information Display System (TPIS) using Satellite IMaging for RAil Navigation (SIMRAN), a breakthrough product. MIC's TPIS software is versatile: it co-ordinates train arrival/departure information from standard NTES, TTCS, third-party servers and Real-Time Train Info Server (SIMRAN) of Indian Railways. MIC is the only Indian company to have developed this technology and received RDSO (Research Designs and Standards Organisation) approval.

  MIC has already supplied several displays to a number of Railway stations in the country.
- **Advertisement and rentals:** The preference for live coverage of events using LED displays is increasing. MIC enhanced customer convenience through the pioneering introduction of rental mobile displays. During 2009-10, the Company bagged several orders to supply display screens in various rental segments.
- **Tie-up with Colorado Timing Systems:** MIC tied up with Colorado Timing Systems (CTS), a leading US-based company. This company provides timing and display products at sport and entertainment events in North America.

## The next level

**3D displays:** The face of digital entertainment is changing through the introduction of 3D LED display systems, using cutting-edge technologies like auto stereoscope as well as active and passive polarised glasses which enable a superior viewing experience (with and without glasses). The Company is exploring the opportunity to extend this technology for use in advertisements, events and affordable mobile movie theatres. We expect to launch the 3D LED display in December 2010.

### Commonwealth Games and MIC

MIC won a prestigious contract to supply LED displays for the Jawaharlal Nehru Stadium and Srifort Stadium for the Delhi Commonwealth Games 2010. MIC supplied 19 displays (12 of 600 sq. ft area and the rest of 150 sq. ft each). MIC generated a rental income of Rs. 8.56 crore from the contract.

# HIGH-END LED LIGHTING SOLUTIONS

OUR LED-BASED DISPLAY SYSTEM EXPERIENCE FACILITATED THE DEVELOPMENT OF CUTTING-EDGE LED LIGHTING PRODUCTS. THE ENERGY EFFICIENCY OF THESE LED-BASED LIGHTING PRODUCTS INDICATES A HUGE POTENTIAL FOR THE NEW, REPLACEMENT AND NICHE SEGMENTS (ARCHITECTURAL LIGHTING, CHANNEL/CONTOUR LIGHTING, ENTERTAINMENT LIGHTING, RESIDENTIAL LIGHTING, OUTDOOR LIGHTING AND OFF-GRID LIGHTING).

Our Company differentiated itself through its deliberate entry into a segment specialising in high-end LED lighting solutions. We provide lighting solutions for railways, industries, street lighting and other high-end uses characterised by attractive volumes, margins and entry barriers.

LED-based lighting possesses significant advantages over conventional lighting alternatives. LEDs work on low voltage, possess longer life, generate low heat radiation and are non-polluting, leading to a growing acceptance.

## Developments, 2009-10

- Executed industrial lighting orders from Maruti Suzuki and Caterpillar with the prospect of repeat orders
- Collaborated with Indian Oil Corporation Limited for the distribution of solar-based LED lanterns through the giant's 17,000-plus nationwide outlets. In a country where the government provides Rs. 16,000 crore annually for kerosene oil subsidy, a shift to solar-based LED lanterns can result in big savings. This is a Rs. 800-crore business opportunity across five years sustained by the offtake of 5 mn lanterns. A conservative, 20% market share is expected to provide an opportunity of Rs. 160 crore in the next five years for us in the lantern business. Our LED lanterns were approved by the Ministry of New and Renewable Energy (MNRE).

*Received endorsements of our solar lanterns at the Indo-US Energy Partnership Summit

## Increasing capacity - New Lighting Division

Having tested the market with a range of LED lighting products, your Company initiated steps to establish a new Lighting Division. The Company was allotted 26.4 acres on the Outer Ring Road, Hyderabad, and the project is in the final stages of financial closure. This project, estimated to cost about Rs. 184 crore, on completion will enable manufacture of both grid-based and non grid-based LED lights on a large scale. Commercial production is expected to commence one year from the financial closure.

The Company plans to import the latest manufacturing equipment from the US, Japan and European countries. The unit also will have an in-house, state-of-the-art testing centre to ensure compliance with international standards in LED lighting products.

## Railways – a significant opportunity provider

The Indian Railways is working on a project to increase the use of light emitting diode (LED) lighting systems in coach and general lighting and also for establishing LED display boards at stations for passenger information and other commercial purposes. The Railway business can be grouped under two heads: (i) general lighting and displays and (ii) coach lighting. The coach lighting opportunity itself is worth about Rs. 2,500 crore over the next five to ten years. Additionally, there is also a plan to set up True Color information display boards which would be implemented across about 560 stations in the next three-four years. The Government of India also identified 590 large stations across the country to be renovated as per international standards. The Railways is also planning to replace the existing CFL lights in long distance trains. This measure will boost the demand for LED bulbs, a positive development for MIC.

# OTHER GROWTH PLANS

ESCO EMPANELMENT: MIC IS IN THE PROCESS OF BEING EMPANELLED BY ENERGY EFFICIENCY SERVICES LIMITED (EESL) AS AN ENERGY SERVICES COMPANY (ESCO) FOR THE IMPLEMENTATION OF ENERGY-EFFICIENT PROJECTS IN MUNICIPALITIES AND BUILDINGS ACROSS THE COUNTRY.

Energy Efficiency Services Limited (EESL) is a joint venture promoted by four central public sector undertakings, namely NTPC Limited, Power Grid Corporation of India Limited, Power Finance Corporation Limited and Rural Electrification Corporation. EESL can demonstrate the effectiveness of the ESCO model and energy-efficiency. Energy audit studies conducted in several office buildings, hotels and hospitals indicate an energy saving potential ranging from 23% to 46% in lighting, cooling ventilation and refrigeration, among others; municipalities provide energy savings up to 25% of the total energy required by implementing energy efficient equipment. MIC has made significant headway in this direction.

**Role in R-APDRP:** MIC is empanelled as a system integrator (SI) under the Government of India's R-APDRP program. This program aims to create a system for the methodical collection of meter data (real- time) and adopt information technology in the areas of energy billing and accounting, considering various services of DISCOM companies. The government allocated Rs. 50,000 crore in the R-APDRP and Rs.10,000 crore for the IT segment of R-APDRP. We expect to tap significant business opportunities from this segment.

**Defence segment:** MIC is focusing on the Defence sector as a thrust area for promoting its display and lighting products. MIC's products are expected to be found relevant in the National Defence efforts in areas like training, shipyards, ports, cantonments and areas where access to grid power is not available.

**Exports:** The global slowdown affected our exports in 2008-09 and 2009-10. As the economy recovers, we expect to generate higher exports through our focus on the US (largest LED display market), Europe and Australia. We expect to generate around 15% revenues from the export market over the next two-three years.

## LED Product Manufacturers' Association (LEDMA)

Dr. M V Ramana Rao is one of the key persons to start LEDMA – India's LED Product Manufacturers Association of companies engaged in the manufacture of LED based displays, signals, and lights, among others. The organisation seeks to protect the industry's intellectual property and provide technical assistance to various companies to bring out quality products.

# SKILLS. STRENGTHS. COMPETENCE.

EXPERIENCE: MIC has over 25 years of rich experience on control and driver circuits used in LED displays, resulting in an ability to deliver world class LED display products.

TIE-UPS: MIC collaborated with international companies for consistent sourcing of the world's best high bright LEDs, resulting in the manufacture of state-of-the-art products. The Company also tied up with Ceracchi of Italy and Home Resources of Taiwan for design, development, production and marketing LED lighting products outside India.

INTELLECTUAL PROPERTY: The Company filed 15 patent applications in India for products like solar lantern, GLoBiX, intelligent and interactive street lighting system, LED TV and billboard lighting, among others – a competitive edge.

GLOBAL PRESENCE: MIC is present in Australia, the US, Korea, South Africa, Sri Lanka and the Middle East, directly or indirectly.

QUALITY: The Company received ISO 9001:2008 certification, a testament to its superior quality commitment.

FINANCIALS: The Company's modest debt-equity ratio of 0.19 provides it with comfortable borrowing room.

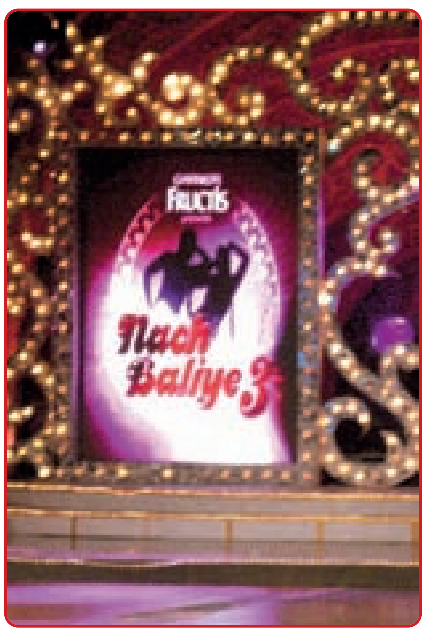
PIONEER: MIC is the only Indian company with 'design to manufacture' capabilities in true colour LED video display systems. It offers LED-based lighting solutions in grid-based and off-grid segments.

RESEARCH FOCUS: The Company's 160-member R&D team is engaged in developing cost-effective display and lighting solutions. The Company's R&D department is approved by DSIR, Government of India. The Company is the only one in India to offer True Colour LED display solutions through the development of the proprietary 'Scan+' technology, which facilitates the manufacture of display boards with enhanced resolution. Its embedded technology helps improve image quality.

ACCEPTANCE: The Company is the only one approved by RDSO (Ministry of Railways) for manufacturing passenger information display boards and lighting solutions.

BUSINESS SEGMENT

# 01 TRUE COLOUR LED DISPLAYS




## Overview

The Company is engaged in the development, production and sale of video and animation displays and text and graphic displays. It also offers a variety of indoor and outdoor video walls for rent or lease.

The Company's core competence lies in its expertise in the design and development of large True Colour displays – for indoor, outdoor and mobile applications. The Company provides customers a wide choice as its indoor and outdoor display products cater to a variety of applications like coverage of sports and events / functions, billboards, digital posters, transportation, advertisements and ticker tapes, among others.

The display engine employs the proprietary Scan+ technology. This technology facilitates enhancing the resolution and improves the picture quality. Over the years, the Company has built a strong design and manufacturing team with 'design to manufacture' capabilities for the True Colour LED displays. Product delivery and quality were reinforced by long-term LED supply agreements with reputed and top-rung international companies.

## Highlights, 2009-10

- Introduced 4-mm True LED TV for indoor and outdoor applications
- Collaborated with Colorado Time Solutions to increase exports
- Completed the installation of the SIMRAN-based railway passenger information display system across 30 Indian stations
- Supplied 19 display screens for the Commonwealth Games 2010 in New Delhi
- Installed 120-sq. m screens at the Parramatta Club, Australia
- Supplied 300-sq. m display screens for theatrical applications in New Delhi

## Global opportunities

- The global LED market grew 6.2% to USD 5.4 billion in 2009. Around 12% of the market was accounted for by lighting, 1% by signals, 11% by automotive, 17% by sign displays, 42% by mobile appliances and 17% by others. The display sub-segment grew a record 232% *(Source: LEDs magazine)*.
- The global LED market is expected to grow 68% overall to reach USD 9.1 billion in 2010, and grow at a 27.8% CAGR to reach USD 18.4 billion in 2014 *(Source: LEDs magazine)*.

## Indian opportunities

- The Indian advertising industry reported flat growth in 2009 but is poised to report 14% growth (CAGR based on 2009-14) in 2010, according to KPMG.
- The entertainment and media industry (Rs. 513 billion) grew 19% in four years.
- OOH is expected to become a Rs. 2,000-cr industry by 2010, according to PWC. Although media-spend in OOH is estimated at only 6%, the industry showed promising growth. The industry structure is fragmented and relatively unorganised, expected to progressively correct.
- The LED renting industry is expected to grow 12.5% to an estimated size of USD 210 mn.

## True Colour display product applications

### Sports perimeter
- Giant replay screens
- Perimeter displays
- Giant screens for better spectator visibility

### Billboards
- Display multiple advertisements
- Schedule and display different advertisements from a central location
- Lower advertisement costs

### Transportation
- Display information relevant to passengers of different transportation modes in varying colours, resulting in enhanced visibility
- Potential for variable message signs on roadways

### Events and entertainment
- Provide enhanced visibility
- High-definition videos enhance viewing experience

### Ticker tape
- Online stock market information
- Public announcements
- Flash news
- Safety instructions

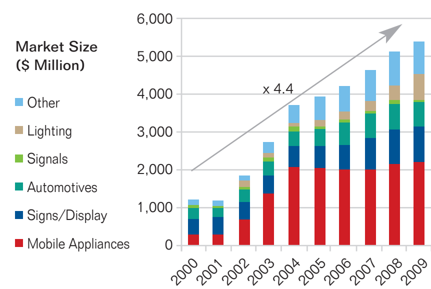
### Rentals
- Renting digital boards on mobile platforms help reduce cost

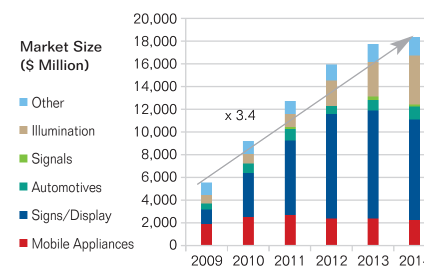
### Digital posters
- Available for indoor and outdoor advertisements
- Effective and attractive display medium

## How LED display works

The True Color LED video display contains light emitting diodes (LEDs) of three basic colours (red, green and blue), which are used to form a pixel. These pixels are placed in a matrix to form a module. LED modules are then arranged in a matrix to create an LED display. Through a specialised digital control of LED glow and intensity, images are created on an LED display screen.

HB LED Market Forecast 2010-2014




### Size of Indian advertising industry

| Advertising industry (INR billion) | 2006 | 2007 | 2008 | 2009 | CAGR (2006-09) | 2010p | 2011p | 2012p | 2013p | 2014p | CAGR (2009-14) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Television | 61.0 | 71.1 | 82.5 | 88.0 | 13.0% | 98.6 | 113.3 | 132.6 | 155.2 | 181.5 | 15.6% |
| Print | 85.0 | 100.0 | 108.0 | 103.0 | 6.6% | 113.6 | 126.7 | 141.5 | 157.8 | 176.4 | 11.4% |
| Radio | 6.0 | 7.4 | 8.4 | 7.8 | 9.2% | 8.7 | 10.0 | 11.7 | 13.8 | 16.4 | 16.0% |
| Internet advertising | 2.0 | 3.9 | 6.2 | 7.8 | 56.4% | 11.0 | 14.6 | 18.2 | 22.8 | 28.5 | 29.6% |
| Outdoor | 11.7 | 14.0 | 16.1 | 13.7 | 5.5% | 15.0 | 16.7 | 18.7 | 21.1 | 24.1 | 12.0% |
| **Total size** | **165.7** | **196.4** | **221.2** | **220.3** | **10.0%** | **246.9** | **281.3** | **322.6** | **370.6** | **426.9** | **14.1%** |

# 02 LED LIGHTING SOLUTIONS


## Overview

Over the last few years, the Company developed an expertise in the continuous development-led manufacture of quality LED lighting systems using cutting-edge technology.

The Company caters to grid-based (highway and street lighting, yard/perimeter lighting, sub-station/industrial lighting and indoor and home lighting) and off-grid (solar-based street, park, home lighting, lantern lighting and railway coach lighting) lighting systems, resulting in a complete customer solution.

## Highlights, 2009-10

- Tied up with Indian Oil Corporation Ltd for solar LED lantern marketing, leveraging the giant's 17,000-plus nationwide retail outlets
- Introduced five new lighting products (including bulbs and tubes)
- Received orders from Maruti Suzuki and Caterpillar for industrial lighting supply
- Received orders from important municipalities for LED-based street light installations

## Global opportunities

- The lighting segment of the LED market is expected to grow 34% in 2010 (31% in 2009), leading to a five-year sale CAGR of 48% *(Source: LEDs magazine)*.
- In 2009, 610,000 LED street lamps were installed globally; this figure is estimated to grow 42% to 870,000 units in 2010.
- The global lighting market was estimated at about USD 73 billion in 2009 while the LED lighting market was USD 2.4 billion, corresponding to a mere 3.3% product penetration. As incandescent bulbs are expected to be banned in 2012, the LED light bulb market is estimated to account for 30% of the overall light bulb market by 2014 *(Source: LEDinside)*.

## Indian opportunities

The Indian LED lighting market was estimated at around Rs. 230 crore (USD 49.6 million) in 2009 and is expected to reach about Rs.1,850 crore (USD 399.2 million) by 2015, growing at a CAGR of 41.5% *(Source: Frost & Sullivan)*.

## LED lighting applications

**Grid-based**

- Highway and street lighting
- Yard and perimeter lighting
- Sub-station and industrial lighting
- Indoor and home lighting

**Off-grid based**

- Solar-based o Street lighting o Park lighting o Home lighting o Lanterns
- Coach lighting o Emergency lamps o Railway coach lighting.

## Design and development capabilities

| | |
|---|---|
| Driver electronics | ■ Estimating LED drive current<br>■ Computation of power requirement<br>■ Estimating thermal resistance from junction to ambient |
| Embedded electronics | ■ For imputing intelligence<br>■ Remote monitoring and control |
| Mechanical and thermal engineering | ■ To cater to functional and structural requirements and aesthetics<br>■ Design of heat sink |
| Networking | ■ Wired/wireless data communication network<br>■ Web-based remote configuration, diagnostic monitoring and control of selective individual or group of street lights |
| Optics | ■ For desired illumination pattern based on lighting application and the environment<br>■ Estimating number of lumens required/number of LEDs after providing for optical thermal losses |
| Power electronics topology | ■ Selecting suitable architecture/topology, for targeted efficiency and reliability<br>■ Surge protection, EMI/EMC and total harmonic distortion and power factor corrections |

## Advantages of LED lighting

- Consumes less power than conventional lights
- Lasts for over 60,000 hours
- Emits little heat; is cooler than incandescent bulbs and CFLs
- Faster response time
- Based on solid state technology with no filament burnout
- Environment-friendly owing to no carbon emission
- Capable of being dimmed easily
- Does not contain environment polluting substances (mercury)
- Provides a range of colours without filters

## Proposed Marketing Strategies

## Overview

MIC provides Element Management System (EMS) and Network Management System (NMS) solutions for the telecom, railway and network domains comprising homogeneous or heterogeneous Network Elements NEs. NMS and EMS solutions are deployed for digital loop carrier nodes containing switching and transport equipment, and for telecom switches and network devices manufactured by different vendors. The solution covers all functionalities envisaged in fault management, configuration management, accounting management, performance management and security management (FCAPS).

The CDR Data Collection System (CDR-DCS) is a premier MIC product for online CDR data collection, either by the polling mode or the spontaneous collection mode from the telecom switch. This product enhances telecom service provider reliability.

## Fixed wireless phones/terminals (FWP/FWT)

- This CDMA 2000 1X radio terminal provides wireless access for conventional fixed telephony equipment such as telephone instruments, PCO/home metre, fax machines and computers. The equipment can be connected to the CDMA network to realise voice, fax and data functions.
- This terminal meets operator requirements for fast network deployment.

## Handheld computers

- Slimputers are reliable, user-friendly, spot-billing machines; the bill can be generated instantly following a metre reading.
- The 16-bit processor, with a 1-Mb standard memory and inbuilt printer, supports 2,000-4,000 consumer data (depending on record size).
- The HHC can record metre readings and serve bills/notices immediately, minimising delay and discrepancy.

Following precious expertise in deploying large system integration projects, MIC was empanelled as a system integrator for Central Government-sponsored R-APDRP projects across different Indian states. The Company provides Techwelds – technically competitive and cost-effective solutions across seven Indian states.

# PROTECTION OF INTELLECTUAL PROPERTY

MIC's core strength is its Design and Development capability. The Company is taking necessary steps to protect its intellectual property patents, design registrations, trademarks and copyrights. Wherever felt relevant, the Company is trying to protect the identity of its products outside the country, where significant business interests are perceived to be available. Till date, in respect of display products, applications have been filed for 7 patents, 36 trademarks and 4 copyrights. With regard to lighting products, the break-up of applications is for 10 patents, 27 design registrations, 30 trademarks and 3 copyrights. 8 applications for trademarks are filed in the US.

So far, approvals for 17 design registrations, 9 trademarks and 2 copyrights have been received from Indian Patent Office. 6 trademarks are approved in the US. The details of the approved applications are summarised below:

**Approvals received for design registrations for lighting products:**

| Sr. No | Description |
|---|---|
| 1 | Portable Petromax like LED Light |
| 2 | Portable and rechargeable LED Lantern |
| 3 | Spectra Aster |
| 4 | Spectra Corona |
| 5 | Mechanical Housing of 18/36/30W street Light |
| 6 | Mechanical Housing of 60/90/120 street Light |
| 7 | 2'x2' Area Light |
| 8 | Solar Based Home Light |
| 9 | LED Tube Light |
| 10 | MR 16 |
| 11 | Down Light |
| 12 | Contor Light |
| 13 | Linear Light |
| 14 | Parking Light |
| 15 | 2W Lantern |
| 16 | 2ft Tube Light |
| 17 | Billboard Light |
| 18 | 9W Solar Street Light |

**Approvals received for Trade Marks in USA**

| Sr. No | Description |
|---|---|
| 1 | "MIC" Logo ® |
| 2 | DigiWheel ® |
| 3 | DigiScreen ® |
| 4 | MIC Electronics ® (Name) |
| 5 | MIC Electronics ® (Name) |
| 6 | MIC Electronics ® (Name) |

**Approvals received for Copyrights**

| Sr. No | Description |
|---|---|
| | Displays |
| 1 | MIC Logo (old) |
| 2 | MIC Logo (new) |

**Approvals received for Trademarks**

| Sr. No | Description |
|---|---|
| 1 | MIC Name ® |
| 2 | Scan+ ® |
| 3 | Outdoor TV ® |
| 4 | MIC Logo ® (old) |
| 5 | Giant Screen ® |
| 6 | I Wall ® |
| 7 | MIC Logo (New) |
| 8 | GSD (Giant Signage Display) |
| 9 | TruePix |

**Details of pending applications**

Patents

| Sr. No | Description |
|---|---|
| DISPLAYS | |
| 1 | GLOBIX |
| 2 | Intelligent LED 'Poster' System – LED DigiPoster |
| 3 | LED TV |
| 4 | Motion Multiplexing for significant savings in the Real Estate for LED Displays through principles of Optical Illusion |
| 5 | A 3D display / video backdrop comprising of LED display for theatre stage or TV/FILM production studio. |
| 6 | 3D Viewing experience through true colour LED displays using passive polarised glasses |
| 7 | 3D Viewing experience through true colour LED displays using active shutter glasses |
| LIGHTING | |
| 1 | Intelligent Solar Lighting System |
| 2 | Programmable LED illumination systems |
| 3 | Solar Rechargeable LED Lantern |
| 4 | Interactive and intelligent street light of LED Light sources |
| 5 | LEDMax- PetroMax like portable high illumination lamp outfit with solid state Light Emitting Diodes (LEDs) |
| 6 | A LED based intelligent luminaire system for illuminating targets such as Billboards and the like |
| 7 | LED based bulb to retrofit into the conventional lighting fixture of incandescent or CFL bulb |
| 8 | LED based Mushroom light to replace the conventional table light |
| 9 | LED Based Extendable and configurable lighting system / DC or Solar operated tube lights |
| 10 | An Integrated LED based Solar Street Light Luminaire Assembly |

## Trademarks

### Displays

| Sr. No | Description |
|---|---|
| 1 | DigiScreen |
| 2 | DigiPoster |
| 3 | DigiWall |
| 4 | DigiWheel-Tr |
| 5 | DigiWheel-Tk |
| 6 | DigiSign |
| 7 | DigiMax |
| 8 | PD (Perimeter Display) |
| 9 | DigiTile |
| 10 | GLOBIX |
| 11 | DBX |
| 12 | GLOBIX |
| 13 | DBX |
| 14 | MIC LED Pixel tv |
| 15 | LED Pixel tv |
| 16 | LED TV name |
| 17 | LED tv logo |
| 18 | DiBiX |
| 19 | DiBiX |
| 20 | Optimax 4i |
| 21 | MIC-DispView |
| 22 | MIC-DispDiaCon |
| 23 | MIC-MaxImageView |
| 24 | MIC-WideView |
| 25 | MIC-SignView |
| 26 | DigiPanel |
| 27 | OOH True LED 3D TV |

### Lighting

| Sr. No | Description |
|---|---|
| 1 | DigiLight |
| 2 | SSLITE |
| 3 | glight |
| 4 | elight |
| 5 | LEDLITE |
| 6 | LEDMax |
| 7 | MIC STAR |
| 8 | Green Watts |
| 9 | GreenWatts |
| 10 | LEDmax logo |
| 11 | LEDSTAR |
| 12 | Indilite |
| 13 | Spectra Alpha |
| 14 | Spectra Aster |
| 15 | Spectra Juniper |
| 16 | Spectra Corona |
| 17 | Spectra Omega |
| 18 | Regale - Soft |
| 19 | Globus |
| 20 | Spectra Ray |
| 21 | DigiTube |
| 22 | Photon |
| 23 | Prism |
| 24 | Streak |
| 25 | Lineos |
| 26 | LED Smart |
| 27 | LED Ray |
| 28 | LED Angel |
| 29 | LED Pearl |
| 30 | LED Uno |

### Copy Rights

| Sr. No | Description |
|---|---|
| **Displays** | |
| 1 | LED Tv |
| 2 | OOH True LED TV |
| **Lighting** | |
| 1 | LED Star |
| 2 | LED Max |

### Pending Trademarks applications in the US

| Sr. No | Description |
|---|---|
| 1 | DigiWall |
| 2 | DigiLight |

### Design Registrations - Lighting

| Sr. No | Description |
|---|---|
| 1 | LED Street Light lens |
| 2 | LED Billboard Lens |
| 3 | Spectra Alpha |
| 4 | Spectra Juniper |
| 5 | Spectra Omega |
| 6 | RGB Wall Washer |
| 7 | Emergency Light |
| 8 | Bulb |
| 9 | Mushroom Light |

## Substantial expansion of capacity for lighting products:

MIC Electronics Limited has been allotted 26.40 acres of land in Sy.no.18 Raviryal Village, Maheswaram Mandal, RR District, in the non-SEZ area on the Outer Ring Road (ORR), Hyderabad for setting up an LED luminaire manufacturing plant which will greatly enhance the production capacity of the Company in respect of its lighting products.

