



MIC Electronics Limited

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(We were incorporated as a private limited company under the Companies Act, 1956 on May 17, 1988 under the name MIC Electronics Private Limited with registration number 01-08652. Subsequently, we were converted into a public limited company on July 29, 1997 and we changed our name to MIC Electronics Limited.)

PUBLIC ISSUE OF 5,100,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING TO RS. [●] MILLIONS, ("ISSUE") COMPRISING A FRESH ISSUE OF 5,100,000 EQUITY SHARES OF RS 10 EACH BY MIC ELECTRONICS LIMITED ("COMPANY" OR "ISSUER").

THE ISSUE WOULD CONSTITUTE 25.34 % OF OUR FULLY DILUTED POST ISSUE PAID-UP EQUITY CAPITAL.

PRICE BAND: Rs. [●] TO Rs. [●] PER EQUITY SHARE OF FACE VALUE Rs. 10

THE FACE VALUE OF THE SHARES IS RS. 10 AND THE FLOOR PRICE IS [●] TIMES OF THE FACE VALUE AND THE CAP PRICE IS [●] TIMES OF THE FACE VALUE.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of the Price Band subject to the Bid /Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding /Issue Period, if applicable, will be widely disseminated by notification to the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Manager and at the terminals of the Syndicate.

The Issue is being made through the 100% Book Building Process wherein upto 50% of the Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers ("**QIBs**"). 5% of the QIB Portion shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for allotment to the QIB Bidders including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO THE FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. **The face value of the shares is Rs. 10 and the Floor Price is [●] times of the face value and the Cap Price is [●] times of the face value.** The Price Band (as determined by the Company in consultation with the Book Running Lead Manager ("**BRLM**") on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing. The Company has not opted for grading of the Issue.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("**SEBI**"), nor does SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the investors is invited to the section titled "**Risk Factors**" on page [●] of this Draft Red Herring Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Company having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares offered through this Draft Red Herring Prospectus are proposed to be listed on the National Stock Exchange of India Limited ("**NSE**") and the Bombay Stock Exchange Limited ("**BSE**"). [●] shall be the Designated Stock Exchange. We have received in-principle approval from the NSE and the BSE for the listing of the Equity Shares pursuant to letters dated [●] and [●], respectively.

BOOK RUNNING LEAD MANAGER



EDELWEISS CAPITAL LIMITED

1ST FLOOR, MITTAL CHAMBERS
NARIMAN POINT,
MUMBAI 400 021. INDIA.
TEL: +91 22 40863535
FAX: +91 22 2288 2119
E-MAIL: mic.ipo@edelcap.com
CONTACT PERSON: MR. ANKUR JAIN

REGISTRAR TO THE ISSUE



INTIME SPECTRUM REGISTRY LIMITED

INTIME SPECTRUM REGISTRY LIMITED

C-13 PANNALAL SILK MILLS COMPOUND,
L B S MARG, BHANDUP (W), MUMBAI 400 078
TEL: +91 22 2596 0320 - 28
FAX: +91 22 2596 0329
E-MAIL: micelectro-ipo@intimespectrum.com
CONTACT PERSON: MR.SALIM SHAIKH

BID/ISSUE PROGRAMME

BID/ISSUE OPENS ON: [●]

BID/ISSUE CLOSES ON:[●]

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I. DEFINITIONS AND ABBREVIATIONS

Term	Description
The “Company” or “our Company” or “MIC” or “we” or “our” or “us”	Unless the context otherwise requires, refers to MIC Electronics Limited, a company incorporated under the Companies Act, 1956 on a consolidated basis

COMPANY RELATED TERMS

Term	Description
Articles/ Association	Articles of Association of MIC Electronics Limited
Auditors	The statutory auditors of the Company, M/s. Pinnamaneni & Co, Chartered Accountants
Board of Directors/ Board	The board of directors of the Company or a committee of the Board constituted thereof
Director(s)	Director(s) of MIC Electronics Limited, unless otherwise specified
Equity Shares	Equity shares of the Company of face value Rs. 10 each
Memorandum of Association/ Memorandum	The Memorandum of Association of MIC Electronics Limited
Registered Office	The registered office of the Company, being A-4/II, Electronic Complex, Kushaiguda, Hyderabad - 500 062. A.P., India

ISSUE RELATED TERMS

Term	Description
Allotment/ Allotted	Unless the context otherwise requires, the issue and allotment of Equity Shares pursuant to the Issue to the successful Bidders
Allottee	The successful Bidder to whom the Equity Shares are being/have been Allotted
Banker(s) to the Issue	[●]
Banker to the Company	State Bank of India UCO Bank
Bid	An indication to make an offer during the Bidding/Issue Period by a prospective investor to subscribe to or purchase our Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The amount equivalent to the highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid/Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in an English national newspaper, a Hindi national newspaper and a Telugu newspaper with wide circulation
Bid/Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and a Telugu newspaper with wide circulation
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to or purchase the Equity Shares of our Company and which will be considered as the application for issue of the Equity Shares pursuant to the terms of the Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form
Bidding / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is made
BRLM/ Book Running Lead Manager	Book Running Lead Manager to the Issue, in this case being Edelweiss Capital Limited

Term	Description
CAN/Confirmation Allocation Note	of Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Cut-off Price	Any price within the Price Band finalised by the Company in consultation with the BRLM. A Bid submitted at Cut-off Price by retail Individual bidder bidding upto Rs 100,000 is a valid Bid at all price levels within the Price Band
Designated Date	The date on which funds are transferred from the Escrow Account(s) to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board shall allot Equity Shares, to the successful Bidders
Designated Stock Exchange	[●]
Draft Red Herring Prospectus	This Draft Red Herring Prospectus filed with SEBI, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue
Eligible NRI	NRI from such jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue
Escrow Account	Account opened with an Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount
Escrow Agreement	Agreement Dated [●] to be entered into amongst the Company, the Registrar, the Escrow Collection Bank(s), the Syndicate Members and the BRLM for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Banker(s) to the Issue, at which the Escrow Account will be opened in this case, being [●]
Equity Shares	Equity Shares of our company of face value of Rs 10 each
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
Fresh Issue	Issue of 5,100,000 equity shares by the Company at the Issue Price
Issue	Public issue of 5,100,000 Equity Shares at a price of Rs. [●] each for cash aggregating Rs. [●] million comprising a fresh issue of 5,100,000 equity shares of Rs 10 each by MIC Electronics Limited (“ Company ” or “ Issuer ”). The Issue will constitute 25.34 % of the fully diluted post issue equity share capital of our Company
Issue Price	The final price at which Equity Shares will be Allotted in terms of the Prospectus, as determined by the Company in consultation with the BRLM on the Pricing Date
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, which may range between 10% to 100% of the Bid Amount depending on the category of the Bidder or such additional margin, not exceeding 100% of the Bid Amount that may be called for by the Company, in consultation with the BRLM
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Mutual Fund Portion	5% of the QIB Portion or 127500 Equity Shares (assuming the QIB Portion is for 50% of the Issue size) available for allocation to Mutual Funds only, out of the QIB Portion
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000
Non-Institutional Portion	The portion of the Issue being 765000 Equity Shares of Rs. 10 each available for allocation to Non Institutional Bidders
Non Residents	Eligible NRIs, FIIs, FVCIs and multilateral and bilateral development financial institutions, who are eligible to Bid in the Issue
OCB/Overseas Body	Corporate OCB means and includes an entity defined in clause (xi) of Regulation 2 of the Foreign Exchange Management [Withdrawal of General Permission to Overseas Corporate Bodies (OCB’s) Regulations 2003 and which was in

Term	Description
	existence on the date of the commencement of these Regulations and immediately prior to such commencement was eligible to undertake transactions pursuant to the general permission granted under the Regulations. OCBs are not allowed to invest in this Issue
Pay-in-Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid/ Issue Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending up to the close of the Pay-in-Date
Price Band	The price band with a minimum price (Floor Price) of Rs. [●] and the maximum price (Cap Price) of Rs. [●], including any revisions thereof
Pricing Date	The date on which the Company in consultation with the BRLM finalize the Issue Price
Promoter Group and Promoter Group Companies	Unless the context otherwise requires, refers to those companies mentioned in the section titled “Our Promoters- Promoter Group” on page [●] of this Draft Red Herring Prospectus. Our Promoter Group and Promoter Group Companies are as follows:
Promoter Group	
	1. Dr. M.V.Ramana Rao 2. M. Usharani 3. M. Ramachandra Rao 4. M. Dhanakoteshwaramma 5. M. Sreenivasa Rao 6. K. Sitaramalakshmi 7. M. Chaitanya Deepthi 8. M. Chaitanya Keerti 9. M. Chaitanya Pavan 10. P. Hanumantha Rao 11. P. Rajyalakshmi 12. P. Narendra Babu 13. P. Koteswara Rao
Promoter Group Companies	
	1. MIC Technologies (AUST) PTY Limited 2. InfoSTEP Inc.
Promoter	Dr. M. V. Ramana Rao
Prospectus	The Prospectus, to be filed with the RoC containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Accounts for the Issue on the Designated Date
QIB Margin Amount	An amount representing at least 10% of the Bid Amount
QIB Portion	The portion of the Issue being not less than 2,550,000 Equity Shares of Rs. 10 each at the Issue Price, available for allocation to QIBs
Qualified Institutional Buyers or QIBs	Public financial institutions as defined in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with a minimum corpus of Rs. 250 million, pension funds with a minimum corpus of Rs. 250 million, and multilateral and bilateral development financial institutions

Term	Description
Refund Account	Account opened with an Escrow Collection Bank, from which refunds of the whole or part of the Bid Amount, if any, shall be made
Registrar /Registrar to the Issue	Registrar to the Issue, in this case being Intime Spectrum Registry Limited
Retail Individual Bidders	Individual Bidders (including HUFs applying through their karta and eligible NRIs) who have Bid for Equity Shares for an amount less than or equal to Rs. 100,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being 1,785,000 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
RHP or Red Herring Prospectus	The document issued in accordance with the SEBI Guidelines, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus which will be filed with the RoC in terms of section 60B of the Companies Act, at least 3 days before the Bid/ Issue Opening Date and will become a Prospectus after filing with the RoC after pricing and allocation
Stock Exchanges	NSE and BSE
Syndicate	The BRLM and the Syndicate Members
Syndicate Agreement	The agreement dated [●] to be entered into among the Company, and the Syndicate, in relation to the collection of Bids in this Issue
Syndicate Members	Edelweiss Securities Private Limited
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid
Underwriters	The BRLM and the Syndicate Members
Underwriting Agreement	The agreement among the members of the Syndicate, and the Company to be entered into on or after the Pricing Date

TECHNICAL AND INDUSTRY TERMS

Term	Description
GSM	Global System for Mobile Communication
CDMA	Code Division Multiple Access
ADSL	Asymmetric Digital Subscriber Line
OEM	Original Equipment Manufacturer
DTH	Direct To Home
FTAM	File Transfer Access and Manipulation
CMISE	Common Management Information Service Element
FTP	File Transfer Protocol
FCT	Fixed Cellular Terminal
WLL	Wireless in Local Loop
VHDL	Very High Density Logic
TCP	Transmission Control Protocol
I P socket	Internet Protocol socket
IFWT	Integrated Fixed Wireless Terminal
CMIP	Common Management Information Protocol
SNMP	System Network Management Protocol
MIS	Management Information System
FPGA	Field Programable Gate Array

ABBREVIATIONS

Term	Description
AASB	Australian Accounting Standards Board
AAS	Australian Accounting Standards
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India

Term	Description
BSE	The Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
Companies Act	The Companies Act, 1956, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A body corporate registered under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
ECL or Edelweiss	Edelweiss Capital Limited
EGM	Extraordinary General Meeting
EPS	Earnings per share
ESOP	Employees Stock Option Plan
ESOP 2006	The ESOP applicable to the Company and its eligible employees
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder
FII	Foreign Institutional Investor (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
Financial Year/Fiscal Year/ FY/ Fiscal	Period of twelve months ended June 30 of that particular year, unless otherwise stated
Government/GOI/ Central Government	The Government of India
HUF	Hindu Undivided Family
I.T. Act	The Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally accepted accounting principles in India
Mn/mn	Million
MICR	Magnetic Ink Character Recognition
NAV	Net asset value
NEFT	National Electronic Funds Transfer
Non Residents/ NR	Non-Resident is a Person resident outside India, as defined under FEMA and includes a Non- Resident Indian
NRE Account	Non Resident External Account
NRI/Non-Resident Indian	Non-Resident Indian, is a Person resident outside India, who is a citizen of India or a Person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
p.a. / P.A.	Per annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires
RBI	The Reserve Bank of India
RONW	Return on Net Worth
RoC	The Registrar of Companies, Hyderabad
Rs.	Indian Rupees
RTGS	Real Time Gross Settlement
SCRR	Securities Contract Regulation Rules, 1957, as amended
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI, as amended, including instructions and clarifications issued by SEBI from time to time

Term	Description
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time
SICA	Sick Industrial Companies (Special Provisions) Act, 1995

II. RISK FACTORS

CERTAIN CONVENTIONS: USE OF FINANCIAL AND MARKET DATA

In this Draft Red Herring Prospectus, the terms “we”, “us”, “our”, “the Company”, “our Company”, and “MIC Electronics”, unless the context otherwise indicates or implies, refers to MIC Electronics Ltd. Unless the context otherwise requires, all references to one gender also refers to another gender and the word “Lac” or “Lakhs” or “Lakh” means “one hundred thousand”, the word “million (mn)” means “ten lacs”, the word “Crore” means “ten million” and the word “billion (bn)” means “one hundred crores”. In this Draft Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

Throughout this Draft Red Herring Prospectus, all figures have been expressed in millions, unless otherwise stated. In the section on Industry Overview, some figures have been expressed in billions. In the section ‘Financial Information of the Company’, some figures have been expressed in thousands.

For additional definitions used in this Draft Red Herring Prospectus, please refer to the section titled “Definitions and Abbreviations” on page [●] of this Draft Red Herring Prospectus. In the section titled “Main Provisions of Articles of Association of the Company”, defined terms have the meaning given to such terms in the Articles of Association of the Company. Market data used throughout this Draft Red Herring Prospectus was obtained from industry publications and internal Company reports. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe market data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent sources.

PRESENTATION OF FINANCIAL STATEMENTS

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our unconsolidated financial statements as of June 30, 2006 and for the five years ended June 30, 2006, prepared in accordance with Indian GAAP and restated in accordance with the applicable SEBI Guidelines. Our restated unconsolidated financial statements, as of June 30, 2006, prepared in accordance with Indian GAAP and restated in accordance with the applicable SEBI Guidelines are included in this Draft Red Herring Prospectus.

The degree to which the Indian GAAP financial statements included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Guidelines. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Guidelines on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited.

We have also included in this Draft Red Herring Prospectus audited unconsolidated financial statements for our subsidiary MIC Technologies (AUST) PTY Limited as of June 30, 2005 and June 30, 2006. These financial statements, which are prepared annually, have been presented in the Section titled “**Financial Statements**” on page [●] of this Draft Red Herring Prospectus.

We have also included in this Draft Red Herring Prospectus unaudited unconsolidated financial statements for our subsidiary InfoSTEP Inc as of December 31, 2005, 2004, 2003, 2002 and 2001. These financial statements, which are prepared annually, have been presented in the Section titled “**Financial Statements**” on page [●] of this Draft Red Herring Prospectus.

At present our financial year (FY) commences on July 1 and ends on June 30, so all references to a particular fiscal year are to the twelve-month period ended on June 30 of that year.

Currency of Presentation

All references to “Rupees” or “Rs.” or “INR” are to Indian Rupees, the official currency of the Republic of India. All references to “US\$” or “U.S. Dollar(s)” are to United States Dollars, the official currency of the United States of America. All references to “Australian Dollar” are to Australian Dollars, the official currency

of Australia. “All references to” **Euro**” are to the official currency of the European Union. All references to “**South African Rand**” are to the official currency of the Republic of South Africa and all references to” **Taiwan Dollar**” are to the official currency of Taiwan, republic of China. All references to Dhiraams are to the official currency of the United Arab Emirates.

This Draft Red Herring Prospectus contains conversions of Australian Dollars, Dhiraams and US Dollars into Indian Rupees that have been presented solely to comply with the requirements of Clause 6.9.7.1 of the SEBI Guidelines. These convenience translations should not be construed as a representation that those Australian Dollars, Dhiraams and US Dollars could have been, or can be converted into Indian Rupees, at any particular rate, the rates stated below or at all.

In the Sections titled “**Subsidiaries**”, “**Our Promoter and Group Companies**” on page [●] and [●] of this Draft Red Herring Prospectus, currency conversions for US Dollars are based on the spot exchange rate provided by the website www.Xe.com and currency conversions for Australian Dollars are based on the spot exchange rate provided by the State Bank of India, Hyderabad on October 14, 2006. These rates are as follows:

Particulars for exchange rate for 1 Australian Dollar	FY 2005 (Rs.)	FY 2006 (Rs.)
Period End (June 30)	33.12	34.10
Average	33.91	33.61
Low	31.61	30.94
High	36.20	36.29

Particulars for exchange rate for 1 US Dollar	Financial Year Ending December 2001 (Rs.)	Financial Year Ending December 2002 (Rs.)	Financial Year Ending December 2003 (Rs.)	Financial Year Ending December 2004 (Rs.)	Financial Year Ending December 2005 (Rs.)
Period End (December 31)	48.22	47.97	45.57	43.45	44.95
Average	47.34	48.51	46.64	44.92	44.81
Low	46.35	47.96	45.27	43.39	43.30
High	48.34	49.06	48.02	46.46	46.33

Particulars for exchange rate for 1 Dhiram	FY 2005 (Rs.)
Period End (December 31)	12.23
Average	12.21
Low	11.82
High	12.60

Market Data

Unless stated otherwise, industry data used throughout this Draft Red Herring Prospectus has been obtained from industry publications which have been specifically set out in each Section. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes that industry data used in this Draft Red Herring Prospectus is reliable, such data has not been verified by any independent source.

SUMMARY FINANCIAL DATA

In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

Summary of Profit & Loss Account, As Restated

(Rs.in million)

Particulars	For the year ended				
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
<u>INCOME</u>					
SALES					
Of Products Manufactured by the Company					
	118.05	394.25	133.52	248.42	1013.94
Of products Traded by the Company	5.46	23.98	0.24	4.07	4.29
Increase/ (Decrease) in stocks	16.01	7.49	23.81	-40.7	25.25
Other Income	1.70	3.68	1.30	0.15	0.64
Total	141.22	429.4	158.87	211.94	1044.12
<u>EXPENDITURE</u>					
Material Consumed	68.3	267.05	99.83	115.77	704.17
Manufacturing Expenses	11.53	22.64	17.32	25.53	80.81
Personnel Expenses	11.08	14.22	10.74	12.69	28.16
Other Operating Expenses	5.91	31.95	8.40	9.60	7.43
Excise Duty	6.95	32.67	1.45	3.33	14.74
R&D Expenditure	12.08	21.2	2.96	4.84	7.88
Total	115.85	389.73	140.7	171.76	843.19
Profit before Interest, Depreciation and Tax					
	25.37	39.67	18.17	40.18	200.93
Depreciation	4.79	5.51	6.72	7.13	15.84
Profit before Interest and Tax	20.58	34.16	11.45	33.05	185.09
Interest & Finance Charges	8.98	8.81	7.18	14.86	17.38
Net Profit Before Tax	11.60	25.35	4.27	18.19	167.71
Provision For Taxation:					
Current Tax (incl. Fringe Benefit Tax)	0.00	3.85	0.50	0.00	18.08
Deferred Tax	0.00	2.41	0.54	-3.25	-5.13
Net Profit After Tax	11.60	19.09	3.23	21.44	154.76
Impact of material adjustment for restatement in corresponding years (See Annexure-IB)	-0.16	-9.21	0.00	0.00	1.20
Net profit after tax after adjusting prior period item					
	11.44	9.88	3.23	21.44	155.96

Summary of Assets and Liabilities, as restated

(Rs.in million)

Particulars	As at				
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
A	FIXED ASSETS				
	Gross Block	81.36	101.38	104.74	249.75
	Less: Depreciation	21.08	26.58	33.30	55.42
	Net Block	60.28	74.80	71.44	194.33
	Less : Revaluation Reserve	0.00	0.00	0.00	0.00
	Net Block after adjustment for Revaluation Reserve	60.28	74.80	71.44	194.33
	Capital Work in Progress	2.85	0.00	38.83	23.76
	Total Fixed Assets (A)	63.13	74.80	110.27	218.09
B	INVESTMENTS (B)	15.50	15.50	15.50	6.30
C	CURRENT ASSETS, LOANS AND ADVANCES				
	Inventories	41.68	58.70	82.06	91.39
	Sundry Debtors	89.39	41.10	36.60	347.24
	Cash and bank Balance	4.76	9.75	10.09	15.18
	Loans and Advance	15.22	23.83	75.48	81.97
	Total (C)	151.05	133.38	204.23	535.78
D	LIABILITIES AND PROVISIONS				
	Secured Loans	54.39	48.00	101.97	187.55
	Unsecured Loans	1.61	4.05	0.08	0.00
	Current Liabilities	59.06	32.97	39.20	53.79
	Provisions	4.10	8.19	9.03	21.28
	Deferred Tax liability	0.00	11.39	11.93	3.55
	Total (D)	119.16	104.60	162.21	266.17
E	NET WORTH (A+B+C-D)	110.52	119.08	167.79	494.00
F	REPRESENTED BY:				
	Share Capital	48.92	60.73	82.17	89.67
	Share Application Money	13.40	0.13	0.98	0.42
	Total Reserves and Surplus	48.20	58.22	84.64	403.91
	Less Revaluation Reserves	0.00	0.00	0.00	0.00
	Net Reserve and Surplus	48.20	58.22	84.64	403.91
	Miscellaneous Expenditure	0.00	0.00	0.00	0.00
	NET WORTH	110.52	119.08	167.79	494.00

FORWARD-LOOKING STATEMENTS

This Draft Red Herring Prospectus contains certain “**forward-looking statements**”. In addition, our senior management might make forward-looking statements orally to analysts, investors, the media and others. Statements concerning our future operations, prospects, strategies, financial condition, future economic performance (including growth and earnings) and demand for our products and services, and other statements of our plans, beliefs, or expectations, including the statements contained in the section titled “**Management’s Discussion and Analysis**,” regarding industry conditions, production levels, net sales and income, other infrequent expenses, cost reductions from facility rationalizations, and the fulfillment of working capital needs, are forward-looking statements. These forward looking statements generally can be identified by words or phrases such as “**aim**”, “**anticipate**”, “**believe**”, “**target**”, “**expect**”, “**estimate**”, “**intend**”, “**objective**”, “**plan**”, “**project**”, “**shall**”, “**will**”, “**will continue**”, “**will pursue**”, “**can**”, “**could**”, “**may**”, “**should**”, “**would**” or other words or phrases of similar import. Similarly, statements that describe our objectives, plans or goals are also forward-looking statements for example, under the section titled “**Objects of the Issue**”, “**Our Business**”. These forward-looking statements may include statements that address activities, events or developments that we anticipate may occur in the future, including:

Although we believe the expectations expressed in the forward-looking statements are based on reasonable assumptions within the bounds of our knowledge of our business, a number of risks, uncertainties and factors, domestically and internationally, could cause actual results to differ materially from those expressed in any forward-looking statement(s), whether oral or written, made by us or on our behalf.

Our business is subject to risks, uncertainties and factors beyond our control. Any one, or a combination, of these could materially affect our financial performance. These risks, uncertainties and factors include:

- economic changes nationally or in our local markets;
- any delays in reacting to changing customer preference;
- terrorist acts and other acts of war;
- delays or difficulties in implementing initiatives to reduce our production and overhead cost structure;
- potential delays or increased costs in obtaining necessary permits/approvals as a result of changes to, or complying with, laws, regulations or governmental policies and possible penalties for failure to comply with such laws, regulations and governmental policies;
- future capital expenditure, including the amount and nature of this expenditure, expansion and other development trends of industry segments in which we operate;
- our business strategy;
- our financing strategy;
- expansion and growth of our business;
- our operations and other similar matters;
- our management’s anticipation and expectations as to future occurrences and trends; and
- other factors over which we have little or no control.

The forward-looking statements we make are not guarantees of future performance and are subject to various assumptions, risks, and other factors that could cause actual results to differ materially from those suggested by these forward-looking statements. These factors include, among others, those set forth below.

All of the forward-looking statements made are qualified by these cautionary statements. We cannot assure you that the results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to or effects on us or on our business or operations. You are cautioned not to place undue reliance on these forward-looking statements. Neither the Company, BRLM, any member of the Syndicate nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and BRLM will ensure that investors in India are informed of material developments until such time as the commencement of trading on the Stock Exchanges.

RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, results of operations and financial condition could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

These risks are not the only ones that we face. Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations. Unless otherwise mentioned we are not in a position to quantify the extent of the Risks specified herein.

Materiality: The Risk Factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality:

1. *Some events may not be material individually but may be found material collectively*
2. *Some events may have material impact qualitatively instead of quantitatively*
3. *Some events may not be material at present but may be having a material impact in the future*

Internal Risks

Related to the Company

There are certain legal proceedings pending against our Promoter

The following criminal and civil proceedings are pending against our Promoter:

- a) A criminal complaint has been filed against our Promoter and two others before the III Additional Chief Metropolitan Magistrate at Nampally, Hyderabad under Section 138 of the Negotiable Instruments Act, 1881, in connection with a dishonoured cheque issued by a company of which he was allegedly a representative. The aggregate amount is approximately Rs. 0.92 Million. Our Promoter had filed a quashing petition under Section 482 of the Code of Criminal Procedure 1973 in the Andhra Pradesh High Court for quashing the aforesaid criminal complaint against him. The High Court had disposed of the Petition on July 04, 2006 while directing our Promoter to file a discharge application in the Magistrates Court. Our promoter has filed a discharge application in the III Additional Chief Metropolitan Magistrate at Hyderabad which is pending hearing.
- b) The complainant mentioned in (a) above has also filed a suit against our Promoter and two other defendants in the City Civil Court at Hyderabad, for recovery of the amount of Rs.0.92 Million (being the amount payable under the aforesaid dishonoured cheque along with interest thereon) and interest thereon. The Promoter has filed his written statement in the suit and the suit is pending hearing and final disposal.

For details of the outstanding litigations, please refer to Section titled “**Outstanding Litigations and Material developments**” on page no. [●] of this Prospectus

LED Business

We face significant competition in our business from international companies with significant resources at their disposal

Our LED display systems are recent technology innovations and cater to a niche market. We compete against companies with origins in U.S., Europe, South Africa and Hong Kong.

Our competitors have established reputations, control the international market and have greater financial and other resources than we do. Prospective customers, both in domestic and international markets, may choose to deal with our competitors since they have high visibility and a track record of product performance. We are yet in the process of creating awareness and visibility about our LED display products. If we are unable to compete successfully, our profits and relative market share could be reduced.

There can be no assurance that we can continue to effectively compete with our competitors in the future, and our failure to compete effectively may have an adverse effect on our business, financial condition and results of operations.

Execution of orders received for LED display systems may be delayed or orders may be cancelled in case relevant municipality permissions and other approvals are not received

Our LED display systems find primary application in outdoor advertisement and communication. Usage of the LED display systems for outdoor advertisement is dependent on receipt of the municipality permissions and other requisite approvals.

In case of delay in receipt or non-receipt of relevant permissions, the execution may be delayed or orders may be cancelled despite having firm orders. We cannot assure that such approvals will be duly received by our customers and failure to obtain such approvals may have an adverse effect on our business, financial condition and results of operations.

Our success depends to a considerable extent upon our senior managerial and key technical personnel and our ability to retain them

Our business substantially depends on the continued service of our key managerial personnel. The loss of the services of our key managerial personnel could have a material adverse effect on us. Our future success will also depend on our ability to attract and retain highly skilled personnel, especially in our Research & Development division and senior management professionals. We could experience difficulty from time to time in hiring and retaining the personnel necessary to support our business.

Loss of our key employees in our R&D department may lead to our competitors gaining an edge on our design capabilities and may slow our pace of development in the future. If we do not succeed in retaining our current employees and attracting new high quality employees, our reputation may be harmed and our future earnings may be negatively impacted.

We provide products which are on the cutting edge of innovation and are subject to technological obsolescence

The electronic display industry is characterized by ongoing product innovations and developments in display and controller technology. Competitors could develop new or superior products to increase their share of the markets. Our future success in addressing the needs of our customers will depend in part on our ability to continue to make timely and cost-effective product innovations and developments.

In the event that we are unable to adequately fund our research and development efforts, or are unable to retain/hire skilled talent for our initiatives, or are unable to deliver superior or equal quality products in lines with our competitors, we may be unable to achieve our growth plans and our revenues and results from operations may be adversely affected.

A significant percentage of our future operating revenues and future growth are dependent on successful performance of our LED display systems

We are primarily dependent on the successful performance of the LED display systems for our future revenues and growth. The successful performance of this product is based on a number of variables, including, amongst others, the following:

- Providing the product at prices affordable to prospective customers;
- Creating awareness about the products especially in India and similar markets;
- Availability of permissions from requisite governmental bodies for use of these LED display systems in outdoor advertisement and communication being one of the segments in which we operate;
- Maintaining competitiveness of the product in terms of technology, features and applications;
- Creation of a strong marketing force for our products, etc.

In the event that we are unable to successfully market our LED display systems due to any of the aforesaid factors it would affect our results of operations.

The Indian market is in a nascent phase and the usage of LED display systems is yet to be established

We have manufactured over a large number of day/night visible, multilingual text/graphics/video and indoor/outdoor LED display systems which are sold or leased to users on a regular basis, for details refer the Section titled “**Our Business**” on page [●].

Further, the Indian market is also highly price sensitive and LED display systems with their high price tags may not find immediate acceptance. Outdoor vinyl hoardings, which are available at a significantly lower cost, are already popular.

In the event that adequate awareness about the LED display systems is not generated, it would adversely affect our results of operations.

Adverse change in any of the prevalent laws or introduction of new laws with regard to outdoor advertisements may affect our operations

In the United States and other countries, various laws and regulations, including zoning ordinances, restrict the installation of outdoor signs and displays, particularly in the commercial market. These regulations may impose greater restrictions only on outdoor LED video wall billboard application displays due to alleged concerns over aesthetics or driver safety if a “**moving**” display is located near a road or highway. These factors may prevent or inhibit us from selling products to some prospective customers. Similar changes in legislations by other states within the country or introduction other laws prohibiting or restricting use of certain outdoor advertisement media would reduce the potential size of the Indian markets for our products and adversely affect our results of operations.

We enter into fixed-priced contracts on a regular basis

If our actual costs exceed original estimates on these contracts, our profits will be reduced. The majority of contracts we enter into are on a fixed-price basis. Although we benefit from cost savings, we have a limited ability to recover cost overruns. Because of the large scale and long duration of some contracts, unanticipated cost increases may occur as a result of several factors including, but not limited to; increases in the cost or shortages of components, materials or labor; unanticipated technical problems; required project modifications not initiated by the customer; and suppliers' or subcontractors' failure to perform or delay in performing their obligations. These factors could delay delivery of products, and contracts may provide for liquidated damages for late delivery. Unanticipated costs that cannot be passed on to customers or the payment of liquidated damages under fixed contracts would negatively impact profits.

Our products are covered by warranties

Unanticipated warranty costs for defective products could adversely affect our financial condition and results of operations and reputation. We provide warranties on our products generally for terms of one year for our display products. In addition, in response to customer needs, we regularly offer extended warranties. These warranties require us to repair or replace faulty products and meet certain performance standards, among other customary warranty provisions. Although we continually monitor our warranty claims and provide a reserve for estimated warranty issues on an on-going basis, an unanticipated claim could have a material adverse impact on operations. In some cases, we may be able to subrogate a claim back to a subcontractor or supplier if the subcontractor or supplier supplied the defective product or performed the service, but this may not always be possible. The need to repair or replace products with design or manufacturing defects could temporarily delay the sale of new products, reduce profits and adversely affect our reputation.

Product liability claims not covered by insurance could adversely affect our financial condition and results of operations

We may be subject to product liability claims involving claims of personal injury or property damage. Although we maintain product liability insurance coverage to protect us in the event of such a claim, our coverage may not be adequate to cover the cost of defense and the potential award. Also, a well-publicized actual or perceived problem could adversely affect our reputation and reduce the demand for our products.

Large contracts represent a significant portion of our accounts receivable and costs and estimated earnings in excess of billings

We closely monitor the credit worthiness of our customers and have not, to date, experienced significant credit losses. Significant portions of our sales are to customers who place large orders for customized products. We mitigate our exposure to credit risk, to some extent, by requiring deposits, payments prior to shipment, progress payments and letters of credit. However, because some of the exposure is outside of our control, unanticipated events could have a material adverse impact on our operating results.

We maintain inventory that is subject to obsolescence and write downs to the extent it is replaced through product enhancements or advances in technology

As a result of our products being subject to continuous enhancements and design changes, inventory held by us is subject to the risk of obsolescence and excess levels that may not be saleable. Losses incurred as a result could have a material impact on our future profits.

We may be unable to protect our intellectual property rights

We rely on a variety of intellectual property rights that we use in our products and services. We have made applications for registration of our trademarks in India however the same are pending registration. We may not be able to successfully preserve the intellectual property rights in the future, and these rights could be invalidated, circumvented or challenged. In addition, the laws of some countries in which our products and services have been or may be sold do not protect intellectual property rights. A failure to protect proprietary information and any successful intellectual property challenges or infringement proceedings against us could materially and adversely affect our competitive position. In addition, even if we are successful in protecting our intellectual property rights or defending ourselves against a claim of infringement, any related dispute or litigation could be costly and time-consuming.

We are significantly dependent on Nichia Corporation for LEDs which is the primary raw material for our Outdoor LED display systems

The primary raw material for our LED display systems are LEDs (Light emitting diodes). We have sourced in excess of 90%, in FY ending June 2006, of our entire LED requirement for outdoor LED display systems from Nichia Corporation, the inventor of blue and white colored LEDs and a world leader in LED technology. In case we are unable to procure the requisite quantities of LEDs from Nichia Corporation on a timely basis and at reasonable prices, we may have to procure the LEDs of comparable quality from other manufacturers. This may have an adverse impact on our reputation and may affect our future growth.

The concentration on a single industry vertical makes us vulnerable to any sudden downturn in the media and communications sector

We believe that a significant portion of our future revenues would be derived from the outdoor advertisements and communications industry and makes us vulnerable to any sudden downturns in these sectors. While we are diversifying into other LED based applications, in the short term we may be impacted if these sectors witness changes in trends or preferences, our business may be adversely affected.

We are subject to data theft issues for the embedded software along with proprietary Field Programmable Gate Array (FPGA) used in our LED display systems

We use various in-house developed software which operates the entire LED display system. Most of these embedded software solutions have been developed after years of dedicated research and development effort and we have committed significant manpower and funding resources for this function. Today our proprietary embedded software solutions along with proprietary **FPGA** and for better picture quality our embedded scan⁺ technology have enabled us to meet global quality standards in LED display systems.

In case any of these embedded software codes are stolen or pirated and are made available to potential competitors within the country, the development and growth process of our potential competitors would be accelerated. We may, consequently, face heightened competition in the future and may not be able to generate the growth which would otherwise be possible for us since we are in monopolistic market in India.

Infotech & Communication businesses

Retaining our technology skills and evolving with new technological developments will be crucial to our continued growth and profitability

Our service offerings in our Infotech and Communications divisions are susceptible to rapid technological change, and accordingly the rate of evolution in market requirements for software products and services is also very high. Knowledge of nascent technologies, anticipation of technological changes and evolving requirements, and developing skill-sets in new forms of technology provides a competitive advantage. Our future growth and revenue levels hinge around our continued ability to innovate and to develop and implement IT and offshore development services and solutions which anticipate and keep pace with continuing technological changes, client preferences and industry standards. Our revenues and profitability may be adversely affected if we are unable to anticipate changes in technology, or innovate and diversify our product and service offerings in response to evolving market challenges. While we believe that our performance in the past has been influenced by our ability to anticipate and successfully respond to these challenges, and our future policy will involve hiring additional domain and market specialists, increased spending on training for our employees, and increasing our portfolio of technology alliances and partnerships in each area to enrich our product and service mix, we cannot be certain that we will successfully anticipate or respond to future technological developments in a timely manner on a continued basis.

Revenues of our Infotech and Communications divisions are dependent upon our meeting specific client requirements largely on a case-to-case basis

The assignments for providing services in our Infotech and Communications divisions largely involve us providing business and software solutions on a case-to-case basis, depending upon the needs of each customer. Our inability to provide customized software solutions could lead to clients discontinuing their work with us and stagnation of our client base, which in turn could harm our business and profitability.

Failure to meet stipulated parameters may lead to certain penalties being imposed on us, consequently affecting our revenue inflow to an extent

The contracts entered into between us and our customers relate to particular assignments in relation to which a set of quality control norms and mechanisms as well as a time-frame for delivery is typically stipulated. If we are not able to provide our software products or services within these particular parameters, our customers may terminate these contracts. There can hence be no certainty that our revenue flow at a particular point of time will be sustained through a particular financial year or into the next financial year.

We have recently received communication from BSNL regarding an order for 420,000 pieces Integrated Fixed Wireless Terminal (IFWT) to be delivered to BSNL. The cancellation of this order may significantly affect our business and revenues

We have recently received communication from BSNL for an order for 420,000 pieces of IFWT. There are a number of factors, other than our performance, which may not be predictable that could cause the loss of a customer. The loss of any one of our major customers, any requirement to lower the prices we charge these customers or the loss or financial difficulties of these customers could have a material adverse effect on our business, revenues and profitability.

The integration of our operations after the acquisition of InfoSTEP may not benefit the combined business and may lead to higher operating costs. We may also be saddled with unknown risks as no due diligence has been carried out prior to the acquisition

We have recently acquired 50.01% shareholding in InfoSTEP Inc., USA; for details refer the Section titled “**Our History and Certain Corporate Matters**” on page [●]. Successful integration of this business will depend upon our management's ability to manage the combined operations effectively and to benefit from cost savings and operating efficiencies.

We have not performed either a complete legal due diligence or financial due diligence on InfoSTEP prior to its acquisition and hence we may be saddled with certain unknown risks which would have been otherwise identified if such due diligence had been carried out.

Some of the entities acquired by us have not been independently valued

We have acquired 50.01% of InfoSTEP Inc, California, United States of America on October 19, 2006. This company is now our direct subsidiary. This company has not been valued by an independent third party at the time of acquisition and therefore, the valuation considered by us may not be an accurate reflection of the market value of these entities. For a complete description of this acquisition by us, please see the Section entitled “**History and Certain Corporate Matters**” in this Draft Red Herring Prospectus.

The financial statements of our subsidiary/promoter group company entities are unaudited

We have acquired 50.01% of InfoSTEP Inc, California, United States of America on October 19, 2006. This company is now our direct subsidiary. The financial statements of this subsidiary/promoter group company are unaudited and hence the same are not independently verified. Moreover, there is no requirement under the relevant statutes under which this company has been incorporated to have financial statements audited. For further details, please see the Section titled “**Our Promoter and Group Companies**” in this Draft Red Herring Prospectus.

Related to the Company as a whole

The loan taken from the Technology Development Board contains restrictive covenants affecting our intellectual property rights

We have availed of a loan of Rs.40 million from the Technology Development Board (TDB) for part financing the development and commercialisation of LED TV/electronic display system (the Project). One of the conditions of the loans provides that TDB, after taking into consideration our requirement for reasonable expansion and the demand supply gap at the appropriate time, shall have the right to require us to provide the technical know-how of the product/process developed under the Project to other entrepreneurs, on such terms and conditions as may be mutually agreed among TDB, us and such other entrepreneur. It is also a condition that TDB shall receive a royalty – free licence for the use of the intellectual property for the purpose of Government of India. Further TDB has reserved the right to require us to licence to third parties, with or without license fees, the product/process developed under the project. Such licence holder shall exclusively market the innovation in India and must manufacture the product in India. Further if during the currency of the loan in case TDB advises us to abandon the Project, TDB may ask us to repay to them the loan assistance already disbursed or part thereof together with the interest till the date of repayment and in case of our failing to make repayment in full within a period of two weeks from the communication of such decision of TDB, our assets created / acquired for the Project, and the know-how, patent rights, documentation, intellectual property rights etc. pertaining to the Project may be sold or otherwise disposed of in any manner as decided by TDB for the recovery of the amounts due. We have sought and are awaiting clarifications from TDB that all the aforesaid conditions would apply only in case of default on our part in repaying the loan. In the event such clarification is not granted, then TDB would have a right to receive such royalty free license even without any default on our part, thereby gravely affecting our intellectual property rights. Further, any default on our part in repayment of the aforesaid loan would also prejudice our intellectual property rights.

We have entered into several loan agreements which contain customary restrictive covenants, placing significant limitations on our Company

We have taken a number of loans from various banks, for which our immovable and movable properties have been offered as security. As such, the lenders of our Company have the option to take over management control of our Company if there are defaults on their debt obligations.

The loan agreements contain certain customary restrictive covenants, which, among other things, require us to seek the prior permission of these banks for alteration of our capital structure, raising of fresh capital or any term loans/debentures, incurring major capital expenditure, making any investments either directly or through our subsidiaries, undertaking new projects, undertaking any merger/amalgamation/restructuring, creation of a subsidiary and change in management. Amongst our lenders, we have not received consent from UCO Bank, for this Issue. Failure to obtain the consent of UCO Bank for this Issue, and under these restrictive covenants in future, may cause it and the other lenders to recall these loans and also affect some of the rights of our shareholders, including the payment of the dividends and our business operations in future.

If we default on the repayment of debt, our lenders could enforce their security interests on our assets limiting our ability to carry out operations. In addition, default under our credit facilities could limit our ability to raise additional funds in the future.

One of our subsidiaries has made losses during the last three financial years

One of our subsidiaries which was incorporated on has incurred losses within the last two fiscal years, details of which are set forth below:

(Rs. in million)		
Subsidiary	FY 2006	FY 2005
MIC Technologies (Aust) Pty Ltd.	0.71	(1.50)

For more details, see the sections titled “**History and Certain Corporate Matters**” and “**Our Promoters and Promoter Group**” beginning on page [●] and [●], respectively.

Any failure in our IT systems could adversely impact our business

Any delay in implementation or any disruptions in the functioning of our IT systems could disrupt our ability to track, record and analyze the work in progress, cause loss of data and disruptions of operations, including, among others, an inability to assess the progress of projects, process financial information or manage creditors / debtors or engage in normal business activities. This could have a material adverse effect on our business.

Our Promoter has pledged his shares as security for a loan availed of by us

Our Promoter has pledged 400,000 shares as additional collateral security for a loan availed from the Technology Development Board (TDB) where the current outstanding loan amount is Rs 42.96 million. In case of any default in repayment of the loan and if the value of the main security (currently Rs 61.59 million net of depreciation) falls below the outstanding amount then TDB would be entitled to have the shares transferred in their favour as a result of which our promoter’s shareholding in the company may be reduced below the current level of 45.16%.

Our profitability would be affected if the legal proceedings we are involved in are determined against us or we are unable to obtain suitable reliefs therein

No assurance can be given whether these will be settled in our favour or not

S. No.	Forum/Court/ Tribunal	Filed Against	Particulars	Quantum involved (in Rs)	Current Status
1.	Sole Arbitrator Honourable Justice (Retd.) S.V.Maruthi	Union of India and others	Arbitration case No 5 of 2001. We had been awarded a contract for supply of telecommunication systems under a tender. Before we could supply under the contract, the tenderer terminated the contract. We initiated arbitration proceedings challenging the wrongful termination. The Arbitrator awarded us specific performance of the contract i.e. the purchase order and	Our entitlement of 5.5 million under the Award has been reduced to 2 million.	Civil Miscellaneous Appeal No 377 of 2006 filed against our Company is pending hearing and final disposal.

			costs of the arbitration under an Award dated June 16, 2002. As per the Award, in the event the Respondent fails to execute the contract within six months of the Award, then we would be entitled to (a) cost of the raw material procured by us valued at Rs 55,00,000 with interest thereon @12% from August 6, 1999 till payment (b) Rs 67,110 towards bank commission and return of the amount with interest @12% from date of encashment till payment (c) Profits @15% on the contract amount (d) costs of arbitration amounting to Rs One Million. The Respondent filed a Petition No 1873 of 2002 for setting aside the Award in the City Civil Court at Hyderabad. The Award has been modified by the Honourable Judge only to the extent that the cost of raw material awarded to us has been reduced from Rs 5.5 million to Rs 2 million and was decreed on October 18, 2005. The original Respondents i.e. Union of India and others had appealed against the decree and judgement dated October 18, 2005 by filing Civil Miscellaneous Appeal No 377 of 2006 in the Andhra Pradesh High Court		
2.	Sole Arbitrator Honourable Justice (Retd.) C.V.N Shastri	Union of India and others	Arbitration Case No 2 of 2000. We had been awarded a contract for supply of	We have claimed 15 million towards	The Petitions filed by us and the Respondent are pending hearing

			telecommunication systems under a tender, by the Department of Telecommunications (DOT). DOT terminated the contract on the ground that we failed to supply the system within the stipulated time. We initiated arbitration proceedings challenging the wrongful termination and sought a direction that DOT either accept the systems under the contract or we should be awarded damages of Rs 15 million towards cost of raw material along with interest of Rs. 8.1 million. The Respondent had made a counterclaim for Rs 3.5 million against us for alleged loss of income on account of our failure to supply the systems in time. The Arbitrator awarded us (a) Rs 38, 01,765/- with interest thereon at 9% per annum from August 21,1998 till date of payment (b) a sum of Rs 1, 50,000/- towards half of the Arbitrator's fee and rejected the counter claim of the Respondent. Both the Company and the Respondent have filed separate Original Petitions in the City Civil Court at Hyderabad for setting aside the Award.	cost of raw material along with interest of. 8.1 million.	and final disposal.
3.	Sole Arbitrator Honourable Justice (Retd.)S.V.Maruthi	Union of India and others	Arbitration Claim No 6 of 2001. We were awarded a contract for supply of telecommunication systems under a tender. Before we could supply under the contract, the tenderer	Our entitlement to 8 million under the Award has been reduced to 2 million.	The Appeal filed by the Respondent is pending hearing and final disposal.

			terminated the contract. We initiated arbitration proceedings challenging the wrongful termination. The Arbitrator awarded us specific performance of the contract i.e. the - purchase order and costs of the arbitration under an Award dated July 28, 2002. As per the Award in the event the Respondent fails to execute the contract within six months of the Award then we would be entitled to (a) cost of the raw material procured by us valued at Rs 80,00,000 with interest thereon @12% from August 6, 1999 till payment (b) Rs1,66,872 towards bank commission and return of the amount with interest @12% from date of encashment till payment (c) Profits @15% on the contract amount (d) costs of arbitration amounting to Rs 1 million. The Respondent filed a Petition for setting aside the Award in the City Civil Court at Hyderabad. The Award has been modified by the Honourable Judge only to the extent that the cost of raw material awarded to us has been reduced from Rs 8 million to Rs 2 million and was decreed on October 19, 2005. The original Respondents i.e. Union of India and others had appealed against the decree and judgement dated October 19, 2005 by filing Civil		
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			Miscellaneous Appeal No 378 of 2006 in the Andhra Pradesh High Court.		
4.	Supreme Court of India	Bharat Sanchar Nigam Limited (BSNL)	We had bid under a tender issued by BSNL for supply of certain telecom equipment. When the bids were opened, our bid was returned on the ground that we did not satisfy the eligibility criteria for submission of bid security of the requisite value. We had originally approached the High Court of Judicature at Hyderabad in October 2004 by way of a Writ Petition, inter alia challenging the aforesaid arbitrary action of BSNL. The Writ Petition and an Appeal filed from an Order of the single judge of the AP High Court in the Writ Petition were dismissed on the ground of territorial jurisdiction. In December 2004, we had filed a Writ Petition seeking similar reliefs, in the Delhi High Court. In the interim, the bids of certain other bidders were proceeded with and orders were placed on them. The Delhi High Court disposed of the Writ Petition pending before it on the ground that though we were wrongly held to be a non responsive bidder, relief could not be granted on the ground that the bids had already been declared and even if our bid had been taken to be responsive, there was no guarantee that we would have been a	We have made a claim for compensation of 320 Million.	Our SLP was dismissed with an observation that we could seek compensation against BSNL.

			successful bidder. It was held that we could seek our recourse by way of an appropriate civil remedy. Against the Order of the Delhi High Court, our Company /had filed a Special Leave Petition (SLP) in the Supreme Court.		
5.	Supreme Court of India	MIC Electronics Limited	Against the Order of the Delhi High Court mentioned in point 4 above, BSNL has filed a Special Leave Petition (SLP) in the Supreme Court.	No monetary claim made	The SLP filed by BSNL is pending hearing and final disposal.
6.	High Court of New Delhi, New Delhi	The Municipal Corporation of New Delhi (“ Respondent No. 1 ”) and our Company (“ Respondent No. 2 ”)	Writ Petition No. 10686 of 2006. The Respondent No. 1 floated a tender for display of advertisements through LED screens. In the terms and conditions of the tender, a condition has been inserted that the allotment of such contract for advertisement will be made by following the Swiss system under the Respondent No. 2 who have come forward with the idea shall have the first option to accept or decline the award of the contract on the rates quoted by the highest tenderer. In case the Respondent No. 2 declines to accept the offer, allotment of the contract shall be offered to the actual highest tenderer. The Petition has been filed by Times Innovative Media challenging the tender process floated by the Respondent No. 1 on the grounds inter alia that the aforesaid terms were favourable to Respondent No. 2 and the Respondent	Nil	The Writ Petition is pending hearing and final disposal in the High Court.

			No. 1 was acting in a arbitrary manner. The Petitioner has sought the setting aside of the aforesaid clause and that the Respondent No. 1 follow the policy of fair play in awarding the contract. The Respondent No. 2 has filed a Counter Affidavit in response to the Petition inter alia seeking dismissal of the Petition on the ground that it is an abuse of the Court and for ulterior motives for vested interest.		
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For more information on the above legal proceedings, see the Section titled “**Outstanding Litigation and Material Developments**” beginning on page [●].

As per the last audited accounts, we have not provided for certain contingent liabilities

As of June 30, 2006, contingent liability not provided for appearing in our financial statements aggregated to Rs. 42.61 million. In the event any of these contingent liabilities materialise, our financial condition may be adversely affected. For details of contingent liabilities, see the Section titled “**Our Financials**” on page [●] of this DRHP.

Our Promoter has acquired Equity Shares at a price below the Issue Price in the last one year. Further, Equity Shares have been issued to our Promoter in the last one year by way of a bonus issue

Our Promoter has acquired a total of 111,760 Equity Shares of our Company of face value of Rs. 10 each at a price which is below the Issue Price in the last one year. Further, we have allotted 2,262,171 Equity Shares by way of a bonus issue to our Promoter. For further details please refer to notes to capital structure under the Section titled “**Capital Structure**” on page [●] of this DRHP.

The value of our brand, and our sales, could be diminished if we are associated with negative publicity

Our business is dependent on the trust our customers have in the quality of our products. Any negative publicity regarding our company, brands, or products, including those arising from a drop in quality of merchandise from our vendors, mishaps resulting from the use of our products, or any other unforeseen events could affect our reputation and our results from operations.

We rely on contract labour for the performance of many of our operations.

We rely on contractors who engage on-site labourers for performance of many of our unskilled operations. We are registered as a principal employer under the Contract Labour (Regulation and Abolition) Act.

On an application made by the contract labourers, the appropriate court/ tribunal may direct that the contract labourers are required to be regularized or absorbed, and/or that our Company pay certain contributions in this regard.

Some of the title deeds pertaining to properties utilised by us are not adequately stamped and registered and the leases in our favour are terminable at will of the lessor

The title deeds to some of our properties may not be adequately stamped and registered. The potential consequence of this could be that the said title documents may not be admissible as evidence in a Court of law, until the relevant stamp duties and penalties are paid and the relevant registration, if required, is done. Any claim or adverse order/ finding in connection with these properties could adversely affect our operations.

Further, the leases in our favour for our unit at Yanam are terminable at the will of the lessor. In the event of the lessor exercising this right we may not be in a position to locate an alternate site for the unit and this would adversely affect our operations and profitability.

Corporate guarantees issued by us as security for the loan availed of from the Technology Development Board and State Bank of India

We have issued corporate guarantee as security for the loans availed of by us from Technology Development Board and by MIC Digital Media Vizag Private Limited. While we have not committed any default in repayment of the loans, in case the guarantees are invoked our profitability could be affected.

Export obligation under the import export policy

We import LED's and other raw materials like LED drivers, IC chips etc. under the Advance License Scheme ("Scheme") and have availed import duty concession. As a result we have to perform export obligations which we are required to be fulfilled normally within a period ranging from 18 months to two years from the date of the issue of the respective licenses. The consequence of not meeting the above commitment would be a retrospective levy of import duty on items previously imported at a concession. Additionally, the respective authorities have the discretion to levy penalties and / or interest for any defaults on a case-by-case basis.

The above Scheme requires the importer to submit to the Customs Authorities for every advance license, a bond of value equivalent to 100% of the value of the Customs duty involved and bank guarantee equivalent to 25% of the value of Customs duty involved. This bond and bank guarantee is cancelled after the export obligation is completed and the money has been duly remitted. The details of the advance license and export obligation are given in the Section titled "Our Business" at page [●] of this DRHP.

There is no standard valuation methodology in the media/entertainment industry

There is no standard valuation methodology or accounting practice in the media/entertainment industry. The financials of our Company are not comparable with other players in the media/entertainment industry. Valuation in the media/entertainment industry may presently be high and may not be sustained in future and may also not be reflective of future valuation for the industry. Further since there are a limited number of listed companies in the media/entertainment industry, current valuation of other listed companies may not be comparable with our Company.

Our subsidiaries have taken unsecured loans which are repayable on demand

Our subsidiaries MIC Technologies (AUST) PTY Ltd, Australia and InfoSTEP Inc. have taken unsecured loans in sums of Rs.1.90 million and Rs. 7.73 million (as on June 30, 2006 and December 31, 2005 respectively) which are outstanding as on date. The loans taken by MIC Technologies (AUST) PTY Ltd, Australia are repayable on demand and do not carry any interest thereon. One of the unsecured loans taken by InfoSTEP Inc. is also repayable on demand and interest is chargeable thereon at the rate 9.75%.

Transactions with related parties

We have purchased capital goods from an erstwhile associate company, Micronet Technologies Limited amounting to RS 10.98 million for the year ended June 30, 2006. We have also paid rent to managerial personnel in a sum of Rs 0.17 million for the year ended June 30, 2006. For further details, please see the Section titled "Related Party Transactions" on page [●] of this DRHP. It cannot be verified that these transactions were entered into at market price or not.

Our operating cashflow has been negative for the year ended June 30, 2006

Our operating cashflow has been negative to the extent of Rs. 143.63 mn for the year ended June 30, 2006 due to the increase in the current assets, mainly receivables, on account of increase in volume of sales and

inventories.

We have not taken any insurance for business losses and claims in respect of workman's compensation which we might face/incur

Although, we have insured all our assets and properties adequately, we have not taken any insurance for protecting ourselves against future business losses and claims in respect of workman's compensation that we might incur. In the event of any such losses/claims occurring/being made our profits would be affected to that extent.

Risks related to our projects and future plans

The objects of the Issue have not been appraised

The objects of the Issue for which the funds are being raised have not been appraised by any bank or financial institution. In absence of such independent appraisal, the requirement of funds raised through this Issue, as specified in the Section titled "**Objects of the Issue**" on page [●] are based on our estimates and deployment of these funds is at the discretion of our management and our Board of Directors.

We have not placed orders for all the Plants and Machineries required in terms of our objects for the Issue

We have not placed orders aggregating Rs. 60.10 million for the plant and machinery to be financed from the proceeds of this Issue. For the estimates where the orders are yet to be placed, we have relied on quotations received by us in the past and on our past experience.

Our inability to follow our business or growth strategy could have an adverse impact on our results of operations

We have experienced high growth in recent years and expect our business to grow significantly in India, the Middle East, South Africa, etc. We expect this growth to place significant demands on us and require us to continuously evolve and improve our operational, financial and internal controls across the organization. In particular, continued expansion increases the challenges involved in:

- Our ability to identify and take advantage of opportunities;
- Compete with established players in the industry
- Maintaining competitiveness in terms of product quality, innovation and product delivery;
- Maintaining high level of client satisfaction;
- Recruiting, training and retraining sufficient skilled management, technical and marketing personnel;
- Adhering to health, safety and environment and quality and process execution standards that meet client expectations;
- Developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems.

In the event that we are unable to implement our growth plans it could affect our results of operations.

We are investing in creating certain LED Display assets which we will deploy on a rental basis. This business has contributed less than 25% of our turnover in the financial year ended June 2006

The rental business initiative of MIC currently contributes less than 25% to the revenues of the Company. If we are unable to sufficiently ramp up this business segment, the contribution from it will not be substantial even in the future.

Withdrawal of tax and other benefits available to us and increase in import duties applicable to us may affect our profitability

We are setting up a facility in Roorkee, Uttaranchal for the manufacture of LED boards and telecommunication equipments to avail of the tax benefits under the industrial policy applicable to the State of Uttaranchal ("**Industrial Policy**"). Withdrawal of such exemptions may have adverse impact on our business. We also import raw materials for manufacturing of our LED Display Boards from suppliers outside India. Any increase in the import duty on such items would adversely affect our profitability.

We have not identified alternate sources of financing the “Objects of the Issue”. If we fail to mobilize resources as per our plans, we may be severely affected

Any failure or delay on our part to mobilize required resources may delay implementation schedule of the expansion project and could adversely affect our growth plans.

We are yet to obtain some licenses and approvals in respect of our proposed units at Roorkee, Utaranchal and at Hyderabad

We are setting up two additional facilities for manufacture of LED display boards and telecommunications equipment, at Roorkee (SSI unit) in the state of and at Hyderabad. While, we have obtained certain approvals for the establishment of the unit at Roorkee, we are yet to apply for the remaining approvals for this unit. We are yet to apply for the licenses approvals for our unit at Hyderabad. Please refer to the Section titled “**Licenses and Approvals**” on page [●] of this DRHP.

Further the sale deed in respect of the land on which our proposed unit at Hyderabad is situated requires us to obtain the approval of the Andhra Pradesh Industrial Infrastructure Corporation Limited, in case there is a change in the line of manufacturing activity. While the original approval was for manufacturing telecommunication products we are proposing to use the same for manufacture of LED display boards. We are yet to apply for no-objection from the aforesaid Corporation.

In the event we are unable to obtain the required consents or if there is a delay in obtaining such approvals, we may not we may not be able to proceed with the aforesaid projects as desired thereby affecting our operations and profitability.

We have not appointed a monitoring agency

We have not appointed a monitoring agency for monitoring the use of the proceeds of this Issue and the development of these funds is at the discretion of our management and our Board of Directors.

External Risk Factors

We are subject to adverse impact of economic and political conditions

Global economic and political factors that are beyond our control, influence forecasts and directly affect performance. These factors include interest rates, rates of economic growth, fiscal and monetary policies of governments, inflation, deflation, consumer credit availability, consumer debt levels, tax rates and policy, unemployment trends, terrorist threats and activities, worldwide military and domestic disturbances and conflicts, and other matters that influence consumer confidence, spending and tourism. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude. The taxation system within the country still remains complex. Changes in local taxes and levies can impact our performance adversely.

You will not receive the Equity Shares you purchase in this Issue until several days after you pay for them, which will subject you to market risk

The Equity Shares you purchase in this Issue will not be credited to your demat account with depository participants until approximately 15 working days from the Bid/ Issue Closing Date. You can start trading your Equity Shares only after receipt of listing and trading approvals in respect of these Equity Shares which will require additional time after the credit of Equity Shares into your demat accounts. Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence, within the time periods specified above.

An active market for the Equity Shares may not develop which may cause the price of the Equity Shares to fall and may limit your ability to sell the Equity Shares

The stock market in general and the market for shares of construction companies in particular, have from time to time experienced considerable price fluctuations. Often, these changes may have been unrelated to the operating

performance of the affected companies. In addition, factors such as competition, general regional and national economic conditions, bulk deal in our stocks, and changes in our project mix, and lack of new initiatives to spur growth in sales may have an adverse effect on the market price of our Equity Shares. The Equity Shares are new issues of securities for which there is currently no trading market. No assurance can be given that an active trading market for the Equity Shares will develop or as to the liquidity or sustainability of any such market, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which shareholders will be able to sell their Equity Shares. If an active market for the Equity Shares fails to develop or be sustained, the trading price of the Equity Shares could fall. If an active trading market were to develop, the Equity Shares could trade at prices that may be lower than their initial offering price.

Future issues or sales of our Equity Shares may significantly affect the trading price of the Equity Shares

Future issue of Equity Shares /convertible instruments by us or the disposal of Equity Shares by any of the major shareholders or the perception that such issues or sales may occur may significantly affect trading price of the Equity Shares. Other than the lock-in of pre-issue capital as prescribed under SEBI Guidelines, none of our shareholders are subject to any lock-up arrangements restricting their ability to issue Equity Shares or the Shareholders' ability to dispose of their Equity Shares, and there can be no assurance that any shareholder will not dispose of, encumber, or pledge, its shares. For details of lock in of pre-issue Equity Share capital and Promoters' contribution please see the Section titled "Capital Structure" on page [●] of this DRHP.

We are subject to risks arising from exchange rate fluctuations

We may place orders with overseas contractors or consultants for buying equipments for our proposed expansion. We may source as well as sell some of our products in the overseas markets. The exchange rate between the Rupee and other currencies is variable and may continue to fluctuate in the future and affect us to the extent of affecting the cost of import or the export realisation of our products.

We are subject to risks arising from interest rate fluctuations, which could adversely affect our business, financial conditions and results of operations

Changes in interest rates could significantly affect our financial condition and results of operations. Our loans are denominated in Indian Rupees and we are exposed to fluctuations in domestic interest rates.

