

Living with LEDs





02 Chairman Statement

14 Management Discussion and Analysis Report

06 Notice

18 Report on Corporate Governance

10 Director's Report

28 Managing Director and Chief Financial Officer Certification

29 Financial Section

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

2007

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

2008

Selected for 'Best under a Billion' by Forbes Asia in 2008 as one of 22 Indian 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. (USA)

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.

2011

Development of 3D-LED Display.
Development of 3mm Display
Development of Outdoor Displays with SMD Chip LEDs.



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

Dear Shareholders,

The year 2010-2011 is being observed as the Silver Jubilee Year of MIC. The pioneering work done by your company has been recognised by Governmental and Non-Governmental organisations of the country with several Awards and citations. Frost & Sullivan, the Internationally renowned market research and analysis group have selected your company for their Excellence Award for **“Market share leadership in the India LED Lighting Market”** in the year 2011.

While your company has recorded profitable operations for the 4th year in

succession, after going public in the year 2007-2008, the year 2010-11 has been a particularly difficult year. The unfortunate developments with respect to Commonwealth Games (CWG) and the litigations related to Municipal Corporation of Delhi (MCD) and Delhi Metro Rail Corporation (DMRC) have led to very difficult cash flow situation for the company. In addition, the political uncertainty in the state of Andhra Pradesh and frequent disruptions to the company's operations because of a number of Bandhs, organised in the context of the agitation for the separate state of Telangana have led to loss of several man days of work. MIC had to suffer a dip in the bottom line in the year's results. The audited Turnover and Profit After Tax (PAT) figures for the company for the year stand at 230.15 Cr and 34.02 Cr. These figures compare with 231.63 Cr. and 54.00 Cr. for the year 2009-10.

Further, in tune with the avowed focus on LED Technology and related products, MIC has hived off its subsidiarys MIC Technologies (AUS) Pty Ltd, InfoSTEP INC (USA), InfoSTEP India Pvt. Ltd. and discontinued its telecom operations completely. This focus is beginning to bear fruits.

New Product development:

Notwithstanding the financial stresses, your company has maintained its thrust on Design and Development and Innovation of new products- which are the intrinsic strengths of MIC.

Display Products:

MIC's R&D team reached another milestone towards 3D LED Display, by achieving 'real-time 3D by live capturing'. Presently the MIC's indigenous technology is applicable to meet the resolutions of QVGA, VGA, SVGA & HD modes both in standard / widescreen formats, with 25 fps. Further R&D efforts are in progress to increase the Frame rate and to expand the technology for further higher modes. Further efforts are on towards 3D LED Display viewable with naked eyes and also to have dynamic stereoscope techniques to display 2D content as 3D content. These achievements offer tremendous business opportunities to your company in the years to come.

New video controllers are developed to enable the Railway authorities to make use of the multi line passenger information Display Systems for Video Displays also, thus enhancing the application potential of the displays for the Railways and

Business opportunities for your company.

The Coach guidance system developed again for use by Railways is yet another new product developed by your company.

The Chip LED display products developed by your company for outdoor applications are expected to result in significant price reduction, improvement of reliability and increase of manufacturing productivity thus leading to improved sales.

The 3mm LED display product developed by your company will further improve the resolution and heighten the viewing experience in all Indoor applications including as TV.

Lighting Products:

The integrated Solar Powered Outdoor Luminaires, developed in the year, for Street Lighting applications with varying wattages are expected to be very popular in rural environments.

5watt and 8watt bulbs for use in both AC & DC environments, developed by the company are expected to be used in large numbers across the country because of their energy saving potential as replacements for both incandescent and CFL Luminaires.

CHAIRMAN'S STATEMENT

The tube light range, of 2ft and 4ft lengths with wattages ranging from 8w to 22w, again for use in AC&DC environments, will be in great demand for both urban and rural applications. 2ft DC tube lights will be ideal for home lighting applications in the rural house holds.

Down lights and recess lights of circular and square shapes developed by your company will be required in large numbers for office and commercial applications.

IP Protection:

Your company is taking the necessary steps to protect its intellectual property pertaining to LED Display and Lighting products through applying for Patents, Design Registrations, Trade Marks and Copy Rights both in India and Abroad. In the year 2010-11, fresh applications are made for 7 Patents, 8 Design Registrations, 16 Trade Marks(in India), 1 Trade Mark in USA and 1 Copy Right. Cumulatively the company has received 25 Design registrations, 12 Trade Marks in India, 4 Trade Marks in USA and 2 Copy Rights. As of now, there are applications pending for 25 Patents, 10 Design Registrations, 46 Trade Marks in India, 2 Trade Marks in USA and 5 Copy Rights.

OEM Supplies:

You will be happy to note that your company has been selected, after thorough evaluation, by a leading Japanese Electronic company for the supply of Solar Powered Lanterns on OEM basis for International marketing.

Another Internationally renowned lighting major is working with MIC for forging an OEM relationship for grid based indoor lights.

These relationships are expected to greatly help your company not only in terms of business expansions but also in improving the quality and reliability of your company's products in addition to providing very valuable international exposure.



Customer confidence:

The massive and complex display system supplied for a mission critical and world class theatrical application has been performing for over an year without any problems to the full satisfaction of the customer. You will be happy to note that your company has received repeat orders from the customer for similar applications.

The display systems being supplied for Railway Passenger information applications are proving increasingly popular and repeat orders are being received by your company from several Railway sub-divisions for similar systems. Your company continues to be the only company to have been accorded RDSO approval for these products. Business



potential for these products is expected to be of substantial size in the years to come.

In the domain of Lighting, your company has added about 50 new customers for its off grid and grid based products. The customer confidence in your company is reflected in the fact that about 30 customers have placed repeat orders for several types of lighting products. All these customers are from prestigious Public sector and Private sector companies and renewable energy organisations. Acting on the feed back obtained through trial marketing, your company has been continuously improving its products and thereby is able to increase its customer base. MIC's clientele for its lighting products include Automobile Companies, Defence Laboratories, Oil Refineries, Space



Organisations, Ware Houses, Ordnance Factories, Electricity Corporations, Aeronautical Establishments, Heavy Machinery Manufacturers, Electronic Companies, Educational Institutions, Renewable Energy Establishments, FMCG Companies, Premier Hotels, Infrastructure Companies, Coal Companies, SEZs, Electricity Generation and Transmission Companies, Steel Manufacturing Companies and so on.

MIC continues to enjoy the part one supplier status with respect to emergency lights for Railways. Your company is still the only company in the country in possession of RDSO approval for supply of LED lights for Railway coaches. The coach fitted with MIC's LED lighting products, has successfully completed trials over a two year period. The potential for this business is reflected in the build up of several players competing for the business.

International Opportunities:

The display products supplied to USA for sporting applications are proving popular and your company expects to achieve a preferred vendor status from the buyer to become eligible for the receipt of

continuous order for increased number of display boards. The supplies of Variable Message Sign Boards to Australia for transportation applications are also on the increase.

The LED lighting products of your company are also gaining acceptance in the International markets. MIC is targeting to increase its volume of business in both Display and Lighting domains by laying special and focused emphasis on export of its products especially to USA, Europe and Australia. Your company's endeavour will be on raising the quality and reliability standards of its products to acceptable international levels and obtaining the needed approvals and certifications from the appropriate authorities. This will be the immediate priority of your company. MIC's targeted business will be through high quality premium products rather than low quality inexpensive products.

Expansion of Lighting Operations:

You will be happy to note that considerable progress is achieved in your company's plans to expand the lighting operations. The project on the Outer Ring Road near

International Airport, Hyderabad has moved forward considerably. The land allotment has been made and the financial closure for the project has also been effected by the Financial Institutions. MIC expects to create a world class, integrated, manufacturing, evaluation and testing facility with high degree of automation to turn out a variety of LED Lighting products - concurrent with setting up of the needed infrastructure for marketing, support and servicing activities.

Vast Business Opportunities:

LED technology is the technology of future in the domain of Lighting because of the tremendous scope it offers for energy conservation. India will not lag behind the advanced countries in opting for LED lighting solutions for both Indoor and Outdoor applications. Since solar power and LED luminaires form an excellent technological fit, they will prove to be the ideal solution for creating rural lighting infrastructure in several parts of the country. By dint of the expertise generated and experience built up over a number of years, your company feels confident that it will play a leading role in the country in this domain.

In respect of the LED Display products, your company has distinct differentiators and USPs and can look forward to great business opportunities, not only in India but even in the advanced countries like USA and Australia. The work done so far and the success achieved provide your company the confidence and optimism for aiming at accelerated growth and profitability.

I thank all the shareholders for the confidence reposed in the company. I feel very certain that we will all grow together.

Warm regards,

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

NOTICE

NOTICE is hereby given that the 23rd Annual General Meeting of the Members of the Company will be held on Tuesday, the 27th December 2011 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 Audited Balance Sheet as at 30th June 2011 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 Yarlagadda Harish Chandra Prasad 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. Pavuluri & Co, Chartered Accountants, Hyderabad (Registration No. 012194S) be and are here by 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 as shall be fixed by the Board of Directors."

Special Business:

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Shri Daggubati Venkateswara Rao, who was appointed as an Additional Director of the Company w.e.f. 10th August, 2011 and who is eligible to hold office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

6. Increase in Authorised Share Capital :

To consider and if thought fit, to pass with or without modification, the following resolutions as an Ordinary Resolution.

"RESOLVED THAT pursuant to provisions of sections 94, 97 and other applicable provisions, if any Companies Act, 1956, the Authorised Share Capital of the company be and is hereby increased from Rs. 30,00,00,000 (Rupees Thirty Crores only) divided into 15,00,00,000 (Fifteen Crores) Equity

Shares of Rs. 2/- (Rupees Two Only) to Rs. 40,00,00,000 (Rupees Forty Crores Only) divided into 20,00,00,000 (Twenty Crores) Equity Shares of Rs. 2/- (Rupees Two Only) i.e., Rs. 10,00,00,000 (Rupees Ten Crores Only) by creation of 5,00,00,000 (Five Crores) Equity Shares of Rs. 2/- (Rupees Two only) each, with a power of company to increase, reduce or modify the capital and to divide all or any of the shares in the capital of the company, for the time being, and to classify and reclassify such shares of one class into shares of other class or classes and to attach thereto respectively such pre deferred, qualified or other special rights, privileges, conditions or restrictions as may be determined company in accordance with the Articles of Association of the company and to vary, modify or abrogate such rights, privileges, conditions or restrictions, in such manner and by such persons as may, for the time being may be permitted under the provisions of the Articles of Association of the company or legislative provisions for the time being in force in that behalf."

7. Alteration in the Clause No. V of the Memorandum of Association:

To consider and if thought fit, to pass with or without modification, the following resolutions as an Ordinary Resolution.

"RESOLVED THAT the existing Clause V of the Memorandum of Association of the Company be substituted by the following new Clause:

- V. The Authorised Share Capital of the Company is Rs.40,00,00,000 (Rupees Forty Crores only) divided into 20,00,00,000 (Twenty Crores) Equity Shares of Rs.2/- (Rupees Two only) each with a power to increase and reduce the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company for the time and to vary modify or abrogate any such rights privileges or conditions in such manner as may be permitted by the Companies Act or provided by the regulations for the time being. "

8. Amendment to Employees Stock Option Plan 2010 (ESOP - 2010):

To consider and if thought fit, to pass with or without modification, the following resolutions 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 amend the Employees Stock Option Plan, 2010 (hereinafter referred to as "ESOP-2010") to modify the total aggregate Stock Options granted to 60,00,000 from the earlier approved limit of 25,00,000 and also the Exercise Price of the option as Rs. 4/- per option as to be granted under the said scheme and all other terms of the said scheme continue as unchanged."

9. Extending benefits of (ESOP-2011) to employees of Subsidiary Companies:

To consider and if thought fit, to pass with or without modification, the following resolutions 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 modification in 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."

10. Remuneration to Shri Atluri Venkata Ram, CEO:

To consider and if thought fit, to pass with or without modification, the following resolutions as a Special Resolution:

"RESOLVED THAT the board do hereby accord its approval, subject to the consent of the shareholders, pursuant to sections 198, 269, 309, 310, 311 and

other applicable provisions of the Companies Act, 1956, (the Act) read with Schedule XIII thereto, consent of the shareholders of the company be and is hereby accorded to the appointment of Shri Atluri Venkata Ram as Executive Director and Designated as CEO of the Company for a Period of five years with effect from 29th November 2011 on the following terms and conditions with the liberty to the board to alter and vary the terms and conditions of the said appointment and/or the remuneration, subject to the same not exceeding the limits specified in schedule XIII of the Companies Act, 1956 including any statutory modifications or reenactment thereof for the time being in force or as may be hereafter be made by the central government in that behalf from time to time or amendments thereto."

Remuneration:

1. Basic Salary: Rs. 2.5 lacs per month.
2. Permitted to operate from USA and India for global operations.
3. He shall be entitled to the following perquisites:
 - a. Medical Reimbursement / Allowance for self & family total cost of which to the company shall not exceed Rs. 6 lacs in a

NOTICE

year or Rs. 18 lacs over a period of three years.

- b. Leave travel concession / Allowance for self & family once in a year either in India or abroad, equivalent to and limited to Rs. 5,00,000.
- c. Fees of clubs inclusive of admission and life membership fee, subject to a ceiling of Rs. 6 lacs per annum.
- d. Leave Encashment: Earned leave with full pay and allowances as per the rules of the company. Leaves accumulated but not availed of during his tenure will be allowed for encashment.

- e. Contributions to Provident fund, Superannuation Fund or Annuity Fund are as per the rules of the Company and to extent these either singly or put together are not taxable under the Income-tax Act, 1961.
- f. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- g. Free use of Company's car with driver.
- h. Free communication facilities like telephone / Mobiles / Fax at residence.

- I. Reimbursement of expenses actually incurred by him for the business of the company.

- K. Provide Tax protection from India/US dual taxation.

By order of the Board
For MIC Electronics Limited

Sd/-

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

Place: Hyderabad

Date: 29.11.2011

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 authorized 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 21st December 2011 to 27th December 2011 (both days inclusive) for the Annual 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) Documents referred to in the accompanying Notice and Explanatory Statement is available for inspection at the Registered Office of the Company during office hours between 9.30 a.m. to 6.00 p.m. on all working days prior to the date of the Annual General Meeting.

- g) 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.

- h) 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.

- i) Pursuant to provisions of Sec 205C of the Companies (Amendment) 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.

- j) 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.
- k) 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

The Members are informed that the Board has appointed Dr. Daggubati Venkateswara Rao as an Additional Director of the Company on 10th August, 2011. According to the provisions of Section 260 of the Companies Act, 1956 and Articles of Association of the Company, he holds office as Director only upto the date of the ensuing Annual General Meeting of the Company. In accordance with the provisions of the Companies Act, 1956, his name has been proposed for appointment as Director of the Company.

Dr. Daggubati Venkateswara Rao is having good knowledge & experience with administrative skills. So his expertise and extensive involvement would certainly benefit the Company at large.

Hence, your Directors recommend acceptance of the proposed Resolutions in the best interest of the Company.

Item No. - 6 & 7

The present Authorised Share Capital of the Company is Rs. 30,00,00,000 (Rupees Thirty Crores). In view of the proposal for issue further Shares, it is proposed to increase the Authorised Share Capital of the Company from Rs. 30,00,00,000 (Rupees Thirty Crores only) divided into 15,00,00,000 (Fifteen Crores) Equity Shares of Rs. 2/- (Rupees Two Only) to Rs. 40,00,00,000 (Rupees Forty Crores Only) divided into 20,00,00,000 (Twenty Crores) Equity Shares of Rs. 2/- (Rupees Two Only) i.e., Rs. 10,00,00,000 (Rupees Ten Crores only) by creation of 5,00,00,000 (Five Crores) Equity Shares of Rs. 2/- (Rupees Two only) each.

The Board of directors at their meeting held on approved the proposal for increase in Authorised Share Capital of the Company and consequent amendments to the Memorandum and Articles of Association of the Company.

Increase in Authorised Share Capital would necessitate to amendment Clause V of the Memorandum of Association of Company and would require member's approval by passing a Special Resolution.

None of the directors may be considered to be interested or concerned in this Resolution.

Item No. - 8 & 9

The Company grew exponentially across the past decade owing to the wholehearted support,

commitment and teamwork of its personnel. The Shareholders have approved the Employee Stock Option Plan 2010 at the Last Annual General Meeting held on 30th December, 2010. As per the Approved Scheme, the Grant Price was taken as Rs. 6/- Per Option, however, subsequent to the Market Conditions, the Company proposes to increase the ESOP 2010 Pool from the earlier limit of Rs. 25,00,000 option to Rs. 60,00,000 Options and also make the Scheme Effective and attractive to the Employees, by changing the Grant Price to Rs. 4/-. As it proposes to modify the terms of the Existing Scheme, the Consent of the Shareholders is required to pass the proposed resolution as Special Resolution.

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.

Item No. - 10

Shri Atluri Venkata Ram was appointed as an Executive Director on the Board of the Company on 29th November 2011. In order to benefit from his experience and avail his expert advice, Board of Directors of the Company has co-opted him on the Board. Shri Atluri Venkata Ram holds office only till the commencement of 23rd Annual General Meeting of the Members of the Company. The Company has received a notice under

➤ NOTICE

section 257 of the Companies Act, 1956 proposing his candidature as a Director along with the requisite deposit. The Board of Directors recommends his appointment.

Shri Atluri Venkata Ram received his undergraduate degree from Andhra University, Waltair and graduate degree from Oregon State University, USA. He is proficient in Telugu, English and Japanese.

Shri Atluri Venkata Ram has diverse technical, management and entrepreneurial experience in India, USA and Japan. He began his career with ONGC, Baroda.

Subsequently he moved to USA to complete his graduate degree in Computer Architecture. He spent 5 years at National in Various design roles and 7 years at Cadence design systems in various business and management roles. He was the founder and CEO of Taranti, Inc. a design services company in USA.