The proposed new facility on the ORR will handle the manufacture of both grid-based and off-grid based products. Facilities planned here would include semi-automatic and automotive production and test lines, certification and evaluation equipment, core manufacturing lines to handle production of sheet metal, plastic and aluminum parts, warehousing space, studio and display facilities for handling activities related to preparation of documentation, marketing literature and customer demonstrations, utilities, material handling equipment, administrative and marketing offices, staff quarters and other needed infrastructure.

With the operationalisation of the new plant, MIC's production capacity for LED lighting products is expected to go up substantially. The expansion project, estimated to cost around Rs.180 crore will be one of the best facilities in the country for the development and manufacture of LED lighting products.

# CORPORATE SOCIAL RESPONSIBILITY

MIC ELECTRONICS LTD BELIEVES THAT TRUE SUCCESS MUST BE FOR THE SUSTAINABLE BENEFIT OF EMPLOYEES, CUSTOMERS, VENDORS, SHAREHOLDERS AND SOCIETY.

In a unique community development initiative, the Company trains thousands of students annually in the areas of embedded systems, VLSI, wireless communications, robotics and power electronics. This industry-enriching initiative helped over 4,000 students receive training and onward employment. To bridge the gap between curricula and skills, the Company leveraged its vast experience in electronics and telecom product development in starting the MIC Tech Centre in 2004. The centre provides internship training to college students, and professional training on graduation.

The MIC Tech Centre offers various services:

- Helps students identify relevant projects and offers training in project implementation, through which students gain practical and theoretical knowledge
- Offers professional training programmes to freshers and experienced working professionals in the areas of its competence
- Provides summer internship training along with mini-projects for B. Tech, M. Sc. and B. Sc. students
- Provides career guidance to students, training them in self-development, communication, soft skills, professional and interpersonal skills
- Offers designing services and consultancy to clients through trained manpower

## Projects offered with industrial training

- Embedded systems
  - o Robotics
  - o Device drivers
  - o Ethernet controllers
  - o MPEG – audio decoders
  - o Digital image sensors
  - o Handheld computers
  - o RFID reader
  - o MEMS (Micro Electro Mechanical Systems)
- VLSI design
  - o Ethernet, MAC
  - o CAN, I2C, IRDA
  - o Memory designs
  - o Processors
  - o Communication projects with Altera and Xilinx FPGA's
- Wireless communications
  - o GPS technology
  - o GSM technology
  - o Bluetooth
  - o RF communication (VHF and UHF)
  - o Infrared
- Power electronics
  - o Digital energy measuring instruments
  - o Digital servo stabilisers
  - o Domestic controllers

## Number of students enrolled and satisfaction levels over the years

| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|---|---|---|---|---|---|
| Number of students | 656 | 685 | 950 | 886 | 668 |
| Satisfaction level (%) | 82 | 91 | 96 | 92 | 93 |

Besides the MIC Tech Centre, the Company undertook the following corporate social ventures:

- Donated solar street lights to villages
- Donated solar lanterns and desktop lights to orphanages and educational institutions
- Provided subsidised sales and training to self-help groups through NIRD

# FINANCE REVIEW

## Accounting policy

All the Company's financial statements were prepared under the historical cost convention, and in accordance with applicable accounting standards and provisions of the Companies Act, 1956. All income and expenditure statements having a material bearing on the financial statements, were prepared on an accrual basis.

**2009-10 vs 2008-09** *(Rs. in million)*

| | 2008-09 | 2009-10 |
|---|---|---|
| Revenue | 2,413.17 | 2,316.35 |
| EBIDTA | 715.81 | 737.47 |
| Profit before tax | 624.98 | 624.92 |
| Profit after tax | 621.28 | 540.03 |
| Cash profit | 568.28 | 558.51 |
| EBIDTA margin | 27.06 | 28.46 |
| PAT margin | 23.49 | 20.84 |
| Cash profit margin | 21.48 | 21.56 |

## Revenue analysis

The Company's total revenue (net sales) declined 4% from Rs. 2,413.17 mn in 2008-09 to Rs. 2,316.35 mn in 2009-10, largely owing to a deliberate withdrawal from the Telecom and other infotech services.

**Media business:** The Company's media business covers all display businesses. Revenue from the display business increased 10.09% from Rs. 1,865.16 mn in 2008-09 to Rs. 2,053.42 mn in 2009-10, owing to robust orders from the Indian Railways and sporting events. The display business accounted for 88.65% of gross revenues in 2009-10 against 77.29% in 2008-09.

**InfoTech business:** Revenue from the InfoTech business, accounting for 11.35% of the total revenue in 2009-10 (22.71% in 2008-09), declined 52% from Rs. 548.01 million in 2008-09 to Rs. 262.93 million in 2009-10, as the Company gradually shifted towards margin-accretive LED-based display and lighting products.

**Revenue by geography:** The Company is present in India, the US, Australia, Europe, Taiwan, Korea and Sri Lanka, among other countries. Revenue from the global market declined 86% from Rs. 139.38 mn in 2008-09 to Rs. 19.54 mn in 2009-10. Exports accounted for 0.84% of revenues in 2009-10 against 5.76% in 2008-09.

**Income from other sources:** Income from other sources increased 83.40% from Rs. 12.53 mn in 2008-09 to Rs. 22.98 mn in 2009-10, owing to increase in other receipts. Other income, as a proportion of total income, was 0.89% in 2009-10 against 0.47% in 2008-09, reflecting the Company's focus on its core business.

## Cost analysis

The Company's total cost (excluding finance and depreciation charges) declined 3.93% from Rs. 1,929.40 mn in 2008-09 to Rs. 1,853.50 mn in 2009-10, owing to a decline in input cost – fall in global LED price owing to increased availability. Total cost, as a proportion of total income, stood at 71.54% in 2009-10, against 72.94% in 2008-09, reflecting the Company's superior cost management.

**Raw material:** Raw material cost declined 4.72% from Rs. 1,527.13 mn in 2008-09 to Rs. 1,455.12 mn in 2009-10, largely owing to a decline in global LED (key raw material) price. Raw material cost, as a proportion of total gross sales, stood at 62.82% in 2009-10, against 63.28% in 2008-09, reflecting superior raw material management.

**Employee cost:** Employee cost declined 34.50% from Rs. 86.45 mn in 2008-09 to Rs. 56.62 mn in 2009-10. Employee cost, as a proportion of total gross sales, stood at 2.44% in 2009-10, against 3.58% in 2008-09.

**Manufacturing, administrative and other expenses:** Costs under this head increased 11.64% from Rs. 279.27 mn in 2008-09 to Rs. 311.77 mn in 2009-10, owing to rent, license fees, rates and taxes. This cost accounted for 13.46% of the total gross sales in 2009-10 against 11.57% in 2008-09.

**Design and Development expenditure:** The D&D department catalyses new product development. The Company invested proactively in Design and Development; D&D cost was Rs. 33.19 mn in 2009-10 against Rs. 36.56 mn in 2008-09. The result was that during 2009-10, the Company introduced five new lighting products with 15 variants and 3 mm and 4 mm true LED TVs – a first in India.

## Capital employed

The Company's capital employed, comprising equity share capital, reserves and surplus and borrowed funds, increased 15.71% from Rs. 3,959.25 mn as on 30th June 2009, to Rs. 4,581.20 mn as on 30th June 2010, owing to an increase in equity capital and reserves. Equity capital increased owing to fresh issue and reserves increased owing to increased plough-back. Return on capital employed, an effective tool to measure the return for every rupee invested in the business, declined 372 basis points from 20.29% in 2008-09 to 16.57% in 2009-10, as the proportionate increase in capital employed is higher than the increase in EBIDTA and the fresh investment in the business is expected to generate attractive returns over the coming years.

The Company's net worth increased 18.20% from Rs. 3,270.09 mn as on 30th June 2009, to Rs. 3,865.16 mn as on 30th June 2010. Return on net worth declined 592 basis points from 21.06%

in 2008-09 to 15.14% in 2009-10 as the proportionate increase in net worth was higher than the increase in immediate returns.

The Company's reserves and surplus increased 30.49% from Rs. 2,697.50 mn as on 30th June 2009, to Rs. 3,519.97 mn as on 30th June 2010, owing to plough-back of profit and increase in general reserves. Around 64% of the reserves comprised free reserves as on 30th June 2010.

**Loan funds:** Loan funds, comprising secured funds, increased 3.90% from Rs. 689.16 mn as on 30th June 2009 to Rs. 716.04 mn as on 30th June 2010, owing to investments in increased capacity and working capital. The Company's debt-equity ratio was a modest 0.19 in 2009-10 (0.21 in 2008-09), providing considerable room for additional borrowings.

The Company's interest outflow increased 21% from Rs. 68.23 mn in 2008-09 to Rs. 82.61 mn in 2009-10, owing to an increase in debt. The Company's interest cover stood at 8.93x in 2009-10, reflecting a comfortable ability to service interest outflow.

## Gross block

The Company's gross block increased 107.8% from Rs. 535.6 mn as on 30th June 2009 to Rs. 1,112.90 mn as on 30th June 2010 owing to additions in plant and machinery at the Cherlapally unit at Hyderabad. The additional investments are expected to generate revenues from 2010-11 onwards. Return on gross block, a tool to measure the return on every rupee invested in the gross block, decreased from 163.27% in 2008-09 to 85.84% in 2009-10 owing to the significant investment in gross block.

The Company charges depreciation on the basis of Straight Line Method at rates and a manner specified in Schedule XIV to the Companies Act, 1956. Depreciation increased 32.48% from Rs. 22.60 mn in 2008-09 to Rs. 29.94 mn in 2009-10 owing to an increase in fixed assets. Accumulated depreciation, as a proportion of gross block, stood at 11% as on 30th June 2010, reflecting gross block newness.

**Capital work in progress:** Capital work in progress decreased 26.70% from Rs. 860.95 mn as on 30th June 2009 to Rs. 631.11 mn as on 30th June 2010.

## Investments

Investments increased 3.12% from Rs. 257.59 mn as on 30th June 2009 to Rs. 265.63 mn as on 30th June 2010 owing to investments in subsidiaries necessary for expansion of operations in the overseas market.

## Working capital management

The Company's working capital increased 11.75% from Rs. 2,330.64 mn as on 30th June 2009 to Rs. 2,604.48 mn owing to change in product mix. Working capital, as a proportion of capital employed, declined from 58.87% as on 30th June 2009 to 56.85% as on 30th June 2010, reflecting better working capital management.

Liquidity matrix

| | 2008-09 | 2009-10 |
|---|---|---|
| Current ratio | 4.58 | 4.97 |
| Quick ratio | 3.79 | 3.58 |

**Inventories:** The Company's inventories increased 75.96% from Rs. 518.55 mn as on 30th June 2009 to Rs. 912.42 mn as on 30th June 2010 owing to change in the product mix. The rise in inventory was a result of an increase in the LED-based display and lighting businesses. Inventory comprised 19.92% of the total capital employed as on 30th June 2010 (13.10% as on 30th June 2010). The inventory cycle increased from 54 days in 2008-09 to 111 days in 2009-10.

**Sundry debtors:** The Company's sundry debtors declined from Rs. 1,377.92 mn as on 30th June 2009 to Rs. 1,206.17 mn as on 30th June 2010 as it focused more on cash sales over credit. Of the total debtors as on 30th June 2010, 41% comprised debtors more than six months old. The Company's debtors' cycle declined from 211 days of turnover equivalent in 2008-09 to 201 days in 2009-10.

**Cash and bank balances:** The Company's cash and bank balances increased 35.71% from Rs. 30.55 mn as on 30th June 2009 to Rs. 41.46 mn as on 30th June 2010.

**Loans and advances:** Loans and advances increased 4.43% from Rs. 1,054.26 mn as on 30th June 2009 to Rs. 1,100.99 mn as on 30th June 2010, owing to an increase in advance to suppliers and prepaid expenses.

**Current liabilities and provisions:** The Company's current liabilities and provisions increased 0.91% from Rs. 650.64 mn as on 30th June 2009 to Rs. 656.55 mn as on 30th June 2010 owing to an increase in creditors for expenses and provisions for income tax.

## Taxation

The Company's total tax (current tax, deferred tax and fringe benefit tax) increased from Rs. 3.70 mn in 2008-09 to Rs. 84.89 mn in 2009-10 owing to a decline in deferred tax credited from the total tax outlay. The Company's average tax rate stood at 14.90% in 2009-10 against 12.50% in 2008-09.

## Forex management

Foreign currency earnings stood at Rs. 19.54 mn while expenditure in foreign currency stood at Rs. 54.32 mn. Net foreign exchange loss stood at Rs. 34.78 mn in 2009-10 against Rs. 153.67 mn in 2008-09.

# RISK MANAGEMENT

RISK CAN BE DEFINED AS AN EXPRESSION OF THE UNCERTAINTIES AND OUTCOMES THAT COULD HAVE MATERIAL IMPACT ON AN ORGANISATION'S PERFORMANCE AND PROSPECTS. THEREFORE, IT IS OUR UNDERSTANDING THAT A RESPONSIBLE CORPORATE IDENTIFIES, ASSESSES AND INITIATES ACTION TO MINIMISE OR ERADICATE RISK IMPACT OR MAXIMISE RETURNS.

MIC's comprehensive risk management policy and framework is in line with its business strategy. The risk management decisions are taken centrally but their impact percolates through the hierarchy, resulting in a number of actions at the shop floor and multi-management levels. In doing so, the Company focuses on decisions that maximise returns but minimise risks.

## 01 INDUSTRY RISK

A downturn in the user industry could affect offtake.

### Risk mitigation

- The LED-based lighting market is expected to grow at a CAGR of 45% in five years; the LED display market is expected to grow at a CAGR of 61% in five years.
- The LED display renting industry is expected to grow 12.5% a year.
- The large area display market is expected to grow from USD 3.4 bn in 2009 to USD 4.3 bn in 2013.
- The railway coach lighting market is expected to grow to Rs. 2,500 crore over five years.
- The solar-based MNRE market is expected to grow beyond Rs. 3,000 crore in five years.

## 02 CONCENTRATION RISK

Dependence on a particular geography or business segment could affect offtake in the event of a specific downturn in that geographical area or business segment

### Risk mitigation

**Geographical concentration**

- MIC's display and lighting products are marketed across the country and are not limited to a particular region or state.

**Segment concentration**

- The Company is engaged in the development of LED-based display and lighting systems.
- The Company possesses more than 70 lighting products covering applications in railways, commercial complex lighting, residence, street lighting, railway coach lighting and solar lanterns, among others.
- The Company's business model is built around flexibility; it generates revenue from direct sales as well as rentals in the display segment.

## 03 HUMAN CAPITAL RISK

Any failure to attract and retain talent could affect the business

### Risk mitigation

- The technical challenges and strong company bonding have ensured that key members of the top and middle management teams in all functional areas have been loyal to MIC for a long time
- The Company's structured human resource policy aims to provide a superior work environment and career growth.
- The Company has among the best retention rates (98% in 2009-10) in its industry.

## 04 FUNDING RISK

Any inability to source the adequate quantity of funds at competitive rates could stagger growth

### Risk mitigation

- The Company enjoys a modest debt-equity ratio of 0.19 (as on 30th June 2010), providing room for the mobilisation of additional debt.
- The Company's interest cover was 8.93x in 2009-10, reflecting comfort in its ability to service debt.
- The Company is about to achieve financial closure for its proposed Rs-184 crore expansion plans for lighting products.

## 05 LIQUIDITY RISK

Inadequate funds for meeting daily expenses could affect day-to-day working

### Risk mitigation

- The Company enjoys a current ratio and quick ratio of 4.97 and 3.58 respectively, reflecting strong business liquidity.
- The Company's receivables cycle declined from 211 days in turnover equivalent in 2008-09 to 201 days in 2009-10, resulting in a quicker cash inflow.

## 08 RESEARCH AND DEVELOPMENT RISK

Investment in research and development may not necessarily result in successful products or technology.

### Risk mitigation

- All the products develop[ed by the Design and Development team of MIC have found acceptance in the market place till date
- The Company has a strong, 160-member Design and Development team engaged in developing new products and technologies.
- The Company's Design and Development team developed India's first 4-mm True LED TV with in-house technology.
- The Company's D&D team is also engaged in developing 'intelligent' lighting, which can be controlled from any location and can be adjusted automatically as per external lighting conditions.
- The Company's D&D team is also developing 3D LED display using in-house technology.

## 07 COMPETITION RISK

Attractive sectoral margins could invite competition

### Risk mitigation

- The Company has more than two decades of experience in LED-based product manufacturing.
- The Company is the only one in India to introduce True Colour LED display.
- The Company possesses proprietary Scan + technology and is the only company in India to possess the 'design to manufacture' capability in displays.
- The Company is the only one in India to receive the demanding RDSO approval for passenger information display boards using SIMRAN technology.
- The Company's presence in the LED display space is adequately protected by entry barriers in the form of high investment and technological know how.
- The Company's in-house technology has translated into significant cost and quality advantages over global industry peers.
- The Company's lighting products cover a wide spectrum of applications – indoor, outdoor and portables with grid or solar energy.
- The strong in-house Design & Development capabilities are expected to provide technical and competitive edge for MIC's products over rival products.

MIC Electronics Limited

Regd. Office:
A-4/II, Electronic Complex,
Kushaiguda, Hyderabad-500062

# NOTICE

NOTICE is hereby given that the 22nd Annual General Meeting of the Members of the Company will be held on Thursday the 30th December 2010 at 11.00 AM at the registered office of the Company situated at A-4/II, Electronic Complex, Kushaiguda, Hyderabad – 500062 to transact the following business:

## ORDINARY BUSINESS:

**1.** To receive, consider and adopt the Balance Sheet as at 30th June 2010 and Profit & Loss Account for the year ended on that date along with the Schedules forming part of it, notes to accounts and the Reports of the Directors' and Auditors' thereon.

**2.** To appoint a Director in place of Shri Somendra Khosla who retires by rotation and being eligible, offers himself for re-appointment.

**3.** To appoint a Director in place of Shri Nimmagadda Srinivasa Rao who retires by rotation and being eligible, offers himself for re-appointment.

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

"RESOLVED THAT M/s. Pinnamaneni & Co, Chartered Accountants, Hyderabad (Registration No. 002661S) be and are hereby appointed as Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until conclusion of next Annual General Meeting of the Company on such remuneration shall be fixed by the Board of Directors."

## SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to the provisions of section 31 of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered by inserting the following New Clause 76 (c) after the existing clause 76 (b):

76 (c) To lend and advance money or give credit to any person or company; to give guarantee or indemnify for the payment of money or the performance of contracts or obligations by any person; to secure or undertake in any way the repayment of moneys lent or advanced to, or the liabilities incurred by any person subject to the provisions of the Act."

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

"RESOLVED THAT pursuant to sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII thereto, consent of the Company be and is hereby accorded to the reappointment of Shri L N Malleswara Rao as Executive Director of the Company for a period of five years with effective from 30th December 2010 and be paid remuneration by way of salary and perquisites as detailed below.

**Remuneration:**

a. Salary: Rs.1,25,000/- per month.

b. Contribution to Provident Fund, Superannuation Fund or Annuity Fund are as per the rules of the Company and to the extent these either singly or put together are not taxable under the Income-tax Act, 1961.

c. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and

d. Encashment of leave at the end of the tenure.

RESOLVED FURTHER THAT the same remuneration is treated as minimum remuneration payable in case of absence of or inadequacy of profits."

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

"RESOLVED THAT pursuant to sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII thereto, the consent of the Company be and is hereby accorded to the revision of Basic Salary of Dr. M V Ramana Rao, Chairman & Managing Director of the Company from Rs. 2,00,000/- per month to Rs.3,00,000/- per month effective from 30th December, 2010, till the remaining period of his tenure i.e. up to 19th May, 2013 and the other terms and conditions of his appointment made vide members resolution passed in the Extra-ordinary General Meeting held on 19th May 2008 remain unaltered."

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

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 ("the Act"), the provisions of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines") (including any statutory amendments, modification or re-enactment of the Act or the Guidelines for the time being in force) and the Company's Memorandum and Articles of Association and further subject to such approvals, permissions, sanctions of the Regulatory Authorities as may be required and subject to such conditions and modifications as may be prescribed or imposed by the Regulatory Authorities while granting such approvals, permissions and sanctions, approval and consent of the Shareholders of the Company be and is hereby accorded to the Employees Stock Option Plan, 2010 (hereinafter referred to as "ESOP-2010") on the terms and conditions set out in the Plan and the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee including ESOP Compensation Committee of the Board), be and are hereby authorised to grant Stock Options and to issue and allot in one or more tranches under the said ESOP-2010 at any time for the benefit of present and future eligible Employees of the Company and eligible Directors of the Company (including Independent Directors and

Nominee Directors) such number of equity shares or options convertible into equity shares, as may be deemed appropriate provided, however, that the aggregate Stock Options granted shall not exceed 25,00,000 Options in aggregate, at such price and on such terms and conditions as may be fixed or determined by the Board in accordance with the Guidelines or other applicable provisions of any laws as may be prevailing at that time.

RESOLVED FURTHER THAT in terms of clause 49(I)(B) of the listing agreement with the stock exchanges 5,00,000 number of Stock Options be and is hereby fixed as the maximum limit for grant of Stock Options to Directors (including Independent Directors and Nominee Directors) pursuant to ESOP-2010 and the Stock Options to be granted to any particular director shall not exceed 50,000 options, in aggregate, and during a particular financial year the number of options to be granted to any individual director shall not exceed 25,000 Options.

RESOLVED FURTHER THAT the Board be and is hereby authorised to amend, vary or modify any of the terms and conditions of the ESOP-2010 pertaining to grant of options, pricing of options, issue or allotment of equity shares or options convertible into equity shares including authority to withdraw, recall, accept, surrender or cancel options issued or to be issued pursuant to this resolution and to issue fresh options in lieu thereof at such price, in such manner, during such period, in one or more tranches and on such other terms and conditions as the Board may decide, without being required to seek any further consent or approval of the Shareholders.

RESOLVED FURTHER THAT the new Equity Shares to be issued and allotted pursuant to ESOP-2010 shall rank pari passu in all respects with the then existing Equity Shares of the Company.

RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition of the shares by the aforesaid allottees under the ESOP-2010 shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs. 2/- per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees as decided by the ESOP Compensation Committee.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the securities allotted under ESOP-2010 on the Stock Exchanges, where the securities of the Company are listed, as per the provisions of the Listing Agreements with the concerned Stock Exchanges and other applicable guidelines, rules and regulations.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary or expedient and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities without requiring the Board to seek any further consent or approval of the Shareholders".

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

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 ("the Act"), the provisions of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines") (including any statutory amendments, modification or re-enactment of the Act or the Guidelines for the time being in force) and the Company's Memorandum and Articles of Association and further subject to such approvals, permissions, sanctions of the Regulatory Authorities as may be required and subject to such conditions and modifications as may be prescribed or imposed by the Regulatory Authorities while granting such approvals, permissions and sanctions, approval and consent of the Shareholders be and is hereby accorded to the Board to extend the benefits of aforesaid ESOP-2010 proposed in the earlier resolution in this Notice to the eligible employees/ directors of the subsidiary and holding companies, (present and future) and/or to such other persons, as may from time to time be allowed under prevailing laws, rules and regulations, and/or amendments thereto from time to time, on such terms and conditions as may be decided by the Board.

RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, issue, allotment or listing of Securities, the Board be and is hereby authorised on behalf of the Company to evolve, decide upon and bring into effect the Plan and make any modifications, changes, variations, alterations or revisions in the said Plan from time to time or to suspend, withdraw or revive the Plan from time to time as may be specified by any statutory authority and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any questions, difficulties, or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company."

By order of the Board
For **MIC Electronics Limited**

Sd/-
**(Dr. M V Ramana Rao)**
Chairman & Managing Director

Place: Hyderabad
Date: 30/11/2010

## NOTES:

**a)** A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself / herself and the proxy need not be a member of the Company. The enclosed instrument of proxy in order to be effective, must be deposited at the registered office of the Company, duly completed and signed not less than 48 hours before the meeting.

**b)**Corporate Members intending to send their authorised representatives to attend the meeting are requested to send a certified copy of Board Resolution authorizing their representatives to attend and vote on their behalf in the meeting.

**c)** Members attending the meeting are requested to complete and bring the attendance slip enclosed with the Annual Report and hand over the attendance slip duly signed at the entrance of the meeting hall.

**d)** The Register of Members and Share Transfer Books of the Company will remain closed from 24th December 2010 to 30th December 2010 (both days inclusive) for the Annual General Meeting.

**e)** The relevant Explanatory Statement in respect of the Special Business set out above, as required by Sec.173 (2) of the Companies Act, 1956 is annexed hereto.

**f)** Members may address their correspondence to Registrar and Share Transfer Agents of the Company M/s. Venture Capital and Corporate Investments Private Limited, Unit: MIC Electronics Limited, H.No:12-10-167, Bharatnagar, Hyderabad - 500018 or to the registered office of the Company.

**g)** The Shareholders who have not en-cashed the dividend warrant(s) so far for the financial years 2006-07, 2007-08, & 2008-09, are requested to make their claim to the Company.

**h)** Pursuant to provisions of Sec 205C of the Companies Act, 1956, the amount of dividend remaining unclaimed for the period of 7 years from the date that becomes due for payment are required to be transferred by the Company to the Investor Education and Protection fund.

**i)** The details of Directors seeking re-appointment, in terms of Clause 49 of the listing Agreement are annexed hereto and form part of this Notice.

**j)** The Company has designated an exclusive email id viz. investors@mic.co.in to enable the investors to post their grievances.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

### Item No. 5:

Pursuant to Section 31 of the Companies Act, 1956, a Special Resolution is proposed to amend the Articles of Association by inserting a new clause enabling the Company to provide loans or guarantee to any other person or company.

None of the Directors of the Company is concerned or interested in the said Resolution.

### Item No. 6:

At the recommendation of Remuneration Committee, the Board agreed the proposal of re-appointing Shri L N Malleswara Rao as the Executive Director of the Company, with effective from 30th December 2010, subject to the approval of Shareholders at the General Meeting.

As per Section 302 of the Companies Act, 1956, Shareholders be intimated the terms of appointment or re-appointment of managerial personnel. It is construed that this information to the Shareholders are in compliance of Section 302 of the Companies Act, 1956.

Your Directors recommend the passing of this resolution as an Ordinary Resolution.

None of the Directors except Shri L N Malleswara Rao is directly or indirectly concerned or interested in this resolution.

### Item No. 7:

At the recommendation of Remuneration Committee, the Board agreed the proposal of increasing the basic salary of Dr. M V Ramana Rao with effective from 30th December 2010, subject to the approval of Shareholders at the General Meeting.

As per Section 302 of the Companies Act, 1956, Shareholders be intimated the terms of appointment or re-appointment of managerial personnel. It is construed that this information to the Shareholders are in compliance of Section 302 of the Companies Act, 1956.

Your Directors recommend the passing of this resolution as an Ordinary Resolution.

None of the Directors except Dr. M V Ramana Rao is directly or indirectly concerned or interested in this resolution.

### Item No. 8:

The Company grew exponentially across the past decade owing to the wholehearted support, commitment and teamwork of its personnel. The Company intends to involve its personnel in its growth through an appropriate mechanism. Stock Options align the employees' interest with that of the Shareholders and the Company and create long-term wealth in the hands of the employees. Stock Options create a common sense of ownership between the Company and its employees, paving the way for a unified approach to enhancing overall Shareholders value. Stock Options also serve as performance-linked rewards, helping attract, retain and motivate the best available talent for the Company. From the Company's perspective, Stock Options provide an opportunity to optimise personnel costs, by allowing for an additional, market-driven mechanism to compensate and reward employees. The SEBI guidelines provide a conducive environment for the implementation of the Employee Stock Option Plan.

The Company proposes to introduce Employee Stock Option Plan 2010 for the benefit of employees, Directors, and such other persons/entities as may be prescribed by SEBI from time to time, and in accordance with the provisions of prevailing regulations.

## Employee Stock Option Plan 2010 (ESOP-2010)

### Stock Options

Under this Plan, employees will be granted an option to acquire a certain number of shares of the face value of Rs. 2 each at the price as mentioned hereinafter. Each option will have a right to convert it into one equity share subject to adjustment on account of Corporate Actions, if any.

### The broad terms and conditions of the ESOP-2010 are as under

After obtaining the approval of the Members, Board will constitute ESOP Compensation Committee, which is a Committee of the Board of Directors, and consists of a majority of independent Directors, for administration and superintendence of the ESOP-2010. The ESOP Compensation Committee will formulate the detailed terms and conditions of the ESOP-2010. The ESOP Compensation Committee will specify, inter alia, the following

• Quantum of options to be granted under the Plan per employee and in aggregate.

• Conditions under which options vested in employees may lapse in case of termination of employment for misconduct.

• Time period within which an employee may exercise vested options in the event of termination or resignation.

• The exercise period within which the employee should exercise the options and that option would lapse on failure to exercise the options within the exercise period.

• Rights of an employee to exercise all the vested options at one time or at various points of time within the exercise period.

• Procedure for making a fair and reasonable adjustment to the number of options and to the exercise period, in case of rights issues, bonus issues, other corporate actions, or otherwise.

• Lock-in period for the shares issued pursuant to exercise of the options, if any.

• Any other related or incidental matters.

The following are the various disclosures as required by Clause 6 of the SEBI Guidelines

### The salient features of the Plan are as under

**a. The total number of options to be granted**

The total number of Options that may, in aggregate, be issued, under the Plan, cannot exceed 25,00,000 or such number as may be required on account of Corporate Action.

**b. Identification of classes of employees/directors entitled to participate in the ESOP**

Employees entitled to participate in the ESOP-2010 are, "Employees" of the Company, Directors (present & future) (whether full time or not), as defined in the ESOP Guidelines (including any statutory modification(s) or re-enactment of the Act or the Guidelines, for the time being in force), and as may be decided by the ESOP Compensation Committee, from time to time. Under the prevailing regulations, an employee who is a promoter or belongs to the promoter group will not be eligible to participate in the ESOP-2010. Identification of employees eligible to participate in the ESOP-2010 and Grant of options to identified employees will be based on such parameters as may be decided by the ESOP Compensation Committee, in its discretion, from time to time. The options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

**c. Requirements of vesting and period of vesting**

For the employees who have been granted option and who are in continuous employment of the Company, the vesting of options will commence after a period of 1 year from the date of grant and extends up to 5 years from the date of grant. The vesting occurs in annual tranches as shown below. However, no fraction of the vested options shall be exercisable in its fractional form.

| Sr. No. | Vested Period Completion of | No. of Options |
|---|---|---|
| 1 | After completion of 1st year | 40% |
| 2 | After completion of 2nd year | 35% |
| 3 | After completion of 3rd year | 25% |

**d. Maximum period of Vesting**

The maximum vesting period may extend up to 5 years from the date grant of options as per (c) above. In case of termination of employment for any reason, the vesting period may be revised by the Compensation Committee as per the provisions of the scheme.

**e. Exercise Price or Pricing Formula**

The exercise price for the purposes of the grant of options will be Rs. 6/- (Rupees Six Only) per option, subject to adjustments that may be required on account of Corporate Action.

**f. Exercise Period and the process of Exercise**

The exercise period may commence from the date of vesting, and will expire not later than 1 year from the date of Vesting of options, or such other period as may be decided by the ESOP Compensation Committee, from time to time. The Options will be exercisable by the Employees by a written application to the Company to exercise the Options, in such manner, and on execution of such documents, as may be prescribed by the ESOP Compensation Committee from time to time. The options will lapse if not exercised within the specified exercise period. The options lapsed/forfeited will be re-issued, subject to condition that the total options that may be exercised will not exceed 25,00,000.

**g. Process for determining the eligibility of Employees/Directors to ESOP**

The Board/Compensation Committee shall determine the eligibility criteria for the employees and directors (including whole time directors) under ESOP-2010 based on evaluation of the employees/directors on various parameters, such as length of service, designation, performance, technical knowledge, leadership qualities, merit, contribution and conduct, future potential etc., and such other functional and managerial parameters as may be deemed appropriate by it. The appraisal process will be revised at regular intervals in line with emerging global standards.

**h. Maximum number of options to be issued per employee/ directors and in aggregate**

The number of Options that should be granted to an employee/director under the Scheme shall be decided by the Board/Compensation Committee. However, the maximum number of Options to be granted per employee/ director during any one year and in aggregate shall be less than 1% of the issued and outstanding equity shares of the Company as on December 30 2010. This is however, subject to Corporate Actions that may require adjustments as decided by Compensation Committee.

**i. Accounting Policy**

The Company will conform to the accounting policies specified in Clause 13.1 of the SEBI Guidelines and/or such other guidelines or accounting standards as may be applicable, from time to time.

**j. Method of valuing the options**

The Company will adopt the intrinsic value method to value the options granted under the Scheme.

**k. Disclosure in Directors' Report**

Since the Company calculates the employee compensation cost using the intrinsic value of the Stock Options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on earning per share of the Company shall also be disclosed in the Directors' Report.

As the Plan will entail further shares to be offered to persons other than existing Shareholders of the Company, the consent of the members is sought pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Act, and as per the requirement of clause 6 of the SEBI Guidelines.

The Options to be granted under the Plan shall not be treated as an offer or an invitation made to public for subscription in the securities of the Company. The Board accordingly commends the Resolution for the approval of the Members as a Special Resolution. The Directors other than (i) promoter directors and (ii) those directors if any, holding directly or indirectly more than 10% of the outstanding equity shares of the Company, shall be deemed to be interested or concerned in passing of this Resolution to the extent of benefit they may derive under the Plan.

## Item No. 9:

As per the SEBI Guidelines, a separate resolution is required to be passed to authorise the Board to extend the benefits of ESOP to the employees and directors of Subsidiary Companies and Holding Company (present and future). This separate resolution is being proposed accordingly to cover those Employees, Directors, and/ or such other persons as may be permitted from time to time, under prevailing laws, rules and regulations, and/or amendments thereto from time to time. This may be read with explanatory statement for Item No. 8. The Board accordingly commends the resolution for approval of the Members as a Special Resolution.

None of the Directors of the Company is, in any way, concerned or interested in the resolution, except to the extent of the securities that may be offered to them under the plan.

By order of the Board
For MIC Electronics Limited

Sd/-

Place: Hyderabad
Date: 30/11/2010

**(Dr. M V Ramana Rao)**
Chairman & Managing Director

## BRIEF PROFILE OF DIRECTORS SEEKING RE-ELECTION

**Item No. 2, 3 & 6:**

| Name of the Director | Shri N Srinivasa Rao | Shri Somendra Khosla | Shri L N Malleswara Rao |
|---|---|---|---|
| Date of Birth | 25-07-1953 | 03-09-1946 | 15-05-1960 |
| Date of Appointment | 27-12-2008 | 27-12-2006 | 01-11-2006 |
| Experience | Worked in Andhra University in various departments in administrative capacity for 8 years<br><br>Worked as lecturer in Satavahana College, Vijayawada, in the Department of Public Administration for 30 years<br><br>Since 2001 Working as a Vice – Chairman in D V R & Dr. H S MIC College of Technology, Kanchikacherla, Krishna District. | Worked with Touche Ross & Co. (Big Four) in their London office for two (2) years.<br><br>Started own garments business in 1975. In 1987, he set up a garment manufacturing unit in Bahrain and had employed over 450 employees.<br><br>Currently having 3 nursing homes with a staff strength of over 160 employees.<br><br>Working as a developer in the real estate business in Dubai and has started an estate agency in Dubai in 2005. | Experience in Design, Development and Quality assurance for more than a decade in Andhra Pradesh Heavy Machinery Engineering Limited (APHMEL) - a subsidiary of Andhra Pradesh Industrial Development Corporation Limited. Associated with several prestigious projects in their design development and execution in the areas of electrical and mechanical engineering<br><br>Working as a Executive Director in MIC Electronics Limited since 1996, responsible for day-to-day activities of the Company. |
| Qualification | M.A Politics, M.A Public Administration, B.L. Sc | Chartered Accountant | Bachelor of Technology (Mechanical Engineering) |
| Relationship with other Directors | None | None | None |
| Directorship in Other Companies | 1 | 12 | Nil |

# DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 22nd Annual Report together with the audited statement of accounts of your Company for the year ended 30/06/10.

## Financial results

The financial highlights for the current year in comparison with the previous year are as under.

*(Rs. in crore)*

| Particulars | 2009-10 | 2008-09 |
|---|---|---|
| Total income | 233.94 | 242.57 |
| Profit before interest, depreciation & tax | 73.74 | 71.58 |
| Interest | 8.26 | 6.82 |
| Depreciation | 2.99 | 2.26 |
| Provision for taxation | 9.46 | (1.91) |
| Profit after interest, depreciation & tax | 53.03 | 64.41 |
| Transferred to general reserve | 5.00 | 5.00 |
| Deferred tax asset adjustment for earlier years | – | 2.35 |
| Balance brought forward | 159.75 | 102.70 |
| Balance carried forward to Balance Sheet | 207.79 | 159.75 |

## Results of operations

The financial year 2009-10 was significant for the Company in terms of growth in the LED display and lighting segment and its shifting focus from the InfoTech to the lighting and display segment.

The Compny developed the first 4mm LED Tv in India and host of LED based lighting products. The Company is taking steps to strengthen its position in the fields of media, information technology and communications.

Total income of the Company declined 3.56% Rs. 242.57 crore in 2008-09 to Rs. 233.94 crore in 2009-10, largely on account of drop in revenue from the InfoTech segment. Post tax profit of the Company declined 17.61% from Rs. 64.41 crore in 2008-09 to Rs. 53.03 crore in 2009-10.

## Following are the results of operations for the financial year 2009-10.

**Revenues:** Rs. 231.64 crore

**Profits:** Rs. 54 crore

## Dividend

The Company's strategic blueprint encompasses capacity expansion. For the same reason, the Company plans to re-invest business surplus for funding such initiatives. This in turn will grow Shareholder wealth over the medium term. As a result, the Company does not propose to declare dividend for the current year.

## Transfer to reserves

The Company proposes to transfer Rs. 5 crore to the general reserve out of the amount available for appropriations. After the appropriations, it is proposed to retain Rs. 48.03 crore from the current year's profits.

## Financials of subsidiary companies

The Ministry of Corporate Affairs, New Delhi vide its order No: 47/713/2010-CL-III dated 23/11/10 exempted your Company from the requirement of attaching the financial statements of its Subsidiaries in terms of Section 212(1) of the Companies Act, 1956. As per the orders, a gist of the financial statements of each of the subsidiary companies was prepared in terms of the section 212(8) of the Companies Act, 1956 and the same is appended hereto and forms part of the Annual Report.

## Consolidated financial statements

The audited stand alone and consolidated financial statements of the Company which form part of the Annual Report were prepared in accordance with the provisions of the Companies Act, 1956, the Listing Agreement, the Accounting Standards (AS-21) on Consolidated Financial Statement and the Accounting Standard (AS-23) on Accounting for Investments in Associates in Consolidated Financial Statement.

## Corporate Governance

Pursuant to the provisions of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, a report on Corporate Governance and Management Discussion and Analysis figures as a part of the Annual Report.

Your Company will continue to implement and adhere in letter and spirit to the policies of good Corporate Governance.

## Listing Agreement compliance

The Company being listed on both NSE & BSE is complying with all the requirements of the Listing Agreement. The Company has paid Listing Fee for the Financial Year 2010-11 to each of the said stock exchanges.

## Public deposits

During the year under review, the Company neither invited nor accepted any fixed deposits from the public.

## Directors

In accordance with the provisions of the Companies Act, 1956 read with the Articles of Association of the Company, Shri Somendra Khosla and Shri Nimmagadda Srinivasa Rao, Directors of the Company will retire by rotation at the forthcoming Annual General Meeting and are being eligible for offer for re-appointment.

It is proposed to re-appoint Shri L N Malleswara Rao as an Executive Director for a period of five years effective from 30/12/10.

Keeping in view the present employment market conditions it is proposed to increase the basic salary from Rs. 2 lac to Rs. 3 lacs per month keeping other remuneration terms and conditions of Dr. M V Raman Rao, Chairman & Managing Director unaltered.

## Changes in Directorate

With effect from 15th and 26th October 2009 Shri Harsh Mariwala and Shri U. Ramakrishna, Directors respectively resigned due to their preoccupations.

## Directors' responsibility statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, your Directors confirm to the best of their knowledge and belief that:

I. In the preparation of annual accounts, the applicable accounting standards have been followed and there were no material departures;

II. The accounting policies selected were applied consistently, judgments and estimates that were reasonable and prudent were made so as to give a true and fair view of the state of affairs of the Company as at 30/06/10 and of the profit of the Company for the period ended 30/06/10;

III. Proper and sufficient care was taken to maintain adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

IV. The annual accounts for the year ended 30/06/10 were prepared on a 'going concern' basis;

## Auditors

M/s. Pinnamaneni & Co., Chartered Accountants, (Registration No. 002661S) statutory auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and has expressed their willingness and eligibility to accept re-appointment

**Information required Under Section 217(1) (e) of the Companies Act 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.**

## Conservation of energy

The operations of the Company are not energy intensive. In view of the growing concern over environment management, the Company took adequate measures to conserve and reduce the energy consumption by using energy efficient hardware and other equipment. Air conditioning equipment is used only when required and air-conditioned areas are treated with heat resistant material like sun control film to reduce heat absorption. We believe that energy saved is energy produced.

## Research and Development and technology absorption

Your Company is an intrinsically R&D driven organisation, will continue to focus in its R & D activities in energy efficient true color LED Display and LED Lighting solutions.

A strong embedded technology base was created in the Company and several embedded products were developed, produced and delivered by the Company.

## Foreign exchange earnings and outgo

**Earnings:** Rs. 19,544,040/-

**Outgo:** Rs. 54,323,309/-

## Personnel

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956, and the Companies (Particulars of Employees) Rules, 1975, as amended forms a part of this report. However, in pursuance to Section 219(1) (b) (iv) of the Companies Act, 1956, this report is being sent to all the Company Shareholders, excluding the aforesaid information and the said particulars are made available at the Company's registered office. The members interested in obtaining information under Section 217(2A) may write to the Company Secretary at its registered office.

## Details about MIC Electronics Ltd Employees Stock Options Plan 2006 (MIC ESOP 2006)

Pursuant to the provisions of Guideline 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee stock purchase Scheme), Guidelines, 1999 details are as under:

ESOP 2006 scheme was ended on 24/10/09; However 749,110 shares were lying in the trust because of non-exercise of the options due to heavy Fringe Benefit Tax disproportion to price of the scrip and few options because of resignation of employees from the Company.

Board is working on a suitable plan to compensate those employees who could not exercise their options due to disproportion of the price prevailing at the time of the exercise and also other employees in general.

## Acknowledgment

The Directors take this opportunity to place on record their sincere thanks to analysts, banks and financial institutions, insurance companies, central and state government departments and the Shareholders for their support and co-operation extended to the Company from time to time.

Directors are pleased to record their appreciation of the sincere and dedicated services of the employees and workmen at all levels, during the year under review and look forward to their continued support over the foreseeable future.

For and on behalf of the Board

Sd/-
**(Dr. M V Ramana Rao)**
Chairman & Managing Director

Sd/-
**(Shri L N Malleswara Rao)**
Executive Director

Place: Hyderabad
Date: 30/11/10

# MANAGEMENT DISCUSSION AND ANALYSIS

## Industry Structure and Developments

### LED displays

#### Growth Opportunities

Globally, the market for large area display stood at around USD 3.4 bn of which North America accounted for 33% of the global market followed by Asia and Europe. With recovery in the economy and growing income levels, the display market is expected to grow at a CAGR of 61% within the next five years. The Rs. 18-bn Indian live entertainment industry is expected to grow at around 18%. The Rs. 17.5-bn out-of-home advertisement is expected to record a growth of 12.5% annually.

The USD 210-mn international display renting industry is one of the fastest growing industries in live entertainment and is expected to record 12.5% growth annually. LED displays are rented to big outdoor events like Film Concerts, Fashion Shows and Corporate Presentations, among others. On an average, in the US, a medium-sized LED display can fetch a rental income of USD 15,000 for weekend use.

With the relief from recessionary forces and increased spending on advertisements, demand for the LED display solutions is bound to increase. With the increase in buying power and spending power in India, lot of people now prefer to use these Digital Boards on a mobile platform to show case the event that is organised by them. Many rental companies are buying these mobile display boards to cater to the needs of their customers.

## Company Initiatives and Advantages:

The Company has over two decades' experience in the development and manufacturing of LED display products. The strong in-house technology base distinguishes MIC from the other Indian Companies. The Company emerges as the largest and only player in the True Color LED display manufacturing in the country.

The Company has presence in various countries and has entered into an exclusive tie up with the US Company Colorado Timing Systems to market MIC display systems throughout USA with the aim of achieving significant market share in the country.

Development of new display solutions and applications is necessary to sustain a lead position in this dynamic industry. With its strong technical base, MIC is capable of continuously developing new products. The Company is developing 3D LED based display systems (with or without using 3D viewing glasses) for the first time in India.

The Company is also working on various applications relevant to its display products in the fields of outdoor displays and TV, Cinema Industry, Theatre Applications, Video Conferencing applications and the like. Business models applicable to these domains are also being worked out.

## Opportunities and Threats:

Attractive market opportunities in the railway segment, expected increase in the spendings by Corporates on advertisements, growing use of LED screens in event coverage, expanded application range that is expected to include information dissemination, inter-active mass communications, theatre and cinema applications are positive factors that MIC can leverage on in enhancing its business opportunities. The competition in the area of True Colour Displays is perceived only from imports in the near future. Sustained and superior quality of products and support services and competitive pricing are the identified differentiators to counter competition.

## Road ahead:

The Company's unique standing in the country, its continuous D&D efforts resulting in the emergence of new and novel products, the sustained and strong Indian economy are factors that hold out strong hopes for a healthy business growth for MIC's display products.

## LED lighting

### Growth opportunities:

The growing concern for power savings and environment protection prompted authorities around the world to shift to the use of LED lighting. According to an estimate about 15-20% of electricity worldwide is consumed by lighting. Whereas, more than 45% of the rural India does not have any access to electricity and it would be very difficult to provide electricity in these areas in the coming few years owing to the high cost of setting up power plants, cost of generation and cost of transmission. In India, use of kerosene lanterns has been a primary source of lighting in the rural areas. Continued usage of these kerosene Lanterns can be a serious health hazard – leading to bronchial and eye diseases. Solar power LED lights would prove to be excellent replacements for these kerosene lanterns.

Initiatives by Indian Oil Corporation Ltd. (IOCL) for distribution of solar-based LED lanterns opened up tremendous growth prospects for LED lighting in rural India. In the coming five years, MNRE plans to distribute 5 million solar lanterns, implying a business opportunity of Rs. 800 crore in this segment in the next few years.

Apart from this, the demand for power in the urban areas of India is also increasing. The government's initiatives to reduce the cost of electricity through use of LED lights instead of traditional lights would also provide tremendous growth potential in this sector. Government of India, in fact, brought out a publication advocating the economic case for the introduction of LED lighting. The publication foresees the rapid reduction of prices of LED lights in the near future, with increased introduction of large volumes of LED lights of various types for both indoor and outdoor applications.

In India the LED lighting market is expected to touch about Rs. 1,850 crore by 2015. The annual market for LED lighting products is expected to be around Rs. 548 crore which opens up a huge scope for the Company

Globally the LED light market is expected to grow 34% in 2010 and 48% in the coming five years. Currently the LED lighting market only constitutes about 3% of the overall lighting market with a market value of Rs. 2.4 billion. With the reduced use of incandescent bulbs and expected ban on them in the market by 2012 the market for LED lights is expected to constitute 30% of the overall lighting market by 2014. Industry estimates vary but they all point towards tremendous growth for LED lighting across the globe. Lighting industry giants like Philips and Osram predict conversion rates ranging from 50% to 90% from traditional lighting to LED lighting by the year 2020.