The interest rate that we will be able to secure in future debt financing that we may require for capital and other expenditures associated with our future requirements will depend on market conditions prevailing at that time and may differ from the rates of our existing debt. This may adversely impact results of our operations, planned capital expenditures and cash flows.

Third party statistical and financial data in the DRHP may be incomplete or unreliable

We have not independently verified data from industry publications and other sources and therefore cannot assure you that they are complete or reliable. Discussions of matters relating to India, its economy or the media industry in the DRHP are subject to the caveat that the statistical and other data upon which such discussions are based may be incomplete or unreliable.

You will not be able to sell immediately on the stock exchange any of the Equity Shares you purchase in this Issue

The Equity Shares will be listed on each of the Stock Exchanges. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "demat", accounts with depository participants in India are expected to be credited within two working days of the date on which the basis of allotment is approved by the Designated Stock Exchange [●]. Thereafter, upon receipt of final approval of the Stock Exchanges, trading in the Equity Shares is expected to commence within seven working days of the date on which the basis of allotment is approved by BSE. There can be no assurance that the Equity Shares allocated earlier to investors will be credited to such investor's demat account, or that trading will commence, within the time periods specified above.

There has been no public market for the Equity Shares prior to this Issue and so the Issue Price may not be indicative of the value of the Equity Shares

Prior to this Issue, there has been no public market for the Equity Shares in India or elsewhere. After this Issue, there will be no public market for the Equity Shares in any country other than India. The Issue Price was determined by us in consultation with the BRLM and could differ significantly from the price at which the Equity Shares will trade subsequent to completion of this Issue. We cannot assure you that even after the Equity Shares have been approved for listing on the Stock Exchanges, an active trading market for the Equity Shares will develop or be sustained after this Issue, or that the Issue Price will correspond to the price at which the Equity Shares will trade in the Indian public market subsequent to this Issue.

Conditions in stock exchanges may affect the price or liquidity of our Equity Shares

Indian stock exchanges are smaller and more volatile than stock markets in developed economies. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities.

Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and imposed margin requirements. Further, from time to time, disputes have occurred between listed companies and Indian stock exchanges and other securities regulatory bodies that, in some case, have had a negative effect on market sentiment. Similar problems could occur in the future and, if they do, they could negatively affect the market price and liquidity of our Equity Shares.

Economic developments and volatility in securities markets in other countries may cause the price of our Equity Shares to decline

The Indian stock markets are influenced by economic developments and volatility in securities markets in other countries. Investors' reactions to developments in one country may have adverse effects on the market price of securities of companies located in other countries, including India. For instance, the economic downturn in the United States and several European countries from 2001 to 2003 adversely affected market prices in the world's securities markets, including the Indian stock markets. Negative economic developments in other emerging market countries, such as rising fiscal or trade deficits, or a default on national debt, may negatively affect investors' confidence, cause increased volatility in Indian stock markets and cause the price of our Equity Shares to decline.

Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could have a adverse effect on our business and future financial performance, our ability to obtain financing for capital expenditures, and the trading price of our Equity Shares.

Terrorist attacks or war or conflicts involving India or other countries could adversely affect business sentiment and the financial markets and adversely affect our business

Incidents such as the September 11, 2001 terrorist attacks on New York and Washington D.C., and other incidents such as in Bali Indonesia, Madrid Spain, London UK and Mumbai may adversely affect global equity markets and economic growth as well as the Indian economy and stock markets. Such acts negatively impact business and economic sentiment, which could adversely affect our business and profitability.

Also, India has from time to time experienced, and continues to experience, social and civil unrest and hostilities with neighboring countries. Armed conflicts, particularly between India and Pakistan, could adversely affect the regions economy. Such events could also create a perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our Equity Shares. The consequences of any armed conflicts and results of operations unpredictable, and we may not be able to foresee events that could have an adverse effect on our business.

A slowdown in economic growth in India could cause our business to suffer

Our performance is dependent on the health of the overall Indian economy. A slowdown in the Indian economy could adversely affect our business and results of operations including our ability to implement our strategy. India's economy could be adversely affected by a general rise in interest rates, weather conditions adversely affecting agriculture, deterioration of infrastructure or various other factors affecting the growth of industrial, manufacturing and services sector. In addition, the Indian economy is in a state of transition. The share of the services sector of the economy is increasing while that of the industrial, manufacturing and agricultural sectors is declining. It is difficult to gauge the impact of these fundamental economic changes on our business.

Political instability or changes in the government could delay further liberalisation of the Indian economy and adversely effect economic conditions in India generally, which could impact our business

Since 1991, successive Indian governments have pursued policies of economic liberalisation. The role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant. The leadership of India has changed a number of times since 1996. The current central government, which came to power in May 2004, is led by the Indian National Congress in coalition with several political parties. Although the current government has announced policies and taken initiatives that support the economic liberalisation policies that have been pursued by previous governments, the rate of economic liberalisation has been affected by the coalition nature of the current government. If there were to be any slowdown in the economic liberalisation, or a reversal of steps already taken, it could have an adverse effect on our business and results of operations.

Natural calamities could have a negative impact on the Indian economy and cause its business to suffer

India has experienced natural calamities such as earthquakes, tsunamis, floods and drought in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy and, if such impact were to have a material adverse affect on the Indian economy, it may lead to an adverse effect on our business and results of operations.

There can be no assurance that an active trading market for the Equity Shares will develop or be sustained after this Issue, or that prices at which our Equity Shares are initially offered will correspond to the process at which our Equity Shares will trade in the market subsequent to this Issue

Our share prices could be volatile and may also decline. The price of our Equity Shares in Indian stock exchanges may fluctuate after this Issue as a result of several factors, including:

- a. Volatility in the Indian and Global securities market;
- b. The results of operations and performance;
- c. Change in perceptions about our future performance or the performance of other companies in the same industry;
- d. The performance of our competitors in the industry and market perception of investors in this sector;
- e. Adverse media reports on our performance or on the industry prospects and future outlook;
- f. Changes in the estimates of our performance or recommendation by financial analysts;
- g. Significant development in India's economic liberalization and deregulation policies; and
- h. Significant development in India's fiscal and environmental regulations.

Notes to Risk Factors

- This is a public issue of 5,100,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] million. The Issue will constitute 25.34% of the fully diluted post-issue Equity Share capital of our Company.
- The net worth of our Company as of June 30, 2006 was Rs. 494.00 million based on unconsolidated financial statements of our Company.
- The average cost of acquisition of Equity Shares (excluding Equity Shares issued under bonus issue) by our Promoters is Rs.9.60 per Equity Share and book value per Equity Share as of June 30, 2006 was Rs 55.09 For details, please see the Section titled “**Capital Structure**” beginning on page [●].
- Investors are advised to see the Section titled “**Basis for Issue Price**” beginning on page [●].
- In case of oversubscription in the Issue, Allotment will be made on a proportionate basis to QIB Bidders, Retail Individual Bidders and Non-Institutional Bidders. For details please see the Section titled “**Basis of Allocation**” beginning on page [●].

- Under subscription in any category, will be allowed to be met with spill over from any other category. For details please see the Section titled “**Basis of Allocation**” beginning on page [•].
- Investors may contact the BRLM for any complaints, information or clarifications pertaining to the Issue. For contact details of the BRLM or the Compliance Officer please refer to page [•] of this DRHP.
- Except the issuance of bonus shares on 31 August, 2006 and as disclosed in the Section titled “**Capital Structure**” on page [•], none of the persons listed in our Promoter or Promoter group, or our Directors have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Draft Red Herring Prospectus is filed with SEBI.
- We had entered into certain related party transactions. For details, see the Section titled “**Related Party Transactions**” beginning on page [•].
- All information shall be made available by the BRLM and the Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.
- The Issue is being made under clause 2.2.1 of SEBI (DIP) GUIDELINES, 2000 through the 100% Book Building Process wherein upto 50% of the Issue shall be allotted to QIBs on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue would be allocated to Non-Institutional Bidders and not less than 35% of the Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price.

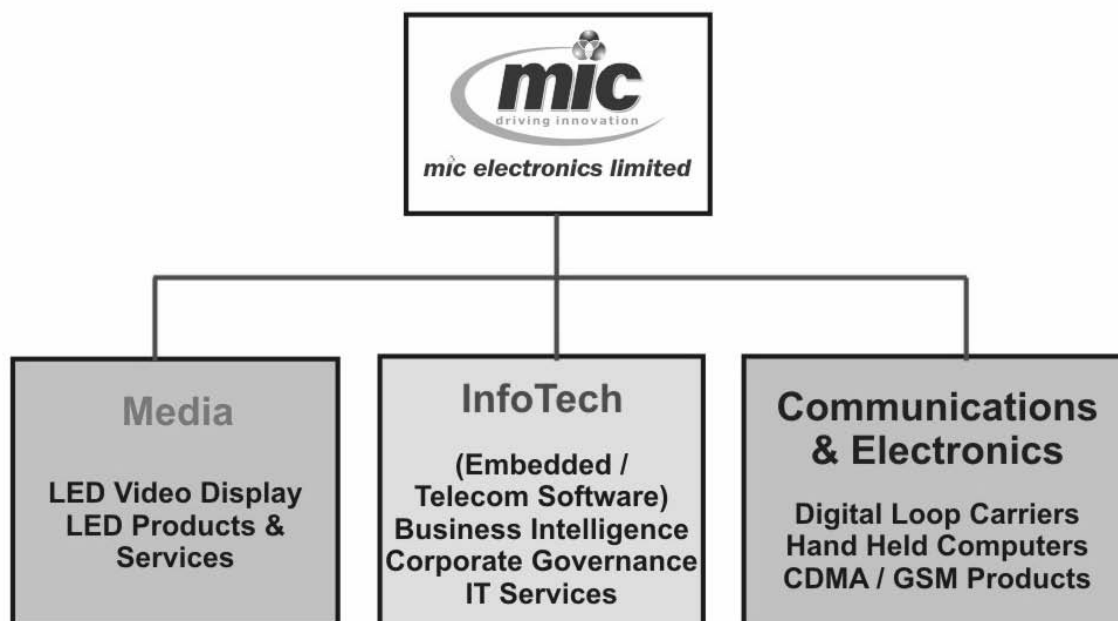
III. INTRODUCTION

SUMMARY

Please read the following summary together with the “**Risk Factors**” beginning on page [●] and our financial data in the section titled “**Financial Statements**” beginning on page [●].

OUR BUSINESS

Our business is divided broadly into three parts as depicted below:



The Media group is primarily responsible for the development, production and sales of video displays, text, graphic animation displays and display services including lease/rental of LED video walls etc. In India, we have a monopoly position in the design and development of true color large displays for indoor/outdoor/mobile applications, providing true color motion picture images with our proprietary “Scan⁺” technology. Presently, we are the only Indian company to have “design to manufacture” capability in the field of LED video display systems. The other LED products include LED lighting applications with or without solar power and LED / LCD based 3D display systems.

The InfoTech group provides telecom software solutions in areas of Telecom Network Management, Telecom Switch Access and Computer Telephony domains. More specifically in traffic control & MIS, fraud management and interactive voice response systems for fault repair, bill enquiry, payment reminder etc. which are suited for the requirements of telecom operators. We also provide Call Detail Records, data collection systems for different technology switches useful for inter-operator, convergent billing & fraud detection/management solutions.

The communication & electronics group has diversified products including the Digital Loop Carrier (DLC) on optical fibre on Synchronous Digital Hierarchy (SDH) Ring, broadband DLC for triple play (voice/video/data) applications, Code Division Multiple Access (CDMA) / Global System for Mobile Communication (GSM) based Wireless in Local Loop (WLL) terminals and phones, Hand Held Computers (HHC) with in-built GSM/CDMA modems.

Our major growth drivers in the industry which we are part of:

- Increasing out of home advertising spent;
- Availability of true colour LED displays;

- Growing application of LEDs for general lighting purpose;
- Growth of LED display renting market for outdoor events;
- Increased spending of Telecom service providers.

Our competitive strengths

We have a strong distribution, marketing and after sales network across businesses

LED Business

We interact with a number of user groups such as:

- Large advertising agencies for bulk sale of our screens;
- Owners & operators of outdoor signage properties;
- Event Management companies and Audio Rental companies;
- Sports Clubs, federations, stadium owners and organisers etc.

Communications Business

We interact with large basic & cellular telecom operators and given our proven track record in this business, we are able to provide installation and annual & maintenance contract services to these providers.

InfoTech Business

Since these solutions are aimed towards the same customers as our communications business we are able to bundle our software and services to optimally reduce costs for our customers and common resources at our end. Our acquisition of InfoStep is expected to extend our reach to the US markets.

Key customer and vendor relationships

We have established relationships with our existing customers such as BSNL, MTNL, etc. for our infotech and communications segments and we have been securing repeat orders for telecom products such as switch access products and LED products. We have also successfully partnered with our customers who have acquired our LED video display systems in South Africa and InfoSTEP in North America for expanding our markets in those areas.

We also enjoy good relationships with our key vendors such as Nichia Corp, Japan and Avago Technologies, U.S.A from whom we directly or indirectly (in case of Avago we procure the parts from its distributors) procure the LEDs, which are the primary raw material for our LED video display systems.

Monopoly position in LED Display media in India

We are the only company in India to have the “Design-to-Manufacture” capability for manufacture of LED video display systems in India. We provide customized solutions based on our customer needs, location, display purpose, etc.

The products we manufacture find various applications including:

- Sport & Live Events;
- Advertising Applications covering Electronic Billboard/hoardings, News advertisement ticker displays;
- Indoor Applications including ones at Shopping Malls, Airports, Railways, Bus Stations, etc;
- Mobile Applications.

We also provide premier large format display solutions, including indoor LED display, outdoor LED display, and Mobile LED Display on a limited period rental basis. We have separate teams focussing on rental business, and target specific user groups for individual or bulk rentals.

Strong emphasis on research and technological innovation

We believe that our growth is a result of our thrust on continuous research and innovation. Further, our systems, production and R&D processes have an ISO 9001:2000 certification. We have received recognition for our efforts in the form of a national award for R&D efforts in Electronic Industry from the Department of Scientific and Industrial Research (DSIR), Government of India, in 2002. Further, our flagship product LED Video Board has been featured on the website of the Indian Innovators forum (www.indianinnovatorsforum.org/mic_led-tv.htm) in the Hall of Fame section. We have developed in-house the entire technology for our LED Video Display systems after years of research, spearheaded by Dr. Ramana Rao, our promoter.

Global Presence

We have consciously diversified our presence across geographies. While our presence was earlier largely in the Indian markets due to the proximity to our production facility, we now have an even-spread of our LED Display systems sales across the globe.

We have a direct presence in the North American and Australian markets through our subsidiaries in U.S.A and Australia. Our acquisition of InfoSTEP has given us a direct access to the US markets. In South Africa and Dubai, we have an arrangement with a local importer to source business from these markets.

A global presence ensures that we adequately mitigate risks arising out of adverse conditions in a particular region. It also ensures recognition, acceptance and credibility of our brand.

Well-Recognized Brand

Our brand has an established reputation for quality and dependability that we believe, is the hallmark of our manufacturing process, product development and services. We operate on a global basis and sell our screens under the brand name 'MIC'. Our brand is well recognized in the markets in which we operate. Through product differentiation we offer display solutions that can be tailored to meet the needs of the customers we serve. This lends a unique positioning to our brand and helps us to capture the mind space of customers.

Business/Growth Strategy

Entry into Theme Parks with outdoor digital theatres & Stereo Display

MIC Theme Parks aim to create an environment for entertainment and recreation and are positioned to transform people's lifestyle by creating a one-stop location for complete entertainment and recreation. We are in the process of establishing a theme park with a giant LED Video Display as the central theme at Tanneti Park, Visakhapatnam. We have been allotted about two acres of land on the beach road by Visakhapatnam Urban development Authority on lease for a period of twenty years. In due course similar parks at Hyderabad, Bangalore and Bombay and Delhi are in active consideration currently. Stereo Display is an emerging technology for entertainment and Outdoor Advertising, it provides for 3 dimensional (3D).

We have tied up with the University of Western Sydney, Australia and have entered into a Non Disclosure Agreement dated July 20, 2006 with them. We will jointly explore opportunities for the development of LED based 3D display products and development of 3D content.

Increasing the scope of applications of our LED display screens – semi retail applications of LEDs

By varying the size and pixel pitch of our screens we are able to cater to audiences ranging from 100 to over 100,000. This coupled with the technological ability of our display systems to operate on any kind of input signals have opened a number of new application avenues. We are exploring options of semi-retail applications of our display systems such as Outdoor Television or 'backyard TV' catering to a collection of families living in close proximity like in a small housing complex or society. We are also looking at mass entertainment options like Drive-in theatres, large hotels, food-courts, restaurants which currently operate cumbersome projection or LCD televisions.

Foray into LED Lighting Systems

We will focus on the following Lighting applications based on LEDs:

- Automotive Lighting;
- Entertainment Lighting;
- General lighting;
- Landscape lighting;
- Portable lighting.

Securing bulk permission for advertisement sites from the respective municipalities

We previously sold outdoor LED directly to our customers, who in turn get permission from the municipalities for display of the LED at the particular site. We are looking at a model wherein we will secure permission for bulk sites with installations which in turn can be sold or leased to our potential customers.

Increase presence and volumes across markets and expanding into new markets

We view geographical expansion as a major source of future growth and will expand primarily into markets characterized by rapidly growing economies and large advertising budgets. We believe our experience of two decades, cost competitiveness and brand association with quality and after sales service will enable us to enter new markets.

We currently have our two subsidiaries in USA, and Australia. We are continually exploring opportunities in other markets and countries; we also receive several referrals from our existing clients in newer markets.

We plan to focus on the Europe and North American markets. We hope to achieve better price realization by entering in this market as we have the advantage of low-cost design and manufacturing operations. We intend to selectively enter into new markets through acquisitions and investments worldwide. Further, we plan to grow the existing business through market expansion and product offering enlargement. A key element of this strategy would be to strengthen our agent's network in the newer markets.

To enhance the R&D capabilities

We, through our research efforts including tie-ups with large university across the world, are looking to introduce products with leading-edge technology, tailor product offerings for entering new geographic markets and customer segments; upgrade our display systems with an emphasis on quality, reliability and product simplification.

To foray into global markets with our acquisition of InfoSTEP

MIC has its own software team today that focuses exclusively on embedded systems software and communication areas. InfoSTEP has experience in building value added solutions in Business Intelligence, Data Integration, Data Mining, Feedback Management and Multimedia solutions is thus selected as a go-to partner. Additionally, InfoSTEP Inc. also provides the geographical reach in North America for MIC to sell its current LED offerings.

THE ISSUE

Issue:	5,100,000 Equity Shares in the Issue.
Of which:	
QIB Portion:	Upto 2,550,000 Equity Shares in the Issue being 50% of the Issue, (allocation on proportionate basis), out of which 5% of the QIB Portion or 127,500 Equity Shares in the Issue shall be available for allocation on a proportionate basis to Mutual Funds only (Mutual Funds Portion), and the balance Equity Shares in the Issue (shall be available for allocation to all QIB Bidders, including Mutual Funds).
Non-Institutional Portion:	Not less than 765,000 Equity Shares in the Issue, being 15% of the Issue (allocation on proportionate basis).
Retail Portion:	Not less than 1,785,000 Equity Shares in the Issue, being 35% of the Issue (allocation on proportionate basis).
The Issue	Up to 5,100,000 Equity Shares.
Equity Shares outstanding prior to the Issue:	15,027,655 Equity Shares.
Equity Shares outstanding post the Issue:	20,127,655 Equity Shares.
Objects of the Issue:	Please see the section titled “ Objects of the Issue ” beginning on page [●].

Note:

Under-subscription, if any, in any category would be allowed to be met with spillover from the other categories, at the sole discretion of the Company and the BRLM.

SELECTED FINANCIAL INFORMATION

SUMMARY OF UNCONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The following table sets forth our selected historical financial information derived from audited and restated financial statements for the years ended June 30, 2006, 2005, 2004, 2003, and 2002 prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines, and as described in the Auditors' Report of **Pinnamaneni & Co**, Chartered Accountants, included in the section titled "**Financial Statements**" on page [●] and should be read in conjunction with those financial statements and the notes thereto.

SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED

Particulars	(Rs.in million)				
	For the year ended				
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
INCOME					
SALES					
Of Products Manufactured by the Company					
	118.05	394.25	133.52	248.42	1013.94
Of products Traded by the Company	5.46	23.98	0.24	4.07	4.29
Increase/ (Decrease) in stocks	16.01	7.49	23.81	-40.7	25.25
Other Income	1.70	3.68	1.30	0.15	0.64
Total	141.22	429.4	158.87	211.94	1044.12
EXPENDITURE					
Material Consumed	68.3	267.05	99.83	115.77	704.17
Manufacturing Expenses	11.53	22.64	17.32	25.53	80.81
Personnel Expenses	11.08	14.22	10.74	12.69	28.16
Other Operating Expenses	5.91	31.95	8.40	9.60	7.43
Excise Duty	6.95	32.67	1.45	3.33	14.74
R&D Expenditure	12.08	21.2	2.96	4.84	7.88
Total	115.85	389.73	140.7	171.76	843.19
Profit before Interest, Depreciation and Tax					
	25.37	39.67	18.17	40.18	200.93
Depreciation	4.79	5.51	6.72	7.13	15.84
Profit before Interest and Tax	20.58	34.16	11.45	33.05	185.09
Interest & Finance Charges	8.98	8.81	7.18	14.86	17.38
Net Profit Before Tax	11.60	25.35	4.27	18.19	167.71
Provision For Taxation:					
Current Tax (incl. Fringe Benefit Tax)	0.00	3.85	0.50	0.00	18.08
Deferred Tax	0.00	2.41	0.54	-3.25	-5.13
Net Profit After Tax	11.60	19.09	3.23	21.44	154.76
Impact of material adjustment for restatement in corresponding years (See Annexure-IB)	-0.16	-9.21	0.00	0.00	1.20
Net profit after tax after adjusting prior period item					
	11.44	9.88	3.23	21.44	155.96

SUMMARY STATEMENT OF ASSETS AND LIABILITES, AS RESTATED

(Rs. In Million)

Particulars		As at				
		FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
A	FIXED ASSETS					
	Gross Block	81.36	101.38	104.74	228.98	249.75
	Less: Depreciation	21.08	26.58	33.30	39.71	55.42
	Net Block	60.28	74.80	71.44	189.27	194.33
	Less : Revaluation Reserve	0.00	0.00	0.00	0.00	0.00
	Net Block after adjustment for Revaluation Reserve	60.28	74.80	71.44	189.27	194.33
	Capital Work in Progress	2.85	0.00	38.83	0.00	23.76
	Total Fixed Assets (A)	63.13	74.80	110.27	189.27	218.09
B	INVESTMENTS (B)	15.50	15.50	15.50	15.50	6.30
C	CURRENT ASSETS, LOANS AND ADVANCES					
	Inventories	41.68	58.70	82.06	45.52	91.39
	Sundry Debtors	89.39	41.10	36.60	94.22	347.24
	Cash and bank Balance	4.76	9.75	10.09	7.02	15.18
	Loans and Advance	15.22	23.83	75.48	45.98	81.97
	Total (C)	151.05	133.38	204.23	192.74	535.78
D	LIABILITIES AND PROVISIONS					
	Secured Loans	54.39	48.00	101.97	147.23	187.55
	Unsecured Loans	1.61	4.05	0.08	0.20	0.00
	Current Liabilities	59.06	32.97	39.20	44.03	53.79
	Provisions	4.10	8.19	9.03	5.02	21.28
	Deferred Tax liability	0.00	11.39	11.93	8.69	3.55
	Total (D)	119.16	104.60	162.21	205.17	266.17
E	NET WORTH (A+B+C-D)	110.52	119.08	167.79	192.34	494.00
F	REPRESENTED BY:					
	Share Capital	48.92	60.73	82.17	82.17	89.67
	Share Application Money	13.40	0.13	0.98	4.09	0.42
	Total Reserves and Surplus	48.20	58.22	84.64	106.08	403.91
	Less Revaluation Reserves	0.00	0.00	0.00	0.00	0.00
	Net Reserve and Surplus	48.20	58.22	84.64	106.08	403.91
	Miscellaneous Expenditure	0.00	0.00	0.00	0.00	0.00
	NET WORTH	110.52	119.08	167.79	192.34	494.00

GENERAL INFORMATION

We were incorporated as a private limited company under the Companies Act, 1956 on May 17, 1988 under the name MIC Electronics Private Limited with registration number 01-08652. Subsequently, we were converted into a public limited company on July 29, 1997 and we changed our name to MIC Electronics Limited

Registered Office of our Company

Registered Office: A-4/II, Electronic
Complex, Kushaiguda, Hyderabad - 500 062.
A.P., India
Registration No.: 01-8652

Our Corporate Office is the same as our Registered Office.

MIC Electronics Limited

Tel: + 91 40 27122222
Fax: +91 40 27133333
E-mail: secretarial@mic.co.in
Website: www.micelectronics.com
Contact Person: Ms. G. Bhargavi.

Our Company is registered with the RoC, Hyderabad situated at Kendriya Sadan, Sultan Bazar, Hyderabad, Andhra Pradesh.

Our Board of Directors comprises:

Sr. No	Name	Designation
1	Dr. M.V.Ramana Rao	Promoter cum Managing Director
2	L.N. Malleswara Rao	Executive Director
3	U. Ramakrishna	Executive Director
4	Vidya Sagar Anisingaraju	Executive Director
5	Mangilal Kalani	Non-Executive Director
6	Anil Goyal	Non-Executive Director
7	Ranjan Kapoor	Non-Executive Director
8	Harshraj C. Mariwala	Non-Executive Director
9	Somendra Khosla	Non-Executive Director
10	Y. Harish Chandra Prasad	Non-executive Director
11	Atluri Venkata Ram	Non-Executive Director
12	N. Sreenivasa Rao	Non-Executive Director

For further details in relation to our Board and the Directors see the section titled “**Our Management**” on page [●] of this Draft Red Herring Prospectus.

Company Secretary and Compliance Officer

G. Bhargavi
A-4, Electronics Complex,
Kushaiguda, Hyderabad - 62
Tel: (91) 271 22222-238
Fax: (91) 271 33333
E-mail: secretarial@mic.co.in

Investors can contact the Compliance Officer in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of Allotment, credit of allotted shares in the respective beneficiary account, refund orders, etc.

Book Running Lead Manager

Edelweiss Capital Ltd

14th Floor, Express Towers
Nariman Point, Mumbai 400 021
Tel: +91 22 40863535
Fax: +91 22 22882119
E-mail: mic.ipo@edelcap.com
Website : www.edelcap.com
Contact person: Ankur Jain

Legal Advisors to the Issue

J. Sagar Associates

Vakils House, 1st Floor
18, Sprott Road
Ballard Estate
Mumbai - 400 021, India
Tel: (91 22) 6656 1500
Fax: (91 22) 6656 1515
e-mail: mumbai@jsalaw.com

Syndicate Members

Edelweiss Securities Private Limited
14th Floor, Express Tower
Nariman Point
Mumbai - 400 021
Tel: 91 22 22864400
Fax: 91 22 22882119
Email: mic.ipo@edelcap.com
Website: www.edelcap.com
Contact Person: Mr. Bakul Mehta

Registrar to the Issue

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
LBS Road, Bhandup (West)
Mumbai - 400 078, India.
Tel: +91 22 2596 0320-28
Fax: +91 22 2596 0329
Contact Person: Mr. Salim Shaikh
E-mail: micelectro-ipo@intimespectrum.com
Website: www.intimespectrum.com

Auditors

Pinnamaneni & Co.

Chartered Accountants

809, Shaili's Estate, Royal Pavillion,
Opp: Old Goldspot, Ameerpet,
Hyderabad 500 016,
Tel: +91 40 23400208
Fax: +91 40 23400209

Contact Person: Mr. P.V.V. Satyanarayana
E-mail: pinnamaneni.co@gmail.com

Banker(s) to the Issue and Escrow Collection Bank(s)

[●][will be updated at the time of the RoC filing]

Banker to the Company

Set forth below are the details of our banker:

State Bank of India

Saifabad (SIB) Branch
HACA Bhavan
Opposite Public Garden
Hyderabad – 500 004
Andhra Pradesh

UCO Bank

M. G. Road Branch
62, M. G. Road
Secunderabad – 500 003
Andhra Pradesh

The BRLM shall be responsible for the following activities

- Capital structuring with the relative components and formalities such as type of instruments etc.
- Due diligence of the Company's operations/management/business plans/legal etc. Drafting and design of the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus and of statutory and non-statutory advertisement including memorandum containing salient features of the Prospectus and any other publicity material. The BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, ROC and SEBI including finalisation of the prospectus and filing with the Stock Exchanges/ROC.
- Appointment of other intermediaries viz. Registrar to the Issue, printers, advertising agency and Bankers to the Issue.
- Retail and Non-Institutional marketing strategy, which will cover inter alia:
 - Formulating marketing strategies, preparation of publicity budget;
 - Finalise media and public relations strategy;
 - Finalise centers for holding conferences for press and brokers;
 - Finalise collection centers;
 - Follow-up on distribution of publicity and issue material, including Bid cum Application Forms, Red Herring Prospectus and deciding on the quantum of the Issue material.
- Institutional marketing strategy, which will cover inter alia:
 - Finalize the list and division of investors for one-on-one meetings;
 - Managing the book, co-ordination with Stock Exchanges and pricing and institutional allocation in consultation with the Company;
 - Finalize roadshow presentations.
- The post bidding activities including management of Escrow Accounts, coordination of non-institutional allocation, intimation of allocation and dispatch of refunds to Bidders etc.
- The post Issue activities will involve essential follow up steps, including finalization of trading and dealing instruments and dispatch of certificates and demat delivery of Equity Shares, with the various agencies connected with the work such as the Registrar to the Issue and Bankers to the Issue and the banks handling refund business. The BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable them to discharge this responsibility through suitable agreements with the Company.

BROKERS TO THE ISSUE

All members of the recognized stock exchanges would be eligible to act as brokers to the issue.

CREDIT RATING

As the Issue is of Equity Shares, credit rating is not required.

IPO GRADING

The Company is not proposing for IPO Grading.

TRUSTEES

As the Issue is of Equity Shares, the appointment of Trustees is not required.

WITHDRAWAL OF THE ISSUE

The Company, in consultation with the BRLM, reserves the right not to proceed with the Issue anytime after the Bid / Issue Opening Date without assigning any reason therefore.

MONITORING AGENCY

In terms of clause 8.17.1 of the SEBI Guidelines, since this Issue will not exceed Rs. 5,000 million, we are not required to appoint a monitoring agency. Our Board of Directors will monitor the use of proceeds from this Issue and we will disclose details of the use of the Issue proceeds in a separate head in the balance sheet for fiscal 2007 and 2008.

BOOK BUILDING PROCESS

Book Building refers to the collection of bids from investors, based on the price band specified in the prospectus, with the issue price finalized after the Bid/Issue closing date. The principal parties involved in the Book Building process are:

1. The Company;
2. Book Running Lead Managers;
3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the NSE and BSE and eligible to act as underwriters. The BRLM appoints Syndicate Members;
4. Registrar to the Issue;
5. Escrow Collection Banks.

The SEBI Guidelines have permitted an issue of securities to the public through the 100% Book Building Process, wherein upto 50% of net issue to public shall be allocated on a proportionate basis to QIBs (including 5% for the Mutual Funds). In case of under-subscription, if any, in Mutual Fund category, the shares may be made available to other QIBs. Further, not less than 15% of net issue to public shall be available for allotment on a proportionate basis to Non Institutional Bidders and not less than 35% of net Issue to public shall be available for allotment on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

The Company shall comply with guidelines issued by SEBI for this Issue. In this regard, the Company has appointed Edelweiss Capital Limited as the Book Running Lead Manager to the Issue to procure subscription to the Issue.

The IPO is through the process of book building, under SEBI Guidelines, so the investors are advised to make their own judgment about investment through the process of book building prior to making a Bid in the Issue. Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. Please see the section titled “**Terms of the Issue**” page no. [●] in this Draft Red Herring Prospectus for more details.

Steps to be taken by the Bidders for Bidding:

1. Check eligibility for making a Bid (see Section titled “**Issue Procedure - Who Can Bid**” on page no. [●] of this Draft Red Herring Prospectus);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the

- Bid cum Application Form;
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form (see Section titled “**Issue Procedure - PAN**” on page no. [●] of this Draft Red Herring Prospectus); and
 4. Ensure that the Bid-cum-Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid-cum-Application Form.

Illustration of Book Building and Price Discovery Process

(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue) Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, Issue size of 3,000 equity shares and receipt of five bids from bidders out of which one bidder has bid for 500 shares at Rs. 24 per share while another has bid for 1,500 shares at Rs. 22 per share. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book given below shows the demand for the shares of the Company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative	Quantity Subscription
500	24	500	16.67%
1000	23	1500	50.00%
1500	22	3000	100.00%
2000	21	5000	166.67%
2500	20	7500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to Issue the desired number of shares is the price at which the book cuts off i.e. Rs. 22 in the above example. The Company, in consultation with the BRLM, will finalise the Issue price at or below such cut off price, i.e. at or below Rs. 22. All bids at or above this Issue price and cut off bids are valid bids and are considered for allocation in the respective categories.

BID / ISSUE PROGRAMME

BID / ISSUE OPENS ON

[●]

BID / ISSUE CLOSES ON

[●]

Bids and any revision in Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid-cum- Application Form except that on the Bid / Issue Closing Date, the Bids shall be accepted only between 10 a.m. and 1 p.m. (Indian Standard Time) and uploaded until such time as permitted by the BSE and the NSE on the Bid / Issue Closing Date.

The Company reserves the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid / Issue Opening Date.

In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period / Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding Period / Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web sites of the BRLM and at the terminals of the Syndicate.

UNDERWRITING AGREEMENT

After the determination of the Issue Price and prior to filing of the Prospectus with RoC, the Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the

Underwriters are subject to certain conditions to closing, as specified therein.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:
(This portion has been intentionally left blank and will be filled in before filling of the Prospectus with the Roc)

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. million)
Edelweiss Capital Limited	[•]	[•]
Edelweiss Securities Private Limited	[•]	[•]

The above-mentioned is indicative underwriting and this would be finalized after the pricing and actual allocation. The above Underwriting Agreement is dated [•].

In the opinion of Board of Directors of the Company (based on a certificate given by the BRLM), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under section 12(1) of the SEBI Act or registered as Brokers with the Stock Exchange(s). The Board of Directors of the Company have accepted the Underwriting Agreement mentioned above at their meeting held on [•] respectively and the Company has issued letters of acceptance to the Underwriters accordingly.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM, and the Syndicate Members shall be responsible for ensuring payment with respect to equity shares allocated to investors procured by them. In the event of any default in payment, the respective underwriter, in addition to other obligations defined in the underwriting agreement, will also be required to procure/subscribe to the extent of the defaulted amount.

CAPITAL STRUCTURE

Our share capital as at the date of filing of this Draft Red Herring Prospectus with SEBI (before and after the Issue) is set forth below:

		Aggregate Value at nominal value (Rs. million)	Aggregate Value at Issue Price (Rs. million)
A.	AUTHORISED SHARE CAPITAL 22,000,000 equity shares of Rs 10/- Each	220	
B.	ISSUED AND SUBSCRIBED SHARE CAPITAL 15,027,655 equity shares of Rs. 10 each	150.27	
C.	PAID UP SHARE CAPITAL 15027655 equity shares of Rs. 10 each	150.27	
D.	PRESENT ISSUE IN TERMS OF THIS DRAFT RED HERRING PROSPECTUS Issue of: 5,100,000 Equity Shares of Rs. 10 each Of which QIB Portion of upto 2,550,000 Equity Shares - Reservation for Mutual Funds being 127,500 Equity Shares of the QIB portion Non-Institutional portion of up to 765,000 Equity Shares Retail Portion of up to 1,785,000 Equity Shares	51.00 25.50 7.65 17.85	[●] [●] [●] [●]
E.	EQUITY CAPITAL AFTER THE ISSUE 20,127,655 Equity Shares of Rs. 10/- each fully paid-up shares	201.27	[●]
F.	SHARE PREMIUM ACCOUNT Before the Issue After the Issue		186.28 [●]

The details of increase and change in the authorized share capital of our Company after the date of incorporation till filing of this DRHP with SEBI are as follows:

Date of change	Nature of increase/ change	Number of Equity Shares Issued	Face Value (Rs.)	Number of Preferential Shares	Authorized Share Capital (Rs.)
May 17, 1988	With Memorandum	5,000	100	Nil	5,00,000
March 3, 1994	Increase in authorised capital	15,000	100	Nil	15,00,000
June 5, 1995	Increase in authorised capital	50,000	100	Nil	50,00,000
September 23, 1996	Increase in authorised capital	125,000	100	Nil	125,00,000
May 17, 1997	Increase in authorised capital	50,00,000	10	Nil	500,00,000
September 30, 2000	Increase in authorised capital	85,00,000	10	Nil	850,00,000
January 27, 2006	Increase in authorised Capital	1,10,00,000	10	Nil	11,00,00,000
August 12, 2006	Increase of authorised capital	2,00,00,000	10	Nil	20,00,00,000
September 29, 2006	Increase of authorised capital	2,20,00,000	10	Nil	22,00,00,000

Notes to Capital Structure

A. Share Capital history of the Company

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Date when made fully paid-up	Consideration	Reasons for Allotment	Cumulative number of Shares	Cumulative Paid-up Capital (Rs.)	Cumulative Share Premium (Rs.)
May 17, 1988	20*	100	100	May 17, 1988	Cash	Subscribers to memorandum	20	2000	Nil
March 27, 1989	80*	100	100	March 27, 1989	Cash	Pref. Allotment	100	10000	Nil
March 24, 1990	600*	100	100	March 24, 1990	Cash	Pref. Allotment	700	70000*	Nil
March 25, 1991	2350*	100	100	March 25, 1991	Cash	Pref. Allotment	3050	305000	Nil
May 04, 1994	6300*	100	100	May 04, 1994	Cash	Pref. Allotment	9350	935000	Nil
September 20, 1995	5250*	100	100	September 20, 1995	Cash	Pref. Allotment	14600	1460000	Nil
December 10, 1996	98296*	100	100	December 10, 1996	Cash	Pref. Allotment	112896	11289600	Nil
January 20, 1997	7145*	100	100	January 20, 1997	Cash	Pref. Allotment	120041	12004100	Nil
June 18, 1997	Sub-division of shares	10	10				1200410	12004100	Nil
September 22, 1997	291210	10	10	September 22, 1997	Cash	Pref. Allotment	1491620	14916200	Nil
October 07, 1999	260350	10	10	October 07, 1999	Cash	Pref. Allotment	1751970	17519700	Nil
January 07, 2000	179730	10	10	January 07, 2000	Cash	Pref. Allotment	2500000	25000000	Nil
February 26, 2000	568300	10	10	February 26, 2000	Cash	Pref. Allotment	2320270	23202700	Nil
March 31, 2000	1900000	10	10	June 26, 2004	Cash	Pref. Allotment	4400000	44000000	Nil
November 11, 2000	600000	10	10	November 11, 2000	Other than cash (merger)	Pref. Allotment	8217070	82170700	Nil
July 15, 2002	200000	10	10	July 07, 2002	Cash	Pref. Allotment	4600000	46000000	Nil
August 10, 2002	2558570	10	10	August 10, 2002	Cash	Pref. Allotment	7158570	71585700	Nil
June 30, 2004	458500	10	60	June 30, 2004	Cash	Pref. Allotment	7617070	76170700	22925000
July 14, 2005	1.92000	10	100 (90 premium)		Cash	Pref. Allotment	8409070	84090700	17280000
October 05, 2005	48000	10	100 (90 premium)	Rs.10 paid out of Rs.100/-	Cash	Pref. Allotment	8457070	84570700	4320000
February 23, .2006	30000	10	215 (Rs.205 premium)	February 23, 2006	Cash	Pref. Allotment	8487070	84870700	6150000
May 04, 2006	638000	10	215 (Rs.205 premium)	May 04, 2006	Cash	Pref. Allotment	9125070	91250700	130790000
July 18, .2006	23500	10	215 (Rs.205 premium)	July 18, 2006	Cash	Pref. Allotment	9148570	91485700	4817500
September 28, 2006	4574285	10			Free reserves	Bonus issue	13722855	137228550	Nil
October 19, 2006	900000	10		August 31, 2006	ESOP			146228550	Nil
October 19, 2006	404800	Consideration other than cash			InfoSTEP(share swap for Rs. 2.2. millions)			150276550	
Total	15027655							150276550	186,282,500

B. Promoter's Contributions and Lock-In

All Equity Shares which are being locked in are eligible for computation of promoter's contribution and lock in under clause 4.6.1 of the SEBI Guidelines. The shareholding of the Promoter would be locked-in for a period of three years from the date of Allotment in this Issue, as provided herein:

Name of the Promoter	Date of allotment/ transfer of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue/ Acquisition Price (Rs.)	Date when made fully paid-up	Consideration	Allotment/ Acquisition	Cumulative Holding (No. of Shares)	% age of pre-Issue Paid-up Capital	% age of post-Issue Paid-up Capital	Lock-In Period*
Dr. M.V. Ramana Rao	May 20, 1988	10	100	100	May 20, 1988	Cash	Allotment	10	0.00%	0.00%	1
	March 27, 1989	80	100	100	March 27, 1989	Cash	Allotment	90	0.00%	0.00%	1
	March 24, 1990	150	100	100	March 24, 1990	Cash	Allotment	240	0.00%	0.00%	1
	March 25, 1991	587	100	100	March 25, 1991	Cash	Allotment	827	0.01%	0.00%	1
	May 4, 1994	500	100	100	May 4, 1994	Cash	Allotment	1327	0.01%	0.01%	1
	September 20, 1995	500	100	100	September 20, 1995	Cash	Allotment	1827	0.01%	0.01%	1
	December 10, 1996	42000	100	100	December 10, 1996	Cash	Allotment	43827	0.29%	0.22%	1
	January 20, 1997	2500	100	100	January 20, 1997	Cash	Allotment	46327	0.31%	0.23%	1
	September 22, 1997	148760	10	10	September 22, 1997	Cash	Allotment	612030	4.07%	3.04%	1
	October 7, 1999	99900	10	10	October 7, 1999	Cash	Allotment	711930	4.74%	3.54%	1
	December 2, 1999	36000	10	10	February 2, 1999	Cash	Acquisition	747930	4.98%	3.72%	1
	January 7, 2000	179730	10	10	January 7, 2000	Cash	Allotment	927660	6.17%	4.61%	1
	February 26, 2000	552300	10	10	February 26, 2000	Cash	Allotment	1479960	9.85%	7.35%	1
	March 31, 2000	1780000	10	10	March 31, 2000	Cash	Allotment	3259960	21.69%	16.20%	1
	November 11, 2000	257025	10	40**	November 11, 2000	Other than cash-merger	Allotment	3516985	23.40%	17.47%	1
	May 3, 2002	37500	10	10	May 3, 2002	Cash	Acquisition	3554485	23.65%	17.66%	1
	July 15, 2002	20000	10	10	July 15, 2002	Cash	Allotment	3574485	23.79%	17.76%	1
	August 10, 2002	1763360	10	10	August 10, 2002	Cash	Allotment	5337845	35.52%	26.52%	3
	August 10, 2002	273497	10	10	August 10, 2002	Cash	Allotment	5611342	37.34%	27.88%	1
	October 20, 2005	10000	10	20	October 20, 2005	Cash	Acquisition	5621342	37.41%	27.93%	1
	June 15, 2006	99035	10	10.81	June 15, /2006	Cash	Acquisition	5720377	38.07%	28.42%	1
	July 18, 2006	2725	10	10	July 18, 2006	cash	Acquisition	5723102	38.08%	28.43%	1
	September 28, 2006	2262171	10	0	September 28, 2006	Bonus issue out of Free reserves	Allotment	7985273	53.14%	39.67%	3
		(1198760)					Sale	6786513	45.16%	33.72%	
Total Shares under 3 year lock-in											
Total Shares under 1 year lock-in											
Total Shareholding											
								4,025,531	26.79%	20.00%	
								2,760,982	18.37%	13.72%	
								6,786,513	45.16%	33.72%	

* Lock-in period shall start from the date of Allotment of the Equity Shares in terms of this Draft Red Herring Prospectus.

The minimum promoter contribution for 3 year lock-in of shares has been computed based on the total of the post issue paid up capital which includes 900,000 shares earmarked for employees under ESOP

** The above shares were acquired when Phoenix Telecommunications Limited ("Phoenix") was merged with our Company. In the merger, for every 4 shares of Phoenix, 1 share of our Company was allotted. The cost per share of both, our Company and Phoenix was Rs. 10/- per share as on the date of the merger and hence the cost of acquisition of the shares of Phoenix by our Promoter in the merger amounts to Rs. 40/-.

The Promoter has agreed to lock-in 4,025,531 Equity Shares for a period of 3 years. All the Equity Shares which have been locked in are not ineligible for computation of Promoters' contribution under Clause 4.6 of the SEBI Guidelines.

The locked in Equity Shares held by the Promoters, as specified above, can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions provided that the pledge of shares is one of the terms of sanction of loan.

Transferability of locked-in Equity Shares

In terms of Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by our Promoters may be transferred to and amongst the Promoter group or to new promoters or persons in control of our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In terms of Clause 4.16.1(a) of the SEBI Guidelines, the Equity Shares held by persons, other than our Promoters prior to the Issue, may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In addition, the Equity Shares subject to lock-in will be transferable subject to compliance with SEBI Guidelines, as amended from time to time.

- C. No Equity Shares have been sold or purchased by our Promoter, Promoter Group and our Promoter Group Companies, during the period of six months preceeding the date on which the Draft Red Herring Prospectus is filed with SEBI other than as provided below:

TRANSFERS FOR LAST SIX MONTHS IN PROMOTERS GROUP (from May 2006 to October 2006)			
Date of Transfer	Name of the transferor	No of shares transferred	Name of the transferee
May 4, 2006	M.V.Ramana Rao	12500	Eda Sarada Devi
May 4, 2006	M.V.Ramana Rao	10000	K.Anjaneya Prasad
May 4, 2006	M.V.Ramana Rao	1500	Balla Pradeep
May 4, 2006	M.V.Ramana Rao	1500	Balla Sudarshan
May 4, 2006	M.V.Ramana Rao	3000	Balla Meenakshi
May 4, 2006	M.V.Ramana Rao	25000	Konatala Janardhan
May 4, 2006	M.V.Ramana Rao	10000	A L Lavanya Ravi
May 25, 2006	M.V.Ramana Rao	3500	A.Shankuntala
May 25, 2006	M.V.Ramana Rao	5500	Jai Pratap Chenna
May 25, 2006	P.Narendra Babu	5500	Bindu Bhargavi Chenna
May 25, 2006	M.V.Ramana Rao	1200	Navin Polavarapu
May 25, 2006	M.V.Ramana Rao	100000	Kavita Kalani & Kalani M.Lal
May 25, 2006	M.V.Ramana Rao	70000	Anjali Khosla & Sahil Khosla
May 25, 2006	M.V.Ramana Rao	6000	Dr.Ritesh Kanyal
June 15, 2006	M.V.Ramana Rao	3000	Dr.Gulab Singh
June 15, 2006	R.Kumar Raju	100	M.V.Ramana Rao
June 15, 2006	R.Ramachandran	10000	M.V.Ramana Rao
June 15, 2006	K.Satyanarayana	10000	M.V.Ramana Rao
June 15, 2006	M.V.Ramana Rao	12000	M.S.Sanjeevi Rao
June 15, 2006	M.V.Ramana Rao	5000	Anand Mallapudi
June 15, 2006	M.V.Ramana Rao	5000	Reema Gupta
June 15, 2006	M.V.Ramana Rao	2000	N.Vasishta Venkateswarulu
June 15, 2006	M.V.Ramana Rao	3000	N.Durga Jayalakshmi

June 15, 2006	P.Koteswara Rao	21105	M.V.Ramana Rao
June 15, 2006	P.Narendra Rao	55830	M.V.Ramana Rao
June 15, 2006	S.Sree Kumari	4900	M.Usharani
June 15, 2006	M.V.Ramana Rao	3000	D.Panduranga Rao
June 15, 2006	M.Chukkamma	3500	M.Ramachandra Rao
June 15, 2006	Potineni venkateswara Rao	2000	M.V.Ramana Rao
June 15, 2006	V.S.Mahalakshmi	1125	M.Usharani
June 15, 2006	P.Babu Rajendra Prasad	2625	M.Usharani
June 15, 2006	Inampudi Rajyalakshmi	1250	M.Usharani
June 15, 2006	P.Jayalakshmi	2625	M.Usharani
June 15, 2006	M.Jhansi Lakshmi & Ushasri	2625	M.Usharani
June 15, 2006	P.Ratnamba & G.Ushasri	2625	M.Usharani
June 15, 2006	D.Venkata Subbamma	750	M.Usharani
June 15, 2006	L..Vishnuvardhan rao, I.I.Bhavani, 2. Krishna Rao	2250	M.Usharani
June 15, 2006	Parimi Krishna Kishore	1250	M.Usharani
July 18, 2006	V.M.Sita Mahalakshmi	1875	M.Usharani
July 18, 2006	P.B.Rajendra Prasad	1125	M.Usharani
July 18, 2006	P.Krishna Kishore	625	M.Usharani
July 18, 2006	Atluri Bhanu Prasad & Atluri Vijaya Lakshmi	1250	M.Usharani
July 18, 2006	S.Prabhakar Rao	1250	M.V.Ramana Rao
July 18, 2006	Surapaneni Subramanyam	1250	M.V.Ramana Rao
July 18, 2006	Kodali Padmavathi	225	M.V.Ramana Rao
July 18, 2006	M.V.Ramana Rao	10000	Devineni Gnathavya
July 18, 2006	M.V.Ramana Rao	10000	Devineni Nihar
July 18, 2006	M.V.Ramana Rao	20000	Devineni Anupama
July 18, 2006	M.V.Ramana Rao	5000	Y.Madhu Seshu
July 18, 2006	M.V.Ramana Rao	3000	T.Hanuman Chowdary
July 18, 2006	M.V.Ramana Rao	7000	HI-TECH Infin Pvt.Ltd
July 18, 2006	M.V.Ramana Rao	5000	Mullapudi Mohan Rao
July 18, 2006	M.V.Ramana Rao	5000	K.Lakshmi Tulasi
July 18, 2006	M.V.Ramana Rao	100	V.Dharma Rao
July 18, 2006	M.V.Ramana Rao	4000	Dr.Krishan Lal & Dr.Rajshree Lal
July 18, 2006	P.Venkata Janardhan Rao	125	M.Vijaya
July 31, 2006	M.Usharani	12000	Jasthi Nagabhushanam
July 31, 2006	M.Usharani	3000	Padala Veera Venkata Satyanarayana
July 31, 2006	M.Ramachandra Rao	5000	Ganji Sushma
July 31, 2006	M.Usharani	10000	Nettlinx Limited #
July 31, 2006	M.Usharani	5000	Vijay Bhasker Reddy #
July 31, 2006	M.Usharani	6000	Vishwa Prasad Kyasakam
July 31, 2006	M.Usharani	16000	Tarakam Peddada
July 31, 2006	M.Nageswara Rao	9000	M.Usharani
July 31, 2006	M.Rambabu	9000	M.Usharani
July 31, 2006	M.Gopala Krishna Murthy	9000	M.Usharani
July 31, 2006	M.Ramachadra Kumari	9000	M.Usharani
July 31, 2006	M.Sujatha Rani	9000	M.Usharani
July 31, 2006	Ch.seshagiri Rao	9000	M.Usharani
July 31, 2006	B.Uma Maheswara Rao	9000	M.Usharani

July 31, 2006	Ch Anasuyavathi	9675	M.Usharani
July 31, 2006	M.Gopala Krishna	9000	M.Usharani
July 31, 2006	M.Krishna Kumari	9000	M.Usharani
July 31, 2006	P.Lakshmi Kanta Kumari	9675	M.Usharani
July 31, 2006	M.Satyavathi	9000	M.Usharani
July 31, 2006	B.Krishna Kumari	9000	M.Usharani
July 31, 2006	L.Susheela	9000	M.Usharani
July 31, 2006	N.Subramanyam	10000	M.Usharani
July 31, 2006	KBR Prasad*	2500	M.Usharani
July 31, 2006	K.Balaram Prasad*	3000	M.Usharani
July 31, 2006	K.Krishna Kumari*	2500	M.Usharani
July 31, 2006	T.V.Ramana Murthy	48000	M.Usharani
August 10, 2006	M.Usharani	500	G.Sowmya #
August 10, 2006	M.Usharani	1000	G.Madana Gopala Swamy #
August 10, 2006	M.Usharani	1000	G.Lakshmi Bharathi & G.Madana Gopala Swamy #
August 10, 2006	M.Usharani	2500	G.Venkata Sandeep #
August 10, 2006	M.Usharani	2200	Sameera Bano
August 10, 2006	M.Usharani	2200	Sunitha Amencherla
August 10, 2006	M.Usharani	2200	P.Anitha Raj
August 10, 2006	M.Usharani	500	P.Divya Subramanyam
August 10, 2006	M.Usharani	500	P.N.Subramanyam
August 10, 2006	M.Usharani	500	Uttara Subramanyam
August 10, 2006	M.Usharani	2000	Anil Kumar Goel
August 10, 2006	M.Usharani	1000	Adari Jogi Naidu #
August 10, 2006	M.Usharani	500	Kssv Muruthi Prasad #
August 10, 2006	M.Usharani	500	V. Siva nagi reddy #
August 10, 2006	M.Usharani	2000	P.Lakshmi Kumari
August 10, 2006	M.Usharani	2000	P.Harish #
August 10, 2006	M.Usharani	4000	P.Raghu Nadha Rao #
August 10, 2006	M.Usharani	1500	V.V.Appa Rao
August 10, 2006	M.Usharani	90000	Manoj J Bhojwani
August 10, 2006	M.Usharani	100000	Prakash J Bhojwani
August 10, 2006	M.Usharani	10625	Subodh Tawde
August 10, 2006	M.Usharani	2000	CVK Yashwant
August 10, 2006	M.Usharani	3000	Nirupama Radhakrishnan
August 10, 2006	M.Ramachandra Rao	5000	M.Pedda Rattayya
August 10, 2006	M.Ramachandra Rao	50000	Maganti Chaitanya Deepthi
August 10, 2006	M.Dhanakoteswaramma	50000	Maganti Chaitanya Keerthi
August 10, 2006	M.Usharani	50000	Maganti Chaitanya Pavan
August 10, 2006	M.Ramachandra Rao	10000	B.V.Nageswara Rao
August 10, 2006	M.Dhanakoteswaramma	10000	B.V.Nageswara Rao

- Maximum price at which shares have been sold/transferred by the promoter and his spouse

Minimum price at which shares have been purchased/ transferred to the promoter and his spouse

Maximum and minimum price of the above transfers

Particulars	Maximum price and date	Minimum price and date
Buy	Rs. 151 on July 31, 2006	Rs. 10 on various dates
Sell	Rs. 165 on August 10, 2006	Rs. 10 on various dates

- D.** None of the Directors hold Equity Shares as of the date of filing this Draft Red Herring Prospectus other than as given below:

Names	No. of Shares held	% of shareholding
M.V. Ramana Rao	6786513	45.16
Vidya Sagar Anisingaraju	303837	2.02
Y.Harish Chandra Prasad	150000	1.00
Atluri Venkata Ram	150000	1.00
Harshraj C. Mariwala	150000	1.00
L.N.Malleswara Rao	136795	0.91
N.Sreenivasa Rao	40013	0.27
Ranjan Kapoor	34500	0.23
U. Ramakrishna	7500	0.05

For the shareholding of our key managerial personnel please refer to the section titled “Our Management” on page [●] of this Draft Red Herring Prospectus.

- E.** ***Our Company has an Employee Stock Option Plan (“ESOP”)***

Our ESOP has been approved by the shareholders in the Extra Ordinary General Meeting held on August 12, 2006 at Hyderabad, the details are as follows:

Particulars	Employee Stock Option Plan – 2006
Adoption Date (date of adoption by the Board and shareholders)	Adopted by the Board of Directors of the Company on July 18, 2006 and by the shareholders on August 12, 2006
Effective Date of Allotment to Trust	October 19, 2006
Total No of options to be granted	900,000 options are permitted to be granted under the ESOP.
Total No of Equity Shares to be issued upon conversion of the options	900,000 equity shares (each option is convertible into one equity share)
Eligibility	Options under the Company’s ESOP may be granted to select employees and directors (excluding promoter directors) of the Company who are in permanent employment of the Company and its subsidiaries in India and outside India as per discretion of the Compensation Committee constituted by the Board of Directors of the Company for this purpose
Offer date	Will be decided by the Compensation Committee when the options are granted to the employees
Vesting requirement and exercise period	Options granted to an employee under this ESOP shall vest in the manner set out in Schedule A below:

Exercise price/pricing formula	The exercise price shall be decided by the Compensation Committee from time to time
No of options granted and vested till date	624206

Schedule A:

Period	Percentage of options			
	Grade - A Ten and above years of service in the company	Grade - B Seven and above years of service in the company	Grade - C Three and above years service in the company	Grade - D Two and above years of service in the company
At the beginning of the first year from the date of grant	70%	60%	40%	25%
At the end of the second year from the date of grant	15%	20%	35%	35%
At the end of the third year from the date of grant	15%	20%	25%	40%

Note: Pursuant to clause 7 of the MIC Electronics Limited Employees Stock Option Plan 2006 ("Plan"), the Compensation Committee can waive the vesting period and allot the shares evidenced by the options to eligible employees.

By a resolution dated October 24, 2006 the Compensation Committee has pursuant to the power conferred by clause 7 of the Plan allotted 624206 shares for FY 07 to eligible employees.

Details of Total Options vested/allotted and granted for the following years:

FY 07		FY 08		FY 09	
Options granted	No of Equity Shares (of Rs 10 each) issuable upon exercise of options	Options granted	No of Equity Shares (of Rs 10 each) issuable upon exercise of options	Options granted	No of Equity Shares (of Rs 10 each) issuable upon exercise of options
624206	624206	138818	138818	136976	136976

Details of Options granted to Directors and Key Managerial Personnel are set forth below:

Sl.No	Name of the employee	Total Options	Allotted FY 07	FY 08	FY 09
Directors					
1	Vidya Sagar Anisingaraju	95279	95279	0	0
2	L.N.Malleswara Rao	21500	16000	2750	2750
3	U.Ramakrishna	21500	7500	7000	7000
Key Managerial Persons					
1	N.Radhesyam	39688	27782	5953	5953
2	J.Munikanya	37183	26028	5578	5577
3	B.Sridhar	27905	19534	4186	4185
4	C.Vasanth Rao	21500	16000	2750	2750
5	Y.N.V.Trinadha Babu	21000	14000	3500	3500
6	V.Sambaiah	19198	13439	2880	2879
7	T.Vikram Kumar	19198	13439	2880	2879

Sl.No	Name of the employee	Total Options	Allotted FY 07	FY 08	FY 09
8	P.Narayana	14750	9000	2875	2875
9	C.Jayaraju	14234	8540	2847	2847
10	Vijay Kumar Spatti	9301	2500	3174	3627
11	J.Gram	9000	4000	2500	2500
12	U.S.N.V.R.C.Prabhu	8500	3000	2750	2750
13	Sanjay Tara	8485	2500	2793	3192
14	G.Govindappa	8000	3000	2500	2500
15	N.Tamma Rao	8000	4000	2000	2000
16	Amitav Bahinipati	6568	2000	2132	2436
17	C.Venkata Ramanaiah	5500	2500	1500	1500

F. Equity Shares held by top ten shareholders

Our top ten shareholders and the Equity Shares held by them on the date of filing the Draft Red Herring Prospectus with SEBI are as follows:

Sr. No	Name	Number of Equity Shares held	%age of Paid-Up Capital
1.	M.V. Ramana Rao	6786513	45.16
2.	D. Hitesh Chenchuram	435000	2.89
3.	D.Venkateswara Rao	367515	2.45
4.	D. Purandeswari	367425	2.44
5	Vidya Sagar Anisingaraju	303837	2.02
6.	Emirates Family of Fund	307500	2.05
7.	Anjali Khosla & Salil Khosla	271875	1.81
8.	Kavita Kalani & Kalani M. Lal	255000	1.70
9.	Netsilik Software Private Limited	237750	1.58
10.	Sanjeev Kumar	209985	1.40

Our top ten shareholders and the Equity Shares held by them 10 (ten) days prior to the date of filing the Draft Red Herring Prospectus are as follows:

Sr. No	Name	Number of Equity Shares held	%age of Paid-Up Capital
1.	M.V. Ramana Rao	6786513	45.16
2.	D. Hitesh Chenchuram	435000	2.89
3.	D. Venkateswara Rao	367515	2.45
4.	D. Purandeswari	367425	2.44
5.	Emirates Family of Fund	307500	2.05

Sr. No	Name	Number of Equity Shares held	%age of Paid-Up Capital
6.	Vidya Sagar Anisingaraju	303837	2.02
7.	Anjali Khosla & Salil Khosla	271875	1.81
8.	Kavita Kalani & Kalani M. Lal	255000	1.70
9.	Netsilik Software Private Limited	237750	1.58
10.	Sanjeev Kumar	209985	1.40

Our top ten shareholders and the Equity Shares held by them two years prior to the date of filing the Draft Red Herring Prospectus are as follows:

Sr. No.	Name	No. of Equity Shares	% of the paid up capital
1	M.V. Ramana Rao	5342582	65.02
2	D. Purandeswari	245010	2.98
3	D. Venkateswara Rao	244950	2.98
4	M/s Life Cycle Software (P) Ltd	158500	1.93
5	D. Hitesh Chenchuram	145000	1.76
6	D. Niveditha	145000	1.76
7	M. Ramachandra Rao	138705	1.69
8	M. Dhanakoteswaramma	124085	1.51
9	Anjali Khosla & Sahil Khosla	111250	1.35
10	Kavita Kalani & Yash Kalani	111250	1.35

- G.** As of the date of the Draft Red Herring Prospectus there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares.

H. Shareholding pattern before and after the Issue

The table below presents our shareholding pattern before the proposed Issue and as adjusted for the Issue.