He holds 2 US patents on FPGA architecture derived from his early innovations on National's first FPGA family of devices. His current focus is on LED application and Energy Savings.

None of the Director except Shri Atluri Venkata Ram is interested or concerned in this item

By order of the Board
For MIC Electronics Limited

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

Place: Hyderabad
Date: 29.11.2011

BRIEF PROFILES OF DIRECTORS SEEKING RE-ELECTION

Item No's. 3, 4 & 5:

| Name of the Director | Shri Yarlagadda Harish Chandra Prasad | Shri N Srinivasa Rao | Dr. Daggubati Venkateswara Rao |
|-----------------------------------|--|--|--------------------------------|
| Date of Birth | 24-10-1959 | 25-07-1953 | 14-12-1953 |
| Date of Appointment | 27-12-2006 | 04-12-2004 | 10-08-2011 |
| Qualification | Bachelor of Engineering (Mechanical), First class with distinction from Osmania University College of Engineering, Hyderabad in 1982 & Master's course in Computers and Information Sciences from Brooklyn College of the City University, New York in 1984. | Double Post Graduate in Public Administration and Politics from Andhra University. | M.B.B.S |
| Relationship with other Directors | None | None | None |
| Directorship in Other Companies | 25 | 1 | 3 |

To
The Members,
MIC Electronics Limited

Your Directors have pleasure in presenting the 23rd Annual Report on the business and operations of the Company along with the Audited Balance Sheet and Profit & Loss Account for the year ended 30th June 2011.

FINANCIAL RESULTS

Financial Results of the Company for the year under review alongwith the figures for previous year are as follows.

| Rs. In Crores | | |
|---|---------|---------|
| Particulars | 2010-11 | 2009-10 |
| Net Sales / Income from Operations | 230.16 | 231.64 |
| Other Income | 3.51 | 2.30 |
| Total income | 233.67 | 233.94 |
| Profit before interest, depreciation & tax | 61.10 | 73.74 |
| Less : Interest | 14.60 | 8.26 |
| Depreciation | 6.16 | 2.99 |
| Profit before Tax | 40.34 | 62.49 |
| Add : a) Excess provision in previous year written back | 1.13 | 0.00 |
| b) Deferred Tax Asset | 0.77 | 0.82 |
| Less : Provision for current year income-tax | 8.04 | 9.31 |
| Net Profit after Tax | 34.20 | 54.00 |
| Add : Balance Carried from Profit & Loss A/c | 207.79 | 159.76 |
| Less : Provision after tax and adjustments | 0.00 | 0.97 |
| Net Profit after tax and adjustments | 241.99 | 212.79 |
| Dividends | 0.00 | 0.00 |
| Transfer to General Reserve | 0.00 | 5.00 |
| Balance Carried to the Balance Sheet | 241.99 | 207.79 |
| EPS - Basic | 3.34 | 5.17 |
| Diluted | 2.92 | 4.53 |

Dividend

For the financial year 2010-11 Company didn't declare any Dividend.

Review of Operations

During the year 2010-11 the turnover is marginally decreased by 1.48 crores. The Company is taking steps to strengthen its position in the fields of LED Products.

Following are the results of operations for the financial year 2010-11.

Revenues : 233.67 Crores

Profits : 34.20 Crores

Transfer to Reserves

The Company has not transferred any amount to the general reserve out of the amount available for appropriations.

Consolidated Financial Statements

The audited stand alone and Consolidated Financial Statements of the company which form part of the annual report have been prepared in accordance with the provisions of the Companies Act, 1956, the Listing Agreement, the Accounting Standards (AS-21) on Consolidated Financial Standard and the Accounting Standard (AS-23) on Accounting for Investments in Associates.

Transfer to the Investor Education and Protection Fund

In terms of Section 205C of the Companies Act, 1956, there is no due for remittance to the Investor Education and Protection Fund established by the Central Government.

Marketing and Export

Export prospects of the company are encouraging during the year. Your directors are positive towards the future growth.

Contract of Manufacturing Activities

Your Company is towards expansion of its business activities. In order to expand the company has approached world renowned companies for doing contract manufacturing and the negotiations are in final stage.

Rating

Your Company has initiated rating exercise with CRISIL which is under process.

Subsidiaries

Ministry of Corporate Affairs vide General Circular No: 2 /2011, dated 08.02.2011 has granted approval that the requirement to attach various documents in respect of subsidiary companies, as set out in sub-section (I) of section 212 of the Companies Act, 1956, shall not apply to the Company. Accordingly, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. Financial information of the subsidiary companies, as required by the said order, is disclosed in the Annual Report. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company and its subsidiaries who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection by any investor at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include financial results of its subsidiary companies.

1. MIC Electronics Inc (USA)
2. Maave Electronics Private Limited (India)
3. MIC Green Energy Solutions Private Limited (India)
4. MIC Candilux Private Limited (India)

Rights Issues

During the year under review, the Company didn't issue any Rights Issues.

Health, Safety And Environmental Protection

Your Company has complied with all the applicable environmental laws and labour laws. The Company continues to be certified under ISO-14001 for its environment management system. The Company has been complying with the relevant laws and has been taking all necessary measures to protect the environment and maximise worker protection and safety.

Your Company is having status of ISO 9002 Certification, which is internationally recognised for the production, quality control and other qualities. The scope of certificate is design, manufacture, supply, installation and commissioning of fluid couplings and flexible fluid couplings. The ISO certification will give international recognition and will help boost export turnover.

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

The Company had established MIC Electronics Limited Employees Welfare Trust in 2005 to create Employee Stock Option Plan.

On 12th August 2006, the Shareholders approved that ESOP to issue 4500000 (Face Value Rs.2/-) stock options of the Company to its employees through the trust.

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, the details of stock options as on 30th November 2010 under the MIC Electronics Ltd Employees Stock Options Plan, 2006 are as under:

ESOP 2006 scheme was ended on 24/10/09; However

7,49,100 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 in general.

Directors

In accordance with the provisions of the Companies Act, 1956 read with the Articles of Association of the Company, Shri Yarlagadda Harish Chandra Prasad and Shri N. Srinivasa Rao Directors of the company will retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

Changes in Directorate

The Board consists of executive and non-executive directors including Non-Independent & independent directors who have wide and varied experience in different disciplines of corporate functioning has resigned. The valuable services rendered by them were appreciated by the directors of the Company.

Resigned Directors details are as follows.

| S.No. | Name of the Director | Category |
|-------|--|--------------------------------|
| 1 | Shri Vidya Sagar Anisingaraju (Resigned with effect from 6th January 2011) | Non-Independent, Non Executive |
| 2 | Shri Ranjan Kapur (Resigned with effect from 5th February 2011) | Independent, Non Executive |
| 3 | Shri Shrikant P Joshi (Resigned with effect from 8th November 2011) | Independent, Non Executive |

Dr. Daggubati Venkateswara Rao was appointed as an additional director by the Board w.e.f. 10th August, 2011 in the category independent director to broad base the Board of Directors and to comply with the requirement of Clause No. 49 listing agreement. The Company has received a notice in writing from members signifying his candidature in office of the director of the Company. Dr. Daggubati Venkateswara Rao is an independent director and the Board recommends his appointment to be ratified at the 23rd Annual General Meeting held on 27th December, 2011.

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 have been applied consistently, judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at 30th June 2011 and of the profit of the Company for the period ended 30th June 2011;
- III. proper and sufficient care is taken for the maintenance of 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 have been prepared for the year ended 30th June 2011 on a 'going concern' basis;

Auditor's and their Report

M/s. Pinnamaneni & Co., Chartered Accountants, statutory auditors of the Company retires at the conclusion of the ensuing Annual General Meeting and requested the Board not to consider them for re-appointment due to their pre-occupations. In this regard your Company proposes to appoint M/s. Pavuluri & Co. as Statutory Auditor of the company from the conclusion of 23rd Annual General Meeting till the conclusion of next Annual General Meeting.

M/s Pavuluri & Co. Chartered Accountants have confirmed that their appointment, if made, shall be in accordance with the provisions of Section 224(1)(b) of the Companies Act, 1956.

Insurance

The assets of the Company are adequately insured against the loss of fire, riot, earthquake, terrorism, loss profits, etc. and other risks which considered necessary by the management. In addition to this coverage, a statutory Public Liability Insurance Policy has been taken to cover by company for providing against the Public liability arising out of Industrial accidents for employees working in plants.

Deposits

There are no Fixed Deposits accepted by the Company in the financial year 2010-11.

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.

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.

Your Company is committed to good Corporate Governance Practices and following the guidelines prescribed by the SEBI and Stock Exchanges from time to time. The Company has implemented all of its major stipulations as applicable to the Company. The Statutory Auditor's Certificate dated 29th November, 2011 in accordance with Clause 49 of the Listing Agreement and report on Corporate Governance is annexed to and forming part of the Directors' Report.

Corporate Social Responsibility Voluntary Guidelines

The Ministry of Corporate Affairs has released a set of voluntary guidelines on Corporate Social Responsibility (CSR) in December 2010. The Company is proactively practicing the guidelines laid down. Some of the activities carried out by the Company as a part of its CSR initiatives are briefly described in the Annual Report the detailed Corporate Sustainability Report is also available on the Company's website.

Management Discussion And Analysis

A Management discussion and Analysis as required under the Clause 49 of the Listing Agreement is annexed and forming part of the Directors' Report.

Conservation of Energy, Research and Development, Technology Absorptions and Foreign Exchange Earnings and Outgo

The information pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required under section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given as given below and forms part of the Directors' Report.

Conservation of energy:

The operations of the Company are not energy intensive. However, adequate measures have been taken to conserve and reduce the energy consumption by using energy efficient hardware and other equipment. Air conditioners are used only when required and air-conditioned areas have been 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 organization, 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: 4.11 Crores

Outgo : 17.11 Crores

Listing Agreement Compliance

The Company being listed on both NSE & BSE is complying with all the requirements of the Listing Agreement. The following are the compliance to the Stock Exchanges during the Financial Year.

- 86,40,000 Preferential convertible Share warrants allotted as a part of 1,05,00,000 convertible warrants allotted on 21st January 2010 which were approved by the Members at the Extraordinary General Meeting held on 9th September, 2009 and pursuant to In-Principal approval received from BSE & NSE vide their letters dated 17th September 2009 and 8th January 2010 which were to be converted to Equity Shares on or before the 20th July 2011 were not exercised by the Warrant Holders. ; hence all the warrants were expired.
- 60,00,000 preferential convertible share warrants allotted on 20th April 2010 pursuant to members approval at the Extraordinary General Meeting held on 4th February 2010 and pursuant to In-principle approval received from BSE and NSE vide letters dated 2nd March 2010 and 6th April 2010 respectively. Which are to be converted into equity shares on or before 19th October, 2011 have not been exercised by the Warrant Holders; hence all the warrants were expired.

Reference to the above preferential convertible share warrants are not pending for Conversion.

The Company has paid Listing Fee for the Financial Year 2011-12 to each of the said stock exchanges and had currently complied with the conditions of the Listing Agreement.

Acknowledgment

The Directors take this opportunity to place on record their sincere thanks to analysts, Banks and Financial Institutions, Insurance Companies, Central and State Governments, 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 for 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.

By order of the Board
For MIC Electronics Limited

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

Sd/-
(L. N. Malleswara Rao)
Executive Director

Place: Hyderabad
Date: 29.11.2011



MANAGEMENT DISCUSSION AND ANALYSIS

MIC's Thrust Areas:

The thrust areas of MIC Electronics Limited are LED based Lighting Products for both Off-Grid and Grid based applications and True Colour LED Displays. Both the product streams are in Green field areas with tremendous potential for growth and nurturing excellence. In addition to offering great business opportunities, these product segments are eminently relevant to the country with a high degree of economic and social significance.

Light Emitting Diodes (LEDs), the Solid State Lighting (SSL) Devices, offer the electrical lighting market new and revolutionary light sources that save energy, and improvements effect in quality, performance and service. SSLs represent the fourth generation lighting technology and offer tremendous scope for energy savings ranging from 50-80% compared to different types of conventional luminaires. Lighting applications, therefore, will form a very major, if not the largest, segment in terms of LED based products.

It is reported that Lighting consumes, on an average about 27% of the electricity produced in the world. In advanced countries this percentage may be as low as 5% and in the under-developed countries it can be as high as 90%. In a country like India the percentage can range from 30-40%. Against this backdrop, LED Lighting with its spectacular potential for energy savings assumes tremendous importance for a country like India. Further, Solar panels and LED luminaires form excellent technological fit, since both are Solid State Devices and operate at low voltages.

The True Colour LED Displays offer Day Light visibility in both Indoor and Outdoor applications. In addition to finding applications in Sports coverage, Event Management, Mass Communications and other Commercial applications like Product Advertisements etc.,

which have essentially urban relevance, these displays will also be useful in the rural environments. Intelligent and effective content preparation will render Day Light visible LED Displays very useful for training, distance education, adult education and other applications covering domains like Agriculture, Health, Commodity Prices, Demand / Supply situations etc., relevant for the rural populace of the country. LED Displays offer effective solutions for image amplification to enable audiences to have enjoyable viewing experience with bright high quality picture resolution from long distances.

The product portfolio of MIC caters to all these applications and as such the company can confidently look forward to a bright and prosperous future, playing a lead role in the country in both these segments.

Large Business Potential for LED Products:

The application potential of LED products is such that the growth of the industry will take the same asymptotic path as in the cases of:

- Software Industry
- Mobile Communications
- e-banking and e-commerce
- Internet
- Office Automation and Process Computerisation

The phenomenal growth witnessed in all these areas has been a direct consequence of the globalization process witnessed in the last 2-3 decades.

Industry Perspectives: Lighting Products:

Epistar

Dr.Biing-Jye Lee, Chairman, Epistar Corporation, while predicting a Positive Outlook for LED Market with 30%

CAGR, in his presentation in the convention of Strategies in Light (China) - 2011 points out:

- Technology improvement, cost reduction, capacity build up and bin mixing know-how have been accumulated in the LED BLU penetration process.
- To open the new era for SSL, the Challenge focuses not only on lumens per Watt but also lumens per dollar.
- 500 lumens per dollar packaged device is a key milestone to push SSL into main stream and might be achieved in 2013.
- The LED lighting is coming.

Osram

Dr.Alfred Felder, President & CEO, Osram Opto Semiconductors Asia, Ltd. also reiterates similar views. The summary of his presentation in SIL China is as under:

- LED intrinsic benefits drive double-digit market growth.
- LED as fastest developing lighting technology so far.
- Long-term competitiveness determined by cost efficiency, quality & optimized fit to the application.
- Intelligent solutions comprising state-of-the-art LED, sensors and software will open up more and more entirely new applications.
- On top of this, continuously increasing light consumption requires long-term growth of production capacity.
- Currently, the LED market is the most interesting market to work in and for.

Philips

Dr. Piet Derks of Philips observes in SIL (China), that in



MANAGEMENT DISCUSSION AND ANALYSIS

respect of Lighting the future will be very different from the past. The points of LED Lighting will require many new capabilities:

1. LED knowledge (specification, measurement)
2. Quality of light (in design and over life)
3. Power electronics and software
4. Heat management
5. Reliability engineering
6. (micro) optics, lens design
7. Architectural design
8. Platform thinking
9. Configuration management
10. Serviceability
11. Connectivity, wireless communication
12. Sensors
13. Materials
14. New test methods for system releases
15. Standardization

The Paradigm shift in the entire manufacturing process of the LED Luminaires calls for lot of changes to be effected by the traditional lighting players and many legacy issues need to be overcome in the process. In respect of new entrants and small time players, the investments required and technologies to be mastered may prove to be beyond their capabilities.

LED Lighting - The Future of Lighting

The general consensus regarding the growth of the LED Lighting Industry is

1. Global population growth and urbanization increase the overall demand for lighting products. Lighting business is expected to touch US\$ 150 billion in 2020.
2. Governments around the world are forcing regulations for energy efficiency.

3. LED Technology - the 4th generation Technology in Lighting will transform the industry.
4. Costs are expected to come down by 30% per annum to make LED Lighting Technology affordable.
5. LED Lighting market will touch almost US\$ 90 billion by 2020 - close to 60% of the overall Lighting market.
6. Intelligent Lighting systems offer new growth opportunities.
7. General Lighting, Automotive Lighting and Back Lighting will be the 3 largest sectors in the Lighting market. Domestic and residential Lighting will account for largest percentage in the general lighting segment.
8. Acceptable pay back periods on investments for LED Lights average about 3 years in different application areas.
9. LED Lighting is expected to grow @ about 35% in the period 2010-16 and achieve a market share of 40% by 2016.

Considering the awareness levels achieved in the country and the focused concern of the Government in promoting energy efficient devices, estimates outlined above for the global market can be taken as relevant to India also.

Industry Perspectives: Display Products

The EDG Research and consulting study points out:

1. Continued transition from monochromatic to Full color displays.
2. Prices are down to the cost line for LCD and Plasma panel makers.
3. The shift continues towards Asia for production of displays or module panels.
4. The Sports market is continuing its trend toward saturation.

5. Commercial Market is the largest market.
6. By 2013 the World market is projected to grow to US\$ 4.3 billion.
7. Continued lower prices from Asian Manufacturers.
8. OEM sourcing will continue to increase.
9. Replacement cycle for full color LED video in Stadiums is 12.7 years.

MIC's USPs:

It can be seen that many attributes that are indicated as required for a successful LED Lighting company are resident in MIC. LED Lighting and Display products are essentially electronic products falling within the ambit of the expertise of MIC, which is essentially an electronics company with specialist skill centers in Power Electronics, Optics, Embedded Electronics, Mechanical Design, LED Drive Electronics, Thermal Design, Networking and Software Development.

The company is well versed in certification and approval procedures related to professional electronic equipment used by Railways and Telecommunications Department. MIC enjoys good techno commercial relationships with internationally renowned LED and Chip manufacturers, equipment manufacturers and design companies. The company has excellent working relationships with Governmental organisations in India and good international networking.