## LED lighting and environment sensitivity:

Globally lighting accounts for USD 185 bn and generates 2 bn tonnes of carbon dioxide. Replacement of 100,000, 250W SV/MH street lights with 100W LED

Lights can mean savings of 60 million units annually. One unit of energy calls for burning 0.49 Kg of Coal. In one year, the electrical savings can mean avoidance of burning 29,400MT of coal, implying reduction of emission of 51,690 MT green house gases. Thus, with the growing environment consciousness, LED based lighting provides significant business opportunity.

## Company's initiatives:

The Company's initiatives in operating through IOC outlets for its lantern products, developing a number of LED lighting products for both rural and outdoor applications, forging strong business relationships with its suppliers and customers and compliance with the laid down and emerging quality standards for its lighting products will definitely provide a competitive edge to MIC.

## Opportunities and Threats:

All round efforts for energy conservation, significant reduction of operating costs in respect of power consumption in corporate offices and 24x7 industries, possibility of providing distributed and de-centralised lighting solutions in rural areas deprived of access to grid power and the thrust being given in this direction by MNRE, various state agencies, corporate houses, NGOs are bound to provide a large demand for LED luminaires in both urban and rural environments. Quality of products proven reliability and competitive prices will be the differentiators with respect to competition. The strong in-house D&D base, ability to customise, excellent business relationships with suppliers and the multi-pronged marketing strategies being worked on are expected to help MIC to position itself strongly in the market place.

## Road ahead:

Focus on rural market, stress on energy saving solutions in the domains of both indoor and outdoor lighting coupled with the Company's forays to provide lighting solutions in Railways and Defense sectors open up large business opportunities. The Company's ability to customise and make innovative products ensures continuous orders and addition of new clients.

## Segment-wise / product – wise performance

LED displays continue to be the flagship products of MIC. The contribution by the lighting segment is expected to take off in a big way in the years to come with a major expansion plan on the anvil.

## Outlook for the Industry

Industry experts across the globe predict more than healthy growth rates for both LED Display and Lighting products. The same trends are expected to be valid for India which has demonstrated sustained growth rates in economy, better than many other countries even during the recent melt down. The concerted efforts for improving the rural infrastructure will greatly help the rural lighting market based on solar solutions. Some quantitative indices are provided in the text of the annual report.

## Risks and Concerns

The issues involved have been covered in some detail elsewhere in the report. In an overall sense, the risk perceptions are not of threatening dimensions to MIC considering the fact that MIC has long and proven track record of successful product development, the industry segments targeted promise substantial business opportunities and the Company has a management team of committed and competent people.

## Internal Control Systems:

Efforts are on to improve this area with emphasis on cash flow management, quality surveillance and customer satisfaction.

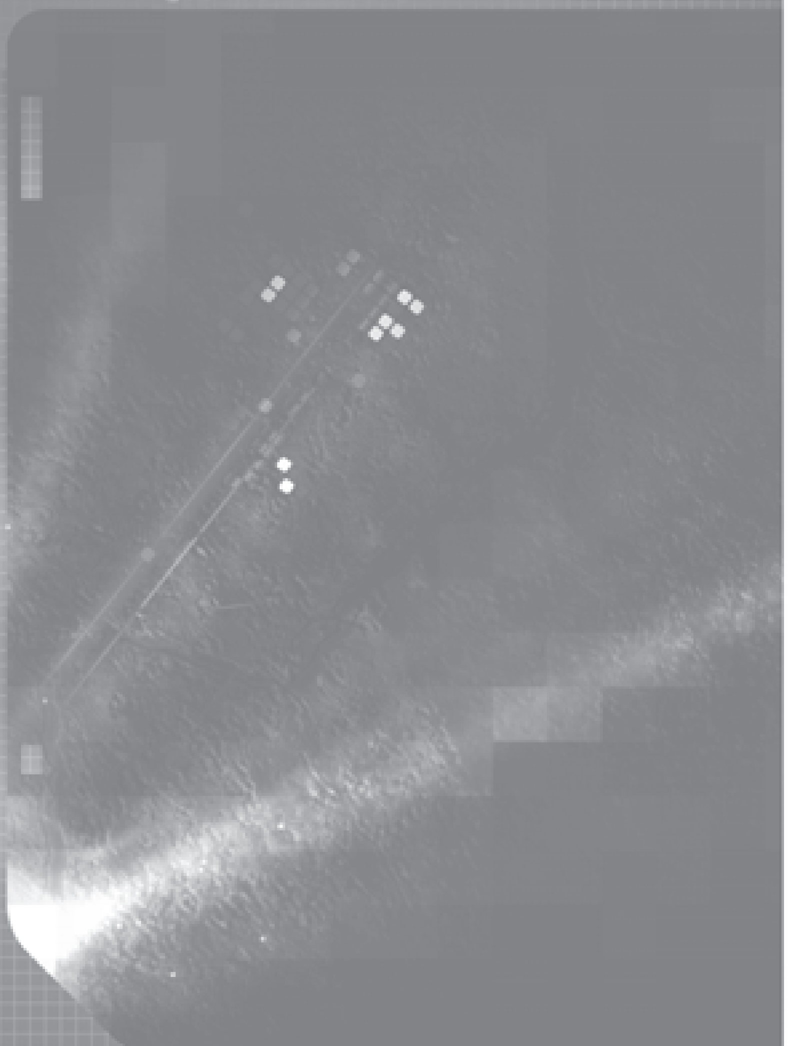
## Financial and Operational Performance:

The Company has been going through a transition characterised by conscious withdrawal from Telecom and Infotech business and laying full focus on LED based products. The development efforts put in by the Company are expected to bear fruits in the years to come, even though there is a minor dip in the top and bottom lines on the year 2009-10. The growth rates in the thrust areas of businesses, namely LED displays and lighting are in the upward swing.

## Human Resources

Conscious strengthing of Human Resources is taking place both in the technical and management cadres of the Company. Availability of experienced people with proven track records in different fields is bound to help the Company's operations in the long term perspective.

(References: Research papers of A C Choksi, LEDs magazine and LED inside )



Annexure to Directors' Report

# REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

## Company Philosophy on Corporate Governance

At MIC, Good Corporate Governance has always been a focal point of attention with emphasis laid on excellence through responsible management practices.

We strongly believe in maintaining global standards of Corporate Conduct and hence maximizing the stakeholders' value which can be sustained for a long time. The Company is resolutely dedicated to the attainment of growth with the highest national and international standards of Corporate Governance.

To us, Corporate Governance is an ongoing measure of superior delivery of the Company's objectives with a view to translate opportunities into reality. Your Company leverages its resources and aligns its activities to national need, Shareholders benefit and employee growth, thereby delighting all its stakeholders, while minimizing the risks. The Company's philosophy on Corporate Governance envisages attainment of the highest level of transparency, accountability, integrity and equity in all facets of its operations and in its interaction with stakeholders, thereby creating an outperforming organization.

## Board of Directors

### Composition and size of the Board

The Company's Board of Directors comprises ten Directors of which two are Executive Directors and six are Non-Executive and Independent Directors and the other two are Non-Executive and Non-Independent Directors. The names and categories of the Directors on the Board and also the number of Directorships and committee memberships held by them in other Companies are given below.

The Board of Directors of the Company has an optimum combination of Executive, Non-Executive and Independent Directors.

| Sr. No | Director | Category |
|---|---|---|
| 1 | Dr. M V Ramana Rao | Promoter, Executive Director |
| 2 | Shri Ranjan Kapur | Independent, Non-Executive |
| 3 | Shri Somendra Khosla | Independent, Non-Executive |
| 4 | Shri N Srinivasa Rao | Independent, Non-Executive |
| 5 | Shri Y Harish Chandra Prasad | Independent, Non-Executive |
| 6 | Shri Shrikant P Joshi | Independent, Non-Executive |
| 7 | Shri L N Malleswara Rao | Non-Independent, Executive Director |
| 8 | Shri Vidya Sagar Anisingaraju | Non-Independent, Non-Executive |
| 9 | Shri Atluri Venkata Ram | Non-Independent, Non-Executive |
| 10 | Shri Anil Goyal | Independent, Non-Executive |
| 11 | Shri Harsh Mariwala (resigned with effect from 15/10/2009) | Independent, Non-Executive |
| 12 | Shri U Ramakrishna (resigned with effect from 26/10/2009) | Non-Independent, Executive Director |

## Number of Board Meetings held and attendance of Board Meetings

**Board meetings held during the financial year ended 30/06/10.**

During the year, ten Board Meetings were held from 01/07/09 to 30/06/10. The dates on which the Board Meetings were held are: 25/07/09, 14/08/09, 26/10/09, 5/12/09, 11/01/10, 21/01/10, 29/01/10, 13/02/10, 20/04/10 and 28/04/10.

## Attendance of Directors in the above said meetings

| Sr. number | Director | Attendance particulars Board Meeting(s) | Attendance particulars Last AGM |
|---|---|---|---|
| 1 | Dr. M V Ramana Rao | 10 | Yes |
| 2 | Shri Ranjan Kapur | 0 | No |
| 3 | Shri Somendra Khosla | 0 | No |
| 4 | Shri N Srinivasa Rao | 10 | Yes |
| 5 | Shri Y Harish Chandra Prasad | 1 | No |
| 6 | Shri Shrikant P Joshi | 1 | No |
| 7 | Shri L N Malleswara Rao | 10 | Yes |
| 8 | Shri Vidya Sagar Anisingaraju | 1 | Yes |
| 9 | Shri Atluri Venkata Ram | 2 | No |
| 10 | Shri Anil Goyal | 5 | No |
| 11 | Shri Harsh Mariwala (resigned with effect from 15/10/09) | 0 | No |
| 12 | Shri U Ramakrishna (resigned with effect from 26/10/09) | 3 | No |

The maximum time gap between any of two of the Board meetings was not more than four months.

The information as required under Clause 49 of the Listing Agreement is made available to the Board. The agenda and the related papers for consideration at the Board Meeting are circulated sufficiently in advance of the Board Meetings.

### Number of other Directorships and Committee Member / Chairmanships

| Sr. no | Director | Category | Other Directorship | Committee Membership | Committee Chairmanship |
|---|---|---|---|---|---|
| 1 | Dr. M V Ramana Rao | Promoter, Executive Director | 7 | - | - |
| 2 | Shri Ranjan Kapur | Independent, Non-Executive | 13 | 5 | - |
| 3 | Shri Somendra Khosla | Independent, Non-Executive | 12 | - | - |
| 4 | Shri N Srinivasa Rao | Independent, Non-Executive | 1 | - | - |
| 5 | Shri Y Harish Chandra Prasad | Independent, Non-Executive | 18 | - | - |
| 6 | Shri Shrikant P Joshi | Independent, Non-Executive | 3 | - | - |
| 7 | Shri L N Malleswara Rao | Non-Independent, Executive Director | - | - | - |
| 8 | Shri Vidya Sagar Anisingaraju | Non-Independent, Non-Executive | - | - | - |
| 9 | Shri Atluri Venkata Ram | Non-Independent, Non-Executive | - | - | - |
| 10 | Shri Anil Goyal | Independent, Non-Executive | 23 | - | - |
| 11 | Shri Harsh Mariwala (resigned with effect from 15/10/09) | Independent, Non-Executive | - | - | - |
| 12 | Shri U Ramakrishna (resigned with effect from 26/10/09) | Non-Independent, Executive Director | - | - | - |

## Board Committees

The Company has the following standing committees on the Board

### Audit Committee

The terms of reference of the Audit Committee are in accordance with Section 292 of the Companies Act, 1956 and the guideline set out in Clause 49 of the Listing Agreement.

a) Overseeing financial reporting processes and the disclosure of financial information, to ensure that the financial statements are correct, sufficient and credible.

b) Recommending to the Board, audit fees payable to Statutory Auditors.

c) Reviewing with management, the periodic financial statements/results before submission to the Board.

d) Reviewing with the management, Statutory Auditors, Government Audit and Internal Audit Reports, adequacy of internal control systems and recommending improvements to the management.

e) Reviewing the adequacy of internal audit function, approving internal audit plans and efficacy of the functions including the structure of the internal audit department, staffing, reporting structure, coverage and frequency of internal audits.

f) Discussion with internal auditors any significant findings and follow-up thereon.

g) Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

h) Discussion with the Statutory Auditors before the audit commences, the nature and scope of audit, as well as post-audit discussion including their observations to ascertain any area of concern.

i) Reviewing the Company's financial and risk management policies.

j) Reviewing Quarterly Compliance Report confirming adherence to all the applicable laws, rules, guidelines, instructions and internal instructions/manuals including on Corporate Governance principles.

k) Matters relating to Corporate Governance including Ethics in business.

l) Minutes of the meetings of the Audit Committee are approved by the Chairman of the Committee and are noted and confirmed by the Board in its next meeting.

**The Audit Committee comprises the following Directors.**

| Name of the Director | Designation | Nature of Directorship | Profession |
|---|---|---|---|
| Shri Anil Goyal | Chairman | Independent Director | Business |
| Shri Somendra Khosla | Member | Independent Director | Business |
| Dr. M V Ramana Rao | Member | Managing Director | Business |
| Shri N Srinivasa Rao (Appointed with effect from 25th April 2009) | Member | Independent Director | Business |

### Audit Committee Meetings and Attendance:

During the year 5 Audit Committee Meetings were held from 01/07/09 to 30/06/10.

The Dates on which the Audit Committee Meetings were held are: 25/07/2009, 26/10/2009, 5/12/2009, 21/01/2010 and 28/04/2010.

| Sr. no | Director | No. of meeting attended |
|---|---|---|
| 1. | Shri Anil Goyal | 5 (5) |
| 2 | Shri Somendra Khosla | 0 (5) |
| 3. | Dr. M V Ramana Rao | 5 (5) |
| 4. | Shri N Srinivasa Rao | 5 (5) |

The maximum time gap between any of two of the Audit Committee meetings was not more than four months.

### Remuneration Committee

The Company's Remuneration Committee determines the Company's policy on the remuneration package of the Executive Directors and approves the payment of remuneration to the managerial personnel.

The broad terms of reference of Remuneration Committee are to determine on behalf of the Board and on behalf of Shareholders with agreed terms of reference, the Company's policy on specific remuneration package for Executive Directors, administration of Employees Stock Option Scheme and administration of employee compensation and benefit plans.

**Composition of the committee**

| Name of the Director | Designation | Nature of Directorship | Profession |
|---|---|---|---|
| Shri Y. Harish Chandra Prasad | Chairman | Independent Director | Business |
| Shri Anil Goyal | Member | Independent Director | Business |
| Shri Somendra Khosla | Member | Independent Director | Business |

Details of remuneration paid to the Executive Directors during the year 2009-10 are given below

| Name of the Director | Relationship with other Directors | Business relationship with Company, if any | Loans and advances from Company | Total remuneration salary + benefits + perquisites (Rs.) |
|---|---|---|---|---|
| Dr. M V Ramana Rao | None | None | None | 2,760,000 |
| Shri L N Malleswara Rao | None | None | None | 600,000 |
| Shri U Ramakrishna | None | None | None | 190,323 |

Details of sitting fee paid to the Non-Executive Directors during the year 2009-10 are given below

| Name of the Director | Relationship with other Directors | Business relationship with Company, if any | Loans and advances from Company | Total sitting fee (Rs.) |
|---|---|---|---|---|
| Shri Shrikant P joshi | None | None | None | 26,583 |
| Shri Ranjan Kapur | None | None | None | 0 |
| Shri Somendra Khosla | None | None | None | 0 |
| Shri N Srinivasa Rao | None | None | None | 225,637 |
| Shri Y Harish Chandra Prasad | None | None | None | 24,000 |
| Shri Vidya Sagar Anisingaraju | None | None | None | 30,600 |
| Shri Atluri Venkata Ram | None | None | None | 24,000 |
| Shri Anil Goyal | None | None | None | 24,000 |
| Shri Harsh Mariwala (resigned with effect from 15/10/09) | None | None | None | 0 |

## Shareholders' Transfer and Grievance Committee

Approval of physical shares transfer and redressal of Shareholders' complaints/grievances pertaining to share transfers, non receipt of annual reports, dividend payments, issue of duplicate certificates, transmission (with or without legal representation) of shares and other miscellaneous complaints. The Committee oversees and review performance of the Registrar and Transfer Agent and recommends measures for overall improvement in the quality of investor services. The Committee also monitors implementation and compliance of Company's Code of Conduct for Prevention of Insider Trading in the Company securities.

### Composition of the Committee

| Name of the Director | Designation | Nature of Directorship | Profession |
|---|---|---|---|
| Shri N. Srinivasa Rao | Chairman | Independent Director | Business |
| Shri Y. Harish Chandra Prasad | Member | Independent Director | Business |
| Shri L. N. Malleswara Rao | Member | Executive Director | Business |

Name and designation of the Compliance officer: Vasudeva Rao Devaki, Company Secretary

Email id for Investor Grievances: investors@mic.co.in

### Number of Shareholders complaints received so far.

During the year, the Company received 62 complaints and all were resolved and there were no complaints pending as on 30/06/10.

During the year three Committee Meetings were held from 01/07/09 to 30/06/10.

The dates on which the Committee Meetings were held are: 02/07/09, 12/10/09 and 05/12/09.

Attendance of Directors in the above said meetings

| Sr. no | Director | No. of meetings attended |
|---|---|---|
| 1. | Shri N. Srinivasa Rao | 3(3) |
| 2 | Shri Y. Harish Chandra Prasad | 1(3) |
| 3. | Shri L. N. Malleswara Rao | 3(3) |

### The details of shares / convertible warrants held by the Directors as on 30/06/10

| Sr. no | Director | No. of Shares | No of convertible warrants |
|---|---|---|---|
| 1 | Dr. M V Ramana Rao | 30,999,433 | Nil |
| 2 | Shri Ranjan Kapur | 172,500 | Nil |
| 3 | Shri Somendra Khosla | Nil | Nil |
| 4 | Shri N Srinivasa Rao | 65 | 1,000,000 |
| 5 | Shri Y Harish Chandra Prasad | 750,000 | Nil |
| 6 | Shri Shrikant P Joshi | 100,000 | 100,000 |
| 7 | Shri L N Malleswara Rao | 124,234 | Nil |
| 8 | Shri Vidya Sagar Anisingaraju | 683,185 | Nil |
| 9 | Shri Atluri Venkata Ram | 1,052,255 | Nil |
| 10 | Shri Anil Goyal | 1,100 | Nil |
| 11 | Shri Harsh Mariwala (resigned with effect from 15/10/09) | 710,000 | Nil |
| 12 | Shri U Ramakrishna (resigned with effect from 26/10/09) | 17,500 | Nil |

## Details of General Body Meetings

### Location and time of the last three AGM's.

| Financial year | Date and time | Venue | Nature of special resolutions, if any passed |
|---|---|---|---|
| 2008-09 | 30/12/09 10.00 am | A-4/II, Electronic Complex, Kushaiguda, Hyderabad-62 | No special resolution passed |
| 2007-08 | 27/12/08 11.00 am | A-4/II, Electronic Complex, Kushaiguda, Hyderabad-62 | No special resolution passed |
| 2006-07 | 22/12/07 4.00 pm | A-4/II, Electronic Complex, Kushaiguda, Hyderabad-62 | Amendment to Articles of Association for sitting fee provisions |

None of the resolutions were put through postal ballot in the last year.

## Disclosures

• Related party transactions

None of the transactions with any of the related parties were in conflict with the interest of the Company. Attention of the members is drawn to the disclosure of transaction with the related parties, as defined in Accounting Standard 18 is set out in the Notes of Accounts of the Financial Statements to this Report.

• Penalties

No penalties were imposed on the Company by the stock exchanges where the Company's shares are listed or by SEBI or any other statutory authority on any matter.

• Disclosure of accounting treatment

The Company follows the Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The significant accounting policies, which are consistently applied, are set out in the Notes to the Accounts of the Audited Financial Statements for the financial years ended 30/06/10.

• Code of Conduct

The Board laid down a Code of Conduct covering the ethical requirements to be complied with covering all the Board members and senior management personnel of the Company an affirmation of compliance with the code is received from them on an annual basis.

• CEO/CFO Certification

The CEO/CFO certification on the financial statements and internal controls is separately annexed.

• Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause

The Company complied with all the mandatory requirements of the Clause 49 of the Listing Agreement. Remuneration Committee requirements have been adopted form non-mandatory requirements.

• Whistle Blower Policy

The Company promotes ethical behaviour in all its business activities and has put in place mechanism of reporting illegal or un-ethical behaviour. Employees are free to report violations of laws, rules, regulations or other un-ethical conduct to their department head or the Company Secretary or Compliance Officer of the Company and in exceptional circumstances when whistle blower reasonably believes that these individuals are involved in the intended disclosure, to the chairman of the Audit Committee of the Company. The Reports received from any employee will be reviewed and investigated by the Audit Committee. The Management is obligated to maintain the confidentiality of such reporting and ensure that the whistle blowers are not subjected to any discriminatory practices.

• Risk Management

Business risk evaluation and management is an ongoing process within the organization. During the period under review, a detailed exercise on Business Risk Management (BRM) was initiated covering the entire gamut of business operations.

## Means of Communication

• **Quarterly/Annual Results:** The Company regularly intimates un-audited as well as audited financial results to the Stock Exchanges, immediately as they are taken on record/ approved. These financial results are normally published in Business Standard, Andhra Prabha (Telugu) and Eenadu (Telugu) and are displayed on the Company's website www.mic.in

• **News Release, Presentation:** The official news releases, detailed presentations made to media, institutional investors and financial analysis, among others, are displayed on the Company's website www.mic.in

• **Website:** The Company's website **www.mic.in** contains separate dedicated section 'Investor Information' where the Shareholders information is available. Full Annual Report, Quarterly Results, Press Releases and products and services, among others, are also available on the website in a user-friendly manner.

• **Annual Report:** Annual Report containing inter-alia, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report, Corporate Governance Report including Information for the Shareholders and other important information is circulated to the members and others entitled thereto. The Management Discussion and Analysis (MD&A) Report duly reviewed and approved by the Board forms part of the Directors' Report in Annual Report.