Shareholder Category	Equity Shares owned prior to the Issue		Equity Shares owned after the Issue	
	Number of Equity shares as on date of filing of DRHP	%age of Equity Share Capital	Number of Equity Shares	%age of Equity Share Capital
Promoter				
Mr. M.V. Ramana Rao	6786513	45.16%	6786513	33.72%
Sub Total (A)	6786513	45.16%	6786513	33.72%
Promoter Group				
M. Usharani	121002	0.81%	121002	0.60%
M. Ramachandra Rao	108308	0.72%	108308	0.54%
M. Dhanakoteswaramma	96128	0.64%	96128	0.48%
M. Sreenivas Rao	126965	0.84%	126965	0.63%
K. Sitaramalakshmi	18450	0.12%	18450	0.09%
M. Chaitanya Deepthi	75000	0.50%	75000	0.37%
M. Chaitanya Keerti	75000	0.50%	75000	0.37%
M. Chaitanya Pavan	75000	0.50%	75000	0.37%

Shareholder Category	Equity Shares owned prior to the Issue		Equity Shares owned after the Issue	
	Number of Equity shares as on date of filing of DRHP	%age of Equity Share Capital	Number of Equity Shares	%age of Equity Share Capital
Sub Total (B)	695853	4.63%	695853	3.46%
Total of Promoter & Promoter Group Holding	7482366	49.79%	7482366	37.17%
Sub Total (C)	7482366	49.79%	7482366	37.17%
Others (including Indian public) (D)	7545289	50.21%	7545289	37.49%
Total pre issue share capital (C+D = E)	15027655	100.00%	15027655	74.66%
Public Issue (F)	-	-	5100000	25.34%
Total post issue share capital (E+F)	-	-	20127655	100.00%

- I. Neither we nor our Directors nor the Promoter or its directors, nor the BRLM have entered into any buyback and/or standby arrangements for the purchase of our Equity Shares from any person.
- J. We have not raised any bridge loan against the proceeds of the Issue. For details on use of proceeds, see the section titled “**Objects of the Issue**” on page [●] of this Draft Red Herring Prospectus.
- K. In the Issue, in case of over-subscription in all categories, upto 50% of the Issue shall be available for allocation on a proportionate basis to QIBs out of which upto 5% of the QIB portion shall be available for allocation on a proportionate basis to Mutual Funds and the balance of the QIB portion to QIBs including Mutual Funds, a minimum of 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and a minimum of 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category would be met with spill over from other categories in the sole discretion of our Company in consultation with the BRLM.
- L. A Bidder cannot make a Bid for more than the number of Equity Shares offered in this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
- M. An oversubscription to the extent of 10% of the Issue can be retained for the purpose of rounding off to the nearest multiple of 1 while finalizing the basis of Allotment.
- N. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Draft Red Herring Prospectus with SEBI until the equity shares offered hereby have been listed.
- O. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months commencing from the date of opening of this Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares or securities convertible into Equity Shares, whether on a preferential basis or otherwise. However, during such period or at a later date, we may issue Equity Shares pursuant to the ESOP or issue equity shares or securities linked to equity shares to finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint venture, or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in the interest of the Company.
- P. Except discussed under this section, we have not issued any Equity Shares out of revaluation reserves or for consideration other than cash. Further, all the Equity Shares issued as bonus shares have been issued out of the free reserves.

- Q.** There will be only one denomination of the Equity Shares of the Company unless otherwise permitted by law and the Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
- R.** We had 448 shareholders as of October 30, 2006.
- S.** As per the RBI regulations, OCBs are not allowed to participate in this Issue.
- T.** There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares except 900,000 options earmarked for allotment to our employees under MIC Electronics Limited Employee Stock Option Plan 2006.
- U.** Our Promoter and members of the Promoter Group will not participate in this Issue.
- V.** There are certain restrictive covenants in the agreements that our Company has entered into with the banks and financial institutions for short term loans and long term borrowings. For further details of the terms of this Agreement, please refer to the Section titled, “**Financial Indebtedness**” beginning on page [●] of this Draft Red Herring Prospectus.

OBJECTS OF THE ISSUE

The Object of the Issue is as follows:

- Setting up additional facility for manufacture of LED Video Modules at Cherlapally, Hyderabad and Roorkee;
- Investment in LED video display systems to be used for rental/leasing business;
- Investment on Design & Development of 3D Stereoscopic Displays;
- Investment on Market Development – Domestic & Overseas;
- For acquisition of InfoSTEP Inc, USA;
- Augment working capital requirements;
- Meet the expenses of the issue;
- Achieve benefits of listing.

The net proceeds from the Issue after deducting Issue expenses are estimated at Rs. [●] mn.

The proceeds of the Issue would be utilized to part finance our fund requirements (as estimated by us) hereunder:

Particulars	Rs. in million
a) Setting up additional facility for manufacture of LED boards	149.00
b) LED video display systems to be used for rental / leasing	150.50
c) Products Up-gradation / Development	42.00
d) Design & Development of 3D Stereoscopic Displays	65.00
e) Market Development – Domestic & Overseas	50.00
f) Acquisition of Infostep Inc., USA	91.08#
g) Augment working capital requirements*	[●]
h) Meet the expenses of the issue*	[●]
Total*	[●]

* To be inserted upon finalisation of the Issue Price

Payment of Rs. 91.08 million is assumed at the following exchange rate: 1USD = INR 46

The above costs are indicative and based on estimates based on prevailing rates and previous orders for similar equipments. The actual costs would depend upon the negotiated prices with the suppliers/contractors and may vary from the above estimates. The above fund requirements are not appraised by any bank or any financial institution.

The Main Objects and other clauses of the Memorandum of Association of the Company enables the Company to undertake the existing activities and the activities for which the funds are being raised through the present Issue.

MEANS OF FINANCE

The above fund requirement is proposed to be financed as under:

Particulars	Rs. In million
Public Issue of Equity Shares	[●]
Internal Accruals	[●]
Total *	[●]

- * The excess of funds received would be utilized for further expansion and general corporate purposes including repayment of debt, if any.

In the event of shortfall of funds, the same will be met through the internal accruals of the Company. Our cash profit as on June 30, 2006 are Rs. 166.21 million, which we believe are sufficient to meet the shortfall of funds, if any.

The following table shows the cash accruals as on June 30, 2006:

	Rs. in million
For the twelve months ended	June 30, 2006
Adjusted Profit after Tax	155.96
Add: Non-cash expenses (Depreciation, Miscellaneous/Deferred Expenses)	(+)15.84
Less : Instalments on term loans re-paid during the period	(-)5.59
Net Cash accruals	166.21

We hereby confirm that firm arrangements have been made through verifiable means towards 100% of the stated means of finance, excluding the amount to be raised through the Issue.

Details of Projects

a) Setting up additional facility for manufacture of LED boards at Roorkee and Hyderabad

The break-up of project cost is as under:

Particulars	Rs. in million
Land & Civil	8.00
Land & Civil works estimated for built up area of 40,000 sft. @ Rs.800 per sft. at Hardware park, Hyderabad, Land is proposed to be allotted from Govt. for Rs.18 million	50.00
Manufacturing Infrastructure at Roorkee	10.00
Plant and Machinery (including taxes and duties)	69.10
Erection & Commissioning, consultancy, Misc. Fixed assets	1.90
Pre-operative & Contingency	10.00
Total	149.00

Land

The land required for the expansion is available/situated at Cherlapally, Hyderabad, near to our existing unit at Kushaiguda, Hyderabad. This new facility would augment our existing production capacity.

The land at Hardware Park Hyderabad has to be allotted by the Government of Andhra Pradesh for which the application has already been made. At this facility we plan to set up assembly and testing of Video Modules for Export markets.

We have entered into a sale deed for purchase of land at Roorkee and have obtained possession of the same.

Civil Works

We are intending to enter into contracts for the construction of the factory buildings and setting up of necessary infrastructure.

Plant and Machinery

The main items of plant and machinery are as under:

Quotation Date	Description	Make	Number	Estimated Cost** (Rs Million)
August 9, 2006	PM LED Correction system, PM LED Measurement system,	Radiant Imaging	1	3
August 17, 2006	LED CNC Potting Machine,	Banaseok Korea	1	2
July 19, 2006	CNC Engraving Machine	Hanter Technology	1	2
July 29, 2006	LED Binning Machine,	Optosupply Int'l Ltd, HongKong	1	5*
August 7, 2006	Digital Storage Oscilloscope –	Agilent Technologies	10	2
August 18, 2006	LED Test Station MAS – 40	Instrument Systems	5	7.5
August 4, 2006	Pick & placement machine IR Re-flow Process machine	ERSA	1	18
August 11, 2006	Signal Integrity Analysis CAD software	Electro Systems Associates	2	1.6*
August 3, 2006	VHDL Software	Innovate Software Solutions Pvt. Ltd.	2	10
	Dies & Jigs for manufacturing & testing	-	2 sets	18*
	TOTAL	-	-	69.1

* Management estimates

* * Plant and Machinery Cost (includes taxes and duties)

We have started negotiations with the suppliers but not placed any orders for the machinery. The above cost of each item is indicative and based on estimates based on prevailing market rates and previous orders for similar equipments. The actual cost may vary. All the machinery is normally supplied within 30 to 40 days time from the date of placing order.

Approvals required

For details please refer to the Section titled “**Licenses and Approvals**” on page [●] of this DRHP.

Technology

Pursuant to our expansion we will continue to use our current technology.

Arrangements for power /utilities /water /raw materials etc

Raw materials

Since the unit proposes to expand in the existing line of activity, raw material can be procured from the existing suppliers without any difficulty.

Man Power

Plenty of skilled as well as unskilled man power are available locally.

Power and Water

We have already obtained permission for 50 HP power supply for our proposed unit at Roorkee. We are in the process of making the appropriate applications for water supply at the proposed units.

b) Investment in LED video display systems to be used for rental/leasing business

A sum of Rs.150.50 million is earmarked for this purpose in order to maintain sufficient stock of LED video display systems. Rental/leasing business of LED display systems is increasing day by day and the company is planning to tap the rental businesses at all Metro cities including Hyderabad, Ahmedabad, Pune and Bangalore.

Sr.No.	Particulars		Basic Cost for each Screen (Rs million)	No. of Screens	Amount (Rs million)
I	COST OF PROJECT:				
	DISPLAY SCREENS:				
1	25.40 mm physical/12.70 mm visual (Scan +) pitch True color Display Screens (192K pixels)	Outdoor	7.95	3	23.85
2	20.32mm physical/10.16 mm visual (Scan+) pitch True color Display Screens (192 K pixels)	Outdoor	7.15	7	50.05
3	16. 256 mm physical/8.128 mm visual (Scan+) pitch True color Display Screens (300K pixels)	Outdoor/ Indoor	9.75	3	29.25
4	12.70 mm 3 in one chip LED based True color Display Screens (43,200 pixels)	Indoor/ Outdoor	2.95	4	11.80
5	9.525 mm 3 in One Chip LED based True color Display Screens (49152 pixels)	Indoor	3.23	5	16.15
6	6.35 mm 3 in One chip LED based True color Display Screens (84672 pixels)	Indoor	4.85	4	19.40
	Total			26	150.50

c) Products Up-gradation / Development

A sum of Rs.42.00 million is proposed to be invested for products up-gradation / development. The company intends to invest significant amount in R&D in order to maintain the present leading status in the country. Our Company is in the process of identifying suitable suppliers and will call for competitive quotations for supply of required machinery.

d) Design & Development of 3D Stereoscopic Displays

A sum of Rs.65.00 million is proposed to be invested on research and development of LED / LCD / Plasma / 3D segment. Our Company is in the process of identifying suitable suppliers and will call for competitive quotations for supply of required machinery.

e) Market Development – Domestic & Overseas

We are planning to set up various market development centres across the country to augment our sales net work. We are also planning to set up overseas offices in Dubai, South Africa & USA in order to improve overseas business. For this purpose, an investment of Rs.50.00 million is estimated.

f) Acquisition of Infostep Inc, USA

We have agreed to acquire 100 % InfoSTEP Inc. for a total consideration of USD 4.4 Million which is to be paid by way of 50% cash and 50% share swap deal, to expand our operations and use the technology and expertise of InfoSTEP Inc. and to explore overseas opportunities.

We have recently concluded the share swap for the value of USD 2.2 million. We issued to the shareholders of InfoSTEP Inc. 404800 fully paid-up shares of our Company and a cash component of USD 4400. We thus acquired 50.01% share holding in InfoSTEP Inc, USA.

Further, in addition to the aforesaid, we will be making payment of USD 215600 in November 2006 towards allotment of 418,783 shares of InfoSTEP Inc. The amount towards acquisition of the balance 49.99 % shares of InfoSTEP Inc. will be paid from the IPO proceeds & internal accruals.

FIPB has approved the acquisition of InfoSTEP Inc. vide their letter dated September 28, 2006.

InfoSTEP Inc. was formed in 1998 in Santa Clara, USA, the heart of Silicon Valley. Since inception, InfoSTEP Inc. provided innovative products and services in IT to the enterprise markets in USA. As part of global expansion plans, the company established a centre of Excellence for Business Performance Measurements in Hyderabad, India in 2005. The company now provides products and services to marquee clients out of its operations in India and USA. InfoSTEP's business expansion plans include operations in Asia Pacific countries such as Singapore, Australia and New Zealand. InfoSTEP Inc's current team strength globally is about 60 qualified professionals.

g) Augment working capital requirements

We have been presently sanctioned working capital limits of Rs. 135.00 million by our bankers consisting of fund-based limits of Rs. 75.00 million and non-fund based limits of Rs.60.00 million, which comprises of letter of credit limit of Rs.20.00 million and bank guarantee limit of Rs.40.00 million.

We need additional working capital in consonance with the expanding scope of our business. We have estimated our additional working capital requirements for fiscal 2007, as under:

	In No of months	FY 2006 Rs. in million	Post Issue Figures Rs. in million
Particulars			Amount
Raw material and work in progress	1 month	91.39	120.00
Sundry debtors	3 months	347.24	180.00
Advance to suppliers, retention money	7 days	6.49	20.00
Other current assets	3 months	90.68	6.00
Sub total		535.80	326.00
Less: Sundry creditors	20 days	19.53	50.00
Other current liabilities (other than bank borrowings)	2 months	55.54	26.00
Sub total		75.07	76.00
Total working capital requirement		460.73	250.00
Less: Available working capital limit from Commercial Banks as on June 30, 2006			5.77
Working capital requirement			244.23
Funded by			
Long Term Working Capital from Proceeds of the Issue*			[•]
Margin money for working capital#			[•]

* Margin money for working capital would be financed through internal accruals/ borrowings and this amount is the difference between the proceeds from the Issue for this purpose and the long term working capital requirement of Rs 244.23 million.

will be filled in upon finalisation of issue price.

Details of existing Working Capital Arrangements

We have been presently sanctioned working capital limits of Rs.135.00 million by our bankers consisting of fund-based limits of Rs.75.00 million and non-fund based limits of Rs.60.00 million.

Details of our current working capital limits are as follows:

Fund Based:

(Rs. in million)					
Sl. No.	Name of the Bank	Nature of Facility	Limit Sanctioned	Utilization / Outstanding as on June 30, 2006	Unavailed
1.	SBI, Saifabad Br.	CC (Hyp.)	50.00	50.00	0.00
2.	SBI, Saifabad Br.	EPC	25.00	19.23	5.77

Non Fund Based:

(Rs. in million)					
Sl. No.	Name of the Bank	Nature of Facility	Limit Sanctioned	Utilization / Outstanding as on June 30, 2006	Unavailed
1.	SBI, Saifabad Br.	Letter of Credit	20.00	10.19	9.81
2.	SBI, Saifabad Br.	Bank Guarantee	40.00	24.85	15.15
	TOTAL		60.00		

h) Meeting Issue expenses

The expenses for the Issue include lead management fees, selling commissions, printing and distribution expenses, legal fees, advertisement expenses, registrar fees, depository charges and listing fees to the Stock Exchanges, among others. The total expenses for this Issue are estimated to be approximately Rs. [●].

Particulars	Estimated Expenses (Rs. Mn.)	% of Issue proceeds
BRLM Fees, Underwriting and Selling commission	[●]	[●]
Printing, Stationary and Dispatch Expenses	[●]	[●]
Advertising and Marketing Expenses	[●]	[●]
Other Expenses (Listing Fees, SEBI Filing Fees, Bidding Charges, Registrars' Fees etc.)	[●]	[●]
Total	[●]	[●]

The expenses incurred in connection with the Issue shall be borne by us.

Interim Use of Proceeds

Pending utilisation for the purposes described above, we intend to temporarily invest the proceeds of this Issue in high quality, interest/dividend bearing short-term/long-term liquid instruments including money market mutual funds, deposits with banks for the necessary duration, gilt edged securities and other 'AAA+' rated interest bearing securities as may be approved by our Board or a duly authorized committee thereof.

The above fund requirement is based on our current business plan. In view of the highly competitive and dynamic nature of the industry in which we operate, we may have to revise our business plan from time to time and consequently our funds requirement may also change. This may include rescheduling of capital expenditure programmes, current plans at the sole and absolute discretion of the management as it may deem fit.

Appraisal

Our funds requirements and deployment thereof are based on internal management estimates, and have not been appraised by any bank/financial institution.

Surplus or Shortfall in Issue Proceeds

In case of any shortfall in the Issue proceeds earmarked for the above activities, fund deployment for a particular activity may be met with, in the first instance, by surplus funds, if any available in respect of the other activities for which funds are being raised in this Issue, otherwise by additional debt and/ or equity. In addition to the above mentioned requirements, the balance proceeds of this Issue, if any, will be used for, among other things, the purposes mentioned above and/ or to finance our working capital requirement and/ or for the repayment of debt and / or general corporate purposes including advertising & promotional expenses.

Monitoring agency

In terms of clause 8.17.1 of the SEBI Guidelines, since this Issue will not exceed Rs. 5,000 million, we are not required to appoint a monitoring agency. Our Board of Directors will monitor the use of proceeds from this Issue and we will disclose details of the use of the Issue proceeds in a separate head in the balance sheet for fiscal 2006 and 2007. Besides, part of the project cost is funded through term lending from banks that would also monitor the utilization of the Issue proceeds towards the stated objects.

No part of the proceeds of this Issue will be paid as consideration to our Promoter, our Directors, key management employees or companies promoted by our Promoter.

Schedule of Implementation

Activity	Commencement Date	Completion Date
Building		
- Finalization of detailed Engineering	December, 2006	January, 2007
- Civil works	Jananary, 2007	April, 2007
Plant & Machinery & Equipments		
- Placement of Order	December, 2006	May, 2007
- Installation & Commissioning	June, 2007	June, 2007
- Trial Run	June, 2007	June, 2007
Commercial Production		June, 2007

Deployment of funds on the projects as on October 20, 2006:

(Rs. in millions)

Sr. No.	Particulars	Amount
1	Setting up additional facility for manufacture of LED boards	-
2	Investment in LED video display systems to be used for rental/lease	-
3	Products Up-gradation/Development	-
4	Design & Development of 3D Stereoscopic Displays	25.0
5	Market Development - Domestic & Overseas	-
6	Acquisition of InfoSTEP Inc, USA	0.20
7	Augment working capital requirements	-
8	Meet the expenses of the Issue	-
	Total:	25.2

Means of Finance

(Rs. in millions)

Sr. No.	Particulars	Amount
	Internal Accruals	25.2
	Term Loan	[●]

The year wise break up of proposed deployment of fund is hereunder:

Sr.No.	Particulars	Amount	Already Spent	2006-07	2007-08
1	Setting up additional facility for manufacture of LED boards	149.00	-	149.00	-
2	Investment in LED video display systems to be used for rental/lease	150.00	-	125.00	25.00
3	Products Up-gradation/Development	40.00	-	20.00	20.00
4	Design & Development of 3D Stereoscopic Displays	65.00	25.00	20.00	20.00
5	Market Development - Domestic & Overseas	50.00	-	35.00	15.00
6	Acquisition of InfoSTEP Inc, USA	91.08	0.20	90.88	-
7	Augment working capital requirements	[●]	-	-	-
8	Meet the expenses of the Issue	[●]	-	-	-
	Total:	[●]	25.20	439.88	80.00

BASIC TERMS OF THE ISSUE

The present Issue of 5,100,000 Equity Shares at a price of Rs. [●] for cash aggregating Rs. [●] million is being made through the Book Building Process. The Issue will constitute 25.34 % of the fully diluted post Issue Equity Share capital of our Company.

	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares available for allocation*	Upto 2,550,000 Equity Shares or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Not less than 765,000 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 1,785,000 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue size available for allocation	Upto 50% of Net Issue less allocation to Non Institutional Bidders and Retail Individual Bidders	Not less than 15% of Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 35% of Net Issue less allocation to QIB Bidders and Non Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Proportionate as follows: (a) Equity Shares shall be allocated on a proportionate basis to Mutual Funds in the Mutual Funds Portion; (b) Equity Shares shall be allocated on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds Rs 100,000	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds Rs 100,000	[●] Equity Shares
Maximum Bid	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount does not exceed Rs. 100,000
Mode of Allotment	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
Allotment Lot	[●] Equity Shares in multiple of 1 Equity	[●] Equity Shares in multiple of 1	[●] Equity Shares in multiple of 1 Equity Share

	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
Trading Lot	Share One Equity Share	Equity Share One Equity Share	One Equity Share
Who can Apply **	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, Mutual Funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, FVCIs, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 Million and pension funds with minimum corpus of Rs. 250 Million in accordance with applicable law.	Resident Indian individuals, Eligible NRIs and HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts	Individuals, including Eligible NRIs and HUF (in the name of Karta) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate ***	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.
Margin Amount	Atleast 10% of Bid Amount	100% of Bid Amount	100% of Bid Amount

* Subject to valid Bids being received at or above the Issue Price. Under subscription, if any, category would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than 127,500 Equity Shares (QIB Portion is 50% of the Issue size, i.e. 2,550,000 Equity Shares), the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders

** In case the Bid Cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid Cum Application Form.

*** After the Bid/Issue Closing Date, depending on the level of subscription, additional Margin Amount, if any, may be called for from the QIB Bidders.

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of this Draft Red Herring Prospectus, Red Herring Prospectus, Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividend. The allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of allotment.

Mode of Payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being issued in terms of this Draft Red Herring Prospectus at a total price of Rs. [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability of shares; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Memorandum and Articles of Association and Listing Agreement entered into with the Stock Exchanges.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see Section titled “**Main Provisions of Articles of Association of our Company**” on page [●] of this Draft Red Herring Prospectus.

Market Lot and Trading Lot

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialized form for all investors. Since trading of our Equity Shares is in dematerialised mode, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. Allotment through this Issue will be done only in electronic form in multiples of [●] Equity Shares subject to a minimum allotment of [●] Equity Shares.

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint-tenants with benefits of survivorship.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or First Bidder, along with other joint Bidder(s), may nominate any one person in whom, in the event of death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of our Company or with the Registrar and transfer agent of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by our Board, elect either:

- a. to register himself or herself as the holder of the Equity Shares; or
- b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, our Board may thereafter withhold payment of all dividends, bonuses or other money's payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective Depository Participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective Depository Participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Issue, including devolvement of Underwriters / members of Syndicate if any within 60 days from the Bid/Issue Closing Date, We shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we, and every officer in default, become liable to pay the amount (i.e., 60 days from the Bid/Issue Closing Date), we shall pay interest prescribed under Section 73 of the Companies Act.

If the number of allottees in the proposed Issue is less than 1,000 allottees, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after our Company becomes liable to pay the amount, our Company shall pay interest at the rate of 15% per annum for the delayed period.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not offered or sold, and Bids may not be made by persons in any such jurisdiction, except in accordance with the applicable laws of such jurisdiction.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "**U.S. persons**" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

Arrangement for disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on transfer of shares

There are no restrictions on transfers and transmission of shares/debentures and on their consolidation/splitting except as provided in our Articles. For further details, see the Section titled “**Main Provisions of our Articles of Association**” beginning on page [●] of this Draft Red Herring Prospectus.

Notice to QIB Bidders: Allotment Reconciliation

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar to the Issue on the basis of Bids received. Based on the electronic book, QIB Bidders will be sent a CAN indicating the number of Equity Shares that are being allocated to them. However, within a few days thereafter but prior to the Board meeting for final allotment of Equity Shares in the Issue, the Registrar to the Issue will also prepare a physical book, which may be different from the electronic book. This is because certain applications in the Non-Institutional Portion and Retail Portion may be rejected due to non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, technical rejections, etc, and these rejected applications may not be reflected in the electronic book but will be reflected in the physical book. As a result, additional Equity shares may be available for allocation in the QIB Portion provided the QIB Portion is oversubscribed and the Non-Institutional Portion and Retail Portion are not fully subscribed. In such event, QIB Bidders may receive an increased allocation of Equity Shares and such increase in allocation will be reflected in a revised CAN that is sent to QIB Bidders.

Withdrawal of the Issue

Our Company in consultation with the Book Running Lead Managers, reserves the right not to proceed with the Issue at anytime after the Bid/Issue Opening Date but before Allotment, without assigning any reason therefore.

Letters of Allotment or Refund Orders

We shall give credit to the beneficiary account with depository participants within two working days from the date of the finalisation of basis of allocation. Applicants residing at 15 centres where clearing houses are managed by the RBI, will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit & RTGS. We shall ensure despatch of refund orders, if any, of value up to Rs. 1,500 by “**Under Certificate of Posting**”, and shall dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or First Bidder’s sole risk within 15 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be send a letter through ordinary post intimating them about the mode of credit of refund within 15 days of closure of Issue.

Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- (i) Allotment shall be made only in dematerialised form within 15 days from the Bid/ Issue Closing Date;
- (ii) Despatch of refund orders shall be done within 15 days from the Bid/ Issue Closing Date; and
- (iii) We shall pay interest at 15% per annum, if Allotment is not made, refund orders are not despatched and/ or demat credits are not made to investors within the 15 day time prescribed above.

We will provide adequate funds required for despatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Bid/Issue Programme

Bidding Period/Issue Period

BID/ISSUE OPENS ON	[●]
BID/ISSUE CLOSES ON	[●]

Bids and any revision in Bids shall be accepted only between 10 a.m. and 5 p.m. (Indian Standard Time) and on the Bid/Issue Closing Date, Bids or revisions of Bids shall be accepted only between 10 a.m. and 1 p.m. during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form and uploaded till such time as permitted by the NSE and the BSE on the Bid/Issue Closing Date.

Our Company in consultation with the BRLM reserves the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the price band advertised at least one day prior to the Bid/Issue Opening Date.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of Price Band subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the NSE and the BSE, by issuing a press release, and also by indicating the change on the web site of the Book Running Lead Managers and at the terminals of the Syndicate.

BASIS FOR ISSUE PRICE

Qualitative Factors

The Issue Price will be determined by the Company in consultation with BRLM on the basis of assessment of market demand for the Equity Shares, by way of Book Building Process. The face value of the Equity Shares is Rs. 10 each and the Issue Price is [●] times the face value.

Factors external to the Company

- Increasing out of home advertising spent;
- Availability of true colour LED displays;
- Growing application of LEDs;
- Growth of LED display renting market for outdoor events;
- Increased spending of Telecom service providers;
- High Growth rate in the IT and ITES Industry.

Factors internal to the company

- We have a strong distribution, marketing and after sales network across businesses;
- We enjoy monopoly position in LED Display media in India;
- We have a strong emphasis on research and technological innovation;
- We have global Presence;
- We are well-Recognized Brand;
- Our promoter directors have extensive experience.

Quantitative Factors

Adjusted Earning per Share (EPS)

Financial Period	EPS based on Restated Financial Statements (Rs.)	Weight
FY 2004	0.39	1
FY 2005	2.61	2
FY 2006	18.17	3
Weighted Average	10.02	

- EPS has been calculated as per the following formula: (Net Profit)/ (Weighted average number of Equity Shares)
- Net Profit, as restated and appearing in the restated financial statements has been considered for the purpose of computing the above ratio.

Price Earnings Ratio (P/E Ratio)

Since there is no comparable company in the same Industry group we are not able to provide Highest and Lowest P/E in the Industry group.

Particulars	PE (No. of Times)
Based of FY 2006 EPS of 18.17	[●]
Based on the Weighted Average EPS of 10.02	[●]

P/E based on the profit after tax, as restated for FY 2006 is [●].

Average Return on Networth (RONW)

The figures disclosed below are based on the standalone restated financial statements of the Company.

Financial Period	RoNW (%)	Weight
FY 2004	1.93	1
FY 2005	11.15	2
FY 2006	31.57	3
Weighted Average	19.82	

Minimum Return on Total Net Worth post-Issue to maintain pre-Issue EPS of Rs 17.27 per share is [•].

RONW has been calculated as per the following formula: (Net Profit)/ (Equity shareholder's funds outstanding at the end of the year)

Net Asset Value (NAV) per share

- (i) As at June 30, 2006 Rs. 55.09
- (ii) After Issue [•]
- (iii) Issue Price [•]

Financial Period	NAV	Weight
FY 2004	20.42	1
FY 2005	23.41	2
FY 2006	55.09	3
Weighted Average	38.75	

NAV has been calculated as per the following formula: (Equity shareholders' funds)/ (Total number of Equity Shares outstanding at the end of the period)

The Face Value of the Shares is Rs. 10 and the Floor Price is [•] times of the Face Value and the Cap Price is [•] times of the Face Value.

Comparison with other listed companies

Our Company is engaged in the business of Media Infotech and Communication.& Electronics

There are no comparable companies having a similar business model. We are however comparing companies in each specific line of business that we are operating in.

Media Business

There are no other listed companies in India that are engaged in the business of development, production and sale of video displays, text graphics, animation displays and display services including lease/rental of LED Video walls. Hence, it is not possible to provide a domestic industry comparison in relation to the Company.

BARCO N.V.

Barco NV provides visualization and display solutions for professional markets. The Company designs and develops solutions for large screen visualization, display solutions for life-critical applications, and systems for visual inspection. Barco is active worldwide and has its own facilities for sales and marketing, customer support, research and development, and manufacturing.

		<i>In Euro (Millions)</i>
Particulars*	Year Ended December 2004	Year Ended December 2005
Equity Capital	176.0	179.7
Reserves	222.9	238.4
Sales	671.9	712.0
Profit After Tax	47.7	38.6
EPS	3.8	3.1

* Source: Bloomberg as at October 20, 2006

OPTO TECH CORPORATION

Opto Tech Corporation manufactures and markets optoelectronic semiconductor components. The Company's products include light emitting diodes (LED) chips, silicon phototransistor chips, silicon photodiode chips, LED traffic signals, and LED lighting products.

		<i>In Taiwan Dollars (Millions)</i>
Particulars*	Year Ended December 2004	Year Ended December 2005
Equity Capital	7635.5	7770.2
Reserves	(1320.6)	(1704.9)
Sales	5585.3	5520.1
Profit After Tax	(1112.6)	(1224.2)
EPS	(1.76)	(1.80)

* Source: Bloomberg as at October 20, 2006

STELLA VISTA TECHNOLOGIES

Stella Vista Technologies Limited operates as a communications and information systems company in South Africa. The Group specializes in light emitting diode (LED) technology and designs and markets a range of LED products. Products of Stella Vista include colour video displays, public information displays, traffic signs, and various other advertising and information displays.

		<i>In South African Rand (Millions)</i>
Particulars*	Year Ended August 2004	Year Ended August 2005
Equity Capital	18.0	18.0
Reserves	(15.7)	(13.0)
Sales	16.0	19.8
Profit After Tax	(10.8)	2.8
EPS	(0.07)	0.020

* Source: Bloomberg as at October 20, 2006

DAKTRONICS, INC.

Daktronics, Inc. supplies electronic scoreboards, computer programmable display systems, and large video displays for sport, business, and government applications. The Company designs, manufacture, installs, and services integrated systems that display real-time data, graphics, animation, and video.

		<i>In US Dollars (Millions)</i>
Particulars*	Year Ended April 2005	Year Ended April 2006
Equity Capital	20.42	23.03
Reserves	83.49	102.31
Sales	230.35	309.37
Profit After Tax	15.66	20.96
EPS	0.39	0.52

* Source: Bloomberg as at October 20, 2006

Name of the company*	EPS (Rs.)	P/E	RONW (%)	NAV (Rs.)
BARCO N.V.	3.15	21.51	9.21	33.33
Opto Tech Corporation	(1.80)	-	(19.92)	8.06
Stella Vista Technologies	0.02	6.50	54.90	0.04
Daktronics, Inc.	0.52	41.87	16.72	3.31

* Source: Bloomberg as at October 20, 2006

Communication & Electronics

A comparative study of our performance as against our peer group is provided in the table below:

Since all the companies in the table below are from different Industry group we are unable to provide Industry P/E.

Name of the company	EPS (Rs.)	P/E	RONW (%)	NAV (Rs.)
MIC Electronics Limited	18.17	[●]	31.57	55.09
Peer Group				
Tech Mahindra Limited*	17.70	34.9	40.70	69.90
Sasken Communications#	7.50	52.50	6.90	133.40
Bharat Electronics Limited#*	73.30	15.70	32.10	255.30

* Industry Group: computer – Software – Large

Industry Group: Computer – Software – Medium/Small

#* Industry Group: Electronics – Components

Source: Capital Markets Vol. XXI/16 October 09 - October 22, 2006

The BRLM believes that the Issue Price of Rs. [●] per equity share is justified in view of the above qualitative and quantitative parameters. Specific attention of the Investor is invited to the Section titled “**Risk Factors**”, “**Our Business**” and “**Financial Statements**” beginning on page [●], [●] and [●] of this Draft Red Herring Prospectus.

The Issue Price of Rs. [●] has been determined by us in consultation with BRLM and on the basis of the demand from the investors for the Equity Shares through the Book Building Process and is justified on the basis of the above accounting ratios.

STATEMENT OF TAX BENEFITS

To
The Board of Directors
M/s. MIC Electronics Limited,
A4, Electronic Complex,
ECIL Post, Kushaiguda,
Hyderabad – 500 062.

Dear Sirs,

Re: Public issue of MIC Electronics Limited- Option on Tax Benefits.

We hereby report that the enclosed annexure states the possible tax benefits available to MIC Electronics Limited ('the company') and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the relevant tax laws. Hence, the ability of the company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives the Company faces in the future, the Company may or may not choose to fulfil.

The benefits discussed in the annexure are not exhaustive and the preparation of the contents stated is the responsibility of the company's management. We are informed that the statement is only intended to provide general information to the investors and hence is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out their participation in the issue.

Our confirmation is based on the information, explanations and representations obtained from the company and on the basis of our understanding of the business activities and operations of the company and the interpretation of the current tax laws in India.

We do not express any opinion or provide any assurance as to whether:

- the company or its shareholder will continue to obtain these benefits in future; or
- the conditions prescribed for availing the benefits, where applicable have been/ would be met with.

No assurance is given that the revenue authorities/ courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to MIC Electronics Limited for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We shall not be liable to any other person in respect of this statement.

For PINNAMANENI & CO,
Chartered Accountants

P.V.V.SATYANARAYANA
Partner
Membership No. 26600
Date: 1st November 2006
Place: Hyderabad

Encl: Annexure- Statement of Tax benefits

ANNEXURE

THE STATEMENT OF TAX BENEFITS

As per the present provisions of Income Tax Act, 1961 ("IT Act") and other laws as applicable for the time being in force in India, the following tax benefits are available to the shareholders of the Company, subject to fulfillment of prescribed conditions:

CERTAIN INDIAN TAX CONSIDERATIONS

General

The following is a summary of the material Indian tax consequences of owning and disposing of Equity Shares purchased in this Issue and held as capital assets by holders who are residents and non-residents. The following summary is based on the current provisions of the IT Act and rules and regulations made thereunder, and applicable to the financial year ended March 31, 2006. The IT Act is amended every year by the Finance Act of the relevant year. Some or all of the tax consequences mentioned hereunder may be amended or changed by future amendments to the IT Act.

Under Section 90(2) of the IT Act, the provisions of the IT Act would apply to the extent they are more beneficial than the provisions of the Double Taxation Avoidance Agreement ("DTAA") between India and the country of residence of the non-resident.

Levy of Income Tax

In India, tax is charged on the basis of the residential status of a person (under terms of the provisions of the IT Act) on his/her total income in the previous year, at the rates as specified in the Finance Act as applicable in the relevant assessment year. An assessment year is a period of 12 months commencing on the first day of April every year ("**Assessment Year**"). Generally, the previous year means the financial year immediately preceding the Assessment Year.

In general, in the case of a person who is "resident" in India in a previous year, his/her global income is subject to tax in India. In the case of a person who is "non-resident" in India, only the income that is received or deemed to be received or that accrues or is deemed to accrue or arise to such person in India, is subject to tax in India. In the case of a person who is "not ordinarily resident" in India, the income chargeable to tax is the same as in the case of persons who are resident and ordinarily resident except that the income which accrues or arises outside India is not included in his total income unless it is derived from a business controlled or a profession set up in India. In the instant case, the income from the shares of the Company would be considered to accrue or arise in India, and would be taxable in the hands of all persons irrespective of residential status. However, applicable DTAA's may give some relief from tax in India.

Residence

A "Non-Resident" means a person who is not a resident in India. For the purposes of the IT Act, an individual is considered to be a resident of India during any financial year if he or she is in India in that year for:

- a period or periods amounting to 182 days or more; or
- 60 days or more if within the four preceding years, he/she has been in India for a period or periods amounting to 365 days or more; or
- 182 days or more, in the case of a citizen of India or a person of Indian origin living abroad who visits India; or
- 182 days or more, in the case of a citizen of India who leaves India for the purposes of employment outside India in any previous year.

A company is resident in India if it is an Indian company formed and registered under the Companies Act, 1956 or the control and management of its affairs is situated wholly in India. A firm or other association of persons is resident in India except where the control and management of its affairs is situated wholly outside India.

BENEFITS AVAILABLE TO THE COMPANY

Under section 32 of the IT Act, the Company is entitled to claim depreciation allowance at the prescribed rates on all its tangible and intangible assets acquired and put to use for its business.

Under section 10(34) of the IT Act, dividend income (whether interim or final) received by the Company from any other domestic company (in which the company has invested) is exempt from tax in the hands of the Company, provided the other domestic company has paid dividend distribution tax (“DDT”).

The income received by the Company from distribution made by any mutual fund specified under Section 10(23D) of the IT Act in respect of which tax is paid by such mutual fund under Section 115-R of the IT Act or from the Administrator of the specified undertaking or from the specified companies referred to in Section 10(35) of the IT Act is exempt from tax in the hands of the Company.

Under section 10(38) of the IT Act, the long term capital gains arising on transfer of securities, which are chargeable to Securities Transaction Tax (“STT”), are exempt from tax in the hands of the Company. The STT can be setoff against business income tax calculated as per the provisions of the IT Act, provided the gains on the transactions are offered to tax as business income and not as capital gains.

As per the provisions of Section 112(1)(b) of the IT Act, other long term capital gains arising to the Company are subject to tax at the rate of 20% (plus applicable surcharge and education cess). However, as per the Proviso to that section, the long term capital gains resulting from transfer of listed securities or units [not covered by section 10(36) and 10(38) of the IT Act], are subject to tax at the rate of 20% in the year in which such capital gains arose after considering indexation benefit (plus applicable surcharge and education cess) which would be restricted to 10% of long term capital gains worked out without considering indexation benefit (plus applicable surcharge and education cess).

As per the provisions of Section 111A of the IT Act, short term capital gains arising to the Company from transfer of equity shares in any other company through a recognized stock exchange or from sale of units of any equity oriented mutual fund are subject to tax at the rate of 10% (plus applicable surcharge and education cess), if such a transaction is subjected to STT.

In accordance with and subject to the conditions specified in Section 54 EC of the IT Act, the Company would be entitled to exemption from tax on long term capital gain [not covered by section 10(36) and section 10(38) of the IT Act] if such capital gain is invested in any of the long term specified assets (hereinafter referred to as the “new asset”) to the extent and in the manner prescribed in the said section. If the new asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains for which exemption is availed earlier would become chargeable to tax as long term capital gains in the year in which such new asset is transferred or converted into money.

In accordance with and subject to the conditions specified in Section 80IC of the IT Act, the company would be entitled to a deduction of 100% of profits for first 5 initial assessment years and 30% of profits for next 5 years derived from its Roorkee unit located in the state of Uttaranchal.

In accordance with and subject to the conditions specified in Section 80IB(4) of the IT Act, the company would be entitled to a deduction of 100% of profits for first 5 initial assessment years and 30% of profits for next 5 years derived from its Yanam unit located in the Union Territory of Pondicherry. The unit was set up in the Assessment year 2002-03.

BENEFITS AVAILABLE TO SHAREHOLDERS

This summary is not intended to constitute a complete analysis of the Indian tax consequences to any particular Resident and Non-Resident shareholders. Individual tax consequences of an investment in Equity Shares may vary for Residents and Non-Residents in various circumstances, and potential investors should therefore consult their own tax advisers as to the tax consequences of such purchase, ownership and disposition under the tax laws of India, the jurisdiction of their residence and any tax treaty between India and their country of tax residence. This summary is based on the Indian tax laws as of the date of this offer document, which may change after the date hereof.

Taxation of Dividends

The Company would be liable to pay DDT at the rate of 12.5% (plus applicable surcharge and education cess) upon declaration, distribution, or payment of dividends. Where the Company distributing dividends has paid DDT, dividends are not taxable in India in the hands of all shareholders, irrespective of their residential status.

Taxation of Capital Gains

1. Computation of capital gains

Equity Shares held by a shareholder for a period of more than 12 months are treated as long-term capital assets, income from the transfer of which would be treated as long term capital gains. If the Equity Shares are held for a period of 12 months or less, the capital gains arising on the transfer thereof are treated as short term capital gains.

Section 48 of the IT Act contains special provisions in relation to computation of long term capital gains on transfer of an Indian company's shares by non-residents (other than Foreign Institutional Investors ("FIIs")). Computation of long-term capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

As per the provisions of Section 112(1)(b) of the IT Act, long term gains as computed above would be subject to tax at a rate of 20% (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20% with indexation benefit exceeds the gains computed at the rate of 10% without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10% (plus applicable surcharge and education cess).

2. Tax on Long term capital gains

In case of a shareholder being a company, which is subject to MAT under Section 115JB of the IT Act, long term capital gains realized on sale of securities of the Company listed on a recognized stock exchange in India will be taxed at the rate of 10% (plus applicable surcharge and education cess). However, for shareholders being individuals, partnerships, trusts, association of persons or bodies of individuals, long-term capital gains realized on sale of securities of the Company on a recognized stock exchange are exempt from tax. Sale of shares on the recognized stock exchange will be additionally subject to STT. Any long-term capital gains realised by all types of shareholders on the sale of listed equity shares otherwise than on a stock exchange (on which as a result no STT has been paid) will be subject to Indian capital gains tax at the rate of 10% (plus applicable surcharge and education cess).

3. Tax on Short term capital gains

Any income arising from the transfer of Equity Shares held as a short-term capital asset, which is subject to STT, shall be taxed at a rate of 10% (plus applicable surcharge and education cess). In the event that the sale is otherwise than on a stock exchange and as a result no STT is paid, short-term gain is subject to tax as regular income at the rate applicable to the shareholder.

4. Exemptions

- As per the provisions of Section 54EC of the IT Act and subject to the conditions specified therein, capital gains arising to an assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- As per the provisions of Section 54F of the IT Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ("HUF"), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period

in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

5. Specific provisions applicable to Mutual Funds

In case of a shareholder being a Mutual Fund, as per the provisions of Section 10(23D) of the IT Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India is exempt from income tax, subject to the notified conditions.

6. Specific provisions applicable to Venture Capital Companies / Funds

In case of a shareholder being a Venture Capital Company/ Fund, any income of Venture Capital Companies/Funds registered with the Securities and Exchange Board of India, is exempt from income tax, subject to the conditions specified in Section 10(23FB) of the IT Act.

7. Specific provisions applicable to Non Resident Indians

Capital gains tax - Options available under the IT Act: Where shares have been subscribed in convertible foreign exchange - Option of taxation under Chapter XII-A of the Act

- Non-Resident Indians [as defined in Section 115C(e) of the IT Act], being shareholders of an Indian company, have the option of being governed by the provisions of Chapter XII-A of the IT Act, which *inter alia* entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed to in convertible foreign exchange.
- As per the provisions of Section 115D read with Section 115E of the IT Act and subject to the conditions specified therein, long term capital gains arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10% (plus applicable surcharge and education cess), without indexation benefits.
- As per the provisions of Section 115F of the IT Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the IT Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the IT Act, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.
- Further, if the specified asset or savings certificates in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred at the rate of tax in respect of long term capital gains as may be applicable in that year.
- As per the provisions of Section 115G of the IT Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the IT Act, if their only source of income is

income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the IT Act.

- Under Section 115H of the IT Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the IT Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
- As per the provisions of Section 115I of the IT Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the IT Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the IT Act.

8. Foreign Institutional Investors ('FIIs')

- Taxability of capital gains: Any capital gains realised by a FII on the sale of listed equity shares otherwise than on a stock exchange (on which as a result no STT has been paid) would be taxed as per the provisions of Section 115AD of the IT Act, as applicable to FIIs. FIIs will be taxed on the capital gains income at the rate of 10% for long term capital gains and at the rate of 30% / 10% for short term capital gains (excluding applicable surcharge and education cess) as per the provisions of section 115AD (ii). It is to be noted that the indexation benefits are not available to FIIs.
- However, where the equity shares form a part of its stock-in-trade, any income realised in the disposition of such equity shares will be treated as business profits, taxable in accordance with the DTAAs between India and the country of tax residence of the FII. The nature of the equity shares held by the FII is usually determined on the basis of the substantial nature of the transactions, the manner of maintaining books of account, the magnitude of purchases and sales and the ratio between purchases and sales and the holding. If the income realised from the disposition of equity shares is chargeable to tax in India as business income, FIIs could claim rebate from tax payable on such income with respect to STT paid on purchase/sale of equity shares. Business profits may be subject to tax at the rate of 20 / 40% (plus applicable surcharge and education cess)

9. Securities Transaction Tax

The exemption on long term capital gains and reduction of rate for short term capital gains would be applicable only if the sale / transfer of the Equity Shares takes place on a recognised stock exchange in India. All transactions entered into on a recognised stock exchange in India will be subject to STT levied on the transaction value at the applicable rates. In case of purchase / sale of Equity Shares and units of an equity oriented mutual fund which is settled by way of actual delivery or transfer of the Equity Share/ unit, STT will be levied at the rate of 0.125% on both the buyer and seller of the Equity Share/ unit. For sale of Equity Shares and units of an equity oriented mutual fund settled otherwise than by way actual delivery or transfer of the Equity Share/ unit, STT will be levied at the rate of 0.025% on the seller of the Equity Share/ unit. Seller of derivatives would be subjected to an STT of 0.017% while in case of sale of a unit of an equity oriented fund to the mutual fund would attract STT at the rate of 0.25%. The STT can be setoff against business income tax calculated as per the provisions of the IT Act, provided the gains on the transactions are offered to tax as business income and not as capital gains.

10. Tax Deduction at Source

Generally, tax, surcharge and education cess on the capital gains, if any, are withheld at the source by the purchaser/person paying for the Equity Shares in accordance with the relevant provisions of the IT

Act. However, no deduction of tax shall be made from any income by way of capital gains arising from the transfer of securities referred to in Section 115AD of the IT Act payable to FIIs.

11. Capital Loss

In general terms, loss arising from a transfer of a capital asset in India can only be set off against capital gain. Since long-term capital gains on the sale of listed Equity Shares in respect of which STT has been paid is not liable to capital gains tax for non-corporate entities, it is doubtful whether any long-term capital loss arising on account of such sale would be allowed to be set off. A short-term capital loss can be set off against capital gain whether short term or long-term. To the extent that the loss is not absorbed in the year of transfer, it may be carried forward for a period of eight assessment years immediately succeeding the assessment year for which the loss was first determined by the tax authority and may be set off against the capital gains assessable for such subsequent assessment years. In order to set off a capital loss as above, the non-resident investor would be required to file appropriate and timely returns in India and undergo the usual assessment procedure.

12. Wealth Tax and Gift Tax

No Indian wealth tax or gift tax will be payable with respect to the Equity Shares and Warrants.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE INDIAN TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES AND WARRANTS IN YOUR PARTICULAR SITUATION.

The foregoing does not purport to be a complete analysis of the potential tax considerations relating to the ISSUE, and should not be construed as tax advice/Opinion. Prospective investors should consult their own tax advisors as to the particular tax considerations applicable to them relating to the purchase, ownership and disposition of the Equity Shares and Warrants, including the applicability of the local tax laws or non-tax laws, any changes in applicable tax laws and any pending or proposed legislation or regulations.

IV. ABOUT THE ISSUER COMPANY

INDUSTRY OVERVIEW

The information presented in this section, some of which is produced elsewhere in this Draft Red Herring Prospectus has been extracted from publicly available documents and reports prepared by professional organizations and analysts and from other external sources. These sources have not been prepared or independently verified by the Company, the Book Running Lead Manager or any of their respective affiliates or advisors and the Company and the Book Running Lead Managers make no representation as to the accuracy or completeness of the information provided in these sources.

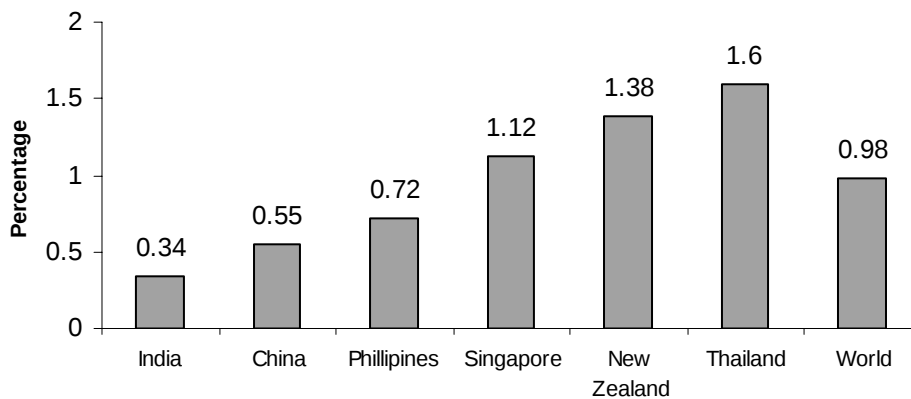
- Frames- 2006: The Indian Entertainment and Media Industry;
- Datamonitor Report;
- Ovum Research, Feb 2006;
- EDG Research:- LED Video Display Report, 2006;
- LED Signage: Opportunities in Commercial Applications by Intertech; and
- CSO.

India has been among the fastest growing economies in the world, with a nominal GDP CAGR of 9.94% over the last 10 years (1995-2005). The nominal GDP for fiscal 2005 was Rs. 30,636 billion. According to CSO estimates, nominal GDP growth for fiscal 2006 is estimated at 10.9%. There is a correlation between the economic growth rates of a country i.e. the nominal GDP growth rate, and growth rates of the advertising industry.

Indian Advertising Industry

The Indian advertising spends, as a percentage of GDP, is 0.34%, which lags behind other developed and developing countries.

AD Spend as % of GDP



Source: Frames- 2006: The Indian Entertainment and Media Industry

The key factors which have contributed to growth of the Indian advertising industry include:

- Rapid economic growth of the country on the back of economic liberalization;
- Increase in consumer prosperity;
- Entry of global consumer companies with large advertising budgets;
- Higher degree of competitive intensity among consumer companies; and
- Growth in media vehicles leading to increase in media penetration.

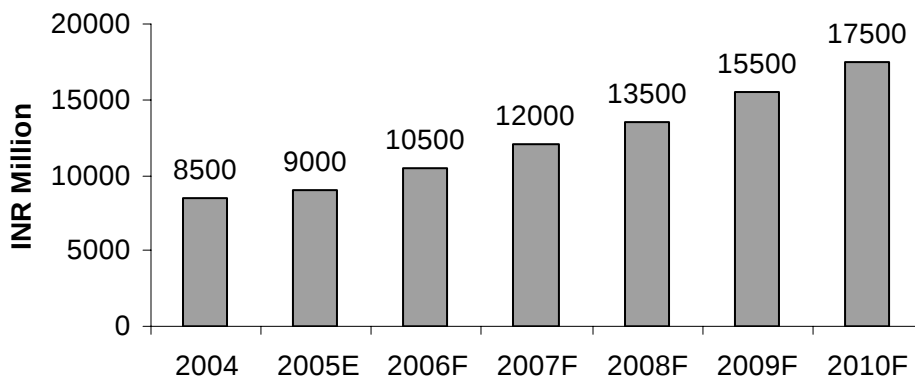
Indian Out-of-Home Media Industry

Today, the Out-of-Home (OOH) market is estimated to be at Rs. 9.0 – 10.0 billion. OOH Media broadly describes a variety of advertising vehicles, which reach consumers where they shop and travel. These include:

- Billboards / Hoardings;
- Street Furniture, Bus queue shelters, phone kiosks and newsstands; and
- Transit/Airport/Malls, Buses (sides and fully-wrapped), trains, station platforms, commuter rail cards, underground, airports, malls, trucks, taxi tops.

Outdoor media sites in India are predominantly owned or operated by small, local players and are typically, directly marketed by them to advertisers and advertising agencies. However, this segment too is witnessing a change with technological innovations. Growing billboard advertising is fuelled by technologies such as light emitting diode (LED) video billboard. This is a segment that is seeing interesting technological innovations across the world.

Projected Growth of Indian Out-of-Home Advertising Industry



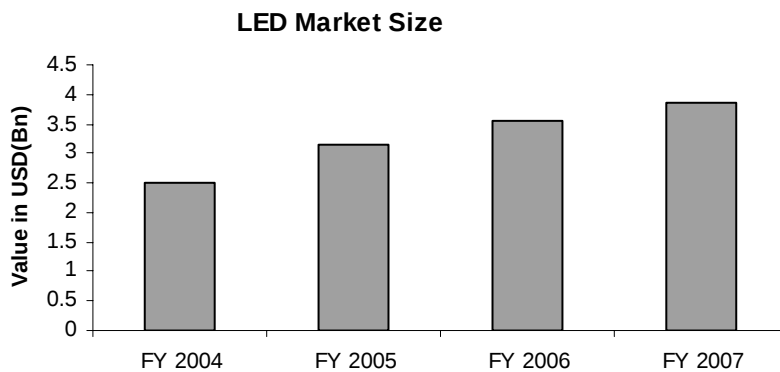
Source: Frames- 2006: The Indian Entertainment and Media Industry

Key Characteristics of OOH

- Creative Flexibility
 - The OOH medium allows for extended creativity and provides images viewable from a distance. Current imaging technology provides displays that were not possible earlier by hand-painting and new display techniques allow for better execution than in other media.
- Impact medium
 - OOH displays are intended to get people's attention while they drive or walk. OOH advertising is an effective way to remind the audience of the product being advertised. This works as an impact medium for national advertisers as it reinforces the impact of a particular brand.

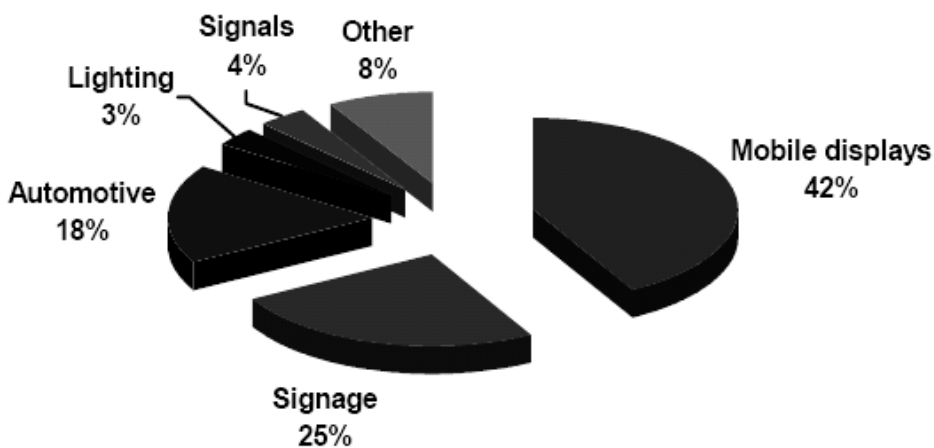
LED (Light Emitting Diodes) MARKET OVERVIEW

Advances in nanotechnology, compound semiconductor materials and enhanced manufacturing techniques has helped in generating a new generation of high brightness LEDs in nearly all colors of the visible spectrum as an effective medium for outdoor advertisement.



Source: LED Signage: Opportunities in Commercial Applications by Intertech

The current LED display market size is around USD 3.55 Bn and is expected to reach USD 3.9 Bn by 2007. The LED market has shown a growth rate of CAGR of 15.98% from FY 2004 to FY 2007. The LED market can be further divided into segments based on use of LED in different applications.



Source: LED Signage: Opportunities in Commercial Applications by Intertech

The revenue model for LED display manufactures can be divided into two main streams:

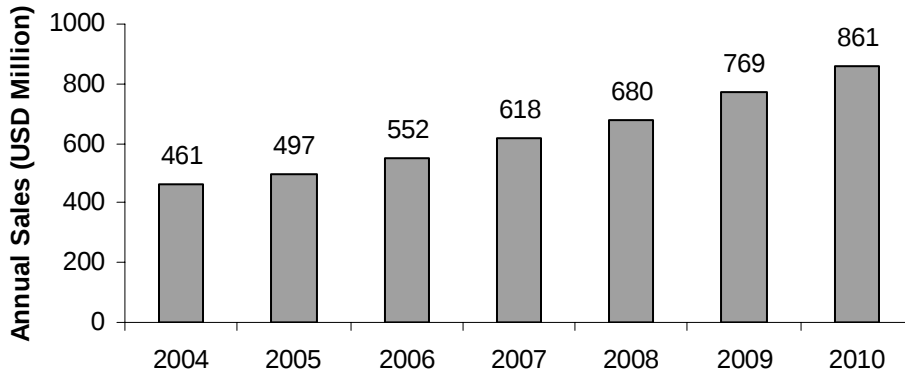
- LED Display Sale; and
- LED Display Rental

LED display sales

Sales in the LED display market can be segregated on the basis of:

- Sales by way of geographical classification;
- Sales on the basis of display board size; and
- Sales based on the display resolution.

Projected Sales Growth in LED Video walls

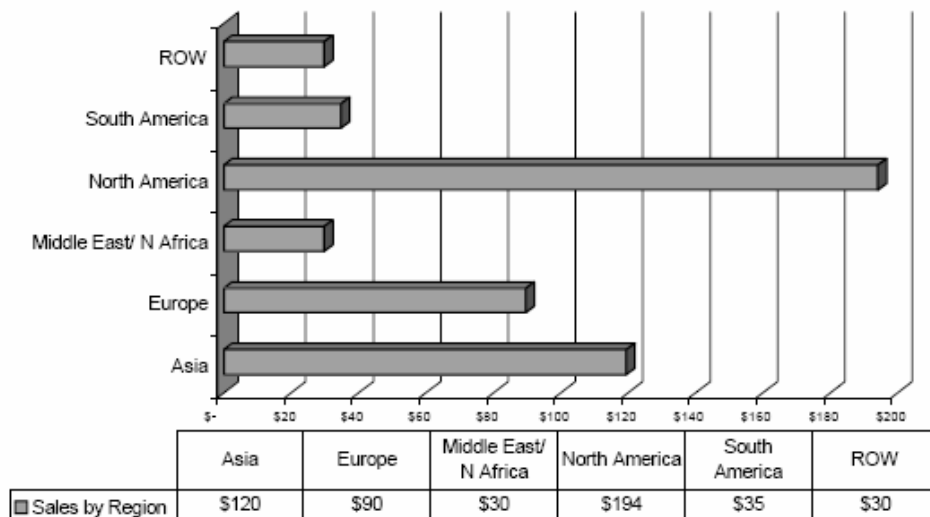


Source: EDG Research: LED Video Display Report, 2006

LED Video walls sales grew by 8% for FY2005; and are expected to record an 11% growth in FY 2006. The sales are expected to be US\$ 552 Million in 2006 and are expected to increase to US\$ 861 million by 2010 which is a growth of 11.75% CAGR.

A majority of LED sales happened in the North American continent which includes Canada and Mexico. The sales in North America constitute 38.85% of the total sales in 2005. The second largest market by sales was Asia followed by Europe, South America and Middle East.

Geographic Distribution—2005 Sales by Region



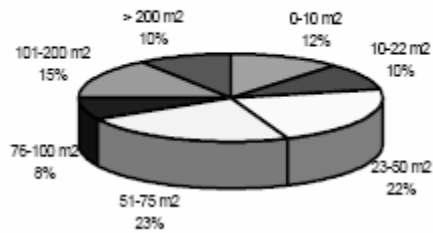
Source: EDG Research: LED Video Display Report, 2006

Market share by display size

The LED Display market is further divided in segments which are based on the size of the LED board and their resolution. The growth in LED sales if measured in Sq.Meters has shown a high growth of 23% year on year. This higher growth is mainly due to increasing size of LED display board.

The following chart shows the market share based on the size of LED.