Strengths in LED Lighting Products:

MIC's LED Lighting Product portfolio includes Grid based Outdoor Street Lights ranging from 18W - 150W, LED Bulbs, Tube Lights, Down Lights and Area Lights to cater to Indoor Lighting applications and a range of other products for Special purpose lighting applications like in Architectural

➤ MANAGEMENT DISCUSSION AND ANALYSIS

Lighting, Vinyl Board Back Lighting, Hoarding Lighting and Refrigerator Lighting etc. The Solar powered lighting range includes outdoor lighting products, Home Lighting products and Portable Lanterns. Emergency Lights and Coach Lighting products for Railways are the other important off-grid LED Lighting products.

MIC's Coach Lighting products have successfully undergone trials over a two year period and have been cleared for induction into service by the competent authorities.

Extensive experience gained in the trial marketing of a variety of products in multiple application segments, including in advanced countries like USA and Australia provide MIC the confidence to play a leading role in the LED Lighting market not only in the country but also abroad in select countries like USA and Australia.

Broad based expertise in all relevant areas in the Design and Development of LED Lighting Products equip MIC to customise Special purpose and application specific products for the customers. Such customization, if required to be done by Multi National Corporations (MNCs), will be a very costly proposition. This ability will be a definite strength of MIC.

Strengths in LED Display Products:

- Only Company in the country to have design to manufacturing capabilities in the field of True Colour LED Video Display Systems
- Extensive software and hardware capabilities provide uniqueness to MIC to Design and manufacture state-of-the-art and complex display products with internationally competitive price - performance capability

- MIC's Outdoor Displays have been performing in India in environmentally stringent conditions and under widely fluctuating power conditions
- Range of Outdoor Displays - 6mm to 40mm
- Range of Indoor Displays - 3mm to 15mm
- Extensive hands on experience in Display products for over 25 years
- Competent and comprehensive D&D capabilities
- Reliability of Products matches the best in the World
 - ⊙ 350 Sq.mtrs of mission critical - online display system has been performing for over an year without a single failure in a very prestigious theatre application, Nautanki, in the Kingdom of Dreams.
 - ⊙ It is actually MIC Displays which were deployed in the Delhi Commonwealth Games.
- MIC Displays exported to Dubai, South Africa, Sri Lanka, Australia, USA, South America and Europe.
- Aaren Initiative, the outdoor advertising firm, have won the Golden award for the year 2011 for their campaign on Nokia E7 deploying MIC's outdoor display system.
- Indian Railways have commissioned more than 70 Passenger Information Systems deploying MIC's true Colour displays based on SIMRAN technology.
- Started manufacturing of outdoor displays with Chip LEDs leading to improved resolution, enhanced reliability and higher productivity in manufacturing.
- Development work in advanced stages with respect to 3D Displays

MIC's in-depth knowledge and hands on experience for over 25 years in the field of Displays provide the company a distinctive competitive edge with respect to competing imported products which are characterised by total disconnect between the manufacturer and the end user. MIC's presence in the country and the assured post sale support will be highly valued by the end users.

The growing economy and spending power in India, emergence of a number of TV channels, increased sports activity in the country and the realization of the importance of mass communications through visual media will be the contributing factors for increased revenues from the True Colour LED Display products and are expected to touch business levels of Rs.300 - 400 Cr, in the coming couple of years, in the display segment covering special and general purpose applications.

Need to be Global:

In the face of severe competition that has already been built up, price - demand elasticity will dictate business opportunities. In the domain of LED Lighting, the efficacy expressed as lumens per watt will give place to price performance factor like lumens per dollar. Significant price reductions are possible only when substantial volumes can be built up. Development and manufacture of truly world class products becomes mandatory even to succeed in the domestic market. Manufacture of world class products calls for substantial investments which can be justified only when sizeable exports can be achieved. Quality and Reliability of products established through needed approvals and certifications become mandatory for success in Global market. MIC is consciously working in this direction.

➤ MANAGEMENT DISCUSSION AND ANALYSIS

Gaps to be filled:

In order to exploit the huge opportunities that lie ahead both in the Lighting and Display segments, MIC needs to bridge several gaps and overcome certain organisational weaknesses. This process will essentially imply creation of capacities for large scale manufacture of lighting products with substantial degree of automation both for production and testing; creation of nation wide network of service and support functions including retainer services; strengthening the dealer distribution network; implementation of appropriate systems and procedures to adhere to deadlines and gain customer confidence obtaining the needed approvals and certifications for becoming eligible to address National and International business opportunities; making the necessary financial arrangements to handle ESCO businesses in public lighting and systematically protecting the Intellectual Property of the company etc. MIC is taking the necessary steps to address all the issues outlined.

Government Support:

The synergy between Industry and Government as is being witnessed in countries like Japan, USA, Europe, Korea, Taiwan and China is mandatory for the nurturing and growth of the Industry. The initiative taken by DIT for the advancement of LED technology in the country is laudable and the Indian Industry will certainly benefit with the encouragement from the Government.

Accelerated promotion of applications of LED Products will be highly dependent on price-demand elasticity, in addition to quality and reliability of the products. Training of the Indian partners by the collaborators in different facets of manufacturing and testing will be highly beneficial to the Indian Industry. Like in the case of Korea and Japan, permeation of quality will be through proximity influence and induction. Suitable mechanisms for this are needed to be established.

Rapid growth of the Industry will be linked to the availability of:

- State of the art Infrastructure
- Minimal cost of capital
- Business friendly policies of Government
- Availability of support Industries
- Concessionary tariffs and incentives

Based on the hard work done so far and the encouragement being given by the Government to promote the Industry, MIC can look forward to a challenging and prosperous future in the years to come.

By order of the Board
For MIC Electronics Limited

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

Place: Hyderabad
Date: 29.11.2011



REPORT ON CORPORATE GOVERNANCE (Pursuant to Clause 49 of the Listing Agreement)

1) Company Philosophy On Corporate Governance

MIC management continues to strive for excellence in Good Corporate Governance and Responsible Management Practices, benchmarking with best of global companies.

Your company believes that for a company to be successful it must maintain global standards of corporate conduct towards its stakeholders. The company believes that it is rewarding to be better managed and governed and to identify its activities with national interest. To that end, your company has always focused on good corporate governance which is the key driver of sustainable corporate growth and long term value creation.

Your company views corporate governance in its widest sense almost like a trusteeship, a philosophy to be progressed, a value to be imbibed and an ideology

to be ingrained into the corporate culture.

It is not merely compliance and simply a matter of creating checks and balances; it is an ongoing measure of superior delivery of company's objectives with a view to translate opportunities into reality. It involves leveraging its resources and aligning its activities to national need, shareholders benefit and employee growth, thereby delighting all its stakeholders, while minimizing the risks. The primary objective is to create and adhere to a corporate culture of conscience and consciousness, transparency and openness, fairness, accountability, propriety, equity, sustainable Value Creation, ethical practices and to develop capabilities and identify opportunities that best serve the goal of value creation, thereby creating an outperforming organization.

2) Board Of Directors

Composition and size of the Board:

The company's Board of Directors comprises Ten Directors including Two Executive Directors and Eight Non-executive Directors. The names and categories of the Directors on the Board and also the number of Directorship and committee memberships held by them in other Companies are given below.

Presently, the Board of Directors comprises Eight Directors out of which two of them are Executive Directors and the Six are Non-executive & Independent Directors.

The Board of Directors of the Company has an optimum combination of Executive, Non-Executive and Independent Directors. The Board has no Institutional Nominee Directors.

According to Clause 49, if the Chairman is Executive Director, at least one half of the Board should consist of non-executive, Independent Directors. As provided below shows, this provision is met at MIC.

| S.No. | Name of the Director | | Category |
|-------|--------------------------------|--|-------------------------------------|
| 1 | Dr. M V Ramana Rao | | Promoter, Executive Director |
| 2 | Shri Somendra Khosla | | Independent, Non Executive |
| 3 | Shri N Sreenivasa Rao | | Independent, Non Executive |
| 4 | Shri Y Harish Chandra Prasad | | Independent, Non Executive |
| 5 | Shri L N Malleswara Rao | | Non-Independent, Executive Director |
| 6 | Shri Atluri Venkata Ram | | Non-Independent, Non Executive |
| 7 | Shri Anil Goyal | | Independent, Non Executive |
| 8 | Dr. Daggubati Venkateswara Rao | (Appointed with effect from 10th August, 2011) | Independent, Non Executive |
| 9 | Shri Vidya Sagar Anisingaraju | (Resigned with effect from 6th January 2011) | Non-Independent, Non Executive |
| 10 | Shri Ranjan Kapur | (Resigned with effect from 5th February 2011) | Independent, Non Executive |
| 11 | Shri Shrikant P Joshi | (Resigned with effect from 8th November 2011) | Independent, Non Executive |

REPORT ON CORPORATE GOVERNANCE

No. of Board Meetings held and Attendance of Board Meetings:

During the year Five Board Meetings were held from 1st July 2010 to 30th June 2011.

The Dates on which the Board Meetings were held are: 31-Jul-10, 27-Oct-10, 30-Nov-10, 7-Feb-11, and 14-May-11

Attendance of Directors in the above said meetings:

| S.No | Director | Attendance Particulars | |
|------|---|------------------------|----------|
| | | Board Meeting | Last AGM |
| 1 | Dr. M V Ramana Rao | 5(5) | Yes |
| 2 | Shri Somendra Khosla | 1(5) | No |
| 3 | Shri N Sreenivasa Rao | 5(5) | Yes |
| 4 | Shri Y Harish Chandra Prasad | 2(5) | No |
| 5 | Shri L N Malleswara Rao | 5(5) | Yes |
| 6 | Shri Atluri Venkata Ram | 2(5) | No |
| 7 | Shri Anil Goyal | 4(5) | No |
| 8 | Shri Vidya Sagar Anisingaraju (Resigned with effect from 6th January 2011) | 0(5) | No |
| 9 | Shri Ranjan Kapur (Resigned with effect from 5th February 2011) | 0(4) | No |
| 10 | Shri Shrikant P Joshi (Resigned with effect from 8th November 2011) | 0(5) | 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 as on 30.06.2011:

| S. No | Director | Category | Other Director-ship | Committee Member ship | Committee Chairman ship |
|-------|---|-------------------------------------|---------------------|-----------------------|-------------------------|
| 1 | Dr. M V Ramana Rao | Promoter, Executive Director | 10 | 1 | - |
| 2 | Shri Somendra Khosla | Independent, Non Executive | 1 | 1 | - |
| 3 | Shri N Sreenivasa Rao | Independent, Non Executive | 1 | 2 | 1 |
| 4 | Shri Y Harish Chandra Prasad | Independent, Non Executive | 25 | 2 | 1 |
| 5 | Shri L N Malleswara Rao | Non-Independent, Executive Director | - | 1 | - |
| 6 | Shri Atluri Venkata Ram | Non-Independent, Non Executive | 3 | - | - |
| 7 | Shri Anil Goyal | Independent, Non Executive | 23 | 1 | 1 |
| 8 | Shri Vidya Sagar Anisingaraju (Resigned with effect from 6th January 2011) | Non-Independent, Non Executive | - | - | - |
| 9 | Shri Ranjan Kapur (Resigned with effect from 5th February 2011) | Independent, Non Executive | 13 | 1 | 1 |
| 10 | Shri Shrikant P Joshi (Resigned with effect from 8th November 2011) | Independent, Non Executive | 3 | - | - |

3) Board Committees

The Company has the following standing committees on the Board

A) 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.

- Overseeing financial reporting processes and the disclosure of financial information, to ensure that the financial statements are correct, sufficient and credible.
- Recommending to the Board, audit fees payable to Statutory Auditors.
- Reviewing with management, the periodic financial statements/results before submission to the Board.
- Reviewing with the management, Statutory Auditors, Government Audit and Internal audit reports, adequacy of internal control systems and recommending improvements to the management;
- 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.
- Discussion with internal auditors any significant findings and follow-up thereon.
- 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;
- 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.
- Reviewing the Company's financial and risk management policies.
- Reviewing Quarterly Compliance Report confirming adherence to all the applicable laws, rules, guidelines, instructions and internal instructions/manuals including on Corporate Governance principles.
- Matters relating to Corporate Governance including Ethics in business.
- Minutes of the meetings of the Audit Committee are approved by the Chairman of the Committee.

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 | Member | Independent Director | Business |

The Audit Committee consists of Three Independent, Non-executive Directors and one Executive Non Independent Director who are financially literate as required by Clause 49. Moreover, the Audit Committee has members who have accounting or related financial management expertise.

Audit Committee Meetings and Attendance:

During the year 5 Audit Committee Meetings were held from 1st July 2010 to 30th June 2011.

The Dates on which the Audit Committee Meetings were held are: 31-Jul-10, 27-Oct-10, 17-Nov-10, 7-Feb-11 and 14-May-11

| Sr. No | Director | No. of Meeting Attended |
|--------|----------------------|-------------------------|
| 1. | Shri Anil Goyal | 5(5) |
| 2 | Shri Somendra Khosla | 1(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.

4) Subsidiary Companies:

- MIC Electronics Inc (USA)
- Maave Electronics Private Limited (India)
- MIC Green Energy Solutions Private Limited (India)

The Details of aforesaid Subsidiary Companies as required in accordance with Clause 49 of the Listing Agreement are provided in the Directors Report.

REPORT ON CORPORATE GOVERNANCE

5) Remuneration Committee

The company's remuneration committee determines the company's policy's 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 & 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 |
| Shri N Srinivasa Rao | Member | Independent Director | Business |

Remuneration Committee Meetings and Attendance:

During the year 1 Remuneration Committee Meetings were held from 1st July 2010 to 30th June 2011.

The Dates on which the Remuneration Committee Meetings were held are: 30th November, 2010

| Sr. No | Director | No. of Meeting Attended |
|--------|-------------------------------|-------------------------|
| 1. | Shri Y. Harish Chandra Prasad | 1(1) |
| 2 | Shri Anil Goyal | 1(1) |
| 3. | Shri Somendra Khosla | 0(1) |
| 4. | Shri N Srinivasa Rao | 1(1) |

Details of remuneration paid to the Executive Directors during the year 2010-11 are given below:

| Name of the Director | Relationship with other Directors | Business Relationship with company if any | Loans and advances from company | Total Remuneration (Rs.) |
|-------------------------|-----------------------------------|---|---------------------------------|--------------------------|
| Dr. M V Ramana Rao | None | None | None | 22,30,062 |
| Shri L N Malleswara Rao | None | None | None | 9,72,986 |

Non-Executive Directors Compensation:

As per the Provisions of Clause 49, the Company has not paid any compensation to non-executive Directors other than Sitting Fee for attending the Board Meeting. The Company has not issued any Stock Options to any Non-executive Directors, during the period under Review.

6) Sharehodlers's Transfer & Grievance Committee:

Committee specifically looks into redressing of shareholders' and investors' 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 & Designation of the Compliance officer: Vijay Kumar Naidu Ch.
Head Legal & Company Secretary
Email id for Investor Grievances: investors@mic.co.in

REPORT ON CORPORATE GOVERNANCE

Number of shareholders complaints received so far.

During the year, the Company has received 44 complaints and all are resolved and there are no complaints pending as on 30th June 2011.

During the year 2 Investor Grievance Committee Meetings were held from 1st July 2010 to 30th June 2011.

The Dates on which the Investor Grievance Committee Meetings were held are: 31st July 2010 and 7th February, 2011

Attendance of Directors in the above said meetings:

| Sr. No | Director | No. of Meeting Attended |
|--------|-------------------------------|-------------------------|
| 1. | Shri N. Srinivasa Rao | 2(2) |
| 2 | Shri Y. Harish Chandra Prasad | 0(2) |
| 3. | Shri L. N. Malleswara Rao | 2(2) |

The details of shares held by the Directors as on 30th June, 2011

| S. No | Director | Category | No. of Shares | % of Holding |
|-------|--|-------------------------------------|---------------|--------------|
| 1 | Dr. M V Ramana Rao | Promoter, Executive Director | 14262955 | 13.92% |
| 2 | Shri Somendra Khosla | Independent, Non Executive | NIL | |
| 3 | Shri N Sreenivasa Rao | Independent, Non Executive | 65 | 0.00% |
| 4 | Shri Y Harish Chandra Prasad | Independent, Non Executive | 750000 | 0.73% |
| 5 | Shri L N Malleswara Rao | Non-Independent, Executive Director | 124234 | 0.12% |
| 6 | Shri Atluri Venkata Ram | Non-Independent, Non Executive | 1052255 | 1.03% |
| 7 | Shri Anil Goyal | Independent, Non Executive | 1100 | 0.00% |
| 8 | Shri Vidya Sagar Anisingaraju (Resigned with effect from 6th January 2011) | Non-Independent, Non Executive | 648185 | 0.63% |
| 9 | Shri Ranjan Kapur (Resigned with effect from 5th February 2011) | Independent, Non Executive | 172500 | 0.17% |
| 10 | Shri Shrikant P Joshi (Resigned with effect from 8th November 2011) | Independent, Non Executive | 100000 | 0.10% |

7) Details of General Body Meetings:

Location and time of the last three AGM's.

| Financial Year | Date & Time | Venue | Nature of special resolutions, if any passed |
|----------------|-----------------------|--|--|
| 2009-2010 | 30-12-2010, 11.00.A.M | A-4/II, Electronic, Complex, Kusaiguda, Hyderabad-62 | Inserting of Corporate Guarantee Clause in Articles of Association. Issue of shares to Employees through Employee Stock Option Plan - 2010. Issue of shares to Subsidiary Company Employees through Employee Stock Option Plan - 2010. |
| 2008-2009 | 30-12-2009, 10.00.A.M | A-4/II, Electronic, Complex, Kusaiguda, Hyderabad-62 | No special resolution passed |
| 2007-2008 | 27-12-2008, 11.00.A.M | A-4/II, Electronic, Complex, Kusaiguda, Hyderabad-62 | No special resolution passed |

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

8) 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 have been 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 have been set out in the Notes to the Accounts of the Audited Financial Statements for the financial years ended 30th June 2011.

