

LEaDing Innovation



24<sup>th</sup> Annual Report 2011- 12

# LEaDing Innovation



Train No.	Train Name	Exp Time	AO	P.No.
8102	Mangalore Chennai	17:55	A	3
8027	West Coast Express	17:55	A	2
1229	Sebari Express	18:20	A	1
2012	Raptasagar Express	18:30	A	1
2063	Coimbatore JanShatabd	19:20	A	2
6382	Mumbai Jayanti Janata	20:00	A	1
2079	InterCity Express	20:15	A	2
2177	Yesvantpur Kochuvell	20:45	A	2



Train No.	Train Name	Exp Time	AO	P.No.
8104	Mangalore Chennai	08:50	A	1
8027	West Coast Express	10:15	A	2
1229	Sebari Express	10:20	A	2
2012	Raptasagar Express	11:00	A	1
2063	Coimbatore JanShatabd	11:15	A	2
6382	Mumbai Jayanti Janata	11:52	A	2
2079	InterCity Express	12:55	A	4

01	Chairman's Statement	1
02	Notice	4
03	Directors' Report	7
04	Management Discussion and Analysis Report	12
05	Report on Corporate Governance	15
06	Managing Director and CFO Certification	27
07	Financial Section	28



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

## Dear Shareholders,

It gives me pleasure to present the 24<sup>th</sup> annual report for MIC Electronics Ltd. We have consolidated our operations around our core strengths of LED and Solar technologies. We continue to adopt best practices in finance and marketing by deploying products and personnel to take advantage of the emerging LED markets. The successes, achievements and recognitions have been instrumental in boosting the morale, motivation and momentum in your company's work culture maintaining a healthy environment conducive for innovative product development and production operations.

Your company has now streamlined its product portfolio into two major categories:

### True Colour LED Displays

- Passenger Information Displays for Railways
- Variable Message Signs
- LED TV for Control rooms and Out-of-Home applications for 2D & 3D viewing
- Mobiles (Displays mounted on Trucks / Trailers)
- Perimeter Displays for Sports pavilions
- LED Billboards etc

and

### LED Lighting solutions

- Rural solutions
  - Solar Portables - Lanterns and Mushroom Lights
  - Solar Street Lights and Home Lighting Solutions
  - Solar Home Gen-sets with combination of DC & AC loads.
- Grid based Street lights, High Mast lights, Flood Lighting and Tunnel Lighting for outdoor applications
- Grid based Indoor lights
  - Area lights, Tube lights, Down lights and Bulbs
- Railway Coach Lighting
- Railway Emergency Lights
- ESCO Business for Replacement of all existing conventional street lights with LED Luminaires in Municipalities with dimming, monitoring and control.

Further your company is committed to bringing out energy efficient lighting solutions deploying state-of-art technologies and latest generation components from industry giants like Nichia Corporation, Japan and Texas Instruments Inc, USA.

Low pitch (less than 3mm) Displays for high end Control Room / Security applications for Information Monitoring; SMD Chip LED based Outdoor Displays with optimized weight, cost and power consumption for bulk production; LED 3D TVs employing a MIC-proprietary ASIC for Out of Home applications and Intelligent lighting solutions for Indoor / Outdoor lighting applications are identified as main thrust areas for development in the coming years.

### Channel Partners

Your company, having consolidated the product portfolio, has now moved to 'marketing' as the thrust area and is evolving strategies for strengthening the marketing function. In order to take advantage of the ground work done so far in selective market segments your company is actively considering the scheme of engaging 'Channel Partners' for marketing its products - both LED Displays and LED Lighting - to reduce the cost of sales. It is proposed to establish a Dealer - Distributor network to address the Indian as well as International markets.

Your company enjoys a brand identity in both displays and lighting markets. Despite the comfortable market environment, your company has been passing through a severe financial stress during the year due to global economic downtrend which has not spared MIC. Stricter financial regulations of lending institutions and delay in receiving the payments coupled with political disturbances hampered the regular operations very badly.

## Markets - Displays

Your company has made several in-roads into the display markets, significant of which is the Train Passenger Information Systems (TPIS) for Railways. Supplies of around 70 systems have already been made to as many as 50 stations including Lucknow, Salem, Secunderabad, Sealdah, Hubli, Sonpur, Kolkata, Howrah, Mysore, Vijayawada, Delhi, Jabalpur and Rajkot railway stations and many more orders are in the pipeline.

The fact that your company is the only company as on date approved by RDSO for True Colour TPIS displays for Railways is a great opportunity not only to leverage repeat orders but also to establish as a tough competitor / entry barrier for the new and emerging competition.