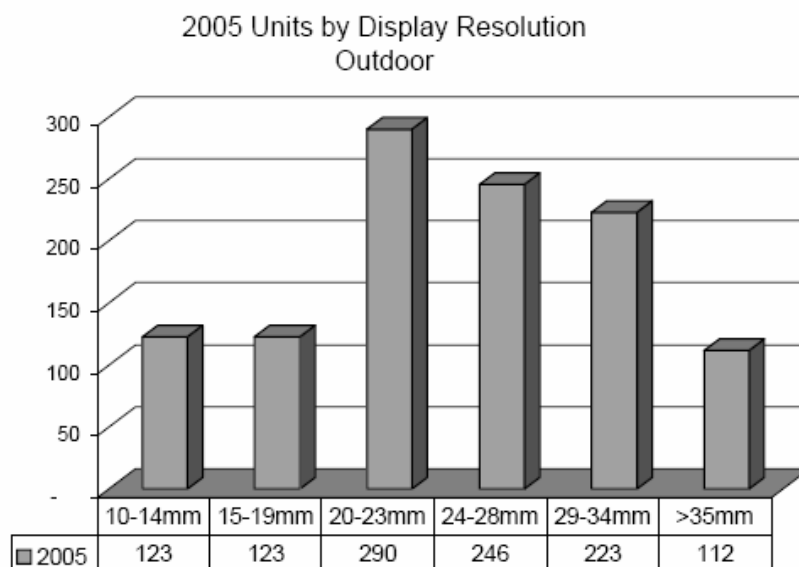
Square Meters by Display Size



Source:EDG Research: LED Video Display Report, 2006

From the chart above one can see that smaller size LED displays have a relatively smaller market share of 22% (0-22m²). Majority of the market share is dominated by medium sized display boards which ranges between 23-100 m², their combined market share is 53% of the total market and the rest 25% share is held by large size display boards. The segment above 23 m² is majorly used for OOH application like live events, sport stadiums, hoardings, billboards etc, and this segment is expected to report a higher sales growth as compared to smaller sized display boards.

Led Sales based on their resolution



Source:EDG Research: LED Video Display Report, 2006

The above diagram shows the sales based on the resolution of the LED screen. For the Outdoor sector, the Resolution category of >35mm showed the greatest increase from the previous year of 58%, with 29-34mm showing the smallest increase of 14% and 24- 28mm at 15% growth rate between 2004 and 2005. The growth in the low resolution segment is also due to the fact that low resolution LED screens are comparatively cheaper in price to high resolution screens.

LED Signage's

LED used in out of home advertising in the form of signage and interactive message display is also a part of the Global LED market and it accounts for 25% of the current LED market. In value terms the market for LED signage is estimated to be around USD 625 Million which is expected to reach USD 1 bn by 2007

Average percentage of signs using various types of illumination

Type of illumination	2001	2002	2003
Neon	43.0%	41.3%	41.7%
Fluorescent	47.3%	46.9%	46.3%
LED	3.9%	6.2%	7.2%
HID	1.9%	2.4%	2.0%
Incandescent	2.0%	1.9%	1.8%
Fiber optic	0.5%	0.3%	0.6%
Other	1.4%	0.9%	0.3%

Source: LED Signage: Opportunities in Commercial Applications by Intertech

Over the period of time the market share for LED signage's has increased as compared to other forms of signage currently used. The market share of LED based signage system has increased from 3.9% to 7.2% over the period of 2 years whereas the market share of others have remained same or have shown a decline in their respective market share.

LED Lighting

With the ever growing shortage of electricity LED Lighting are fast becoming the choice of the consumers. The LED lighting market is expected to grow by 20 %. The primary benefits of LEDs are long life, durability and efficiency. When driven properly, a power LED can last tens of thousands of hours without a degradation of light output. The typical efficacy of a power LED, measured in lumens per watt, is 20-30. This is much greater than incandescent light sources and is only exceeded by fluorescent light sources. Since the LED is a solid-state device, it can withstand shock and vibration that would damage a filament bulb.

The benefits of LED lighting are helpful in many types of lighting applications:

- Automotive and aircraft cabin lighting;
- Automotive and aircraft instrument panel lighting;
- Architectural emergency exit lighting;
- Architectural color effect lighting;
- Industrial and outdoor lighting;
- Traffic and railway signals;
- Automotive Brake Lights;
- Dot matrix signs and video displays;
- LCD display backlighting; and
- Personal flashlights.

LED Display Rental Industry**Live Entertainment Industry**

The live entertainment industry (also known as the “**events management industry**”) comprises a wide gamut of on-the-ground events that include corporate events, felicitations and contests, festivals and personal events, etc.

International

Internationally LED display renting industry is one of the fastest growing industries in Live Entertainment Industry. LED displays are rented to big outdoor events like film concerts, fashion shows, corporate presentation etc. On an average in Unites States of America a medium sized LED display can fetch a rental income of USD 15000 for weekend use.

The LED display renting industry is expected to around USD 210 and is expected to grow by 12.5% year on year. There are two types of LED displays used in the rental market mainly:

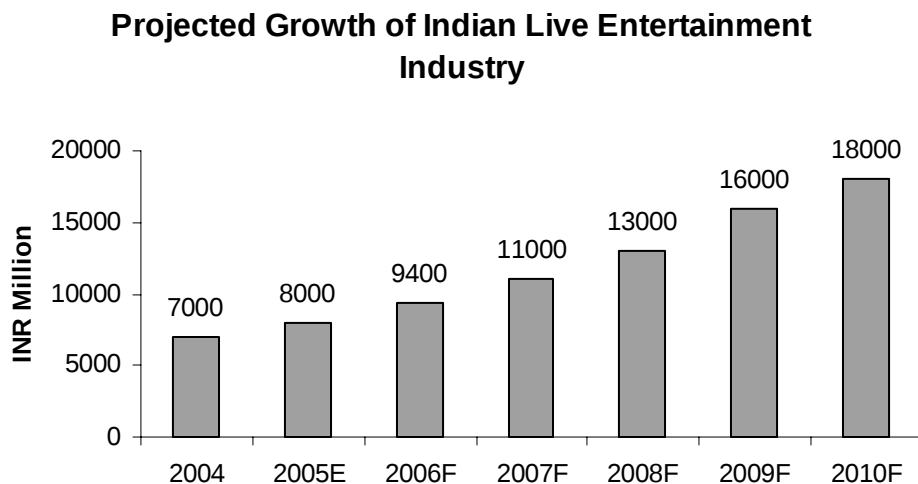
- The Modular display; and
- The Mobile display.

Modular displays are systems which are assembled on-site at Indoor/Outdoor events. Mobile Displays are a self-contained units fitted on trucks.

Domestic

Industry Size

The size of the organized live entertainment business is estimated to be about Rs. 7.0 billion in 2004 – an increase of about 20% from the previous year (Rs. 5.8 billion in 2003). It is estimated that the industry is likely to grow on a conservative basis by at least 15% in the immediate next year and about 18% over the next five years. This growth is on account of increased marketing budgets, and an increased focus on live entertainment, as part of the promotional spends of corporate.



Source: Frames- 2006: The Indian Entertainment and Media Industry

This segment of the entertainment industry, also known as event management, is growing at a fast and steady rate. While this industry is still evolving, Indian event managers have clearly demonstrated their capabilities in successfully managing several mega national and international events over the past few years. The growing numbers of corporate awards, television and sports events are helping this sector. LED Outdoor video displays are evolving as a medium of advertisement in such kind of events.

Costing

In 2005 component pricing drop as much 25% for the top line components generally preferred for LED video displays. Also there was a drop of up to 10% for lower quality LEDs. It is expected that the industry can continue to see at a minimum of 15% per year in cost reduction. Perhaps larger if the cell phone market continues to soften for LEDs and companies look to enter new markets with their production capabilities.

These price reductions will continue to benefit Asian and eastern European manufacturers. Because of their cheaper labour costs which will benefit more with any reduction in components as a function of total product cost. Although LED performance will improve and costs will decrease as a result of technological development, the value of an LED display is expected to add value to out of home advertising industry.

LED signs are more than electronic versions of their static counterparts. Their programmability allows for targeted marketing and interactivity, and, like websites, they can be networked and updated remotely with fresh, topical content. These features of LED signage may one day seem indispensable to the majority of commercial end users, as computers now seem indispensable for businesses of virtually every size and type. The market is open and the products readily available; widespread application of LED signs could transform the nature of outdoor commercial signage. This transformation would be an international phenomenon.

Global Telecommunications Industry

The Telecommunications Service Provider Industry

Historically, the global telecommunications services industry was based upon monopoly control at the national level. Telecommunications Service Providers (“TSPs”) either were state-owned and operated, or were government-regulated private entities. The telecommunications services industry has since undergone a series of changes and has evolved over the past decade, as state-owned TSPs have been privatised and governments have enacted liberalisation measures to increase competition. In addition to these developments, which have largely been in the area of fixed-line services, the global rollout of mobile services has transformed the global telecommunications services industry.

As a result of the above factors, there has been a significant growth in the telecommunications services industry. According to Datamonitor, during the period 2000 to 2004, the global wireless telecommunication services market grew at a CAGR of 23.0% to reach a size of US\$ 554.2 billion. During the same period, the global fixed-line services market grew at a CAGR of 2.7% to reach a size of US\$ 555.6 billion. From 2004 onwards, Datamonitor projects that the global wireless telecom services market will grow at a CAGR of 11.8% to reach a size of US\$ 969.9 billion by 2009, and the global fixed-line telecommunication services market will grow at a CAGR of 4.6% to reach a size of US\$ 696.1 billion by 2009.

The Telecommunications Equipment Industry

Telecommunications Equipment Manufacturers (“TEMs”) provide the network equipment required by TSPs, including the switches used by fixed-line operators and the handsets used by the customers of mobile TSPs.

In 2002, developments in the telecommunications services market fuelled growth in the telecommunications equipment market as it translated into increased demand for network equipment. According to a Datamonitor report released in 2005, the telecommunications equipment market grew at a CAGR of 1.7% between the years 2002 and 2004 to reach a size of US\$ 299.0 billion in 2004. Europe contributed significantly to the equipment market size during 2004 with a share of US\$ 94.48 billion, or 31.6%, of the equipment market’s overall size. The Asia Pacific region followed with a share of US\$ 80.73 billion, which represented 26.6% of total equipment market in 2004. This growth in the equipment market after 2002 is largely as a result of higher demand for next generation network infrastructure. A Datamonitor report released in 2005 projects that the equipment market will grow at a CAGR of 3.06% between the years 2004 and 2009 to reach a size of US\$ 347.7 billion in 2009.

Software and IT Services in the Telecommunications Industry

The main areas of telecommunications service providers’ businesses in which software and IT services are required are operations support systems (“OSS”) and business support systems (“BSS”). Broadly, OSS solutions cover the actual operation of the network, including switching, signaling and transmission, and BSS covers non-network related functions such as billing and CRM.

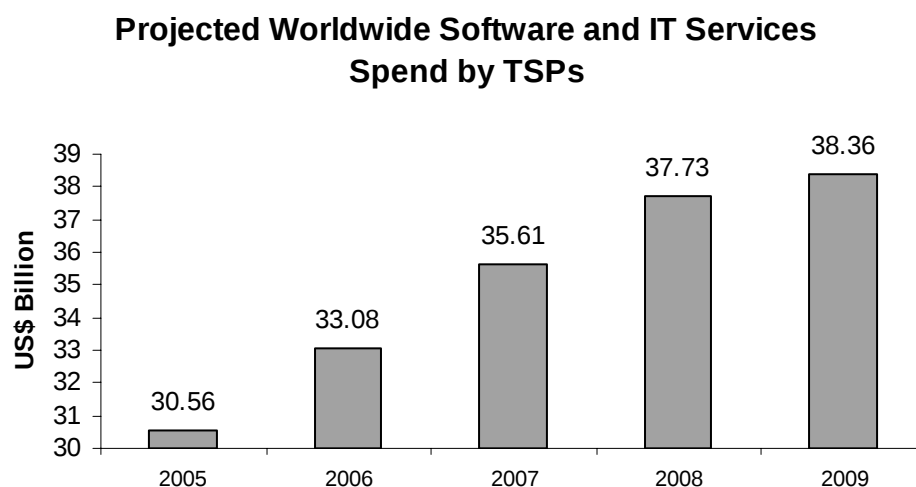
Over the past few years, software and IT services providers have expanded and upgraded their service offerings in order to cater to the changing needs of TSPs. The migration to next generation networks will create increased demand for software and IT services. IT services and software providers must be able to handle the complex business functions of converged networks and provide solutions across multiple network elements, in both legacy and next generation networks. We therefore believe that the migration to next generation networks represents a significant opportunity for IT services and software providers that focus on the telecommunications industry.

Global Software and IT Services spend by the Telecommunications Industry

Software and IT Services Spend by TSPs

The current industry dynamics necessitate a large IT budget for TSPs. TSPs of all types and sizes are struggling to reduce costs across the organisation and deploy new revenue-generating services without increasing their IT budgets. They are increasingly turning to packaged software, systems integrators and outsourcing companies to help them achieve their goals. According to Ovum Research, global spending on software and IT services by TSPs reached US\$ 30.56 billion in 2005. This is expected to grow to US\$ 38.36 billion in 2009, which would

imply a CAGR of 5.8%. The following chart shows Ovum Research's projections on spending by TSPs during the period 2005 to 2009:



Source: Ovum Research, Feb 2006

Fixed-line and mobile TSPs contributed almost equally to software and IT services spend in 2005. Going forward, we expect software and IT services spend by mobile TSPs to grow at a faster rate than spend by fixed-line TSPs. This will likely be attributable to mobile TSPs deployment of converged networks and enhanced value-added services. Ovum Research projects that mobile TSPs' share of total software and IT services spend are expected to increase from 49.1% in 2005 to 51.0% in 2009. The following table shows Ovum Research's projections on spend by fixed-line and mobile TSPs during the period 2005 to 2009

In USD Billion

	2005	2006	2007	2008	2009
Fixed (CAGR 4.9%)	15.56	16.39	17.4	18.48	18.81
Mobile (CAGR 6.9%)	15.00	16.69	18.21	19.24	19.55
Total (CAGR 5.8%)	30.56	33.08	35.61	37.73	38.36

Source: - Ovum Research, February 2006

Geographic Breakdown of Projected Software and IT Services Spend by TSPs

In USD Billion

	2005	2006	2007	2008	2009
North America (CAGR 3.9%)	9.02	9.44	9.94	10.35	10.52
Latin America (CAGR 7.3%)	2.32	2.57	2.83	3.04	3.08
Western Europe (CAGR 3.8%)	9.71	10.25	10.76	11.15	11.29
Eastern Europe (CAGR 9.7%)	1.18	1.36	1.53	1.68	1.7
China - India (CAGR 12.3%)	2.4	2.84	3.31	3.73	3.82
Asia - Pacific (CAGR 6.4%)	4.53	4.95	5.34	5.67	5.8
Middle East and Africa (CAGR 11.5%)	1.4	1.66	1.91	2.12	2.15
Total (CAGR 5.8%)	30.56	33.08	35.61	37.73	38.36

Source:-Ovum Research, February 2006

Billing has been the largest area of IT expenditure for TSPs. According to Ovum Research, billing represented 40% of total software and IT services spend by TSPs in 2005. Going forward, however, Ovum Research projects that billing expenditure will level off, reaching approximately 36% of total software and IT services spend by 2009. Ovum Research forecasts that CRM and business intelligence ("BI") will be the fastest growing area of TSPs' software and IT services spend, growing at an implied CAGR of 10.3% during the period 2005 to 2009.

According to NASSCOM, India's exports of IT (including hardware, software and services) and IT enabled services (ITES) industry is expected to reach US\$ 23.4 billion in fiscal 2006, which would imply year-on-year growth of 32% over fiscal 2005. IT software and services exports grew to US\$ 17.1 billion in fiscal 2006, representing an year-on-year growth of 31% over fiscal 2005. The United States and Europe continue to be the largest consumers of Indian IT services, with 68% and 23% of total exports from India, respectively in fiscal 2005.

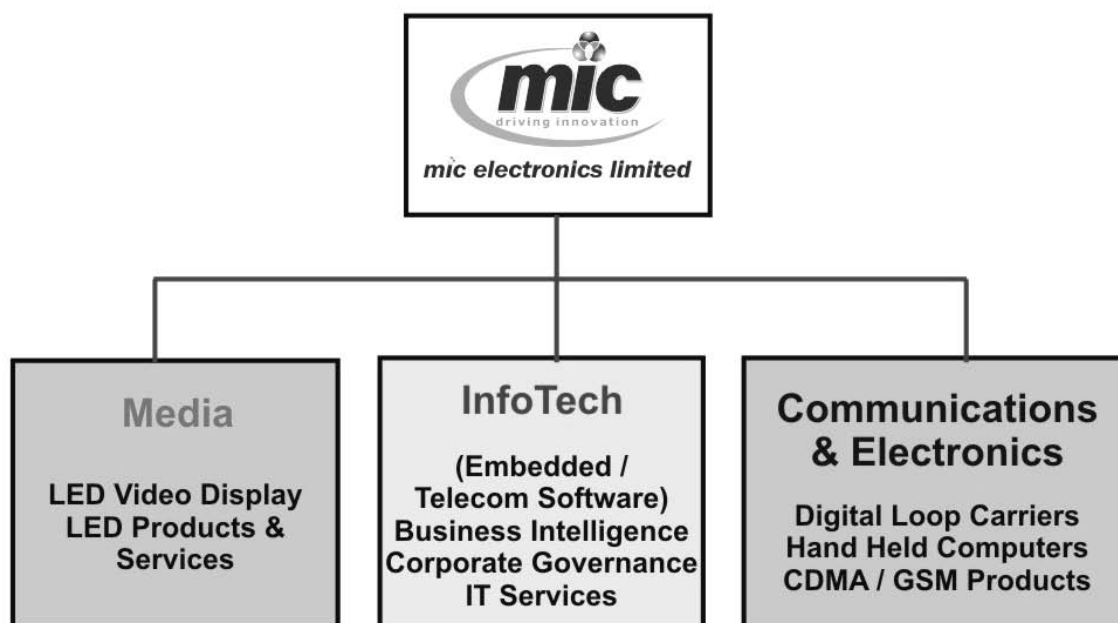
According to NASSCOM, India's IT industry is on track to achieve US\$ 60 billion in exports by fiscal 2010, which would imply a CAGR of nearly 28% over fiscal 2006. NASSCOM expects the industry to employ 2.3 million direct staff by Fiscal 2010, as compared to approximately 1.1 million for Fiscal 2005. The 2.3 million staff projected for Fiscal 2010 is expected to comprise 0.85 million employees in Offshore IT services and 1.45 million employees in business process outsourcing. Indian IT firms are aggressively ramping up their capabilities, in particular by increasing their recruitment efforts, in order to meet continued strong and increasingly diverse demand. They are also working to strengthen customer relationships, consolidate their industry expertise and expand geographically.

OUR BUSINESS

Our History

We began our operations in the year 1988, in Andhra Pradesh, India.

Our business is divided broadly into three parts as depicted below:



The Media group is primarily responsible for the development, production and sales of video displays, text, graphic animation displays and display services including lease/rental of LED video walls etc. In India, we have a monopoly position in the design and development of true color large displays for indoor/outdoor/mobile applications, providing true color motion picture images with our proprietary "Scan⁺" technology. Presently, we are the only Indian company to have "design to manufacture" capability in the field of LED video display systems. The other LED products include LED lighting applications with or without solar power and LED / LCD based 3D display systems.

The infotech group provides telecom software solutions in areas of telecom network management, Telecom Switch Access and Computer Telephony domains. More specifically in traffic control & MIS, fraud management and interactive voice response systems for fault repair, bill enquiry, payment reminder etc. which are suited for the requirements of telecom operators. We also provide Call Detail Records, data collection systems for different technology switches useful for inter-operator, convergent billing & fraud detection/management solutions.

The communication & electronics group has diversified products including the Digital Loop Carrier (DLC) on optical fibre on Synchronous Digital Hierarchy (SDH) Ring, broadband DLC for triple play (voice/video/data) applications, Code Division Multiple Access (CDMA) / Global System for Mobile Communication (GSM) based Wireless in Local Loop (WLL) terminals and phones, Hand Held Computers (HHC) with in-built GSM/CDMA modems.

Our revenues have grown from Rs. 141.22 million in Fiscal 2002 to 1044.12 million in Fiscal 2006 at a Compounded Annual Growth Rate (CAGR) of 64.89 % and unconsolidated net profits before taxes have grown from Rs. 11.60 million in Fiscal 2002 to Rs. 155.96 million in Fiscal 2006 at a CAGR of 91.48%.

The segment wise revenue of each of our business groups from FY04 to FY06 is given below:

Rs. in millions

Particulars	FY 2004		FY 2005		FY 2006	
	Sales	% to total sales	Sales	% to total sales	Sales	% to total sales
Media	8.8	6.52	135.5	53.64	319.5	31.4
Infotech	0.2	0.15	18.1	7.17	28.9	2.8
Telecommunications	124.7	92.37	97.6	38.64	669.8	65.7
Total	135	100.00	252.6	100.00	1018.87	100.00

The geographical spread of our revenues is given below:

Rs. in millions

Country	FY 2004		FY 2005		FY 2006	
	Sales	% to total sales	Sales	% to total sales	Sales	% to total sales
India	135	100.00	193.9	76.76	887.58	87.1
Dubai	-	-	10.8	4.28	127.66	12.5
Australia	-	-	9.9	3.92	2.93	0.3
South Africa	-	-	38	15.04	0.21	0.0
Others	-	-	-	-	0.49	0.0
Total	135	100.00	252.6	100.00	1018.87	100.00

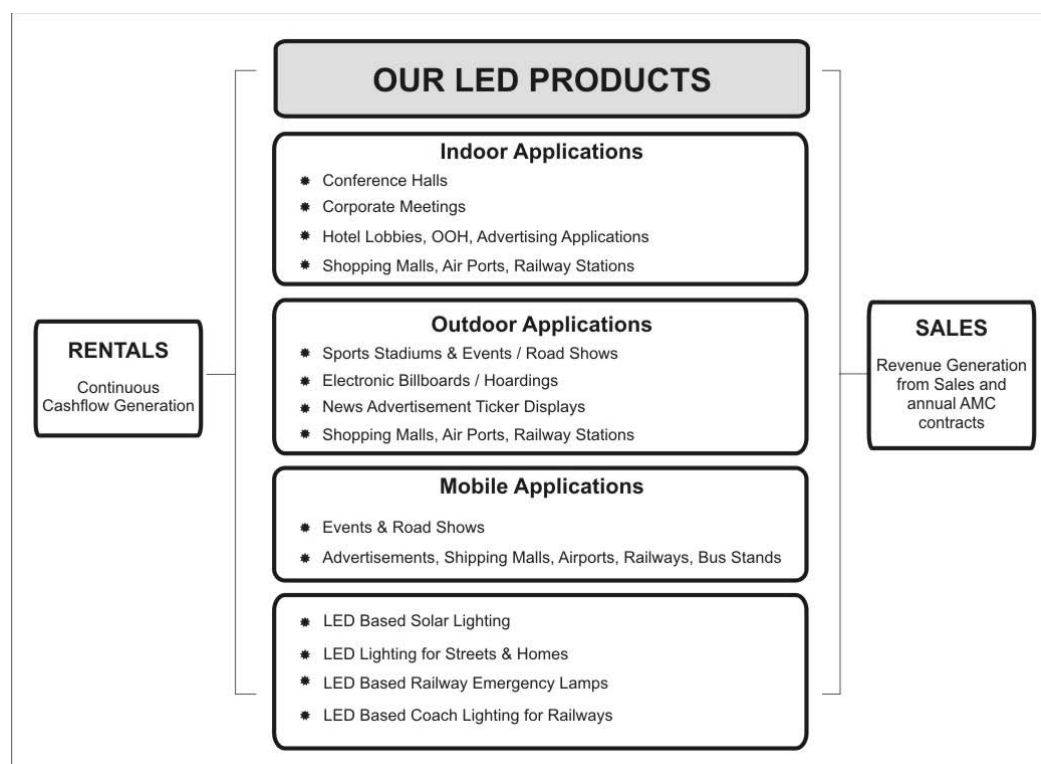
Media business

We have endeavoured to emerge as a leader in professional display and visualization solutions focussing primarily on outdoor advertising & news ticker tapes, media / entertainment / sports events, traffic & surveillance, automotive, external illumination etc.

In the media and entertainment markets, we are a leader in state-of-the-art large-screen visualization solutions targeted at the diverse needs of these markets.

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A snapshot of our LED business model is given below:



Background on development of our LED display business

Key milestones in our LED business

Year	Event	Key Features
1988	Our first major sale of multi-color & multi-lingual online train information indicators to South Central Railway, Vijayawada.	Online communication between the boards / platform TVs controlled centrally and updated on a real time basis. Supplied in three languages Hindi, English & Telugu
1993	Sold a display screen to Larsen & Toubro Ltd. (ECC Group) which was installed at the Jawaharlal Nehru Stadium in Chennai. In the same year we received recognition from Ministry of Science & Technology, Department of Scientific & Industrial Research, for our in-house R&D unit which enabled us to avail of various incentives. This recognition has been since renewed and is currently valid till March 31, 2007.	Multi-color with day & night video capability. Also included a score board.
1994	Our first overseas sale of multi colour outdoor video display screen to Al-Jofy Advt. Est., Jeddah, Saudi Arabia.	Visible in day time video clippings along with Arabic language text
1994	We supplied passenger information display to Southern Railways, Bangalore.	Displays online train information & reservation status.
2000	Our first sale of true-color LED basic video display to Satyam Computers Ltd which was offered by them to	14 processors (5 bit per color with 32,768 shades) used to display the live

Year	Event	Key Features
	the Government of Andhra Pradesh for displaying public information	information along with graphic and video clippings
2002	We received the national award for R&D efforts in Electronic Industry from the Department of Scientific and Industrial Research (DSIR), Government of India	Awarded for our product digital loop carrier on optical fibre
2003	We developed our first full-fledged video display systems and conducted live trials at the Marina Beach in Chennai – the Cricket World Cup matches were displayed on-screen In the same year our product LED video display board was inducted into the Indian Innovators Forum (www.indianinnovatorsforum.org/mic_led-tv.htm) in the Hall of Fame section of the website	10 bit per color to get 1 billion shades
2004	Our first sale of mobile display system to Technology Frontiers India Pvt. Ltd., Chennai. In the same year we supplied of true-color video display to the Gujarat Council of Science City, Gandhinagar	Truck mounted, hydraulic operated 340 degree rotation capability, LED full color video display with built in speakers. Equipped with sound proof generator, and air-conditioned control room
2005	First commercial LED display product measuring 8.6 ft. x 15 ft. located at Ansal Plaza, New Delhi sold to Rose Advertising In the same year we also exported our mobile display system to Systec Retail Solutions Pty. Ltd., Durban, South Africa	Equipped with our Scan ⁺ technology & 12 bit per colour (64 billion shades) and built on a scalable basis to be replicated for our future orders
2006	We continued the supply of our commercial LED display products to other major metros Mumbai, Chennai, Kolkata	Supplied to large billboard players like Selvel Advertising

Our Display Technology

The two principal components of our systems are the intelligent display modules and the display controller. The display controller uses our proprietary hardware with embedded software along with our proprietary chip logic programme in Field Programmable Gate Array (“FPGA”) linked with specifically configured computer hardware and software to process the information provided by the user and other interfaces. Display controller accepts different communication interfaces like optical fibre links, radio links, GSM, CDMA, Asymmetric Digital Subscriber Line (ADSL), fixed line connections to feed data from remote locations.

With our expertise in hardware, software, embedded technologies and product engineering we have developed in-house the technology required for production of LED displays. Further, Our Scan⁺ technology processes four trillion colors internally to give very good picture quality.

We have designed different models of displays to suit different applications, market segments, geographical locations, etc.

Manufacturing

As a vertically integrated manufacturer of display systems, we perform most sub-assembly and substantially all final assembly of our products.

We augment our production capacity with the use of outside subcontractors primarily for metal fabrication and manufacture of Printed Circuit Boards (PCBs) and other miscellaneous operations. We, however, load the critical embedded software into the PCB at our in-house manufacturing facilities in Hyderabad.

Our order entry, production, customer service and many other functions are consolidated through an Enterprise Resource Planning (ERP) system which is extensively used by our production teams throughout the entire sales, design, and production and delivery process.

Production & Raw Material Planning

Our marketing department informs the Production Planning & Control Department (PPC) on the delivery schedules of screens for the year and also on a month by month basis. The PPC then coordinates with the Purchase Department to plan the procurement activity depending upon the lead time of items required. Lead times for the imported items are in the range of 8-10 weeks and about 4 weeks for items sourced domestically. Usually the procurement is conducted on a quarterly basis.

Raw Material Sourcing

We source some of our key raw materials from a limited number of suppliers. These largely include LEDs. Dependence on a limited number is on account of the fact that only a few are able to meet the quality standards required by us. We source a large proportion of LEDs for our outdoor display systems from Nichia Corporation, Japan. We enter into purchase orders under which we agree to purchase a minimum amount of product in exchange for guaranteed price terms over the tenure of the contract, which generally does not exceed a year.

Manufacturing process

The Design & Development (D&D) department provides all manufacturing documents like bill of materials, parts list, assembly drawings, assembly procedures, test procedures, test formats, schematics, trouble shooting details, wiring drawings, mechanical assembly drawings, films, test jigs etc to the production department, for manufacture as per the documents and specifications. Following are the stages in the manufacturing process:

- *Material Issue:* The PPC department raises Material Issue Requisition (MIR) for the required raw material. The manufacturers' batch numbers are also recorded on MIR copies which help us in carrying out any after sales support required from the (OEM) vendor. The PPC issues the material to either in-house assembly or sub contractor as per production schedules and volumes.
- *PCB Assembly:* The required raw material is sub divided into small kits. Assembly documents are issued to the individual operator; the sequence of component assembly is followed as per procedure. The process card and assembly number generated at the completion of the process plays a key role in traceability. These process cards are removed during module/ system assembly stage and preserved at Quality Assurance Department.
- *PCB Assembly Inspection & Testing:* All assembled units are subjected to inspection, further, each and every PCB is tested thoroughly as per given specifications, test procedures and test formats.
- *Potting:* The purpose of potting is to make the panels waterproof. Shades are fixed to the LED panels to enable visibility during daylight.
- *Mechanical Activity:* Four LED panels are accommodated on single enclosure called display module. A suitable gasket is used in between the casing and LED panel housing to prevent water entry. Wiring is performed as per drawing.
- *Environmental Tests:* Burn-in test is conducted wherein the modules are kept in walk-in chamber and the chamber temperature is maintained 50°C for 72 hours. All Modules are energized and runs in self test routine. These modules tested again at room temperature to see the behavior during temperature variations.
- *Final Inspection:* All tested display systems modules are fixed to the structure to form a big screen (simulation of field condition). The screen is interfaced to a controller and Personal Computer

(PC)/Server. The application software is loaded in the PC and runs the test schedule to check entire screen at a time. The facilities, which are supported are live TV channels with dish, DVD player, live camera etc., are checked at this stage and run the screen for a specified number of hours.

Marketing

Product families and Technologies

Our LED based Video Display Systems (Video walls) are in the following categories:

Pitch/Resolution	Visibility	Applications
40 mm	Outdoor, day & night visible	Drive-in theatres, large bill boards, Unipoles, ticker tapes beneath existing static outdoor signage
32 mm	Outdoor, day & night visible	large bill boards, sports stadiums, events, advertisement ticker tapes for perimeter and balcony displays in sports stadium, News/Ad ticker tapes installed above 20 Ft at traffic junctions and other such strategic locations
25 mm		
20mm	Indoor & Out Door. Day & Night Visible	Indoor Stadiums, mobile display and Large Indoor Applications, Advertisement ticker tapes for perimeter and balcony displays in sports stadium, News ticker tapes installed at less than 15 Ft. at traffic junctions and other such strategic locations
16 mm		
12 mm	Indoor Applications .Day & Night Visible	Indoor Media, Airports, Railway Stations, Shopping Malls, Bus Stations , Out of home/Backyard T.V, etc
9 mm		
6 mm		

Our products are comprised of the following four major product families:

1. Sport & Live Events;
2. Advertising Applications covering Electronic Billboard/hoardings, News advertisement ticker displays;
3. Indoor Applications including ones at Shopping Malls, Airports, Railways, Bus Stations, etc.; and
4. Mobile Applications.

Our technology, design and internal engineering along with optimized hardware – embedded software combination permit a price point not previously possible for high resolution, high quality, and full color LED video displays.

Setup is quick and easy when portability is desired. The modules lock together and can be joined into one seamless screen. The assembled screen does not appear to be constructed from individual modules when viewed. The module frame is made from strong, lightweight, and rust-free aluminum as per designs provided by us. The shallow depth of the display as well as the display's ability to be disassembled into small modules permits use in areas where use of this type of display was not previously practical.

Each of these product families is discussed below:

Sport & Live Events

The true color displays are capable of showing the big action live. They have very good potential in different sports Stadiums and Clubs for sporting events like foot ball, cricket, athletics, horse racing, motor racing etc. These boards also deployed at different locations to show Live Sport events.

The displays can be used to run live events, information and advertisements at perimeter boundaries, arena, balcony etc. as the displays have the capability to run videos as well as text and animation at ease and with quality perfection.

We have sold LED boards with this application as detailed below:

Date of Supply /Installation	Country / Location	No. of screens	Value (Rs. millions)	Application
January 24, 2000	Hyderabad	1	3.20	News & Live Events
March 31, 2003	Gujarat	1	26.70	Sports & Live Events
October 29, 2005	South Melbourne, Australia.	1	3.28	Sports & Live Events
March 22, 2006	Dubai, U.A.E.	1	13.42	Sports & Live Events
March 31, 2006	Dubai, U.A.E.	2	18.8	Sports & Live Events
April 28, 2006	Dubai, U.A.E.	1	10.98	Sports & Live Events
June 28, 2006	Dubai, U.A.E.	1	8.09	Sports & Live Events
June 29, 2006	Dubai, UAE	1	18.89	Sports & Live Events
June 29, 2006	Sharjah, U.A.E.	1	29.68	Sports & Live Events
September 17, 2005	Chennai, India	1	1.66	Sports & Live Events
October 8, 2005	Chennai, India	1	1.66	Sports & Live Events
October 29, 2005	Chennai, India	1	10.00	Sports & Live Events
November 9, 2005	Hyderabad, India	1	3.05	Sports & Live Events
November 26, 2005	Hyderabad, India	1	2.090	Sports & Live Events
March 15, 2006	Chennai, India	1	11.3	Sports & Live Events
March 31, 2006	Chennai, India	1	4.30	Sports & Live Events
April 4, 2006	Hyderabad, India	1	16.05	Sports & Live Events
April 5, 2006	Hyderabad, India	1	1.27	Sports & Live Events
April 4, 2006	Hyderabad, India	1	10.09	Sports & Live Events
April 7, 2006	Hyderabad, India	1	15.32	Sports & Live Events
May 25, 2006	Chennai, India	1	9.95	Sports & Live Events
May 30, 2006	Hyderabad, India	1	18.35	Sports & Live Events
June 17, 2006	Visakhapatnam, India	1	12.47	Sports & Live Events
September 28, 2006	Chennai, India	3	15.0	Sports & Live Events
Total			265.6	

(All figures inclusive of taxes and duties)

Advertising Applications

Electronic Billboards: Electronic billboards and electronic signs are most common in major cities such as Las Vegas, New York and Tokyo, where large-format electronic signs deliver advertising and TV content to passers-by. Although the display technologies may vary widely, electronic signs and billboards all require some type of content source to generate the images on the display. Depending on regulatory and technical considerations, this content may be a series of static slides, or a sequence of broadcast-quality video and animation. As new display technologies continue to lower the cost and improve the visual impact of electronic billboards and signs, it is likely that these displays will begin to replace various types of static signs and billboards, both in roadside and other applications.

News Tickers

Indoor / Outdoor LED news tickers with messages or advertisements interjected into the news feed can help provide the latest news and information to target audiences. By locating these LED tickers in high traffic and people density areas, our clients are able to capture the viewer's attention providing a public service.

We have sold LED boards for advertisement and news tickers applications as detailed below:

Date of Supply /Installation	Country / Location	Quantity	Value (Rs. in millions)	Application
March 6, 1997	Kedah, Malaysia	1	1.39	Advertising Application
June 25, 2005	Ansai Plaza, New Delhi	1	6.10	Advertising Application
March 22, 2006	Park Street, Kolkata, India	1	6.90	Advertising Application
June 17, 2006	Vishakapatnam, India	1	12.47	Advertising & Live Events
August 28, 2006	Calicut Railway Station	1	2.9	Advertising & Live Events
August 28, 2006	Coimbatore Railway Station Coimabtoe	1	2.9	Advertising
September 15, 2006	Digital Live Ads Limited Kolkata (Installation At Surat)	1	7.5	Advertising & Live Events
September 28, 2006	Infostep Inc. U.S.A	1	5.6	Advertising & Live Events
September 20, 2006	Digital Live Ads Limited Kolkata (Installation At Surat)	1	7.5	Advertising & Live Events
Total			53.26	

(All figures inclusive of taxes and duties)

Indoor Applications

Shopping Malls, Airports, Railways, Bus Stations, etc.

High resolution screens of almost any size can be provided to give a desired impact to the viewer. These screens serve a dual purpose of informing the viewers of developments, schedules, and other information while displaying a television show, movie or any other entertainment in between.

Our existing installations with this application are detailed below:

(All figures inclusive of taxes and duties)

Date of Supply /Installation	Country / Location	Quantity	Value (Rs. in millions)	Application
July 17, 2005	Chennai, India	1	4.30	Indoor

Mobile Applications

This refers to large trucks that contain a fully assembled, LED video screen, complete with a small video command center to manage the event's video content. The truck also has its own generator to supply power to the truck on site. In the operation of mobile video, a truck is driven to the host site, parked in the appropriate viewing zone, and with a series of hydraulic lifts, the video screen is lifted into its final viewing position. To fine-tune the truck's angle of display to the audience, the raised screen can be rotated to create a stage front, video-based view for entire audience.

We have sold LED boards with this application as detailed below:

(All figures inclusive of taxes and duties)

Date of Supply /Installation	Country / Location	Quantity	Value (Rs. In millions)	Application
March 31, 2004	Chennai, India	1	3.49	Mobile & Video Walls
March 23, 2005	Tirumala Tirupati,	1	13.27	Mobile & Video Walls
November 25, 2004	Durban , South Africa.	1	10.8	Mobile & Video Walls
June 27, 2005	Durban , South Africa.	1	11.49	Mobile & Video Walls
Total			39.05	

Customer segments

The primary markets we are focussed on, along with types of customers, are as follows:

<i>Sports & Events</i>	Schools, colleges and universities, Sports Clubs, federations, stadium owners and organisers, recreation centres, sports federations, Event management companies & Audio Rental Companies, Television Channels, News Agencies & other media participants like film production companies
<i>Advertising</i>	Outdoor advertisers, Direct marketing agents, Public Relations offices, Shopping malls, media companies,
<i>Indoor</i>	Government agencies, Corporate clients, TV Broadcasters, civic arenas and convention centers, Municipal Corporations, Owners & operators of public utilities such as railways, airports, bus terminals, Courts etc.
<i>Others</i>	Religious establishments, Temples, churches etc.

Sales & Rentals

Direct Sales: Our products have been sold throughout the country and abroad in countries like the Middle East, Australia and South Africa through a combination of direct sales personnel and independent resellers. Within the country, we primarily use a direct sales force. We directly address different customer segments to generate enquiries and sale. We also participate in different product exhibitions at the national and international level.

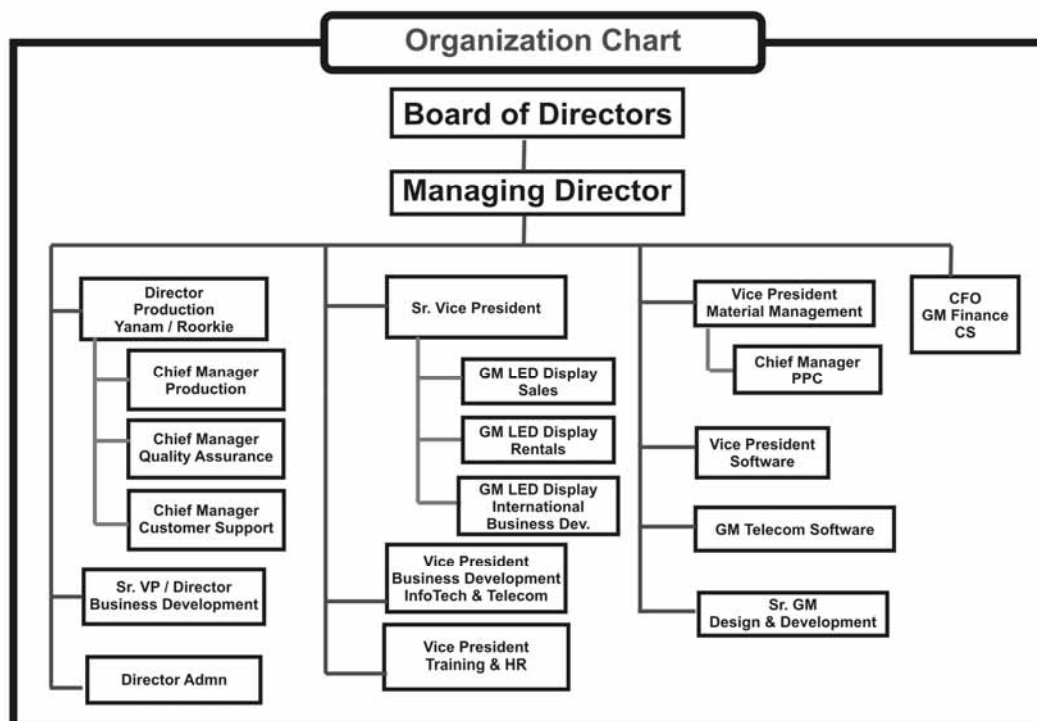
Our direct sales force comprises of a network of offices located throughout the major business cities in India and at North America, South Africa (we have an arrangement with SRS,South Africa for sales and marketing of our products) and Australia supporting all customers in both sales and service.

When we target a potential customer for sales opportunities, the prospect is contacted either directly or through a reseller. Frequently on larger sales opportunities, engineers, technicians and sales personnel jointly participate in site visits to assess site conditions, evaluate the customer's requirements and assemble and present proposals. Proposals to prospective customers include business and technical presentations as well as product demonstrations and visits to existing installations. We also regularly host prospective customers at our manufacturing facility to demonstrate product quality and delivery capability. A typical term of sale for international projects includes a letter of credit or partial payment in advance.

Much of our marketing and sales success in the past was based on our ability to create new products and product enhancements for customers by understanding their needs and opportunities. We have developed and continue to develop this understanding through active participation in the sales cycle by engineers and various others and through attendance at trade shows, conventions and seminars as well as through a culture of teamwork throughout the organization.

Rental Business: We also provide premier large format display solutions, including indoor LED display, outdoor LED display, and Mobile LED Display on a limited period rental basis. We have separate teams focussing on rental business, and target specific user groups for individual or bulk rentals.

Organisation chart for Marketing is as under:



Customer Service and Support

Our prompt and reliable customer after sales service includes limited warranties/ guarantees for most of our products against failure due to defective parts or workmanship for periods generally ranging from one to five years after first sale or installation, depending on the product or type of customer. We also provide help-desk access, parts repair and replacement and programming support for our products. We staff our help desk with experienced technicians who are available at the desk or on-call 24 hours a day to support events and sites.

Our service centre is staffed with trained technicians who promptly repair and return components that require service,. Our modular approach to the design and production of products enhances our ability to provide effective customer service and support. Customers can obtain periodic training and maintenance seminars at most of our office locations and at our headquarters and can also contract for on-site training and maintenance for certain types of installations, such as high-profile events.

Our Pending orders for LED Video Display systems are detailed below:

(All figures inclusive of taxes and duties)

S. No.	Name of customer	Proposed Location	No. of LED Video Displays	Contracted date of installation	Estimated order value (Rs. million)	Application
1	Technology Frontiers (I) P Ltd	Renting to users for events and advertising	5	By March 2007	75.0	Sports & Live Events

S. No.	Name of customer	Proposed Location	No. of LED Video Displays	Contracted date of installation	Estimated order value (Rs. million)	Application
2	Digital Live-Ads Ltd, Kolkata	Different Places in Kolkata and Surat	10	Delivery to be within six months i.e. March 2007	75.0	Advertisement
3	Digital Live-Ads Ltd, Kolkata	Different Places in Kolkata	10	Delivery to be within six months i.e. March 2007	75.0	Advertisement
4	MKI Group Ltd., Sharjah	U.A.E.	4	Before April 2007	83.5	Outdoor
5	Evening Star Trading Company (PTY) Ltd, South Africa	South Africa	6	-	72.9	Mobile & Video walls
		Total	35		381.4	

Rate of conversion 1 USD = Rs 46

OUR COMPETITIVE STRENGTHS IN THE LED BUSINESS

Monopoly position in LED Display media in India

We are the only company in India to have the “**Design-to-Manufacture**” capability for manufacture of LED video display systems in India. We provide customized solutions based on our customer needs, location, display purpose, etc.

The products we manufacture find various applications including:

- Sport & Live Events;
- Advertising Applications covering Electronic Billboard/hoardings, News advertisement ticker displays;
- Indoor Applications including ones at Shopping Malls, Airports, Railways, Bus Stations, etc.; and
- Mobile Applications.

We also provide premier large format display solutions, including indoor LED display, outdoor LED display, and Mobile LED Display on a limited period rental basis. We have separate teams focussing on rental business, and target specific user groups for individual or bulk rentals.

Strong emphasis on research and technological innovation

We believe that our growth is a result of our thrust on continuous research and innovation. Further, our systems, production and R&D processes have an ISO 9001:2000 certification. We have received recognition for our efforts in the form of a national award for R&D efforts in Electronic Industry from the Department of Scientific and Industrial Research (DSIR), Government of India, in 2002. Further, our flagship product, the LED Video Display has been featured on the website of the Indian Innovators forum (www.indianinnovatorsforum.org/mic_led-tv.htm) in the Hall of Fame section. We have developed in-house the entire technology for our LED Video Display systems after years of research, spearheaded by Dr. Ramana Rao, our promoter.

Certain unique characteristics of LED displays are:

Remote access: The output of multiple LED display system can be monitored and controlled from a single remote location. Our middle-ware/ scheduler software allows switch over of on-screen content instantaneously

which is uniquely positioned for billboard applications with a number of advertisements being displayed in the same operational hours. This remote access makes our LED an obvious choice for marketers and advertising companies. It also allows for real time communication through SMS (Short Message Service) or the internet and enables interactivity on a large scale catering to a large and diverse audience.

True colour display: Our LED is capable of displaying true colour or full colour displays, (12 – 16 bit per color i.e. 64 billion – 256 trillion shades). This true colour display with motion picture capability enables marketers to display special features of their products as they appear in real life.

Day and Night Vision: Our LED display systems are capable of delivering similar picture quality and visibility irrespective of the ambient light conditions. This allows for a 24 hour operation including operations in strong sunlight where most competing display systems lose their potency.

Display of Live signals: Our LED system is also capable of displaying a wide array of input signals such as camera feeds, TV signals/Cable/DTH/IPTV, inputs from CD/DVD players etc. this has significantly expanded the applications for which our display systems can be used.

Weather resistant: The modules which are joined together to form the large viewing screen are tested for operations under extreme heat and other atmospheric conditions. Besides, the LED housed in these modules including the wiring and other components are placed in water-proof casings resulting in virtually no rain damage. We also custom design the structures on which our screens are mounted, these are made from non corrosive materials like Aluminum and are designed withstand high velocity winds while providing maximum viewing angle.

Our products have received favourable market response for quality and service standards

Our products have been well-accepted by our target customers. We have received a favorable market response due to our superior products. Our understanding of the industry and market requirements has helped us to continually introduce innovative features. We are quality conscious and design our products with minimal servicing requirement in the near term. We ensure that prompt and reliable service is rendered to the end-users of our products. Towards this end, we ensure that our customers' service requirements are adequately and promptly attended to ensure minimum waiting period for the customer. We ensure that our after sales personnel are well-equipped in terms of the spare parts maintained as well as the availability to handle any service requirements or problems encountered by the customers while operating the display systems.

INFOTECH SERVICES

Our InfoTech group provided telecom & system software solutions, to different Telecom Service Providers, and others in the following domains:

Interactive Voice Response Systems (IVRS) & Network Management

We offer these services as complete solutions for large fixed-line telecom providers. We had implemented these systems with Mahanagar Telephone Nigam Limited and BSNL in 1994-95 and have been contracted by them for Annual Maintenance Contract (AMC) of these systems.

Internal Fraud Detection System (IFDS)

IFDS is used by Telecom Service provider who is facing revenue loss due to mistakes or frauds by employees operating the switch-room. The system analyses transactions for identification of unauthorized usage against the standard norms of the service provider.

i-Call Suite

Interactive Voice Response Systems for Fault booking, Fault clearance, Changed Number Announcement, Payment Reminder, Bill Enquiry, Bill through FAX, etc. in MTNL and BSNL circles.

Traffic Control & Management Information System (TCMIS)

TCMIS is a software solution used by Telecom Service providers, having heterogeneous telecom switches in their network. This solution provides convenience to the Telecom Network Administrator for remotely monitoring the usage of telecom network and subscriber service levels. The use of TCMIS also helps in generating complete MIS reports for efficient management of different telecom resources centrally covering different aspects like Faults, Security management, etc, which helps in better network management.

Network Management Services (NMS) for Digital Loop Carriers (DLoopCNMS)

NMS is responsible for managing and monitoring the Access Network solution via Central Network Management System and remote Element Management System fulfilling the features of Fault, Configuration, Accounting, Performance and Security Management aspects of Telecom Network Management.

Rs. in Million*		
Period of supply	Name of the customer	Revenue earned from supply
	Interconnect Billing System	
2005-to 2006	Mahanagar Telephone Nigam Ltd., New Delhi	19.40
April 1, 2006 to March 30, 2006	Mahanagar Telephone Nigam Ltd., New Delhi	4.46
	IVRS	Revenue earned from AMC
2002-04	Mahanagar Telephone Nigam Ltd., New Delhi	0.41
2004-05	Mahanagar Telephone Nigam Ltd., New Delhi	0.67
2005-06	Mahanagar Telephone Nigam Ltd., New Delhi	1.2

* (All figures inclusive of taxes and duties)

Our current unexecuted orders in this segment is as below

Rs. in Million*		
Period of supply	Name of the customer	Revenue earned from supply
	Interconnect Billing System	
2006-to 2007	Mahanagar Telephone Nigam Ltd., New Delhi	19.40
2006-to 2007	Mahanagar Telephone Nigam Ltd., New Delhi	4.46

* (All figures inclusive of taxes and duties)

Telecom Switch Access & Protocol Stack Domain

We offer these services as complete solutions for large fixed-line telecom providers. We had implemented these systems with Mahanagar Telephone Nigam Limited in 1997 and till date and have been contracted by them for annual maintenance contract (amc) of these systems.

CDR Data Collection System (cDCS)

The prime function of cDCS is to collect the Call Detail Records (CDRs) on a high-speed synchronous communication link using File Transfer Access and Manipulation (FTAM)/Common Management Information Service Element (CMISE)/File Transfer Protocol (FTP) protocols and send the CDR files to a central Server to be used for any kind of down-stream applications like Interconnect Billing, Convergent Billing, Fraud detection & control, Telecom Revenue Intelligence, etc.

Rs in Million*		
Year of supply	Name of the customer	Revenue
	Digital Loop Carriers	(Purchase Orders)
2003-04	Xalted Information Systems Pvt. Ltd., # 1106/9, A.M.Industrial Estate, Garavebhavi Palaya, 7th Mile, Hosur Road, Bangalore - 560 068.	14.43
2003-05	The General Manager - Telecom & Broadcast Systems, M/s. Bharat Electronics Ltd., Jalahalli Post, Bangalore - 13.	325.36
2003-04	Govt. of India, Ministry of Defence, ProgrammeAD, Stores, Kanchanbagh Post, Hyderabad - 500 058.	1.47
2003-04	Bharat Sanchar Nigam Ltd., Punjab Circle.	0.83
2002-03	Bharat Sanchar Nigam Ltd., Kolkata.	61.3

* (All figures inclusive of taxes and duties)

Onsite & Off-shore Outsourced Software Project Domain

InfoSTEP Inc

InfoSTEP Inc. was formed in 1998 in Santa Clara, USA, the heart of Silicon Valley. Since inception, InfoSTEP provided innovative products and services in IT to the enterprise markets in USA. As part of global expansion plans, the company established a centre of Excellence for Business Performance Measurements in Hyderabad, India in 2005. The company now provides products and services to marquee clients out of its operations in India and USA. InfoSTEP's business expansion plans include operations in Asia Pacific countries such as Singapore, Australia and New Zealand. InfoSTEP's current team strength globally is about 60 qualified professionals. For details, please refer to Section titled "**Material Agreements**" on page [●] of this Draft Red Herring Prospectus.

Our acquisition of Infostep has given us access to the following:

Business Intelligence & Performance Measurement Services

Over the course of the last eight years, InfoSTEP has established significant brand recognition in the Business Intelligence & Performance Measurement practice. BI/BPM practice includes the discovery, architecting and development of data warehouses for ERP and custom applications. InfoSTEP has played a leading role in building corporate data warehouse and performance measurement solutions for several brand name customers.

Survey Management Services

InfoSTEP provides comprehensive survey management services via an ASP offering and offshore delivery model. Enterprises, market research agencies and researchers use these cost-effective services to manage their

worldwide survey programs. InfoSTEP's partnership in the Survey Management area includes several Market Research consultants as well as with Salesforce.com, the proven leader in hosted on demand applications for enterprises.

Corporate Governance & Risk Management Services

InfoSTEP has established a strong Intellectual Property position while building its Control Maturity Model system and tools for corporate governance. The Corporate Governance consulting practice team is built with this underlying subject-area knowledge. This is a growing market as corporations are only now starting to implement solutions to address the challenging requirements of the Sarbanes-Oxley Act and other Corporate Governance Acts worldwide.

Enterprise Applications Services

The Enterprise Applications Services comprises of service offerings around InfoSTEP's proven expertise in Oracle Financials, Customer Relationship Management, Supply Chain Management, and Product Life Cycle management applications.

Product Offerings

InfoSTEP offers software product suites that provide an additional revenue base and means to drive further professional services: **eLustro**, an enterprise solution for managing feedback and survey programs; and **eLustroHarmony**, an enterprise solution for Corporate Governance/Risk Management. The products are built as a flexible, configurable, and easily integrated set of tools and components providing the foundation for building applications involving feedback on processes, products, systems and people. The products are sold both through software license and an ASP service.

Global Customers

Over the course of its business, InfoSTEP has acquired customers such as Adobe Systems, Basic American Foods, Business Objects, Cisco Systems, Sun Microsystems, Toshiba, Yahoo and others. InfoSTEP has ongoing relationship with these clients.

Name of Customer	Order Value	
	In Rs million	In USD
2006-07		
Business Objects, INC. (Invoices in Phased Manner November 13, 2006, November 27, 2006, December 11, 2006, December 26, 2006)	7.36	160000
Cisco Systems (Delivery Date: September 29, 2006, October 31, 2006, December 1, 2006)	2.06	44,880
Cisco Systems (Delivery Date: November 24, 2006)	1.81	39360
Cisco Systems (Delivery Date: October 19, 2006)	1.52	33,000
Cisco Systems (Delivery Date: December 23, 2006, January 27, 2007)	1.25	27,200
Cisco Systems (Delivery Date: December 22, 2006)	1.67	36480
		43200
Cisco Systems (Delivery Date: January 26, 2007)	1.98	
Cisco systems (Delivery Date: November 1, 2006)	1.79	39000
Cisco Systems (Delivery Date: November 11, 2006, December 12, 2006, January 26, 2007)	2.20	48000
Cisco Systems (Delivery Date: December 8, 2006, December 25, 2006, January 25, 2007)	2.03	44160
Cisco Systems (Delivery Date: November 17, 2006, December 8, 2006, December 31, 2006)	2.20	48000
Adobe Systems Inc. (Delivery Date: November 30, 2006)	2.02	43975
ALAMEDA ALLIANCE for HEALTH	3.10	67536
ITM Software	5.29	115000
Yahoo	5.34	116000
Total	41.62	

US\$ 1 @ of 46 Rs .

COMMUNICATIONS & ELECTRONICS SERVICES

We provide electronic devices and instruments such as Digital Loop Carriers, Hand held computers, CDMA/GSM PCO Call Monitors, Set top boxes and fixed wireless terminals (FWT). We also provide network and engineering services such as on site testing and commissioning, network implementation and optimization, etc. targeting basic telecom service providers and OEMs. We strictly adhere to Quality Manual 333 standards, which lays specification for environmental testing of electronic equipments for transmission and switching.

Marketing and selling arrangements

BSNL & MTNL are our main customers since they are bulk purchasers of telecom equipment in the country. Operations of private telecom operators have also resulted in significant increase in demand for telecom equipment. The growth in procurement plans of all telecom operators is also likely to increase the scope of our products such as Broad Band Digital Loop Carrier, Hand Held Computer, GSM/CDMA Payphones, GSM Fixed Cellular Terminals (FCTs), CDMA, Fixed Wireless Terminals, Fixed Wireless Phones. The selling arrangements for BSNL and MTNL are through open tenders and for the private telecom operators our marketing team has regular interaction for their requirements.

Details of Major electronics contracts executed during the preceding three financial years.

Rs in Million	
Name of Customer	Order Value
2003-04	
Computers and software products and services	
Copmtel Network Systems I Pvt. Ltd., Mumbai	5.01
Ges Technologies Ltd., Mumbai.	41.51
Infotrek Systems Ltd., Mumbai.	8.07
I Systems India Pvt. Ltd., Mumbai.	7.34
Zicom Electronic Systems Ltd., Mumbai.	20.23
Trijal Industries Ltd., Mumbai.	15.03
2004-05	
Hand Held Computers	
APCPDCL, Hyderabad	3.55
C.S.Software Enterprise Ltd., 6-3-680/A/B, 405, Somajiguda, Hyderabad - 500 082.	1.02
2005-06	
Hand Held Computers	
C.S.Software Enterprise Ltd., 6-3-680/A/B, 405, Somajiguda, Hyderabad - 500 082.	4.5

We have recently received a large order from BSNL which is as under:

Rs in Million	
Name of Customer	Order Value
2006-07	
Bharat Sanchar Nigam Limited (BSNL), New Delhi (Integrated Fixed Wireless Terminal) IFWT	1159.62

Research and Development

Our R & D department has 56 personnel employed as permanent employees both with technical and non technical experience. Our research focuses on the following parameters in all their endeavours:

- Innovative Ideas;
- Market Trends;
- Cost Reduction;
- Feature Enhancement;
- Customer Satisfaction.

Our Core Areas of Research and Development

- **Hardware Design**– Our hardware design team is strong in the areas of high speed Circuit Design, Digital, analog and mixed signal designs, high speed multi-layered PCB design, design verification and testing. The design team take care of product reliability at the time of Design by using different methods like Mean-Time-Between-Failure (MTBF), Failure mode analysis etc.
- **Embedded Systems**- We have vast experience with various high-speed micro controller and microprocessors. We have a capable team which can develop embedded software using assembly C and C++ languages. We have expertise using real time operating systems exported on to embedded platforms. We also developed different protocol stacks required for the telecommunication equipment.
- **VHDL** – VHDL is a Hardware Description Language used for designing of chips and Application Specific Integrated Circuits (ASIC). We has considerable expertise in this area, using VHDL and high speed Field Programmable Gate Arrays (FPGAs) and have developed our proprietary technology for the video systems.
- **System Software** – We have strong system software development capabilities and have developed lot of system software for our internal requirements as well as external clients for variety of domains and applications.

The following are the capabilities developed by our research team:

- TCP/IP socket based communication for inter process communication within a system and for inter system communication.
- Implementation of customized & optimized regional fonts for different projects involving regional font based text content display along with edit and print functions.
- Developed solutions for CMIP, FTAM and FTP protocols for CDR file transfer mechanisms over x.25 interface as support solutions for telecom billing solutions.
- Developed telecom signaling protocol v5.2 and developed add-on modules for R2MFC signalling and SS7 signalling based modules.
- Developed Network Management Solutions (NMS) for heterogeneous and homogeneous network elements in telecom domain.
- Developed SNMPV2 proxies for non-SNMP electronic devices.
- Developed system software related to development of DLL and library files for software security requirements.
- Developed software for true colour live video displays.

We have been spending adequately on our research initiatives:

Year	Research cost	% to Sales
FY 2004	2.96	2.19
FY 2005	4.84	1.92
FY 2006	7.89	0.77

Details of our headcount of Engineers in the R&D Department are given below:

As at June 30 2006

S.No.	Category	No. of Personnel
1	Electronics Engineers	21
2	Software Engineers (Graduates)	35
3	Total Engineers in R&D Department	56
4	Total Employees of the Company as on October 17, 2006	286
5	% of R&D Personnel to total work force	20.0%

CURRENT R&D PROJECTS

- LED Display Software enhancement;
- Indoor Display; and
- Solar LED lightings for rural applications.

LED Lighting: We are currently developing LED lighting lamps which can be used for different industrial and professional light applications like cap lamps, streetlights, home lighting etc.

SMD Outdoor Displays: Surface Mounted Device (SMD) is used in our outdoor displays, this SMD which would have High Brightness, Visibility and very good Resolution and will give perfect picture/video quality.

3D LED outdoor displays (Stereoscopic Display): Rapid developments in technology increasing the complexity and dimensionality of datasets have led to increasing demand for innovative display techniques. Stereoscopic displays allow visualizing information in a three-dimensional (3D) space with out glass. Our R&D Department has already commenced research on these products.

Achievements

The following are the major achievements by our Research and Development Department:

- LED Display:** We are one of the early manufacturers of LED display in India. We have good experience and capability in all area of electronics like product engineering, Hardware design, VHDL, Embedded systems design and Software solutions this will help us in achieving our task. We have developed the Scan+technology, which improves image quality and makes it possible to view from closer distances.
- Scan+Tecnology:** Our True color displays boards use the Scan⁺ Technology. This technology gives higher visual resolution to almost four times the actual pixel density. This is accomplished by using the intelligent algorithms and real time image processing.
- DSIR award:** Our research and development department has recognized by the Department of Scientific and Industrial Research (DSIR) a government of India enterprise in 2002 and also certified from ISO 9001: 2000 for its quality controls in all aspects of operations.
- DLC:** Digital loop Carrier was also developed by our R&D Department. It comes under the Access Network category. These are used in telecom networks to extend the subscriber services available at the Local Exchange (LE), it uses digital techniques to carry voice and data information of subscribers. We have provided these Digital Loop Carriers to BSNL and MTNL.

Intellectual Property

We rely on trademarks and copyright, to help establish and preserve limited proprietary protection for our products. We also have numerous trademark applications pending. These trademarks are used to establish brand recognition and distinction in our various markets.