- **Code of Conduct**

The Board has 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, which has been posted on the website www.mic.in

- **CEO/CFO Certification**

The CEO/CFO certification on the financial statements and other matters as required by Clause 49 of the Listing Agreement, the Certificate is contained in this report.

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

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

- **Proceeds from public issues, rights issues, preferential issues etc.**

During the period, the Company has not raised any proceeds from Public Issues, Right Issues, Preferential Issues.

- **Appointment of Directors**

The Information required for appointment/re-appointment or regularization of Directors at the ensuing Annual General Meeting, is provided along with the AGM Notice, explanatory Statement.

- **Compliance Reports:**

The Board has periodically reviewed the compliance reports of all laws applicable to the company, and there are no instances of Non-compliances.

- **Audit Qualifications:**

There are qualifications in the Financial Statements of the Company for year 2010-11 mentioned by the Auditor regarding depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees State Insurance and Income Tax.

- **Whistle Blower Policy:**

Though the Company does not have whistle Blower Policy, no person is denied access to the Audit Committee.

- **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.

9) 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 (English), Andhra Prabha (Telugu) and displayed on the Company's website www.mic.in

- **News Release, Presentation etc.:** The official news releases, detailed presentations made to media, institutional investors, financial analysis etc. 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

➤ REPORT ON CORPORATE GOVERNANCE

is available. Full Annual Report, Quarterly Results, Press Releases, Products and Services etc. are also available on the web-site in a user-friendly manner.

- **Ministry of Corporate Affairs** as a 'Green Initiative in the Corporate Governance' has issued a Circular no 17/2011 on 21 April 2011, permitting companies to service delivery of documents electronically on the registered members'/ shareholders' email addresses under section 53 of

the Companies Act, 1956. The company is accordingly proposing to send documents, such as Notice calling the general meeting, audited financial statements, directors' report, auditors' report etc in electronic form on the email ids provided by the shareholders & made available by them to the company through the depositories. Shareholders desiring to receive the said documents in physical form will continue to get the same in physical form.

- The company also files the following information, statements, reports on the website as specified by SEBI:
- Full version of the annual report including the balance sheet, profit and loss account, directors' report and auditors' report, cash flow statement, half-yearly financial statement and quarterly financial statements.
- Corporate governance report.
- Shareholding pattern.

10. General Shareholder Information

| | |
|---|--|
| Date & Venue of AGM | 27th December 2011 at A-4/II, Electronic Complex, Kusaiguda, Hyderabad-500062 Andhra Pradesh |
| Financial Year | 1st July 2010 to 30th June 2011 |
| Tentative Calendar of Events for the FY 2011-2012 (July - June) | 1st Quarter ending 30th Sep 2011 - 12th November 2011 2nd Quarter ending 31st Dec 2011 - before 14th February 2012 3rd Quarter ending 31st Mar 2012 - before 15th May 2012 4th Quarter ending 30th Jun 2012 - before 15th August 2012 |
| Book Closure for AGM (Both days Inclusive) | 21st December 2011 to 27th December 2011 |
| Dividend Payment Date (if declared & approved) | NIL |
| Listing on Stock Exchanges | National Stock Exchange Ltd (NSE) Stock Code - MIC Bombay Stock Exchange Ltd (BSE) Stock Code - 532850 |
| Registrars & Transfer Agents (RTA) | Venture Capital and Corporate Investments Pvt. Ltd. 12-10-167, Bharatnagar, Hyderabad-500018, Tel: 040-23868257/258 |
| 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. |
| Dematerialization of shares | Company had Provided demat facility through National Securities Depository Ltd & Central Depository Services Ltd ISIN: INE287C01029 |
| CIN Number | L31909AP1988PLC008652 |
| Outstanding GDRs / ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity | NIL |
| Address for Correspondence | Vijay Kumar Naidu Ch, Company Secretary MIC Electronics Limited, A-4/II, Electronic Complex, Kusaiguda, Hyderabad-500062 Andhra Pradesh, cs@mic.co.in |

REPORT ON CORPORATE GOVERNANCE

Market Price data: High / Low during each month in the Financial Year 2010-11 and performance in comparison to broad based indices such as BSE sensex, NSE Nifty.

| Month & Year | NSE (IN RS.) | | NIFTY | | BSE (IN RS.) | | SENSEX | |
|--------------|--------------|-------|---------|---------|--------------|-------|----------|----------|
| | High | Low | High | Low | High | Low | High | Low |
| Jul 2010 | 40.50 | 38.10 | 5477.50 | 5225.60 | 40.55 | 38.15 | 18237.56 | 17395.58 |
| Aug 2010 | 42.60 | 36.90 | 5549.80 | 5348.90 | 42.75 | 36.90 | 18475.27 | 17819.99 |
| Sep 2010 | 43.35 | 37.35 | 6073.50 | 5403.05 | 43.40 | 37.30 | 20267.98 | 18027.12 |
| Oct 2010 | 43.15 | 39.00 | 6284.10 | 5937.10 | 43.35 | 38.80 | 20854.55 | 19768.96 |
| Nov2010 | 41.60 | 31.75 | 6338.50 | 5690.35 | 41.65 | 31.25 | 21108.64 | 18954.82 |
| Dec2010 | 34.60 | 28.20 | 6147.30 | 5721.15 | 34.80 | 28.15 | 20552.03 | 19074.57 |
| Jan 2011 | 35.35 | 30.30 | 6181.05 | 5416.65 | 35.40 | 30.35 | 20664.80 | 18038.48 |
| Feb 2011 | 32.50 | 16.60 | 5599.25 | 5177.70 | 32.00 | 16.50 | 18690.97 | 17295.62 |
| Mar 2011 | 26.80 | 22.40 | 5872.00 | 5348.20 | 26.70 | 22.25 | 19575.16 | 17792.17 |
| Apr 2011 | 29.40 | 24.15 | 5944.45 | 5693.25 | 29.25 | 24.40 | 19811.14 | 18976.19 |
| May 2011 | 26.00 | 16.80 | 5775.25 | 5328.70 | 25.95 | 16.85 | 19253.87 | 17786.13 |
| Jun 2011 | 18.45 | 12.65 | 5657.90 | 5195.90 | 18.50 | 12.60 | 18873.39 | 17314.38 |

Distribution of Shareholding as on 30th June, 2011

| Share Holding of Nominal Value | Share Holders | | | Share Amount | |
|--------------------------------|----------------|-------------------|---------------------|-------------------|--|
| Rs. (1) | Numbers (2) | % of Total (3) | In Rs. (4) | % of Total (5) | |
| Upto5,000 | 38,752 | 75.42 | 71,62,589 | 6.99 | |
| 5,001-10,000 | 5,903 | 11.49 | 49,80,573 | 4.86 | |
| 10,001-20,000 | 3,186 | 6.20 | 50,27,560 | 4.90 | |
| 20,001-30,000 | 1,115 | 2.17 | 29,00,030 | 2.83 | |
| 30,001-40,000 | 498 | 0.97 | 18,13,429 | 1.77 | |
| 40,001-50,000 | 453 | 0.88 | 21,73,589 | 2.12 | |
| 50,001-1,00,000 | 762 | 1.48 | 57,52,537 | 5.61 | |
| 1,00,001And above | 711 | 1.39 | 7,26,87,968 | 70.92 | |
| TOTAL | 51,380 | 100.00 | 10,24,98,275 | 100.00 | |



REPORT ON CORPORATE GOVERNANCE

● Share holding pattern as on 30th June 2011.

| S.NO. | CATEGORY | No. of Shares held | Percentage of shareholding |
|--------------|---------------------------------|--------------------|----------------------------|
| 1. | Promoter And Promoter Group | 17660330 | 17.23 |
| 2. | Bodies Corporate | 12778310 | 12.47 |
| 3. | Clearing Member | 771429 | 0.75 |
| 4. | Central/state Government(s) | 0 | 0.00 |
| 5. | Financial Institutions/banks | 104070 | 0.10 |
| 6. | Foreign Bodies Corporate | 0 | 0.00 |
| 7. | Foreign Institutional Investors | 8202011 | 8.00 |
| 8. | Insurance Companies | 0 | 0.00 |
| 9. | Mutual Funds/uti | 0 | 0.00 |
| 10. | Non Residential Individuals | 6409234 | 6.26 |
| 11. | Public | 55319621 | 53.97 |
| 12. | Trust | 1250270 | 1.22 |
| 13. | Foreign Bodies Corporate | 3000 | 0.00 |
| Total | | 102498275 | 100.00 |

By Order of the Board of Directors
For **MIC ELECTRONICS LIMITED**

Place: Hyderabad

Date: 29-11-2011

Sd/-

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

Chairman & Managing Director

Declaration

As provide under clause 49 of the Listing Agreement with the Stock Exchange, the Board of Directors and the Senior Management personnel have confirmed compliance with the Code of Conduct and Ethics for the Financial Year ended 30th June 2011.

Sd/-

Place: Hyderabad

Date: 29.11.2011

Dr. M V Ramana Rao

Chairman & Managing Director



CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of

MIC Electronics Limited

We have reviewed the records concerning the Company's compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into, by the Company, with the Stock Exchanges of India, for the Financial Year ended 30th June 2011.

The compliance of conditions 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 compliance of conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We have conducted our review on the basis of the relevant records and documents maintained by the Company and furnished to us for the review, and the information and explanations given to us by the Company.

Based on such a review, and to the best of our information and according to the explanations given to us, in our opinion, the Company has complied with the conditions of Corporate Governance, as stipulated in Clause 49 of the Listing Agreements.

We further state that, such compliance is neither an assurance as to the future viability of the Company, nor as to 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

Place: Hyderabad

Date: 29.11.2011



MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER CERTIFICATION

To

The Board of Directors

MIC Electronics Limited

We Dr. M V Ramana Rao, Managing Director, and L N Malleswara Rao, Executive Director of M/s. MIC Electronics Limited, to the best of our knowledge and belief, certify that :

1. We have reviewed the Balance Sheet and Profit and Loss account (standalone and consolidated), and all the schedules and notes on accounts, as well as the Cash Flow statements, and the Directors' report.
2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the statements made.
3. Based on our knowledge and information, the financial statements, and other financial information included in this report, present in all material respects a true and fair view of the Company's affairs, the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and / or applicable laws and regulations.
4. To the best of our knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's Code of Conduct.
5. We are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company, and

we have :

- a. Designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
- b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles (GAAP).
- c. Evaluated the effectiveness of the Company's disclosure, controls and procedures.
- d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
6. We have disclosed, based on our most recent evaluation, wherever applicable, to the Company's auditors and the audit committee of the Company's Board of Directors (and persons performing the equivalent functions):
 - a. There were no deficiencies in the design or operation of internal controls, that could adversely affect the Company's ability to record, process, summarize and report financial data, and there have been no material weaknesses in internal controls over financial reporting including any corrective actions with regard to deficiencies.
 - b. There were no significant changes in internal controls

during the year covered by this report.

- c. All significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements.
- d. There were no instances of fraud of which we are aware, that involve the Management or other employees who have a significant role in the Company's internal control system.
7. In the event of any materially significant misstatements or omissions, we will return to the Company that part of any bonus or incentive or equity-based compensation, which was inflated on account of such errors.
8. We affirm that we have not denied any personnel, access to the audit committee of the Company (in respect of matters involving alleged misconduct) and we have provided protection to whistleblowers from unfair termination and other unfair or prejudicial employment practices.
9. We further declare that all Board members and senior managerial personnel have affirmed compliance with the Code of Conduct for the current year.

By order of the Board
For MIC Electronics Limited

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

Sd/-
(L. N. Malleswara Rao)
Executive Director

Place: Hyderabad
Date: 29.11.2011

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 2011 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 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th June 2011 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, 2011 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.
Membership No. : 026600

Place : Hyderabad
Date: 29.11.2011



ANNEXURE TO AUDITORS' REPORT

Referred to in Paragraph (1) in our Report of even date for the year ended 30.06.2011.

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

ANNEXURE TO AUDITORS' REPORT

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, the company is not regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees State Insurance and Income Tax.
- (b) According to the information and explanations given to us, there are no

undisputed amounts of Income Tax, Wealth Tax, Customs Duty, Sales Tax and Excise Duty outstanding as at 30th June, 2011 for a period of more than 6 months from the

| Name of the Statute | Nature of the Dispute | Amount | Period to which the amounts relate (F.Y) | Forum where the dispute is pending and amount deposited |
|--------------------------|-----------------------|--------------|--|---|
| Central Excise Act, 1944 | Excise Duty | 21,223,061/- | 2002-2003 | Customs, Excise & Service Tax Appellate tribunal, south zonal bench, Bangalore vide Appeal No.20/2009 |
| Central Excise Act, 1944 | Excise Duty | 3,896,982/- | 2008-2009 | Customs, Excise & Service Tax Appellate tribunal, south zonal bench, Bangalore vide appeal no.C/2303 of 2010 Amt. deposited : 2,896,982/- |
| Central Excise Act, 1944 | Excise Duty | 7,297,400/- | 2008-2009 | Commissioner (Appeals), Customs & Central Excise, Basheerbagh, Hyderabad vide appeal No.E/720/2001 |
| Central Excise Act, 1944 | Service Tax | 4,352,240/- | Sep05-Mar08 | O/o.The Commissioner of Customs, Central Excise and Service Tax, Hyderabad III Commissionerate vide Show cause notice OR No.55/2011 Hyd III Adjn. |
| Central Excise Act, 1944 | Service Tax | 755,521/- | 01.09.05-30.04.06 | O/o.The Commissioner of Customs, Central Excise and Service Tax, Hyderabad III Commissionerate vide Show Cause Notice OR No.57/2011 Hyd III Adjn. |
| Customs Act, 1962 | Customs Duty | 1,801,111/- | 2008-2009 | O/o.The Commissioner of Customs, Central Excise and Service Tax, Hyderabad III Commissionerate vide Appeal No.C/2302 of 2010 |
| The A.PVAT Act, 2005 | APVAT | 840,705/- | 2008-2009 | Appellate Deputy Commissioner (CT), Secunderabad Division vide Appeal No.S/23/09-10/V Amt. deposited : ` 840,705/- |
| The A.PVAT Act, 2005 | APVAT | 545,677/- | 2007-2008 | Appellate Deputy Commissioner (CT), Secunderabad Division Amt. deposited : ` 545,677/- |
| The A.PVAT Act, 2005 | APVAT | 1,809,145/- | 2005-2006 | WP No.14764/2009 filed with High Court, AP Amt. deposited : ` 1,809,145/- |
| The A.PVAT Act, 2005 | APVAT | 127,666/- | 2007-2008 | Appellate Deputy Commissioner (CT) vide Appeal No.S/101/10-11/V Amt.deposited : ` 127,666/- |
| The A.PVAT Act, 2005 | APVAT | 483,509/- | 2008-2009 | Appellate Deputy Commissioner (CT) vide Appeal No.S/102/10-11/V Amt.deposited : ` 483,509/- |
| The A.PVAT Act, 2005 | APVAT | 1,496,129/- | 2009-2010 | Appellate Deputy Commissioner (CT) vide Appeal No.S/103/10-11/V Amt.deposited : ` 1,496,129/- |



ANNEXURE TO AUDITORS' REPORT

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 not made preferential allotment of shares/warrants during the year to parties covered in the register maintained under section 301 of the Companies Act, 1956.
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.
Membership No. : 026600

Place : Hyderabad

Date: 29.11.2011

> BALANCE SHEET AS AT 30th JUNE 2011

(Amount in Rs)

| Particulars | Schedules | As at 30.06.2011 | | As at 30.06.2010 | |
|---|-----------|------------------|---------------|------------------|---------------|
| I. SOURCES OF FUNDS | | | | | |
| 1. Share holders funds | | | | | |
| Share Capital | 1 | 204,996,550 | | 204,996,550 | |
| Share Warrants Application Money | | 165,416,000 | | 165,416,000 | |
| Reserves & Surplus | 2 | 3,861,990,858 | | 3,519,970,078 | |
| | | | 4,232,403,408 | | 3,890,382,628 |
| 2. Loan Funds | 3 | | | | |
| Secured Loans | | 949,571,103 | | 716,042,445 | |
| UnSecured Loans | | 299,488,022 | | 0 | |
| TOTAL | | 5,481,462,533 | | 4,606,425,073 | |
| II. APPLICATION OF FUNDS | | | | | |
| 1. Fixed Assets | | | | | |
| Gross Block | 4 | 1,731,701,167 | | 1,112,899,781 | |
| Less: Depreciation | | 183,055,019 | | 122,531,946 | |
| Net Block | | 1,548,646,148 | | 990,367,835 | |
| Capital Work in Progress | | 608,040,603 | | 631,111,375 | |
| | | | 2,156,686,751 | | 1,621,479,210 |
| 2. Investments | 5 | | 152,788,198 | | 265,630,981 |
| 3. Current Assets, Loans & Advances | | | | | |
| Inventories | 6 | 1,812,394,900 | | 912,415,436 | |
| Sundry Debtors | 7 | 1,005,132,474 | | 1,206,173,235 | |
| Cash & Bank Balances | 8 | 47,629,069 | | 41,458,060 | |
| Loans & Advances | 9 | 887,770,264 | | 1,100,994,307 | |
| | | 3,752,926,707 | | 3,261,041,038 | |
| Less: Current Liabilities & Provisions | 10 | 703,638,709 | | 656,550,256 | |
| Net Current Assets | | 3,049,287,998 | | 2,604,490,782 | |
| 4. Miscellaneous Expenditure (to the extent not written off) | | | | | |
| Issue expenses | | 0 | | 10,230,941 | |
| Deferred Revenue Expenditure | | 25,405,528 | 25,405,528 | 14,998,142 | 25,229,083 |
| 5. Deferred Tax Asset | | | 97,294,058 | | 89,595,017 |
| TOTAL | | 5,481,462,533 | | 4,606,425,073 | |
| 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
Membership No.:026600