## General Shareholder Information

| | |
|---|---|
| Date and venue of AGM | 30/12/10 at A-4/II, Electronic Complex, Kushaiguda, Hyderabad-500062, Andhra Pradesh |
| Financial year | 01/07/09 to 30/06/10 |
| Tentative calendar of events for the FY 2010-11 (July - June) | 1st Quarter ending 30/09/10 - 27/10/10<br>2nd Quarter ending 31/12/10 - before end of Jan 2011<br>3rd Quarter ending 31/03/11 - before end of Apr 2011<br>4th Quarter ending 30/06/11 – before end of Jul 2011 |
| Book closure for AGM (both days Inclusive) | 24/12/10 to 30/12/10 |
| Listing on Stock Exchanges | National Stock Exchange of India Limited (NSE) Stock Code - MIC<br>Bombay Stock Exchange Limited (BSE) Stock Code - 532850 |
| Registrars & Transfer Agents (RTA) | Venture Capital and Corporate Investments Private Limited |
| | 12-10-167,Bharatnagar, Hyderabad-500018, Tel: 040-23818475/476 |
| Share Transfer System | Physical share transfers are processed and share certificates are returned to the Shareholders with in a maximum period of one month from the date of receipt, subject to the documents being valid and complete in all respects. |
| Dematerialisation of shares | Company provided demat facility through National Securities Depository Limited & Central Depository Services (India) Limited ISIN: INE287C01029 |
| CIN Number | L31909AP1988PLC008652 |
| Outstanding GDRs / ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity | • 86,40,000 share warrants allotted on 21/01/10 are pending for conversion before 20/07/11<br>• 60,00,000 share warrants allotted on 20/04/10 are pending for conversion before 19/10/11 |
| Address for correspondence | Vasudeva Rao Devaki<br>Company Secretary<br>MIC Electronics Limited<br>A-4/II, Electronic Complex, Kushaiguda, Hyderabad-500062, Andhra Pradesh<br>cs@mic.co.in |

• Market price data: High/low during each month in the Financial Year 2009-10 and performance in comparison to broad based indices such as BSE Sensex, NSE Nifty.

| Month and year | NSE (in Rs.) | | NIFTY | | BSE (in Rs.) | | SENSEX | |
|---|---|---|---|---|---|---|---|---|
| | High | Low | High | Low | High | Low | High | Low |
| Jul 2009 | 45.50 | 30.20 | 4,669.75 | 3,918.75 | 45.50 | 30.20 | 15,732.81 | 13,219.99 |
| Aug 2009 | 56.25 | 42.50 | 4,743.75 | 4,353.45 | 56.50 | 42.50 | 16,002.46 | 14,684.45 |
| Sep 2009 | 59.90 | 49.50 | 5,087.60 | 4,576.60 | 59.90 | 49.05 | 17,142.52 | 15,356.72 |
| Oct 2009 | 55.70 | 36.50 | 5,181.95 | 4,687.50 | 55.70 | 36.50 | 17,493.17 | 15,805.20 |
| Nov 2009 | 47.80 | 35.95 | 5,138.00 | 4,538.50 | 44.00 | 36.00 | 17,290.48 | 15,330.56 |
| Dec 2009 | 48.65 | 39.30 | 5,221.85 | 4,943.95 | 49.40 | 39.35 | 17,530.94 | 16,577.78 |
| Jan 2010 | 54.90 | 40.20 | 5,310.85 | 4,766.00 | 55.40 | 44.50 | 17,790.33 | 15,982.08 |
| Feb 2010 | 48.75 | 42.15 | 4,992.00 | 4,675.40 | 48.70 | 42.15 | 16,669.25 | 15,651.99 |
| Mar 2010 | 46.90 | 41.20 | 5,329.55 | 4,935.35 | 46.90 | 41.20 | 17,793.01 | 16,438.45 |
| Apr 2010 | 44.70 | 40.60 | 5,399.65 | 5,160.90 | 44.70 | 40.50 | 18,047.86 | 17,276.80 |
| May 2010 | 42.60 | 34.00 | 5,278.70 | 4,786.45 | 42.60 | 34.10 | 17,536.86 | 15,960.15 |
| Jun 2010 | 41.60 | 35.00 | 5,366.75 | 4,961.05 | 41.65 | 35.10 | 17,919.62 | 16,318.39 |

• Distribution of shareholding as on 30/06/10

| Shareholding of nominal value | Shareholders | | Share amount | |
|---|---|---|---|---|
| Rs. | Numbers | % of total | In Rs. | % of total |
| (1) | (2) | (3) | (4) | (5) |
| Upto 5,000 | 43,101 | 97.54 | 1,78,64,399 | 17.43 |
| 5,001-10,000 | 493 | 1.12 | 36,46,356 | 3.56 |
| 10,001-20,000 | 260 | 0.59 | 37,88,393 | 3.70 |
| 20,001-30,000 | 98 | 0.22 | 24,25,692 | 2.37 |
| 30,001-40,000 | 48 | 0.11 | 17,09,580 | 1.67 |
| 40,001-50,000 | 33 | 0.07 | 15,45,343 | 1.51 |
| 50,001-1,00,000 | 77 | 0.17 | 54,80,836 | 5.34 |
| 1,00,001 and above | 80 | 0.18 | 6,60,37,676 | 64.42 |
| **Total** | **44,190** | **100.00** | **10,24,98,275** | **100.00** |

- **Share holding pattern as on 30/06/10**

| Sr. no. | Category | No. of shares held | Percentage of shareholding |
|---|---|---|---|
| 1. | Promoters/Directors/Associates | 34,596,808 | 33.75 |
| 2. | Mutual Funds | 1,022,362 | 1.00 |
| 3. | Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions / Non-government Institutions) | 34,600 | 0.03 |
| 4. | FIIs | 6,403,619 | 6.25 |
| 5. | Private Corporate Bodies | 11,192,896 | 10.92 |
| 6. | Indian Public | 42,913,022 | 41.87 |
| 7. | NRIs / OCBs | 6,334,968 | 6.18 |
| | **Total** | **102,498,275** | **100.00** |

By order of the Board of Directors

**For MIC Electronics Limited**

Sd/-

**(Dr. M V Ramana Rao)**

Chairman and Managing Director

Place: Hyderabad
Date: 30/11/10

**Declaration**

As provide under Clause 49 of the Listing Agreement with the Stock Exchange, the Board of Directors and the Senior Management personnel confirmed compliance with the Code of Conduct and Ethics for the Financial Year ended 30/06/10.

Sd/-

**(Dr. M V Ramana Rao)**

Chairman and Managing Director

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To the Members of MIC Electronics Limited

We have examined the compliance of conditions of Corporate Governance by M/s. MIC Electronics Limited, for the year ended 30$^{th}$ June 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange and National Stock Exchage.

The compliance of Conditions of Corporate of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliances of the conditions of the Corporate Governance, it is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of the information and accordingly to the explanations given to us and the representations made by the Directors and Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Dvmgopal Associates
Company Secretaries

Sd/-

**D. V. M. Gopal**
Proprietor
CP No. 6798

Place: Hyderabad
Date: 30/11/10

# Auditors' Report

To
The Share Holders of
M/s. MIC Electronics Limited

We have audited the attached Balance Sheet of M/s.MIC Electronics Limited, as at 30th June 2010 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed hereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Company's (Auditors Report) Order, 2003 issued by the Department of Company Affairs, in terms of Section 227(4A) of the Companies Act, 1956, we give in the annexure a statement on the matters specified in Paragraphs 4 and 5 of the said order.

2. Further to above, we report that :
   i. We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
   ii. In our opinion, proper books of accounts as required by law have been kept by the company so far, as appears from our examination of books.
   iii. The Balance sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account.
   iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
   v. Based on information and explanations given to us and representations received from the directors of the Company, as on 30th June 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th June 2010 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 30th June, 2010 and
      (b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date.
      And
      (c) In the case of the cash flow statement, of the cash flows for the year ended on that date.

for **Pinnamaneni & Co.,**
*Chartered Accountants*

Sd/-
**P.V.V. Satyanarayana**
*Partner*
M. No. 026600
Firm Reg. No. 002661S

Place : Hyderabad
Dated : 30th November 2010

# Annexed to Auditors' Report

Referred to in Paragraph (1) in our Report of even date for the year ended 30.06.2010.

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management. There is annual verification of fixed assets, which in our opinion is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies have been noticed on such verification.

   (b) During the year the company has not disposed off substantial part of the assets. According to the information and explanations given to us, we are of the opinion that no transactions are effected involving disposal of assets so as to effect going concern status of the company.

2. (a) The stocks of finished goods , stores , spare parts and raw materials have been physically verified during the year by the management. In our opinion, the frequency of the verification is reasonable.

   (b) The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

   (c) The discrepancies noticed on verification between the physical stocks and book records , which have been properly dealt with in the books of account , were not material.

   (d) On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.

3. (a) The Company has taken loans from Companies, Firms or other parties listed in the registers maintained under Section 301 or from Companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956. According to the information and explanations given to us the terms and conditions of these loans are not prima facie prejudicial to the interests of the Company.

   (b) The Company has granted loans, secured or unsecured to Companies, firms or other parties listed in the registers maintained under Section 301 or to Companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956. According to the information and explanations given to us the terms and conditions of these loans are not prima facie prejudicial to the interests of the Company.

   (c) Parties to whom loans and advances (Interest free/Interest bearing) in the nature of loans have been given by the company are generally repaying the principal amounts and have also been generally regular in repayment of interest where ever applicable.

   (d) There is no overdue amount of loans taken from or granted to Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of the stores, raw materials including components, plants and machinery, equipment and other assets and with regard to the sale of goods.

5. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.5,00,000/- or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods , materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.

6. In our opinion and according to the information and explanations given to us, the provisions of Section 58-A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975, do not apply to this Company, as it has not accepted deposits from the public other than directors of the company.

7. The Company has an adequate internal Audit system commensurate with the size and nature of the business.

8. As per the information given to us the Central Government has not prescribed maintenance of Cost records under Section 209(1)(d) of the Companies Act, 1956.

9. (a) According to the information and explanations given to us, undisputed statutory dues including provident funds, , employees state insurance, income-tax have not generally been regularly deposited with the appropriate authorities though the delays in deposit have not been serious.

   (b) According to the information and explanations given to us following are the disputed dues relating to Income Tax, Wealth Tax, Customs Duty, Sales Tax and

Excise Duty as on 30th June, 2010.

| Name of the Statue | Nature of the Dispute | Amount (Rs.) | Period to which the amounts relate (F.Y) | Forum where the dispute is pending |
|---|---|---|---|---|
| Central Excise Act, 1944 | Excise Duty | 21,223,061.00 | 2002-2003 | Customs, Excise & Service Tax Appelate tribunal, south zonal bench, Banglore |
| Central Excise Act, 1944 | Excise Duty | 3,896,982.00 | 2008-2009 | Customs, Excise & Service Tax Appelate tribunal, south zonal bench, Banglore |
| Central Excise Act, 1944 | Excise Duty | 7,697,400.00 | 2008-2009 | Commissioner (Appeals), Customs & Central Excise, Basheerbagh, Hyderabad |
| Customs Act, 1962 | Customs Duty | 1,801,111.00 | 2008-2009 | O/o.The Commissioner of Customs, Central Excise and Service Tax, Hyderabad III Commissionerate |
| The A.P.VAT Act, 2005 | VAT | 840,705.00 | 2008-2009 | Appelate Deputy Commissioner (CT), Secunderabad Division |
| The A.P.VAT Act, 2005 | VAT | 545,677.00 | 2007-2008 | Appelate Deputy Commissioner (CT), Secunderabad Division |
| The A.P.VAT Act, 2005 | VAT | 1,809,145.00 | 2005-2006 | WP No.14764/2009 filed with High Court, AP |

10. In our opinion, the company neither accumulated losses at the end of the year exceeding fifty percent of its net worth, nor incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. As per the records of the Company and according to the information and explanations given to us, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders however some delays are occurred in servicing the instalment and interest of the loans.
12. According to the information and explanations given to us, the company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion the company is not a chit fund or a nidhi/mutual benefit fund/ society. Accordingly the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. In our opinion, the company is not dealing in or trading in shares, securities, and debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. In our opinion, the terms and conditions on which the company has given guarantees for loans taken by the subsidiaries/associates from banks or financial institutions are not prejudicial to the interest of the company.
16. In our opinion, the term loans taken by the company were applied for the purpose for which they were taken.
17. In our opinion, according to the information and explanations given to us and on an overall examination of statements and records of the company, that the funds raised on short-term basis have, prima facie, not been used during the year for long-term investment. No long term funds have been used to finance short term assets except permanent working capital.
18. According to the information and explanations given to us, the company has made preferential allotment of share warrants during the year to parties covered in the register maintained under section 301 of the Companies Act, 1956. In our opinion the price at which shares have been issued is not prejudicial to the interest of the company.
19. In our opinion, according to the information and explanations given to us, the company has not issued debentures during the period covered by our report.
20. According to the information and explanation given to us, the company has not raised money by way of public issue during the year.
21. According to the information and explanations given to us and based on audit procedures performed, no fraud on or by the Company has been noticed during the year.

for **Pinnamaneni & Co.,**
*Chartered Accountants*

Sd/-
**P.V.V. Satyanarayana**
*Partner*
M. No. 026600
Firm Reg. No. 002661S

Place : Hyderabad
Dated : 30th November 2010

## Balance Sheet as at 30th June 2010

*(Amount in Rs.)*

| Particulars | Schedules | As at 30.06.2010 | | As at 30.06.2009 | |
|---|---|---|---|---|---|
| I. SOURCES OF FUNDS | | | | | |
| 1. **Share holders funds** | | | | | |
| Share Capital | 1 | 204,996,550 | | 201,276,550 | |
| Share Warrants Application Money | | 165,416,000 | | 391,773,961 | |
| Reserves & Surplus | 2 | 3,519,970,078 | | 2,697,497,430 | |
| | | | 3,890,382,628 | | 3,290,547,941 |
| 2. **Loan Funds** | | | | | |
| Secured Loans | 3 | | 716,042,445 | | 689,156,197 |
| **Total** | | | **4,606,425,073** | | **3,979,704,138** |
| II. APPLICATION OF FUNDS | | | | | |
| 1. **Fixed Assets** | | | | | |
| Gross Block | 4 | 1,112,899,781 | | 535,599,003 | |
| Less: Depreciation | | 122,531,946 | | 106,873,961 | |
| Net Block | | 990,367,835 | | 428,725,042 | |
| Capital Work in Progress | | 631,111,375 | | 860,945,860 | |
| | | | 1,621,479,210 | | 1,289,670,902 |
| 2. **Investments** | 5 | | 265,630,981 | | 257,588,681 |
| 3. **Current Assets, Loans & Advances** | | | | | |
| Inventories | 6 | 912,415,436 | | 518,546,955 | |
| Sundry Debtors | 7 | 1,206,173,235 | | 1,377,920,101 | |
| Cash & Bank Balances | 8 | 41,458,060 | | 30,553,614 | |
| Loans & Advances | 9 | 1,100,994,307 | | 1,054,264,224 | |
| | | 3,261,041,038 | | 2,981,284,894 | |
| Less: Current Liabilities & Provisions | 10 | 656,550,256 | | 650,635,770 | |
| Net Current Assets | | | 2,604,490,782 | | 2,330,649,124 |
| 4. **Miscellaneous Expenditure** (to the extent not written off) | | | | | |
| Issue expenses | | 10,230,941 | | 20,461,881 | |
| Deferred Revenue Expenditure | | 14,998,142 | 25,229,083 | 0 | 20,461,881 |
| 5. **Deferred Tax Asset** | | | 89,595,017 | | 81,333,550 |
| **Total** | | | **4,606,425,073** | | **3,979,704,138** |
| Accounting Policies & Notes on Accounts | 19 | | | | |

As per our report of even date

for **Pinnamaneni & Co.**,
*Chartered Accountants*

for and on behalf of the Board

Sd/-
**P.V.V. Satyanarayana**
*Partner*

Sd/-
**Dr. M.V. Ramana Rao**
Chairman & Managing Director

Sd/-
**L.N. Malleswara Rao**
Executive Director

Sd/-
**Vasudeva Rao Devaki**
Company Secretary

Place : Hyderabad
Date : 30.11.2010

## Profit and Loss Account for the year ended 30th June 2010

*(Amount in Rs.)*

| Particulars | Schedules | Current Year | Previous Year |
|---|---|---|---|
| 1. INCOME | | | |
| Sales & Services | 11 | 2,316,351,794 | 2,413,174,310 |
| Increase/(Decrease) in Stock | 12 | 251,635,226 | 219,511,805 |
| Other Income | 13 | 22,977,233 | 12,530,752 |
| **Total** | | **2,590,964,253** | **2,645,216,867** |
| II. EXPENDITURE | | | |
| Material Consumed | 14 | 1,455,121,814 | 1,527,128,718 |
| Employee Cost | 15 | 56,623,428 | 86,446,327 |
| Manufacturing, Administrative & Sales Expenses | 16 | 311,765,760 | 279,266,671 |
| Capitalised during the year | | (3,204,710) | 0 |
| R&D Expenditure | 17 | 33,191,974 | 36,561,789 |
| Interest and Financial Charges | 18 | 82,606,377 | 68,229,142 |
| Depreciation | | 29,935,059 | 22,604,784 |
| **Total** | | **1,966,039,702** | **2,020,237,431** |
| III. PROFIT FOR THE YEAR | | **624,924,551** | **624,979,436** |
| Provision for : | | | |
| Fringe Benefit Tax | | 0 | 1,254,744 |
| Current Tax | | 93,152,298 | 78,047,637 |
| Deferred Tax asset | | 8,261,467 | 75,601,088 |
| Net Profit After Tax | | 540,033,720 | 621,278,143 |
| Add : Prior Period Adjustments | | (9,702,117) | 22,891,441 |
| | | 530,331,603 | 644,169,584 |
| Balance in Profit & Loss account b/f | | 1,597,538,820 | 1,026,984,046 |
| Available for Appropriation | | 2,127,870,423 | 1,671,153,630 |
| General Reserve | | 50,000,000 | 50,000,000 |
| Deferred tax adjustment for earlier years | | – | 23,481,890 |
| Proposed Dividend @ Re.0.40 on equity share of Rs.2/- each | | – | 40,255,310 |
| Corporate Dividend Tax | | – | 6,841,390 |
| Balance carried to balance sheet | | 2,077,870,423 | 1,597,538,820 |
| EPS (Basic) on Equity Share of Rs.2/- each | | 5.17 | 6.40 |
| EPS (Diluted) on Equity Share of Rs.2/- each | | 4.53 | 5.45 |
| Accounting Policies & Notes on Accounts | 19 | | |

As per our report of even date

for **Pinnamaneni & Co.,**
*Chartered Accountants*

Sd/-
**P.V.V. Satyanarayana**
*Partner*

Place : Hyderabad
Date : 30.11.2010

for and on behalf of the Board

Sd/-
**Dr. M.V. Ramana Rao**
Chairman & Managing Director

Sd/-
**L.N. Malleswara Rao**
Executive Director

Sd/-
**Vasudeva Rao Devaki**
Company Secretary

## Schedules forming part of Balance Sheet as at 30th June 2010

*(Amount in Rs.)*

| Particulars | | As at 30.06.2010 | | As at 30.06.2009 |
|---|---|---|---|---|
| **Schedule 1 SHARE CAPITAL** | | | | |
| **Authorised** | | | | |
| 150,000,000 Equity Shares of Rs.2/- each | | 300,000,000 | | 300,000,000 |
| **Issued & Subscribed** | | | | |
| 102,498,275 Equity Shares of Rs.2/- each | | 204,996,550 | | 201,276,550 |
| (100,638,275 Equity Shares of Rs.2/- each) | | | | |
| **Paidup** | | | | |
| 102,498,275 Equity Shares of Rs.2/- each | | 204,996,550 | | 201,276,550 |
| (100,638,275 Equity Shares of Rs.2/- each) | | | | |
| **Total** | | **204,996,550** | | **201,276,550** |

Of the above:

a) 6,00,000 equity shares of Rs.10 each fully paidup issued to earstwhile share holders of Phoenix Telecommunications Ltd., pursuant to scheme of amolgamation on 11.11.2000

b) 45,74,285 bonus equity shares of Rs.10 each fully paidup allotted from the free reserves of the company on 28.09.2006

c) 4,04,800 equity shares of Rs.10 each fully paidup allotted to share holders of Infostep Inc. through share swap on 19.10.2006

| Particulars | | As at 30.06.2010 | | As at 30.06.2009 |
|---|---|---|---|---|
| **Schedule 2 RESERVES & SURPLUS** | | | | |
| Capital Reserve | | 267,000 | | 267,000 |
| Share Premium Account | | 1,030,555,610 | | 951,691,610 |
| Share warrants forfeited | | 213,277,045 | | 0 |
| Amalgamation Reserve | | 18,000,000 | | 18,000,000 |
| Surplus in P&L Account | | 2,077,870,423 | | 1,597,538,820 |
| General Reserve - Opening Balance | 130,000,000 | | 80,000,000 | |
| - Additions | 50,000,000 | | 50,000,000 | |
| - Closing Balance | | 180,000,000 | | 130,000,000 |
| **Total** | | **3,519,970,078** | | **2,697,497,430** |

| Particulars | | As at 30.06.2010 | | As at 30.06.2009 |
|---|---|---|---|---|
| **Schedule 3 SECURED LOANS** | | | | |
| Working Capital Loans: | | | | |
| State Bank Of India | | 405,270,525 | | 195,058,958 |
| Development Credit Bank Limited | | 0 | | 122,009,552 |
| Term Loans: | | | | |
| Technology Development Board | | 54,444,000 | | 25,895,808 |
| Industrial Development Bank of India Ltd | | 102,779,860 | | 150,759,161 |
| UCO Bank | | 148,428,675 | | 190,099,655 |
| National Research Development Corp. | | 3,000,000 | | 3,000,000 |
| Loans under hire purchase against vehicles | | 2,119,385 | | 2,333,063 |
| **Total** | | **716,042,445** | | **689,156,197** |

## Schedules forming part of Balance Sheet as at 30th June 2010

### Schedule | 4 | FIXED ASSETS

*(Amount in Rs.)*

| Sl. No. | Name of the Asset | GROSS BLOCK (At Cost) | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | As at 01.07.2009 | Additions | Deletions | As at 30.06.2010 | Upto 01.07.2009 | For the Year | Deletions | Upto 30.06.2010 | As at 30.06.2010 | As at 30.06.2009 |
| 1 | Land & Land Development | 31,349,721 | | | 31,349,721 | 0 | | | 0 | 31,349,721 | 31,349,721 |
| 2 | Buildings | 93,460,956 | | | 93,460,956 | 6,464,006 | 3,147,969 | | 9,611,975 | 83,848,981 | 86,996,950 |
| 3 | Plant & Machinery | 356,647,586 | 588,118,187 | 13,857,358 | 930,908,415 | 85,408,836 | 22,727,968 | 13,857,358 | 94,279,447 | 836,628,968 | 271,238,750 |
| 4 | Furniture, Fittings and Office Equipment | 30,761,480 | 2,763,032 | | 33,524,512 | 8,436,441 | 1,895,825 | | 10,332,266 | 23,192,246 | 22,325,039 |
| 5 | Vehicles | 23,379,260 | 1,051,869 | 774,952 | 23,656,177 | 6,564,678 | 2,163,296 | 419,716 | 8,308,258 | 15,347,919 | 16,814,582 |
| | | **535,599,003** | **591,933,088** | **14,632,310** | **1,112,899,781** | **106,873,961** | **29,935,059** | **14,277,074** | **122,531,946** | **990,367,835** | **428,725,042** |

| Particulars | As at 30.06.2010 | As at 30.06.2009 |
|---|---|---|
| **Schedule \| 5 \| INVESTMENTS** | | |
| **UNQUOTED** | | |
| **in subsidiaries:** | | |
| Infostep Inc., USA | 147,004,108 | 147,004,108 |
| MIC Electronics Inc., USA | 75,354,900 | 74,869,500 |
| MIC Technologies Australia (Pty) Ltd, Australia | 23,995,314 | 16,938,414 |
| Maave Electronics Pvt Ltd | 12,826,659 | 12,826,659 |
| MIC Green Energy Solutions Pvt. Ltd. | 100,000 | 100,000 |
| **in Other Corporate Bodies:** | | |
| MIC Digital Media Vizag Pvt. Ltd (Share Application Money) | 5,850,000 | 5,850,000 |
| Virtual Energy Pvt Ltd | 500,000 | 0 |
| **Total** | **265,630,981** | **257,588,681** |
| **Schedule \| 6 \| INVENTORIES (AT COST)** | | |
| (As valued and certified by the Management) | | |
| Raw Materials | 382,004,011 | 239,770,756 |
| Work in Progress | 525,844,817 | 278,776,199 |
| Finished goods | 4,566,608 | 0 |
| **Total** | **912,415,436** | **518,546,955** |
| **Schedule \| 7 \| SUNDRY DEBTORS** | | |
| (Unsecured considered good) | | |
| Outstanding for more than six months | 496,700,547 | 374,241,765 |
| Other debts | 709,472,688 | 1,003,678,336 |
| **Total** | **1,206,173,235** | **1,377,920,101** |

## Schedules forming part of Balance Sheet as at 30th June 2010

*(Amount in Rs.)*

| Particulars | | As at 30.06.2010 | As at 30.06.2009 |
|---|---|---|---|
| **Schedule 8 CASH & BANK BALANCES** | | | |
| Cash on hand | | 3,171,529 | 3,846,977 |
| **Balances with Scheduled Banks** | | | |
| On Current Accounts | | 1,104,299 | 2,316,686 |
| On Margin Money Accounts | | 37,182,232 | 24,389,951 |
| **Total** | | **41,458,060** | **30,553,614** |
| **Schedule 9 LOANS & ADVANCES** | | | |
| (Unsecured, considered good recoverable in cash or in kind or for value to be received) | | | |
| Advances to Suppliers : | for Capital Items | 3,322,152 | 2,825,000 |
| | for Raw Materials | 19,795,254 | 15,225,336 |
| | for Services | 8,574,484 | 2,542,771 |
| Advances to Employees : | for Expenses | 5,395,269 | 3,237,519 |
| | Salary Advances | 340,400 | 2,566,241 |
| Other Advances | | 787,263,740 | 706,260,400 |
| Deposits recoverable | | 255,500,727 | 295,465,378 |
| Balance with Central Excise Dept. | | 12,471,404 | 9,887,321 |
| Prepaid expenses | | 4,896,730 | 1,668,564 |
| Advance Income Tax , TDS & FBT | | 3,434,147 | 14,585,694 |
| **Total** | | **1,100,994,307** | **1,054,264,224** |
| **Schedule 10 CURRENT LIABILITIES & PROVISIONS** | | | |
| **a) Current Liabilities** | | | |
| Creditors for materials | | 256,716,330 | 427,904,157 |
| Creditors for expenses | | 220,480,508 | 36,841,587 |
| Advances from Customers & others | | 37,364,279 | 22,074,547 |
| Interest accrued but not due on term loans | | 438,767 | 0 |
| **Sub Total (a)** | | **514,999,884** | **486,820,291** |
| **b) Provisions** | | | |
| Proposed Dividend | | 0 | 40,255,310 |
| Tax on Proposed Dividend | | 0 | 6,841,390 |
| Income Tax | | 124,130,968 | 101,457,656 |
| Fringe Benefit Tax | | 0 | 1,254,744 |
| Leave Salary | | 5,609,752 | 4,454,768 |
| Gratuity | | 11,809,652 | 9,551,611 |
| **Sub Total (b)** | | **141,550,372** | **163,815,479** |
| **Total (a+b)** | | **656,550,256** | **650,635,770** |

## Schedules forming part of Profit and Loss Account for the year ended 30th June 2010

(Amount in Rs.)