Product drawings, software and other works of authorship are also subject to applicable copyright law protections. We provide software to our customers in machine-readable object code to help preserve its confidentiality. We also rely on nondisclosure agreements with our employees. Despite these intellectual property protections, there can be no assurance that a competitor will not copy the functions or features of our products.

We currently have the following intellectual property rights for our LED business:

- **Copyright**

We have obtained a copyright in August 2006 for our logo “MIC” in the class of artistic work as the owner of the copyright.

- **Trademarks**

We have filed applications for trademarks for the undermentioned marks in the following classes:

S. No.	Trade Mark	Application Number	Class	Party Type	Party Code	Party Name	Status
1.	MIC	1427326	9	Proprietor	944607	MIC Electronics Limited	Examination report received from registry. Replies filed.
2.	MIC	1427327	35	Proprietor	944607	MIC Electronics Limited	Examination report received from registry. Replies filed.
3.	MIC	1427328	38	Proprietor	944607	MIC Electronics Limited	Examination report received from registry. Replies filed.
4.	MIC	1427329	42	Proprietor	944607	MIC Electronics Limited	Examination report received from registry. Replies filed.
5.	SCAN+	1427330	9	Proprietor	944607	MIC Electronics Limited	Examination report received from registry. Replies filed..
6.	Outdoor TV	1427331	35	Proprietor	944607	MIC Electronics Limited	Examination report received from registry. Replies filed.
7.	MIC (logo) extending technologies	1427332	9	Proprietor	944607	MIC Electronics Limited	Examination report received from registry. Replies filed.
8.	MIC (logo) extending technologies	1427333	35	Proprietor	944607	MIC Electronics Limited	Examination report received from registry. Replies filed.
9.	MIC (logo) extending technologies	1427334	38	Proprietor	944607	MIC Electronics Limited	Examination report received from registry. Replies filed.
10.	MIC (logo) extending technologies	1427335	42	Proprietor	944607	MIC Electronics Limited	Examination report received from registry. Replies filed.
11.	Giant Screen	1427336	35	Proprietor	944607	MIC Electronics Limited	Examination report received from registry. Replies filed.
12.	I Wall	1427337	35	Proprietor	944607	MIC	Examination

S. No.	Trade Mark	Application Number	Class	Party Type	Party Code	Party Name	Status
						Electronics Limited	report received from registry. Replies filed.
13.	MIC (logo) driving innovation	1500522	9	Proprietor	975652	MIC Electronics Limited	Application filed
14.	MIC (logo) driving innovation	1500523	35	Proprietor	972552	MIC Electronics Limited	Application filed
15.	MIC (logo) driving innovation	1500524	38	Proprietor	973513	MIC Electronics Limited	Application filed
16.	MIC (logo) driving innovation	1500525	42	Proprietor	973512	MIC Electronics Limited	Application filed

Properties

There are no properties proposed to be purchased or acquired, which are to be paid for wholly out of the proceeds of the Issue offered for subscription by the Prospectus or the purchase or acquisition of which has not been completed at the date of issue of the Prospectus, other than properties:

- (i) the contract for the purchase or acquisition whereof was entered into in the ordinary course of our business, the contract not being made in contemplation of the issue nor the issue in consequence of the contract; or
- (ii) as respects which the amount of the purchase money is not material.

PROPERTIES OWNED/LEASED /LICENSED BY THE COMPANY

Sl. No.	Date of Execution of Sale Deed/Lease Deed/License Agreement	Seller/Lessor /Licensor	Consideration	Land Area
1.	Sale Deed dated November 16, 1994	Mr. P. R Bhushan and Ms. Mira Surapneni	Rs 60,000/-	Dry land at Aushapur Village, Ghatekesar Mandal, Ranga Reddy District in R.S. No 281 and 282. The area of the land is 1-00 acre or 0.404 hectares equivalent to 9680 square yards.
2.	Sale Deed dated April 17, 1996	Mr. Koosagundla Chandra Reddy	Rs 98,400/-	Residential Plot Nos 41,42,60,61 at Kowkooor Village, Alwal Municipality, Malkajgiri Mandal Ranga Reddy District in RS No 34, admeasuring 820 square yards.
3.	Sale Deed dated August 26, 2000	Andhra Pradesh Industrial Infrastructure Corporation Ltd.	Rs 5, 89,816.92/-	Plot No 192/B admeasuring 4468.31 sq.mts, equivalent to 5344.09sq yards acres in Phase II, Industrial

Sl. No.	Date of Execution of Sale Deed/Lease Deed/License Agreement	Seller/Lessor /Licensor	Consideration	Land Area
				Development Authority, Cherlapally, Hyderabad.
4.	Sale Deed dated April 9, 1996	M/s Kadevi Engineering Co. Pvt. Ltd	Rs .3, 12,500/-.	Plot No A-4/2 admeasuring 626 Sq. Yards or 522 sq. mtrs situated in Survey Number 321/321/5,321/6 and 321/1A at Kushaiguda, Khapra Municipality, Keesara Mandal, and Ranga Reddy District.
5.	Sale Deed dated November 28, 1997.	Kadevi Engineering Co. Pvt Ltd	Rs 3,47,220.00/-	Industrial Plot No A-4/7 admeasuring 6944.44 sq yards or 580.55 sq. mtrs situated in Survey Number 321/321/5,321/6 and 321/1A at Kushiaguda, Khapra Municipality, Keesara Mandal, and Ranga Reddy District
6.	Sale Deed dated November 12, 1997	Kadevi Engineering Co. Pvt Ltd	Rs 3, 12,500/-.	Industrial Plot No A-4/6 admeasuring 625sq yards or 522.5 sq. mtrs situated in Survey Number 321/321/5,321/6 and 321/1A at Kushiaguda, Khapra Municipality, Keesara Mandal, and Ranga Reddy District.
7.	Sale Deed dated March 14, 1997	Kadevi Engineering Co. Pvt Ltd	Rs 3, 12,500	Industrial Plot No A-4/5 admeasuring 625 sq yards or 522.5 sq. mtrs situated in Survey Number 321/321/5,321/6 and 321/1A at Kushiaguda, Khapra Municipality, Keesara Mandal, and Ranga Reddy District.
8.	Sale Deed dated April 12, 1996	Kadevi Engineering Co. Pvt Ltd	Rs 3, 75,500/-.	Industrial Plot No A-4/3 admeasuring 625 sq yards or 522.5 sq. mtrs situated in Survey Number 321/321/5,321/6 and 321/1A at Kushiaguda, Khapra Municipality, Keesara Mandal, and Ranga

Sl. No.	Date of Execution of Sale Deed/Lease Deed/License Agreement	Seller/Lessor /Licensor	Consideration	Land Area
				Reddy District.
9.	Sale Deed dated July 8, 1996	Kadevi Engineering Co. Pvt Ltd	Rs 3, 75,500/-.	Industrial Plot No A-4/1 admeasuring 625sq yards or 522.5 sq. mtrs situated in Survey Number 321/321/5,321/6 and 321/1A at Kushiaguda, Khapra Municipality, Keesara Mandal, and Ranga Reddy District.
10	Sale Deed dated April 9, 1996	Kadevi Engineering Co. Pvt Ltd	Rs 3, 12,500	Industrial Plot No A-4/4 admeasuring 625 sq.yards or 522 sq.mtrs out of the above said land situated in survey no 321/321/5,321/6 and 321/1A at Kushiaguda, Khapra Municipality, Keesara Mandal, and Ranga Reddy District.
11.	Lease Deed dated March 1, 2005	G.V.S. Ramalingeswara Rao	Lease term for 5 years commencing March 1, 2005. Rent to be paid @ Rs 5 for sq.ft per month for 3000 sq.ft and increase thereof @ 10% every two years. Security deposit of Rs 1 lacs repayable at the end of lease period.	One building admeasuring 3000 sq. feet situated on land at T.S.No. 9-3, D.No.: 9/156, Gajula Street, Agraharam, Yanam 533 464.
12.	Lease Deed dated July 18, 2002	Smt.M.Nagamani	Lease term for 5 years commencing March 1, 2002. Rent to be paid @ Rs 1500/- for the month of March 2002 and Rs 3000/- per month for the remaining lease term and increase thereof @ 10% every two years.. Security deposit of Rs 9,000 repayable at the end of lease period.	Premises admeasuring 48.30 sq. mts with adjoining open area admeasuring around 40 sq.mts situated at 4-297 Anyam gardens, Yanam.
13.	License Agreement dated October 1, 2005	Vishakapatnam Urban Development Authority	License term for 20 years from October 1, 2005.Rs 2 lacs for the first 6 months from October 1, 2005 and thereafter Rs 4 lacs per annum for the next	Plot of land admeasuring 1.1716 acres called Teneti park at Kailasagiri foothills, Beach Road, Vishakapatnam.

Sl. No.	Date of Execution of Sale Deed/Lease Deed/License Agreement	Seller/Lessor /Licensor	Consideration	Land Area
			three years from April 1, 2006. Increase in licence fee at 33% for every 3 years during the license period on previous licence fee.	

Apart from the above properties the Company is also planning to set up new units at the locations detailed hereunder for which they have stroke or in the process of acquiring the same:

Sl. No.	Date of Execution of Sale Deed/ Sale Agreement/ Application to Government	Seller/Lessor /Licensor	Consideration & Stage of Process	Land Area
1.	Sale Agreement dated March 23, 2006	S.P. Enterprises	Rs 14,50,126 out of which Rs 14,00,000 has been paid. Possession is also delivered to the Company through a unregd. Possession Letter. Sale Deed is yet to be registered.	A plot of land admeasuring 2900.25 square feet consisting of a hall admeasuring 2480.30 square feet located at Roorkee.
2.	Application to Government on March 18, 2006.	Application made to Secretary of Government. Information Technology and Communication Department, Govt. of A.P.	In the process of Approval. Hence consideration is yet to be fixed by the Govt. of A.P.	Applied for allotment of 20 Acres of Land at Hardware Park, Hyderabad.
3.	Application to Government dated December 27, 2005.	Application made to Secretary of Government. Information Technology and Communication Department, Govt. of A.P.	In the process of Approval. Hence consideration is yet to be fixed by the Govt. of A.P.	Applied for allotment of 3 Acres of Land at I.T Park, Nanakramguda, Hyderabad.

Insurance

We have insured its buildings, plant, machinery and stocks against perils such as fire, earthquake, etc. the details are given as under:

S No.	Class of insurance	Amount (Rs.)	Description of Property	Validity
1.	Standard Fire And Special Perils Policy	31,50,000	Stock of Raw materials consisting	January 17, 2007

S No.	Class of insurance	Amount (Rs.)	Description of Property	Validity
			of electronic components and equipments for the development of Optimnx STM 1 project.	
2.	Standard Fire And Special Perils Policy	10,13,75,000	Raw materials & stocks in process Plant and Machinery	November 10, 2006
3.	Standard Fire And Special Perils Policy	5,90,00,000	Building & stocks and Plant and Machinery & Accessories	June 7, 2007
4.	Standard Fire And Special Perils Policy	1,50,00,000	Plant, machinery and accessories	February 16, 2007
5.	Standard Fire And Special Perils Policy	8,50,00,000	Stock of raw material consisting of electronic components and equipments for the development of and commercialization of LED TV/ Electronic Display System.	May 25, 2007.
	<i>Company has 17 valid Insurance policies for Motor Vehicles</i>	-	-	-

Human Resources and Employee Training

As of October 17, 2006, we have 286 employees on our payroll.

We feel that, our key management and employees are the key to our future success. We have been able to attract talent due to our compensation package coupled with benefits like Provident Fund, retirement benefits etc. We have never lost a single man day due to employee unrest and none of our workers belong to a union. We further seek to attract and retain the most talented individuals in the industry and improve their skills, productivity and career development opportunities through advanced human resources management.

The Company recruits trainees in various Divisions/Departments so as to meet business requirements including expansion, diversification and acquisition plan. The company also intends to build buffer against the possible turnover in its functions like Research & Design; Telecom Software, Digital Display Systems, Access Network; and also to meet the emergency contingencies.

Recruitment: The Employees are recruited either by way of Internal Promotions or by way of External Recruitment. The Managing Director and the HOD concerned will decide number of vacancies to be filled up before 28th February of every year and notifies the HR- Head for further action. In turn HR-Head shall fill up the vacancies by means of advertisement or conducting Campus Interviews.

Training Period & Stipend: Employees are appointed as trainees initially and the duration of the Training Period will be for 6 months. During the training period the trainees are paid with a stipend and also provides allowances like HRA and Conveyance Allowance. The trainees are governed by the policies and rules of the company framed from time to time and the performance of the trainee is reviewed on a quarterly basis.

Every trainee, before joining the Company is required to enter into an agreement to serve the Company for a minimum period of 18 months including the training period and to execute a confidentiality oath undertaking to maintain strict confidentiality pertaining to all the information, technical knowledge and proprietary information of the Company.

Confirmation & Probation: After completion of the training period, based on the review assessment, the trainees are absorbed and confirmed in permanent cadre of the Company and will be placed on probation for a period of six months.. The company reserves its right either to absorb into or to extend further probation or in case of non satisfactory performance, to terminate the services forthwith.

Retirement: On attaining the age of Superannuation, i.e., 58 years or earlier if so desired, subject to the rules and norms of the Company, if not terminated otherwise owing to his misconduct or insubordination etc.

Our company has a Human Resource Policy (“**HR Policy**”), the summarised provisions of the same have been stated below:

- Our HR Policy provides for up-gradation / promotions wherein awards are given to deserving Employees who are consistent performers. They are also given an incentive to take on greater responsibilities to demonstrate their managerial competencies.
- Our Company awards increments annually to our Employees for their performance and contribution during a specified period (i.e. April-March) including branches.
- As a measure of retaining the talented and the best cream in the Company and also to motivate them to deliver their potential best performance towards organizational development, our company adopts an unique HR Policy. Wherein the performance of each employee is reviewed on an yearly basis and based upon the performance appraisal of an individual, his salary structure is so revised to provide a substantial hike in his pay stubs, competing with the salary structure of the similarly placed employees in similar industries in and around Hyderabad.
- Apart from the fixed compensation package, each employee is entitled for a variable pay facility, which is in turn linked to the meeting of business goals setout and fixed upon the employee by the respective head of the department for that month or for that quarter.

Export obligation under the import export policy

We import LED’s and other raw materials like LED drivers, IC chips etc. under the Advance License Scheme (“**Scheme**”) and have availed duty concession. As a result we have to perform export obligations which we are required to be fulfilled within a period ranging from 18 months to two years from the date of the issue of the respective licenses. The consequence of not meeting the above commitment would be a retrospective levy of import duty on items previously imported at a concession. Additionally, the respective authorities have the discretion to levy penalties and / or interest for any defaults on a case-by-case basis.

The above Scheme requires the importer to submit to the Customs Authorities for every advance license, a bond of value equivalent to 100% of the value of the Customs duty involved and bank guarantee equivalent to 25% of the value of Customs duty involved. This bond and bank guarantee is cancelled after the export obligation is completed and the money has been duly remitted. The details of the advance license and export obligation are given herein below:

Statement of Export Obligations

License No.	Date of License / Imports	Items Imported	Export Obligation Rupees	Obligation Period	Remarks
0910019431	July 23, 2004	612000 Nos LED’S 38188 Nos Integrated Circuits 300 Nos Power Supply	13650000-00	18 months	Export is completed. Some amount still to be remitted. Total Bond of Rs 28,29,098 and

License No.	Date of License / Imports	Items Imported	Export Obligation Rupees	Obligation Period	Remarks
		Modules			Bank Guarantee of Rs 6,26,216
0910021609	January 24, 2005	20 Modules (LED) Pitch 20mm 01 Modules (Control) 01 PC without Monitor 20 Modules (LED) Pitch 16mm 01 Modules (Control) PC without Monitor 01 No 04 Modules (LED) Pitch 12mm 01 Modules (Control) 01 PC without Monitor 04 Modules (LED) Pitch 10mm 01 Modules (Control) 01 PC without Monitor	47,30,000-00	24 Months	Export is not completed Bond of Rs 9,38,240 and Bank Guarantee of Rs 2,59,199
0910024343	October 19, 2005	742400 LED 57400 Integrated Circuits 1260 Connectors 200 Power Supply Module 4 PCBs Populated	15877500-00	24 months	Export is completed. Some amount still to be remitted. Bond of Rs 22,12,920 and Bank Guarantee of Rs 6,55,446
0910025343	February 2, 2006	LED 525840 Integrated Circuits 29712 Connector 1260 Power Supply Module 100 PCBs Populated 02	11700000-00	24 Months	Export is completed. Some amount still to be remitted. Bond of Rs 12,75,455 and Bank Guarantee of Rs 3,66,694
0910025344	February 2, 2006	LED 438200 Integrated Circuits 24792 PCBs Populated 2	9450000-00	24 Months	Export is completed. Some amount still to be remitted. Bond of Rs

License No.	Date of License / Imports	Items Imported	Export Obligation Rupees	Obligation Period	Remarks
					10,62,938 and Bank Guarantee of Rs 3,05,595
0910026454	June 1, 2006	LED 1113600 Integrated Circuits 82950	14143500-00	24 Months	Export is not completed Bond of Rs 29,20,545 and Bank Guarantee of Rs 8,39,656
0910026774	July 7, 2006	LED 356000 Integrated Circuits 28700 Nos	4788000-00	24 months	Export is completed. Some amount still to be remitted. Bond of Rs 11,06,554

Material Agreements

We have entered into a Memorandum of Understanding (“**MOU**”) with Video Diplay Corporation, USA whereby the parties have agreed to enter into a further agreement (Agreement) appointing VDC as a non-exclusive distributor of our LED mobile units in the USA, for a period of 5 years. VDC will also have the non-exclusive right to market and sell any of our other LED products. We will provide warranty services and replacement parts for the LED mobile units. Please refer to the Section “**History and and certain Corporate matters**” at page [●] of this DRHP.

We have also entered into an Share purchase Agreement with InfoSTEP Inc, for further information please refer to the Section “**History and and certain Corporate matters**” at page [●] of this DRHP.

Our Competitive Strengths

We have a strong distribution, marketing and after sales network across businesses

We have strong marketing set-up which is functionally divided into each of our businesses.

LED Business:

We interact with a number of user groups such as:

- Large advertising agencies for bulk sale of our screens;
- Owners & operators of outdoor signage properties;
- Event Management companies and Audio Rental companies;
- Sports Clubs, federations, stadium owners and organisers;
- Television Channels, News Agencies & other media participants like film production companies;
- Schools and Universities, Owners and operators of galleries, exhibitions, museums etc;
- Owners & operators of public utilities such as railways, airports, bus terminals, Courts etc;
- Owners & operators of shopping Malls, Hotels, and other retail and hospitality sectors;
- State & Central Government Agencies responsible for public dissemination of information, Traffic Police etc.

We provide customised solutions to each user group based on their unique requirements. We also look at options for reducing their costs of operations like the rental model or a long term lease etc.

Communications Business

We interact with large basic & cellular telecom operators and given our proven track record in this business, we are able to provide installation and annual & maintenance contract services to these providers.

InfoTech Business

Since these solutions are aimed towards the same customers as our communications business we are able to bundle our software and services to optimally reduce costs for our customers and common resources at our end. Our acquisition of InfoStep is expected to extend our reach to the US markets.

Strong Order Book pipeline

Our order book for our three divisions, as on October 20, 2006 stood at Rs. 1578.72 million. Of this 24.16 % of orders are for LED video display systems, 2.38 % for InfoTech division and balance 73.46 % by the Communications segment. We have, over the past few years, witnessed significant momentum in our LED display systems offering due to a focused effort by our marketing team.

Experienced management with extensive network

Our management team possesses significant experience in the field of LED display systems. Our promoter, Dr. Ramana Rao is a Ph.D in Electronics and Communications Engineering and has over 21 years of experience in telecom, electronics and embedded system products development. Besides, 3 of our Directors/ Key managerial personal have an experience of over 2 decades in communications, electronics, and infotech fields. We also have a very strong second line of operating personnel some of who have over 10-15 years of experience in the relevant areas.

Key customer and vendor relationships

We have established relationships with our existing customers such as BSNL, MTNL, etc. for our infotech and communications segments and we have been securing repeat orders for telecom products such as switch access products and LED products. We have also successfully partnered with our customers who have acquired our LED video display systems in South Africa and InfoSTEP in North America for expanding our markets in those areas.

We also enjoy good relationships with our key vendors such as Nichia Corp, Japan and Avago Technologies, U.S.A from whom we directly or indirectly (in case of Avago we procure the parts from its distributors) procure the LEDs, which are the primary raw material for our LED video display systems.

We have a strong focus on growth and profitability

We have been profitable since inception and have judiciously maintained the balance between growth and profitability, with a continuous thrust on Research. For details of our financial performance in the last five years, refer to the Section titled “**Financial Statements**” on page [●].

PARTICULARS	FY 2003	FY 2004	FY 2005	FY 2006	CAGR (FY 2003 -FY 2006)
Total Revenue	429.4	158.87	211.94	1044.12	34.47%
EBIDTA (Rs Million)	39.67	18.17	40.18	200.93	71.74%
EBITDA Margin %	9.24%	11.44%	18.96%	19.24%	
PAT (Rs million)	9.88	3.23	21.44	155.96	150.85%
Net Profit Margins %	2.30%	2.03%	10.12%	14.94%	

Global Presence

We have consciously diversified our geographic presence. While our presence was earlier largely in the Indian markets due to the proximity to our production facility, we now have an even-spread of our LED Display systems sales across the globe.

We have a direct presence in the West Asian, North American and Australian markets through our subsidiaries in U.S.A, and Australia and a company based in Dubai. Our acquisition of InfoStep has given us a direct access to the US markets. In South Africa we have an arrangement with a local importer source business from these markets.

A global presence ensures that we adequately mitigate risks arising out of adverse conditions in a particular region. It also ensures recognition, acceptance and credibility of our brand.

Well-Recognized Brand

Our brand has an established reputation for quality and dependability that we believe, is the hallmark of our manufacturing process, product development and services. We operate on a global basis and sell our screens under the brand name ‘MIC’. Our brand is well recognized in the markets in which we operate. Through product differentiation we offer display solutions that can be tailored to meet the needs of the customers we serve. This lends a unique positioning to our brand and helps us to capture the mind space of customers.

Business/Growth Strategy

LED BUSINESS

Entry into Theme Parks with outdoor digital theatres & Stereo Display

MIC Theme Parks aim to create an environment for entertainment and recreation and are positioned to transform people’s lifestyle by creating a one-stop location for complete entertainment and recreation. We are in the process of establishing a theme park with a giant LED Video Display as the central theme at Tenneti Park, Visakhapatnam. We have been allotted about two acres of land on the beach road by Visakhapatnam Urban development Authority on lease for a period of twenty years. In due course similar parks at Hyderabad, Bangalore and Bombay and Delhi are in active consideration currently. Stereo Display is an emerging technology for entertainment and Outdoor Advertising, it provides for 3 dimensional (3D).

We have tied up with the University of Western Sydney, Australia and have entered into a Non Disclosure Agreement dated July 20, 2006 with them. We will jointly explore opportunities for the development of LED based 3D display products and development of 3D content.

Increasing the scope of applications of our LED display screens – semi retail applications of LEDs

By varying the size and pixel pitch of our screens we are able to cater to audiences ranging from 100 to over 100,000. This coupled with the technological ability of our display systems to operate on any kind of input signals have opened a number of new application avenues. We are exploring options of semi-retail applications of our display systems such as Outdoor Television or 'backyard TV' catering to a collection of families living in close proximity like in a small housing complex or society. We are also looking at mass entertainment options like Drive-in theatres, large hotels, food-courts, restaurants which currently operate cumbersome projection or LCD televisions.

Foray into LED Lighting Systems

We will focus on the following Lighting applications based on LEDs:

Automotive Lighting

LEDs can be used for automotive lighting other than headlamp this allow automotive manufacturers to increase their styling flexibility due to the small footprint of the LEDs and more durable and longer lasting than any other light source available today.

Display backlighting

These would be high brightness, vividly coloured, lighting with the following properties:

- Real-time color management;
- Field Sequential Backlight control for larger panels;
- Wide operating temperatures & a high dimming ratio; and
- Low voltage & cost of use.

Entertainment Lighting

Our entertainment lighting applications will look to change lighting effects and luminaires for theatres, studios, nightclubs, restaurants and other high-visibility venues. LED can be dimmed easily by simply turning off some of the LEDs or with pulse width modulation. These would be high power with longer life, greater reliability, digital control and without heat in the beam. At the same time we will be able to embed the same in to the actual structure to create unique effects **such that the** light can appear to come from seemingly impossible places.

General lighting

Lighting applications include street lighting, home lighting with and without solar power. The LED Lighting has good replacement market replacing existing incandescent and fluorescent lighting.

Commercial applications in large customers like railways may be:

- Railway Lighting;
- Railway Coach Lighting;
- Railway Coach Emergency Lamps; and
- High Power Lamps for Loco Sheds, Railway Stations, Coach Factories.

Landscape lighting

Landscape lighting and outdoor lighting provides the opportunity to light in white and colors and digitally control low voltage systems, a city beautification, park or residential project with great visual effects.

With LED as the light source, landscape lighting can become a "**fit and forget**" solution. Lighting effects can be built in with no need to service the lamp. Because the system is low voltage, it's safer and requires lower gauge wire thereby reducing costs. Of course consumption of electricity can be greatly reduced. Digital lighting effects dramatically change the landscape.

Portable lighting

LEDs are the ideal solution for portable lighting. Portable applications using LEDs can benefit from improved battery life and light output.

LEDs are a natural fit for applications such as:

- Flashlights;
- Headlamps, miner hats;
- Bicycle Lights; and
- Diving Lights.

We will benefit from the natural benefits of LED lighting including:

The other benefits of LEDs include:

- Lights instantly;
- Can be easily dimmed;
- Silent operation; and
- Low-voltage power supply (increased safety).

Securing bulk permission for advertisement sites from the respective municipalities

We previously sold outdoor LED directly to our customers, who in turn get permission from the municipalities for display of the LED at the particular site. We are looking at a model wherein we will secure permission for bulk sites with installations which in turn can be sold or leased to our potential customers.

Increase presence and volumes across markets and expanding into new markets

We view geographical expansion as a major source of future growth and will expand primarily into markets characterized by rapidly growing economies and large advertising budgets. We believe our experience of two decades, cost competitiveness and brand association with quality and after sales service will enable us to enter new markets.

We currently have our two subsidiaries in USA, and Australia. We are continually exploring opportunities in other markets and countries; we also receive several referrals from our existing clients in newer markets.

We plan to focus on the Europe and North American markets. We hope to achieve better price realization by entering in this market as we have the advantage of low-cost design and manufacturing operations. We intend to selectively enter into new markets through acquisitions and investments worldwide. Further, we plan to grow the existing business through market expansion and product offering enlargement. A key element of this strategy would be to strengthen our agent's network in the newer markets.

To enhance the R&D capabilities

We, through our research efforts including tie-ups with large university across the world, are looking to introduce products with leading-edge technology, tailor product offerings for entering new geographic markets and customer segments; upgrade our display systems with an emphasis on quality, reliability and product simplification.

To foray into global markets with our acquisition of InfoSTEP

MIC has its own software team today that focuses exclusively on embedded systems software and communication areas. InfoSTEP has experience in building value added solutions in Business Intelligence, Data Integration, Data Mining, Feedback Management and Multimedia solutions is thus selected as a go-to partner. Additionally, InfoSTEP Inc. also provides the geographical reach in North America for MIC to sell its current LED offerings.

For InfoSTEP, partnering with MIC provides multiple avenues to expand its growing software and solutions practice. MIC gives an open hardware platform on which InfoSTEP can build integrated solutions for Interactive Information Displays. In addition to these new media applications, InfoSTEP's current offerings in Enterprise Business Intelligence, Feedback Management, and Governance offerings will be a key value proposition within the emerging markets in India and Asia Pacific countries. MIC's presence in these countries gives extensive reach for InfoSTEP to expand its customer base.

REGULATIONS AND POLICIES

There are several legislations, which apply to our Company.

Under the provisions of various Central Government and State Government statutes / legislations, our Company is required to obtain and regularly renew certain licences / registrations and / or to seek statutory permissions to conduct our business and operations in India.

The various statutes under which material registrations/licences/consents/permissions are required to be obtained by us are set out below:

1. **The Companies Act, 1956**

The Companies Act consolidates and amends the law relating to companies and certain other associations. This Act regulates the functioning of a Company and also specifies the various provisions which a company has to comply with.

2. **The Income-Tax Act, 1961**

The purpose of this Act is to consolidate and amend the Law relating to income and super-tax.

3. **The Central Excise Act, 1944 and the Rules framed thereunder**

The Central Sales Tax Rules are made in exercise of the powers conferred by sub-section (10) of Section 13 of the Central sales Tax Act, 1956. The Act aims to formulate policies for determining when sale or purchase of goods takes place in the course of inter-state trade or commerce or outside a state or in the course of imports from India. The Act also provides the levy, collection and distribution of taxes on sales of goods in the course of Inter-state trade or commerce and it also declares certain goods to be of special importance in Inter-state trade or commerce and specify the restrictions and conditions to which the State laws imposing taxes on the sale or purchase of such goods of special importance shall be subject.

4. **The Customs Act, 1962**

This is an Act to consolidate and amend the law relating to Customs. This Act aims to regulate all provisions relating to Customs.

5. **The Central Sales Tax Act, 1956**

The Act aims to formulate policies for determining when sale or purchase of goods takes place in the course of inter-state trade or commerce or outside a state or in the course of imports from India. The Act also provides the levy, collection and distribution of taxes on sales of goods in the course of Inter-state trade or commerce and it also declares certain goods to be of special importance in Inter-state trade or commerce and specify the restrictions and conditions to which the State laws imposing taxes on the sale or purchase of such goods of special importance shall be subject.

The objective of this Act is to protect the environment and prevent environmental hazards. This Act enables co-ordination of Activities of the various regulatory agencies, creation of an authority or authorities with advocate powers or environmental protection, regulation of discharge of handling of hazardous substances environmental pollutants.

6. **The Electricity Act, 2003**

The purpose of this Act is to regulate law relating to generation, transmission, distribution, trading, and use of Electricity and generally for taking measures conducive to development of the electricity industry. The act also endeavors to protect the interest of consumers and supply of Electricity to all area, rationalization of Electricity tariff, ensuring transparent policies regarding subsidies.

7. The Industries Development and Regulations Act, 1951

The object of the Act is to bring under Central Control, development and regulation of a number of important industries the activities of which affect the Country as a whole. The development of these industries must be governed by economic factors of all India import.

8. The Contract Labour (Regulation) Act, 1970

The Contract Labour (Regulation and Abolition) Act, 1970 (“**CLRA**”) has been enacted to regulate the employment of contract labour in certain establishments and to provide for its abolition in certain circumstances. The CLRA applies to every establishment in which 20 or more workmen are employed or were employed on any day of the preceding 12 months as contract labour.

The CLRA vests the responsibility on principal employer of an establishment to make an application to the registered officer in the prescribed manner for registration of the establishment. Likewise, every contractor to whom the CLRA applies is required to obtain a license and not to undertake or execute any work through contract labour except under and in accordance with the license issued.

To ensure the welfare and health of the contract labour, the CLRA imposes certain obligations on the contractor in relation to establishment of canteens, rest rooms, drinking water, washing facilities, first aid, other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period.

9. The Employees Provident Fund Act, 1948

Employees’ Provident Funds and Miscellaneous Provisions Act, 1952 (“**EPFA**”) was introduced with the object to institute provident fund for the benefit of employees in factories and other establishments.

The EPFA empowers the Central Government to frame the “**Employee's Provident Fund Scheme**”, **Employee’s Deposit-linked Insurance Scheme**’ and the “**Employees' Family Pension Scheme**” for the establishment of provident funds under the EPFA for the employees. The EPFA also prescribes that contributions to the provident fund are to be made by the employer and the employee.

10. The Employees State Insurance Act, 1948

The Employee State Insurance Act, 1948 (“**ESIA**”) aims to provide benefits for employees or their beneficiaries in case of sickness, maternity, disablement and employment injury and to make provision for the same.

Every factory or establishment to which the ESIA applies is required to be registered in the manner prescribed in the ESI Act. Under the ESIA every employee (including casual and temporary employees), whether employed directly or through a contractor, who is in receipt of wages upto Rs. 6,500 per month is entitled to be insured.

The ESIA contemplates a contribution payable by the principal employer in the first instance and contribution payable by the employee in respect of an employee to the Employee State Insurance Corporation. The ESIA further states that a principal employer, who has paid contribution in respect of an employee employed by or through an immediate employer, shall be entitled to recover the amount of the contribution so paid from the immediate employer, either by deduction from any amount payable to him by the principal employer under any contract, or as a debt payable by the immediate employer.

11. The Andhra Pradesh General Sales Tax Act, 1957

The Act aims to formulate policies for determining when sale or purchase of goods takes place in the course of trade or commerce in Andhra Pradesh. The Act also provides the levy, collection and distribution of taxes on sales of goods in the course of trade or commerce and it also declares certain goods to be of special importance in trade or commerce..

12. The Foreign Trade (Development and Regulation) Act, 1992

This Act aims to provide for the development and regulation of foreign trade by facilitating imports into, and augmenting exports from, India and for matters connected therewith or incidental thereto.

13. The Factories Act, 1948

The function of this act is to consolidate and amend the laws regulating Labour in factories. Every factory that is set up has to comply with the provisions set out in the Factories Act.

14. The Bureau of Indian Standards Act, 1986

The Act provides for the establishment of a Bureau for the harmonious development of the activities of standardisation, marking and quality certification of goods and for matters connected therewith or incidental thereto.

15. The Finance Act, 1994

The Act gives effect to the financial proposal of the Central Government for the Financial Year.

The list set out above is by way of an illustration and is not an exhaustive list of all statutes applicable to the Company's operations.

HISTORY AND CERTAIN CORPORATE MATTERS

Overview

We were incorporated as a private limited company under the Companies Act, 1956 on May 17, 1988 under the name MIC Electronics Private Limited with registration number 01-08652. Subsequently, we were converted into a public limited company on July 29, 1997 and we changed our name to MIC Electronics Limited. In the year 2000, Phoenix Telecommunications Limited was merged into the Company pursuant to the order dated September 14, 2000 passed by the Hon'ble Andhra Pradesh High Court.

The key events in the business of the Company are as follows:

YEAR	MAJOR MILESTONES
1988	Incorporation of our Company.
1990	Started design and development of telecom products for wireless and wireless communication.
1994	Started telecom software and IT Services.
2000	Merger with Phoenix Telecommunications Limited.
	Commenced LED business.
2004	Sold first commercial LED Display product and incorporated our first subsidiary abroad in Australia.
2006	Acquisition of InfoSTEP Inc., USA

Main Objects of the Company

Our main objects as contained in our Memorandum are as follows:

1. To manufacture, buy, sell, export, import, assemble, fit, repair, convert, overhaul, alter, maintain, and improve or otherwise dealing, either as principals or as agents or in collaboration with others, all types of mini computers, micro processor based systems and computer peripherals.
2. To manufacture, sell export, maintain or otherwise dealing either as principals or as agents or in collaboration with others, all types of stabilisers, Inverters, Converters, Process Control Instruments, Uninterruptable Power supplies, Power Supplies, Television and Wireless Apparatus, Audio and visual Communications, apparatus and Equipment including those using electromagnetic waves intended for Radio Telephone Communication, Photo Copiers, electronic lighting controls, Continuous Fan/Motor Speed controls, Continuous Flashers and Fire Alarm systems, Digital and other electronic Clock, Time Relays, Surgical, Medical and other Appliances intended for electro and other Therapy treatment and capacitors, Resistors, Condensers, Semiconductors, Transistors, rectifiers, Integrated and 'Hybrid Circuits. Relays, Potentometers, Connectors, Printed Circuit Boards, Coils, Transformers, Switches, Volume Controls, plugs, Sockets, Diodes and allied Items intended for and used in electronic Devices.
3. To design and develop, import, export, sale, deal and purchase of computer software and hardware for all applications and also maintain, repair and otherwise deal in all kinds of microprocessors, moulds, systems and mini and micro computer based systems and electronic instrumentation systems, data processing equipment, software, all types of computers, required in industrial control applications, system programming, application programming, internet applications, electronic commerce, electronic circuits, entertainment equipment, space research and electronic industries of every kind and to establish services as internet and electronic-commerce services, programmers, system analysts and to consultancy services in the field of information technology and software.
4. To carry on business of manufacture, buy, sell, deal, design, import and export of Light Emitting Diode (LED) LED Signage, Displays, LED lamp, Truck or trailer mounted LED Video display boards, LED Digital displays, LED Video Displays, LED Alpha Numeric Displays, LED Panel Message displays, LED 3D Display, all kinds of LED Displays, LED Digital Driving Theatres, LED Video Display based theme parks, LED based production monitors, LED ticker and LED display solutions for any indoor or outdoor visual communication application, LED Perimeter Displays for stadiums, LED Destination displays for railways and buses, Full Color Video, Monochrome Message Boards, Traffic/VMS, LED Lighting for indoor and outdoor, Pixel screen displays, digital numeric displays, LED News Ticker displays, LED Displays Audio Visual Rentals, LED Miners Cap Lamps, Reading LED lamps for

railway coaches, LED emergency lamps for Railway coaches, LED traffic lights, LED Tower, runaway lights, LED emergency/police vehicle lighting Architectural Lighting ,Signage (Channel Letters) ,Machine Vision ,Retail Displays ,Emergency Lighting (Exit Signs) ,Neon and bulb Replacement ,Flashlights, Accent Lighting - Pathways, Marker Lights,LED Packaging etc, General Backlighting, LED automotive lighting, LED General lighting, LED landscaping lighting, Portable lighting, and all kinds of LED Component and LED Product related activities in India and outside India.

Changes in Memorandum of Association

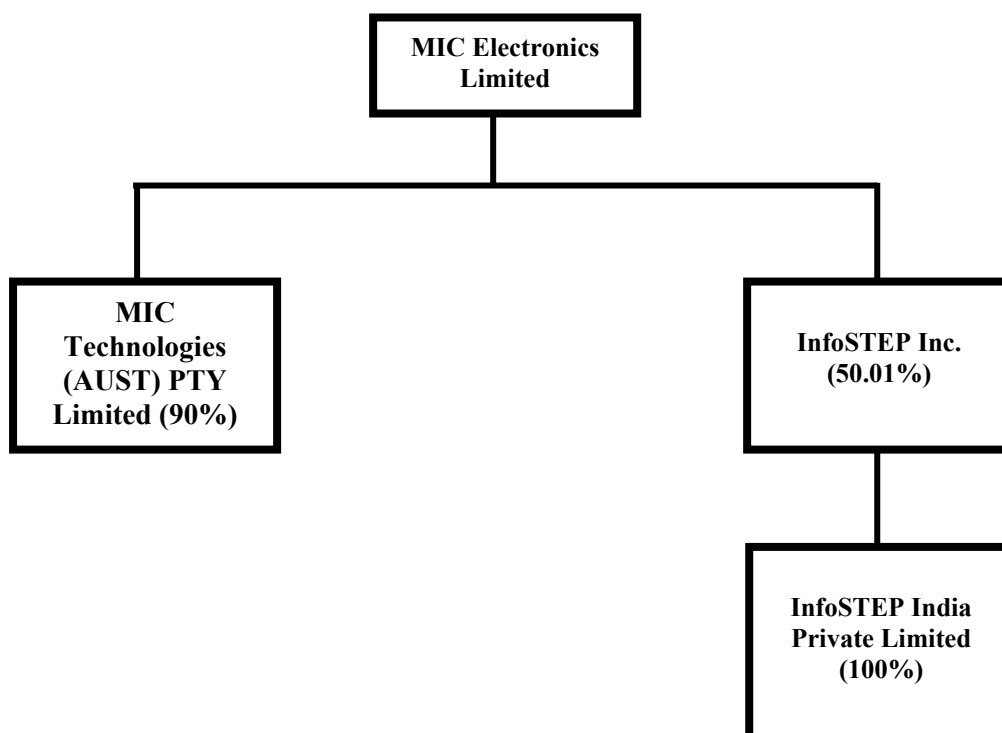
Date	Changes
March 3, 1994	Increase in authorised capital from Rs. 5,00,000 to Rs. 15,00,000
June 5, 1995	Increase in authorised capital from Rs. 15,00,000 to Rs. 50,00,000
September 23, 1996	Increase in authorised capital from Rs. 50,00,000 to Rs. 1,25,00,000
May 17, 1997	Increase in authorised capital from Rs. 1,25,00,000 to Rs. 5,00,00,000
June 18, 1997	Change in the status of company from private company into public company and Memorandum and Articles changed. Subdivision of Equity Shares from Rs. 100/each share to Rs 10/- each share
September 30, 2000	Increase in authorised capital from Rs. 5,00,00,000 to Rs. 8,50,00,000
January 27, 2006	Increase in authorised capital from Rs. 8,50,00,000 to Rs. 11,00,00,000
August 12, 2006	Alteration in the Memorandum reflecting the increase of authorised capital from Rs.11,00,00,000 to Rs.20,00,00,000. Alteration in Other objects of MOA w.r.t LED video walls in Theme parks.
September 20, 2006	Alteration in the Memorandum of Association by adding one more object in the Main objects clause.
September 29, 2006	Increase of Authorised Capital From Rs. 20,00,00,000 to Rs. 22,00,00,000

Changes in the Registered Office of the Company

Date	Changed from	Changed to	Reasons for change
August 7, 1992	40-5-16, Tikkle Road Labbipet Vijayawada - 10	12-5-28/29/2 Vijayapuri, Tarnaka Hyderabad – 17	More suitable location
November 1, 1992	12-5-28/29/2 Vijayapuri, Tarnaka Hyderabad – 17	16-51, Prashanthi Nagar Uppal Hyderabad – 29	More suitable location
January 8, 1997	16-51, Prashanthi Nagar Uppal Hyderabad - 29	D - 14 & 15, Kaushalya Towers Kamala Nagar ECIL (P)) Hyderabad – 62	More suitable location
January 1, 2000	D - 14 & 15, Kaushalya Towers Kamala Nagar ECIL (P)) Hyderabad – 62	Plot No. A4/II Electronic Complex Kushaiguda Hyderabad – 62	More suitable location

SUBSIDIARY COMPANIES

Our existing corporate structure is as under:



1. MIC Technologies (AUST) PTY Limited

The company was incorporated on September 2, 2004 with the object of *inter alia* rendering LED based media, marketing, InfoTech services and advertising services.

Board of Directors

1.	Ramana Murthy Telugu Venkata	Director	6-10-12, Rickard Street, Merrylands, NSW, Australia - 2160
2.	Dr. M. V. Ramana Rao	Director	301, Tirumala Classic, Road No.8, West Marred Pally, Hyderabad-28, India
3.	Paul Hager	Director	89, Waratah St Oatley, NSW, Australia- 2223

Financial Highlights

(Rs. in Million)

Particulars	For the year ended June 30, 2005	For the period ended June 30, 2006
Total Income	15.66	25.04
Profit/Loss After Tax	(1.50)	0.71

EPS (Rs.)	--	6455
Paid up Share Capital	3000*	3000*
Reserves and Surplus	(1.466)	(0.792)
NAV (Rs.)	(13300)	(7164)

* In Rupees

Shareholding Pattern

Our Company is holding 90% of the paid up capital of MIC Technologies (Aus) PTY Limited. The shareholding pattern of the company is as follows:

Sl No	Name of the Shareholder	No. of Ordinary Shares	%
1.	Paul Hager Unit 3,35-37 Canberra Road, Sylvania, NSW2224	3	2.73
2.	MIC Electronics Ltd A-4 Electronic Complex Kushaiguda,Hyderabad-62 India	99	90
3.	MSPV Trading Pvt Ltd Unit 6,12 Richard Street, Merrlands, NSW 2160	1	0.91
4.	Telugu Suvarna Kumari Unit 6,12 Richard Street, Merrlands, NSW 2160	4	3.64
5.	Rodrigues Pravin Level 2 66 Albert Road, Sout Melbourne, VIC 3205	3	2.73
	Total	110	100

2. InfoSTEP Inc, USA

The company was incorporated on February 9, 1998 with the object of providing computer software services. It provides high value-added professional services to blue chip companies in the areas of business intelligence, corporate governance and information technology. As part of its deep knowledge in those areas, the company has also developed software suites in the areas of survey management and corporate governance.

Board of Directors

1.	Vidya Sagar Anisingaraju	Director	1193 Crestline Dr, Cupertino, CA 95014 USA
2.	Sanjeev Kumar	Director	898,Hazelnut Ct, Sunnyvale, CA 94087 USA

Financial Highlights (Unaudited)

The management of InfoSTEP Inc, USA have provided a legal opinion from Orlando, Mitts, Moore & Company, an accountancy corporation, having their office at 675, North, First Street, Suite 1200, San

Jose, CA 95112 dated September 11, 2006 which states that in the United States there is no statutory or compulsory financial audit requirements for a closely held non-public company.

(Rs. in Million)

Particulars	For the year ended December 31, 2004	For the year ended December 31, 2005
Total Income	131.21	186.80
Profit/Loss After Tax	6.70	11.97
EPS (Rs.)	0.83	1.43
Paid up Share Capital	0.87	0.90
Reserves and Surplus	13.83	26.28
NAV (Rs.)	1.81	3.24

Shareholding Pattern

Our Company is holding 50.01% of the paid up capital of InfoSTEP Inc. The shareholding pattern of the company is as follows:

Sl No	Name of the Shareholder	No. of Ordinary Shares	%
1.	MIC Electronics Limited	4,197,066	50.01
2.	Vidya Sagar Anisingaraju 1193 Crestline Dr, Cupertino, CA 95014 USA	2,161,520	25.76
3.	Sanjeev Kumar 898,Hazelnut Ct, Sunnyvale, CA 94087, USA	1,513,058	18.03
4.	Suryanarayana VN Vinjanuri 10100 Torre Avenue, #177; Cupertino, CA 95014 USA	249,950	2.98
5.	Hasit Bhatt 20060 Rodrigues Av, #J, Cupertino, CA95014	149,970	1.79
6.	Tarakam Peddada 10705 Tressler Ct. Cupertino, CA 95014	118,726	1.4
7.	Nandakishore Mallapragada 444, Saratoga Ave, #29A Santa Clara, CA 95050	1,664	0.02
8.	Tina Singh 1229 Whitaker Way Menlo Park, CA 94025	500	0.01
	Total Outstanding Shares	8,392,454	100.00

3. InfoSTEP India Private Limited

The company was incorporated on September 21, 2006 with the object of inter alia carrying on consultancy, design, development and implementation of software services. It provides software consultancy services.

Board of Directors

1.	Mahesh Pakala	Director	Road # 6, Road # 7 Navanirman Nagar Jubilee Hills Hyderabad – 500 033
2.	Dr. M.V. Ramana Rao	Director	301, Tirumala Classic, Road No.8, West Marred Pally, Hyderabad-28, India
3.	Vidya Sagar Anisingaraju	Director	1193 Crestline Dr, Cupertino, CA 95014 USA
4.	Sanjeev Kumar	Director	898,Hazelnut Ct, Sunnyvale, CA 94087 USA

Financial Highlights

The company has just been incorporated in September 2006 and hence no financial statements have been drawn up.

Shareholding Pattern

The company is a 100% subsidiary of InfoSTEP Inc. The shareholding pattern of the company is as follows:

Sl No	Name of the Shareholder	No. of Ordinary Shares	%
1.	InfoSTEP Inc.	9,999	99.99
2.	Mahesh Pakala Road # 6, Road # 7 Navanirman Nagar Jubilee Hills Hyderabad – 500 033	1	00.01
	Total Outstanding Shares	10,000	100.00

Shareholder agreements

There are no shareholder agreements amongst our shareholders.

Material agreements

Sr. No	Date	Parties	Particulars
1.	March 23, 2006	S. P. Enterprises and our company	We have entered into a sale deed for purchase of a plot of land at Roorkee, Utaranchal, admeasuring 2900.25 sq. ft. on which a hall admeasuring 2480.30 sq. ft. is situated we have paid 14,00,000 out of the total sale consideration of Rs.14,50,126.
2.	October 3, 2006	Our Company and the Shareholders of InfoSTEP	We have entered into a Share Purchase Agreement with all the shareholders of InfoSTEP Inc. for purchase of their entire shareholding. The transaction involves two phases, in the first phase a share swap whereby the shareholders holding 50% of the shareholding of InfoSTEP Inc. have received 404,800 shares of our Company and 5% of their shareholding has been agreed to be bought in cash. In the second phase their remaining 45% shareholding will be bought in cash within a period of 30 days from the date of listing of our shares on the stock exchanges pursuant to the Public Issue. The valuation of the shares of InfoSTEP Inc. has been estimated by us to be USD 4.4 million as on date. The shareholders of InfoSTEP Inc. will be entitled to appoint 2 directors on our board, one of whom has been appointed on InfoSTEP Inc. becoming our subsidiary as detailed above. The second director will be appointed on the takeover of the entire shareholding of InfoSTEP Inc. The shareholders of InfoSTEP Inc. are also entitled to appoint a director on the board of our Australian subsidiary.
3.	August 17, 2006	Visible Display Corporation (VDC), InfoSTEP Inc. and our Company	We have entered into an Memorandum of Understanding (MOU) whereby the parties have agreed to enter into a further agreement (Agreement) appointing VDC as a non-exclusive distributor of our LED mobile units in the USA, for a period of 5 years. VDC will also have the non-exclusive right to market and sell any of our other LED products. We will provide warranty services and replacement parts for the LED mobile units. Within 45 days of

Sr. No	Date	Parties	Particulars
			execution of the Agreement, we will make best efforts to provide to VDC a free demo mobile truck mounted LED unit for a period of 6 months to be used for marketing purposes. The rental revenues generated from this unit will be shared between InfoSTEP and VDC. Within 6 months of the receipt of the truck mounted unit we will provide to VDC one demo trailer at discounted and mutually agreed price. This trailer mounted unit will also be used for marketing purposes and the revenues generated from this unit will be shared between InfoSTEP and VDC. All the parties will maintain appropriate product liability and other insurance to legally operate the above equipments within the USA. For units purchased by VDC from us, VDC will be entitled to a credit period of 180 days for payment. InfoSTEP and VDC will jointly do the marketing campaign to promote the sale of our mobile LED display units.

Strategic Partners

We have no strategic partners.

Financial Partners

We have no financial partners.

OUR MANAGEMENT

The following table sets forth details regarding our Board of Directors as of the date of filing the Draft Red Herring Prospectus with SEBI:

Board of Directors

Sr. No.	Name, Designation, Address, Occupation & Father's Name	Age	Occupation	Remuneration to be paid per annum	Date of Appointment and Term	Other Directorships
1	M.V. Ramana Rao Managing Director & CEO Flat No.301, Tirumala Classic, Road no.8, West Maredpally, Secunderabad Father's name : M. Ramachandra Rao	46	Business	1.5	May 1, 1988 till date	Director in: 1. Micronet Technologies Limited 2. MIC Digital Media Vizag Pvt. Ltd. 3. MIC Technologies (Aust) pty Limited 4. MIC Middle East FZ-LLC 5. InfoSTEP India Private Limited
2	L.N. Malleswara Rao Director Flat No.206, Krishna Priya Apts, Street No.19, Tarnaka, Secunderabad Father's name : L. Radhakrishnaiah	46	Service	0.6	May 25, 1995 To retire by rotation.	Nil
3	N. Sreenivasa Rao Director 32-36-26, Pratibha Niketan School Road, Macharam, Vijayawada Father's name : N. Subbarao	52	Business	Nil	December 4, 2004 To retire by rotation.	Lakshmi Sarada Hatcheries Pvt.Ltd
4	Anil Goyal Director C-2004, Oberoi Gardens, Thakur Village, Kandiwali (E), Mumbai- 400101 Father's name : Magharaj Agarwal	44	Business	Nil	January 25, 2006 Appointed as Additional Director and to be regularized in next AGM as Director to retire by rotation.	1. Osiris Infotech Pvt Ltd 2. Osiris Software Pvt Ltd 3. Lifecycle Infotech Pvt Ltd 4. Better Equity Services Pvt Ltd 5. Gayatri Handicraft and Exports Pvt Ltd 6. Netsilik Software Pvt.Ltd. 7. Jagjanani Textiles Ltd
5	Mangilal Kalani Director Real Estate Dept(um hurair bldg), Flat No.406, 318/24 ST.ZA Abeelroad, Post Box 43832, Dubai U.A.E. Father's name : Nandulal Kalani	41	Business	Nil	August 8, 2006 Appointed as Additional Director and to be regularized in next AGM as Director to retire by rotation.	1. MIC Middle East FZ-LLC, Dubai 2. KBC Infra Realty Limited., Dubai

Sr. No.	Name, Designation, Address, Occupation & Father's Name	Age	Occupation	Remuneration to be paid per annum	Date of Appointment and Term	Other Directorships
6	Somendra Khosla Director Palm Resort, Villa 613, 393, Emirates Hill First, Dubai, 48972, U.A.E Father's name : Dharam Prakash Khosla	60	Business	Nil	August 22, 2006 Appointed as Additional Director and to be regularized in next AGM as Director to retire by rotation.	1. MIC Middle East FZ LLC 2. Plascare Industries (P) Limited, India 3. Golden Care Homes Limited, UK 4. Llanyravon Court Limited, UK 5. Care West Country Limited, UK 6. Gordon Avenue Investments Limited, UK 7. Lenham Investments Limited, UK 8. Manhattan Holdings Limited, UAE 9. Sahil Estates Limited, UAE 10. Surbhi Estates Limited, UAE 11. Dome Servies Fzc, UAE 12. Ak Estates Limited, UAE
7	Ranjan Kapoor Director B-281, Twin Towers, Veer Sawarkar Marg, Prabadevi, Mumbai-400025 Father's name : Mohan Lal Kapoor	63	Business	Nil	August 22, 2006 Appointed as Additional Director and to be regularized in next AGM as Director to retire by rotation.	1. Pidilite Industries Ltd. 2. Group M Media India Pvt. Ltd. 3. Bates India Private Limited 4. Rediffusion-Dentsu, Young & Rubicam Private Limited 5. MIRC Electronics Ltd. 6. Annik Technology Services Private Ltd 7. Tagit (India) Pvt Ltd. 8. Eon Premedia Pvt. Ltd. 9. Abbott India Ltd. 10. Hitech Plast Ltd.
8	Y. Harish Chandra Prasad Director Falt No.G-2, plot NO.24, Lakshmi Srivilla, Road No.2&8, Jubilee Hills, Hyderabad-500033 Father's name : Y. Sri Ramulu	52	Business	Nil	August 8, 2006 Appointed as Additional Director and to be regularized in next AGM as Director to retire by rotation.	1. Malaxmi Energy Trading Private Limited 2. Brahmani Infratech Private Limited 3. Malaxmi NBFA Ventures Private Limited 4. Malaxmi Power private Limited 5. Malaxmi Group Private Limited 6. Malaxmi Projects Private Limited 7. Lanco Global Systems Limited 8. Navabharat Power Private Limited
9	Harshraj Charandas Mariwala Director 10, Palimala Road, Salisbury Park, Bandra West, Mumbai 400050	55	Business	Nil	August 22, 2006 Appointed as Additional Director and to be regularized in next AGM as Director to retire	1. Marico limited 2. Cadbury India limited 3. Kaya skin care limited 4. Hindustan polyamides and Fibres Limited 5. MIRC Electronics Limited 6. Bombay Oil Industries Private Limited

Sr. No.	Name, Designation, Address, Occupation & Father's Name	Age	Occupation	Remuneration to be paid per annum	Date of Appointment and Term	Other Directorships
10	Father's name : Charan Das Vallabh Das Mariwala Venkata Ram Atluri Director 4392 Miller Ave, Palo Alto, CA 94306, USA Father's name : Atluri Gopala Krina Murthy	44	Business	Nil	by rotation. August 22, 2006 Appointed as Additional Director and to be regularized in next AGM as Director to retire by rotation.	7. Scientific Precision Private limited 8. Marico Bangladesh Ltd 9. MBL Industries Ltd 10. Sundari LLC 11. Marico Middle East FZE 12. Kaya Middle East FZE 1. Micronet Technologies Limited 2. Taranti Inc, USA
11	Vidya Sagar Anisingaraju Director 1193 Crestline Dr., Cupertino, California, USA Father's name : A. Venkata Ramayya Anisingaraju	44	Business	5,520,000 *	Appointed as Additional Director and to be regularized in next AGM as Director to retire by rotation.	1. InfoSTEP Inc, USA 2. InfoSTEP India Private Limited 3. ISACA Silicon Valley Chapter
12.	U. Ramakrishna Director Plot No. 8, Anupuram ECIL Post Hyderabad Father's name : U. Venkateswarulu	52	Service	600,000	30.12.2002 To retire by rotation.	1 Sai Communications and Electronics Private Limited

* The remuneration of Vidya Sagar Anisingaraju is US\$ 120,000/- (1.00 US\$ = Rs. 46.00)

Brief profile of the Directors

Dr.Venkata Ramana Rao Maganti, MD & CEO

Dr. Ramana Rao has over 20 years of rich experience in the field of embedded systems, parallel processing, multilingual software & Information Communication Technologies industry in product design & development, marketing and business development.

He holds a Bachelor of Engineering (Electrical and Electronics Engineering) from Andhra University College of Engineering, Master of Engineering (Applied Electronics) from PSG College of Technology & Ph.D (Electronics & Communication Engineering) from Jawaharlal Nehru Technological University.

Prior to promotion of MIC Electronics Limited, he worked about 2 years as lecturer in VRS Engineering College & KL College of Engineering, in A.P. and teaching various subjects in Micro Computers and guided more than 10 projects in the field of embedded Micro controllers.

He has several years of managerial experience in running the organization successfully as CEO. He is a Fellow of IETE and Member of IE (I) & ISTE.

He was invited as a speaker and chair person at several national and international technical forums like Institute of Electronics and Telecom Engineers, Institute of Engineers, India, International Trade Business Meetings, Seong Nam Business Korea.

L.N.Malleswara Rao - Director

Mr.LNM Rao, 46 years, is a Bachelor of Technology (Mechanical Engineering) from Jawaharlal Nehru Technological University (JNTU). Prior to joining the company, he is having experience in Design, Development and Quality assurance for more than a decade in Andhra Pradesh Heavy Machinery Engineering Limited (APHMEL)- a subsidiary of Andhra Pradesh Industrial Development Corporation Limited. Associated with several prestigious projects in their design development and execution in the areas of electrical and mechanical engineering. He joined MIC Electronics Limited in 1994. He is on board of the company since 1995 and contributed to the operations of the company in several areas- design, development and execution of LED Displays specifically in up gradation of mechanical designs for True colour LED video walls and other LED lighting applications. Presently he is responsible for Mechanical Design and Administration activities of the Company.

N. Sreenivasa Rao - Director

Mr.Sreenivasa Rao, 53 years is a double Post Graduate in Public Administration and Politics from Andhra University. He is having 7 years of reach experience in various administrative positions of different departments of Andhra University and more than 25 of experience in teaching at various prestigious colleges. He is advising the company in the areas of employee welfare, HR and general administration. He is Vice Chairman of DVR & Dr HS MIC College of Technology, a famous Engineering college in A.P. near Vijayawada, under Jawaharlal Nehru Technological University (JNTU), approved by All India Council for Technical Education (AICTE) and certified by ISO9000:2000. He is an over all in charge and looking after the financial and management activities of the College. He is an independent Director of the company from December 2004 and is currently member in Share holders/Investor Grievances committee of the Company.

Mr.Anil Goyal - Director

Mr.Anil Goyal, age 44 is a Chartered Accountant and practicing since 1990. His main areas of practice are Project finance, Audit and taxation.

Mangilal Kalani - Director

Mangilal Kalani is a BSc (Honours) Graduate from Osmania University and holds an MBA in Marketing. He has been an ex-banker and started his career in the financial services. He has over 15 years of experience in the marketing, financial services and business consultancy. He is a part of several business enterprises.

Somendra Khosla - Director

Somendra Khosla qualified as a Chartered Accountant in 1973 in U.K. and in 1974 he was admitted to the Indian Institute of Chartered Accountants as an Associate Member. He has worked with Touche Ross & Co. (Big Four) in their London office for two (2) years. He started his own garments business in 1975. In 1987, he set up a garment manufacturing unit in Bahrain and had employed over 450 employees by 1997. He is currently 3 nursing homes with a staff strength of over 160 employees. He has also been working as a developer in the real estate business in Dubai and has started an estate agency in Dubai in 2005.

Ranjan Kapoor - Director

Ranjan was born in Lahore on 25 November, 1942 and holds a Masters in English from Delhi University.

Ranjan Kapur is currently Country Manager - India of WPP one of the world's largest communications group and the holding company that owns JWT, Ogilvy, Grey, Y&R and Bates, some of the largest advertising agencies worldwide and in India.

Ranjan is a veteran of the advertising business having spent 40 years with Ogilvy. He was Chairman of Ogilvy India from 1993 to 2003 and is largely credited with its turnaround and accelerated growth thereafter which saw it become India's largest communications group.

He is an ex-Citibanker. Ranjan has worked in several countries with Ogilvy, including New York and in his last assignment prior to becoming Chairman of the Indian company he held a regional assignment managing Ogilvy's worldwide clients in Asia Pacific. He was based in Singapore.

He was inducted into the Worldwide Board in 1998 and was elected Vice Chairman Asia Pacific in 2001.

Ranjan is currently on the Boards of MIRC Electronics, Pidilite Industries, Annik Technologies, Eon Premedia, among others. He is also involved in his personal capacity in the development of technology based on line and mobile services companies and has substantial equity in an online publishing company, a BPO journalism company and a mobile tagging services company.

He is also Chairman of the Strategic Planning Group at Bombay First, an NGO that actively works with Government & Civic bodies for the development of Mumbai into a premier global city. Ranjan has recently been inducted into the Citizen's Action Group, a watchdog body under the chairmanship of the Chief Minister that works directly with the Government of Maharashtra towards Mumbai's development. He has also recently joined The Economic Times Marketing Editorial Advisory Board.