Place : Hyderabad
Date : 29.11.2011

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

Sd/-
(L.N. Malleswara Rao)
Executive Director

Sd/-
(Ch. Vijay Kumar Naidu)
Company Secretary



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30th JUNE 2011

(Amount in Rs)

| Particulars | Schedule | Current Year | Previous Year |
|---|----------|----------------------|----------------------|
| 1. INCOME | | | |
| Sales & Services | 11 | 2,301,566,643 | 2,316,351,794 |
| Increase/(Decrease) in Stock | 12 | 1,075,553,336 | 251,635,226 |
| Other Income | 13 | 35,116,421 | 22,977,233 |
| Total | | 3,412,236,400 | 2,590,964,253 |
| II. EXPENDITURE | | | |
| Material Consumed | 14 | 2,091,316,451 | 1,453,513,629 |
| Employee Cost | 15 | 113,055,485 | 56,623,428 |
| Manufacturing, Administrative & Sales Expenses | 16 | 559,059,900 | 310,169,235 |
| R&D Expenditure | 17 | 37,742,576 | 33,191,974 |
| Interest and Financial Charges | 18 | 146,055,240 | 82,606,377 |
| Depreciation | | 61,654,342 | 29,935,059 |
| Total | | 3,008,883,994 | 1,966,039,702 |
| III. PROFIT FOR THE YEAR | | 403,352,406 | 624,924,551 |
| Provision for : | | | |
| Current Tax | | 80,390,151 | 93,152,298 |
| Add : | | | |
| Excess provision in previous years written back | | 11,359,484 | 0 |
| Deferred Tax asset | | 7,699,041 | 8,261,467 |
| Net Profit After Tax | | 342,020,780 | 540,033,720 |
| Add : Prior Period Adjustments | | 0 | (9,702,117) |
| | | 342,020,780 | 530,331,603 |
| Balance in Profit & Loss account b/f | | 2,077,870,423 | 1,597,538,820 |
| Available for Appropriation | | 2,419,891,203 | 2,127,870,423 |
| General Reserve | | 0 | 50,000,000 |
| Balance carried to balance sheet | | 2,419,891,203 | 2,077,870,423 |
| EPS (Basic) on Equity Share of Rs.2/- each | | 3.34 | 5.17 |
| EPS (Diluted) on Equity Share of Rs.2/- each | | 2.92 | 4.53 |
| 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
Membership No.:026600

Place : Hyderabad
Date : 29.11.2011

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

Sd/-
(L.N. Malleswara Rao)
Executive Director

Sd/-
(Ch. Vijay Kumar Naidu)
Company Secretary



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2011

(Amount in Rs)

| Particulars | As at 30.06.2011 | As at 30.06.2010 |
|--|--------------------|--------------------|
| 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 | 204,996,550 |
| Paidup | | |
| 102,498,275 Equity Shares of Rs.2/- each | 204,996,550 | 204,996,550 |
| TOTAL | 204,996,550 | 204,996,550 |

Of the above:

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

| | | |
|--|----------------------|----------------------|
| SCHEDULE 2 RESERVES & SURPLUS | | |
| Capital Reserve | 67,000 | 267,000 |
| Share Premium Account | 1,030,555,610 | 1,030,555,610 |
| Share warrants forfeited | 213,277,045 | 213,277,045 |
| Amalgamation Reserve | 18,000,000 | 18,000,000 |
| Surplus in P&l Account | 2,419,891,203 | 2,077,870,423 |
| General Reserve - Opening Balance | 180,000,000 | 130,000,000 |
| - Additions | 0 | 50,000,000 |
| - Closing Balance | 180,000,000 | 180,000,000 |
| TOTAL | 3,861,990,858 | 3,519,970,078 |

| | | |
|--|-------------|-------------|
| SCHEDULE 3 SECURED LOANS | | |
| Working Capital Loans: | | |
| State Bank Of India | 449,395,421 | 405,270,525 |
| Standard Chartered Bank | 71,565,557 | 0 |
| Term Loans: | | |
| Technology Development Board | 50,000,000 | 54,444,000 |
| Industrial Development Bank of India Ltd | 49,934,930 | 102,779,860 |
| UCO Bank | 94,607,310 | 148,428,675 |



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2011

(Amount in Rs)

| Particulars | As at 30.06.2011 | As at 30.06.2010 |
|--|--------------------|--------------------|
| National Research Development Corp. | 0 | 3,000,000 |
| L&T Finance Ltd | 133,024,866 | 0 |
| Srei Equipment Finance Pvt Ltd | 100,000,000 | 0 |
| Loans under hire purchase against vehicles | 1,043,019 | 2,119,385 |
| TOTAL | 949,571,103 | 716,042,445 |

UNSECURED LOANS

Intercompany Loans

| | | |
|--|--------------------|----------|
| Malaxmi Infra Ventures (India) Pvt Ltd | 182,662,001 | 0 |
| Maitreya Electricals Pvt Ltd | 1,500,000 | 0 |
| Sriba Seabase Pvt Ltd | 6,956,021 | 0 |
| Arkay Energy (Rameswarm) Limited | 108,370,000 | 0 |
| TOTAL | 299,488,022 | 0 |

SCHEDULE 4 Fixed Assets

| Sl. No | Name of the Asset | Gross Block (at Cost) | | | | Depreciation | | | | Net Block | |
|--------|--|-----------------------|--------------------|------------------|----------------------|--------------------|-------------------|------------------|--------------------|----------------------|---------------------|
| | | As At 01.07.2010 | Additions | Deletions | As At 30.06.2011 | Upto 01.07.2010 | For the Year | Deletions | Upto 30.06.2011 | As At 30.06.2011 | As At 30.06.2010 |
| 1 | Land & Land Development | 31,349,721 | 12,144,000 | | 43,493,721 | 0 | | | 0 | 43,493,721 | 31,349,721 |
| 2 | Buildings | 93,460,956 | 37,528,968 | | 130,989,924 | 9,611,975 | 3,522,351 | | 13,134,326 | 117,855,598 | 83,848,981 |
| 3 | Plant & Machinery | 930,908,415 | 564,401,506 | | 1,495,309,921 | 94,279,447 | 53,741,763 | | 148,021,211 | 1,347,288,710 | 836,628,967 |
| 4 | Furniture, Fittings and Office Equipment | 33,524,512 | 4,926,251 | | 38,450,763 | 10,332,266 | 2,230,913 | | 12,563,179 | 25,887,584 | 23,192,246 |
| 5 | Vehicles | 23,656,177 | 1,088,515 | 1,287,854 | 23,456,838 | 8,308,258 | 2,159,315 | 1,131,270 | 9,336,303 | 14,120,535 | 15,347,919 |
| | | 1,112,899,781 | 620,089,240 | 1,287,854 | 1,731,701,167 | 122,531,946 | 61,654,342 | 1,131,270 | 183,055,019 | 1,548,646,148 | 990,367,835 |



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2011

(Amount in Rs)

| Particulars | As at 30.06.2011 | As at 30.06.2010 |
|---|-------------------------|-------------------------|
| SCHEDULE 5 INVESTMENTS | | |
| Unquoted | | |
| in subsidiaries: | | |
| Infostep Inc., USA | 0 | 147,004,108 |
| MIC Electronics Inc., USA | 75,354,900 | 75,354,900 |
| 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 Technologies Australia (Pty) Ltd, Australia | 25,869,639 | 23,995,314 |
| MIC Digital Media Vizag Pvt. Ltd (Share Application Money) | 5,850,000 | 5,850,000 |
| Virtual Energy Pvt Ltd (Share Application Money) | 7,500,000 | 500,000 |
| Chemener Batteries Pvt Ltd (Share Application Money) | 4,000,000 | 0 |
| Hyperion Green Energy India Pvt Ltd | 19,691,544 | 0 |
| Hyperion Green Energy India Pvt Ltd (Share Application Money) | 1,595,456 | 0 |
| TOTAL | 152,788,198 | 265,630,981 |
| Particulars | As at 30.06.2011 | As at 30.06.2010 |
| SCHEDULE 6 INVENTORIES (AT COST) | | |
| (As valued and certified by the Management) | | |
| Raw Materials | 206,430,139 | 382,004,011 |
| Work in Progress | 1,230,924,503 | 525,844,817 |
| Finished goods | 375,040,258 | 4,566,608 |
| TOTAL | 1,812,394,900 | 912,415,436 |
| SCHEDULE 7 SUNDRY DEBTORS | | |
| (Unsecured considered good) | | |
| Outstanding for more than six months | 621,546,004 | 496,700,547 |
| Other debts | 383,586,470 | 709,472,688 |
| TOTAL | 1,005,132,474 | 1,206,173,235 |



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2011

(Amount in Rs)

| Particulars | As at 30.06.2011 | As at 30.06.2010 |
|--|--------------------|----------------------|
| SCHEDULE 8 CASH & BANK BALANCES | | |
| Cash on hand | 3,705,210 | 3,171,529 |
| Balances with Scheduled Banks | | |
| On Current Accounts | 9,774,364 | 1,104,299 |
| On Margin Money Accounts | 34,149,495 | 37,182,232 |
| TOTAL | 47,629,069 | 41,458,060 |
| 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 | 3,004,714 | 3,322,152 |
| for Raw Materials | 19,513,352 | 19,795,254 |
| for Services | 6,174,433 | 8,574,484 |
| Advances to Employees : | | |
| for Expenses | 9,049,517 | 5,395,269 |
| Salary Advances | 487,098 | 340,400 |
| Other Advances | 531,655,516 | 787,263,740 |
| Amounts receivable against sale of investments | 61,650,000 | 0 |
| Deposits recoverable | 232,273,739 | 255,500,727 |
| Balance with Central Excise Dept. | 13,193,700 | 12,471,404 |
| Prepaid expenses | 3,327,297 | 4,896,730 |
| Advance Income Tax , TDS & FBT | 7,440,898 | 3,434,147 |
| TOTAL | 887,770,264 | 1,100,994,307 |

➤ SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2011

(Amount in Rs)

| Particulars | As at 30.06.2011 | As at 30.06.2010 |
|---|--------------------|--------------------|
| SCHEDULE 10 CURRENT LIABILITIES & PROVISIONS | | |
| a) Current Liabilities | | |
| Creditors for materials | 246,169,860 | 256,716,330 |
| Creditors for expenses | 268,690,486 | 204,861,579 |
| Advances from Customers & others | 64,396,811 | 52,983,208 |
| Interest accrued but not due on term loans | 2,842,466 | 438,767 |
| Sub Total (a) | 582,099,623 | 514,999,884 |
| b) Provisions | | |
| Income Tax | 99,011,131 | 124,130,968 |
| Leave Salary | 6,373,620 | 5,609,752 |
| Gratuity | 16,154,335 | 11,809,652 |
| Sub Total (b) | 121,539,086 | 141,550,372 |
| TOTAL (a + b) | 703,638,709 | 656,550,256 |

➤ SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2011

| Particulars | Current year | Previous year |
|---|----------------------|----------------------|
| SCHEDULE 11 SALES & SERVICES | | |
| Domestic (net of returns) | 2,115,364,857 | 2,247,083,381 |
| Deemed Exports | 4,775,209 | 0 |
| Exports | 41,109,103 | 19,544,040 |
| Services | 140,317,474 | 49,724,373 |
| TOTAL | 2,301,566,643 | 2,316,351,794 |
| SCHEDULE 12 INCREASE/(DECREASE) IN STOCK | | |
| Opening work in progress | 525,844,817 | 278,776,199 |
| Opening Finished Goods | 4,566,608 | 0 |
| Closing work in progress | 1,230,924,503 | 525,844,817 |
| Closing Finished Goods | 375,040,258 | 4,566,608 |
| TOTAL | 1,075,553,336 | 251,635,226 |

➤ **SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2011** (Amount in Rs)

| Particulars | Current year | Previous year |
|---|----------------------|----------------------|
| SCHEDULE 13 OTHER INCOME | | |
| Interest earned on deposits & others | 2,770,560 | 1,457,330 |
| Profit on sale of Investments | 27,784,920 | 0 |
| Other Receipts | 4,560,941 | 21,519,903 |
| TOTAL | 35,116,421 | 22,977,233 |
| SCHEDULE 14 MATERIALS CONSUMED | | |
| Opening Stock | 382,004,011 | 239,770,756 |
| Add : Purchases | 2,350,781,182 | 1,603,797,143 |
| | 2,732,785,193 | 1,843,567,899 |
| Less : Material consumed for R&D | 5,159,366 | 4,845,549 |
| Capitalised during the year | 429,879,237 | 3,204,710 |
| | 2,297,746,590 | 1,835,517,640 |
| Less : Closing Stock | 206,430,139 | 382,004,011 |
| TOTAL | 2,091,316,451 | 1,453,513,629 |
| SCHEDULE 15 EMPLOYEE COST | | |
| Salaries, Wages & Bonus | 100,742,117 | 47,660,223 |
| Contribution to PF and other funds | 3,208,487 | 1,955,497 |
| Staff Welfare Expenses | 2,256,059 | 1,749,941 |
| Security Services | 1,484,781 | 1,166,930 |
| Leave Salary | 881,921 | 1,469,380 |
| Gratuity | 4,482,120 | 2,621,457 |
| TOTAL | 113,055,485 | 56,623,428 |
| SCHEDULE 16 MANUFACTURING, ADMINISTRATIVE AND SALES EXPENSES | | |
| Stores Consumed | 646,102 | 1,643,114 |
| Electricity Charges | 5,112,584 | 3,824,259 |
| Excise duty & Service Tax | 44,655,826 | 12,675,308 |
| Excise Duty on Stock Transfers & Others | 5,502,001 | 1,530,946 |
| Insurance | 1,196,673 | 1,299,395 |
| Job Works, Plotting ,Development & Testing Charges | 16,373,476 | 3,140,188 |

➤ **SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2011** (Amount in Rs)

| Particulars | Current Year | Previous Year |
|---|--------------------|--------------------|
| Repairs and Maintenance | 1,643,097 | 3,138,970 |
| Professional Charges | 15,740,098 | 5,824,335 |
| Rent & License Fee | 5,642,535 | 33,157,123 |
| Rates & Taxes | 94,082,074 | 70,900,880 |
| Operating Lease Rentals | 68,256,400 | 37,567,406 |
| Printing & Stationary | 2,147,481 | 1,411,698 |
| Postage, Telephone & Internet Expenses | 4,160,156 | 3,211,241 |
| Travelling, Conveyance & Transport Exp. | 32,900,483 | 11,434,708 |
| Freight, Packing & Forwarding | 2,876,313 | 3,479,053 |
| Vehicle Maintenance | 3,376,864 | 1,766,681 |
| Audit Fee | 500,000 | 500,000 |
| General Charges | 10,657,283 | 6,266,008 |
| Loss on Sale of Asset | 0 | 60,236 |
| Loss on Sale of Investments | 11,880,682 | 0 |
| Board Meeting Expenses | 428,794 | 390,820 |
| Bad Debts & Debit Balances written off | 181,622,111 | 80,134,596 |
| Bank Charges | 17,207,162 | 14,035,475 |
| Sales Expenses | 18,948,444 | 1,182,388 |
| Issue Expenses Written off | 10,230,941 | 10,230,940 |
| Deferred expenses written off | 3,272,320 | 1,363,467 |
| TOTAL | 559,059,900 | 310,169,235 |
| SCHEDULE 17 R&D EXPENDITURE | | |
| Materials | 5,159,366 | 4,845,549 |
| Employees Cost | 31,213,719 | 27,552,086 |
| Other Expenses | 1,369,491 | 794,339 |
| TOTAL | 37,742,576 | 33,191,974 |

➤ **SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2011** (Amount in Rs)

| Particulars | Current Year | Previous Year |
|---|--------------------|-------------------|
| SCHEDULE 18 INTEREST AND FINANCIAL CHARGES | | |
| Interest on Term Loans - | | |
| UCO Bank | 18,142,635 | 22,443,644 |
| Technology Development Board | 2,527,199 | 871,960 |
| Industrial Development Bank of India Ltd | 10,727,785 | 19,623,495 |
| L&T Finance Limited | 20,056,963 | - |
| Interest on Working Capital - | | |
| State Bank of India | 62,704,433 | 26,258,519 |
| Development Credit Bank Limited | - | 11,789,667 |
| Standard Chartered Bank | 2,260,157 | - |
| Interest on Loan from others | 28,998,742 | 1,255,731 |
| Financial Charges | 637,326 | 363,361 |
| TOTAL | 146,055,240 | 82,606,377 |

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.

- | | |
|---|---|
| <p>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.</p> <p>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 raw material/components are deducted from cost of such materials.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>7 Revenue Recognition Sales & Services are inclusive of taxes and duties collected.</p> | <p>Revenue from fixed price contracts are recognized as per the terms of the contract. Revenue from other income is based on accrual basis</p> <p>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.</p> <p>9 Accounting for Investments All investments are Long-term investments and are carried at cost.</p> <p>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.</p> <p>11 Borrowing Cost : 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.</p> <p>12 Segment Reporting : The company has recognized revenue on segmental basis.</p> <p>13 Related party Disclosure : The company has entered into transactions with related parties and the said information is shown separately.</p> |
|---|---|

➤ SCHEDULES FORMING PART OF ACCOUNTS (CONTD.)

- 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.