The 3mm & 4mm resolutions achieved through SMD LEDs have enabled the development of 'LED TVs' for Out of Home applications. Your company has been very keen to bring out 3D LED TVs also for this market segment. In this direction, a proprietary LED chip has been designed and fabricated at a semiconductor company in Taiwan. This ASIC LED employs a proprietary color coding scheme which enables 3D viewing with more grace and colour contrast. As a default provision, the same content can be viewed in 2D also on the same display. This is expected to make a striking difference from the existing 3D TV technologies and hence a significant marketing edge. The prospective clients are Sports Stadiums, Recreation centers, Resorts, VIP lounges, Star hotels etc.

**Exports:** The trial markets serviced through the tie up with the US based Colorado Timing Systems (CTS) have proved successful and the products are found working satisfactorily in USA. Significant business is anticipated from this export opportunity. Similar attempts are already on in Australia, South Africa and few other countries.

## Markets - Lighting

Your company has a wide range of products to offer in the LED Lighting category. These include Grid, Off-grid and Solar based applications.

Your company has already created a long list of clients for LED Lighting - Corporate Industries, Software parks, Malls etc. for Indoor lighting; Municipalities and local bodies for grid based street lighting; and Industrial complexes / Colonies, gated residential communities and Rural communities for solar based street lighting. In tune with the philosophy of the Government to encourage LED lighting, it is your company's

endeavour to bring in the needed awareness of the cost economies of LED lighting to more and more institutions and public at large to enable them appreciate the energy efficiency benefits and opportunities / incentives for the deployment of Alternate / Renewable energy sources like solar. More effort is being put in to spread this message to reduce the demand for grid power wherever possible, so that the power saved is made available to industry / some other priority sector.

Your company, once again, is the only company which has obtained RDSO approvals for 13 types of Railway Coach lighting products for use in air conditioned coaches of the Indian Railways. This has been accorded after two-year-long field trials in running trains. The Indian Railways has expressed their satisfaction on the performance of these lights and cleared these products for bulk production. The volume of business, including the presently running coaches and the coaches under manufacture at ICF and BEML, is estimated as more than thousand crores of rupees and is expected to fully engage the production lines for the coming few years.

Your company has dispatched more than 50,000 (Fifty Thousand) Emergency Lights to Indian Railways till date after 'RITES' inspection and clearance. This manufacturing line is continuously loaded to fulfill the requirements of Railways with a uniform and even distribution throughout the year, for many years.

**Exports:** A novel product - an All-in-One Integrated solar street light has been developed and a pilot lot of 50nos has been commissioned in Haiti for field trials. It is anticipated that this product will receive a sizable response from the market.

It may be heartening to note that your company has commenced the OEM supplies of solar lanterns to SHARP, Malaysia under an OEM supply agreement to their global subsidiaries. The initial trial lots have been shipped to Manila-Philippines and Dubai under SHARP's brand name.

## Intellectual Property:

The strong R&D culture of your company is very particular in safeguarding the continuous developments and innovations taking place in the company by immediate registration with the Office of Controller of Patents & Designs in India and Abroad. In the year 2011-12, fresh applications have been made for 11 Patents, 4 Trade Marks and 5 Design registrations. Cumulatively the company has received 25 Trade Marks in India, 6 Trade Marks in USA, 28 Design registrations and 2 Copy Rights. As of now, applications are pending for 27 Patents, 44 Trade Marks in India, 3 Trade Marks in USA, 7



Design registrations and 4 Copy Rights.

#### Promise for the Future

True Colour LED displays including the Train Passenger Information Systems for Railways continue to enjoy the significant market share in conjunction with the rental segment of fixed or mobile displays. High resolution displays contemplated for LED TVs for 2D or 3D viewing in Out-of-Home applications are expected to catch up. It is also expected to productionise SMD outdoor displays and low pitch displays for control room / security applications.

The power position in the Country is still alarming and the demand - supply situation for grid power is of a great concern for the Governments. Your company is working on plans to alleviate the situation with a two fold methodology: to develop energy efficient lighting products to conserve grid power in urban areas on one hand; and develop Mini - Solar Power plants and associated home lighting utilities like Home Gen-sets on the other hand, to facilitate a transition from grid to solar wherever relevant. This move is especially aimed at helping the rural population to exploit the abundant solar energy in rural areas and reduce the pressures on the Government for generation and distribution of grid power to reach the remote and interior populace.

Your company has recently made a brief study tour to few Asian countries like China, Malaysia, and Singapore etc. to observe the trends in the LED lighting industry. These visits

became highly beneficial as it resulted in identifying few novel applications - DC based products/utilities for the rural house holds and also in establishing few supply chain relationships.