Y. Harish Chandra Prasad - Director

Y. Harish Chandra Prasad holds 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.

He is the Vice Chairman & Managing Director, Malaxmi NBFA Ventures Private Limited Y. Harish Chandra Prasad is involved in the business in the Infrastructure sector predominantly in India in fields like power projects, highways, railways, airports, seaports, Mass Rapid Transit System (MRTS), Property Developments, etc.

Prior to joining Malaxmi NBFA Ventures Private Limited, in December 19th, 2005, he as a Managing Director, Lanco, single handedly prime handled the project. The project construction was completed in record time overcoming many hurdles.

He was instrumental in converting LANCO from a Rs. 30 million asset base to Rs. 150 million, asset base.

Prior to taking up the assignment with Lanco he served as Director on the Boards of several companies including Navabharat Power Private Limited and Brahmani Infratech Private Limited. He is very active in a number of Industry and Business associations such as Fellow, Indian Institution of Engineers, Institute of Plant Engineers, Computer Society of India, Confederation of Indian Industry – A.P, Convenor of Infrastructure Panel, Confederation of Indian Industry, A.P. etc.

He has received awards like “Rashtriya Vikas Shiromani Award”, “Scroll of Honour”, “Business Excellence Award” etc.

Harshraj C. Mariwala - Director

A Bachelor of Commerce from Sydenham College, Mumbai, Mr. Mariwala started his career with the Bombay Oil Industries Limited (BOIL) in the year 1971. He took charge of the Marico's Consumer Products division in 1975 and functioned as its Executive Director from 1980-1990. In 1990, he took over as Chairman & Managing Director of Marico Limited.

Under his leadership, Marico, has seen transformation of a traditional commodity driven business to a leading blue-blooded FMCG business focussing on value-added products (Marico has expanded its portfolio from 2 brands in BOIL to 12 brands in Marico) and services, both in India and abroad.

Besides being the Chairman & Managing Director of Marico, Mr. Mariwala is on the Board of MIRC Electronics Limited among others.

Mr. Mariwala is also a member of the Executive Committee of the Federation of Indian Chambers Of Commerce & Industry (FICCI).

While being transformed from a Family owned and managed Company into a Listed, Professionally managed Corporation under Mr. Mariwala's leadership, Marico has won various awards for excellence, including the award for Top Performing Global Growth Company from India (1997) at the World Economic Forum, the award for the Best HR practices from the National HRD Network (1994) and the Innovative HR Practice Award at the Asia Pacific HR Conference (1999).

Atluri Venkata Ram- Director

Atluri has over 20 years of 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 a co-founder and Director of Micronet. He was also the founder and CEO of Taranti, Inc. a design services company in USA.

He consults on advanced nanometer mixed signal methodologies. Atluri 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 renewable energy.

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

Vidya Sagar Anisingaraju - Director

Vidya Sagar Anisingaraju has over 20 years of experience in the software industry in various divisions including finance, legal, IT, marketing, sales and engineering. He is currently, President and CEO of InfoSTEP Inc. His recent contribution to the industry includes product innovation and architecting analytical applications for managing Internal Controls & Assurances and Business Intelligence applications. He was a winner of 'Applications Development Trends Innovator Awards' for designing web-based Reporting Warehouse System. His current passion includes development of a ValueInnovation strategy framework that enables companies to provide highest value to their customers at lowest cost.

Prior to InfoSTEP, Mr. Anisingaraju worked as International Manager for CMC Ltd. and was responsible for managing several successful international projects, in UK, Switzerland and USA. He headed CMC's International Systems division and was responsible for its global delivery operations.

In his earlier career, Mr. Anisingaraju did pioneering work in computerization of Indian languages, design and development of solutions to generate Indian language fonts and transliteration systems. He has contributed several research papers and articles on these topics.

Mr. Anisingaraju is an invited speaker and writer at several national and international forums including Institute of Internal Auditors, Asian Institute of Technology, Bangkok, Business Objects User Conferences and others.

He holds a Masters degree from Indian Institute of Technology, Kanpur, India and a Bachelor degree in Engineering from Andhra University, Visakhapatnam, India. He is also a Certified Information Systems Auditor (CISA). Mr. Anisingaraju is an elected Director of the board of Silicon Valley chapter of ISACA, a global IT standards governance institution and serves as its Executive Vice President.

Mr.U.Ramakrishna

Mr U.Ramakrishna, 53 years of age, is a double post graduate in M.Sc(Tech) Engg: Physics from Regional Engineering College, Warangal and M.Tech in Material Science from I.I.T Kanpur. After his M.Tech at I.I.T he was appointed as Senior Research Engineer in Material Science Department, he worked for three years in areas of Silicon Metallic Glasses and Ferro magnetic materials namely Mish Metal Cobalt and Semerium Cobalt Permanent magnets, during the course of his research work he had published three papers in International Journals, his M.Tech project work on Mossbauer Spectroscopic studies of Silicon Boron Metallic Glasses was presented in a International Conference held at I.I.T Delhi in 1991.

Mr.U.Ramakrishna joined Mishra Dhatu Nigam Limited in (a Defence Public Sector) 1983. Worked for seven years till 1990 in different capacities, he was involved in development and testing of magnetic materials, gun barrels for Defence, twice in 1987 and 1988 was presented with best Engineer awards. Latter in 1991 he joined Sai Communications and Electronics Private Limited as Managing Director, under his able guidance many a Communication Products and Solar products were developed and marketed. He joined MIC Electronics Ltd: in the year 2002 and was looking after the Planning and Production Department of the company, he is also looking after the Yanam Unit Operations.

Remuneration of our Whole Time Directors

Name of the Director	Remuneration (payable p.m.) (Rs.)
M.V. Ramana Rao	125,000
L.N. Malleswara Rao	50,000
U. Ramakrishna	50,000
Vidya Sagar Anisingaraju	5,520,000*

* The remuneration of Vidya Sagar Anisingaraju is US\$ 12,000/- (1.00 US\$ = Rs. 46.00)

Payment or benefit to directors/ officers of our Company

Except as stated in section titled “**Our Management**” on page [●] of this Draft Red Herring Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our officers except the normal remuneration for services rendered as Directors, officers or employees.

Details of appointment of Managing Director and the compensation payable

Dr. M.V. Ramana Rao was appointed as Managing Director of the Company for a period of five years with effect from May 18, 1988. His appointment has been renewed on a regular basis every five years. The appointment was made pursuant to Sections 198, 269, 297, 299, 300, 309 of The Companies Act, 1956 read with the provisions of Parts I, II & III of Schedule XIII of The Companies Act, 1956. He draws remuneration of Rs. 15,00,000 per annum from the Company.

Remuneration of Non-Executive Directors

Name of Director	Remuneration (Payable P.M) (Rs)
Anil Goyal	Nil
Y.Harishchandra Prasad	Nil
Somendra Khosla	Nil
Ranjan Kapoor	Nil
Atluri Venkatram	Nil
Harsh Mariwala	Nil
Mangilal Kalani	Nil
N.Sreenivasa Rao	Nil

Property acquired by our Company from the Promoter and/or Directors within two years

Our Company has not acquired any property in last two years from the Promoter and/or Directors of our Company or from any company in which they are directly and/or indirectly related. Our Promoter/Directors do not hold any interest in any property acquired by our Company within the last two years.

Corporate Governance

We have a broad-based Board of Directors, constituted in compliance with the Companies Act. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. Our executive management provides the Board detailed reports on its performance periodically.

As on the date of filing this Draft Red Herring Prospectus, there are 12 directors on our Board. The chairman of the Board is Dr.M.V.Ramana Rao.

Committees of the Board

Our Board functions through the following committees:

Audit Committee

The members of the Audit Committee are:

- | | | |
|----|---------------------|----------|
| 1. | Mr. Anil Goyal | Chairman |
| 2. | Mr. Somendra Khosla | Member |
| 3. | Dr.M.V.Ramana Rao | Member |

The Audit was constituted on August 22, 2006. The scope and functions of the Audit Committee are as per Section 292A of the Companies Act and clause 49 of the Listing Agreement. The terms of reference of the audit committee are as follows:

- Regular review of accounts, accounting policies, disclosures, etc.
- Review of the major accounting entries based on exercise of judgment by management and review of significant adjustments arising out of audit.
- Qualifications in the draft audit report.
- Establishing and reviewing the scope of the independent audit including the observations of the auditors and review of the quarterly, half-yearly and annual financial statements before submission to the Board.
- The Committee shall have post audit discussions with the independent auditors to ascertain any area of concern.
- Establishing the scope and frequency of internal audit, reviewing the findings of the internal auditors and ensuring the adequacy of internal control systems.
- To look into reasons for substantial defaults in the payment to depositors, debenture holders, shareholders and creditors.
- To look into the matters pertaining to the Director's Responsibility Statement with respect to compliance with Accounting Standards and accounting policies.
- The Committee shall look into any related party transactions i.e., transactions of the Company of material nature, with promoters or management, their subsidiaries or relatives etc., that may have potential conflict with the interests of Company at large.
- Appointment and remuneration of statutory and internal auditors.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Audit Committee.

Investor Grievance Committee

The Investor Grievance Committee was constituted by our Directors at their Board meeting held on August 22, 2006. This Committee is responsible for the redressal of shareholder grievance. The Investor Grievances Committee consists of:

- | | | |
|----|------------------------------|----------|
| 1. | Mr. N. Sreenivasa Rao | Chairman |
| 2. | Mr. Y. Harish Chandra Prasad | Member |
| 3. | Mr. L.N.Malleswara Rao | Member |

The terms of reference of the Investor Grievance Committee are as follows:

- Investor relations and redressal of shareholders grievances in general and relating to non receipt of dividends, interest, non receipt of balance sheet etc in particular.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Shareholders and investor relations committee

Remuneration Committee

The Remuneration Committee was constituted by our Directors at their Board meeting held on August 22, 2006. The committee's goal is to ensure that the Company attracts and retains highly qualified employees in accordance with its business plans, that the Company fulfils its ethical and legal responsibilities to its employees, and that management compensation is appropriate.

The Remuneration Committee consists of

- | | | |
|----|-----------------------------|----------|
| 1. | Mr. Y.Harish Chandra Prasad | Chairman |
| 2. | Mr. Anil Goyal | Member |
| 3. | Mr. Somendra Khosla | Member |

The terms of reference of the Remuneration Committee are as follows:

- To determine the remuneration, review performance and decide on variable pay of executive directors.
- To determine the number of stock options to be granted under the Company's Employees Stock Option Schemes and administration of the stock option plan.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Compensation Committee.
- Establishment and administration of employee compensation and benefit plans.

Shareholding of the Directors

Our Articles do not require our Directors to hold any qualification shares in our Company.

Interests of Directors

All Directors of the Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under our Articles of Association. The Directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of the Company. All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives in the Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of the Draft Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Mr. M.V. Ramana Rao is entitled to receive remuneration from us. See "**Remuneration of Directors**" above.

For more details, on transactions which our Company has entered into with companies in which our Promoter and our Directors are interested, see the section titled "**Related Party Transactions**" on page [●] of this Draft Red Herring Prospectus.

All the Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by us with any company in which they have direct /indirect interest or any partnership firm in which they are partners.

Shareholding of the Directors in our Company

Names	No. of Shares held	% of shareholding
M.V. Ramana Rao	6786513	45.16
Vidya Sagar Anisingaraju	303837	2.05
Y. Harish Chandra Prasad	150000	1.00
Atluri Venkata Ram	150000	1.00
Harsh Mariwala	150000	1.00
L. N. Malleswara Rao	136375	0.91
N. Sreenivasa Rao	40013	0.27
Ranjan Kapoor	34500	0.23
U. Ramakrishnan	7500	0.05

Borrowing Powers of our Board

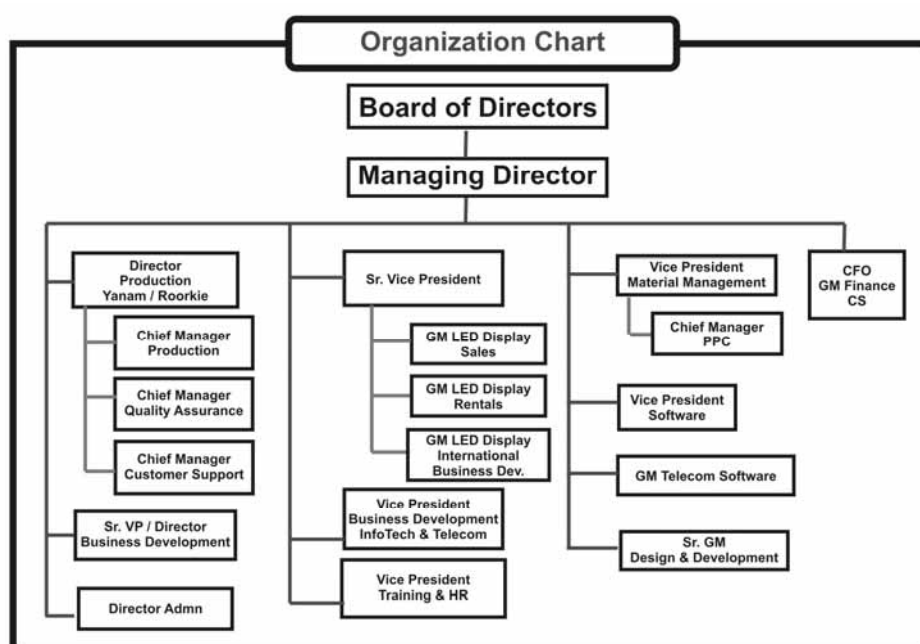
Our Articles authorise our Board, to borrow moneys and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit. See section titled “**Main Provisions of the Articles of Association**” on page [●] of this Draft Red Herring Prospectus. Our shareholders at an EGM held on February 2, 2006 authorised our Board to borrow a maximum of Rs. 250 million.

Changes in our Board of Directors in the last three years

The following changes have occurred in Board of Directors of the Company in the last three years:

Date of Appointment	Name of the incoming or out going Director	Date of Resignation	Remarks
May 21, 2001	Daggubati Purandeswari	April 9, 2004	
May 18, 2002	Uppala Ramakrishna		Appointed as additional director then regularized in the AGM
December 4, 2004	Naghabhushan Rao Birlangi	March 2, 2006	
	Nimmagadda Sreenivasa Rao		Appointed as additional directors And regularized in the AGM
January 25, 2006	Anil Goyal		Appointed as additional directors
April 1, 1999	C.Vasanth Rao	June 30, 2006	
August 8, 2006	J.Gram	August 31, 2006	Appointed as additional director and resigned
August 8, 2006	Y.Harish Chandra Prasad Mangilal Kalani		Appointed as additional directors
May 25, 1995	M.Kameswara Rao	August 8, 2006	Resigned
May 25, 1995	M.Sreenivasa Rao	August 22, 2006	Resigned
August 8, 2006	Ranjan Kapoor Harsh Mariwala Venkatram Atluri		Appointed as additional directors
October 19, 2006	Vidyasagar Anisingaraju		Appointed as additional director

Organisational Structure



Key Managerial Personnel of our Company

S.No	Name of the Employee	Qualification	Designation	Date of appointment	Activities	Present salary per annum. (in rs.)	Salary for the period 2004-05 (in rs.)
1	C.Vasantha Rao	M.Sc.MBA	Mktg-Director	01-07-2006	Marketing activities	600,000	-----*
2	C.Venkataram anaiah	B.E MBA	Director (MIC Tech Center)	23-05-2002	obtain new projects, train, coordinate enroll students	630,000	630,000
3	Y.N.V.Trinath Babu	FCA	CFO	09-08-2003	F&A Activities	576,000	576,000
4	P.Narayana	B.Tech	VP-Operations	04-01-2005	planning , coordinating, projecting, tenders, proposals, budgeting, gen.admn, liaison approvals, suggestions to D&D, follow up on deliverables, boosting sales creating revenue & general operations of the organisation	590,640	590,640
5	G.Govindappa	B.E,M.Tech	Chief-Business development& MKTG	29-04-2005	Technology scanning, project planning, Business development, Team building	600,000	600,000
6	Vijay Kumar Sappatti	D.E, M.B.A(Marketing)	G.M(Marketing &Sales)	01-09-2004	sales strategies, tenders, proposals, marketing	405,636	405,636
7	Sanjay Tara	MBA	G.M(Business Development)	01-12-2004	regional sales, tenders, proposals, liaisoning marketing	350,640	350,640
8	Amitav Bahinipati	MBA	Joint Manager	21-04-2003	Business development, Product marketing & business consulting	266,640	266,640

S.No	Name of the Employee	Qualification	Designation	Date of appointment	Activities	Present salary per annum. (in rs.)	Salary for the period 2004-05 (in rs.)
9	N.Radhesyam	B.TECH (ECE)	GM	01-04-2000	Plan direct coordinate, control & execute work innovative ideas on reduction of cost, material software & hardware develop new systems for embedded technology	1,190,640	1,190,640
10	C.Jaya Raju	M.Sc. (MATHS)	Vice President	31-07-1999	responsible for Tech center Student projects	530,880	530,880
11	B.Sridhar	M.Tech (DSCE)	Chief Manager	01-04-1995	meet customer demands in quality complete the projects, get & develop new projects	890,640	890,640
12	J.Munikanya	B.E (ECE)	G.M. (M.M.)	15-05-1994	planning & procuring materials, inventory control inventory management, budget allocations supply chain mangement	1,190,640	1,190,640
13	N.Tamma Rao	B.E (ECE)	Sr.Manager	'07-04-2004	Installations, customer care, erections, testing of LED boards	230,640	230,640
14	V.Sambaiah	D.E.C.E	Sr.Manager, MR	20-08-1993	control of all aspects of Network Engineering services, Management representative for ISO	500,000	252,000
15	T.Vikram Kumar	D.E.C.E	Sr.Manager	28-05-1996	Guiding and leading Production to achieve company's business goals responsible and accountable for manufacturing	650,640	650,640
16	J.Gram	B.Tech	Business Development-Director	01-09-2006	Business development Activities	12,00,000	-----*
17	U.S.N.V.R. Prabhu	CA	GM	15-05-2006	To look after day to day financial matters and other works relating to banks, finalisation of balancesheet	410,640	-----*

C. Vasanth Rao, Marketing Director

C.Vasanth Rao is a M.Sc. (Electronics Specialisation) from Andhra University working as Director Marketing and currently involved in marketing activities of the Company. Prior to this he has worked in the marketing department of various companies for over 16 years. He was also consultant to various electronic, packaging and vacuum product companies on technical and management aspects in number of projects for over 7 years.

C. Venkataramanaiah, Vice President (Corporate Management)

C.Venkataramanaiah is a B.E. in ECE with Gold Medal from Andhra University and MBA from IIM, Bangalore and has received several awards during his academic career as well as on the job including D. P. Agarwal Rolling Trophy from FAPCCI by the Chief Minister of Andhra Pradesh. Mr. Venkataramanaiah has about 28 years of Senior Managerial Experience and given Management Development Programmes to several batches of Senior IAS Officers and Senior Managers at the Institute of Public Enterprise, Hyderabad.

Y.N.V.Trinadha Babu, CFO

Y.N.V.Trinadha Babu is a Chartered Accountant with 20 years of rich professional experience. He was associated with reputed companies like RPG and Saint Gobains. He is presently taking care of financial activities of the Company.

P.Narayana, Vice President

Mr.Narayana is a B.Tech in Mechanical Engineering with 22 years of rich experience in business development in domestic as well as overseas markets. He is responsible for the development of LED product line business for rental / commercial applications. He is involved in marketing strategies, providing forecast data, developing proposals and establishes a solid customer network. He has insight and clear understanding of business processes. He has exceptional business analysis skills and future projection capabilities.

G.Govindappa, Chief-Business Development & Marketing

G.Govindappa is a BE & M.Tech with over 35 years of telecom business. He has worked in I.T.I. Ltd., for 23 years in various capacities upto General Manager in R&D, Manufacturing and Project Implementation. He was Vice-President in Crompton Greaves Ltd., for Telecom and IT business, Head of the above strategic unit for Operations, Business Development, Technology upgradation, Project Implementation for Railways etc., and Profit Centre Head. He widely traveled abroad and known in the Telecom Industry.

Vijay Kumar Sapatti, GM, Sales & Marketing-LED

Vijay Kumar Sapatti is an accomplished professional executive with MBA and Engineering background having more than 18 years of experience in managing sales, marketing, Brand positioning, Advertisement, operations. He is presently looking after the LED Business of the company mainly for sale of LED video walls in Domestic and International market with major roles like marketing strategy, planning and market penetration for the Display Business. He has expertise in Strategic Market Planning, New Market Penetration, Marketing Collateral Development, Market Research & Analysis, Team Building & Management, etc.

Sanjay Tara, GM, Business Development-NCR

Sanjay Tara is an MBA from Indira Gandhi open university, Delhi(IGNOU) with overall 12 years of rich industry experience. H worked in TREXIM Corporation, the marketing arm of Birla Group of companies for more than 8 years in the field of marketing, sales and business development. He is with MIC over last 1 year looking after business development in Delhi region.

Mr. Amitav Bahinipati, Manager-Business Development

Amitav Bahinipati is an MBA in Marketing with experience & cross-functional expertise in Business development, Product marketing & business consulting. He has 4 years experience and consistent record in forging strong business relationships with prospective client.

N. Radheshyam, GM, Design & Development

N.Radheshyam is a B.TECH in Electronics & Communications from K.L. College of engineering, Vijay Wada. He has fifteen years of experience in Electronic product development using microprocessors and controllers. Started his carrier as R&D Engineer currently working as GM Design & Development at MIC. Involved development of various micro controller based products and LED based electronic displays at various levels now working as team lead for a team of twenty.

C. Jayaraju, Vice President, Software

C.Jayaraju is an M.Sc in Mathematics and worked with ECIL for 25 years in its Computer Division on several Software Projects. Mr. Jayaraju worked in Solex Systems as G.M. (S/W) and was associated with a number of projects including iExpense, iProcure, iCollect Projects.

B.Sridhar, Chief Manager, Telecom Embedded Software

He is a Master of Technology (Digital Systems & Computer Electronics) from JNTU, Hyderabad. Has 10 years of experience in IT industry. He is presently in MIC as Chief Manager (TSW). He is into Project Management for DLC-NMS (NMS for Access Network Products), Project Execution for Traffic Control & Management Information System, Design, Development & Execution for Internal Fraud Detection & Management System, Project execution for IVR Systems for Telecom services.

J. Munikanya, Vice President, Material Management

J.Munikanya is a BE (Electronics & Telecommunications) from Andhra University College of Engineering. She is responsible of total procurement, stores and inventory control. She has 20 years of experience in different fields of Electronics industry. Prior to MIC, she worked for 8 years in Marine & Communications Electronics Ltd which is a state government undertaking where she worked in R& D, production, production planning & control.

N.Tamma Rao, Chief Manager, Customer Support

N.Tamma Rao is a B.E. (E.C.E.) from Andhra University College Of Engineering, Vizag. He has worked in different organizations over 20 years. Involved in Designing of components for CTV, Colour Monitors, PPC, Customer Support Etc. Presently he is working as Sr. Manager as H.O.D, Customer Support & Document Control.

V. Sambaiah, Chief Manager, Wireless Communications

V.Sambaiah is an LE & CE qualified with distinction, having more than 18 years of rich hands on Telecom industrial experience. He has hands on experience in the field of Design & Development, Production, Installation Commissioning, Operation & Maintenance and Servicing of DLC on STM-1 SDH Ring systems, Digital Line Concentrator Systems, XDSL Systems, PCO Call Monitors, LED Display Systems, RF Telecom Equipment (MARR & MW), Base Transceiver Station (BTS), IFWTs, etc. He also coordinates with TEC, QE and QA wings of DOT / BSNL for type approval and certification. He is presently heading a Network Engineering and Services Division (NESD), taking up Installation and Commissioning of the Telecom activities on turnkey basis for OEMs and TSPs.

T. Vikram, Chief Manager

T.Vikram has more than 19 years of rich hands on experience in Telecom, RF & MICROWAVE equipment manufacturing industries. He has worked at various positions in both public and private organizations. He has two years experience in RF telecom equipment manufacturing industry in Malaysia. He has hands on experience in the field of Production, Installation Commissioning, Operation & Maintenance and Servicing of DLC on STM-1 SDH Ring systems, Digital Line Concentrator Systems, HDSL Systems, PCO Call Monitors, Mobile and fixed LED Electronic Moving Display Systems of various types, Hand held computers, Queuing systems etc. He is presently heading the production, production planning & control departments taking up Production and Planning activities.

J.Gram, Business Development Director

J.Gram is a B.Tech Graduate and started his career in Marketing in 1983. He worked as Director (Marketing) in various companies like Leader Rubbers Pvt. Ltd, Reliance Nirman co. Hyderabad, City Online Services Ltd. He has excellent public relations within in the industry and he is in charge of projects related with government agencies in LED displays as well as LED lighting. He has been working for Reliance Industries Ltd for the last 4 years as a State Coordinator. He was instrumental in obtaining several Government clearances for them including tying up several agreements and acquiring several properties for Reliance group.

U.S.N.V.R.C.Prabhu, General Manager, Finance

U.S.N.V.R.C Prabhu is a Chartered Accountant with 16 years of rich professional experience. He was associated with reputed companies like Ushodaya Enterprises Limited, (Eenadu Group), Kala Jyothi Process Private Limited, and C A firms like Chowdary Basu & Ray and N.C.Meher & Co. He is presently taking care of finance Department of the Company.

All our key managerial employees are permanent employees of our Company and none of our key managerial employees are related to each other or to the management of our Company.

Shareholding/Interest of the Key Managerial Personnel

Names	No. of Shares held	% of shareholding
C. Vasantha Rao	16000	0.11
C. Venkataramanaiah	2500	0.02
Y.N.V. Trinath Babu	14000	0.09
P. Narayana	9000	0.06
G. Govindappa	3000	0.02
Vijay Kumar Sappatti	2500	0.02
Sanjay Tara	2500	0.02
Amitav Bahipathi	2000	0.01
N. Radhesyam	27782	0.18
C. Jaya Raju	8540	0.06
B. Sridhar	19533	0.13
J. Munikanya	26028	0.17
N. Tamma Rao	4000	0.03
V. Sambaiah	13439	0.09
T. Vikram Kumar	13439	0.09
J. Gram	4000	0.03
U.S.N.V.R. Prabhu	3000	0.02
	153261	1.03

Changes in the Key Managerial Personnel

The following are the changes in our key managerial personnel since the last three years:

Name of the Employee	Date of Resignation	Date of Appointment	Reason for Leaving
Ms. D. Raja Kumari	July 15, 2005	November 7, 1991	Better prospects in Telecom
Mr. B.V. Ramana	April 8, 2005	July 1, 1994	Better prospects in Telecom

Bonus or Profit Sharing Plan for the Key Managerial Personnel

There is no bonus or profit sharing plan for the key managerial personnel of our Company.

Employees

We believe that a motivated and empowered employee base is key to our competitive advantage. We have employed directly 285 Employees as detailed below:

Description	Number of employees
Permanent	178
Trainees	78
Casual	30
Total	286

The department wise break up of employees is given below:

Department	Number of Employees
Finance and Accounts	11
HR and Administration	15
Marketing	12
Material Management	12
Production	30
Quality Assurance	03
Production Planning Control	02
Network Engineering Services	04
Customer Support and Document Control	27
MIC Tech Centre	03
Yanam Unit	02
Research and Development	56
Trainees	79
Casual (under contractor)	30

Payment or benefit to officers of the Company

Except statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company.

Our ESOP has been approved by the shareholders in the Extra Ordinary General Meeting held on August 12, 2006 at Hyderabad, the details are as follows:

Particulars	Employee Stock Option Plan – 2006 (“ESOP”)
Adoption Date (date of adoption by the Board and shareholders)	Adopted by the Board of Directors of the Company on July 18, 2006 and by the shareholders on August 12, 2006
Effective Date of Allotment to Trust	October 19, 2006
Total No of options to be granted	900,000 options are permitted to be granted under the ESOP.
Total No of Equity Shares to be issued upon conversion of the options	900,000 equity shares (each option is convertible into one equity share)
Eligibility	Options under the Company’s ESOP may be granted to select employees and directors (excluding promoter directors) of the Company who are in permanent employment of the Company and its subsidiaries in India and outside India as per discretion of the Compensation Committee constituted by the Board of Directors of the Company for this purpose
Offer date	Will be decided by the Compensation Committee when the options are granted to the employees
Vesting requirement and exercise period	Options granted to an employee under this ESOP shall vest in the manner set out in Schedule A below:
Exercise price/pricing formula	The exercise price shall be decided by the Compensation Committee from time to time

No of options granted and vested till date	624206
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Schedule A:

Period	Percentage of options			
	Grade - A Ten and above years of service in the company	Grade - B Seven and above years of service in the company	Grade - C Three and above years service in the company	Grade - D Two and above years of service in the company
At the beginning of the first year from the date of grant	70%	60%	40%	25%
At the end of the second year from the date of grant	15%	20%	35%	35%
At the end of the third year from the date of grant	15%	20%	25%	40%

Note: Pursuant to clause 7 of the MIC Electronics Limited Employees Stock Option Plan 2006 ("Plan"), the Compensation Committee can waive the vesting period and allot the shares evidenced by the options to eligible employees.

By a resolution dated October 24, 2006 the Compensation Committee has pursuant to the power conferred by clause 7 of the Plan allotted 624206 shares for FY 07 to eligible employees.

Details of Total Options vested/allotted and granted for the following years:

FY 07		FY 08		FY 09	
Options granted	No of Equity Shares (of Rs 10 each) issuable upon exercise of options	Options granted	No of Equity Shares (of Rs 10 each) issuable upon exercise of options	Options granted	No of Equity Shares (of Rs 10 each) issuable upon exercise of options
624206	624206	138818	138818	136976	136976

Details of Options granted to Directors and Key Managerial Personnel are set forth below:

S. No	Name of the employee	Total Options	Allotted FY 07	FY 08	FY 09
Directors					
1	Vidya Sagar Anisingaraju	95279	95279	0	0
2	L.N.Malleswara Rao	21500	16000	2750	2750
3	U.Ramakrishna	21500	7500	7000	7000
Key Managerial Persons					
1	N.Radhesyam	39688	27782	5953	5953
2	J.Munikanya	37183	26028	5578	5577
3	B.Sridhar	27905	19534	4186	4185
4	C.Vasantha Rao	21500	16000	2750	2750
5	Y.N.V.Trinadha Babu	21000	14000	3500	3500
6	V.Sambaiah	19198	13439	2880	2879
7	T.Vikram Kumar	19198	13439	2880	2879
8	P.Narayana	14750	9000	2875	2875
9	C.Jayaraju	14234	8540	2847	2847
10	Vijay Kumar Spatti	9301	2500	3174	3627

S. No	Name of the employee	Total Options	Allotted FY 07	FY 08	FY 09
11	J.Gram	9000	4000	2500	2500
12	U.S.N.V.R.C.Prabhu	8500	3000	2750	2750
13	Sanjay Tara	8485	2500	2793	3192
14	G.Govindappa	8000	3000	2500	2500
15	N.Tamma Rao	8000	4000	2000	2000
16	Amitav Bahinipati	6568	2000	2132	2436
17	C.Venkata Ramanaiah	5500	2500	1500	1500

OUR PROMOTER AND GROUP COMPANIES



Dr. Maganti Venkata Ramana Rao

Voter ID Number	PAP -167998001165
PAN	ACQPM1488E
Passport Number	Z1253689
Driving License Number	14470/RRD/2000
Bank Account Number	ICICI-006901003806 SBI-10261585769

Dr. Maganti Venkata Ramana Rao is 46 years old and a B. E. (Electrical & Electronics Engineering) from Andhra University College of Engineering, M.E. (Applied Electronics) from PSG college of Technology & Ph.D (Electronics & Communication Engineering) from Jawaharlal Nehru Technological University . He is the main promoter of the Company and has about 22 years of valuable experience in Telecom, Electronics & Embedded System Products development. He has several years of managerial experience in running the organisation successfully as CEO and is a Fellow Member of IETE and Member of IE (I), ISTE. He has published 9 Technical Papers in National & International Journals and conferred with various honours such “Best Entrepreneur” in 1990 from the Government of Andhra Pradesh.

He headed our R&D for more than 18 years and has developed various embedded software, hardware and middleware modules for single, multi, full color multi lingual, parallel processing based LED graphic/video display systems, various projects in wire line, wireless and fiber communication systems.

Under his leadership our company has won various awards for excellence like best R&D award in Electronic sector in 2002 from DSIR, Ministry of science & technology, Govt of India. The product LED Video Display entered in Hall of Fame of Indian innovators Forum.

The permanent account number, bank account number and passport number of the Promoter will be submitted to the Stock Exchanges at the time of filing of this DRHP.

Further, our Promoters and Promoter group entities, including relatives of the Promoters have confirmed that they have not been detained as wilful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or are pending against them.

Our Promoter has not been restricted from accessing the capital markets.

Common Pursuits

Our Promoter does not have interest in any venture that is involved in any activities similar to those conducted by our Company or any of its subsidiaries.

Interest of Promoter

The Promoter may be deemed to be interested to the extent of shares held by him, his friends or relatives, and benefits arising from his holding directorship, in the Company. The Promoter does not have any interest in any property acquired by the Company within two years of the date of this DRHP or proposed to be acquired by it.

Payment or benefit to Promoter of the Company

Except the remuneration paid to our promoter in his capacity as director there has been no payment of benefit to our promoter during the last two years from the date of filing DRHP.

Promoter Group

Sr. No.	Name of Relative	Relationship with Promoter	No. of equity shares held as on date of filing of DRHP	Pre-issue shareholding percentage
1.	Dr. M V. Ramana Rao	Promoter	6,786,513	45.16
2.	M. Usha Rani	Spouse	121,002	0.81
3.	M. Ramachandra Rao	Father	108,308	0.72
4.	M. Dhanakoteswaramma	Mother	96,128	0.64
5.	M. Sreenivas Rao	Brother	126,965	0.84
6.	K. Sitaramalakshmi	Sister	18,450	0.12
7.	M. Chaitanya Deepthi	Daughter	75,000	0.50
8.	M. Chaitanya Keerti	Daughter	75,000	0.50
9.	M. Chaitanya Pavan	Son	75,000	0.50
10.	P. Hanumantha Rao	Spouse's Father	Nil	Nil
11.	P. Narendra Babu	Spouse's Brother	Nil	Nil
12.	P. Koteswara Rao	Spouse's Brother	Nil	Nil
13.	P. Rajyalakshmi	Spouse's Mother	Nil	Nil

Promoter Group Companies

The following companies form part of the group:

1. MIC Technologies (AUST) PTY Limited

The company was incorporated on September 2, 2004 with the object of *inter alia* rendering media and marketing, advertising services.

Board of Directors

1.	Ramana Murthy Telugu Venkata	Director	6-10-12, Rickard Street, Merrylands, NSW, Australia - 2160
2.	Dr. M. V. Ramana Rao	Director	301, Tirumala Classic, Road

			No.8, West Marred Pally, Hyderabad-28, India
3.	Paul Hager	Director	89, Waratah St Oatley,NSW, Australia-2223

Financial Highlights

(Rs. in Million)

Particulars	For the year ended June 30, 2005	For the period ended June 30, 2006
Total Income	15.66	25.04
Profit/Loss After Tax	(1.50)	0.71
EPS (Rs.)	(13686)	6455
Paid up Share Capital	0.003	0.003
Reserves and Surplus	(1.466)	(0.792)
NAV (Rs.)	(13300)	(7164)

Shareholding Pattern

The shareholding pattern of the company is as follows:

Sl No	Name of the Shareholder	No. of Ordinary Shares	%
1.	Paul Hager Unit 3,35-37 Canberra Road, Sylvania, NSW2224	3	2.73
2.	MIC Electronics Ltd A-4 Electronic Complex Kushaiguda,Hyderabad-62 India	99	90
3.	MSPV Trading Pvt Ltd Unit 6,12 Richard Street, Merrilands, NSW 2160	1	0.91
4.	Telugu Suvarna Kumari Unit 6,12 Richard Street, Merrilands, NSW 2160	4	3.64
5.	Rodrigues Pravin Level 2 66 Albert Road, Sout Melbourne, VIC 3205	3	2.73
	Total	110	100

2. InfoSTEP Inc, USA

The company was incorporated on February 9, 1998 with the object of providing computer software services. It provides high value-added professional services to blue chip companies in the areas of business intelligence, corporate governance and information technology. As part of its deep knowledge in those areas, the company has also developed software suites in the areas of survey management and corporate governance.

Board of Directors

1.	Vidya Sagar Anisingaraju	Director	1193 Crestline Dr, Cupertino, CA 95014 USA
2.	Sanjeev Kumar	Director	898,Hazelnut Ct, Sunnyvale, CA 94087 USA

Financial Highlights (Unaudited)

The management of InfoSTEP Inc, USA have provided a legal opinion from Orlando, Mitts, Moore & Company, an accountancy corporation, having their office at 675, North, First Street, Suite 1200, San Jose, CA 95112 dated September 11, 2006 which states that in the United States there is no statutory or compulsory financial audit requirements for a closely held non-public company, such as InfoSTEP Inc..

(Rs. in Million)

Particulars	For the year ended December 31, 2004	For the year ended December 31, 2005
Total Income	131.21	186.80
Profit/Loss After Tax	6.70	11.97
EPS (Rs.)	0.83	1.43
Paid up Share Capital	0.87	0.90
Reserves and Surplus	13.83	26.28
NAV (Rs.)	1.81	3.24

Shareholding Pattern

Our Company is holding 50.01% of the paid up capital of InfoSTEP Inc. The shareholding pattern of the company is as follows:

Sl No	Name of the Shareholder	No. of Ordinary Shares	%
1.	MIC Electronics Limited	4,197,066	50.01
2.	Vidya Sagar Anisingaraju 1193 Crestline Dr, Cupertino, CA 95014 USA	2,161,520	25.76
3.	Sanjeev Kumar 898,Hazelnut Ct, Sunnyvale, CA 94087, USA	1,513,058	18.03
4.	Suryanarayana VN Vinjanuri 10100 Torre Avenue, #177; Cupertino, CA 95014 USA	249,950	2.98
5.	Hasit Bhatt 20060 Rodrigues Av, #J, Cupertino, CA95014	149,970	1.79
6.	Tarakam Peddada 10705 Tressler Ct. Cupertino, CA 95014	118,726	1.4
7.	Nandakishore Mallapragada 444, Saratoga Ave, #29A Santa	1,664	0.02

	Clara, CA 95050		
8.	Tina Singh 1229 Whitaker Way Menlo Park, CA 94025	500	0.01
	Total Outstanding Shares	8,392,454	100.00

3. MIC Middle East FZ LLC

The company was incorporated on August 5, 2004 with the object of *inter alia* doing business sales and marketing of LED Display Systems, Outdoor Advertising, etc.

Board of Directors

1.	Somendra Khosla	Director	Villa No. 5/43, Jumeriah Island P. O. Box 48972 Dubai, UAE
2.	Dr. M. V. Ramana Rao *	Director	301, Tirumala Classic, Road No.8, West Marredpally, Hyderabad-28, India
3.	Mangilal Kalani	Director	Real Estate Dept (Um Hurair Bldg) Flat No. 406, 318/24 Street ZA Abeel Road Post Box No. 43832 Dubai, UAE
4.	M. Srinivasan Muralidharan	Director	New No 109, "HRISHA", Sathyadev Avenue, MRC Nagar, Chennai - 600028

* In the process of being transferred.

Financial Highlights

(Rs. in Million)

Particulars	For the period commencing August 4, 2004 till December 31, 2005 *
Total Income	Nil
Profit/Loss After Tax	(3599256.99)
EPS (Rs.)	N.A.
Paid up Share Capital	1223800
Reserves and Surplus	(3599256.99)
NAV (Rs.)	(23754.57)

* A consolidated financial statement has been prepared for the 18 months commencing from incorporation of the company and ending on close of its regular financial year ending December 31, 2005.

Shareholding Pattern

Our Promoter is holding 25% of the paid up capital of MIC Middle East FZ LLC. The shareholding pattern of the company is as follows:

Sl No	Name of the Shareholder	No. of Ordinary Shares	%
1.	Somendra Khosla	25	25
2.	Dr. M. V. Ramana Rao	25	25
3.	Mangilal Kalani	25	25
4.	M. Srinivasan Murakidharan	25	25
	Total	100	100

Our promoter Dr M.V.Ramana Rao was associated as a Director in Innova Technologies Limited, 3rd Floor, Surya Towers, Sardar Patel Road, Secunderabad-500003, which is in the business of telecom operators , development of software for providing telecom services, dealing in telecom products and manufacture, sale, import export of telecom cables and related activities.

Dr M.V.Ramana Rao held 10000 Equity Shares amounting to 19.05% in the paid up capital of the Innova Technologies Limited and disassociated with the company in August 2006 due to his pre occupation in his own LED business and he is no more a director or a shareholder of Innova Technologies Limited.

RELATED PARTY TRANSACTIONS

(Rs. in Million)

Name of related party	Nature of Transaction	For the year ended				
		June 30, 2002	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006
MIC Digital Media Vizag (P) Ltd.	Investment in associate Co.	-	-	-	-	5.80
Micronet Technologies Ltd.	Investment in associate Co.	15.50	-	-	-	-
Micronet Technologies Ltd.	Purchase of Capital items from associate Co.	-	2.00	3.18	3.64	10.99
Micronet Technologies Ltd.	Advances given	-	0.93	12.76	22.41	11.13
M.D. & Directors	Remuneration	1.83	2.67	3.72	3.72	3.84
M.D,	Rent for accommodation	0.05	0.09	0.15	0.16	0.17

EXCHANGE RATES

For details, please refer to Section titled “**Risk Factors**” on page [●] of this Draft Red Herring Prospectus.

CURRENCY OF PRESENTATION

For details, please refer to Section titled “**Risk Factors**” on page [●] of this Draft Red Herring Prospectus.

DIVIDEND POLICY

No dividend is paid by the company during last 5 years

V. FINANCIAL STATEMENTS

AUDITORS REPORT

The Board of Directors
M/s. MIC Electronics Limited
A4, Electronic Complex
ECIL Post, Kushaiguda
Hyderabad – 500 062

Re: Public issue of MIC Electronics Limited

Dear Sir,

We have examined and found correct the Audited Accounts of MIC Electronics Limited ('The Company') for the past five financial years ended on June 30 2002, 2003, 2004, 2005 and 2006 being the last date up to which the accounts of the Company have been made up and audited by us. At the date of signing this report, we are not aware of any material adjustment, which would affect the result shown by these accounts drawn up in accordance with the requirements of Part II of Schedule II to the Companies Act, 1956.

In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 (the Act), and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (SEBI Guidelines) for the purpose of the Offering Memorandum as aforesaid, we report that:

- a. We have examined the attached restated Profits & Loss Statement of the Company for the financial years ended June 30 2002, 2003, 2004, 2005 and 2006 are as set out in **Annexure I** to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustment and regroupings as in our opinion are appropriate and more fully described in the Significant Accounting Policies and Notes on Account appearing in **Annexure III and IV** respectively to this report. We have set out in **Annexure IA and IB** respectively the notes on adjustments and the impact on the Profit & Loss due to restatement.
- b. We have examined the attached restated assets and liabilities of the Company as at June 30 2002, 2003, 2004, 2005 and 2006 are as set out in **Annexure II** to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the Notes on Accounts appearing in **Annexure IV** to this report.
- c. We have examined the attached restated Summary of Assets and Liabilities as at June 30 2005 and 2006 as set out in **Annexure XXI**, Summary of Profit and Loss account financial years ended June 30 2005 and 2006 as set out in **Annexure XXII**, Summary of cash flow statement relating to the Company for the year ended June 30, 2006 appearing in **Annexure XXIII** and Summary of Notes & Significant Accounting Policies (together referred to as 'financial statements') appearing in **Annexure XXIV**, of the accounts of the subsidiary i.e MIC TECHNOLOGIES (AUST) PTY LTD. The accounts of the subsidiary for these years/periods have been made up and approved by the Board of Directors of the subsidiary. We have relied on the relevant accounts of the subsidiary, which have been audited and reported by CNR Accounting & Taxation
- d. Based on our examination of these Restated Summary Statements we confirm that:
 - i. The accounting policies have been consistently applied by the Company and are consistent to those used in previous year except as disclosed in **Annexure IA**.
 - ii. There are no extra ordinary items in the period covered by the Restated Summary Statement.
 - iii. There have been no material prior period items which required adjustments in the restated financial statements.

- iv. There are no qualifications in the auditor's report in the period covered by the Restated Summary Statements except as disclosed in **Annexure XVIII**.
- e. We have been informed that MIC Electronics Limited have vide an Agreement dated October 03, 2006 acquired 50.01% shareholding of InfoSTEP Inc, USA making it a subsidiary of the Company. Further, we have enquired of the officials of InfoSTEP Inc. for its Audited Financial Statements. We have been informed that Infostep Inc does not have to conduct an Audit process for the finalisation of its Financial Statements. Further, such officials have provided an opinion by Orlando, Mitts, Moore & Company – An Accountancy Corporation having its office at 675, North First Street, Suite 1200, San Jose, CA 95112, wherein they have opined that “Info Step, Inc is a closely held private company and is therefore not subject to a US Audit requirement”. A copy of the said opinion is attached as **Annexure XXV**. We have reproduced the Unaudited Summary of Profit and Loss account as set out in **Annexure XXVI**, Summary of Assets and Liabilities as set out in **Annexure XXVII** and Summary of cash flow statement as set out in **Annexure XXVIII** for the year ended December 31, 2002, 2003, 2004 and 2005 provided by the officials of Infostep Inc. USA. Further, we have been informed that Infostep Inc has a 99.99% subsidiary in India Infostep India Private Limited incorporated on September 21, 2006, we have been informed by the officials of Infostep India Private Limited that no Audited Financials Statements have been prepared on account of its recent incorporation.
- f. We have examined the cash flow statement relating to the Company for the year ended June 30, 2005 and 2006 appearing in **Annexure V** to this report.
- g. The rates of dividends paid by the Company in respect of the financial years ended June 30 2002, 2003, 2004, 2005 and 2006 are as shown in **Annexure VI** to this report.
- h. We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offer document:
 - i. Performance Ratios as appearing in **Annexure VII** to this report;
 - ii. Capitalization Statement as at 30th June 2006 as appearing in **Annexure VIII** to this report;
 - iii. Statement of tax shelters as appearing in **Annexure IX** to this report;
 - iv. Details of other income as appearing in **Annexure X** to this report;
 - v. Details of sundry debtors as appearing in **Annexure XI** to this report;
 - vi. Details of loans and advances made to persons or Companies in whom/in which Directors are interested as appearing in **Annexure XII** to this report;
 - vii. Details of unsecured loans as appearing in **Annexure XIII** to this report;
 - viii. Details of secured loans as appearing in **Annexure XIV** to this report;
 - ix. Details of transactions with related parties as appearing in **Annexure XV** to this report;
 - x. Details of aggregate value and market value of quoted investments as appearing in **Annexure XVI** to this report;
 - xi. Details of contingent liabilities as appearing in **Annexure XVII** to this report;
 - xii. Details of qualifications appearing in the audit Report as given in **Annexure XVIII** to this report;
 - xiii. Details of changes in Significant Accounting Policies as given in **Annexure XIX** to this report;
 - xiv. Details of Export Obligations as given in **Annexure XX** to this report.

In our opinion the above financial information of the Company read with Significant Accounting Policies and Notes on Account attached in **Annexure III & IV** respectively to this report, after making adjustments and regroupings as considered appropriate has been prepared in accordance with paragraph B (1) Part II of Schedule II of the Act and the SEBI Guidelines.

This report is intended solely for your information and for inclusion in the Offer document in connection with the specific Public Offer of equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our written consent.

**For PINNAMANENI & CO.,
Chartered Accountants**

P.V.V.SATYANARAYANA

Partner

Membership No. 26600

Date: November 1, 2006

Place: Hyderabad

Annexure – I
Summary of Profit & Loss Account, As Restated

(Rs.in million)

Particulars	For the year ended				
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
<u>INCOME</u>					
<u>SALES</u>					
Of Products Manufactured by the Company	118.05	394.25	133.52	248.42	1013.94
Of products Traded by the Company	5.46	23.98	0.24	4.07	4.29
Increase/ (Decrease) in stocks	16.01	7.49	23.81	-40.7	25.25
Other Income	1.70	3.68	1.3	0.15	0.64
Total	141.22	429.4	158.87	211.94	1044.12
<u>EXPENDITURE</u>					
Material Consumed	68.3	267.05	99.83	115.77	704.17
Manufacturing Expenses	11.53	22.64	17.32	25.53	80.81
Personnel Expenses	11.08	14.22	10.74	12.69	28.16
Other Operating Expenses	5.91	31.95	8.4	9.6	7.43
Excise Duty	6.95	32.67	1.45	3.33	14.74
R&D Expenditure	12.08	21.2	2.96	4.84	7.88
Total	115.85	389.73	140.7	171.76	843.19
Profit before Interest, Depreciation and Tax	25.37	39.67	18.17	40.18	200.93
Depreciation	4.79	5.51	6.72	7.13	15.84
Profit before Interest and Tax	20.58	34.16	11.45	33.05	185.09
Interest & Finance Charges	8.98	8.81	7.18	14.86	17.38
Net Profit Before Tax	11.60	25.35	4.27	18.19	167.71
Provision For Taxation:					
Current Tax (incl. Fringe Benefit Tax)	0	3.85	0.5	0	18.08
Deferred Tax	0	2.41	0.54	-3.25	-5.13
Net Profit After Tax	11.60	19.09	3.23	21.44	154.76
Impact of material adjustment for restatement in corresponding years (See Annexure-IB)	-0.16	-9.21	0	0.00	1.20
Net profit after tax after adjusting prior period item	11.44	9.88	3.23	21.44	155.96

Annexure – I-A

Notes on adjustments for restated financial statements:

Change in Accounting Policies:

- 1. Leave Encashment:** The Company has changed the basis of providing leave encashment provision on accrual basis in 2002-03, the company was charging leave encashment expenditure on cash payment basis till 2001-02. Hence, an amount of Rs.0.16 million was now charged in 2001-02 towards leave encashment provision for the respective year.
- 2. Deferred Tax Adjustment:** The Company has accounted for deferred tax adjustment for the first time in 2002-03 as per Accounting Standard 22 “Accounting for taxes on income issued by the Institute of Chartered Accountants of India”. Hence the provision of Rs.8.97 million was made in 2002-03.
- 3. Provision for Gratuity:** The Company had provided gratuity in the FY 2005-06 on actual liability basis, however as per Accounting Standard AS 15, the gratuity provision is to be made on actuarial basis. The excess provision for gratuity liability in the books of accounts is Rs 1.2 million.

Annexure – I-B

STATEMENT OF IMPACT ON PROFIT AND LOSS DUE TO RESTATEMENTS AND OTHER MATERIAL ADJUSTMENTS MADE TO AUDITED FINANCIAL STATEMENTS

(Rs. in million)

Particulars	For the year ended				
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Net Profit after tax as per audited Profit & Loss Account	11.60	19.09	3.23	21.44	154.76
Add/ (Less) adjustment for :					
Income tax provided in 2005-06		-0.24			
Provision for earned leaves	-0.16				
Excess Provision for Gratuity					1.20
Provision for Deferred Tax		-8.97			
Total Adjustment	-0.16	-9.21	0	0.00	0.00
Adjusted Net Profit after tax	11.44	9.88	3.23	21.44	155.96

Annexure – II
Summary of Assets and Liabilities, As restated

(Rs.in million)

Particulars		As at				
		FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
A	FIXED ASSETS					
	Gross Block	81.36	101.38	104.74	228.98	249.75
	Less: Depreciation	21.08	26.58	33.30	39.71	55.42
	Net Block	60.28	74.80	71.44	189.27	194.33
	Less : Revaluation Reserve	0.00	0.00	0.00	0.00	0.00
	Net Block after adjustment for Revaluation Reserve	60.28	74.80	71.44	189.27	194.33
	Capital Work in Progress	2.85	0.00	38.83	0.00	23.76
	Total Fixed Assets (A)	63.13	74.80	110.27	189.27	218.09
B	INVESTMENTS (B)	15.50	15.50	15.50	15.50	6.30
C	CURRENT ASSETS, LOANS AND ADVANCES					
	Inventories	41.68	58.70	82.06	45.52	91.39
	Sundry Debtors	89.39	41.10	36.60	94.22	347.24
	Cash and bank Balance	4.76	9.75	10.09	7.02	15.18
	Loans and Advance	15.22	23.83	75.48	45.98	81.97
	Total (C)	151.05	133.38	204.23	192.74	535.78
D	LIABILITIES AND PROVISIONS					
	Secured Loans	54.39	48.00	101.97	147.23	187.55
	Unsecured Loans	1.61	4.05	0.08	0.20	0.00
	Current Liabilities	59.06	32.97	39.20	44.03	53.79
	Provisions	4.10	8.19	9.03	5.02	21.28
	Deferred Tax liability	0.00	11.39	11.93	8.69	3.55
	Total (D)	119.16	104.60	162.21	205.17	266.17
E	NET WORTH (A+B+C-D)	110.52	119.08	167.79	192.34	494.00
F	REPRESENTED BY:					
	Share Capital	48.92	60.73	82.17	82.17	89.67
	Share Application Money	13.40	0.13	0.98	4.09	0.42
	Total Reserves and Surplus	48.20	58.22	84.64	106.08	403.91
	Less Revaluation Reserves	0.00	0.00	0.00	0.00	0.00
	Net Reserve and Surplus	48.20	58.22	84.64	106.08	403.91
	Miscellaneous Expenditure	0.00	0.00	0.00	0.00	0.00
	NET WORTH	110.52	119.08	167.79	192.34	494.00

Annexure - III

I. SIGNIFICANT ACCOUNTING POLICIES:

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

S.No.	Accounting Policies	AS No
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.	AS-1
2	Valuation of Inventories: (a) Raw Materials and Work in Progress are valued at cost. (b) Stock-in-Trade is valued at cost or realisable value whichever is less. (c) CENVAT & VAT on purchase of rawmaterial/components are deducted from cost of such materials.	AS-2
3	Cash Flow Statements: Cash flow statement is prepared and is forming part of the financial statements.	AS-3
4	Contingencies and events occurring after the balance sheet date (a) Contingent Liabilities not provided for: Nil (b) Capital Commitment not provided for: Nil	AS-4
5	Net Profit or Loss for the period, prior period items and changes in accounting policies <u>Net profit for the period:</u> All items of income and expenses in the period are included in the determination of net profit for the period, unless specifically mentioned elsewhere in the financial statements or is required by an Accounting Standard <u>Prior period items</u> Nil <u>Accounting policies:</u> There are no changes in the accounting policies of the Company from that of the previous year.	AS -5
6	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.	AS-6
7	Accounting for Construction contracts The above Standard is not applicable to the Company, as it is not engaged in the business of construction.	AS-7

8	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	AS-9
9	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.	AS-10
10	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.	AS-11
11	Accounting for Government Grants Since the company has not received any grants, this accounting standard is not applicable	AS-12
12	Accounting for Investments All investments are Long-term investments and are carried at cost.	AS-13
13	Accounting for Amalgamation - Not applicable	AS-14
14	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.	AS-15
15	Borrowing Cost Borrowing Cost on qualifying asset is commenced for capitalization when the expenditure on Qualifying asset and borrowing cost are incurred. The company had not acquired any assets against borrowings in the year and hence it is not applicable in the year.	AS-16
16	Segment Reporting We do not recognized revenue on segmental basis. Therefore it is not applicable.	AS-17
17	Related party Disclosure	AS-18

	The company has entered into transactions with related parties and the said information is shown separately.	
18	Leases The company had not acquired any assets under Lease. Hence the accounting standard is not applicable	AS-19
19	Earnings Per Share The company follows the relevant AS and the disclosures made accordingly.	AS-20
20	Consolidated Financial Statements The company had not made consolidated financial statements. Hence this standard is not applicable.	AS-21
21	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.	AS-22
22	Accounting for investments in associates Investments in associates is valued at cost of investment.	AS-23

Annexure - IV

Notes To Accounts:

1. Contingent liabilities as per **AS-4** not provided for on account of :

(Rs in millions)

S. No.	Particulars	As at 30.06.06	As at 30.06.05
A	Counter guarantees given by the company to banks towards issue of B.Gs.	21.18	29.52
B	Counter guarantees given by the company to banks towards issue of B.Gs to Customs Dept. against advance licenses	3.05	0.89
C	Bonds executed to Customs Deptt.(net of BGs) against advance licenses	8.19	-
D	Letter of credits issued by bankers	10.19	8.37

2. Loans:

Working Capital Loans:

- a) State Bank of India is secured by 1st charge on chargeable current assets of the Company. SBI also has 1st charge on machinery of the company to the extent of Rs.41.85 million. On the remaining fixed assets and immovable properties, SBI has 2nd charge, first charge being with UCO Bank.
- b) SBI is further secured by personal guarantees of three of the following Directors of the company.
 1. Dr M V Ramana Rao
 2. Mr L N Malleswara Rao
 3. Mr N. Srinivasa Rao

Term Loans:

- a) UCO bank is secured by 1st charge on immovable property situated at Kushaiguda, RR Dist. and plant and machinery, Furniture and fittings and 2nd charge on all chargeable current assets, machinery worth Rs.41.85 million (1st charge being with SBI for working capital).
- b) Technology Development Board is secured by all assets pertaining to the development and commercialization of the LED TV / Electronic Display system project along with personal guarantees of Dr.M.V. Ramana Rao, Managing Director and Shri M.Kameswara Rao.
- c) Small Industries Development Bank of India is secured by all assets acquired for the development project of STM-1 Optimux along with Personal guarantees of two of the Directors of the Company.
- d) National Research Development Corporation is secured by all the machinery and equipments acquired for the development of "Fraud Management and Control Centre (FMCC)".

3. Loans outstanding against purchase of vehicles are secured by hypothecation of the same.

4. Directors' remuneration included in staff cost.

(Rs in millions)			
S. No	Particulars	2005-06	2004-05
A	Managing Director		
	-Remuneration	1.50	1.50
	-Perquisite Value of rent	0.17	0.15
B	Other Directors		
	-Remuneration	2.35	2.22
	-Perquisite Value of rent	Nil	Nil

5. In accordance with the **AS-22** 'Accounting for taxes on Income' issued by the Institute of Chartered Accountants of India, during the current year the company has accounted for the effect of deferred Tax against the income pertaining to current year and has accordingly provided for deferred tax asset of Rs.5.13 million on account of current years deferred tax.

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 transaction have taken place and Relationship :

S. No	Name of the Related Party	Relationship
1	Micronet Technologies Limited	Associate companies
2	MIC Technologies Australia (Pty) Ltd	
3	MIC Digital Media Vizag (P) Ltd	
4	Dr.M.V.Ramana Rao	Directors- Key Personnel
5	Mr L.N.Malleswara Rao	
6	Mr U.Ramakrishna	

- b. Transactions during the year with related parties :

(Rs in millions)		
S. No	Nature of Transaction	Amount
1	Investments in Associates: MIC Digital Media Vizag (P) Ltd.	5.80
2	Loans taken from Management personnel	Nil
3	Purchase of Capital Items from Associate: Micronet Technologies Limited	10.99
4	Advances to Associates	11.13
5	Expenditure : • Interest paid to Management personnel • Remunerations to Management personnel • Rents paid towards accommodation provided to Management Personnel	Nil 3.85 0.17

7. 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	Electronic Moving Display Units (LEDs)
2	PCO call monitors
3	Control Cards & Cables
4	Software
5	Hand Held Computers

6	Mechanical Structure
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b) Production :

S No	Particulars	2005-06	2004-05
		Numbers/Systems	
1	Electronic Moving Display Units (LEDs)	33	39
2	PCO call monitors	0	12
3	Software	918	551
4	Hand Held Computers (20 Nos capitalized during the year)	569	509
5	Micro Assemblies	200	0
6	Mechanical Structure	1	0

c) Finished Goods

	Opening Stock	Nil	Nil
	Closing Stock	Nil	Nil

d) Sales

(Rs in millions)

Particulars	2005-06		2004-05	
	Qty	Value	Qty	Value
Electronic Moving Display Board	25	61.63	36	17.25
PCO call monitors	-	-	12	0.08
Hand Held Computers	569	3.05	489	2.69
Misc Items	-	0.18	-	0.38
Software	907	104.52	543	59.64
Micro Assemblies	200	0.46	-	-
Computers, Peripherals & Software	-	622.65	-	82.62
Other Accessories & Other Charges	-	4.29	-	4.07
Duties & Taxes	-	38.22	-	5.14
Export Sales & Software:				
Electronic Moving Display Board	8	88.72	3	26.92
Software	11	42.25	8	31.77
Mechanical Structure	1	0.11		
Spares	-	0.21	-	
Total Sales		966.29		230.56

f) Analysis of materials consumed

(Rs. In million)

Particulars	2005-06		2004-05	
	%	Value	%	Value
Indigenous	93.16	656.05	88.79	102.79
Imported	6.84	48.12	11.21	12.98
Total	100.00	704.17	100.00	115.77

g) Expenditure in Foreign Currency

(Rs. In million)		
Particulars	2005-06	2004-05
Travel Expenses	1.40	2.04
Others	0.39	0.65
Value of Imports on CIF basis:		
Components	54.65	22.41
Capital Equipment & Software	0.04	1.83
Earnings in foreign exchange on FOB basis	131.29	58.69

8. Earnings Per Share

Particulars	FY 2006
Basic	Equivalent No. of Shares
1. Opening No. of Shares	8217070
2. Closing No. of Shares	8949720
3. Weighted Average No. of Shares	8583395
4. Profit after Taxes (Rs.' Millions)	154.76
5. EPS (in Rs.)	18.00
6. EPS Restated (in Rs.)	18.17

9. Payment to Auditors:

(Rs. In Millions)	
Particulars	Year ending 30.06.06
For Audit	0.04
Other Services	0.01
Total	0.05

10. The amount due to Small Scale Industrial undertakings as at 30.06.2006 : NIL

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.