II. Notes on Accounts:

1. Contingent liabilities not provided for on account of:

| S No | Particulars | As at 30.06.11 ` | As at 30.06.10 |
|-------------------------------|--|------------------|----------------|
| A | Counter guarantees given by the company to banks towards issue of B.Gs. | 137,938,758 | 243,596,495 |
| B | Counter guarantees given by the company to banks towards issue of B.Gs to Customs & Central Excise Dept. | 4,200,000 | 4,039,656 |
| C | Bonds executed to Customs & Central Excise Dept. (net of BGs) | 82,300,000 | 61,180,889 |
| D | Letter of credits issued by bankers | 73,098,452 | 73,835,440 |
| E | Corporate Guarantees given by the company to banks on behalf of subsidiaries & associates | 127,000,000 | 127,000,000 |
| TAX Matters in Appeals | | | |
| A | Excise Duty | 32,417,443 | 32,817,443 |
| B | Customs Duty | 1,801,111 | 1,801,111 |
| C | Service Tax | 5,107,761 | -- |
| D | Sales Tax | 5,302,831 | 3,195,527 |

2. Loans:

Working Capital Loans:

i) State Bank of India working capital limits are secured by -

Exclusive charge on fixed assets of the Company except those funded by UCO Bank, Technology Development Board, National Research Development Corporation and Vehicle financing Institutions.

First charge (Hyp) on all current assets of the Company (Second charge in favour of Andhra Bank for their BG Limit of ₹10 Crores).

SCHEDULES FORMING PART OF ACCOUNTS (CONTD.)

Second charge on EM of Industrial Plot No.192/B in Survey No.274 at Phase II, IDA, Cherlapally along with building (First charge held by Srei Equipment Finance Pvt Ltd).

Second charge on fixed assets created out of Term loan from UCO Bank.

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

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

ii) Andhra Bank working capital (non fund based) limits of ₹20 crores are secured by -

First 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 Srei Equipment Finance Pvt Ltd.

Andhra Bank is further secured by personal guarantees of two of the following directors of the company.

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

iii) Standard Chartered Bank working capital limits are secured by -

First pari-passu charge on the current assets of the company's lighting business

Second charge on the entire fixed assets of the company in pari-passu with other working capital bankers.

Second pari-passu charge on the current assets of the company's LED Display Division.

SCB is further secured by personal guarantee of Dr.M.V.Ramana Rao, Managing Director of the Company.

Term Loans:

a) Outstanding Term Loan of ₹5 Crores (sanction limit of ₹15 Crores) 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).

TDB is further secured by personal guarantees of two of the following Directors of the company.

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

b) 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. UCO Bank is further secured by personal guarantee of Dr.M.V.Ramana Rao, Managing Director.

c) Term Loan taken from L&T Finance Ltd is secured by 19 Nos. of LED Display Screens.

d) Term Loan taken from Srei Equipment Finance Pvt Ltd is secured by first charge on the power electronic equipments bought out of the loan amount.

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

➤ SCHEDULES FORMING PART OF ACCOUNTS (CONTD.)

3. Directors' remuneration included in staff cost.

| S No | Particulars | 2010-11 | 2009-10 |
|------|----------------------------|-----------|-----------|
| A | Managing Director | | |
| | - Remuneration | 3,000,000 | 2,400,000 |
| | - Perquisite Value of rent | 360,000 | 360,000 |
| B | Other Directors | | |
| | - Remuneration | 1,050,000 | 790,323 |
| | - 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 :

- LED Business (Display & Lighting)
- Infotech & Communications

| S No | Particulars | 2010-11 | 2009-10 |
|------|---|----------------------|----------------------|
| 1. | Segmentwise Revenue | | |
| | (a) LED Business (Display & Lighting) | 2,094,451,305 | 2,053,417,974 |
| | (b) Infotech & Communication | 207,115,338 | 262,933,820 |
| | (c) Unallocated | 0 | 0 |
| | Total | 2,301,566,643 | 2,316,351,794 |
| | Less: Inter segment Revenue | 0 | 0 |
| | Net Sales/Income from Operations | 2,301,566,643 | 2,316,351,794 |
| 2. | Segment Results | | |
| | Profit Before Tax and Interest | | |
| | (a) LED Business (Display & Lighting) | 521,937,264 | 656,800,960 |
| | (b) Infotech & Communication | 27,470,382 | 50,729,968 |
| | (c) Unallocated | 0 | 0 |
| | Total | 549,407,646 | 707,530,928 |

➤ SCHEDULES FORMING PART OF ACCOUNTS (CONTD.)

| S No | Particulars | 2010-11 | 2009-10 |
|------|--|----------------------|----------------------|
| | Less: (i) Interest | 146,055,240 | 82,606,377 |
| | (ii) other Un-allocable Expenditure net off | 0 | 0 |
| | (iii) un-allocable income | 0 | 0 |
| | Total Profit Before Tax | 403,352,406 | 624,924,551 |
| 3. | Capital Employed(Segment Assets - Segment Liabilities) | | |
| | (a) LED Business (Display & Lighting) | 4,233,947,204 | 3,549,546,143 |
| | (b) Infotech & Communication | 426,023,310 | 484,029,020 |
| | (c) Unallocated | 0 | 0 |
| | Total | 4,659,970,514 | 4,033,575,163 |

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 ₹7,699,041/- on account of current year's deferred tax.

Deferred Taxation :

| Particulars | 2010-11 | 2009-10 |
|------------------------------------|------------|------------|
| Opening Balance Deferred tax asset | 89,595,017 | 81,333,550 |
| Add : Deferred tax asset | 7,699,041 | 8,261,467 |
| Closing Balance | 97,294,058 | 89,595,017 |

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.Infostep Inc., USA* | Subsidiary Companies |
| 2 | M/s.MIC Electronics Inc., USA | |
| 3 | M/s.Maave Electronics Pvt Ltd | |
| 4 | M/s.MIC Green Energy Solutions Pvt Ltd | |
| 5 | M/s.MIC Technologies Australia (Pty) Ltd | Associate Companies |
| 6 | M/s.Virtual Energy Pvt Ltd | |
| 7 | M/s.Chemener Batteres Pvt Ltd | |
| 8 | M/s.Hyperion Green Energy India Pvt Ltd | |

➤ SCHEDULES FORMING PART OF ACCOUNTS (CONTD.)

| S No | Name of the Related Party | Relationship |
|------|------------------------------|-------------------------------------|
| 9 | Dr.M.V.Ramana Rao | Directors- Key Management Personnel |
| 10 | Shri Somendra Khosla | |
| 11 | Shri N.Srinivasa Rao | |
| 12 | Shri Y.Harish Chandra Prasad | |
| 13 | Shri L.N.Malleswara Rao | |
| 14 | Shri Atluri Venkata Ram | |
| 15 | Shri Anil Goyal | |

* During the year, the company has disposed off stake in M/s.Infostep Inc., USA.

b. Transactions during the year with related parties :

| S No | Particulars | 2010-11 | 2009-10 |
|------|--|---|---------------------------------|
| 1 | Investments in Subsidiaries : M/s.MIC Electronics Inc., USA | — | 485,400 |
| 2 | Advances to Subsidiaries : M/s.MIC Green Energy Solutions Pvt Ltd M/s.Maave Electronics Pvt Ltd | 5,100 - | 342,432 15,798,017 |
| 3 | Advances from Subsidiaries : M/s.Maave Electronics Pvt Ltd | 10,450,000 | — |
| 4 | Sales to Subsidiaries : M/s.MIC Electronics Inc., USA M/s.Maave Electronics Pvt Ltd | 30,703,641 2,929,400 | 1,547,200 15,798,017 |
| 5 | Purchase from M/s.Maave Electronics Pvt Ltd (Subsidiary) Raw Material Capital Equipment | 41,948,488 2,048,908 | 935,288 — |
| 6 | Investments in Associates : M/s.MIC Technologies Australia (Pty) Ltd M/s.Virtual Energy Pvt Ltd M/s.Chemener Batteries Pvt Ltd M/s.Hyperion Green Energy India Pvt Ltd | 1,874,325 7,000,000 4,000,000 21,287,000 | 7,056,900 500,000 — — |
| 7 | Sales to Associates : M/s.MIC Technologies Australia (Pty) Ltd | 9,985,286 | 14,124,023 |
| 8 | Outstanding balances payable to Management personnel (Net of transactions) | 20,556,271 | 15,618,929 |
| 9 | Expenditure during the year: • Remunerations to Management personnel • Rents paid towards accommodation provided to Management Personnel • Sitting Fee and other expenses reimbursed to Directors | 4,050,000 360,000 428,794 | 3,190,323 360,000 390,820 |

➤ SCHEDULES FORMING PART OF ACCOUNTS (CONTD.)

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

| S No | Particulars | 2010-11 | 2009-10 |
|------|---|-------------------|--------------------|
| a. | Excess Provision of Income Tax written back | 11,359,484 | 7,947,578 |
| b. | Income Tax for earlier years | -- | 17,649,695 |
| | Total (a-b) | 11,359,484 | (9,702,117) |

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:

| S No | Particulars | Current Year | Previous Year |
|------|--|--------------------|--------------------|
| 1. | Due not later than one year | 66,074,400 | 66,074,400 |
| 2. | Due later than one year but not later than 5 years | 170,692,200 | 236,766,600 |
| 3. | Due later than 5 years | -- | -- |
| | Total | 236,766,600 | 302,841,000 |

iii) Lease payment recognized in the statement of Profit & Loss Account for the year:

₹66,492,080/- (Previous year- ₹27,531,000/-)

9. The company has incurred one time expenditure of ₹16,361,609/- during the Year 2009-10 towards leased assets which is being amortised over a period of 5 years lease period. During the year an amount of ₹3,272,320/- (Previous year ₹1,363,467/-) has been amortised.

10. The company has written off 1/5th of issue expenses amounting to ₹10,230,941/- during the year (Previous year ₹10,230,941/-).

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 |

➤ SCHEDULES FORMING PART OF ACCOUNTS (CONTD.)

b) Production :

| S No | Particulars | 2010-11 | 2009-10 |
|------|--|-----------------|-----------------|
| | | Numbers/Systems | |
| 1 | LED based Display Systems (90 modules cleared for testing/demo) | 2191 modules | 1869 modules |
| 2 | LED Lighting Products (Solar/Grid) | 71996 | 12351 |
| 3 | Communication Hardware & Software Products | -- | -- |

c) Opening Stock

| | | |
|---------------|-----|-----|
| Opening Stock | 681 | Nil |
|---------------|-----|-----|

d) Closing Stock

| | | |
|------------------------------------|------|-----|
| LED Lighting Products (Solar/Grid) | 1254 | 681 |
|------------------------------------|------|-----|

e) Sales

| Particulars | 2010-11 | | 2009-10 | |
|--|--------------|----------------------|--------------|----------------------|
| | Qty | Value ₹ | Qty | Value ₹ |
| Product Sales : | | | | |
| LED Based Display Systems | 1842 modules | 1,646,020,953 | 1723 modules | 1,861,901,910 |
| LED Lighting Products | 69914 | 136,716,098 | 10377 | 38,848,692 |
| - Free Samples* | 214 | -- | 250 | -- |
| Communication Hardware & Software Products | -- | 207,115,338 | -- | 262,933,820 |
| Other Income/Services | -- | 136,895,300 | -- | 50,621,219 |
| Duties & Taxes | 128,934,642 | -- | 82,502,113 | -- |
| Deemed Exports : | | | | |
| LED Lighting Products | 1238 | 4,775,209 | -- | -- |
| Export Sales : | | | | |
| LED Based Display Systems & Software | 259 modules | 40,960,335 | 118 Modules | 15,132,083 |
| LED Lighting products | 57 | 148,768 | 1043 | 4,411,957 |
| Total Sales | | 2,301,566,643 | -- | 2,316,351,794 |

* estimated/assessable value of the free samples given to prospective customers during the year: ₹1,031,947/- (₹887,313/- previous year)

➤ SCHEDULES FORMING PART OF ACCOUNTS (CONTD.)

f) Analysis of materials consumed

| Particulars | 2010-11 | | 2009-10 | |
|--------------|---------------|----------------------|---------------|----------------------|
| | % | Value ₹ | % | Value ₹ |
| Indigenous | 92.80 | 1,940,741,667 | 82.16 | 1,195,528,082 |
| Imported | 7.20 | 150,574,784 | 17.84 | 259,593,732 |
| Total | 100.00 | 2,091,316,451 | 100.00 | 1,455,121,814 |

g) Expenditure in Foreign Currency

| Particulars | 2010-11 ₹ | 2009-10 ₹ |
|--------------------------------|-------------|------------|
| Travel Expenses | 2,058,733 | 2,193,128 |
| Others | 2,023,169 | 2,724,768 |
| Value of Imports on CIF basis: | | |
| Components | 164,219,563 | 49,405,413 |
| Capital Equipment & Software | 2,818,358 | -- |

h) FOB value of Exports 41,109,103 19,544,040

12. Earnings Per Share :

| Particulars | FY 2011 | FY 2010 |
|--------------------------------|-------------|-------------|
| Closing No. of Shares | 102,498,275 | 102,498,275 |
| Convertible Share Warrants | 14,640,000 | 14,640,000 |
| Profit after Taxes (Amt. In ₹) | 342,020,780 | 530,331,603 |
| EPS Basic ₹ | 3.34 | 5.17 |
| EPS Diluted ₹ | 2.92 | 4.53 |

13. Payment to Auditors:

| Particulars | 2010-11 ₹ | 2009-10 ₹ |
|-------------------|----------------|----------------|
| Towards Audit Fee | 500,000 | 500,000 |
| Other Services | 50,000 | 50,000 |
| Total | 550,000 | 550,000 |



SCHEDULES FORMING PART OF 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 :

| | | |
|--------------------------------------|-------------------------------------|---------------------------------------|
| A.V.Cable Industries | Haribabu Traders | Satchitanand Stencils (P) Ltd |
| Aditya Electronics | Hicotronics Devices Pvt.Ltd. | Satya Sai Engineering Works |
| Allied Products | Hillfort Packaging Industries | Shredha Engineers |
| Amphenil Interconnect India Pvt.Ltd. | Himaja Agencies | Spectrum Tool Engineering Pvt.Ltd. |
| Anand Industrial Components | Jagan Micro Devices | Sri Anjaneya Polymers India Pvt.Ltd. |
| Anicad Systems | Kcomputers | Sri Hanuma Fabricators |
| Bhagyalakshmi Industries | Kemptronix | Sri Lakshmi Sai Tools |
| Cosmic Engineering Enterprises | Kevin Electrochem | Star Hardware Stores |
| Diagram Fabricators Pvt.Ltd. | Lakshmi Precision Components | Stick Labels India Pvt.Ltd. |
| Digifour Technologies Pvt.Ltd. | Mark Network | Supreme Agencies |
| DJ Plastics | Merritronix (P) Limited | SVS Hydraulics |
| DMS Technologies Pvt Ltd | Micro Components | Swamy Plastics |
| Dutron Sinterplast | Mx Electronics & Telecommunications | Synergy Technologies |
| Electronics India | Network Electro Devices Pvt.Ltd. | V3 Enterprises |
| Elektronika Sales Corporation | Powertronics | Valrack Modular Systems Pvt.Ltd. |
| Elektronika Sales Pvt.Ltd. | R.J.Industrial Corpn | Vedamz Industrial Services |
| EPE Industries India Pvt Ltd | Raj Hardware Stores | Virtual Energy Pvt.Ltd. |
| Future Plus | Regency Semi Conductors Pvt.Ltd. | VM Precision Punch Pvt.Ltd. |
| GE Fabricators | S.R.V.Industrial Traders | Xpress Digitale Pvt.Ltd. |
| Girija Polymers | S.V.Poly Phase Systems | Zreyah Semiconductor Systems Pvt.Ltd. |
| H M Graphics | Sarada Fab Industries | |

SCHEDULES FORMING PART OF ACCOUNTS (CONTD.)