| Particulars | Current Year | Previous Year |
|---|---|---|
| **Schedule 11 SALES & SERVICES** | | |
| Domestic | 2,247,083,381 | 2,222,388,578 |
| Exports | 19,544,040 | 139,375,712 |
| Services | 49,724,373 | 51,410,020 |
| **Total** | **2,316,351,794** | **2,413,174,310** |
| **Schedule 12 INCREASE/(DECREASE) IN STOCK** | | |
| Opening work in progress | 278,776,199 | 59,264,394 |
| Closing work in progress | 525,844,817 | 278,776,199 |
| Closing Finished Goods | 4,566,608 | 0 |
| **Total** | **251,635,226** | **219,511,805** |
| **Schedule 13 OTHER INCOME** | | |
| Interest earned on deposits & others | 1,457,330 | 5,361,805 |
| Other Receipts | 21,519,903 | 7,168,947 |
| **Total** | **22,977,233** | **12,530,752** |
| **Schedule 14 MATERIALS CONSUMED** | | |
| Opening Stock | 239,770,756 | 139,857,527 |
| Add : Purchases | 1,602,200,618 | 1,637,082,191 |
| | 1,841,971,374 | 1,776,939,718 |
| Less : Material consumed for R&D | 4,845,549 | 10,040,244 |
| | 1,837,125,825 | 1,766,899,474 |
| Less : Closing Stock | 382,004,011 | 239,770,756 |
| **Total** | **1,455,121,814** | **1,527,128,718** |
| **Schedule 15 EMPLOYEE COST** | | |
| Salaries, Wages & Bonus | 47,660,223 | 77,348,137 |
| Contribution to PF and other funds | 1,955,497 | 2,089,708 |
| Staff Welfare Expenses | 1,749,941 | 1,864,973 |
| Security Services | 1,166,930 | 1,267,134 |
| Leave Salary | 1,469,380 | 1,547,525 |
| Gratuity | 2,621,457 | 2,328,850 |
| **Total** | **56,623,428** | **86,446,327** |

## Schedules forming part of Profit and Loss Account for the year ended 30th June 2010

*(Amount in Rs.)*

| Particulars | Current Year | Previous Year |
|---|---|---|
| **Schedule 16 MANUFACTURING, ADMINISTRATIVE AND SALES EXPENSES** | | |
| Stores Consumed | 1,643,114 | 1,815,621 |
| Electricity Charges | 3,824,259 | 3,269,400 |
| Excise duty & Service Tax | 12,675,308 | 9,151,682 |
| Excise Duty on Stock Transfers & Others | 1,530,946 | 6,994,447 |
| Insurance | 1,299,395 | 1,154,475 |
| Job Works, Plotting ,Development & Testing Charges | 3,140,188 | 5,831,298 |
| Repairs and Maintenance | 3,138,970 | 1,400,423 |
| Expenses for Inter Connect Billing | 0 | 9,880,845 |
| Professional Charges | 5,824,335 | 8,089,614 |
| Rent & License Fee | 33,157,123 | 5,010,371 |
| Rates & Taxes | 70,900,880 | 49,850,144 |
| Operating Lease Rentals | 37,567,406 | 13,070,670 |
| Printing & Stationary | 1,411,698 | 2,357,463 |
| Postage, Telephone & Internet Expenses | 3,211,241 | 3,548,921 |
| Travelling, Conveyance & Transport Exp. | 11,434,708 | 15,520,925 |
| Freight, Packing & Forwarding | 5,075,578 | 13,966,124 |
| Vehicle Maintenance | 1,766,681 | 2,658,376 |
| Audit Fee | 500,000 | 500,000 |
| General Charges | 6,266,008 | 8,122,415 |
| Loss on Sale of Asset | 60,236 | 195,959 |
| Board Meeting Expenses | 390,820 | 408,699 |
| Bad Debts & Debit Balances written off | 80,134,596 | 91,973,603 |
| Bank Charges | 14,035,475 | 11,402,256 |
| Sales Expenses | 1,182,388 | 2,862,000 |
| Issue Expenses Written off | 10,230,940 | 10,230,940 |
| Deferred Expenses written off | 1,363,467 | 0 |
| **Total** | **311,765,760** | **279,266,671** |

| Particulars | Current Year | Previous Year |
|---|---|---|
| **Schedule 17 R&D EXPENDITURE** | | |
| Materials | 4,845,549 | 10,040,244 |
| Employees Cost | 27,552,086 | 25,229,626 |
| Other Expenses | 794,339 | 1,291,919 |
| **Total** | **33,191,974** | **36,561,789** |

## Schedules forming part of Profit and Loss Account for the year ended 30th June 2010

(Amount in Rs.)

| Particulars | Current Year | Previous Year |
|---|---|---|
| **Schedule 18 INTEREST AND FINANCIAL CHARGES** | | |
| Interest on Term Loans - | | |
| UCO Bank | 22,443,644 | 16,755,751 |
| Technology Development Board | 871,960 | 2,136,808 |
| Industrial Development Bank of India Ltd | 19,623,495 | 8,662,354 |
| Interest on Working Capital - | | |
| State Bank of India | 26,258,519 | 21,964,783 |
| Development Credit Bank Limited | 11,789,667 | 17,364,469 |
| Interest on Loan from others | 1,255,731 | 1,211,596 |
| Financial Charges | 363,361 | 133,381 |
| **Total** | **82,606,377** | **68,229,142** |

## Schedules forming part of Accounts

### Schedule 19 NOTES ON ACCOUNTS

**I. SIGNIFICANT ACCOUNTING POLICIES:**

The following are significant accounting policies adopted by the company in preparation and presentation of financial statements.

1 Disclosure of Accounting Policies:

Financial statements have been prepared under the historical costs convention and in accordance with applicable accounting standards and provisions of the Companies Act, 1956. All income and expenditure having a material bearing in the financial statements are prepared on accrual basis.

2 Valuation of Inventories:

a) Raw Materials and Work in Progress are valued at cost.

b) Finished goods are valued at cost or net realisable value whichever is less.

c) CENVAT & VAT on purchase of rawmaterial/components are deducted from cost of such materials.

3 Cash Flow Statements:

Cash flows are reported using the indirect method, whereby profit/(loss) before tax is adjusted for the effects of transactions of non cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the companies are segregated based on the available information.

4 Accounting for Fixed Assets

Fixed assets are capitalized at acquisition cost and other directly attributable cost of bringing the assets to its working condition. Cenvat & VAT claimed on capital goods are credited to plant & machinery account. Development / preoperative expenditure incurred , if any, in connection with new line of production will be capitalized to the respective project Assets.

# Schedules forming part of Accounts

**Schedule** | 19 | **NOTES ON ACCOUNTS** (Contd.)

5 Depreciation Accounting:

Fixed assets are valued at cost less depreciation provided on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. In respect of additions made during the year, depreciation is provided on pro rata basis.

6 Research & Development (R & D):

Revenue expenditure (including depreciation) on R & D is charged to revenue in the year in which it is incurred. Capital expenditure, if any, on R & D is added to fixed assets.

7 Revenue Recognition

Sales & Services are inclusive of taxes and duties collected

Revenue from fixed price contracts are recognized as per the terms of the contract.

Revenue from other income is based on accrual basis

8 Accounting for effects in foreign exchange rates

a) All monetary items denominated in foreign currency are reflected at the rates prevailing on the Balance sheet date.

b) Income and Expenditure items involving foreign exchange are translated at the exchange rate prevailing on the dates of transaction.

c) Exchange differences, if any, arising on account of fluctuations in foreign exchange have been duly reflected in the Profit & Loss Account except in respect of acquisition of fixed assets.

9 Accounting for Investments

All investments are Long-term investments and are carried at cost.

10 Accounting for Retirement Benefits:

a) The Company has a provident fund scheme for their employees. Contributions to the scheme are charged to the profit and loss account.

b) Provision for gratuity has been made for all the employees in the rolls of the company at the closing of accounting year. The company is making actual gratuity payments as and when crystallized by debiting to the gratuity fund account.

c) The Company extends benefit of Encashment of Leave to its employees while in service as well as on retirement. Leave encashment liability in respect of leave accumulated is accounted for on the basis of last drawn salary.

11 Borrowing Cost :

Borrowing Cost that are attributable to the acquisition or construction of qualifying assets are capitalized till the date of the assets put to use. All other borrowing costs are charged to revenue.

12 Segment Reporting :

The company has recognized revenue on segmental basis.

13 Related party Disclosure :

The company has entered into transactions with related parties and the said information is shown separately.

14 Operating Leases :

Assets acquired on leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the profit & loss account on accrual basis.

15 Earnings Per Share :

The company follows the relevant AS and the disclosures made accordingly.

16 Consolidated Financial Statements :

The company had made consolidated financial statements.

17 Deferred Taxation:

Current Tax is determined as per the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised, subject to the consideration of prudence in respect of deferred tax assets/liabilities, on timing differences, being difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

18 Accounting for investments in associates

Investments in associates is valued at cost of investment.

19 Contingencies and events occurring after the balance sheet date

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

# Schedules forming part of Accounts

**Schedule | 19 | NOTES ON ACCOUNTS** (Contd.)

## II. NOTES ON ACCOUNTS:

**1. Contingent liabilities not provided for on account of :**

*(Amount in Rs.)*

| S No. | Particulars | As at 30.06.2010 | As at 30.06.2009 |
|---|---|---|---|
| A | Counter guarantees given by the company to banks towards issue of B.Gs. | 243,596,495 | 100,522,738 |
| B | Counter guarantees given by the company to banks towards issue of B.Gs to Customs & Central Excise Dept. | 4,039,656 | 1,098,855 |
| C | Bonds executed to Customs & Central Excise Dept. (net of BGs) | 61,180,889 | 2,759,930 |
| D | Letter of credits issued by bankers | 73,835,440 | 33,926,707 |
| E | Corporate Guarantees given by the company to banks on behalf of subsidiaries & associates | 127,000,000 | 1,31,000,000 |
| | **TAX Matters in Appeals** | | |
| A | Excise Duty | 32,817,443 | 21,223,061 |
| B | Customs Duty | 1,801,111 | 1,801,111 |
| C | Sales Tax | 3,195,527 | 3,195,527 |

**2. Loans:**

Working Capital Loans:

Loans from State Bank of India are secured by pari passu charge on fixed assets and all chargeable current assets of the Company except assets pertaining to Technology Development Board, National Research Development Corporation, IDBI and UCO Bank.

State Bank of India is further secured by second charge on the assets financed by IDBI and UCO Bank.

SBI is further secured by personal guarantees of three of the following Directors of the company.

1. Dr. M V Ramana Rao
2. Mr. L N Malleswara Rao
3. Mr. N Srinivasa Rao

Outstanding under Non fund based limits from Development credit bank is secured by counter guarantee given by State Bank of India.

Non fund based limits of Rs.10.00 crores from UCO Bank are secured by hypothecation of all chargeable current assets of the company ranking pari passu with SBI. 2nd charge on fixed assets held by SBI (excluding those assets which are funded by IDBI, UCO & TDB). Extension of 1st charge on fixed assets reated out of term loan from UCO Bank of Rs.30.00 crores.

Non fund based limits of Rs.20.00 crores from Andhra Bank are secured by 1st paripassu charge on all chargeable current assets of the company with SBI & UCO Bank and further secured by 2nd paripasu charge on fixed assets of the company with SBI, UCO Bank and IDBI.

**Term Loans:**

a) Outstanding term Loan of Rs.44.44 lacs (sanction limit of Rs.400 lacs) from Technology Development Board is secured by all assets pertaining to the development and commercialization of the LED TV / Electronic Display system project along with personal guarantee of Dr.M.V.Ramana Rao, Managing Director.

   Outstanding term Loan of Rs.500.00 lacs (sanction limit of Rs.1500 lacs) from Technology Development Board is secured by first charge on entire fixed assets, present and future, of the company by way of hypothecation and mortgage in favour of TDB ranking pari passu with other charge-holders (banks / FIs).

b) From National Research Development Corporation is secured by all the machinery and equipments acquired for the development of "Fraud Management and Control Centre (FMCC)".

# Schedules forming part of Accounts

**Schedule | 19 | NOTES ON ACCOUNTS** (Contd.)

c) Term Loan taken from IDBI is secured as follows :

Primary : (i) a first mortgage and charge on Industrial Plot No.192/B in Survey No.274 admeasuring 5341 Sq.Yards situated at Phase II, IDA, Cherlapally village, Kapra Municipality, Ghatkesar Mandal, RR District valued at Rs.2.50 Crores and proposed building thereon admeasuring 100000 Sq.Ft valued at Rs.12.52 Crores (Approx). (ii) A first hypothecation charge on plant and machinery valued Rs. 6.89 Crores.

Collateral : NIL

Personal Guarantee : An irrevocable and unconditional guarantee from Dr.M.V.Ramana Rao in favour of IDBI

d) Term Loan taken from UCO Bank is secured as follows :

Primary : (i) 1st hypothecation charge over the plant and machinery, LED Display Boards, software and other fixed assets of the project of the company at DMRC. (ii) 1st Charge on receivables arising out of the DMRC Project.

Collateral Security : Second charge on the fixed assets of the company other than what has been taken as first charge. The first charge will be with SBI and DCB. UCO Bank is further secured by personal guarantee of Dr.M.V.Ramana Rao, Managing Director.

e) Loans taken against purchase of vehicles are secured by hypothecation of the respective vehicles.

**3. Directors' remuneration included in staff cost.**

*(Amount in Rs.)*

| S No. | Particulars | 2009-10 | 2008-09 |
|---|---|---|---|
| A | Managing Director | | |
| | - Remuneration | 2,400,000 | 2,400,000 |
| | - Perquisite Value of rent | 360,000 | 373,500 |
| B | Other Directors | | |
| | - Remuneration | 790,323 | 5,520,000 |
| | - Perquisite Value of rent | Nil | Nil |

**4. Segment Reporting**

Segments have been identified and reported taking into account the nature of products, the differing risk and returns, the organization structure, and the internal financial report scheme.

The company has identified the following segments as its reportable segments :

a) Media

b) Infotech & Communications

*(Amount in Rs.)*

| Particulars | 2009-10 | 2008-09 |
|---|---|---|
| i. Segmentwise Revenue | | |
| (a) Media | 2,053,417,974 | 1,865,159,418 |
| (b) Infotech & Communication | 262,933,820 | 548,014,892 |
| (c) Unallocated | 0 | 0 |
| Total | 2,316,351,794 | 2,413,174,310 |
| Less: Inter segment Revenue | 0 | 0 |
| **Net Sales/Income from Operations** | **2,316,351,794** | **2,413,174,310** |

# Schedules forming part of Accounts

**Schedule | 19 | NOTES ON ACCOUNTS** (Contd.)

*(Amount in Rs.)*

| Particulars | | 2009-10 | 2008-09 |
|---|---|---|---|
| ii. | **Segment Results** | | |
| | Proft Before Tax and Interest | | |
| | (a) Media | 656,800,960 | 616,955,634 |
| | (b) Infotech & Communication | 50,729,968 | 76,252,944 |
| | (c) Unallocated | 0 | 0 |
| | **Total** | **707,530,928** | **693,208,578** |
| Less: | (i) Interest | 82,606,377 | 68,229,142 |
| | (ii) other Un-allocable Expenditure net off | 0 | 0 |
| | (iii) un-allocable income | 0 | 0 |
| **Total Proft Before Tax** | | **624,924,551** | **624,979,436** |
| **iii.** | **Capital Employed** (Segment Assets - Segment Liabilities) | | |
| | (a) Media | 3,549,546,143 | 2,488,519,320 |
| | (b) Infotech & Communication | 484,029,020 | 439,150,468 |
| | (c) Unallocated | | 0 |
| | **Total** | **4,033,575,163** | **2,927,669,788** |

5. In accordance with the AS-22 'Accounting for taxes on Income issued by the Institute of Chartered Accountants of India , during the current year the company has accounted for the effect of deferred Tax against the income pertaining to current year and has accordingly provided for deferred tax asset of Rs. 8,261,467/- on account of current year's deferred tax.

Deferred Taxation :

*(Amount in Rs.)*

| Particulars | 2009-10 | 2008-09 |
|---|---|---|
| Opening Balance Deferred tax asset | 81,333,550 | 17,749,428 |
| Add : Deferred tax asset | 82,61,467 | 75,601,088 |
| Add : Previous year adjustments | – | 23,481,890 |
| Closing Balance | 8,95,95,017 | 81,333,550 |

Schedules forming part of Accounts

**Schedule 19 NOTES ON ACCOUNTS** (Contd.)

6. **Related party Disclosures:**

In Accordance with the Accounting standard AS-18 " Related Party disclosures" Issued by the ICAI, the transactions with related parties are given below:

a. List of Related Parties with whom transactions have taken place and Relationship :

| S No. | Name of the Related Party | Relationship |
|---|---|---|
| 1 | M/s. MIC Technologies Australia (Pty) Ltd | Subsidiary Companies |
| 2 | M/s. Infostep Inc., USA | |
| 3 | M/s. MIC Electronics Inc., USA | |
| 4 | M/s. Maave Electronics Pvt Ltd | |
| 5 | M/s. MIC Green Energy Solutions Pvt Ltd | |
| 6 | M/s. Virtual Energy Pvt Ltd | Associate Company |
| 7 | Dr. M.V.Ramana Rao | Directors- Key Management Personnel |
| 8 | Shri N.Srinivasa Rao | |
| 9 | Shri Y.Harish Chandra Prasad | |
| 10 | Shri Shrikant P Joshi | |
| 11 | Shri L.N.Malleswara Rao | |
| 12 | Shri Vidyasagar Anisingaraju | |
| 13 | Shri Atluri Venkata Ram | |
| 14 | Shri Anil Goyal | |
| 15 | Shri U.Ramakrishna | |

b. Transactions during the year with related parties :

| S No. | Nature of Transaction | Amount in Rs. |
|---|---|---|
| 1 | Investments in Subsidiaries : | |
| | M/s.MIC Technologies Australia (Pty) Ltd | 7,056,900 |
| | M/s.MIC Electronics Inc., USA | 485,400 |
| 2 | Advances to Subsidiaries : | |
| | M/s.MIC Green Energy Solutions Pvt Ltd | 342,432 |
| | M/s.Maave Electronics Pvt Ltd | 15,798,017 |
| 3 | Sales to Subsidiaries : | |
| | M/s.MIC Technologies Australia (Pty) Ltd | 14,124,023 |
| | M/s.MIC Electronics Inc., USA | 1,547,200 |
| | M/s.Maave Electronics Pvt Ltd | 15,798,017 |
| 4 | Purchase of Raw Material from M/s.Maave Electronics Pvt Ltd (Subsidiary) | 935,288 |
| 5 | Investments in Associates : | |
| | M/s.Virtual Energy Pvt Ltd | 5,00,000 |
| 6 | Outstanding balances payable to Management personnel | 15,618,929 |

## Schedules forming part of Accounts

**Schedule | 19 | NOTES ON ACCOUNTS** (Contd.)

b. Transactions during the year with related parties *(Contd.)* :

| S No. | Nature of Transaction | Amount in Rs. |
|---|---|---|
| 7 | Expenditure during the year: | |
| | • Remunerations to Management personnel | 3,190,323 |
| | • Rents paid towards accommodation provided to Management Personnel | 360,000 |
| | • Sitting Fee and other expenses reimbursed to Directors | 390,820 |

7. **Details of Prior Period items credited to P&L A/c. :**

*(Amount in Rs.)*

| S No. | Particulars | Currrent Year | Previous Year |
|---|---|---|---|
| a. | Excess depreciation written back | -- | 3,552,660 |
| b. | Excess Provision of Income Tax written back | 7,947,578 | 21,091,876 |
| c. | Income Tax for earlier years | 17,649,695 | 1,753,095 |
| | **Total (a+b-c)** | **(9,702,117)** | **22,891,441** |

**8.** Capital work in progress includes revenue expenditure of Rs. 89,840,672/- incurred towards development of LED Lighting products pending capitalization.

9. **Disclosure in respect of operating lease:**

i) A general description of leasing arrangements: Leasing arrangement for LED Display Systems

ii) Total of Minimum lease payments:

| Particulars | Amount in Rs. |
|---|---|
| Due not later than one year | 66,074,400 |
| Due later than one year but not later than 5 years | 236,766,600 |
| Due later than 5 years | -- |
| **Total** | **302,841,000** |

iii) Lease payment recognized in the statement of Profit & Loss Account for the year: Rs. 27,531,000/- (Previous year- Rs. nil)

**10.** The company has incurred one time expenditure of Rs. 16,361,609/- during the year towards leased assets which is being amortised over a period of 5 years lease period. During the year an amount of Rs. 1,363,467/- has been amortised.

# Schedules forming part of Accounts

## Schedule 19 NOTES ON ACCOUNTS (Contd.)

11. Information as required under part II of Schedule VI to the Companies Act, 1956.

a) Class of goods manufactured

| S No. | Particulars of Goods manufactured |
|---|---|
| 1 | LED based Display Systems |
| 2 | LED based Light & Lamp Sets |
| 3 | LED based Solar Street Light Systems |
| 4 | LED based Solar Lantern |
| 5 | Communication Hardware & Software Products |

b) Production :

| S No. | Particulars | 2009-10 | 2008-09 |
|---|---|---|---|
| | | Numbers/Systems | |
| 1 | LED based Display Systems (28 modules cleared for Testing/Demo) | 1869 modules | 6865 modules |
| 2 | LED Lighting Products (Solar/Grid) | 12351 | 7141 |
| 3 | Communication Hardware & Software Products | -- | - |

c) Opening Stock

| | | |
|---|---|---|
| Opening Stock | Nil | Nil |

d) Closing Stock

| | | |
|---|---|---|
| LED Lighting Products (Solar/Grid) | 681 | Nil |

e) Sales

| Particulars | 2009-10 | | 2008-09 | |
|---|---|---|---|---|
| | Qty | Value (Rs.) | Qty | Value (Rs.) |
| **Product Sales :** | | | | |
| LED Based Display Systems | 1723 modules | 1,861,901,910 | 6481 modules | 1,616,451,700 |
| LED Lighting Products | 10377 | 38,848,692 | 1709 | 10,511,641 |
| - Free Samples* | 250 | | 6 | |
| Communication Hardware & Software Products | | 262,933,820 | -- | 548,014,892 |
| Other Income/Services | | 50,621,219 | -- | 45,815,578 |
| Duties & Taxes | | 82,502,113 | -- | 53,004,787 |
| **Export Sales :** | | | | |
| LED Based Display Systems & Software | 118 Modules | 15,132,083 | 384 modules | 135,408,217 |
| LED Lighting Products | 1043 | 4,411,957 | 5426 | 3,967,495 |
| **Total Sales** | | **2,316,351,794** | | **2,413,174,310** |

* estimated/assessable value of the free samples given to prospective customers during the year: Rs. 887,313/- (Rs. 17,304/- previous year)

# Schedules forming part of Accounts

## Schedule | 19 | NOTES ON ACCOUNTS (Contd.)

f) Analysis of materials consumed

| Particulars | 2009-10 | | 2008-09 | |
|---|---|---|---|---|
| | % | Value (Rs.) | % | Value (Rs.) |
| Indigenous | 82.16 | 1,195,528,082 | 84.24 | 1,286,453,232 |
| Imported | 17.84 | 259,593,732 | 15.76 | 240,675,486 |
| **Total** | **100.00** | **1,455,121,814** | **100.00** | **1,527,128,718** |

g) Expenditure in Foreign Currency

*(Amount in Rs.)*

| Particulars | 2009-10 | 2008-09 |
|---|---|---|
| Travel Expenses | 2,193,128 | 1,397,704 |
| Others | 2,724,768 | 114,865 |
| Value of Imports on CIF basis: | | |
| Components | 49,405,413 | 271,370,992 |
| Capital Equipment & Software | – | 20,158,670 |
| Earnings in foreign exchange on FOB basis | 19,544,040 | 139,375,712 |

**12. Earnings Per Share :**

| Particulars | FY 2010 | FY 2009 |
|---|---|---|
| Closing No. of Shares | 102,498,275 | 100,638,275 |
| Convertible Share Warrants (No.) | 14,640,000 | 17,481,725 |
| Profit after Taxes (Amt. in Rs.) | 530,331,603 | 644,169,584 |
| **EPS Basic Rs.** | **5.17** | **6.40** |
| **EPS Diluted Rs.** | **4.53** | **5.45** |

**13. Payment to Auditors:**

| Particulars | 2009-10 |
|---|---|
| Towards Audit Fee | 500,000 |
| Other Services | 50,000 |
| **Total** | **550,000** |

# Schedules forming part of Accounts

**Schedule | 19 | NOTES ON ACCOUNTS** (Contd.)

**14.** The names of the Small Scale Industrial (SSI) undertaking to whom the Company owes money which is outstanding for more than 30 days :

| | | |
|---|---|---|
| Amphenol Interconnect India Pvt Ltd | Jagan Micro Devices | Sri Hanuma Fabricators |
| Anicad Systems | Lakshmi Precision Components | S.S.Engineering Works |
| Arti Switchgear Pvt.Ltd., | LN Poly Products (P) Ltd | Sulakshana Circuits Ltd |
| Bindu Labels (P) Limited | Merritronix Pvt Ltd | Supreme Agencies |
| Bhagyalaxmi Industries | Micropack Limited | S V Poly Phase Systems |
| Cipsa-Ric India Pvt Ltd | Nikhita Industries | SVS Hydraulics |
| Cookson India Private Limited | N.N.Safety Glass Industries | Synergy Solar Pvt Ltd |
| Cosmic Engineering Enterprises | Padmapriya Micro Conductors(P)Ltd | Synergy Technologies |
| Diagram Fabricators [P] Ltd | Prim Rubber Products | V3 Enterprises |
| DMS Technologies Pvt Ltd | Qualitech Connectronics (P) Ltd | Valrack Modular Systems[P]Ltd |
| Elite Energy Source | Qubia Enterprises | Variturn Electro Products (P) Ltd |
| Elmas Power Systems | Robos Engineers | VM Precision Punch Pvt Ltd |
| EPE Industries India Pvt Ltd | R.R.Kabel Limited, Silvassa | Wellfix Cables & Cords |
| Eqic Dies & Moulds Engineering (P) Ltd | Sai Krishna Tools & Dies | Xpress Digitale Pvt Ltd |
| Fine Packaging Company | Satchitanand Stencils [P] Ltd | Yasaswini Engg & Electronic Systems |
| Goodwyn Enterprises | SAT Infotech Pvt Ltd | |
| Gujarat Poly-AVX Electronics Ltd | Shiva Surya Industries | |
| Hicotronics Devices Pvt.Ltd., | Shredha Engineers | |
| Hillfort Packaging Industries | SMEC Electronics (India) P Ltd | |
| Image Tooling Solutions | Spectrum Components | |

The list of SSI Undertakings were determined by the Company on the basis of the information available with the Company and relied upon by the Auditors.