Annexure – V

Cash Flow Statement:

	(Rs.in million)	
Particulars	FY 2005	FY 2006
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Net Profit Before Tax and Extraordinary Items	18.19	167.71
Adjustments for:		
Depreciation	7.13	15.84
Other Income	-	-
Interest Expenses	14.86	17.38
Loss on Sale of Assets		
Miscellaneous expenses written off	-	-
Operating profits before working capital changes	40.18	200.93
Adjustments for:		
Inventories	36.54	(45.87)
Trade & Other Receivables (incl. L&Adv.)	(28.12)	(289.01)
Trade Payable & Other Liabilities	0.82	26.02
Cash generated from operations	49.42	(107.93)
Income tax paid	0.00	(18.08)
Interest Paid	14.86	(17.38)
Cash Flow Before Extraordinary Items	34.56	(143.39)
Extraordinary items (Prior Year Adjustment)		(0.24)
Net cash from Operating Activities (A)	34.56	(143.63)
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
Capital work in progress	38.83	(23.76)
Purchase of fixed assets	(124.24)	(20.77)
Sale/(Purchase) of Investment	0.00	9.20
Other Income / Depreciation Adjustment	(0.71)	(0.14)
Deferred revenue expenditure		
Net cash used for Investing Activities (B)	(86.12)	(35.47)
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
Proceeds from Issue of Share Capital/Share Premium	3.11	147.14
Net Proceeds/Repayments of loan term loans	45.38	40.12
Dividend including dividend tax	-	-
Net cash from Financing Activities (C)	48.49	187.26
Net Increase in cash and cash equivalents (A+B+C)	(3.07)	8.16
Cash and Cash equivalents at beginning of the year	10.09	7.02
Cash and Cash equivalents at end of the year	7.02	15.18

Note: Figures in () denotes cash outflow

Annexure – VI

Statement of Dividend

- - - - - No dividend is paid by the company during last 5 years - - - - -

Annexure – VII

Performance Ratios:

Performance Ratios:

Particulars	For the year ended				
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Net Profit / (Loss) before Extraordinary items (Rs.in millions)	11.44	9.88	3.23	21.44	155.96
Net Profit / (Loss) after Extraordinary items (Rs.in millions)	11.44	9.88	3.23	21.44	155.96
Earnings per share (Rs.)	2.34	1.63	0.39	2.61	18.17
Return On Net Worth* (%)	10.35	8.30	1.93	11.15	31.57
Net Asset Value/Book value Per share (Rs.)	22.59	19.61	20.42	23.41	55.09

Notes:

1. The Earning per share has been computed on the basis of the adjusted profits of the respective years drawn after considering the impact of accounting policy changes and material adjustments. The denominator considered for the purpose of calculating Earnings per Share is the number of Equity Shares outstanding during the year.
2. The return on net worth has been computed by dividing profit after tax by Net Worth.
3. Net Asset Value per Equity share represents Net Worth, as restated divided by the number of Equity shares outstanding at the end of the period.

Annexure - VIII

Capitalization Statement of MIC Electronics Ltd.:

(Rs. in million)

Particulars	Pre Issue as at June 30,2006	Post Issue
Total Debt:		
Short Term Debt	153.03	153.03
Long Term Debt	109.59	109.59
Shareholders Funds:		
Share Capital	89.67	201.27
Share Application	0.42	0.00
Reserves & surplus (incl.Deferred tax liability)	403.91	*
Less: Misc. expenditure	0	*
Total Shareholders Funds	494.00	*
Long Term Debt / Shareholders funds	0.22	*

Notes:

As informed by the management, short term debts are debts repayable within one year. Post Issue Share Capital and Reserves can be calculated only on conclusion of Book Building Process.

The figures included above are as per the restated statement of Assets and liabilities and restated statement of profit and loss.

Annexure – IX
Statement of Tax Shelters

(Rs. in million)

Particulars	For the year ended				
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Profit as restated before current and deferred taxes	11.44	25.35	4.27	18.19	168.91
Normal Tax rate, %	38.50%	36.75%	35.88%	36.59%	33.66%
MAT Tax rate %	-	7.88%	7.69%	7.84%	8.42%
Adjustments					
Permanent differences					
PF&ESI Contributions	0.98	0.85	1.21	1.67	--
Expenses disallowed	0	0.00	0.00	7.76	1.89
Gratuity & Leave Encashment	0.36	2.63	2.62	0.27	-0.55
Penalties	0.01	0.41	0.04		0.11
Donations	0.06		0.02	0.03	0.61
Other Adjustments	0.02	0.09		0.39	0.60
Deduction u/s.10(A)	0.00	0.00	0	-18.58	-31.42
Deduction u/s.80IB(4)					-60.73
Set off of b/f loss	-	-	-	-	-
Total (A)	1.43	3.99	3.89	-8.46	-89.51
Temporary differences					
Difference between book depreciation and tax depreciation	-0.22	-1.97	-1.05	0.39	-15.99
Exp. disallowed earlier, now allowed	-0.58	-6.17	-3.70	-0.59	-7.66
Research & Development expenditure	-9.85	-13.88	-2.46	-9.53	-4.59
Total (B)	-10.65	-22.03	-7.21	-9.74	-28.24
Net Adjustment (A+B)	-9.22	-18.04	-3.32	-18.20	-117.74
Tax saving thereon	(3.55)	(6.63)	(1.19)	(6.66)	(39.23)
Net tax payable (C)	0.85	2.69	0.34	(0.00)	17.22
Tax as per MAT (D)	-	-	-	-	-
Tax payable (C or D whichever is higher)	0.85	2.69	0.34	-	17.22
MAT Credit	-	0	0	-	-
Total Tax	0.85	2.69	0.34	-	17.22
Add: Interest	-	0	0	-	0
Total Tax	-	2.69	0.34	-	17.22
Tax Provision made in books	-	3.85	0.50	-	17.22
Net Tax Payable/(Refundable)	0.85	(1.16)	(0.16)	-	0.00

Annexure – X**Details of Other Income**

Particulars	For the year ended				
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Other income (Recurring nature)	1.69	3.67	0.40	0.14	0.64
Other income (Non-Recurring nature)	0.01	0.01	0.90	0.01	0.00

Annexure – XI

Sundry Debtors:

(Rs. in million)

Particulars	As at				
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Debtors outstanding for a period exceeding six months	18.65	3.80	11.33	24.94	83.03
Others	70.74	37.30	25.27	69.28	264.20
Total	89.39	41.10	36.60	94.22	347.23
Of the above Debts due from Beneficiaries related to Promoters or Directors	Nil	Nil	Nil	Nil	Nil

Annexure – XII

Loans & Advances:

There are loans / advances given to the Companies in which Directors are interested as detailed below:

(Rs. in million)

Name of related party	Nature of Transaction	For the year ended				
		FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Micronet Technologies Ltd.	Advances given	-	0.93	12.76	22.41	11.13

Annexure – XIII

Unsecured Loans:

(Rs. in million)

Particulars	As at				
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Others (Directors & others) interest free unsecured loan payable at demand	1.61	4.06	0.08	0.20	0.00
Total	1.61	4.06	0.08	0.20	0.00
Of the above Debts due from Beneficiaries related to Promoters or Directors	1.53	3.98	Nil	Nil	Nil

Annexure – XIV

Secured Loans:

(Rs. in million)

Particulars	As at				
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
A) Term loans					
TL from IDBI	28.38	21.08	0	0	0
TL from Technology Devp. Board	0	0	0	38.09	42.96
TL from UCO Bank	0	0	69.95	64.56	59.75
TL from SIDBI	0	0	2.23	1.68	0.91
TL from NRDC	0	1.50	3.00	3.00	3.00
Vehicle HP Loans	0.72	1.99	1.83	0.89	2.96
Total Term Loans (A)	29.10	24.57	77.01	108.22	109.58
B) Working Capital Loans from SBI:					
Cash Credit	25.29	23.43	24.96	25.27	58.49
Export Packing Credit	0	0	0	13.74	19.48
Total W.C. Loans (B)	25.29	23.43	24.96	39.01	77.97
Total (A+B)	54.39	48.00	101.97	147.23	187.55

Principal Terms of Sanctioned Loans and Assets Charged as Security

Sr. No.	Lender & Type of Facility / Sanction letter no. and date/ Terms of repayment	Rate of interest	Amt. Outstanding as on June 30, 2006	Details of Security
1	Working capital			
	State Bank of India, Saifabad Branch, HACA Bhawan, Hyderabad –500 004	(A) for CC: 2% above SBAR i.e. 12.25%	Rs.58.49 million	- Primary:Hypothecation of all current assets of the company - Collateral:And also secured by way of second charge on immovable properties which are also charged to Term Lenders on First pari-passu basis (All immovable properties as per Note – I - Personal guarantees of 1.Shri M.V.Ramana Rao 2.Shri M.Kameswara Rao 3.Shri L.Nagamalleswsara Rao 4.Shri M.Srinivasa Rao 5.Shri N.Srinivasa Rao 6.Smt M.Usha Rani 7.M.Anil Srinivas
	Fund Based Rs. 750 lacs Non Fund Based Rs.600 lacs	(B)for EPC 7.50% upto 180 days & 8.75% for above 180 days	Rs.19.48 million	
	Sanction letter no.RM/SFBD/MEL/457 dated 15.02.06 Repayment terms: Repayable on demand and are available for one year.			
2	Term Loans			
(a)	UCO Bank, M.G.Road, Secunderabad TL No.2985, Sanctioned: Rs.240 lacs	13.50%	16.77 million	First pari-passu charge on fixed assets of the company including land & buildings of company

Sr. No.	Lender & Type of Facility / Sanction letter no. and date/ Terms of repayment	Rate of interest	Amt. Outstanding as on June 30, 2006	Details of Security
	Sanction letter no.Gen/43/03-04 dt. 23.10.03 Repayment terms: Repayable in 20 qtly. Instalments of Rs.12 lacs each commencing from 1/4/04			- Personal guarantees of: 1.Dr. M.V.Ramana Rao 2.Shri M.Kameswara Rao 3.Shri L.Nagamalleswsara Rao 4.Shri M.Srinivasa Rao
(b)	UCO Bank, M.G.Road, Secunderabad TL No.3523, Sanctioned: Rs.500 lacs Sanction letter no.Gen/ - /03-04 dt. 31.03.04 Repayment terms: Repayable in 20 qtly. Instalments of Rs.25 lacs each commencing from 1/7/04	13.50%	42.98 million	Primary: First charge on all Machinery/equipment valued at Rs.800 lacs, proposed to be purchased out of Bank's Term Loan of Rs.500 lacs. Collateral: (a) extension of first charge on land/building and plant & machinery of the company (already charged to us against TL of Rs.240 lacs sanctioned to the party) (b) 2nd charge on current assets of the company as well as plant and machinery valued at Rs.200 lacs over which SBI holding first charge
(c)	Technology Development Board New Delhi TL Sanctioned: Rs.400 lacs Loan Agreement dt. 16.03.04 Repayment terms: Repayable in 9 half yrly. Instalments of Rs.44.45 lacs each commencing from 1/4/06	5.00%	42.96 million	Security:The whole of the movable properties of the company pertaining to the project of development and commercialization of LED TV/ Electronic Display systems situated at A4, Electronic Complex, Kushai Guda Hyderabad – 62
(d)	SIDBI, Chapel Road, Hyderabad TL Sanctioned: Rs.22.33 lacs Lr.No.SIDBI(H)No.441/DCS/MIC dt. 24.06.04 Repayment terms: Repayable in 11 qtly. Instalments of Rs.1.90 lacs each & 12 th qtly. Instalment of Rs.1.43 lacs- commencing from 1/12/04	11.50%	0.91 million	Security: all equipment, plant, machinery and other assets acquired and to be acquired by the company out of the loan sanctioned for the development of OPTIMUM STM-1.
(e)	National Research Dev. Corp., New Delhi TL Sanctioned: Rs.30.00 lacs Lr.No.DSIR/PATSER	N.A.	3.00 million	--

Sr. No.	Lender & Type of Facility / Sanction letter no. and date/ Terms of repayment	Rate of interest	Amt. Outstanding as on June 30, 2006	Details of Security
	/MIC-31/2001/158 dt. 28.03.03 Repayment terms: Annual lumpsum royalty @ Rs.8.60 lacs p.a. for 5 yrs. commencing from 01/04/06			
(f)	Vehicle loans taken from ICICI Bank Ltd.	Rates from 3.35% p.a to 10.75% p.a.	2.9 million	Endorsement in the RC book and insurance policy

NOTE - I

- (a) Second charge on the immovable property situated at Survey No.321, 321/5,321/6,321/1A at Kushaiguda, Ranga Reddy district and plant machinery (First charge with UCO Bank for the term loans sanctioned)
- (b) Hypothecation of unencumbered plant and machinery
- (c) E.M. of various properties as detailed below:
 1. Equitable mortgage of fish pond measuring 5 acres at Unikili, Krishna Dt. belonging to Dr.M.V.Ramana Rao
 2. Equitable mortgage of residential plot nos.41,42 & 60 and 61 at Kowkoor village, Alwal Municipality admeasuring 820 sq.yds. belonging to MIC Electronics Ltd.
 3. Equitable mortgage of dry land admeasuring 2.00 acres at Aushpur village, Ghatkesar (M) in R.S.No.281 & 282 belonging to MIC Electronics Ltd.
 4. Equitable mortgage of dry land admeasuring 1.00 acres at Aushpur village, Ghatkesar (M) in R.S.No.278 & 281 (part) belonging to Sri L.Naga Malleswar Rao.
 5. Equitable mortgage of dry land admeasuring 1.00 acres at Aushpur village, Ghatkesar (M) in R.S.No.278 belonging to Sri M.Srinivasa Rao.
 6. Equitable mortgage of dry land admeasuring 1.20 acres at Aushpur village, Ghatkesar (M) in R.S.No.281 (part) belonging to Dr.M.V.Ramana Rao.
 7. Equitable mortgage of land admeasuring 0.47 ¼ acres situated at Poranki Road, Nidamaru Village in R.S.Nos.147/6 belonging to Smt.M.Usha Rani.
 8. Equitable mortgage of an industrial plot No.192/B in survey No.274 admeasuring 5341 sq.yds. situated at Phase II, IDA, Cherlapally Village, Kapra Municipality, Ghatkesar (M), RR district standing in the name of MIC Electronics Ltd.
 9. Equitable mortgage of plot admeasuring 51.50 cents in Survey No.115/7, situated at Nidamanoru Village, Vijayawada standing in the name of Smt.M.Usha Rani.
 10. Equitable mortgage of plot admeasuring 20 cents in Survey No.115-1/B, situated at Nidamanuru Village, Vijayawada standing in the name of Smt.M.Usha Rani.
 11. Equitable mortgage of plot admeasuring 46 cents in Survey No.115/6 & 115/7, situated at Nidamanoru Village, Vijayawada standing in the name of Smt.M.Usha Rani.

12. Equitable mortgage of plot admeasuring 37 cents in Survey No.115-1/E, situated at Nidamanoru Village, Vijayawada standing in the name of Smt.M.Usha Rani.
13. Equitable mortgage of plot admeasuring 85 cents in Survey No.115-1/B & 115/1E part, situated at Nidamanoru Village, Vijayawada standing in the name of Smt.M.Usha Rani.
14. Equitable mortgage of plot admeasuring 45.50 cents in Survey No.115-1/E, situated at Nidamanoru Village, Vijayawada standing in the name of Smt.M.Usha Rani.
15. Equitable mortgage of land admeasuring 4.00 acres in S.No.46/1,46/A2 & 46/A3 situated in Kanchikacherla Village & Mandal belonging to Dr.M.V.Ramana Rao.
16. Equitable mortgage of land admeasuring 2.21 acres in S.No.46/1A1E,46/1A3, 46/A31 situated in Kanchikacherla Village & Mandal belonging to Dr.M.V.Ramana Rao.
17. Equitable mortgage of land admeasuring 2.25 acres in S.No.48 situated in Kanchikacherla Village & Mandal belonging to Dr.M.V.Ramana Rao.
18. Equitable mortgage of land admeasuring 2.11 acres in S.No.47/1B situated in Kanchikacherla Village & Mandal belonging to Dr.M.V.Ramana Rao.
19. Equitable mortgage of land admeasuring 4.10 acres in S.No.46/A3H,46/A1D, 46/A2C situated in Kanchikacherla Village & Mandal belonging to Dr.M.V.Ramana Rao.
20. Equitable mortgage of land admeasuring 2.50 acres in S.No.47/2 situated in Kanchikacherla Village & Mandal belonging to Dr.M.V.Ramana Rao.
21. Equitable mortgage of land admeasuring 1.20 acres in S.No.48 situated in Kanchikacherla Village & Mandal belonging to Dr.M.V.Ramana Rao.
22. Equitable mortgage of land admeasuring 1.21 acres in S.No.48 situated in Kanchikacherla Village & Mandal belonging to Dr.M.V.Ramana Rao.
23. Equitable mortgage of land admeasuring 11.475 acres in S.No.47/1,47/1C,47/1D,237/1A and 47/2 situated in Kanchikacherla Village & Mandal belonging to M.Usha Rani.
24. Equitable mortgage of residential plot admeasuring 458 sq.yds. in S.Nos.172/2,173/3 at Kanuru, Vijayawada belonging to Sri N.Srinivasa Rao.
25. Equitable mortgage of agricultural farm land admeasuring 16.529 guntas (2000 sq.yds) in S.Nos.25/p,31/p at Vanasthali Estate, Thattikama Village, Hyderabad belonging to Sri M.Srinivasa Rao and Sri N.Srinivasa Rao.
26. Equitable mortgage of fish ponds admeasuring 3.15 acres in S.No.392 at Unikili Village, Krishna Dist belonging to Sri M.Srinivasa Rao.
27. Equitable mortgage of fish ponds admeasuring 5.00 acres in S.No.201 at Unikili Village, Krishna Dist belonging to Sri M. Anil Srinivas.
28. Equitable mortgage of industrial plot No.A4/1, A4/2 admeasuring 1250 sq.yds. in survey Nos.321, 321/5,321/6 and 321/1A situated at Electronic complex, Kushaiguda, Kapra Municipality, Keesara Mandal, RR Dist, belonging to MIC Electronics Ltd.

Annexure – XV

Related Party Transactions:

(I) List of Related Parties		
Name of the Related Party		Relationship
Key Managerial Personnel		
1	Dr.M.V.Ramana Rao	M.D. & CEO
2	Sri L.N.Malleswara Rao	Director
3	Sri U.Rama Krishna	Director
Subsidiary Company		
1	MIC Technologies Australia (Pty)Ltd.	
Companies in which Directors are substantially interested		
1	Micronet Technologies Limited	
2	MIC Digital Media Vizag (P) Ltd.	

Nature of Transaction
Investment in associate Co.

(Rs. in million)

Name of related party		For the year ended				
		FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
MIC Digital Media Vizag (P) Ltd.		-	-	-	-	5.80
Micronet Technologies Ltd.	Investment in associate Co.	15.50	-	-	-	-
Micronet Technologies Ltd.	Purchase of Capital items from associate Co.	-	2.00	3.18	3.64	10.99
Micronet Technologies Ltd.	Advances given	-	0.93	12.76	22.41	11.13
M.D. & Directors	Remuneration	1.83	2.67	3.72	3.72	3.84
M.D,	Rent for accommodation	0.05	0.09	0.15	0.16	0.17

Annexure – XVI

Investments:

Long-term investments:

(Rs. in million)					
For the year ended	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
A) Trade (Quoted)					
B) Trade (Unquoted)					
Micronet Technologies Ltd.	15.50	15.50	15.50	15.50	0.50
MIC Digital Media Vizag (P) Ltd.	0.00	0.00	0.00	0.00	5.80
Total (B)	15.50	15.50	15.50	15.50	6.30
C) In subsidiary company (unquoted)					
MIC Technologies Australia(Pty)Ltd	0.00	0.00	0.00	0.002	0.002
Total (C)	0.00	0.00	0.00	0.002	0.002
Total (A+B+C)	15.50	15.50	15.50	15.502	6.302

Annexure – XVII**Statement of Contingent Liabilities**

(Rs. in million)

Particulars	For the year Ended June 30				
	FY 2002	2003	2004	2005	2006
Counter Guarantees given by the company to banks towards issue of Bank Guarantees	13.62	13.32	19.88	29.52	21.18
Counter Guarantees given by the company to banks towards issue of B.Gs to Customs Dept. against advance licenses	-	-	-	0.89	3.05
Bonds executed to Customs Dept. (net of BGs)	-	-	-	-	8.19
Letter of Credits issued by bankers	3.76	1.74	4.47	8.37	10.19
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (Net of Advances)	2.34	--	--	--	--

Annexure – XVIII

There have been no qualifications in the Audit report for the preceding five years.

Annexure - XIX

Changes in the Significant Accounting Policies

There were no changes in the significant Accounting Policies.

Annexure XX

Statement of Export Obligations

(Rs.in million)

License No.	Date of License / Imports	Items Imported	Export Obligation (Rs.in million)	Obligation Period	Remarks
091001 9431	23.07.200 4	LED --612000 Nos	13.65	18months	Export made but bond not discharged pending realisation of export proceeds
		Integrated Circuits --38188 Nos			
		Power Supply Modules -----300 Nos			
091002 1609	24.01.200 5	Modules (LED) Pitch 20mm --20 Nos	4.73	24Months	Export is yet to be made
		Modules (Control) --01 No			
		PC without Monitor--01 No			
		Modules (LED) Pitch 16mm --20 Nos			
		Modules (Control) --01 No			
		PC without Monitor --01 No			
		Modules (LED) Pitch 12mm --04 Nos			
		Modules (Control) --01 No			
		PC without Monitor --01 No			
		Modules (LED) Pitch 10mm --04 Nos			
		Modules (Control) --01 No			
		PC without Monitor --01No.			
091002 4343	19.10.200 5	LED ----- 742400nos	15.87	24months	Export made but bond not discharged pending realisation of export proceeds
		Integrated Circuits ----57400nos			

		Connectors---1260Nos			
		Power Supply Module ----200Nos.			
		PCBs Populated--4Nos.			
091002 5343	02.02.200 6	LED----525840Nos	11.7	24Months	Export made but bond not discharged pending realisation of part of export proceeds
		Integrated Circuits --29712 Nos			
		Connector --1260Nos			
		Power Supply Module --100Nos			
		PCBs Populated-- 02Nos			
091002 5344	02.02.200 6	LED----438200Nos	9.45	24Months	Export made but bond not discharged pending realisation of part of export proceeds
		Integrated Circuits --24792 Nos			
		PCBs Populated-- 02Nos			
091002 6454	01.06.200 6	LED----1113600Nos	14.14	24Months	Export is yet to be made
		Integrated Circuits 82950 Nos			
091002 6774	07.07.200 6	LED----356000Nos	4.78	24months	Not related to 2005- 06. Export made in 2006-07 & proceeds are yet to be realized
		Integrated Circuits 28700 Nos			

Annexure XXI

(Rs. in million)

MIC TECHNOLOGIES (AUST) PTY LTD**Summary of Assets and Liabilities, As restated**

Particulars	June 30 2005	June 30 2006
Assets:		
Current Assets:		
Cash at bank	0.88	1.67
Cash on hand	0.00	0.02
Trade Debtors	9.53	15.58
Current tax assets, net	0.04	0.22
Other receivables	0.08	4.08
Total Current Assets	10.53	21.57
Property, Plant and Equipment, net	0.40	3.80
Goodwill	0.00	0.34
Preliminary expenses	0.03	0.03
Total Assets	10.96	25.74
Liabilities & Stockholder's Equity:		
Current Liabilities:		
Trade creditors	11.50	24.02
Unsecured Loans *	0.86	1.90
Accounting Charges payable	0.06	0.07
Amounts withheld from salary & wages	0.00	0.54
Total Current Liabilities	12.42	26.53
Equity:		
Issued & paid up capital (Rs.)	300	300
Retained profits / (Accumulated losses)	-1.47	-0.79
Total liabilities and Stockholder's equity	10.96	25.74

The loans taken by MIC Technologies (AUST) PTY Ltd, Australia are repayable on demand and do not carry any interest thereon.

Annexure XXII

Summary of Profit & Loss Accounts, as Restated

(Rs. in million)

MIC TECHNOLOGIES (AUST)PTY LTD

Particulars	For the year ended June 30,2005	For the year ended June 30,2006
Revenues:		
Income from operations	15.66	25.04
Other income	0.00	0.00
Total	15.66	25.04
Expenditure:		
Cost of Revenue (including staff cost)	15.65	17.81
Selling, General & Administrative Expenses	1.50	6.14
Total	17.15	23.95
Profit before Interest, Depreciation & Tax	-1.48	1.09
Less: Interest	0.00	0.00
Less: Depreciation	0.02	0.39
Income/(Loss) from operation	-1.50	0.71
Income Tax	0.00	0.00
Income/(loss) after taxes	-1.50	0.71

Annexure XXIII

Statement of Cash Flow, as Restated

(Rs.in million)

MIC TECHNOLOGIES (AUST)PTY LTD

Particulars	year ended June 30,2006
Cash Flows from Operating Activities:	
Net Income / (Loss)	0.71
Adjustments to reconcile Net Income to Net Cash used in Operating Activities	
Depreciation	0.39
Changes in Operating assets and liabilities:	
Trade Debtors	-6.05
Current tax assets	-0.18
Other receivables	-4.00
Trade Creditors	12.52
Unsecured Loans	1.04
Accounting charges payable	0.01
Amounts withheld from salary&wages	0.54
Net Cash used in operating activities	<u>4.97</u>
Cash Flows from Investing activities	
Purchase of property,plant& equipment	-3.40
Goodwill	-0.34
Net cash used in investing activities	<u>-3.74</u>
Cash Flows from Financing activities	
Changes in Sh.capital/Retained Earnings	
Transalation Adjustment & others	-0.42
Net Cash Provided by financing activities	<u>-0.42</u>
Net cash increase for period	0.80
Cash at beginning of period	0.89
cash at end of perid	1.69

MIC TECHNOLOGIES (AUST) PTY LTD

Notes to summarized restated financial statements for the years ended June 30, 2005 and June 30, 2006

1. The Company

Nature of Business

The principal activities of the company during the course of the years were Consultancy Services. No significant change in the nature of these activities occurred during the year.

2. Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

3. Statement of Significant Accounting Policies

This financial report is a special purpose financial report prepared for use by directors and members of the company. The directors have determined that the company is not a reporting entity.

The report has been prepared in accordance with the requirements of the following Australian Accounting Standards.

AASB 1031: Materiality

AASB 110 : Events after the Balance Sheet Date

No other Australian Accounting Standards, Urgent Issues Group Interpretations or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values, or except where specifically stated, current valuations of non-current assets.

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this financial report.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, independent or directors' valuation. All assets, excluding freehold land and buildings, are depreciated over their useful lives to the company.

Inventories

Inventories are measured at the lower of cost and net realizable value. Costs are assigned on a first-in-first-out basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenses.

4. Translation

- a. The current assets and liabilities figures have been translated at the period end rates prevailing at the respective close of the periods.

- b. The fixed assets including goodwill have been translated at the period end rates prevailing in the period of purchase of such fixed assets and shareholders equity has been translated at the period end rates prevailing in the period of contribution.
- c. The income statement figures have been translated at the average rates prevailing during the respective financial periods.

Annexure XXV

Copy of opinion letter from Oriando, Mitts, Moore & Company

SEP-11-06 10:25 FROM-Oriando, Mitts and Moore 408-278-0319 T-258 P.002/002 F-016

LAURIE ORLANDO
Partner

LOU MITTS
Partner

RETTA MOORE
Partner

 **ORLANDO, MITTS, MOORE & COMPANY**
AN ACCOUNTANCY CORPORATION

September 11, 2006

To Whom It May Concern:

The purpose of this letter is to address the United States (US) audit requirements for a closely held private company. The US does not have a statutory or compulsory audit requirement for a closely held non-public company to have their financial statements audited by an independent certified public accountant (CPA). The only audit requirements are mandated by the Securities and Exchange Commission (SEC) for publically traded companies. InfoStep, Inc. is a closely held private company and is therefore not subject to a US audit requirement.

Sincerely,


Lou Mitts, CPA

675 North First Street, Suite 1200, San Jose, CA 95112
(408) 278-0300, Fax (408) 278-0319

Annexure XXVI

InfoSTEP Inc., USA

Summarised Income Statement for the

(Rs.in million)

	31st Dec	31st Dec	31st Dec	31st Dec	31st Dec
Particulars	2001	2002	2003	2004	2005
Ordinary Income / Expenses:					
Income:					
Consulting Income	68.94	119.66	94.84	120.69	180.43
Product income	15.59	11.78	20.52	10.53	5.94
Other income, net	0.53	0.60	0.74	-0.01	0.44
Total Income	85.06	132.04	116.11	131.21	186.80
Expenses:					
Cost of Revenue (including staff cost)	53.10	59.18	56.77	58.21	76.17
Selling, General & Administrative Expenses	38.17	64.34	61.78	63.52	98.43
Total	91.27	123.52	118.55	121.73	174.60
Profit before Interest, Depreciation & Tax	-6.21	8.52	-2.45	9.48	12.20
Less: Interest	1.01	0.90	0.67	0.73	0.23
Less: Depreciation	1.90	2.01	2.08	2.04	0.00
Income/(Loss) from operation	-9.12	5.61	-5.20	6.70	11.97
Income Tax	0.00	0.00	0	0.00	0.00
Income/(loss) after taxes	-9.12	5.61	-5.20	6.70	11.97

Annexure XXVII

InfoSTEP Inc., USA

Summarised Statement of Assets and Liabilities as on

(Rs. in million)

	31st Dec	31st Dec	31st Dec	31st Dec	31st Dec
Particulars	2001	2002	2003	2004	2005
Assets:					
Current Assets:					
Checking	0.78	0.51	5.50	5.83	6.64
Savings	0.01	0.01	0.01	0.01	0.01
Accounts Receivable	9.07	11.92	8.10	13.18	23.61
Other current assets				0.04	2.06
Total Current Assets	9.85	12.43	13.61	19.06	32.32
Fixed Assets:					
Computer Equipment,Office equipment,net	4.70	2.81	4.61	2.66	2.75
Other Assets:					
Organizational Costs, net	0.02	0.01	0.08	0.08	0.08
Total Assets	14.57	15.25	18.30	21.81	35.16
Liabilities & Equity:					
Current Liabilities:					
Union Bank LOC,Loan from officers etc.	4.34	0.92	7.59	6.02	7.73
Total Current Liabilities	4.34	0.92	7.59	6.02	7.73
Long Term Liabilities:					
DEII Equipment Leases	0.16	0.05			
Direct Equipment Leases	2.81	1.45	2.31	1.07	0.24
Total Long term Liabilities	2.97	1.50	2.31	1.07	0.24
Total Liabilities:	7.31	2.42	9.90	7.10	7.97
Equity:					
Retained Earnings	15.41	6.25	12.68	7.13	14.31
Common Stock	0.97	0.97	0.92	0.87	0.90
Net Income	-9.12	5.61	-5.20	6.70	11.97
Total Equity	7.26	12.83	8.40	14.71	27.19
Total liabilities and Equity	14.57	15.25	18.30	21.81	35.16

Annexure XXVIII
InfoSTEP Inc., USA

Summarised Cash Flow Statement for the year ended

(Rs. in million)

	31st Dec	31st Dec	31st Dec	31st Dec
	2002	2003	2004	2005
CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit Before Tax & Extraordinary				
Items	5.61	(5.20)	6.70	11.97
Adjustments for:				
Depreciation	2.01	2.08	2.04	0.00
Operataing profits before working capital changes	7.62	(3.12)	8.75	11.97
Adjustments for:				
Accounts Receivable	(2.85)	3.82	(5.09)	(10.42)
Other Current Assets	0.00	0.00	(0.04)	(2.02)
Current Liabilities	(3.42)	6.68	(1.57)	1.71
Long Term Liabilities	(1.47)	0.81	(1.23)	-0.83
Cash generated from operations	(0.13)	8.18	0.81	0.41
Income tax paid	0	0	0	0
Cash flow before extrordinry Items	(0.13)	8.18	0.81	0.41
Extraordinary items	0	0	0	0
Net cash from Operating Activities (A)	(0.13)	8.18	0.81	0.41
Cash Flows from Investing activities				
Fixed assets & other assets	(0.10)	(3.96)	(0.09)	(0.09)
Net cash used in investing activities (B)	(0.10)	(3.96)	(0.09)	(0.09)
Cash Flows from Financing activities				
Changes in Sh.capital/Retained Earnings				
Transalation & other adjustments	(0.04)	0.77	(0.39)	0.50
Net Cash from financing activities (C)	(0.04)	0.77	(0.39)	0.50
Net cash increase for period (A+B+C)	(0.27)	4.99	0.33	0.82
Cash at beginning of period	0.79	0.52	5.51	5.84
Cash at end of period	0.52	5.51	5.84	6.66

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ON AN UNCONSOLIDATED BASIS

The following discussion of our financial condition and results of operations should be read together with the audited financial statements, for each of the financial year ended June 30, 2004, 2005 and 2006 including the Schedules, Annexures and Notes thereto and the Reports thereon, which appear in the section titled “**Financial Statements**” on page [●] of this Draft Red Herring Prospectus. These financial statements are prepared in accordance with Indian GAAP, the Companies Act, and the SEBI Guidelines as described in the Auditor's Report of **PINNAMANENI & CO**, Chartered Accountants dated November 1, 2006 in the Section titled “**Financial Information – as restated**” on page [●] of this Draft Red Herring Prospectus.

Our Financial Year (FY) ends on June 30 of each year, so all references to a particular FY are to the twelve-month period ended June 30 of that year.

Business Overview

Our business is divided broadly into three parts:

- Media;
- InfoTech; and
- Communication & Electronics.

The Media group is primarily responsible for the development, production and sales of video displays, text, graphic animation displays and display services including lease/rental of LED video walls etc. In India, we have a monopoly position in the design and development of true color large displays for indoor/outdoor/mobile applications, providing true color motion picture images with our proprietary “Scan⁺” technology. Presently, we are the only Indian company to have “design to manufacture” capability in the field of LED video display systems. The other LED products include LED lighting applications with or without solar power and LED / LCD based 3D display systems.

The InfoTech group provides telecom software solutions in areas of Telecom Network Management, Telecom Switch Access and Computer Telephony domains. More specifically in traffic control & MIS, fraud management and interactive voice response systems for fault repair, bill enquiry, payment reminder etc. which are suited for the requirements of telecom operators. We also provide Call Detail Records, data collection systems for different technology switches useful for inter-operator, convergent billing & fraud detection/management solutions.

The communication & electronics group has diversified products including the Digital Loop Carrier (DLC) on optical fibre on Synchronous Digital Hierarchy (SDH) Ring, broadband DLC for triple play (voice/video/data) applications, Code Division Multiple Access (CDMA) / Global System for Mobile Communication (GSM) based Wireless in Local Loop (WLL) terminals and phones, Hand Held Computers (HHC) with in-built GSM/CDMA modems.

Factors affecting the business /our financial results

Our business is subject to various risks and uncertainties, including those discussed in the Section titled “**Risk Factors**” beginning on page [●] of this Draft Red Herring Prospectus. Some of the important factors that have affected and we expect will continue to affect, our results of operations, financial condition and cash flows are discussed below:

Analysis of revenues

The segment wise revenue of each of our business groups is given below:

(Rs in million)					
Particulars	FY 2003	FY 2004	FY 2005	FY 2006	CAGR
Media	27.8	8.8	136.8	319.5	502.6%
% of sales	6.6%	6.5%	54.1%	31.4%	-
InfoTech	16.1	0.2	18.1	28.9	1102.9%

% of sales	3.8%	0.1%	7.2%	2.8%	-
Telecommunication	374.3	124.8	97.6	669.8	131.7%
% of sales	88.7%	92.4%	38.6%	65.7%	-
Total Sales	421.9	135.1	252.6	1018.9	174.7%

In FY06, revenues of our telecommunications business increased significantly on account of some of the initiatives which started in the previous years such as hand held computers, telecom inter operator billing, digital loop carrier, GSM/CDMA modems and GSM based pay phones. We commenced trials of our Media products in FY03 and completed commercialization of our Media products in FY04 which has resulted in significant growth in FY06.

Geographical Spread

(Rs in million)

Country	FY 2003	FY 2004		FY 2005		FY 2006	
	Sales	Sales	% to total sales	Sales	% to total sales	Sales	% to total sales
Domestic							
India	421.91	135.06	100.0%	193.94	76.8%	887.58	87.1%
Exports							
Dubai	-	-	-	10.8	4.3%	127.66	12.5%
Australia	-	-	-	9.9	3.9%	2.93	0.3%
South Africa	-	-	-	38	15.0%	0.21	0.0%
Others (US)	-	-	-	-	-	0.49	0.0%
Total	421.91	135.06	100.0%	252.64	100.0%	1018.87	100.0%

Our foray into the Media business has enabled us to enter into overseas markets. With the completion of commercialization in FY04 and setting up of subsidiaries and marketing offices has resulted in access to Middle East, Africa and other markets. Our Domestic sale has grown at a CAGR of 28.13% while the total sales have grown at a CAGR 34.16%.

Revenue analysis of our media business

	FY 2003	FY 2004	FY 2005	FY 2006
Number of screens sold	10.0	12.0	36.0	25.0
Number of modules	84.0	32.0	602.0	1681.0
Average Module per screen	8.4	2.7	16.7	67.2
Average Size of Screen (Sq.Mtrs)	3.3	1.6	5.4	19.5
Media Revenue (In Million Rs.)	27.8	8.8	135.5	319.5
Average Revenue per screen (In Million Rs.)	2.8	0.7	3.8	12.8
Operating Cost for media (In Million Rs.)	23.0	7.3	105.8	221.2
Cost Per screen (In Million Rs.)	2.3	0.6	2.9	8.8
Margin per screen (In Million Rs.)	0.5	0.1	0.8	3.9

Our first commercial LED video display had 12 bit display capability per colour with a pitch of 20mm physical and 10mm visual with our proprietary Scan+ technology. Since then, we have improved our LED video display capability to 16 bit per colour. We have also added newer models with a pitch of 16mm physical with 8 mm visual and 25mm physical with 12.5mm visual. This has led to an increase in the average screen size over the past few years.

Analysis of Costs

(Rs in million)

Particulars	FY 2003	FY 2004	FY 2005	FY 2006
Raw Material consumed	267.05	99.83	115.77	704.17
% to Operating Cost	79.34%	77.18%	73.59%	85.06%
Employee Cost	14.22	10.74	12.69	28.16
% of Operating Cost	4.22%	8.30%	8.07%	3.40%
Other Manf. Overheads	55.31	18.77	28.86	95.55
% of Operating Cost	16.4%	14.5%	18.3%	11.5%
Total Operating Cost	336.58	129.34	157.32	827.88
% of Total Income	78.38%	81.41%	74.23%	79.29%
Selling, General & Administrative Expenses	31.95	8.40	9.60	7.43
Depreciation	5.51	6.72	7.13	15.84
R&D Cost	21.20	2.96	4.84	7.88
Finance Expenses	8.81	7.18	14.86	17.38
Total Cost	404.05	154.60	193.75	876.41

Analysis of Raw Material Cost

(Rs in million)

PARTICULARS	FY 2003	FY 2004	% of Total Raw Material Consumed	FY 2005	% of Total Raw Material Consumed	FY 2006	% of Total Raw Material Consumed
Domestic Raw Material	212.39	95.65	95.8%	102.79	88.8%	656.05	93.2%
Imported Raw Material	54.66	4.18	4.2%	12.98	11.2%	48.12	6.8%
Total	267.05	99.83	100.0%	115.77	100.0%	704.17	100.0%
Total Cost as % of Sales	63.3%	73.9%		45.8%		69.1%	

Our imports are primarily on account of components relating to our telecommunication and media business. In FY 2003 it was largely on account of imports of telecommunication components relating to the execution of a large order. Over a period of time we have managed to source indigenous components for our telecommunication business. We primarily import LEDs which is a key component of our Media products. We also source these from local agents of international players such as Nichia Corporation. We have been able to benefit from bulk purchases leading to better per unit purchase costs.

Research and Development cost

(Rs in million)

PARTICULARS	FY 2003	FY 2004	% of Total R&D Cost	FY 2005	% of Total R&D Cost	FY 2006	% of Total R&D Cost
Media	8.23	1.9	64.2%	3.63	75.0%	4.33	54.9%
Infotech	2.1	0.78	26.4%	0.91	18.8%	1.18	15.0%
Telecommunication	10.87	0.28	9.5%	0.3	6.2%	2.37	30.1%
Total R&D Cost	21.2	2.96	100.0%	4.84	100.0%	7.88	100.0%
Total R&D Cost as % of Sales	5.02%	2.19%		1.92%		0.77%	

We spent significantly on R&D of our media products over the last three years and developed robust pipeline of products. We have also begun integration of our telecom R&D with the Media business. This includes initiatives such as multiple display networking using fibre or wireless links and single point control using a centralized FTP site. This has required us to spend significantly in the telecom R&D in the current year.

Business-wise Profitability Analysis

PARTICULARS	FY 2004			FY 2005			FY 2006		
	Media	InfoTech	Telecom	Media	InfoTech	Telecom	Media	InfoTech	Telecom
Total Revenues	8.80	0.20	124.76	136.79	18.10	97.60	319.51	28.94	669.78
Raw Material Cost#	5.19	0.04	77.93	54.72	3.98	85.56	182.12	3.47	500.90
Other Operating Costs#*	2.13	0.10	30.20	51.08	13.14	3.83	39.10	9.74	81.96
Total Operating Cost	7.32	0.14	108.13	105.80	17.12	89.39	221.22	13.21	582.87
EBITDA	1.48	0.06	16.63	30.99	0.98	8.21	98.29	15.73	86.91
EBITDA %	16.79	31.29	13.33	22.66	5.41	8.41	30.76	54.34	12.98

* Other Operating costs include manpower costs, and other manufacturing overheads

These do not include the costs relating to Work-in-progress as at the end of the respective financial year

On the back of our strong product development and implementation we have consistently achieved better margins for our products. Our InfoTech business primarily deals with interconnect billing and other software services. In FY 2005 we were in the implementation and stabilization stage of our interconnect billing services which have since stabilized. Our telecommunication business largely involves supply of customized equipment to large telcos. We largely anticipate the pricing and requirement of our raw materials; we may be affected by raw material prices as we participate in fixed priced tenders. In FY 2005 we experienced a high raw material cost resulting into low margins.

Analysis of business productivity parameters

(Rs in million)

	FY 2003	FY 2004	FY 2005	FY 2006	CAGR (FY 2003 -FY 2006)
Total Revenue	429.4	158.87	211.94	1044.12	34.47%
EBIDTA (Rs Million)	39.67	18.17	40.18	200.93	71.74%
EBITDA Margin %	9.24%	11.44%	18.96%	19.24%	
PAT (Rs million)	9.88	3.23	21.44	155.96	150.85%
Net Profit Margins %	2.30%	2.03%	10.12%	14.94%	

We have witnessed significant rise in the revenues from our Media business in FY 06 which has higher operating margins.

Employee productivity parameter

PARTICULARS	FY2003	FY2004	FY2005	FY2006
Media				
Number of Employees (Number)	90.00	106.00	110.00	102.00
Cost per Employee	0.05	0.04	0.05	0.10
Revenue per Employee	0.31	0.08	1.24	3.13
EBITDA per Employee	0.05	0.01	0.28	0.96
Infotech				
Number of Employees (Number)	55.00	40.00	48.00	52.00

PARTICULARS	FY2003	FY2004	FY2005	FY2006
Cost per Employee	0.07	0.06	0.07	0.14
Revenue per Employee	0.29	0.01	0.38	0.56
EBITDA per Employee	0.08	0.01	0.02	0.30
Telecommunications				
Number of Employees (Number)	165.00	103.00	90.00	114.00
Cost per Employee	0.04	0.04	0.04	0.10
Revenue per Employee	2.27	1.21	1.08	5.88
EBITDA per Employee	0.19	0.16	0.09	0.76

Our common manufacturing facilities for telecommunication and media; and the cross functional expertise of our employees have enabled us to achieve increased turnover with our existing employee base, consequently EBITDA per employee across all our business lines has been rising over the past three years.

Liquidity and Capital Resources

Cash and Working Capital

Summary of Cash flows & Working Capital Requirements

Rs. in Million		
Particulars	FY2005	FY2006
Cash Flows from:		
Operating Activities	34.56	(143.63)
Investing activities	(86.12)	(35.47)
Financing Activities	48.49	187.26
Net Increase (decrease) in Cash	(3.07)	8.16
Cash at beginning of year	10.09	7.02
Cash at end of period	7.02	15.18

The Media business and LED display products are a new innovation and consequently a large number of our customers required us to install and run these products for a specified period before the payments for these were effected. This resulted in a significant time difference between actually effecting the sale and receipt of payments. Hence we had negative cashflows in Fy 2006.

Working Capital

Particulars	FY2003	FY2004	FY2005	FY2006
Current Ratio	2.1	2.8	2.2	3.5
Inventory	58.70	82.06	45.52	91.39
Work in Progress	35.42	56.69	29.52	50.14
Net Working Capital	68.8	131.0	104.7	382.7
Collection period (in Days)	35.9	99.9	136.2	124.5
Payment Period (in Days)	23.3	22.3	17.2	9.8
Collection period / Payment period	1.5	4.5	7.9	12.7

Due to our long debtors cycles resulting from a business which is new and consequently requires us to establish the product with the customers before the payment for the same is effected. This has resulted in large requirement of working capital. We believe we now have a proven product for our customers.

Long Term Debt

Rs. in Million			
Particulars	FY2004	FY2005	FY2006
Secured Debt	101.97	147.23	187.55
Unsecured Debt	0.08	0.20	0.00

Total	102.05	147.43	187.55
% increase (over previous yr.)	96.06	44.47	27.21

Increase in debt is due to increase in working capital facilities.

Adverse Events

There has been no adverse event affecting the operations of our Company occurring within one year prior to the date of filing of the Draft Red Herring Prospectus with SEBI.

Defaults

We have not defaulted in meeting any statutory dues, institutional dues or bank dues. We have never accepted fixed deposits from the public and we have not issued debentures since inception.

Details of any encumbrances over the property of our company and guarantees given by our company to any other party:

There are no encumbrances over the property of our Company except as disclosed in the Auditors report included in this Draft Red Herring Prospectus.

We have given a corporate guarantee for availing a term loan from State Bank of India to an extent of Rs 30.00 mn by MIC Digital Media Vizag Pvt Limited

Operating results

PARTICULARS	FY2003	FY2004	FY2005	FY2006
Sales	418.23	133.76	252.49	1018.23
% increase	238.62	(68.02)	88.76	303.28
Other Income	3.68	1.30	0.15	0.64
Increase/ (Decrease) in stocks	7.49	23.81	-40.7	25.25
Total Income	429.4	158.87	211.94	1044.12
% increase	204.06	(63.00)	33.40	392.65
Raw Material Consumed	267.05	99.83	115.77	704.17
% to Total Income	62.19	62.84	54.62	67.44
Manpower Costs	14.22	10.74	12.69	28.16
% to Total Income	3.31	6.76	5.99	2.70
Other Manf. Overheads	55.31	18.77	28.86	95.55
% to Total Income	12.88	11.81	13.62	9.15
Total Operating Costs	336.58	129.34	157.32	827.88
% to Total Income	78.38	81.41	74.23	79.29
Selling General and Administrative Cost	31.95	8.40	9.60	7.43
% to Total Income	7.44	5.29	4.53	0.71
EBITDA	60.87	21.13	45.02	208.81
% to Total Income	14.18	13.30	21.24	20.00
% Increase	-	-65.29%	113.06%	363.82%

R&D Expenses	21.20	2.96	4.84	7.88
% to Total Income	4.94	1.86	2.28	0.75
Financial Expenses				
Short Term	3.17	2.97	3.2	5.85
% to Total Income	0.74	1.87	1.51	0.56
Long Term	5.64	4.21	11.66	11.53
% to Total Income	1.31	2.65	5.50	1.10
Depreciation	5.51	6.72	7.13	15.84
% to Total Income	1.28	4.23	3.36	1.52
Profit Before Tax	25.35	4.27	18.19	167.71
% to Total Income	5.90	2.69	8.58	16.06
Current Tax	3.85	0.5	0.00	18.08
Deffered Tax	2.41	0.54	-3.25	-5.13
Net Profit before Adjustments	19.09	3.23	21.44	154.76
Extra Ordinary items/Adjusments	-9.21	-	-	1.2
Net Profit after Extra Ordinary Items/Adjustments	9.88	3.23	21.44	155.96
% to Total Income	2.30	2.03	10.12	14.94
% increase		-67.31%	563.78%	627.43%

a. Comparison of Performance and Analysis of Developments for the financial year ended June 30, 2006 vis-à-vis Financial Year ended June 30, 2005

Major Events during the year

There is no significant event during the year.

Sales

Our sales revenues increased from Rs.252.49 million in FY2005 to 1018.23 in FY 2006 registering a growth rate 303 %. This increased in sales is on account of increased sales in all the segments over the previous year.

Other Income

Other income has increased from Rs.0.15 million in FY2005 to Rs.0.64 million in FY2006.

Expenditure

Material cost has increased as a proportion of Total Income, from 54.62 % in FY2005 to 67.44 % in FY2006. This is as a result of product mix change in sales requiring higher cost and higher volume of raw material components. Manpower cost has reduced from 5.03 % in FY2005 to 2.77 % in FY2006

Finance charges

Finance charges have increased from Rs.14.86 million in FY2005 to Rs17.48 million in FY2006 due to increase in working capital borrowings.

Depreciation

Depreciation has increased from Rs.7.13 million in FY2005 to Rs 15.84 million in FY2006 due to increase fixed asset base.

Profit after tax

Profit after tax has increased from Rs.21.44 million in FY2005 to Rs.155.96 million in FY2006, registering a growth of 627 % which is primarily due to increase in turnover.

Inventory

Inventory comprises of raw material & work in progress and has increased from Rs.45.52 million in FY2005 to Rs 91.39 million in FY2006. This is primarily due to increase in manufacturing activity.

Sundry Debtors:

Sundry debtors have increased from Rs94.22 million in FY2005 to Rs.347.24 million in FY2006 is due to increase in turnover.

Loans and Advances

Loans and advances have increased from Rs.45.98 million in FY2005 to Rs 81.97 million in FY2006 mainly due to advances against capital expenditure.

Current Liabilities & Provisions

Current Liabilities & Provisions have increased from Rs.49.05 million in FY2005 to Rs.75.07 million in FY2006 mainly due to an increase in creditors and provision of taxes.

Secured Loans

Secured loans comprise of bank borrowings for working capital and long term borrowings for financing of assets. Secured loans have increased from Rs.147.23 million in FY2005 to Rs187.55 million in FY2006 due to increase in working capital utilization.

b. Comparison of Performance and Analysis of Developments for Financial year ended June 30, 2005 vis-à-vis June 30, 2004

Establishment of Market offices in Dubai and subsidiary in Australia for media and InfoTech products.

Major Events during the year**Sales**

Our sales revenues increased from Rs.133.76 million in FY2004 to 252.49 in FY 2005 registering a growth rate 88.76%.

Other Income

Other income has reduced from Rs.1.30 million in FY2004 to Rs.0.15 million in FY2005.

Expenditure

Material cost has increased/reduced as a proportion of sales, from 99.83 million in FY2004 to 115.77 million in FY2005.

Finance charges

Finance charges have increased from Rs.7.18 million in FY2004 to Rs.14.86 million in FY2005 due to increase in long term term debt availed to build increased level of infrastructure.

Depreciation

Depreciation has increased from Rs.6.72 million in FY2004 to Rs.7.13 million in FY2005.

Profit after tax

Profit after tax has increased from Rs.3.23 million in FY2004 to Rs.21.44 million in FY2005, registering a growth of 537 % which is primarily due to increase in turnover and reduction in material/operational cost

Inventory

Inventory comprises of raw material & work in progress and has reduced from Rs.82.06 million in FY2004 to Rs.45.52 million in FY2005 due to reduction of working progress.

Sundry Debtors:

Sundry debtors have increased from Rs.36.60million in FY2004 to Rs.94.22 million in FY2005.

Loans and Advances

Loans and advances have reduced from Rs.75.48 million in FY2004 to Rs.45.98 million in FY2005 mainly due to reduction in advances against capital expenditure

Current Liabilities & Provisions

Current Liabilities & Provisions have increased marginally from Rs.48.23 million in FY2004 to Rs.49.05million in FY2005.

Secured Loans

Secured loans comprise of bank borrowings for working capital and long term borrowings for financing of assets. Secured loans have increased from Rs.101.97 million in FY2004 to Rs.147.23 million in FY2005 due to increase in long term debt.

c. Comparison of Performance and Analysis of Developments for Financial year ended June 30, 2004 vis-à-vis June 30, 2003

Major Events during the year

There is no significant event during the year.

Sales

Our sales revenues reduced from Rs.418.23 million in FY2003 to 133.76 in FY 2004.

Other Income

Other income has decreased from Rs.3.68 million in FY2003 to Rs.1.30 million in FY2004 which reflects a negative growth of 64.67 %.

Expenditure

Material cost has increased as a proportion of sales, from 62.19% in FY2003 to 62.84 % in FY2004. This is as a result of change in product mix.. Manpower cost has increased from 3.31 % in FY2003 to 6.76 % in FY2004 due to lower sales revenues in the year 2004.

Finance charges

Finance charges have marginally decreased from Rs. 8.81million in FY2003 to Rs.7.18 million in FY2004.

Depreciation

Depreciation has increased from Rs5.51 million in FY2003 to Rs.6.72 million in FY2004.

Profit after tax

Profit after tax has reduced from Rs.9.88 million in FY2003 to Rs.3.23million in FY2004, due to reduction in sale revenues.

Inventory

Inventory comprises of raw material & work in progress and has increased from Rs 58.70 million in FY2003 to Rs.82.06 million in FY2004. This is primarily due to increase in work in progress.

Sundry Debtors:

Sundry debtors have reduced from Rs.41.10million in FY2003 to Rs.36.60 million in FY2004.

Loans and Advances

Loans and advances have increased from Rs.23.83million in FY2003 to Rs75.47 million in FY2004 mainly due to advances against capital expenditure

Current Liabilities & Provisions

Current Liabilities & Provisions have increased from Rs.41.16 million in FY2003 to Rs.48.23million in FY2004 mainly due to an increase in creditors and provision.

Secured Loans

Secured loans comprise of bank borrowings for working capital and long term borrowings for financing of assets. Secured loans have increased from Rs.48.00 million in FY2003 to Rs.101.96million in FY2004 due to increase in term loans for increasing manufacturing facilities etc.

Significant Accounting Policies:**I. ACCOUNTING POLICIES**

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

(i) Accounting Convention:

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.

(ii) Fixed Assets & Depreciation:

Fixed assets are valued at cost less depreciation provided on straight line basis 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.

CENVAT & VAT claimed on capital goods are credited to plant & machinery account.

- (iii) Investments: Investments are stated at cost.
- (iv) Inventories:
 - A) Raw Materials and Work in Progress are valued at cost.
 - B) Stock-in-Trade is valued at cost or realisable value whichever is less.
 - C) CENVAT & VAT on purchase of rawmaterial/components are deducted from cost of such materials.
- (v) Sales & Services:

Sales & Services are inclusive of taxes and duties collected.
- (vi) Staff 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.
- (vii) Research & Development:

Revenue expenditure on Research & Development is charged to Profit and Loss Account in the year in which it is incurred. Capital expenditure is shown as additions to Fixed Assets.
- (viii) Deferred Taxation:

Current Tax is determined as 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.
- (ix) The software purchased for development projects is charged to profit and loss account in the same year and purchase of software which is used for increasing the performance of the existing test equipment is treated as capital expenditure.
- (x) All contingent liabilities to the extent not provided are indicated by way of a note and will be provided/paid on crystallization.

Material Developments after June 30, 2006

We agreed to acquire Infostep Inc USA for a total consideration of USD 4.4 Million, the consideration is divided into 404800 shares of MIC and USD 2.2 Million in cash.

Our Company declared a bonus on September 28, 2006 out of our free reserves in the ratio of 2:1 whereby we issued a total of 4,574,285 shares to our shareholders.

We have entered into an Memorandum of Understanding (MOU) dated August 17, 2006 with Visible Display Corporation (VDC) and InfoSTEP Inc., whereby appointing VDC as a non-exclusive distributor of our LED mobile units in the USA, for a period of 5 years.

We have on October 19, 2006 allotted 900,000 shares of our Company to the MIC Electronics Limited Employees' Trust. The Trust has been constituted to hold the aforesaid shares under the MIC Electronics Limited ESOP 2006.

Information required as per clause 6.10.5.5(a) of the SEBI Guidelines:

Unusual or infrequent events or transactions:

There have been no unusual or infrequent transactions that have taken place during the last three years.

Significant Economic changes that materially affected or are likely to affect income from continuing operations:

Except as detailed in the preceding paragraph and as described in the section titled “**Risk Factors**” beginning on page [●] and “**Management Discussion and Analysis of Financial Conditions and Results of Operations**” beginning on page [●] and elsewhere in this Draft Red Herring Prospectus, there are no known factors that will have a material adverse impact on our operations, our income from continuing operations and our finances.

Known trends or uncertainties

Apart from the risks as disclosed in the section titled “**Risk factors**” beginning on page [●], there are no other known trends or uncertainties that have had or are expected to have a material adverse impact on revenue or income from continuing operations.

Future relationship between costs and revenues

To our knowledge there are no known factors which will have a material adverse impact on our operations and profitability.

Total turnover of the Industry in which we operate

We are operating only in three business lines namely the Telecommunication, Media, and InfoTech. Relevant published data, as available, for the industry turnover has been included in the section entitled “**Industry**” beginning on page [●].

Over dependence on Single supplier/Customer

We source large quantum of our raw materials from a small number of suppliers, details of which have been provided in the section titled “**Our Business**” on page number [●].

Reason for increase in sales/revenue

We have recently received a big order of INR 1200 Million from BSNL, hence our revenue will increase.

New products launched

We have not introduced any new product.

Seasonality of Business

Our Business is not seasonal in nature.

Competitive conditions

We face competition both from larger and well-established players.

Related Party Transactions

For related party transactions, please refer to Section titled “**Related Party Transactions**” under the section titled “**Financial Information**” on page no. [●].

Dividend Policy

For details, please refer to Section titled “**Financial Statements**” on page [●] of this Draft Red Herring Prospectus.

FINANCIAL INDEBTEDNESS

Set forth below is a summary of our significant outstanding secured borrowings of Rs 187.55 million as of June 30, 2006, together with a brief description of significant terms of such financing arrangements.

Name of Lender	Facility and Loan Documentation	Amount Outstanding (Rs. Million)	Interest Rate	Repayment Schedule	Security Created
Technology Development Board	Loan Assistance of Rs 40 million. Loan Documentation Loan Agreement dated March 16, 2004.	42.96	Interest to be paid half yearly at the rate of five percent per annum (simple interest).	The repayment of principal and interest to be paid on half yearly basis as per schedule attached to the loan agreement.	Pledge of shares held by Dr M.V.Ramana Rao with a face value of Rs 4 million. Any and all equipment, apparatus, machineries, spares, tools and other accessories, goods and/or the other movable property, purchased and/or acquired for the purposes of the project under the loan agreement is hypothecated to the Board.
State Bank of India, Saifabad Branch, Hyderabad	Loan limit (fund based) of Rs 75 million and non –fund based Rs 60 million Loan Documentation: Letter dated February 15, 2006 for renewal of working capital limits	77.97 and 34.41 respectively	For CC (HYP) 2% above SBAR at monthly rests; current effective rate 12.25%. For EPC – Upto 180 days – 2.75% below SBAR, i.e 7.50% Above 180 days – 1.50% below SBAR i.e 8.75%	Repayable on demand; sanction valid for 12 months.	- Second charge on the immovable property situated at Survey No.321, 321/5, 321/6, 321/1A at Kushaiguda, Ranga Raddy District and plant machinery (First charge with UCO Bank for term loans sanctioned - Hypothecation of unencumbered plant and machinery. - Equitable mortgage of 28 properties owned by the Company.
UCO Bank	Term Loans of Rs 24	59.75	Rate of interest 2.5%	To be repaid in 20	1. Extension

	and 50 million. Loan Documentation: 1. Sanction letter dated August, 28, 2003. 2. Sanction letter dated March, 31, 2004		over BPLR i.e 13.5% per annum (including term spread of 0.5%)	quarterly installments of Rs 2.5 million each.	of first charge on land/building and plant & machinery of the Company. 2. Second charge on current assets of the Company, as well as plant & machinery valued at Rs 20.8 million over which SBI has first charge.
Small Industries Development Bank of India	Term loan of Rs 2.233 million and a capital subsidy of Rs 0.267 million Loan Documentation: 1. Letter of intent dated March 11, 2004. 2. Loan agreement dated June 11, 2004.	0.91	Rate of interest 11.5% per annum.	Repayment over a period of 14 quarters including a moratorium of 2 quarters from the date of first disbursement in 11 quarterly installments of Rs 0.19 million each followed by the last installment of Rs 0.143 million.	Exclusive first charge on all movable assets, plant and machinery of the Company to be purchased out of the loan.
National Research development corporation (NRDC)	Term loan of Rs 3 million	3.0	No interest is payable but we are required to pay to NRDC annual lump sum royalty of 8.6 lakhs per year for 5 years from the start of commercial production of the products as per the agreement failing which interest @12% per annum for the first six months and 18% per annum beyond the period of six months, till realisation will be charged	We are required to pay to NRDC annual lump sum royalty of 8.6 lakhs per year for 5 years from the start of commercial production of the products as per the agreement failing which interest @12% per annum for the first six months and 18% per annum beyond the period of six months, till realisation will be charged	Exclusive first charge on all movable assets, plant and machinery of the Company to be purchased out of the loan.
Vehicle loans	6 loans amounting to Rs.3.8 million	2.9	Rates from 3.35% p.a to 10.75% p.a.	36 months from date of first instalment of each loan	Endorsement in the RC book and insurance policy

VI. LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

A. Save as detailed herein:

- a. neither the Company, nor any director or Promoter of our Company is party to any ongoing litigation/proceedings for economic offences or statutory regulations or alleging criminal/civil offence (including past cases, if found guilty) before any statutory or regulatory authority/ court/ tribunal, nor are any show cause notices pending against any of them;
- b. neither our Company, nor any director of our Company was party to any past proceedings where any penalty was imposed;
- c. there have been/are no defaults to financial institutions/ banks, non-payment of statutory dues and dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares by the Promoters of our Company and the companies/ firms promoted by the Promoters of our Company;
- d. our Company has not failed to pay any statutory dues;
- e. no disciplinary action has been taken against the Promoters of our Company by the Securities and Exchange Board of India or any Stock Exchange in India; and
- f. none of the names of the directors of our Company have appeared on the RBI's defaulters list.
- g. there are no outstanding litigations, defaults, etc., pertaining to matters likely to affect operations and finances of the Issuer Company and its subsidiaries , including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII to the Companies Act, 1956 (1 of 1956) etc..
- h. there are no cases of pending litigations, defaults, etc. in respect of companies/ firms/ ventures with which the Promoters were associated in the past but are no longer associated;
- i. there are no pending proceedings initiated for economic offences against the Promoters, companies and firms promoted by the Promoters;
- j. there are no past cases in which penalties were imposed by the concerned authorities.
- k. there are no pending litigations, defaults, non payment of statutory dues, proceedings initiated for economic offences/ civil offences (including the past cases, if found guilty), any disciplinary action taken by the Board/ stock exchanges against the Promoters and their other business ventures (irrespective of the fact whether they are companies under the same management with the issuer Company as per section 370(1B) of the Companies Act, 1956)

B. There are no small scale creditors to whom our Company owes a sum exceeding Rupees 0.1 million which is outstanding for more than thirty days.