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 2011 for the enterprises is ₹27,703,457/-.
16. Some of the account balances of Sundry Debtors/Creditors, Loans and advances are subject to confirmation and/or reconciliation.
17. Previous year's figures are regrouped and reclassified wherever necessary to conform to the Current Year's Presentation/Classification.
18. 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
Membership No.:026600

for and on behalf of the Board

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

Sd/-
(L.N. Malleswara Rao)
Executive Director

Sd/-
(Ch. Vijay Kumar Naidu)
Company Secretary

Place : Hyderabad
Date : 29.11.2011



CASH FLOW STATEMENT FOR THE YEAR ENDED 30.06.2011

| Particulars | As at 30.06.2011 | As at 30.06.2010 |
|---|------------------|------------------|
| Cash flows from Operating activities | | |
| Net Profit before taxation, and after prior period & extraordinary item | 403,352,406 | 624,924,551 |
| Adjustments for: | | |
| Depreciation | 61,654,343 | 29,935,059 |
| Loss on Assets Sold (Net) | 0 | 60,236 |
| Profit on sale of assets | (28,416) | (99,133) |
| Profit on sale of investments | (15,904,238) | -- |
| Interest Income | (2,770,560) | (1,457,330) |
| Interest Expense | 146,055,240 | 82,606,377 |
| Deferred Revenue Expenditure (Net) | (176,445) | (4,767,202) |
| Operating Profit before working Capital changes | 592,182,330 | 731,202,558 |
| (Increase)/Decrease in Sundry Debtors | 201,040,761 | 171,746,866 |
| (Increase)/Decrease in Inventories | (899,979,464) | 393,868,481 |
| (Increase)/Decrease in Loans & Advances | 213,224,043 | (46,730,083) |
| Increase/(Decrease) in Current Liabilities | 47,088,453 | 5,914,486 |
| Cash generated from Operations | 153,556,123 | 468,265,346 |
| Less : Income taxes paid | 69,030,667 | 102,854,415 |
| Net Cash flow from Operating Activities | 84,525,456 | 365,410,931 |
| Cash flows from Investing Activities | | |
| Purchase of Fixed Assets | (620,089,240) | (591,933,088) |
| Capital Work in Progress | 23,070,772 | 229,834,485 |
| Sale proceeds of Fixed Assets | 185,000 | 394,133 |
| Sales proceeds of Investments | 170,123,426 | -- |
| Investment in shares | (7,215,080) | -- |
| Long term Investments | (34,161,325) | (8,042,300) |
| Interest received | 2,770,560 | 1,457,330 |
| Interest & Financial Charges paid | (146,055,240) | (82,606,377) |
| Net Cash flow from Investing Activities | (611,371,127) | (450,895,817) |



CASH FLOW STATEMENT FOR THE YEAR ENDED 30.06.2011

| Particulars | As at 30.06.2011 | As at 30.06.2010 |
|---|------------------|-------------------|
| Cash flows from Financing Activities | | |
| Proceeds from Issue of Share Capital/Warrants including share premium | 0 | 69,503,084 |
| (Decrease) Increase in borrowings | 533,016,680 | 26,886,248 |
| Dividend Paid including Dividend Tax | - | - |
| Net Cash used for financing activities | 533,016,680 | 96,389,332 |
| Net increase in cash and cash equivalents | 6,171,009 | 10,904,446 |
| Cash and Cash equivalents at the beginning of period | 41,458,060 | 30,553,614 |
| Cash and Cash equivalents at the end of period | 47,629,069 | 41,458,060 |

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
Membership No.:026600

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

Sd/-
(L.N. Malleswara Rao)
Executive Director

Sd/-
(Ch. Vijay Kumar Naidu)
Company Secretary

Place : Hyderabad
Date : 29.11.2011



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 Number | 01-08652 | Balance Sheet Date | 30.06.2011 | State Code 01 |
| ii) | Capital Raised during the year (Rs. in Lacs) | | | | |
| | Public Issue | NIL | Rights Issue | NIL | |
| | Bonus Issue | NIL | Private Placement | NIL | |
| iii) | Position of Mobilisation and Deployment of Funds (Rs. in Lacs) | | | | |
| | Total Liabilities | 54814.63 | Total Assets | 54814.63 | |
| | Sources of Funds | | | | |
| | Paid-up Capital | 2049.97 | Reserves & Surplus | 38619.91 | |
| | Sh.Application | 1654.16 | | | |
| | Secured Loans | 9495.71 | Unsecured Loans | 2994.88 | |
| | Application of Funds | | | | |
| | Net Fixed Assets | 21566.87 | Investments | 1527.88 | |
| | Net Current Assets | 30492.88 | Misc.Expenditure | 254.06 | |
| | Deferred Tax Asset | 972.94 | Accumulated Losses | NIL | |
| iv) | Performance of Company (Amt. Rs. in lacs) | | | | |
| | Turnover | 34122.36 | Total Expenditure | 30088.84 | |
| | Profit Before Tax | 4033.52 | Profit After Tax | 3420.21 | |
| | Earning per share | 3.34 | Dividend per share | - | |
| v) | Generic Names of Two 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

| SL. No. | Particulars | Name of the Subsidiary Company | | |
|---------|--|---|---------------------------------------|---|
| | | Maave Electronics Private Limited | MIC Electronics Inc., USA | MIC Green Energy Solutions Private Limited |
| 1 | The financial year of the Subsidiary Company ended on | 31.03.2011 | 30.06.2011 | 31.03.2011 |
| 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 | 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 | 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 | - | - | - |
| | ii) For the previous financial years of the subsidiary company's since they became the holding company subsidiaries | - | - | - |
| | (b) Dealt in the holding companies accounts | | | |
| | i) For the financial year 30th June 2010 | 889,099 | (3,696,590) | - |
| | ii) For the previous financial years of the subsidiary companies since they became the holding company's subsidiaries. | 3,011,788 | (15,716,126) | - |

➤ 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 | Proposed Dividend | Country |
| | | | Average | Closing | | | | | | | | | | | |
| 3 | MIC Electronics Inc. USA | USD | 44.72 | 44.68 | 4,467,989 | (928,627) | 55,366,694 | 51,827,332 | 45,930,927 | 43,293,392 | (3,696,590) | 0 | 3,696,590 | 0 | USA |
| 4 | Maave Elec. Pvt Ltd, India | INR | 1.00 | 1.00 | 10,466,710 | 3,900,887 | 86,012,711 | 71,645,114 | 0 | 64,487,820 | 1,409,873 | 520,774 | 889,099 | 0 | INDIA |
| 5 | MIC Green Energy Solutions Pvt Ltd., India | INR | 1.00 | 1.00 | 100,000 | 0 | 8,844,652 | 784,652 | 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, 2011 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, 2011
- 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.
Membership No. : 026600

Place : Hyderabad
Date: 29.11.2011

CONSOLIDATED BALANCE SHEET AS AT 30th JUNE 2011

(Amount in Rs)

| Particulars | Schedules | As at 30.06.2011 | As at 30.06.2010 |
|--|-----------|----------------------|----------------------|
| I. SOURCES OF FUNDS | | | |
| 1. Share holders funds | | | |
| Share Capital | 1 | 204,996,550 | 204,996,550 |
| Share Warrants Application Money | | 165,416,000 | 165,416,000 |
| Reserves & Surplus | 2 | 3,845,903,538 | 3,603,061,660 |
| | | 4,216,316,088 | 3,973,474,210 |
| 2. Minority Interest | | - | 37,102,376 |
| 3. Loan Funds | 3 | | |
| Secured Loans | | 1,004,910,726 | 759,991,849 |
| Unsecured Loans | | 299,488,022 | 57,389,528 |
| 4. Deferred Tax Liability | | - | - |
| TOTAL | | 5,520,714,836 | 4,827,957,963 |
| II. APPLICATION OF FUNDS | | | |
| 1. Goodwill on consolidation and acquisitions | | 2,359,948 | 243,327,759 |
| 2. Fixed Assets | | | |
| Gross Block | | 1,754,309,801 | 1,222,174,234 |
| Less: Depreciation | | 185,419,212 | 154,588,832 |
| Net Block | | 1,568,890,589 | 1,067,585,402 |
| Intangible Assets | | - | 97,150,432 |
| Capital Work in Progress | | 608,040,603 | 631,111,375 |
| | | 2,176,931,192 | 1,795,847,209 |
| 3. Investments | 4 | 110,437,566 | 45,859,360 |
| 4. Current Assets, Loans & Advances | | | |
| Inventories | 5 | 1,848,587,779 | 953,246,303 |
| Sundry Debtors | 6 | 1,038,798,764 | 1,272,880,502 |
| Cash & Bank Balances | 7 | 51,868,968 | 47,188,471 |
| Loans & Advances | 8 | 883,268,623 | 1,131,395,091 |
| | | 3,822,524,134 | 3,404,710,367 |
| Less: Current Liabilities & Provisions | 9 | 714,506,489 | 728,392,542 |
| Net Current Assets | | 3,108,017,645 | 2,676,317,825 |

> CONSOLIDATED BALANCE SHEET AS AT 30th JUNE 2011

(Amount in Rs)

| Particulars | Schedules | As at 30.06.2011 | As at 30.06.2010 |
|---|-----------|----------------------|----------------------|
| 5. Miscellaneous Expenditure (to the extent not written off) | | | |
| Issue expenses | | - | 10,230,941 |
| Deferred Revenue Expenditure | | 25,405,528 | 14,998,142 |
| Preliminary Expenses | | 450,986 | 485,441 |
| Preoperative Expenses | | 325,386 | 309,503 |
| 6. Deffered tax Asset | | 96,786,584 | 40,581,783 |
| TOTAL | | 5,520,714,836 | 4,827,957,963 |
| 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
Membership No.:026600

Place : Hyderabad
Date : 29.11.2011

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

Sd/-
(L.N. Malleswara Rao)
Executive Director

Sd/-
(Ch. Vijay Kumar Naidu)
Company Secretary



CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2011

(Amount in Rs)

| Particulars | Schedules | Current Year | Previous Year |
|--|-----------|----------------------|----------------------|
| 1. INCOME | | | |
| Sales & Services | 10 | 2,333,489,839 | 2,785,291,366 |
| Increase/(Decrease) in Stock | 11 | 1,075,428,682 | 254,748,026 |
| Other Income | 12 | 35,392,908 | 24,568,917 |
| Total | | 3,444,311,429 | 3,064,608,309 |
| II. EXPENDITURE | | | |
| Material Consumed | 13 | 2,094,746,169 | 1,451,711,762 |
| Employee Cost | 14 | 120,739,630 | 304,923,145 |
| Manufacturing, Administrative & Sales Expenses | 15 | 574,204,937 | 506,287,122 |
| R&D Expenditure | 16 | 37,742,576 | 33,191,974 |
| Interest and Financial Charges | 17 | 152,358,611 | 84,295,750 |
| Depreciation and impairment | | 63,446,117 | 36,732,531 |
| Preliminary Expenses Written off | | 7,700 | 7,700 |
| Total | | 3,043,245,740 | 2,417,149,985 |
| III. PROFIT FOR THE YEAR | | 401,065,689 | 647,458,324 |
| Provision for: | | | |
| Current tax | | 80,721,803 | 104,190,662 |
| Add : Excess Provision of Income Tax for earlier years | | 11,352,312 | - |
| Deferred Tax Asset | | 7,517,091 | 8,291,204 |
| Net Profit After Tax | | 339,213,289 | 551,558,866 |
| Add: Prior period adjustments | | - | (9,706,577) |
| Add: Effect of Currency Translation on Consolidation | | (575,491) | 18,618,127 |
| Net Profit after Tax after adjustment for Currency Translation | | 338,637,798 | 560,470,416 |
| Minority Interest | | - | (6,679,533) |
| Balance in Profit & Loss account b/f | | 2,140,241,948 | 1,636,451,065 |
| Less: Adjustment on account of disposal of subsidiary | | 75,075,863 | - |



CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2011

(Amount in Rs)

| Particulars | Schedules | Current Year | Previous Year |
|--|-----------|---------------|---------------|
| Available for appropriation | | 2,403,803,883 | 2,190,241,948 |
| General Reserve | | - | 50,000,000 |
| Balance Carried to Balance Sheet | | 2,403,803,883 | 2,140,241,948 |
| EPS (Basic) on equity share of Rs.2/- each | | 3.30 | 5.40 |
| EPS (Diluted) on equity share of Rs.2/- each | | 2.89 | 4.72 |
| 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
Membership No.:026600

Place : Hyderabad
Date : 29.11.2011

for and on behalf of the Board

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

Sd/-
(L.N. Malleswara Rao)
Executive Director

Sd/-
(Ch. Vijay Kumar Naidu)
Company Secretary



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE 2011

(Amount in Rs)

| Particulars | As at 30.06.2011 | As at 30.06.2010 |
|--|--------------------|--------------------|
| SCHEDULE 1 SHARE CAPITAL | | |
| 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 | 204,996,550 |
| Paidup | | |
| 102,498,275 Equity Shares of Rs.2/- each | 204,996,550 | 204,996,550 |
| TOTAL | 204,996,550 | 204,996,550 |

Of the above:

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

| | | |
|---|----------------------|----------------------|
| SCHEDULE 2 RESERVES & SURPLUS | | |
| Capital Reserve | 267,000 | 267,000 |
| Share Premium Account | 1,051,275,667 | 953,819,027 |
| - Opening Balance | | |
| - Additions | - | 97,456,640 |
| Less: Adjustment on account of disposal of subsidiary | 2,127,417 | - |
| - Translation Adjustment | 18,592,640 | - |
| - Closing Balance | 1,030,555,610 | 1,051,275,667 |
| Share Warrants Forfeited | 213,277,045 | 213,277,045 |
| Amalgamation Reserve | 18,000,000 | 18,000,000 |
| Surplus in P&l Account | 2,403,803,883 | 2,140,241,948 |
| General Reserve | 180,000,000 | 180,000,000 |
| Total | 3,845,903,538 | 3,603,061,660 |



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE 2011

(Amount in Rs)

| Particulars | As at 30.06.2011 | As at 30.06.2010 |
|--|----------------------|--------------------|
| SCHEDULE 3 LOAN FUNDS | | |
| SECURED LOANS | | |
| Working Capital Loans: | | |
| Andhra Bank, Kapra Sainikpuri | 50,970,769 | 29,942,592 |
| State Bank Of India | 449,395,421 | 405,270,525 |
| Loan Against Bill Discounting (AB) | 3,288,977 | - |
| Standard Chartered Bank | 71,565,557 | - |
| Union Bank of California | - | 14,006,812 |
| Term Loans: | | |
| Technology Development Board | 50,000,000 | 54,444,000 |
| Industrial Development Bank of India Ltd. | 49,934,930 | 102,779,860 |
| UCO Bank | 94,607,310 | 148,428,675 |
| L&T Finance Ltd | 133,024,866 | - |
| National Research Development Corp. | - | 3,000,000 |
| Srei Equipment Finance Pvt Ltd | 100,000,000 | - |
| Loans under hire purchase against vehicles | 2,122,896 | 2,119,385 |
| TOTAL | 1,004,910,726 | 759,991,849 |
| Unsecured Loans | | |
| Malaxmi Infra Ventures (India) Pvt Ltd | 182,662,001 | - |
| Maitreya Electricals Pvt Ltd | 1,500,000 | - |
| Sriba Seabase Pvt Ltd | 6,956,021 | - |
| Arkay Energy (Rameswarm) Limited | 108,370,000 | - |
| Loans from Others: | - | 3,472,266 |
| Loans from Related Party | - | 53,917,262 |
| TOTAL | 299,488,022 | 57,389,528 |



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE 2011

(Amount in Rs)

| Particulars | As at 30.06.2011 | As at 30.06.2010 |
|---|----------------------|----------------------|
| SCHEDULE 4 INVESTMENTS | | |
| UNQUOTED | | |
| In Other Corporate Bodies | | |
| MIC Digital Media Vizag Pvt. Ltd (Share Application Money) | 5,850,000 | 5,850,000 |
| Virtual Energy Pvt Ltd (Share application money) | 7,500,000 | 500,000 |
| Other Investments by MIC Electronics Inc, USA | 45,930,927 | 39,509,360 |
| MIC Technonogies Australia (Pty) Ltd., Australia | 25,869,639 | - |
| Chemener Batteries Pvt Ltd (Share Application Money) | 4,000,000 | - |
| Hyperion Green Energy India Pvt Ltd | 19,691,544 | - |
| Hyperion Green Energy India Pvt Ltd (Share Application Money) | 1,595,456 | - |
| TOTAL | 110,437,566 | 45,859,360 |
| SCHEDULE 5 INVENTORIES(AT COST) | | |
| (As valued and certified by the Management) | | |
| Raw Materials | 238,847,672 | 410,718,976 |
| Work in Progress | 1,234,699,849 | 529,744,817 |
| Finished Goods | 375,040,258 | 12,782,510 |
| TOTAL | 1,848,587,779 | 953,246,303 |
| SCHEDULE 6 SUNDRY DEBTORS | | |
| (Unsecured considered good) | | |
| Outstanding for more than Six Months | 628,078,966 | 496,894,950 |
| Other Debts | 410,719,798 | 775,985,552 |
| TOTAL | 1,038,798,764 | 1,272,880,502 |



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE 2011

(Amount in Rs)

| Particulars | As at 30.06.2011 | As at 30.06.2010 |
|--|--------------------|----------------------|
| SCHEDULE 7 CASH & BANK BALANCES | | |
| Cash on hand | 5,431,884 | 3,327,818 |
| Balances with Scheduled Banks | | |
| On Current Accounts | 9,875,089 | 3,448,021 |
| On Margin Money Accounts | 36,561,995 | 40,412,632 |
| TOTAL | 51,868,968 | 47,188,471 |
| 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 | 3,004,714 | 3,322,152 |
| for Raw Materials | 19,681,338 | 19,929,709 |
| for Services | 6,174,433 | 8,574,484 |
| Advances to Employees : | | |
| for Expenses | 9,049,517 | 7,101,959 |
| Salary Advances | 487,098 | 437,918 |
| Other Advances | 518,543,850 | 774,880,164 |
| Due from Related Parties | - | 22,194,360 |
| Deposits recoverable | 233,136,950 | 259,649,867 |
| Balance with Central Excise Dept. | 15,250,362 | 14,352,675 |
| Prepaid expenses | 3,327,297 | 9,236,759 |
| Advance Income Tax , TDS & FBT | 7,440,898 | 3,441,319 |
| Amounts receivable against sale of investments | 61,650,000 | - |
| Loan to officer | 5,522,166 | 8,273,725 |
| TOTAL | 883,268,623 | 1,131,395,091 |



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE 2011

(Amount in Rs)

| Particulars | As at 30.06.2011 | As at 30.06.2010 |
|--|--------------------|--------------------|
| SCHEDULE 9 CURRENT LIABILITIES & PROVISIONS | | |
| a) Current Liabilities | | |
| Creditors for materials | 254,658,061 | 287,955,740 |
| Creditors for expenses | 270,738,413 | 251,403,374 |
| Advances from Customers & others | 64,396,811 | 36,876,097 |
| Interest accrued but not due on term loans | 2,842,466 | 438,767 |
| Sub Total | 592,635,751 | 576,673,977 |
| b) Provision | | |
| Income Tax | 99,342,783 | 134,194,037 |
| Leave Salary | 6,373,620 | 5,609,752 |
| Gratuity | 16,154,335 | 11,809,652 |
| Sundry Provisions | - | 105,123 |
| TOTAL | 714,506,489 | 728,392,542 |