The vast experience gained in working with LEDs for the past 26years, coupled with adoption of latest international technological advances certainly enhanced the company's capabilities and placed the products of your company on par with those from developed world. Your company's products have already been evaluated by concerned agencies in US, Malaysia and Australia. Conscious efforts are in place to keep the product portfolio constantly updated with the latest technological inputs and regulatory requirements.

Your company is fully geared up to embark on a large scale operation so as to encash the existing and future demands without any loss of time and opportunities.

I thank all the shareholders and financial institutions for the confidence reposed in the company.

With Best Wishes.

**Dr. M V Ramana Rao**

**NOTICE** is hereby given that the 24<sup>th</sup> Annual General Meeting of the Members of the Company will be held on Saturday, the 29<sup>th</sup> December 2012 at 11.00 AM at the registered office of the Company situated at A-4/II, Electronic Complex, Kushaiguda, Hyderabad - 500062 to transact the following business:

#### Ordinary Business:

1. To receive, consider and adopt the Balance Sheet as at 30<sup>th</sup> September 2012 and Profit & Loss Account for the Period ended on that date along with Notes forming part of it and the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri Venkata Ram Atluri who retires by rotation and being eligible, offers himself for re-appointment.
3. 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 hereby re-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:

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

"RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and Articles of Association of the Company, the Consent of the Members of the Company be and is hereby accorded to the reappointment of Dr. M V Ramana Rao as Chairman and Managing Director of the Company for a period of 3 years with effect from 28<sup>th</sup> November 2012 to 29<sup>th</sup> November 2015 on the following Remuneration notwithstanding that the Company has made no profits or the profits are inadequate in any financial year of the Company during his tenure as Chairman and Managing Director:

#### Remuneration:

1. Basic Salary: Rs.2,00,000/- per month with an annual increment of 20,000/- .
2. Rent-free residential accommodation to be provided by the company expenditure incurred by the company on his electricity, water and furnishing shall be evaluated as per Income Tax Rules, 1962, subject to a ceiling of 25% of Salary.

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 one month salary in a year or three months' salary over a period of three years.
- b) **Leave Encashment:** Earned leave with full pay and allowances as per rules of the company. Leaves accumulated but not availed of during his tenure will be allowed for encashment.
- c) Leave Travel Concession/Allowance for self and family once in a year either in India or abroad, as per the rules of the Company.
- d) Admission and Annual Club Membership Fees for two or more cosmopolitan clubs subject to a ceiling of Rs.8.25 Lakhs per annum.
- e) Personal accident and Health Insurance Premium not exceeding Rs.1,00,000/- per annum.
- f) Contribution to Provident Fund, Superannuation Fund or Annuity Fund are as per the rules of the company and to the extent these either singly or put together are not taxable under the Income-tax Act, 1961.
- g) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- h) Free use of Company's car with driver.
- i) Free Communication facilities like Telephones, Mobiles and Fax at residence.
- j) Reimbursement of expenses actually incurred by him for the business of the Company.

RESOLVED FURTHER THAT the above mentioned remuneration shall be paid and allowed as a minimum remuneration during the currency of tenure of his office as the Chairman & Managing Director, notwithstanding the absence or inadequacy of profits in any accounting year as long as the minimum remuneration is within the prescribed limits under Section II of Part II of Schedule XIII of the Companies Act, 1956".

By order of the Board  
For MIC Electronics Limited

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

Place: Hyderabad

Date: 29-11-2012

**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 24<sup>th</sup> December 2012 to 29<sup>th</sup> December 2012 (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. and 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. -2 & 4**

As per Section 269 read with schedule XIII of the Companies Act, 1956 approval of shareholders in the General Meeting is required for Re-appointment as Chairman & Managing Director and hence the resolution is placed before the Shareholders.

The board of directors of the company at their meeting held on 29<sup>th</sup> November 2012 re-appointed Dr. M V Ramana Rao as Chairman & Managing director of the Company as his tenure will end on 19<sup>th</sup> May 2013, for a period of three years effective from 29<sup>th</sup> November, 2012 on the terms of appointment and remuneration payable to Dr. M V Ramana Rao, Chairman & Managing Director of the company as specified in the above resolution, the same was placed subject to the approval of shareholders and other approvals, if any as may be necessary.

The principal terms of appointment and overall remuneration of Dr. M V Ramana Rao as specified in the above resolution by the way of salary, perquisites and allowances has been reduced from Rs.36.00 lacs to Rs.24.00 lacs considering the significant fall in turnover and operating profit.

None of directors are interested in the above resolution except Dr. M V Ramana Rao who has not participated while passing the above resolution.