**15.** The company has identified Micro and Small enterprises as per Micro, Small and Medium Enterprises Development Act 2006. The outstanding for more than 30 days as at 30th June 2010 for the enterprises is Rs. 26,359,168/-.

**16.** Previous year's figures are regrouped wherever necessary to conform to the Current Year's Presentation/Classification.

**17.** Figures have been rounded off to the nearest Rupee.

**18.** There is no extra ordinary item incurred by the company during the year.

As per our report of even date

for **Pinnamaneni & Co.,**
*Chartered Accountants*

Sd/-
**P.V.V. Satyanarayana**
*Partner*

Place : Hyderabad
Date : 30.11.2010

for and on behalf of the Board

Sd/-
**Dr. M.V. Ramana Rao**
Chairman & Managing Director

Sd/-
**L.N. Malleswara Rao**
Executive Director

Sd/-
**Vasudeva Rao Devaki**
Company Secretary

## Cash Flow Statement for the year ended 30th June 2010

(Amount in Rs.)

| Particulars | As at 30.06.2010 | As at 30.06.2009 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Profit before taxation, and after prior period & extraordinary item | 624,924,551 | 624,979,436 |
| **Adjustments for:** | | |
| Depreciation | 29,935,059 | 22,604,784 |
| Loss on Assets Sold (Net) | 60,236 | 195,959 |
| Profit on sale of assets | (99,133) | (191,312) |
| Interest Income | (1,457,330) | (5,361,805) |
| Interest Expense | 82,606,377 | 68,229,142 |
| Deferred Revenue Expenditure (Net) | (4,767,202) | 10,230,940 |
| **Operating Profit before working Capital changes** | **731,202,558** | **720,687,144** |
| (Increase)/Decrease in Sundry Debtors | 171,746,866 | 72,424,849 |
| (Increase)/Decrease in Inventories | (393,868,481) | (319,425,034) |
| (Increase)/Decrease in Loans & Advances | (46,730,083) | (349,178,729) |
| Increase/(Decrease) in Current Liabilities | 5,914,486 | (130,466,604) |
| **Cash generated from Operations** | **468,265,346** | **(5,958,374)** |
| Less : Income taxes paid | 102,854,415 | 59,963,600 |
| **Net Cash flow from Operating Activities** | **365,410,931** | **(65,921,974)** |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (591,933,088) | (225,918,288) |
| Capital Work in Progress | 229,834,485 | (43,423,261) |
| Sale proceeds of Fixed Assets | 394,133 | 692,911 |
| Long term Investments | (8,042,300) | (65,096,263) |
| Interest received | 1,457,330 | 5,361,805 |
| Interest & Financial Charges paid | (82,606,377) | (68,229,142) |
| **Net Cash flow from Investing Activities** | **(450,895,817)** | **(396,612,238)** |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Issue of Share Capital/Warrants including share premium | 69,503,084 | 8,267,000 |
| (Decrease)/Increase in borrowings | 26,886,248 | 447,962,367 |
| Dividend Paid including Dividend Tax | - | (47,096,700) |
| **Net Cash used for financing activities** | **96,389,332** | **409,132,667** |
| **Net increase in cash and cash equivalents** | **10,904,446** | **(53,401,545)** |
| Cash and Cash equivalents at the beginning of period | 30,553,614 | 83,955,159 |
| Cash and Cash equivalents at the end of period | 41,458,060 | 30,553,614 |

Place : Hyderabad

Date : 30.11.2010

# Balance Sheet Abstract and Company's General Business Profile pursuant to Part IV of Schedule VI of the Companies Act, 1956

**I. Registration Details**

| | | | | | |
|---|---|---|---|---|---|
| Registration No. | 01-08652 | Balance Sheet Date | 30 06 2010 | State Code | 01 |

**II. Capital Raised during the year** *(Rupees in lacs)*

| | | | |
|---|---|---|---|
| Public Issue | NIL | Rights Issue | NIL |
| Bonus Issue | NIL | Private Placement | 825.84 |

**III. Position of Mobilisation and Deployment of Funds** *(Rupees in lacs)*

| | | | |
|---|---|---|---|
| Total Liabilities | 46064.25 | Total Assets | 46064.25 |
| **Sources of Funds** | | | |
| Paid-up Capital | 2049.97 | Reserves and Surplus | 35199.70 |
| Secured Loans | 7160.42 | Unsecured Loans | NIL |
| Share Application | 1654.16 | | |
| **Application of Funds** | | | |
| Net Fixed Assets | 16214.79 | Investments | 2656.31 |
| Net Current Assets | 26044.91 | Misc. Expenditure | 252.29 |
| Deferred Tax Assets | 895.95 | Accumulated Losses | NIL |

**IV. Performance of the Company** *(Rupees in lacs)*

| | | | |
|---|---|---|---|
| Turnover | 25909.64 | Total Expenditure | 19660.40 |
| Profit before Tax | 6249.25 | Profit after Tax | 5303.32 |
| Earnings per Share | 5.17 | Dividend per share | NIL |

**V. Generic Names of three Principal Products of Company** (as per monetary terms)

| | |
|---|---|
| Item Code No. (ITC Code) | 8541 40 20, 8531 20 00 |
| Product Description | LED Display Systems |
| Item Code No. (ITC Code) | 9405 50 40 |
| Product Description | LED Lighting Products - Solar/Grid |
| Item Code No. (ITC Code) | 8523 80 20 |
| Product Description | Computer Software |

## Statement pursuant to section 212 of the Companies Act, 1956 relating to Company's interest in Subsidiary Companies

*(Amount in Rs.)*

| Sl. No. | Particulars | Name of the Subsidiary Company | | | | |
|---|---|---|---|---|---|---|
| | | MIC Technologies (Aust) Pty. Ltd. | Infostep Inc. USA | Maave Electronics Private Limited | MIC Electronics Inc., USA | MIC Green Energy Solutions Private Limited |
| 1 | The financial year of the Subsidiary Company ended on | 30.06.2010 | 30.06.2010 | 31.03.2010 | 30.06.2010 | 31.03.2010 |
| 2 | (a) Number of shares held by MIC Electronics Limited: with its nominees in the subsidiaries at the end of the financial year of the subsidiary companies | 99 ordinary shares fully paid up | 6794341 ordinary shares fully paid up | 1046671 equity shares of Rs.10/- each fully paid up | 1000000 ordinary shares fully paid up | 10000 equity shares of Rs.10/- each fully paid up |
| | (b) Extent of interest of holding company at the end of the financial year of the subsidiary companies | 90% | 68.26% | 100% | 100% | 100% |
| 3 | The net aggregate amount of the subsidiary companies Profit/Loss so far as it concerns the members of the holding company: | | | | | |
| | (a) Not dealt in the holding companies accounts | | | | | |
| | i) For the financial year 30th June 2010 | (475033) | 6204500 | – | – | – |
| | ii) For the previous financial years of the subsidiary company's since they became the holding company subsidiaries | 247703 | 36921133 | – | – | – |
| | (b) Dealt in the holding companies accounts | | | | | |
| | i) For the financial year 30th June 2010 | (4275298) | 32751893 | 1498243 | (5565493) | – |
| | ii) For the previous financial years of the subsidiary companies since they became the holding company's subsidiaries. | 2229330 | 74824198 | 1356187 | (3695285) | – |

## Statement pursuant to exemption received under 212(8) of the Companies Act, 1956, relating to Subsidiary Companies

*(Amount in Rs.)*

| Sr. No. | Name of Subsidiary | Reporting Currency | Exchange Rate | | Issued & Subscribed Share Capital | Reserves | Total Assets | Total Liabilities | Investments | Turnover | Profit/(loss) before taxation | Provision for taxation | Profit/(loss) after taxation and foreign exchange difference | Proposed Dividend | Country |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Average | Closing | | | | | | | | | | | |
| 1 | Infostep Inc. USA | USD | 46.86 | 46.48 | 1,075,259 | 116,935,574 | 180,705,354 | 62,694,522 | 0 | 441,807,010 | 31,232,027 | 10,187,500 | 38,956,393 | 0 | USA |
| 2 | MIC Technologies AUST. Pty. Ltd.,Australia | AUD | 41.29 | 39.82 | 4,380 | (2,971,206) | 505,440 | 3,472,265 | 0 | 11,158,122 | (4,957,734) | 0 | (4,750,331) | 0 | AUSTRALIA |
| 3 | MIC Electronics Inc. USA | USD | 46.86 | 46.48 | 4,648,160 | 2,876,514 | 61,441,935 | 53,917,262 | 39,509,360 | 4,352,697 | (6,064,351) | 0 | (5,565,493) | 0 | USA |
| 4 | Maave Elec. Pvt Ltd, India | INR | 1.00 | 1.00 | 10,466,710 | 3,011,788 | 59,544,631 | 46,066,133 | 0 | 48,730,756 | 2,323,830 | 821,127 | 1,498,243 | 0 | INDIA |
| 5 | MIC Green Energy Solutions Pvt Ltd., India | INR | 1.00 | 1.00 | 100,000 | 0 | 879,552 | 779,552 | 0 | 0 | 0 | 0 | 0 | 0 | INDIA |

# Auditors' Report on the Consolidated Financial Statements

To
The Shareholders of
M/s. MIC Electronics Limited

We have audited the Consolidated Balance Sheet of MIC Electronics Limited as at June 30, 2010 and also the related Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of entity's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

We report that the consolidated financial statements have been prepared by the management of MIC Electronics Limited in accordance with the requirement of Accounting Standard (AS) - 21 issued by the Institute of Chartered Accountants of India.

In our opinion and according to the best of our information and explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

a. In the case of the Consolidated Balance Sheet, of the state of affairs of MIC Electronics Limited, as at June 30, 2010

b. In the case of the Consolidated Profit and Loss Account, of the Profit for the year ended on that date; and

c. In the case of Consolidated Cash Flow Statement, cash flows during the year ended on that date.

For **Pinnamaneni & Co**
*Chartered Accountants*

Sd/-
**P.V.V. Satyanarayana**
*Partner*
M. No. 026600
Firm Reg. No. 002661S

Place : Hyderabad
Dated : 30th November 2010

# Consolidated Balance Sheet as at 30th June 2010

(Amount in Rs.)

| Particulars | Schedules | As at 30.06.2010 | As at 30.06.2009 |
|---|---|---|---|
| I. SOURCES OF FUNDS | | | |
| 1. **Share holders funds** | | | |
| Share Capital | 1 | 204,996,550 | 201,276,550 |
| Share Warrants Application Money | | 165,416,000 | 391,773,961 |
| Reserves & Surplus | 2 | 3,603,061,660 | 2,739,968,761 |
| | | 3,973,474,210 | 3,333,019,272 |
| 2. **Minority Interest** | | 37,102,376 | 26,026,031 |
| 3. **Loan Funds** | 3 | | |
| Secured Loans | | 759,991,849 | 698,067,921 |
| Unsecured Loans | | 57,389,528 | 60,660,661 |
| **Total** | | **4,827,957,963** | **4,117,773,884** |
| II. APPLICATION OF FUNDS | | | |
| 1. **Goodwill on consolidation and acquistions** | | 243,327,759 | 215,722,475 |
| 2. **Fixed Assets** | | | |
| Gross Block | | 1,222,174,234 | 602,488,590 |
| Less: Depreciation | | 154,588,832 | 132,777,051 |
| Net Block | | 1,067,585,402 | 469,711,539 |
| Intangible Assets | | 97,150,432 | 58,465,568 |
| Capital Work in Progress | | 631,111,375 | 860,945,860 |
| | | 1,795,847,209 | 1,389,122,968 |
| 3. **Investments** | 4 | 45,859,360 | 47,294,000 |
| 4. **Current Assets, Loans & Advances** | | | |
| Inventories | 5 | 953,246,303 | 531,409,880 |
| Sundry Debtors | 6 | 1,272,880,502 | 1,454,068,116 |
| Cash & Bank Balances | 7 | 47,188,471 | 31,827,591 |
| Loans & Advances | 8 | 1,131,395,091 | 1,098,382,580 |
| | | 3,404,710,367 | 3,115,688,167 |
| Less: Current Liabilities & Provisions | 9 | 728,392,542 | 717,018,886 |
| Net Current Assets | | 2,676,317,825 | 2,398,669,281 |
| 5. **Miscellaneous Expenditure** (to the extent not written off) | | | |
| Issue expenses | | 10,230,941 | 20,461,881 |
| Deferred Revenue Expenditure | | 14,998,142 | - |
| Preliminary Expenses | | 485,441 | 54,420 |
| Preoperative Expenses | | 309,503 | - |
| 6. **Deffered tax Asset** | | 40,581,783 | 46,448,859 |
| **Total** | | **4,827,957,963** | **4,117,773,884** |
| Accounting Policies & Notes on Consolidated Accounts | 18 | | |

As per our report of even date

for **Pinnamaneni & Co.,**
*Chartered Accountants*

Sd/-
**P.V.V. Satyanarayana**
*Partner*

Place : Hyderabad
Date : 30.11.2010

for and on behalf of the Board

Sd/-
**Dr. M.V. Ramana Rao**
Chairman & Managing Director

Sd/-
**L.N. Malleswara Rao**
Executive Director

Sd/-
**Vasudeva Rao Devaki**
Company Secretary

# Consolidated Profit and Loss Account for the year ended 30th June 2010

(Amount in Rs.)

| Particulars | Schedules | Current Year | Previous Year |
|---|---|---|---|
| 1. INCOME | | | |
| Sales & Services | 10 | 2,785,291,366 | 2,954,401,941 |
| Increase/(Decrease) in Stock | 11 | 254,748,026 | 218,458,805 |
| Other Income | 12 | 24,568,917 | 22,047,148 |
| **Total** | | **3,064,608,309** | **3,194,907,894** |
| II. EXPENDITURE | | | |
| Material Consumed | 13 | 1,454,916,472 | 1,624,756,195 |
| Employee Cost | 14 | 304,923,145 | 317,298,493 |
| Manufacturing, Administrative & Sales Expenses | 15 | 506,287,122 | 457,028,798 |
| Capitalised during the year | | (3,204,710) | 0 |
| R&D Expenditure | 16 | 33,191,974 | 36,561,789 |
| Interest and Financial Charges | 17 | 84,295,750 | 69,074,052 |
| Depreciation and impairment | | 36,732,531 | 56,496,615 |
| Preliminary Expenses Written off | | 7,700 | 7,700 |
| **Total** | | **2,417,149,985** | **2,561,223,641** |
| III. PROFIT FOR THE YEAR | | 647,458,324 | 633,684,254 |
| Provision for : | | | |
| Fringe Benefit Tax | | - | 1,352,458 |
| Current Tax | | 104,190,662 | 78,340,200 |
| Deferred Tax Asset | | 8,291,204 | 80,231,993 |
| **Net Profit After Tax** | | **551,558,866** | **634,223,589** |
| Add: Prior period adjustments | | (9,706,577) | (6,282,715) |
| Add: Effect of Currency Translation on Consolidation | | 18,618,127 | 39,200,563 |
| Net Profit after Tax after adjustment for Currency Translation | | 560,470,416 | 667,141,437 |
| Minority Interest | | (6,679,533) | (8,225,224) |
| **Less: Non - Recurring Items** | | - | (22,781,948) |
| Balance in Profit & Loss account b/f | | 1,636,451,065 | 1,083,417,428 |
| **Available for appropriation** | | **2,190,241,948** | **1,719,551,693** |
| General Reserve | | 50,000,000 | 50,000,000 |
| Deferred Tax adjustment for earlier years | | - | (23,481,890) |
| Proposed Dividend | | - | 49,741,128 |
| Corporate Dividend Tax | | - | 6,841,390 |
| **Balance Carried to Balance Sheet** | | **2,140,241,948** | **1,636,451,065** |
| EPS (Basic) on equity share of Rs.2/- each | | 5.40 | 6.55 |
| EPS (Diluted) on equity share of Rs.2/- each | | 4.72 | 5.58 |
| Accounting Policies & Notes on Consolidated Accounts | 18 | | |

As per our report of even date

for **Pinnamaneni & Co.,**
*Chartered Accountants*

for and on behalf of the Board

Sd/-
**P.V.V. Satyanarayana**
*Partner*

Sd/-
**Dr. M.V. Ramana Rao**
Chairman & Managing Director

Sd/-
**L.N. Malleswara Rao**
Executive Director

Sd/-
**Vasudeva Rao Devaki**
Company Secretary

Place : Hyderabad
Date : 30.11.2010

## Schedules forming part of Consolidated Balance Sheet as at 30th June 2010

(Amount in Rs.)

| Particulars | As at 30.06.2010 | As at 30.06.2009 |
|---|---|---|
| **Schedule 1 SHARE CAPITAL** | | |
| **Authorised** | | |
| 150,000,000 Equity Shares of Rs.2/- each | 300,000,000 | 300,000,000 |
| **Issued & Subscribed** | | |
| 102,498,275 Equity Shares of Rs.2/- each (100,638,275 Equity Shares of Rs.2/- each) | 204,996,550 | 201,276,550 |
| Paidup | | |
| 102,498,275 Equity Shares of Rs.2/- each (100,638,275 Equity Shares of Rs.2/- each) | 204,996,550 | 201,276,550 |
| **Total** | **204,996,550** | **201,276,550** |

Of the above:

a) 6,00,000 equity shares of Rs.10 each fully paidup issued to earstwhile share holders of Phoenix Telecommunications Ltd., pursuant to scheme of amolgamation on 11.11.2000

b) 45,74,285 bonus equity shares of Rs.10 each fully paidup allotted from the free reserves of the company on 28.09.2006

c) 4,04,800 equity shares of Rs.10 each fully paidup allotted to share holders of Infostep Inc. through share swap on 19.10.2006

| Particulars | As at 30.06.2010 | As at 30.06.2009 |
|---|---|---|
| **Schedule 2 RESERVES & SURPLUS** | | |
| Capital Reserve | 267,000 | 267,000 |
| Share Premium Account - Opening Balance | 953,819,027 | 953,537,595 |
| - Additions | 97,456,640 | - |
| - Reductions | - | - |
| - Closing Balance | 1,051,275,667 | 953,537,595 |
| Share Warrants Forfeited | 213,277,045 | - |
| Amalgamation Reserve | 18,000,000 | 18,000,000 |
| Surplus in P&L Account | 2,140,241,948 | 1,636,451,065 |
| General Reserve | 180,000,000 | 130,000,000 |
| Other Free Reserves | - | 1,713,101 |
| **Total** | **3,603,061,660** | **2,739,968,761** |

| Particulars | As at 30.06.2010 | As at 30.06.2009 |
|---|---|---|
| **Schedule 3 LOAN FUNDS** | | |
| **SECURED LOANS** | | |
| Working Capital Loans: | | |
| State Bank of India | 405,270,525 | 195,058,958 |
| Development Credit Bank Limited | - | 122,009,552 |
| Andhra Bank, Kapra Sainikpuri | 29,942,592 | - |
| Union Bank of California | 14,006,812 | 8,911,724 |
| Term Loans: | | |
| Technology Development Board | 54,444,000 | 25,895,808 |
| Industrial Development Bank of India Ltd. | 102,779,860 | 150,759,161 |
| UCO Bank | 148,428,675 | 190,099,655 |
| National Research Development Corp. | 3,000,000 | 3,000,000 |
| Loans under hire purchase against vehicles | 2,119,385 | 2,333,063 |
| **Total** | **759,991,849** | **698,067,921** |

## Schedules forming part of Consolidated Balance Sheet as at 30th June 2010

*(Amount in Rs.)*

| Particulars | As at 30.06.2010 | As at 30.06.2009 |
|---|---|---|
| **Schedule 3 LOAN FUNDS (Contd.)** | | |
| **UNSECURED LOANS** | | |
| Loans from Others | 3,472,266 | 4,724,661 |
| Loans from Related Party | 53,917,262 | 55,936,000 |
| **Total** | **57,389,528** | **60,660,661** |
| **Schedule 4 INVESTMENTS** | | |
| **UNQUOTED** | | |
| **Investment in Subsidiaries** | | |
| MIC Green Energy Solutions | - | 100,000 |
| **In Other Corporate Bodies** | | |
| MIC Digital Media Vizag Pvt. Ltd (Share Application Money) | 5,850,000 | 5,850,000 |
| Virtual Energy Pvt Ltd | 500,000 | - |
| Other Investments by MIC Electronics Inc, USA | 39,509,360 | 41,344,000 |
| **Total** | **45,859,360** | **47,294,000** |
| **Schedule 5 INVENTORIES (AT COST)** | | |
| (As valued and certified by the Management) | | |
| Raw Materials | 410,718,976 | 241,301,961 |
| Work in Progress | 529,744,817 | 279,563,399 |
| Finished Goods | 12,782,510 | 10,544,520 |
| **Total** | **953,246,303** | **531,409,880** |
| **Schedule 6 SUNDRY DEBTORS** | | |
| (Unsecured considered good) | | |
| Outstanding for more than Six Months | 496,894,950 | 374,241,765 |
| Other Debts | 775,985,552 | 1,079,826,351 |
| **Total** | **1,272,880,502** | **1,454,068,116** |
| **Schedule 7 CASH & BANK BALANCES** | | |
| Cash on hand | 3,327,818 | 4,919,595 |
| Balances with Scheduled Banks | | |
| On Current Accounts | 3,448,021 | 2,452,865 |
| On Margin Money Accounts | 40,412,632 | 24,455,132 |
| **Total** | **47,188,471** | **31,827,591** |

## Schedules forming part of Consolidated Balance Sheet as at 30th June 2010

*(Amount in Rs.)*

| Particulars | As at 30.06.2010 | As at 30.06.2009 |
|---|---|---|
| **Schedule 8 LOANS & ADVANCES** | | |
| **(Unsecured, considered good recoverable in cash or in kind or for value to be received** | | |
| Advances to Suppliers : | | |
| for Capital Items | 3,322,152 | 2,825,000 |
| for Raw Materials | 19,929,709 | 15,225,336 |
| for Services | 8,574,484 | 2,542,771 |
| Advances to Employees : | | |
| for Expenses | 7,101,959 | 5,262,403 |
| Salary Advances | 437,918 | 4,370,396 |
| Other Advances | 774,880,164 | 710,987,532 |
| Due from Related Parties | 22,194,360 | 21,740,718 |
| Deposits recoverable | 259,649,867 | 298,895,536 |
| Balance with Central Excise Dept. | 14,352,675 | 9,896,000 |
| Prepaid expenses | 9,236,759 | 3,388,815 |
| Advance Income Tax, TDS & FBT | 3,441,319 | 14,590,154 |
| Note Receivable | 8,273,725 | 8,657,920 |
| **Total** | **1,131,395,091** | **1,098,382,580** |

| Particulars | As at 30.06.2010 | As at 30.06.2009 |
|---|---|---|
| **Schedule 9 CURRENT LIABILITIES & PROVISIONS** | | |
| **a) Current Liabilities** | | |
| Creditors for materials | 287,955,740 | 462,033,800 |
| Creditors for expenses | 251,403,374 | 64,692,286 |
| Advances from Customers & others | 36,876,097 | 25,652,510 |
| Interest accrued but not due on term loans | 438,767 | |
| **Sub Total (a)** | **576,673,978** | **552,378,595** |
| **b) Provisions** | | |
| Proposed Dividend | - | 40,255,310 |
| Tax on proposed Dividend | - | 6,841,390 |
| Income Tax | 134,194,037 | 102,184,754 |
| Fringe Benefit Tax | - | 1,352,458 |
| Leave Salary | 5,609,752 | 4,454,768 |
| Gratuity | 11,809,652 | 9,551,611 |
| Sundry Provisions | 105,123 | - |
| **Sub Total (b)** | **151,718,564** | **164,640,291** |
| **Total (a+b)** | **728,392,542** | **717,018,886** |