➤ **SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT** FOR THE YEAR ENDED 30TH JUNE 2011 (Amount in Rs)

| Particulars | Current Year | Previous Year |
|---|----------------------|----------------------|
| SCHEDULE 10 SALES & SERVICES | | |
| Domestic | 2,134,825,569 | 2,272,444,276 |
| Deemed Exports | 4,775,209 | - |
| Exports | 53,571,587 | 11,098,469 |
| Services | 140,317,474 | 501,748,621 |
| TOTAL | 2,333,489,839 | 2,785,291,366 |
| SCHEDULE 11 INCREASE/(DECREASE) IN STOCK | | |
| Opening work in progress / Finished Goods | 534,311,425 | 279,563,399 |
| Closing work in progress | 1,234,699,849 | 529,744,817 |
| Closing Finished Goods | 375,040,258 | 4,566,608 |
| TOTAL | 1,075,428,682 | 254,748,026 |
| SCHEDULE 12 OTHER INCOME | | |
| Gain /(Loss) from exchange of foreign currency | - | 258,706 |
| Int. earned on deposits & others | 2,770,560 | 1,940,521 |
| Profit on Sale of Investments | 27,784,920 | |
| Other Receipts | 4,837,428 | 22,369,690 |
| TOTAL | 35,392,908 | 24,568,917 |
| SCHEDULE 13 MATERIAL CONSUMED | | |
| Opening Stock | 410,718,976 | 241,301,961 |
| Add : Purchases | 2,357,913,468 | 1,629,179,036 |
| | 2,768,632,444 | 1,870,480,997 |
| Less : Material consumed for R&D | 5,159,366 | 4,845,549 |
| Capitalised During the year | 429,879,237 | 3,204,710 |
| | 2,333,593,841 | 1,862,430,738 |
| Less : Closing Stock | 238,847,672 | 410,718,976 |
| TOTAL | 2,094,746,169 | 1,451,711,762 |

➤ **SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT** FOR THE YEAR ENDED 30TH JUNE 2011 (Amount in Rs)

| Particulars | Current Year | Previous Year |
|---|--------------------|--------------------|
| SCHEDULE 14 EMPLOYEE COST | | |
| Salaries, Wages & Bonus | 108,192,571 | 295,644,947 |
| Contribution to PF and other funds | 3,400,059 | 2,234,363 |
| Staff Welfare Expenses | 2,298,178 | 1,786,068 |
| Security Services | 1,484,781 | 1,166,930 |
| Leave Salary | 881,921 | 1,469,380 |
| Gratuity | 4,482,120 | 2,621,457 |
| TOTAL | 120,739,630 | 304,923,145 |
| SCHEDULE 15 MANUFACTURING, ADMINISTRATIVE AND SALES EXPENSES | | |
| Stores Consumed | 2,036,280 | 5,484,118 |
| Electricity Charges | 5,240,763 | 3,933,786 |
| Excise duty & Service Tax | 53,287,943 | 16,979,735 |
| Insurance | 1,350,891 | 3,529,616 |
| Job Works, Plotting ,Development & Testing Charges | 16,979,008 | 6,372,719 |
| Repairs and Maintenance | 1,669,477 | 3,299,026 |
| Professional Charges | 15,776,098 | 20,683,659 |
| Rent & License Fee | 6,536,035 | 37,392,816 |
| Rates & Taxes | 96,898,647 | 73,175,829 |
| Operating Lease Rentals | 68,256,400 | 43,764,922 |
| Printing & Stationary | 2,215,507 | 2,722,933 |
| Postage, Telephone & Internet Expenses | 4,274,658 | 7,043,296 |
| Travelling, Conveyance & Transport Exp. | 35,713,116 | 16,491,733 |
| Freight, Packing & Forwarding | 3,101,660 | 5,560,362 |
| Vehicle Maintenance | 3,507,784 | 2,036,199 |
| Audit Fee | 756,761 | 639,317 |
| General Charges | 11,714,234 | 20,797,980 |
| Loss on Sale of Asset | - | 60,236 |
| Board Meeting Expenses | 428,794 | 390,820 |
| Bad Debts & Debit Balances written back | 181,622,111 | 91,705,241 |
| Bank Charges | 18,119,424 | 15,002,980 |

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2011
(Amount in Rs)

| Particulars | Current Year | Previous Year |
|---|--------------------|--------------------|
| Sales Expenses | 19,234,527 | 3,563,517 |
| Issue Expenses written off | 10,230,941 | 10,230,940 |
| Subcontractors & outside services | - | 112,064,796 |
| Loss on Sale of Investment | 11,880,682 | - |
| Liquidated Damages | 100,876 | 112,317 |
| Computer Expenses | - | 1,884,762 |
| Deferred expenses written off | 3,272,320 | 1,363,467 |
| TOTAL | 574,204,937 | 506,287,122 |
| SCHEDULE 16 R&D EXPENDITURE | | |
| Materials | 5,159,366 | 4,845,549 |
| Employees Cost | 31,213,719 | 27,552,086 |
| Other Expenses | 1,369,491 | 794,339 |
| | 37,742,576 | 33,191,974 |
| SCHEDULE 17 INTEREST AND FINANCIAL CHARGES | | |
| Interest on Term Loans - | | |
| UCO Bank | 18,142,635 | 22,443,644 |
| Technology Development Board | 2,527,199 | 871,960 |
| L&T Finance Limited | 20,056,963 | - |
| Industrial Development Bank of India Ltd | 10,727,785 | 19,623,495 |
| Interest on Working Capital | | |
| State Bank of India | 62,704,433 | 26,258,519 |
| Development Credit Bank | - | 11,789,667 |
| Standard Chartered Bank | 2,260,157 | - |
| Andhra Bank | 6,303,371 | 1,095,383 |
| Union Bank of California | - | 219,662 |
| Interest on Loan from others | 28,998,742 | 1,630,059 |
| Financial Charges | 637,326 | 363,361 |
| TOTAL | 152,358,611 | 84,295,750 |

➤ SCHEDULE 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.
- 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 30-06-11 | As at 30-06-10 |
| 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% | 100.00% |

The financial statements of the subsidiaries, considered in the consolidated accounts, are drawn upto 30th June, 2011 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, 2011.

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.



SCHEDULE FORMING PART OF CONSOLIDATED ACCOUNTS (CONTD.)

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.

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.



SCHEDULE FORMING PART OF CONSOLIDATED ACCOUNTS (CONTD.)

k. 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.

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 30.06.2011 | As at 30.06.2010 |
| A | Counter guarantees given by the Company to banks towards issue of Bank Guarantees | 137,938,758 | 243,596,495 |
| B | Counter guarantees given by the Company to banks towards issue of Bank Guarantees to Customs & Central Excise Department | 4,200,000 | 4,039,656 |
| C | Bonds executed to Customs & Central Excise Department (net of Bank Guarantees) | 82,300,000 | 61,180,889 |
| D | Letter of credits issued by Bankers | 73,098,452 | 73,835,440 |
| E | Corporate Guarantees given by the Company to banks on behalf of subsidiaries and associates | 127,000,000 | 127,000,000 |
| F | Tax matters in Appeals | | |
| a. | Excise Duty | 32,417,443 | 32,817,443 |
| b. | Customs Duty | 1,801,111 | 1,801,111 |
| c. | Service Tax | 5,107,761 | — |
| d. | Sales Tax | 5,302,831 | 3,195,527 |



SCHEDULE FORMING PART OF CONSOLIDATED ACCOUNTS (CONTD.)

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.75,17,091/- on account of current year's deferred tax.

5. Secured Loans:

a. Working Capital Loans:

State Bank of India working capital limits are secured by -

- i. Exclusive charge on fixed assets of the Company except those funded by UCO Bank, Technology Development Board, National Research Development Corporation and Vehicle financing Institutions.
- ii. First charge (Hyp) on all current assets of the Company (Second charge in favour of Andhra Bank for their BG Limit of ₹10 Crores).
- iii. Second charge on EM of Industrial Plot No.192/B in Survey No.274 at Phase II, IDA, Cherlapally along with building (First charge held by Srei Equipment Finance Pvt Ltd).
- iv. Second charge on fixed assets created out of Term loan from UCO Bank.
- v. SBI is further secured by personal guarantees of two of the following Directors of the company.
 1. Dr M V Ramana Rao
 2. Mr L N Malleswara Rao

Andhra Bank working capital (non fund based) limits of ₹20 crores are secured by -

- i. First 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 Srei Equipment Finance Pvt Ltd.
- ii. Andhra Bank is further secured by personal guarantees of two of the following directors of the company.
 1. Dr M V Ramana Rao
 2. Mr L N Malleswara Rao

Standard Chartered Bank working capital limits are secured by -

- i. First pari-passu charge on the current assets of the company's lighting business
- ii. Second charge on the entire fixed assets of the company in pari-passu with other working capital bankers.
- iii. Second pari-passu charge on the current assets of the company's LED Display Division.
- iv. SCB is further secured by personal guarantee of Dr.M.V.Ramana Rao, Managing Director of the Company.

b. Term Loans:

- i. Outstanding Term Loan of ₹5 Crores (sanction limit of ₹15 Crores) 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).
- ii. TDB is further secured by personal guarantees of two of the following Directors of the company.
 1. Dr M V Ramana Rao
 2. Mr L N Malleswara Rao

➤ SCHEDULE FORMING PART OF CONSOLIDATED ACCOUNTS (CONTD.)

Term Loan taken from UCO Bank is secured as follows :

- i. 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.
- ii. 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. UCO Bank is further secured by personal guarantee of Dr.M.V.Ramana Rao, Managing Director.

Term Loan taken from L&T Finance Ltd is secured by 19 Nos. of LED Display Screens.

Term Loan taken from Srei Equipment Finance Pvt Ltd is secured by first charge on the power electronic equipments bought out of the loan amount.

- c. Loans taken 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 | As at 30.06.2011 | As at 30.06.2010 |
| A | Managing Director | | |
| | - Remuneration | 3,000,000 | 2,400,000 |
| | - Perquisite Value of rent | 360,000 | 360,000 |
| B | Other Directors | | |
| | - Remuneration | 10,50,000 | 790,323 |

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

| | | Amount in Rs | |
|-------|---|-------------------|--------------------|
| S. No | Particulars | Current Year Rs. | Previous Year Rs. |
| a. | Excess Provision of Income Tax written back | 11,359,484 | 7,947,578 |
| b. | Income Tax for earlier years | (7,172) | (17,654,155) |
| | Total | 11,352,312 | (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:

| Particulars | Current Year | Previous Year |
|--|--------------------|--------------------|
| Due not later than one year | 66,074,400 | 66,074,400 |
| Due later than one year but not later than 5 years | 170,692,200 | 236,766,600 |
| Due later than 5 years | — | — |
| Total | 236,766,600 | 302,841,000 |



SCHEDULE FORMING PART OF CONSOLIDATED ACCOUNTS (CONTD.)

iii) Lease payment recognized in the statement of Profit & Loss Account for the year: Rs. 66,492,080/- (Previous year- Rs. 27,531,000/-)

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.MIC Technologies Australia (Pty) Ltd | Associate Company |
| 2 | M/s.Virtual Energy Pvt Ltd | |
| 3 | M/s.Chemener Batteres Pvt Ltd | |
| 4 | M/s.Hyperion Green Energy India Pvt Ltd | |
| 5 | Dr.M.V.Ramana Rao | Directors–Key Management Personnel |
| 6 | Shri Somendra Khosla | |
| 7 | Shri N.Srinivasa Rao | |
| 8 | Shri Y.Harish Chandra Prasad | |
| 9 | Shri L.N.Malleswara Rao | |
| 10 | Shri Atluri Venkata Ram | |
| 11 | Shri Anil Goyal | 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 | |

*During the year, the company has disposed off stake in M/s. Infostep Inc., USA.

b. Transactions during the year with related parties:

| Sr. No | Nature of Transaction | Amount in Rs. | |
|--------|--------------------------------------|---------------|------------|
| | | 2010-11 | 2009-10 |
| 1 | Investments in Associates: | | |
| | MIC Technologies Australia (Pty) Ltd | 1,874,325 | 7,056,900 |
| | Virtual Energy Pvt Ltd | 7,000,000 | 500,000 |
| | Chemener Batteries Pvt Ltd | 4,000,000 | -- |
| | Hyperion Green Energy India Pvt Ltd | 21,287,000 | — |
| 2 | Sale to Associates: | | |
| | MIC Technologies Australia (Pty) Ltd | 9,985,286 | 14,124,023 |



SCHEDULE FORMING PART OF CONSOLIDATED ACCOUNTS (CONTD.)

| | | Amount in Rs. | |
|--------|--|---------------|------------|
| Sr. No | Nature of Transaction | 2010-11 | 2009-10 |
| 3 | Outstanding Balances payable to management personnel (holding company) | 20,556,271 | 15,618,929 |
| 4 | Expenditure (holding company): | | |
| | • Remunerations to Key Management Personnel | 4,050,000 | 3,190,323 |
| | • Rents paid towards accommodation provided to Management Personnel | 360,000 | 360,000 |
| | • Sitting Fee and other expenses reimbursed to Directors | 428,794 | 390,820 |

10. Earnings Per Share

| | | Amount in Rs. | |
|----------------------------------|-------------|---------------|-------------|
| Particulars | | 2010-11 | 2009-10 |
| Closing No. of Shares | 102,498,275 | 102,498,275 | |
| Convertible Share Warrants | | 14,640,000 | 14,640,000 |
| Profit after Taxes (Amt. in Rs.) | | 338,637,798 | 553,790,883 |
| Face value of Equity Shares | | 2 | 2 |
| EPS (in Rs.) | | 3.30 | 5.40 |
| Diluted EPS (in Rs.) | | 2.89 | 4.72 |

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
Membership No.:026600

Place : Hyderabad
Date : 29.11.2011

for and on behalf of the Board

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

Sd/-
(L.N. Malleswara Rao)
Executive Director

Sd/-
(Ch. Vijay Kumar Naidu)
Company Secretary



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30.06.2011

| Particulars | As at 30.06.2011 | As at 30.06.2010 |
|---|----------------------|----------------------|
| Cash flows from Operating activities | | |
| Net Profit after taxation, prior period & extraordinary item and effect of foreign currency translation | 338,637,798 | 560,880,630 |
| Adjustments for: | | |
| Depreciation | 63,446,117 | 36,732,531 |
| Minority Interest | | 6,679,533 |
| Deferred Tax | (7,517,091) | (8,701,417) |
| Interest Income | (2,770,560) | (1,940,521) |
| Operating Profit before working Capital changes | 391,796,264 | 593,650,755 |
| (Increase) Decrease in Sundry Debtors | 234,081,738 | 181,187,614 |
| (Increase) Decrease in Loans and Advances | 248,126,468 | (33,012,511) |
| (Increase) Decrease in Inventories | (895,341,476) | (421,836,423) |
| (Increase) / Decrease in Deferred tax | (48,687,710) | 5,867,076 |
| (Increase) Decrease in miscellaneous expenditure not written off | (157,873) | (5,507,726) |
| Increase / (Decrease) in Current Liabilities and Provisions | (13,886,053) | 11,373,656 |
| Cash generated from Operations | (84,068,643) | 331,722,441 |
| Net Cash flow from Operating Activities | (84,068,643) | 331,722,441 |
| Cash flows from Investing Activities | | |
| Purchase of Fixed Assets and Capital Work in Progress (net) | (444,530,099) | (443,456,772) |
| Long term Investments | (64,578,206) | 1,434,640 |
| Interest received | 2,770,560 | 1,940,521 |
| Goodwill on Consolidation and Purchase | 240,967,811 | (27,605,284) |
| Net Cash flow from Investing Activities | (265,369,935) | (467,686,894) |
| Cash flows from Financing Activities | | |
| Proceeds from Issue of Share Capital/Warrants including Share Premium | (20,720,059) | 99,463,539 |
| Adjustment on account of cessation of subsidiary | (75,075,863) | - |
| Share Warrants Forfeited | - | 213,277,045 |
| Reduction in Share Application Money | - | (226,357,961) |
| Decrease (Increase) in borrowing | 487,017,372 | 58,652,795 |
| Minority Interest | (37,102,376) | 11,076,345 |
| Net Cash used for financing activities | 354,119,074 | 156,111,763 |



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30.06.2011

| Particulars | As at 30.06.2011 | As at 30.06.2010 |
|---|-------------------|-------------------|
| Effect of Exchanges differences on translation of foreign currency cash & Cash equivalent | - | (4,786,430) |
| Net increase in cash and cash equivalents | 4,680,497 | 15,360,880 |
| Cash and Cash equivalents at the beginning of period | 47,188,471 | 31,827,592 |
| Cash and Cash equivalents at the end of period | 51,868,968 | 47,188,471 |

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
Membership No.:026600

Place : Hyderabad
Date : 29.11.2011

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

Sd/-
(L.N. Malleswara Rao)
Executive Director

Sd/-
(Ch. Vijay Kumar Naidu)
Company Secretary

This Page is intentionally left blank

MIC Electronics Limited

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



➤ ATTENDANCE SLIP

I hereby record my presence at the Annual General Meeting of the Company being held on 27th December, 2011 at 11.00 A.M at registered office of the company.

Name of the Shareholder:

Name of Proxy:

Signature of Member / Proxy:

Regd. Folio No. / *Client id:

Applicable for members holding shares in Electronic Form.

Note: PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING VENUE

MIC Electronics Limited

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



➤ PROXY FORM

Regd. Folio No/

No. of Shares held

Client ID:

I/We.....of in the district of
..... being a member(s) of the above named company hereby appoint of
.....or failing him..... of as my/our proxy to vote for me/us on y/our behalf

at the Annual General Meeting of the Company to be held on 27th December, 2011 at 11.00 A.M at the registered office of the Company or at any adjournment thereof.

Signed this day of2011

Signature

Note: The proxy form duly completed should be deposited at the Registered Office of the Company not less than Forty Eight Hours before the time fixed for holding the meeting.

Notes

Notes

CORPORATE INFORMATION

Annual General Meeting

Date : 27th December 2011
Day : Tuesday
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
Shri Daggubati Venkateswara Rao
Shri Somendra Khosla
Shri N Srinivasa Rao
Shri Y Harish Chandra Prasad
Shri L N Malleswara Rao
Shri Anil Goyal
Shri Atluri Venkata Ram

Company Secretary

Vijay Kumar Naidu Ch

Bankers

State Bank of India

Overseas Branch, Hyderabad

UCO Bank

MG Road Branch, Hyderabad

IDBI Bank

Chapel Road, 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, INDIA



MIC Electronics Limited

A4, Electronic Complex, Kushaiguda, Hyderabad- 500 062, India.

Tel: +91-40-2712 2222, Fax: +91-40-2713 3333, Email: info@mic.in

www.mic.in