By order of the Board  
For MIC Electronics Limited

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

Place: Hyderabad

Date: 29-11-2012

**BRIEF PROFILES OF DIRECTORS SEEKING RE-APPOINTMENT****Item No. 2 & 4:**

<b>Name of the Director</b>	<b>Dr. M V Ramana Rao</b>
<b>Date of Birth</b>	<b>04-02-1960</b>
<b>Date of Appointment</b>	<b>17-05-1988</b>
<b>Qualification</b>	<b>B.E (Electrical &amp; Electronics Engineering), M.E (Applied Electronics), Ph.D (Electronics &amp; Communication Engineering)</b>
<b>Relationship with other Directors</b>	<b>None:</b>
<b>Directorship in Other Companies</b>	<b>1. THINK SOLAR INDIA PRIVATE LIMITED</b>
	<b>2. MIC GREEN ENERGY SOLUTIONS PRIVATE LIMITED</b>
	<b>3. CHEMENER BATTERIES PRIVATE LIMITED</b>
	<b>4. MIC HOLDINGS LIMITED</b>
	<b>5. SMIC360 ENTERTAINMENT SOLUTIONS PRIVATE LIMITED</b>
	<b>6. MIC CANDILUX PRIVATE LIMITED</b>

<b>Name of the Director</b>	<b>Atluri Venkata Ram</b>
<b>Date of Birth</b>	<b>10-05-1962</b>
<b>Date of Appointment</b>	<b>22-08-2006</b>
<b>Qualification</b>	<b>Graduate Degree in Computer Architecture</b>
<b>Relationship with other Directors</b>	<b>None</b>
<b>Directorship in Other Companies</b>	<b>1. MIC GREEN ENERGY SOLUTIONS PRIVATE LIMITED</b>



To  
The Members,  
MIC Electronics Limited

**Dear Shareholders,**

Your Directors have pleasure in presenting the 24<sup>th</sup> Annual Report on the business and operations of the Company along with the Audited Balance Sheet and Profit & Loss Account for the Period ended 30<sup>th</sup> September 2012 (15 months).

**Financial Results**

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

(Rs. In Crores)

Particulars	2011-12 (15 Months)	2010-11 (12 Months)
Net Sales / Income from Operations	131.88	212.96
Other Income	7.94	17.52
Total income	139.82	230.48
Profit before interest, depreciation & tax	37.42	62.84
Less : Interest	25.44	16.33
Depreciation	7.64	6.17
Profit before Extra ordinary items & Tax	4.34	40.34
Less: Extra Ordinary items (obsolete stock written off)	(69.07)	0.00
Profit/(Loss) before Tax	(64.73)	40.34
Tax expenses:		
Current Tax	0.00	(8.04)
Taxes of earlier years written back	1.40	1.14
Deferred Tax Asset	0.20	0.76
Net Profit/(Loss) after Tax	(63.13)	34.20
Add : Balance Carried from Profit & Loss A/c	241.99	207.79
Profit available for appropriation	178.86	241.99
Dividends	0.00	0.00
Transfer to General Reserve	0.00	0.00
Balance Carried to the Balance Sheet	178.86	241.99
EPS - Basic	(6.16)	3.34
Diluted	(4.12)	2.92

**REVIEW OF OPERATIONS**

During the period under review the turnover is decreased by Rs. 81.08 Crores as compared to previous years turnover of Rs. 212.96 Crores due to slow off take from railways and general slow down and prevailing recessionary trend in the market. During the period the Company has registered a marginal operating profit of Rs. 4.34 crores as against Rs. 40.34 crores in the previous year. During the period your company has written off Obsolete Stock to the extent of Rs. 69.07 crores. After considering writing off of Obsolete Stock, the company incurred a net loss of Rs. 63.13 crores as against net profit of Rs. 34.20 crores in the previous year.

**DIVIDEND**

During the financial year 2011-12 the Board of Directors has not declared any Dividend.

## TRANSFER TO RESERVES

The Company has not transferred any amount to the general reserve since the Company has incurred loss during the period.

## 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 in the light of increased focus in the area of LED lighting division since overseas market is diverting from conventional lighting to LED lighting. Your directors are positive towards the future.

## SUBSIDIARIES

Ministry of Corporate Affairs vide General Circular No: 2/2011, dated 08.02.2011 has granted approval about the requirement to attach various documents in respect of subsidiary companies, as set out in sub-section (l) 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.

The company has four subsidiaries

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 make 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 and ISO- 9001 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 maximize worker protection and safety.

## DETAILS ABOUT MIC ELECTRONICS LTD EMPLOYEES STOCK OPTIONS PLAN 2006 (MIC ESOP 2006)

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

On 12<sup>th</sup> 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 24-10-2009, 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