## Schedules forming part of Consolidated Profit and Loss Account for the year ended 30th June 2010

*(Amount in Rs.)*

| Particulars | Current Year | Previous Year |
|---|---|---|
| **Schedule 10 SALES & SERVICES** | | |
| Domestic | 2,272,444,276 | 2,310,012,328 |
| Exports | 11,098,469 | 184,400,374 |
| Services | 501,748,621 | 459,989,240 |
| **Total** | **2,785,291,366** | **2,954,401,941** |
| **Schedule 11 INCREASE/(DECREASE) IN STOCK** | | |
| Opening work in progress / Finished Goods | 279,563,399 | 61,104,594 |
| Closing work in progress | 529,744,817 | 279,563,399 |
| Closing Finished Goods | 4,566,608 | - |
| **Total** | **254,748,026** | **218,458,805** |
| **Schedule 12 OTHER INCOME** | | |
| Gain /(Loss) from exchange of foreign currency | 258,706 | 7,655,264 |
| Interest earned on deposits & others | 1,940,521 | 6,303,620 |
| Other Receipts | 22,369,690 | 8,088,264 |
| **Total** | **24,568,917** | **22,047,148** |
| **Schedule 13 MATERIALS CONSUMED** | | |
| Opening Stock | 241,301,961 | 144,244,845 |
| Add : Purchases | 1,629,179,036 | 1,731,853,555 |
| | 1,870,480,997 | 1,876,098,400 |
| Less : Material consumed for R&D | 4,845,549 | 10,040,244 |
| | 1,865,635,448 | 1,866,058,156 |
| Less : Closing Stock | 410,718,976 | 241,301,961 |
| **Total** | **1,454,916,472** | **1,624,756,195** |
| **Schedule 14 EMPLOYEE COST** | | |
| Salaries, Wages & Bonus | 295,644,947 | 307,813,248 |
| Contribution to PF and other funds | 2,234,363 | 2,419,180 |
| Staff Welfare Expenses | 1,786,068 | 1,922,555 |
| Security Services | 1,166,930 | 1,267,134 |
| Leave Salary | 1,469,380 | 1,547,525 |
| Gratuity | 2,621,457 | 2,328,850 |
| **Total** | **304,923,145** | **317,298,493** |

## Schedules forming part of Consolidated Profit and Loss Account for the year ended 30th June 2010

(Amount in Rs.)

| Particulars | Current Year | Previous Year |
|---|---|---|
| **Schedule 15 MANUFACTURING, ADMINISTRATIVE AND SALES EXPENSES** | | |
| Stores Consumed | 5,484,118 | 2,570,281 |
| Electricity Charges | 3,933,786 | 3,357,888 |
| Excise duty & Service Tax | 16,979,735 | 26,687,199 |
| Insurance | 3,529,616 | 3,403,130 |
| Job Works, Plotting ,Development & Testing Charges | 6,372,719 | 8,756,114 |
| Repairs and Maintenance | 3,299,026 | 1,600,848 |
| Expenses for Inter Connect Billing | - | 9,880,845 |
| Professional Charges | 20,683,659 | 16,285,609 |
| Rent & License Fee | 37,392,816 | 15,892,720 |
| Rates & Taxes | 73,175,829 | 54,722,049 |
| Operating Lease Rentals | 43,764,922 | 13,070,670 |
| Printing & Stationary | 2,722,933 | 2,545,311 |
| Postage, Telephone & Internet Expenses | 7,043,296 | 7,264,379 |
| Travelling, Conveyance & Transport Exp. | 16,491,733 | 19,655,064 |
| Freight, Packing & Forwarding | 5,560,362 | 14,730,342 |
| Vehicle Maintenance | 2,036,199 | 5,305,181 |
| Audit Fee | 639,317 | 586,840 |
| General Charges | 20,797,980 | 19,086,566 |
| Loss on Sale of Asset | 60,236 | 195,959 |
| Board Meeting Expenses | 390,820 | 408,699 |
| Bad Debts & Debit Balances written back | 91,705,241 | 91,973,603 |
| Bank Charges | 15,002,980 | 11,882,043 |
| Sales Expenses | 3,563,517 | 7,236,190 |
| Issue Expenses written off | 10,230,940 | 10,230,940 |
| Subcontractors & outside services | 112,064,796 | 107,013,947 |
| Liquidated Damages | 112,317 | 2,658,145 |
| Computer Expenses | 1,884,762 | 28,233 |
| Deferred expenses written off | 1,363,467 | - |
| **Total** | **506,287,122** | **457,028,798** |

| Particulars | Current Year | Previous Year |
|---|---|---|
| **Schedule 16 R&D EXPENDITURE** | | |
| Materials | 4,845,549 | 10,040,244 |
| Employees Cost | 27,552,086 | 25,229,626 |
| Other Expenses | 794,339 | 1,291,919 |
| **Total** | **33,191,974** | **36,561,789** |

## Schedules forming part of Consolidated Profit and Loss Account for the year ended 30th June 2010

(Amount in Rs.)

| Particulars | Current Year | Previous Year |
|---|---|---|
| **Schedule 17 INTEREST AND FINANCIAL CHARGES** | | |
| Interest on Term Loans - | | |
| UCO Bank | 22,443,644 | 16,755,751 |
| Technology Development Board | 871,960 | 2,136,808 |
| Industrial Development Bank of India Ltd | 19,623,495 | 8,662,354 |
| Interest on Working Capital | | |
| State Bank of India | 26,258,519 | 21,964,783 |
| Development Credit Bank Limited | 11,789,667 | 17,364,469 |
| Andhra Bank | 1,095,383 | 554,949 |
| Union Bank of California | 219,662 | - |
| Interest on Loan from others | 1,630,059 | 1,501,557 |
| Financial Charges | 363,361 | 133,381 |
| **Total** | **84,295,750** | **69,074,052** |

## Schedules forming part of Consolidated Accounts

### Schedule 18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS

1. **Basis of Consolidation.**

   The Consolidated financial statements relate to the Company and its subsidiary Companies. The Consolidated financial statements have in accordance with the Accounting Standard – 21 ('AS–21') "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and have been prepared on the following basis:

   a. The financial statements of the Company and its subsidiaries have been consolidated on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions.

   b. In case of foreign subsidiaries, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is disclosed as "Effect of Currency Translation on Conversion".

   c. Difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve as the case may be.

   d. Minority Interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the Group in order to arrive at the net income attributable to the shareholders of the Company.

## Schedules forming part of Consolidated Accounts

**Schedule | 18 | SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS** (Contd.)

e. As far as possible, the consolidated financial statements are prepared using the uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

The subsidiaries considered in Consolidated Financial Statements are:

| | Country of Incorporation | Proportionate ownership interest | |
|---|---|---|---|
| | | As at 30.06.10 | As at 30.06.09 |
| MIC Technologies Australia (Pty) Ltd | Australia | 90.00% | 90.00% |
| Infostep Inc. | USA | 68.26% | 71.33% |
| MIC Electronics Inc. | USA | 100.00% | 100.00% |
| Maave Electronics Pvt. Ltd | India | 100.00% | 100.00% |
| MIC Green Energy Solutions Pvt. Ltd. | India | 100.00% | -- |

The financial statements of the subsidiaries, considered in the consolidated accounts, are drawn upto 30th June, 2010 other than for Maave Electronics Pvt. Ltd. and MIC Green Energy Solutions Pvt. Ltd. where the last audited financial statement is as on 31st March, 2010.

2. **Other Significant Accounting Policies**

a. **Disclosure of Accounting Policies:**

Financial statements have been prepared under the historical costs convention and in accordance with applicable accounting standards and provisions of the Companies Act, 1956. All income and expenditure having a material bearing in the financial statements are prepared on accrual basis.

b. **Valuation of Inventories:**

a) Raw Materials and Work in Progress are valued at cost.

b) Finished goods are valued at cost or net realisable value whichever is less.

c) CENVAT & VAT on purchase of raw material/components are deducted from cost of such materials.

c. **Cash Flow Statements:**

Cash flows are reported using the indirect method, whereby profit/(loss) before tax is adjusted for the effects of transactions of non cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the companies are segregated based on the available information.

d. **Accounting for Fixed Assets**

Fixed assets are capitalized at acquisition cost and other directly attributable cost of bringing the assets to its working condition. Cenvat & VAT claimed on capital goods are credited to plant & machinery account. Development / preoperative expenditure incurred , if any, in connection with new line of production will be capitalized to the respective project Assets.

e. **Depreciation Accounting:**

Fixed assets are valued at cost less depreciation provided on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. In respect of additions made during the year, depreciation is provided on pro rata basis.

f. **Research & Development (R & D):**

Revenue expenditure (including depreciation) on R & D is charged to revenue in the year in which it is incurred. Capital expenditure, if any, on R & D is added to fixed assets.

**Schedule 18 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS** (Contd.)

g. **Revenue Recognition**

Sales & Services are inclusive of taxes and duties collected

Revenue from fixed price contracts are recognized as per the terms of the contract.

Revenue from other income is based on accrual basis

h. **Accounting for effects in foreign exchange rates**

a) All monetary items denominated in foreign currency are reflected at the rates prevailing on the Balance sheet date.

b) Income and Expenditure items involving foreign exchange are translated at the exchange rate prevailing on the dates of transaction.

c) Exchange differences, if any, arising on account of fluctuations in foreign exchange have been duly reflected in the Profit & Loss Account except in respect of acquisition of fixed assets.

i. **Accounting for Investments**

All investments are Long-term investments and are carried at cost.

j. **Accounting for Retirement Benefits:**

a) The Company has a provident fund scheme for their employees. Contributions to the scheme are charged to the profit and loss account.

b) Provision for gratuity has been made for all the employees in the rolls of the company at the closing of accounting year. The company is making actual gratuity payments and then crystallized by debiting to the gratuity fund account.

c) The Company extends benefit of Encashment of Leave to its employees while in service as well as on retirement. Leave encashment liability in respect of leave accumulated is accounted for on the basis of last drawn salary.

k. **Borrowing Costs :**

Borrowing Costs that are attributable to the acquisition or construction of qualifying assets are capitalized till the date of the assets put to use. All other borrowing costs are charged to revenue.

l. **Related party Disclosure :**

The company has entered into transactions with related parties and the said information is shown separately.

m. **Operating Leases :**

Assets acquired on leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the profit & loss account on accrual basis.

n. **Earnings Per Share :**

The company follows the relevant AS and the disclosures made accordingly.

o. **Deferred Taxation:**

Current Tax is determined as per the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised, subject to the consideration of prudence in respect of deferred tax assets/liabilities, on timing differences, being difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

p. **Accounting for investments in associates**

Investments in associates is valued at cost of investment

q. **Contingencies and events occurring after the balance sheet date**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

3. **Contingent liabilities :** *(Amount in Rs.)*

| S No. | Particulars | As at 30.06.2010 | As at 30.06.2009 |
|---|---|---|---|
| A | Counter guarantees given by the Company to banks towards issue of Bank Guarantees | 243,596,495 | 100,522,738 |
| B | Counter guarantees given by the Company to banks towards issue of Bank Guarantees to Customs & Central Excise Department | 4,039,656 | 1,098,855 |
| C | Bonds executed to Customs & Central Excise Department (net of Bank Guarantees) | 61,180,889 | 2,759,930 |
| D | Letter of credits issued by Bankers | 73,835,440 | 33,926,707 |
| E | Corporate Guarantees given by the Company to banks on behalf of subsidiaries and associates | 127,000,000 | 131,000,000 |
| F | Tax matters in Appeals | | |
| | a. Excise Duty | 32,817,443 | 21,223,061 |
| | b. Customs Duty | 1,801,111 | 1,801,111 |
| | c. Sales Tax | 3,195,527 | 3,195,527 |

4. In accordance with the AS-22 'Accounting for taxes on Income issued by the Institute of Chartered Accountants of India , during the current year the company has accounted for the effect of deferred Tax against the income pertaining to current year and has accordingly provided for deferred tax asset of Rs.82,91,204/- on account of current year's deferred tax.

5. **Secured Loans:**

a. **Working Capital Loans:**

i. State Bank of India is secured by pari-passu charge on fixed assets and all chargeable current assets of the Company except assets pertaining to Technology Development Board, National Research Development Corporation, IDBI and UCO Bank.

ii. State Bank of India is further secured by second charge on the assets financed by IDBI and UCO Bank.

iii. SBI is further secured by personal guarantees of three of the following Directors of the Company.

1. Dr. M. V. Ramana Rao
2. Mr. L. N. Malleswara Rao
3. Mr. N. Srinivasa Rao

iv. Outstanding under Non fund based limits from Development credit bank is secured by counter guarantee given by State Bank of India.

v. Non fund based limits of Rs.10.00 crores from UCO Bank are secured by hypothecation of all chargeable current assets of the company ranking pari-passu with SBI. 2nd charge on fixed assets held by SBI (excluding those assets which are funded by IDBI, UCO & TDB). Extension of 1st charge on fixed assets created out of term loan from UCO Bank of Rs.30.00 crores.

vi. Non fund based limits of Rs.20.00 crores from Andhra Bank are secured by 1st pari-passu charge on all chargeable current assets of the company with SBI & UCO Bank and further secured by 2nd pari-passu charge on fixed assets of the company with SBI, UCO Bank and IDBI.

# Schedules forming part of Consolidated Accounts

## Schedule | 18 | SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS (Contd.)

vii. Working capital loan taken by M/s.Maave Electronics Pvt Ltd from Andhra Bank, Kapra, Sainikpuri branch is secured by Hypothecation of chargeable current assets Collateral Security- Exclusive charge on all fixed assets of the company (present & Future), Personal guarantee of Dr.M.V.Ramana Rao, Corporate guarantee of MIC Electronics Limited.

viii. Union Bank of California is secured by personal guarantee of the shareholders of Infostep Inc. USA.

**b. Term Loans:**

i. Outstanding term Loan of Rs.44.44 lacs (sanction limit of Rs.400 lacs) from Technology Development Board is secured by all assets pertaining to the development and commercialization of the LED TV / Electronic Display system project along with personal guarantee of Dr. M. V. Ramana Rao, Managing Director.

ii. Outstanding term Loan of Rs.500.00 lacs (sanction limit of Rs.1500 lacs) from Technology Development Board is secured by first charge on entire fixed assets, present and future, of the company by way of hypothecation and mortgage in favour of TDB ranking pari-passu with other charge-holders (banks / FIs).

iii. National Research Development Corporation is secured by all the machinery and equipments acquired for the development of "Fraud Management and Control Centre (FMCC)".

iv. Term Loan taken from IDBI is secured as follows:

Primary: (i) a first mortgage and charge on Industrial Plot No. 192/B in Survey No.274 admeasuring 5341 Sq. Yards situated at Phase II, IDA, Cherlapally village, Kapra Municipality, Ghatkesar Mandal, RR District valued at Rs. 2.50 Crores and proposed building thereon admeasuring 100000 Sq.Ft valued at Rs.12.52 Crores (Approx). (ii) A first hypothecation charge on plant and machinery valued Rs.6.89 Crores.

Collateral: NIL

Personal Guarantee: An irrevocable and unconditional guarantee from Dr. M.V.Ramana Rao in favor of IDBI.

v. Term Loan taken from UCO Bank is secured as follows :

Primary: (i) 1st hypothecation charge over the plant and machinery, LED Display Boards, software and other fixed assets of the project of the company at DMRC. (ii) 1st Charge on receivables arising out of the DMRC Project.

Collateral Security: Second charge on the fixed assets of the company other than what has been taken as first charge. The first charge will be with SBI and DCB. UCO Bank is further secured by personal guarantee of Dr. M.V.Ramana Rao, Managing Director.

**c.** Loans outstanding against purchase of vehicles are secured by hypothecation of the respective vehicles.

**6. Directors Remuneration (Holding Company) included in Personnel Cost :**

*(Amount in Rs.)*

| S No. | Particulars | 2009-10 | 2008-09 |
|---|---|---|---|
| A | Managing Director | | |
| | - Remuneration | 2,400,000 | 2,400,000 |
| | - Perquisite Value of rent | 360,000 | 373,500 |
| B | Other Directors | | |
| | - Remuneration | 790,323 | 5,520,000 |

## Schedules forming part of Consolidated Accounts

**Schedule | 18 | SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS** (Contd.)

7. **Details of Prior Period items credited to P&L A/c. :**

*(Amount in Rs.)*

| S No. | Particulars | Current Year |
|---|---|---|
| a. | Excess Provision of Income Tax written back | 7,947,578 |
| b. | Income Tax for earlier years | 17,654,155 |
| | **Total (a-b)** | **(9,706,577)** |

8. **Disclosure in respect of operating lease:**

i) A general description of leasing arrangements: Leasing arrangement for LED Display Systems

ii) Total of Minimum lease payments:

*(Amount in Rs.)*

| Particulars | Value |
|---|---|
| Due not later than one year | 66,074,400 |
| Due later than one year but not later than 5 years | 236,766,600 |
| Due later than 5 years | – |
| **Total** | **302,841,000** |

iii) Lease payment recognized in the statement of Profit & Loss Account for the year: Rs. 27,531,000/- (Previous year- Rs. nil)

9. **Related party Disclosures:**

In Accordance with the Accounting Standard – 18 (AS-18) "Related Party disclosures" Issued by the ICAI, the transactions with related parties are given below:

a. List of Related Parties with whom transactions have taken place and relationship:

| S No. | Name of the Related Party | Relationship |
|---|---|---|
| 1 | M/s Virtual Energy Pvt. Ltd. | Associate Company |
| 2 | Dr.M.V.Ramana Rao | Directors–Key Management Personnel |
| 3 | Shri N.Srinivasa Rao | |
| 4 | Shri Y.Harish Chandra Prasad | |
| 5 | Shri Shrikant P Joshi | |
| 6 | Shri L.N.Malleswara Rao | |
| 7 | Shri Vidyasagar Anisingaraju | |
| 8 | Shri Atluri Venkata Ram | |
| 9 | Shri Anil Goyal | |
| 10 | Shri U. Ramakrishna | |
| 11 | M/s. MIC Technologies Australia (Pty) Ltd | Subsidiary Companies |
| 12 | M/s. Infostep Inc., USA | |
| 13 | M/s. MIC Electronics Inc., USA | |
| 14 | M/s. Maave Electronics Pvt Ltd | |
| 15 | M/s. MIC Green Energy Solutions Pvt Ltd | |

Schedules forming part of Consolidated Accounts

**Schedule | 18 | SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS** (Contd.)

b. Transactions during the year with related parties:

*(Amount in Rs.)*

| S No. | Nature of Transaction | 2009-10 |
|---|---|---|
| 1 | Investments in Associates: | |
| | M/s Virtual Energy Pvt. Ltd. | 500,000 |
| 2 | Outstanding Balances payable to management personnel (holding company) | 15,618,929 |
| 3 | Expenditure (holding company): | |
| | • Remunerations to Key Management Personnel | 3,190,323 |
| | • Rents paid towards accommodation provided to Management Personnel | 360,000 |
| | • Sitting Fee and other expenses reimbursed to Directors | 390,820 |

**10. Earnings Per Share**

| Particulars | 2009-10 | 2008-09 |
|---|---|---|
| Closing No. of Shares | 102,498,275 | 100,638,275 |
| Convertible Share Warrants | 14,640,000 | 17,481,725 |
| Profit after Taxes (Amt. in Rs.) | 553,790,883 | 658,916,214 |
| Face value of Equity Shares | 2 | 2 |
| **EPS** (in Rs.) | 5.40 | 6.55 |
| **Diluted EPS** (in Rs.) | 4.72 | 5.58 |

**11.** Previous year's figures are regrouped wherever necessary to conform to the Current Year's Presentation/Classification.

**12.** Figures have been rounded off to the nearest Rupee.

As per our report of even date

for **Pinnamaneni & Co.,**
*Chartered Accountants*

Sd/-
**P.V.V. Satyanarayana**
*Partner*

Place : Hyderabad
Date : 30.11.2010

for and on behalf of the Board

Sd/-
**Dr. M.V. Ramana Rao**
Chairman & Managing Director

Sd/-
**L.N. Malleswara Rao**
Executive Director

Sd/-
**Vasudeva Rao Devaki**
Company Secretary

## Consolidated Cash Flow Statement for the year ended 30th June 2010

*(Amount in Rs.)*

| Particulars | As at 30.06.2010 | As at 30.06.2009 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Profit after taxation, prior period & extraordinary item and effect of foreign currency translation | 560,470,416 | 644,359,488 |
| Adjustments for: | | |
| Depreciation | 36,732,531 | 56,496,615 |
| Minority Interest | 6,679,533 | (8,225,223) |
| Deferred Tax | (8,291,204) | |
| Interest Income | (1,940,521) | (6,303,620) |
| **Operating Profit before working Capital changes** | **593,650,755** | **686,327,260** |
| (Increase) / Decrease in Sundry Debtors | 181,187,614 | 94,372,924 |
| (Increase) / Decrease in Loans and Advances | (33,012,511) | (386,108,615) |
| (Increase) / Decrease in Inventories | (421,836,423) | (323,721,941) |
| (Increase) / Decrease in Deferred tax | 5,867,076 | (62,640,151) |
| (Increase) / Decrease in miscellaneous expenditure not written off | (5,507,726) | 10,240,280 |
| Increase / (Decrease) in Current Liabilities and Provisions | 11,373,656 | (110,635,065) |
| **Cash generated from Operations** | **331,722,441** | **(92,165,308)** |
| **Net Cash flow from Operating Activities** | **331,722,441** | **(92,165,308)** |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets and Capital Work in Progress (net) | (443,456,772) | (301,009,724) |
| Long term Investments | 1,434,640 | (41,444,000) |
| Interest received | 1,940,521 | 6,303,620 |
| Goodwill on Consolidation and Purchase | (27,605,284) | (68,524,143) |
| **Net Cash flow from Investing Activities** | **(467,686,895)** | **(404,674,247)** |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Issue of Share Capital/warrants including Share Premium | 99,463,539 | (2,099,735) |
| Share Warrants Forfeited | 213,277,045 | 0 |
| Reduction in Share Application Money | (226,357,961) | 0 |
| Decrease / (Increase) in borrowings | 58,652,795 | 497,695,466 |
| Minority Interest | 11,076,345 | (2,308,155) |
| Dividend Paid including Dividend Tax | 0 | (56,582,518) |
| **Net Cash used for financing activities** | **156,111,764** | **436,705,058** |
| Effect of Exchanges differences on translation of foreign currency cash & Cash equivalent | (4,786,430) | 3,559,086 |
| **Net increase in cash and cash equivalents** | **15,360,879** | **(56,575,411)** |
| Cash and Cash equivalents at the beginning of period | 31,827,592 | 88,403,003 |
| **Cash and Cash equivalents at the end of period** | **47,188,471** | **31,827,592** |

Place : Hyderabad

Date : 30.11.2010

“If we're growing, we're always going to be out of our comfort zone.”

– John Maxwell

# CORPORATE INFORMATION

## Annual General Meeting

Date: 30th December 2010

Day: Thursday

Time: 11.00 AM

Place: Registered Office
A-4/II, Electronic Complex
Kushaiguda
Hyderabad-500062

## Registrar and Transfer Agents

Venture Capital and Corporate
Investments Private Limited
#12-10-167, Bharat Nagar,
Hyderabad-500018
Tel: 040-23818475/476
Fax: 040-23868024
Email: info@vccilindia.com
Website: www.vccilindia.com

## Board of Directors

Dr. M V Ramana Rao (Chairman & Managing Director)

Shri Ranjan Kapur

Shri Somendra Khosla

Shri N Srinivasa Rao

Shri Y Harish Chandra Prasad

Shri Shrikant P Joshi

Shri L N Malleswara Rao

Shri Vidya Sagar Anisingaraju

Shri Atluri Venkata Ram

Shri Anil Goyal

## Company Secretary

Vasudeva Rao Devaki

## Bankers

State Bank of India, Overseas Branch, Hyderabad

UCO Bank, MG Road Branch, Hyderabad

IDBI Bank, Chapel Road Branch, Hyderabad

Andhra Bank, Kapra Sainikpuri Branch, Hyderabad

## Auditors

M/s. Pinnamaneni & Co.,
Chartered Accounts
4th Floor, My Home Tycoon
Life Style Building
Greenlands, Hyderabad – 500016

## Registered Office

A-4/II, Electronic Complex
Kushaiguda
Hyderabad – 500062
Andhra Pradesh

A TRISYS PRODUCT
info@trisyscom.com

www.kalajyothi.com

MIC Electronics Limited
A-4/II, Electronic Complex, Hyderabad-500062, India
www.mic.co.in