C. The details of the relevant proceedings have been classified as follows:

The list provided below indicates the current position of the legal matters related to the Promoter and Company outstanding before the various courts/judicial authorities. No case has been filed by/against the Company, the Promoter and the Group companies except as under:

Legal Proceedings pending against our Promoter

Sr.no	Forum/Court/Tribunal	Filed Against	Particulars	Quantum involved (in Rs)	Current Status
1.	III Addl. Chief Metropolitan Magistrate, Nampally, Hyderabad,	Our Promoter, M/s Intemo Systems Ltd (Accused No. 1) and , Mr. K.Satyanarayna (Accused No. 2)	Criminal complaint No 1774 of 2005. The Complainant M/s K.C.B.N InfoTech was issued a cheque for Rs 9,00,000/- by the Accused No 1 allegedly towards discharge of an alleged liability owed by the Accused No 1 to the complainant. The cheque was dishonoured. Hence the complaint. The Promoter has contended that he not liable to be impleaded as he was neither a director of the Accused No.1 on the date of issuance of the cheque nor a signatory of the Memorandum of Understanding under which the debt was advanced to the Complainant (for the satisfaction of which the cheque was given). The Promoter had filed a quashing petition under Section 482 of the Code of Criminal Procedure 1973 in CrI. Petition No. 1357 of 2006 before the Andhra Pradesh High Court for quashing the aforesaid criminal complaint against him	Rs. 9 Lacs	Criminal Petition No. 1357 of 2006 was dismissed by Andhra Pradesh High Court by an order dated July 4, 2006. An application has been filed by our Promoter seeking discharge in C.C No.1774 of 2005. The application is pending on the file of III Addl. Chief Metropolitan Magistrate's Court, Nampally, Hyderabad.
2	II Senior Civil Judge, City Civil Courts, Hyderabad	Our Promoter, ,M/s Intemo Systems Ltd and, Mr. K.Satyanarayna	A suit being O.S.No. 323 of 2006 has been filed against our Promoter and others for recovery of the amount of Rs.9,19,084 being the amount payable under the dishonoured cheque, mentioned at Serial No.1 above along with interest thereon.	Rs.9,19,084 alongwith interest thereon	The suit is pending hearing and final disposal.

Legal Proceedings filed against /by us

S. No.	Forum/Court/Tribunal	Filed Against	Particulars	Quantum involved (in Rs)	Current Status
1.	Sole Arbitrator Honourable Justice (Retd.) S.V.Maruthi	Union of India and others	Arbitration case No 5 of 2001. We had been awarded a contract for supply of telecommunication systems under a tender. Before we could supply under the contract, the tenderer	Our entitlement of 5.5 million under the Award has been reduced to 2 million.	Civil Miscellaneous Appeal No 377 of 2006 filed against our Company is pending hearing and final disposal.

S. No.	Forum/Court/ Tribunal	Filed Against	Particulars	Quantum involved (in Rs)	Current Status
			terminated the contract. We initiated arbitration proceedings challenging the wrongful termination. The Arbitrator awarded us specific performance of the contract i.e. the purchase order and costs of the arbitration under an Award dated June 16, 2002. As per the Award, in the event the Respondent fails to execute the contract within six months of the Award, then we would be entitled to (a) cost of the raw material procured by us valued at Rs 55,00,000 with interest thereon @12% from August 6, 1999 till payment (b) Rs 67,110 towards bank commission and return of the amount with interest @12% from date of encashment till payment (c) Profits @15% on the contract amount (d) costs of arbitration amounting to Rs One Million. The Respondent filed a Petition No 1873 of 2002 for setting aside the Award in the City Civil Court at Hyderabad. The Award has been modified by the Honourable Judge only to the extent that the cost of raw material awarded to us has been reduced from Rs 5.5 million to Rs 2 million and was decreed on October 18, 2005. The original Respondents i.e. Union		

S. No.	Forum/Court/ Tribunal	Filed Against	Particulars	Quantum involved (in Rs)	Current Status
			of India and others had appealed against the decree and judgement dated October 18,2005 by filing Civil Miscellaneous Appeal No 377 of 2006 in the Andhra Pradesh High Court		
2.	Sole Arbitrator Honourable Justice (Retd.) C.V.N Shastri	Union of India and others	Arbitration Case No 2 of 2000. We had been awarded a contract for supply of telecommunication systems under a tender, by the Department of Telecommunications (DOT). DOT terminated the contract on the ground that we failed to supply the system within the stipulated time. We initiated arbitration proceedings challenging the wrongful termination and sought a direction that DOT either accept the systems under the contract or we should be awarded damages of Rs 15 million towards cost of raw material along with interest of Rs. 8.1 million. The Respondent had made a counterclaim for Rs 3.5 million against us for alleged loss of income on account of our failure to supply the systems in time. The Arbitrator awarded us (a) Rs 38, 01,765/- with interest thereon at 9% per annum from August 21,1998 till date of payment (b) a sum of Rs 1, 50,000/- towards half of the Arbitrator's fee and rejected the counter claim of the Respondent.	We have claimed 15 million towards cost of raw material along with interest of. 8.1 million.	The Petitions filed by us and the Respondent are pending hearing and final disposal.

S. No.	Forum/Court/ Tribunal	Filed Against	Particulars	Quantum involved (in Rs)	Current Status
			Both the Company and the Respondent have filed separate Original Petitions in the City Civil Court at Hyderabad for setting aside the Award.		
3.	Sole Arbitrator Honourable Justice (Retd.)S.V.Maruthi	Union of India and others	Arbitration Claim No 6 of 2001. We were awarded a contract for supply of telecommunication systems under a tender. Before we could supply under the contract, the tenderer terminated the contract. We initiated arbitration proceedings challenging the wrongful termination. The Arbitrator awarded us specific performance of the contract i.e. the - purchase order and costs of the arbitration under an Award dated July 28, 2002. As per the Award in the event the Respondent fails to execute the contract within six months of the Award then we would be entitled to (a) cost of the raw material procured by us valued at Rs 80,00,000 with interest thereon @12% from August 6 ,1999 till payment (b) Rs1,66,872 towards bank commission and return of the amount with interest @12% from date of encashment till payment (c) Profits @15% on the contract amount (d) costs of arbitration amounting to Rs 1 million. The Respondent filed a	Our entitlement to 8 million under the Award has been reduced to 2 million.	The Appeal filed by the Respondent is pending hearing and final disposal.

S. No.	Forum/Court/ Tribunal	Filed Against	Particulars	Quantum involved (in Rs)	Current Status
			Petition for setting aside the Award in the City Civil Court at Hyderabad. The Award has been modified by the Honourable Judge only to the extent that the cost of raw material awarded to us has been reduced from Rs 8 million to Rs 2 million and was decreed on October 19, 2005. The original Respondents i.e. Union of India and others had appealed against the decree and judgement dated October 19, 2005 by filing Civil Miscellaneous Appeal No 378 of 2006 in the Andhra Pradesh High Court.		
4.	Supreme Court of India	Bharat Sanchar Nigam Limited (BSNL)	We had bid under a tender issued by BSNL for supply of certain telecom equipment. When the bids were opened, our bid was returned on the ground that we did not satisfy the eligibility criteria for submission of bid security of the requisite value. We had originally approached the High Court of Judicature at Hyderabad in October 2004 by way of a Writ Petition, inter alia challenging the aforesaid arbitrary action of BSNL. The Writ Petition and an Appeal filed from an Order of the single judge of the AP High Court in the Writ Petition were dismissed on the ground of territorial	We have made a claim for compensation of 320 Million.	Our SLP was dismissed with an observation that we could seek compensation against BSNL.

S. No.	Forum/Court/Tribunal	Filed Against	Particulars	Quantum involved (in Rs)	Current Status
			jurisdiction. In December 2004, we had filed a Writ Petition seeking similar reliefs, in the Delhi High Court. In the interim, the bids of certain other bidders were proceeded with and orders were placed on them. The Delhi High Court disposed of the Writ Petition pending before it on the ground that though we were wrongly held to be a non responsive bidder, relief could not be granted on the ground that the bids had already been declared and even if our bid had been taken to be responsive, there was no guarantee that we would have been a successful bidder. It was held that we could seek our recourse by way of an appropriate civil remedy. Against the Order of the Delhi High Court, our Company /had filed a Special Leave Petition (SLP) in the Supreme Court.		
5.	Supreme Court of India	MIC Electronics Limited	Against the Order of the Delhi High Court mentioned in point 4 above, BSNL has filed a Special Leave Petition (SLP) in the Supreme Court.	No monetary claim made	The SLP filed by BSNL is pending hearing and final disposal.
6.	High Court of New Delhi, New Delhi	The Municipal Corporation of New Delhi (“ Respondent No. 1 ”) and our Company (“ Respondent No. 2 ”)	Writ Petition No. 10686 of 2006. The Respondent No. 1 floated a tender for display of advertisements through LED screens. In the terms and conditions of the tender, a condition has been inserted that	Nil	The Writ Petition is pending hearing and final disposal in the High Court.

S. No.	Forum/Court/Tribunal	Filed Against	Particulars	Quantum involved (in Rs)	Current Status
			the allotment of such contract for advertisement will be made by following the Swiss system under the Respondent No. 2 who have come forward with the idea shall have the first option to accept or decline the award of the contract on the rates quoted by the highest tenderer. In case the Respondent No. 2 declines to accept the offer, allotment of the contract shall be offered to the actual highest tenderer. The Petition has been filed by Times Innovative Media challenging the tender process floated by the Respondent No. 1 on the grounds inter alia that the aforesaid terms were favourable to Respondent No. 2 and the Respondent No. 1 was acting in a arbitrary manner. The Petitioner has sought the setting aside of the aforesaid clause and that the Respondent No. 1 follow the policy of fair play in awarding the contract. The Respondent No. 2 has filed a Counter Affidavit in response to the Petition inter alia seeking dismissal of the Petition on the ground that it is an abuse of the Court and for ulterior motives for vested interest.		

Material Developments

The following material developments have arisen since the date of our last Balance Sheet i.e. June 30, 2006:

1. Our Company declared a bonus on September 28, 2006 out of our free reserves in the ratio of 2:1 whereby we issued a total of 4,574,285 shares to our shareholders.
2. We have entered into a Share Purchase Agreement dated October 3, 2006 with all the shareholders of InfoSTEP Inc., a company incorporated in the U.S.A. for purchase of their entire shareholding. The transaction involves two phases, in the first phase a share swap whereby the shareholders holding 50% of the shareholding of InfoSTEP Inc. have received 404,800 shares of our Company and 5% of their shareholding has been agreed to be bought in cash. In the second phase their remaining 45% shareholding will be bought in cash within a period of 30 days from the date of listing of our shares on the stock exchanges pursuant to the Public Issue. The valuation of the shares of InfoSTEP Inc. has been estimated by us to be USD 4.4 million as on date. The shareholders of InfoSTEP Inc. will be entitled to appoint 2 directors on our board, one of whom has been appointed on InfoSTEP Inc. becoming our subsidiary as detailed above. The second director will be appointed on the takeover of the entire shareholding of InfoSTEP Inc. The shareholders of InfoSTEP Inc. are also entitled to appoint a director on the board of our Australian subsidiary.
3. We have entered into an Memorandum of Understanding (MOU) dated August 17, 2006 with Visible Display Corporation (VDC) and InfoSTEP Inc., whereby the parties have agreed to enter into a further agreement (Agreement) appointing VDC as a non-exclusive distributor of our LED mobile units in the USA, for a period of 5 years. VDC will also have the non-exclusive right to market and sell any of our other LED products. We will provide warranty services and replacement parts for the LED mobile units. Within 45 days of execution of the Agreement, we will make best efforts to provide to VDC a free demo mobile truck mounted LED unit for a period of 6 months to be used for marketing purposes. The rental revenues generated from this unit will be shared between InfoSTEP and VDC. Within 6 months of the receipt of the truck mounted unit we will provide to VDC one demo trailer at discounted and mutually agreed price. This trailer mounted unit will also be used for marketing purposes and the revenues generated from this unit will be shared between InfoSTEP and VDC. All the parties will maintain appropriate product liability and other insurance to legally operate the above equipments within the USA. For units purchased by VDC from us, VDC will be entitled to a credit period of 180 days for payment. InfoSTEP and VDC will jointly do the marketing campaign to promote the sale of our mobile LED display units.
4. We have on October 19, 2006 allotted 900,000 shares of our Company to the MIC Electronics Limited Employees' Trust. The Trust has been constituted to hold the aforesaid shares under the MIC Electronics Limited ESOP 2006.
5. We have recently received a large order from BSNL which is as under:

Rs in Million	
Name of Customer	Order Value
2006-07	
Bharat Sanchar Nigam Limited (BSNL), New Delhi (Integrated Fixed Wireless Terminal) IFWT	120.00

In the Opinion of our Board, there have not arisen, since the date of the last financial statements disclosed in this DRHP any circumstances that materially or adversely affect or are likely to affect our profitability taken as a whole or the value of our consolidated assets or our ability to pay our material liabilities within the next twelve (12) months.

LICENSES AND APPROVALS

Subject to the renewals of the Licenses and Approvals as listed below (other than those not required to be renewed), we can undertake this Issue and our current business activities and no further major approvals from any Government authority is required to continue these activities.

Approvals required for the Issue:

1. Resolution of Board of Directors and Shareholders dated July 18, 2006 and August 12, 2006 for this Issue.
2. Board Resolution dated November 4, 2006 of our Board of Directors approving this DRHP.

Approvals obtained for the Company in general:

1. Our Certificate of Incorporation bearing No. 01-08652 dated May 17, 1988 issued by the Registrar of Companies (RoC) of Andhra Pradesh at Hyderabad and the subsequent Certificate of Incorporation consequent on conversion to a public limited company under Section 31/44 of the Companies Act dated 29th July, 1997 also issued by RoC of Andhra Pradesh at Hyderabad
2. Corporate Identification Number issued by the RoC at Hyderabad to us bearing No. U31909AP1988PLC8652 dated January 27, 2006
3. ODA form filed by us with the RBI on May 18, 2006 for investment in MIC Technologies (AUST) PTY Limited
4. Approval obtained from the Government of India, Ministry of Finance, Department of Economic Affairs, FIPB Unit dated September 28, 2006 in respect of the share purchase/share swap of shares of InfoSTEP Inc. by our Company

The other approvals have been listed unit-wise.

LICENSES AND APPROVALS

Sr.No	Particulars	Registration/Permits No's	Date of expiry
1	SSI Registration	01-22-57442 dated January 2, 1993	October 7, 1995
	Approval for validity of Permanent Registration Certificate from October 8, 1995 to October 7, 1996	Endt No : 11043/A2/95 dated November 17, 1995	October 7, 1996
	Approval for additional line of activities 1) 10 channel digital UHF System	Endt No : 4117/B1/98 dated May 18, 1998	Permanent Basis
	Approval for change of factory location on permanent basis from September 9, 1996 and extension of validity of SSI registration certificate	Endt no : 11074/B1/96 dated October 31, 1996	Validity of SSI Registration certificate upto May 17, 2001.
	Approval for additional line of activities 1) Digital Loop Carrier System on STM-1/4	Endt No : 6561/B1/99 dated May 23, 1999	Permanent Basis
	Approval for change of factory address	828/B1/2000 dated February 15, 2000	Till the unit exists
	Approval for additional line of activities 1) Network Management Systems 2) Traffic Control and Management Information System 3) Internal Fraud Detection System	Endt : 7405/A1/2000 dated August 9, 2000	Permanent Basis
	Approval for additional line of activities 1) Interactive Voice Response System	Endt No : 8826/A1/2000 dated September 30, 2000	Permanent Basis
	Approval for additional line of activities 1)	Endt No : 9395/01/2000	Permanent Basis

Sr.No	Particulars	Registration/Permits No's	Date of expiry
	Fault repair system with hardware and software		
	Approval for additional line of activities 1) Application Oriented Software Development	Endt No : 1437/B1/2001 dated February 28, 2001	Permanent Basis.
	Additional line of activities from Solid State Voice processing system/Interactive Voice Response System to Solid state voice processing sytem/Interactive Voice response system/Voice mail system	Endt No : 6540/B1/01 dated September 10, 2001	Endorsement is incorporated in the permanent SSI registration.
	Approval for additional line of activities 1) Transformer protection device	Endt No : 5851/B1/02 dated September 28, 2002	Endorsement is incorporated in the permanent SSI registration.
	Approval for incorporation of STM-1 SDH Equipmant w.e.f from September 24, 2002	Endt No : 5851/B1/02 dated September 28, 2002	Endorsement is incorporated in the permanent SSI registration
	Approval for additional line of activities 1) Managed lease line network equipment 2) Hand held computers with printers w.e.f September 30, 2002	Endt No : 644/B1/2003 dated January 30, 2003	Permanent Basis
	Approval for additional line of activities 1) Primary Mix Equipment w.e.f September 24, 2002	Endt No : 2361/B1/2003 dated May 8, 2003	Permanent Basis
	Approval for additional line of activities 1) Synchronous multipler for metro network application 2) STM-16 w.e.f November 7, 2003	Endt No : 5277/B1/03 dated November 7, 2003	Permanent Basis
	Approval for additional line of activities 1) Optical Multi Service Access Network Equipment w.e.f August 21, 2004	Endt No : 3421/B1/2004 dated September 21, 2004	Permanent Basis
	Approval for additional line of activities 1) WLL CDMA 2000 IX Fixed Wirless Terminals,WLL CDMA 2000 IX and held Terminals,True Colour Day and Night Visible Led Video Mobile Display System w.e.f. October 25, 2004	Endt No : 4116/B1/2004 dated November 20, 2004	Permanent Basis
	Approval for additional line of activities 1) SMS Power supply 2)Digital desktop boxes for Cable TV & Satellite TV w.e.f. April 19, 2005	Endt No : 2732/B1/05 dated September 16, 2005	Endorsement is incorporated in the permanent SSI registration.
2	Permanent Enlistment Certificate	NSIC/HYD/GP/17(M-78)/2006 dated May 17, 2006	2 years from date of issue
3	PAN Number	AABCM3693B	Until Cancelled
4	Registration Certificate under Rule 9 of the Central Excise (No 2) Rules,2001	AABCM3693B XM 001	Valid till the registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended
5	Service tax Registration Certificate under Form S.T.2	MRS/CAI/BAS/CER/249/2003(S.Tax) dated August 1, 2003	Valid till the registrant carries on the activity for which it has been issued or surrenders it
6	Sales Tax Registration No's		

Sr.No	Particulars	Registration/Permits No's	Date of expiry
	TIN NO	28320179957	Until Cancelled
	APGST NO	SEC/071/2695/1992-93 dated January 7, 1993	Until Cancelled
	CST NO	SEC/07/1/2695/1992-93 dated November 5, 2002	Until Cancelled
7	IEC Code No	0991010507 dated July 3, 2004	Until Cancelled
8	Factory License No	35739 dated April 3, 2000	Until Cancelled
9	STPI Reg No	STPH/IMSC/6417/2005-06 2686 dated May 13, 2005	March 29, 2010
10	Renewal and Recognition of In-house R&D Units	TU/IV-RD/1761/2004 dated March 23, 2004	Renewed upto March 31, 2007
11	Renewal of ESC-RCMC Registration No	02:E&CSEPC:TEL:REG: 2034:HYD:94-95 dated June 10, 1994	Fees have to be paid annually for the same but membership is valid for 5 yrs.
12	Form of Registration cum membership Certificate	02:E&CSEPC:TEL:REG: 2034:HYD:94-95	Fees have to be paid annually for the same but membership is valid for 5 yrs.
13	ISO Certificate No	2015 dated August 13, 2003	Extended upto August 27, 2009 from August, 28, 2006
14	Certificate of Registration under sub-section (2) of section 7 of the Contract Labour(Regulation and Abolition) Act,1970	A-196(CT) dated May 10, 2005	Permanent basis
15.	Employee's Provident Fund	Registration No. AP/19174	Permanent basis
16.	Employee's State Insurance Corporation	Dated September 20, 1990 Registration No. AP/ PICI/ 5-2-8167-64	Permanent basis

- A. Apart from the above Licenses and Approvals, we had also obtained the following Special Approvals or Technical Specification Evaluation Certificates in respect of our products for the purpose of supplying our products to BSNL.

1	Technical Specification Evaluation Certificate in respect of its product, CDMA 2000 1x Remote Station, Integrated Fixed Wireless Terminal – Type B(iii) Model No. PW – 3000P	No. TSEC/HD/RST-01/01/048. May 06, dated May 24, 2006	Valid for BSNL Tender No. MM/SW/062005/00028 8, dated June 27, 2005
2	Technical Specification Evaluation Certificate in respect of its product, CDMA 2000 1x Remote Station, Fixed Wireless Terminal – Type A(ii) Model No. HTT – 800	No. TSEC/HD/RST-01/01/119. July 06, dated July 27, 2006	Valid for BSNL Tender No. MM/SW/062005/00028 8, dated June 27, 2005
3	Technical Specification Evaluation Certificate in respect of its product, 12V Switch Mode Power Supply (SMPS) for CDMA FWTs & similar systems (Type A)	No. TSEC/HD/SMP-02/01/204. Sep. 06, dated July 27, 2006	Valid upto September 30, 2009

	Model No. MIC-SMPS(CDMA) - 12	
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- B. Plot NO.9/156A
Gajula Street
Yanam
Pondicherry-533 464

Sr. No.	Particulars	Registration/Permits No's	Date of expiry
1	Central Excise Registration No.	AABC3693BXM004 dated September 3, 2003	Valid till the registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended
2	Sales tax Registration		
	PGST Number for MIC Electronics Ltd, Yanam, Pondicherry	602042/2001-02 dated March 26, 2002	March 31, 2002, renewable from year to year on payment of fees.
	Central Sales tax registration certificate for MIC Electronics Ltd, Yanam, Pondicherry	2957/TRC/2001-02 dated March 26, 2002	Until Cancelled

- C. D.No 4-297
Anyam gardens
Yanam Pondicherry

Sr. No	Particulars	Registration/Permits No's	Date of expiry
1	Central Excise Central registration certificate for MIC Electronics Ltd, Yanam, Pondicherry	AABCM3693B XM 003	Until Cancelled

- D. 314-B, Yashwant Shoping Centre
Carter Road
Borivali East
Mumbai – 400 066

Sr. No	Particulars	Registration/Permits No's	Date of expiry
1	Sales Tax Registration Numbers		
	B.S.T No	400066/S/4732 dt : 05-03-2004	Not given

- E. D-1 & D-2,
Kasra No. 117,
Industrial Area,
Raipur,
Bhagavanpur
Rourkee

Sr. No	Particulars	Registration/Permits No's	Date of expiry
1	SSI registration	Prov. Regn. Certificate No. 105, dated July 1, 2006	Valid for 5 years

2	Electricity Approval orders for a load of 50 HP :	No. 798, dated May 4, 2005	Valid for 2 years
3	DIC Certificate	No. 124, dated May 30, 2006	Until cancelled
4	Pollution No-objection Certificate	Issued by DIC dated May 30, 2006	Until cancelled
5	Non-agricultural user permission	Issued on January 23, 2006	Permanent basis

Approvals not yet obtained:

We are in the process of applying for factory license and Excise registration. The unit is yet to commence operations.

- F. Proposed Unit to be situated at
Phase II, IDA,
Cherlapally,
Hyderabad

Approvals not yet obtained:

The unit is yet to be established. We are in the process of applying for the required licenses such as factory license, SSI registration, sales tax registration, excise registration, service tax registration, approval of the Andhra Pradesh Industrial Infrastructure Corporation Limited for change in the line of manufacturing activity (from that sanctioned earlier),etc.

VII. OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Board of Directors has, pursuant to resolution passed at its meeting held on July 18, 2006 authorised the Issue subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act.

The current Issue has been authorised by the shareholders vide a special resolution dated August 12, 2006 adopted pursuant to Section 81(1A) of the Companies Act, passed at the EGM held on August 12, 2006.

Prohibition by SEBI

Neither we, nor our Directors or the Promoter or the Promoter Group Companies, or the Promoter Group Companies or companies with which our Directors are associated with as directors or promoters, have been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI.

Further, our Promoter has confirmed that he has not been detained as a wilful defaulter by the RBI or any other governmental authority and there are no violations of securities laws committed by him in the past or are pending against him.

Eligibility for the Issue

In terms of clause 2.2.1 of the SEBI (DIP) Guidelines, 2000 an unlisted company may make an initial public offering (IPO) of equity shares or any other securities which may be converted into or exchanged with equity shares at a later date, only if it meets all the following conditions:

- (a) The company has net tangible assets of at least Rs. 3 crores in each of the preceeding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets. **Provided that** if more than 50% of the net tangible assets are held in monetary assets, the company has made firm commitments to deploy such excess monetary assets in its business / project.
- (b) The company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years; **Provided further that** extraordinary items shall not be considered for calculating distributable profits in terms of Section 205 of Companies Act, 1956;
- (c) The company has a net worth of at least Rs. 1 crore in each of the preceding 3 full years (of 12 months each);
- (d) In case the company has changed its name within the last one year, atleast 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name; and
- (e) The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-issue networth as per the audited balance sheet of the last financial year. In terms of a certificate issued by M/s Pinnamaneni & Co., Chartered Accountants dated October [●], 2006, the Company satisfies the above eligibility criteria as follows:

(Rs. in million)					
Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
Net Tangible Assets	229.68	223.68	330.00	397.51	760.17
Monetary Assets	4.76	9.75	10.09	7.02	15.18
Distributable Profits	11.60	19.09	3.23	21.44	154.76
Net Worth	110.52	119.08	167.79	192.34	494.00

* The figures in the above table are as per the Restated Accounts of the Company.

Further the Company shall ensure that the aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment +

promoters' contribution through the offer document), does not exceed five (5) times its pre-issue networth as per the audited balance sheet of the last financial year. Net Tangible assets is defined as the sum of all the net assets of the company, excluding "intangible assets"; as defined in Accounting Standard 26 (AS-26) issued by the Institute of Chartered Accountants of India. Monetary Assets include cash on hand and bank. In addition to these, the company shall ensure that the number of allottees getting Equity Shares is not less than one thousand in number

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY THE SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER VIZ. EDELWEISS CAPITAL LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER VIZ. EDELWEISS CAPITAL LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED [●] 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

- "1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**
- 2. ON THE BASIS OF SUCH EXAMINATION AND DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

WE CONFIRM THAT:

- (A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- (B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
- (C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.**

- (D) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.*
- (E) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.
- (F) WE CERTIFY THAT WRITTEN CONSENTS FROM THE PROMOTERS HAVE BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS CONTRIBUTION SUBJECT TO LOCK-IN WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.
- (G) THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY AND FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

* The Merchant Banking registration of Edelweiss Capital Limited expired on October 15, 2006. The application for renewal of certificate of registration in prescribed Form A was made by Edelweiss Capital Limited to SEBI three months before expiry of period of certificate on June 14, 2006 as required under Regulation 9(1) of SEBI (Merchant Bankers) Regulations, 1992. The approval of SEBI in this regard is awaited. No communication has been received from SEBI rejecting the said application.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE DRAFT RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE ACT. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WOULD BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE FINAL PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

General Disclaimer

The Company, its directors and the BRLM accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information including the Company's website, www.micelectronics.com would be doing so at his or her own risk.

The BRLM accepts no responsibility, save to the limited extent as provided in terms of the Memorandum of Understanding entered into between the BRLM and the Company and the Underwriting Agreement to be entered into between the Underwriters and the Company.

All information shall be made available by the Company and the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres or elsewhere.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorised under their constitution to hold and invest in shares) and to eligible NRIs, FIIs and FVCIs registered with SEBI.

This Draft Red Herring Prospectus does not, however, constitute an Issue to sell or an invitation to subscribe to shares Issued hereby in any other jurisdiction to any person to whom it is unlawful to make an Issue or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform him or herself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Hyderabad only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with SEBI. Accordingly, the Equity Shares, represented thereby may not be issued or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (“**the Securities Act**”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “**U.S. Persons**” (as defined in Regulation S under the Securities Act), except pursuant to an exemption from or in a transaction not subject to, registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered or sold outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Disclaimer Clause of Bombay Stock Exchange Limited

The BSE has vide its letter [●] dated [●], given permission to the Company to use BSE’s name in this Draft Red Herring Prospectus as one of the stock exchanges on which the Company’s securities are proposed to be listed. The BSE has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company.

The BSE does not in any manner:-

- i) warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; or
- ii) warrant that this Company’s securities will be listed or will continue to be listed on the BSE; or
- iii) take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of the Company; and it should not for any reason be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of National Stock Exchange of India Limited

As required, a copy of this Draft Red Herring Prospectus has been submitted to the NSE. NSE has vide its letter [●] dated [●], given permission to the Company to use its name in this Draft Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalisation (i.e. the paid up capital shall not be less than Rs. 100 million and market capitalisation shall not be less than Rs. 250 million at the time of listing). The NSE has scrutinized this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that this Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquire any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

A copy of the Draft Red Herring Prospectus along with the documents required to be filed under Section 60B of the Companies Act would be delivered for registration to the Registrar of Companies, [●] Hyderabad - 500 195, Andhra Pradesh. A copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with the RoC. A copy of this Draft Red Herring Prospectus has been filed with SEBI at SEBI Bhavan, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.

Listing

Applications have been made to the NSE and BSE for permission to deal in and for an official quotation of the Equity Shares of the Company. [●] will be the designated Stock Exchange.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by either of the Stock Exchanges mentioned above, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight days after the Company becomes liable to repay it (i.e. from the date of refusal or within 15 days from the date of Bid/Issue Closing Date, whichever is earlier), then the Company shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

The Company with the assistance of BRLM shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation and adoption of the basis of allotment for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

“Any person who:

- (a) Makes in a fictitious name, an application to the company for acquiring or subscribing for, any shares therein, or**
- (b) Otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for term which may extend to five years.”**

shall be punishable with imprisonment for term which may extend to five years.”

Consents

Consents in writing of the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company, Escrow Collection Bankers, the Book Running Lead Managers, Registrars to the Issue and Legal Advisor to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of this Red Herring Prospectus with the Registrar of Companies, Andhra Pradesh as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

Pinnamaneni & Co, Chartered Accountants the auditors of the Company have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the Registrar of Companies.

Pinnamaneni & Co, Chartered Accountants, the auditors of the Company have given their written consent to the tax benefits accruing to the Company and its members in the form and context in which it appears in this Draft Red Herring Prospectus and such consent has not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the Registrar of Companies.

Expert Opinion

Save as stated elsewhere in this Draft Red Herring Prospectus, the Company has not obtained any expert opinion.

Expenses of the Issue

The expenses of the Issue inclusive of brokerage, fees payable to the BRLM, Syndicate Members, fees of Legal Advisors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, fees payable to the Registrars to the Issue, and other miscellaneous expenses is estimated to be approximately Rs. [●] million.

All cost and expenses relating to the Issue including costs relating to road shows, hotel and travel expenses of the Company's and BRLM's personnel etc. would be borne by the Company.

Particulars	Amount	% of total issue expenses	Rs. in million
			% of total issue size
Issue Management *	[●]	[●]	[●]
Registrars fees	[●]	[●]	[●]
Printing of Stationery	[●]	[●]	[●]
Advertising and marketing expenses	[●]	[●]	[●]
Underwriting, Brokerage and Selling commission *	[●]	[●]	[●]
Other expenses	[●]	[●]	[●]
Total	[●]	[●]	[●]

* Will be incorporated after finalisation of Issue Price

Fees Payable to BRLM, Underwriting, Brokerage and Selling Commission

The total fees payable to the BRLM and Syndicate Members will be as per the Letter of Engagement dated [●], a copy of which is available for inspection at the registered office of the Company.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue for processing of applications, data entry, printing of

CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the Memorandum of Understanding dated [●] between the Company and the Registrar, a copy of which is available for inspection at the registered office of the Company.

The Registrar will be reimbursed for all relevant out-of-pocket expenses including cost of stationery, postage, stamp duty, communication expenses. Adequate funds will be provided by the Company to the Registrar to the Issue to enable them to send refund orders or allocation advice by registered post / under certificate of posting, wherever required.

Previous Rights and Public Issues

The Company has not made any rights or public issue since its inception.

Details of capital issue made during last three years in regard to the issuer Company and other listed companies under the same management within the meaning of section 370(1)(B) of the Companies Act, 1956.

There have been no capital issues during last three years either by the Company or any other listed Company under the same management within the meaning of Sec. 370(1)(B) of the Act.

Promise v/s Performance

The Company has not made any rights or public issues in the past.

Address of the RoC where the Prospectus will be filed.

The Registrar of Companies
Andhra Pradesh
Hyderabad

Outstanding Debenture or Bond Issues

As of date, the Company does not have any outstanding debenture or bond issues.

Outstanding Preference Shares

As of date, the Company does not have any outstanding preference shares.

Stock Market Data

This being the first public issue by the Company, no stock market data is available.

Capitalisation of Reserves or Profits

The Company has not capitalized its reserves or profits at any time since its inception. Except as stated under the section titled “**Capital Structure**”.

Issues Otherwise than for Cash

Except as stated under the section titled “**Capital Structure**”, the Company has not issued any Equity Shares for consideration other than cash.

Other Disclosures

Except as disclosed in the section titled “**Capital Structure**” beginning on page [●] of this Draft Red Herring Prospectus, our Directors have not purchased or sold any securities of our Company during a period of six months preceding the date on which this Draft Red Herring Prospectus is filed with SEBI.

Mechanism for Redressal of Investor Grievances of the Company

The agreement executed between the Registrar to the Issue and the Company, provide for retention of records

with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of intimation to successful applicants, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances. All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of shares applied for, amount paid on application and the collection center where the application was submitted.

Disposal of Investor Grievances

The Company estimates that the average time required by the Company or the Registrar to the Issue for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, the Company or the Registrar will seek to redress these complaints as expeditiously as possible.

The Company has appointed Ms. G. Bhargavi as the Compliance Officer and she may be contacted in case of any pre-Issue or post Issue related query. She can be contacted at: A-4/ II, Electronic Complex, Kushaiguda, Hyderabad, Andhra Pradesh.

Mechanism for Redressal of Investor Grievances by Companies under the Same Management

We do not have any other company under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act.

Changes in Auditors during the Last Three Years and Reasons thereof.

There has been no change in the auditors of the Company in the last three years.

Revaluation of Assets during the Last Five Years

The Company has not revaluated its assets during the last five years.

Payment or Benefit to officers of our Company

Except statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation.

Except as stated in the section titled “**Related Party Transactions**” beginning on page [●] of this Draft Red Herring Prospectus, none of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Company.

VIII. ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of the Red Herring Prospectus, the Prospectus, the Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the Allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, ROC and/ or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits (including dividend), if any, declared by our Company after the date of Allotment.

Mode of Payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each and the Issue Price is Rs. [●] each. At any given point of time there shall be only one denomination for the Equity Shares.

Rights of the Equity Shareholders

Subject to applicable laws, the equity shareholders of our Company shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability;
- Such other rights, as may be available to a shareholder of a listed public Company under the Companies Act and the terms of the listing agreements with the Stock Exchanges; and
- Such other rights as may be available to our shareholders under our Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/ or consolidation/ splitting, pledge see the section titled “Main Provisions of Articles of Association of the Company” beginning on page [●] of this Draft Red herring Prospectus.

Market Lot and Trading Lot

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialized form for all investors and hence, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form in multiples of one Equity Share subject to a minimum Allotment of [●] Equity Shares.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or First Bidder, along with other joint Bidder(s), may nominate any one person in whom, in the event of death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. A fresh nomination can be made only on the prescribed form available on request at the registered office of our Company or at the registrar and transfer agent of our Company. In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by our Board, elect either:

- a) to register himself or herself as the holder of the Equity Shares; or
- b) to make such transfer of the Equity Shares, as the deceased holder could have made. Further, our Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with. Since the Allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective Depository Participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Issue, including devolvement of Underwriters / members of Syndicate if any within 60 days from the Bid/Issue Closing Date, We shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we, and every officer in default, become liable to pay the amount (i.e., 60 days from the Bid/Issue Closing Date), we shall pay interest prescribed under Section 73 of the Companies Act.

If the number of allottees in the proposed Issue is less than 1,000 allottees, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after our Company becomes liable to pay the amount, our Company shall pay interest at the rate of 15% per annum for the delayed period.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not offered or sold, and Bids may not be made by persons in any such jurisdiction, except in accordance with the applicable laws of such jurisdiction.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the“**Securities Act**”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

TERMS OF THE ISSUE

Book Building Procedure

The Issue is being made through the 100% Book Building Process under clause 2.2.1 of SEBI Guidelines, wherein up to 50% of the Net Issue to the Public shall be available for allocation on a proportionate basis to QIBs (of which 5% shall be allocated for Mutual Funds). Further, not less than 35% of the Issue shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non- Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Investors should note that Equity Shares would be allotted to all successful allottees only in the dematerialised form. Bidders will not have the option of Allotment of Equity Shares in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Bidders are required to submit their Bids only through the members of the Syndicate. Further, QIB Bids can be submitted only through Syndicate Members. In case of QIB Bidders, the Company in consultation with the BRLM may reject Bids at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same shall be provided to such Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject the Bids only on technical grounds.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Draft Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allotment of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company to make the necessary changes in this Draft Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories, is as follows:

Category	Colour of Bid Cum Application Form
Indian Public or NRIs applying on a non-repatriation basis	White
Eligible Non residents, NRIs or FIIs applying on a repatriation basis	Blue

Who can Bid?

1. Indian nationals resident in India who are major, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: ABC Hindu Undivided Family applying through ABC, where ABC is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Eligible NRIs on a repatriation basis and a non-repatriation basis subject to the applicable laws, NRIs other than Eligible NRIs are not permitted to participate in this issue.
4. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
5. FIIs registered with SEBI on repatriation basis or on non-repatriation basis
6. Indian Mutual Funds registered with SEBI;

7. Indian Financial Institutions, scheduled commercial banks, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines, as applicable).
8. Venture Capital Funds registered with SEBI;
9. Foreign Venture Capital Investors registered with SEBI;
10. State Industrial Development Corporations;
11. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/Societies and who are authorised under their constitution to hold and invest in Equity Shares;
12. Insurance companies registered with Insurance Regulatory and development Authority, India
13. Scientific and/ or Industrial Research Organisations authorised to invest in Equity Shares.
14. Provident funds with minimum corpus of Rs. 250 millions and who are authorised under their constitution to hold and invest in Equity Shares;
15. Pension funds with minimum corpus of Rs. 250 millions and who are authorised under their constitution to hold and invest in Equity Shares; and
16. Multilateral and bilateral development financial institutions.
17. Any other QIBs permitted to invest in the issue under applicable laws and regulations Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue. Note: The BRLM shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation. However, associates and affiliates of the BRLM & Syndicate Members may subscribe for Equity shares in the issue, including in the QIB portion and Non-institutional portion where the allocation is on proportionate basis
18. According to existing Government policy.OCBs cannot participate in this issue.

In terms of the regulation 15A (1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, the FIIs may issue, deal in or hold, off-shore derivative instruments such as Participatory Notes, Equity Linked Notes or any other similar instruments against underlying securities being allocated to such FIIs.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

Participation by Associates of the BRLM and Syndicate Members

The BRLM and the Syndicate Members shall not be entitled to participate in this Issue in any manner except towards fulfilling their underwriting obligation. However, associates and affiliates of the BRLM and Syndicate Members are entitled to bid and subscribe to Equity Shares and Warrants in the Issue either in the QIB Portion or in Non Institutional Portion as may be applicable to such investors, where the allotment will be on a proportionate basis. Such bidding and subscription may be on their own account or on behalf of their clients.

Maximum and Minimum Bid Size

For Retail Individual Bidders

The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, subject to maximum Bid amount of Rs. 1,00,000. In case of revision of Bids, the Retails bidders have to ensure that the Bid amount does not exceed Rs. 1,00,000. In case the maximum Bid amount is more than Rs. 1,00,000, due to revision of the Bid or revision of the Price Band or on exercise of the option, then the same would be considered

for allocation under the Non-Institutional Bidders category. The cut-off option is an option available only to the Retail Individual Bidders indicating their agreement to bid and purchase the Equity Shares at the final issue price as determined at the end of the Book Building process.

For Non-Institutional Bidders and QIBs Bidders

The Bid must be for a minimum of such number of Equity Shares, so as to ensure that the minimum Bid amount exceeds Rs.1,00,000. Above this minimum Bid Amount, the Bid should be in multiples of [●] Equity Shares. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under the existing SEBI guidelines a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision of bids, the Non-Institutional bidders, who are individuals, have to ensure that the bid amount is greater than Rs. 1,00,000 for being considered for allocation in Non-Institutional portion. In case the bid amount reduces to Rs. 1,00,000 or less due to a revision in bids or revision of price band, bids by Non-Institutional bidders who are eligible in the Retail portion would be considered for allocation under the Retail portion. Non-Institutional bidders and QIBs are not allowed to bid at 'Cut-off'.

Bidders are advised to ensure that any single bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Red Herring Prospectus

Information for the Bidders

- (a) The Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/ Issue Opening Date.
- (b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
- (c) Any investor (who is eligible to invest in the Equity Shares of the Company) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from the registered office of the Company or from any of the BRLM or Syndicate Members.
- (d) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum- Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.
 - 1. Investors who are interested in subscribing to the Company's Equity Shares should approach the BRLM or Syndicate Members or their authorised agent(s) to register their Bid.
 - 2. The Bidding period shall be for a minimum of three working days and shall not exceed the period of seven working days. The members of Syndicate shall accept bids from Bidders during the Bidding period in accordance with the terms of the Syndicate agreement.
 - 3. The price band has been fixed at Rs. [●] to Rs. [●] per Equity share, the bidders can bid at any price within the priceband in multiples of Re.1. According to SEBI guidelines the Company, in consultation with BRLM, reserve the right to revise the Price band during the Bidding Period The cap on the price Band should not be more than twenty % of the floor of the Price band .
 - 4. In case of revision of the Price Band the Bidding/issue period can be extended for three days subject to the total Bidding period not exceeding 10 working days. The revised price band and the Bidding/issue period, if applicable, will be widely disseminated by notification to the BSE and the NSE and also by issuing published in two widely circulated national newspaper (one each in Hindi and English) and a regional language newspaper of the area where the Company's registered office is situated.
 - 5. The Company in consultation with BRLM's can finalise the Issue Price within the Price and without prior approval or intimation to the Bidders.

Method & Process of Bidding

- (a) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled “**Bids at Different Price Levels**” on page no. [●] of this Draft Red Herring Prospectus) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid
- (b) The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled “**Build up of the Book and Revision of Bids**” on page no. [●] of this Draft Red Herring Prospectus.
- (c) The BRLM and the Syndicate Members will enter each bid option into the electronic bidding system as a separate Bid and generate a TRS, for each price and demand option and give the same to the Bidder. Bidders should make sure that they ask for a copy of the computerized TRS for every Bid Option from the Syndicate Member. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form
- (d) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.
- (e) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the section titled “**Terms of Payment and Payment into Escrow Account**” on page no. [●] of this Draft Red Herring Prospectus.
- (f) The Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated. This advertisement shall be in the format and contain the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement
- (g) Investors who are interested in subscribing for the Company’s Equity Shares should approach any of the BRLM, or Syndicate Member or their authorised agent(s) to register their Bid.

Bids at Different Price Levels

- (a) The Price Band has been fixed at Rs. [●] to Rs. [●] per Equity Share of Rs. 10 each, Rs. [●] being the Floor Price and Rs. [●] being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re. 1.
- (b) In accordance with the SEBI Guidelines, our Company reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.
- (c) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of ten working days. Any revision in the Price Band and the revised Bidding / Issue Period, if applicable, will be widely disseminated by notification to BSE

and NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper, and also by indicating the change on the websites of the BRLM and at the terminals of the Syndicate Members and the Bidding Period shall be extended for a further period of three days, subject to the total bidding period not exceeding 10 days.

- (d) The Company in consultation with the BRLM can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
- (e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may bid at Cut off. However, bidding at Cut-off is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.
- (f) Retail Individual Bidders who bid at the Cut-Off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders who bid at cut-off price shall receive the refund of the excess amounts from the Escrow Account/ refund account(s).
- (g) In case of an upward revision in the Price Band announced as above, the Retail Bidders who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band(such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 1,00,000/- for Retail Bidders, if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 1,00,000 for retail Bidders, the Bid will be considered for allocation under the Non-Institutional portion in terms of this Draft red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
- (f) In case of downward revision in the Price Band announced as above, Retail Bidders who have bid at Cut-Off Price could either revise their Bid or the excess amount at the time of bidding would be refunded from the Escrow Account/ refund account(s).
 - a. In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application shall remain (□) Equity Shares irrespective of whether the Bid Amount payable on such Minimum Application is not in the range of Rs. 5,000/- to Rs. 7,000/-.
 - b. During the bidding / issue period any Bidder who has registered his or her interest in the equity shares at a particular price level is free to revise his or her Bid within the Price Band during the Bidding /issue period using the Revision Form which is part of the Bidcum application Form .Revision can be made in both the desired number of equity shares and the Bid Price by using the Revision Form .Apart from mentioning the revised options in the Revision Form , the Bidder must also mention the details of all options in his/her Bidcum application Form or earlier Revision Form .For example if a bidder has three options in his Bid cum Application and is revising only one of them through the Revision form , he will still have to write the details of the other two options in the Revision Form .Incomplete or inaccurate revision forms will not be accepted by the members of the Syndicate .
 - c. The Bidder can revise the Bids any number of times during the Bidding Period .however for any revision in the bid the Bidder will have to use the services of the same member of the syndicate through whom he/she had placed the original Bid.
 - d. Bidders are advised to retain copies of Blank Revision Forms and the revised bid must be made on those or the blank copies thereof.
 - e. Any revision of the Bid shall be accompanied by payment in the form of cheque in Demand

Draft for the incremental amount if any, to be paid due to upward revision of the Bid .the excess amount if any, due to downward revision of the Bid will be returned to the Bidder at the time of Refund according to the terms of the Draft Red Herring prospectus .In case of upward revision by QIB Bidders, the excess money is collected by the concerned member of the syndicate.

- f. When a Bidder revises his/her Bid he must surrender the earlier TRS and get a revised TRS from the members of the Syndicate .It is the duty of the Bidder to request for and obtain the revised TRS and that will act as proof of his/her having revised the previous bid

Bids and Revisions of Bids

Bids and revisions to Bids must be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and blue colour for NRI or FII or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis).
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, the Bid cum Application Form and Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- (c) For Retail Individual Bidders, the Bids must be for a minimum of [●] Equity Shares and in multiples of [□] thereafter subject to a maximum Bid Amount of Rs. 1,00,000.
- (d) For Non Institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of [□] Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- (e) In single name or in joint names (not more than three).
- (f) Thumb impressions and signatures other than in the languages specified in the Eight Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his or her official seal.

Bids by Mutual Funds

An eligible Bid by a Mutual fund shall first be considered for allocation proportionately in the Mutual funds portion. The remaining demand by Mutual funds shall be , shall as part of the aggregate demand by the QIB Bidders , be made available for the allocation proportionately out of the remainder of the QIB portion , after excluding the allocation in the Mutual Fund portion.

The bids made by Asset management Companies or custodians of mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple bids provided that the bids clearly indicate the scheme concerned for which the bid has been made.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds.

No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights. These limits would have to be adhered to by the Mutual Funds for investment in the Equity Shares.

Under the SEBI guidelines, 5% of the QIB portion has been specifically reserved for Mutual Funds.

Bids by Eligible NRIs

Bid cum Application forms have been made available for NRIs at the Registered office of the Company and at the office of members of the Syndicate and Registrar to the issue.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) Account shall use the form meant for Resident Indians (white in colour). All instruments accompanying bids shall be payable in Mumbai. Only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment.

Bids by FIIs

As per current regulations, the following restrictions are applicable for investment by FIIs:

No single FII can hold more than 10% of the post-issue paid-up capital of the Company. In respect of an FII investing in the Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of the Company in case such sub-account is a foreign corporate or an individual

As of now, the aggregate FII holding in the Company cannot exceed 24% of the total issued capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date no such resolution has been recommended to the shareholders of the Company for adoption.

Bids by NRIs or FIIs on Repatriation basis

Bids and revision to bids must be made:

On the bid cum application form or Revision Form, as applicable, (Blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

In a single or joint names (not more than three).

Bids by NRIs for a Bid amount of up to less than Rs 1,00,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid amount of more than or equal to Rs. 1,00,000 would be considered under Non- Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity shares and in multiples of [●] Equity Shares thereafter so that the Bid amount exceeds Rs. 1,00,000; for further details. Please refer to the sub-section titled “**Maximum and Minimum Bid size**” on page no. [●] of this Draft Red Herring Prospectus.

In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Financial Institutions but not in the names minors, firms or partnerships, foreign nationals or their nominees or OCBs.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/ or commission, in case of Bidders who remit money payable upon submission of the Bid-cum-Application Form or Revision form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by the space provided for this purpose in the Bid-cum-Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account or conversion of foreign currency.

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations 2000, prescribe investment restrictions on venture capital funds and foreign venture capital

investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25 % of the Company's paid-up capital. The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go up to 100 % of the Company's paid-up equity capital.

The above information is given for the benefit of the Bidders. The Company and the BRLM are not liable for any amendments or modifications or changes in applicable laws or regulations, which may happen after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under any laws or regulations.

Escrow Mechanism

Escrow Account for the Issue

The Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account for the Issue. The Escrow Collection Banks will act in terms of the Draft Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account for the Issue shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with the Company. Payments of refunds to the Bidders shall also be made from the Escrow collection Banks as per the terms of the Escrow Agreement with the Company and this Draft Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, the Registrar to the Issue and BRLM, and Syndicate Members to facilitate collection from the Bidders.

Terms of Payment and Payment into the Escrow Collection Account

In case of Non-institutional Bidders and Retail Individual Bidders, each Bidder shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his Bid in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph "**Payment Instructions**" on page no. [●] of this Draft Red Herring Prospectus) and submit the same to the members of the Syndicate with whom the Bid is being deposited. Bid cum Application Forms accompanied by cash and Stock invest shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

Each category of Bidders i.e. QIB Bidders, Non Institutional Bidders and the Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled "**BASIC TERMS OF THE ISSUE**" beginning on page [●]. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account or Refund Account with the Bankers to the Issue, as applicable. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and not later than 15 days from the Bid Closing Date / Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for Allotment to the Bidders.

QIB Bidders will be required to deposit the QIB Margin Amount at the time of submitting their Bids. After the

Bid closing date the level of subscription in all categories shall be determined. Based on the level of subscription, additional margin money, if any may be called from the QIB Bidders. If such additional margin money is not paid into the appropriate Escrow Account within the time and in the manner stipulated above, the Bid of the Bidder is liable to be rejected. Further we may call for additional Margin Amount over and above the minimum prescribed 10% Margin Amount from certain QIB's at our discretion prior to acceptance of the Bid anytime upto the Bid/ Issue Closing Date and shall have the right to reject such bids on technical grounds in case of non-receipt of such additional margin.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which and the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Payment Instructions

The Company shall open an Escrow Account(s) with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account to the Issue:

- i. The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid-cum-Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account of the Company and submit the same to the members of the Syndicate.
- ii. In case no Margin Amount has been paid by the Bidders during the Bidding Period, on receipt of the CAN, an amount equal to the Issue Price multiplied by the Equity Shares allocated to the Bidder or the balance amount, in case the Margin Amount is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
- iii. The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:

- In case of Resident Bidders: **“Escrow Account –MICEL
Public Issue”**
- In case of Non Resident Bidders: **“Escrow Account –MICEL
Public Issue - NR”**
- In case of QIBs: **“Escrow Account –MICEL
Public Issue – QIB”**

In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.

- In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to Special Rupee Account.

- iv. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account of the Company.
- v. The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders until Designated Date.
- vi. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of the Company as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue.
- vii. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payments should be made by cheque or demand draft drawn on any Bank (including a Co-Operative Bank), which is situated at, and is a member of or sub-member of the banker's clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash / Stockinvest / Money Orders / Postal Orders will not be accepted.

Payment by Stockinvest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stockinvest Scheme has been withdrawn with immediate effect. Hence, payment through stockinvest would not be accepted in this Issue.

Electronic Registration of Bids

- (a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city where the Bids are accepted
- (b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid Closing Date, the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges
- (c) Aggregate demand and price for bids registered on the electronic facilities of NSE and BSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the online system:
 - Name of the investor (Investors should ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form);
 - Investor Category – Employee, Individual, Corporate, NRI, FII, or Mutual Fund, etc;
 - Numbers of Equity Shares bid for;
 - Bid price;

- Bid-cum-Application Form number;
 - Amount paid upon submission of Bid cum Application form; and
 - Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder.
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or to the Company
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind
- (g) The members of the Syndicate have the right to review the Bid. The Syndicate Members have right to reject a bid received from a QIB at the receipt of Bids. However, a Syndicate Members shall disclose the reason for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders, bids under the Retail Individual Bidders, Bids shall not be rejected except on the technical grounds listed on page no. [●] in the Draft Red Herring Prospectus.
- (h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company, and BRLM are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of the Company.
- (i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.
- (j) Only Bids that are uploaded on the online IPO system of the BSE and the NSE shall be considered for Allocation .In case of discrepancy of data between the NSE and BSE and the members of the Syndicate, the decision of the BRLM, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Build Up of the Book and Revision of Bids

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on an on-line basis. Data would be uploaded on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum- Application Form
- (d) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. The Bidder must complete his or her Bid cum Application Form, the details of all the options in his or her Bid cum Application Form or earlier Revision Form and revisions for all the options as per his Bid cum Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the

Syndicate

- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must only be made on that Revision Form.
- (f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Draft Red Herring Prospectus. In case of QIB bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB margin amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB bidders.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.
- (h) In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLM based on the physical book shall be final and binding to all concerned.
- (k) The Price Band can be revised during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding ten working days. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in this Draft Red Herring Prospectus
- (i) Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper and also indicating the change on the relevant websites and the terminals of the members of the Syndicate

Price Discovery and Allocation

- (a) After the Bid/Issue Closing Date, the BRLM will analyse the demand generated at various price levels and discuss pricing strategy with the Company.
- (b) The Company in consultation with the BRLM shall finalise the “**Issue Price**”, the number of Equity Shares to be allotted and the allocation to successful QIB Bidders. The allocation will be decided based on the quality of the Bidder determined broadly based by the size, price and time of the Bid.
- (c) The allocation for QIBs would be upto 50% of Net Issue to the Public on a proportionate basis, out of which 5% shall be reserved for Mutual funds and the balance shall be available to both QIBs and Mutual Funds. The allocation to Non-Institutional Bidders would be up to 15% of the Net Issue to the public and allocation for Retail Individual Bidders will be up to 35% of the Net Issue to the public on proportionate basis, subject to valid Bids being received at or above the Issue Price.
- (d) Under subscription, if any category would be allowed to be met with spill over of demand from any of the other categories, at the sole discretion of the Company and BRLM. However, if the aggregate demand by mutual funds is less than [●] equity shares, the balance equity shares available for allocation in the mutual fund portion will first be added to the QIB portion and be allotted proportionately to the QIB bidders.
- (e) Allocation to QIBs, Non-Residents, FIIs and NRIs applying on repatriation basis will be subject to the terms and conditions stipulated by the RBI while granting permission for Allotment of Equity Shares to them.

- (f) The BRLM, in consultation with the Company, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (g) QIB Bidders shall not be allowed to withdraw their bid after the Bid/Issue Closing Date.
- (h) The allotment details shall be put on the website of the Registrar to the Issue.
- (i) In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.
- (j) QIB Bidders will be required to deposit the QIB Margin Amount at the time of submitting of their Bids. After the closure of bidding, the level of subscription in the various categories shall be determined. Based on the level of subscription, additional margin money, if any, shall be called for from the QIB Bidders. The QIB Bidders shall pay such additional margin money within a period of two days from the date of the letter communicating the request for such additional margin money.
- (k) Allocation to FIIs and eligible NRIs on repatriation basis will be subject to the applicable law.

Signing of Underwriting Agreement and RoC Filing

- (a) The Company, the BRLM and the Syndicate Members shall enter into an underwriting agreement on finalisation of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, the Company will update and file the Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

Filing of the Prospectus with the RoC

The Company will file a copy of the Prospectus with the Registrar of Companies, Hyderabad, Andhra Pradesh in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Announcement of Pre-Issue Advertisement

Subject to Section 66 of the Companies Act, the Company shall after receiving final observations, if any, on this Draft Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI Guidelines in an English National Daily with wide circulation, one Hindi National Newspaper and a regional language Newspaper with wide circulation.

Advertisement regarding Issue Price and Prospectus

The Company will issue a statutory advertisement after the filing of the Prospectus with the RoC in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated. This advertisement, in addition to the information (in the format and containing the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines), that has to be set out in the statutory advertisement shall indicate the Issue Price along with a table showing the number of Equity Shares. Any material updates between the date of Draft Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of Letter for Additional Margin Money

In case of QIB Bidders, who have submitted their Bids with the QIB Margin Amount, additional Margin Amount may be called for by our Company, in consultation with the BRLM. The amount of such additional Margin Amount called for shall depend on the level of subscription in various categories, as determined on the basis of the electronic registration of Bids. The allotment of shares to QIB Bidders shall be finalized by our Company, in consultation with the BRLM and the Designated Stock Exchange.

Issuance of Confirmation of Allocation Note (CAN)

- (a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the issue. The approval of the basis of allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the SPCL retail public shareholders and retail and non-institutional bidders. However, investors should note that the Company shall ensure that the date of allotment of the Equity Shares to all investors in this issue shall be done on the same date.
- (b) The BRLM or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The despatch of a CAN shall be deemed to be valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account of the Company at the time of bidding shall pay in full the amount payable into the Escrow Account of the Company by the Pay-in Date specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account of the Company at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account of the Company. The despatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.
- (d) The issuance of CAN is subject to “Allotment Reconciliation and Revised CAN”.

Notice to QIBs: Allotment Reconciliation and Revised CAN

After the Bid/Issue closing Date, an electronic book will be prepared by the registrar on the basis of Bids uploaded on the BSE/NSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN, for any increased allocation of Equity Shares. The additional amounts, if any, by the Pay-in Day specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supercede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

- (a) The Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders' depository account. Allotment of the Equity Shares to the allottees would be made within two working days of the date of Allotment.
- (b) All allottees will receive credit for the Equity Shares directly in their depository account. Equity Shares will be offered only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.
- (c) After the funds are transferred from the Escrow Account to the Public issue Account on the Designated Date, the Company would allot the Equity Shares to the allottees. The Company would ensure the allotment of Equity Shares within 15 days of Bid / Issue Closing Date and give instructions to credit to the allottees' depository accounts within two working days from the date of allotment. In case the Company fails to make allotment within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.

- (d) Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue

Mode of making refunds

The Company shall make refunds to applicants using the following modes

- (a) In case of applicants residing in 1) Ahmedabad 2) Bangalore 3) Bhubaneswar 4) Kolkata 5) Chandigarh 6) Chennai 7) Guwahati 8) Hyderabad 9) Jaipur 10) Kanpur 11) Mumbai 12) Nagpur 13) New Delhi 14) Patna 15) Thiruvanthapuram any of the centres specified by SEBI, the refunds shall be credited to the bank accounts of applicants through electronic transfer of funds by using Electronic Clearing Service (ECS) Direct Credit, Real Time Gross Settlement (RTGS) or National Electronic Funds Transfer (NEFT) , as is for the time being permitted by the Reserve Bank of India.
- (b) In case of other applicants – by dispatch of refund orders by registered post , where the value is Rs. 1500/- or more, or under certificate of posting in other cases, (subject however to postal rules) and
- (c) In case of any category of applicants specified by SEBI- crediting of refunds to the applicants in any other electronic manner permissible under the banking laws for the time being in force which is permitted by SEBI from time to time.

General Instructions

Do's:

- (a) Check if you are eligible to apply;
- (b) Ensure that the Bid is only within the Price Band;
- (c) Read all the instructions carefully and complete the Resident Bid-cum-Application Form (white in colour) or Non-Resident Bid-cum-Application Form (blue in colour) or, as the case may be;
- (d) Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be transferred in the dematerialized form only;
- (e) Ensure that the DP account is activated;
- (f) Investors must ensure that the name given in the bid cum application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
- (g) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- (h) Ensure that you have been given a TRS for all your Bid options; and
- (i) Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS
- (j) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.
- (j) Ensure that the Bid Cum Application Form Number is mentioned on the reverse of the Cheque/Demand Draft.
- (k) Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T Act where the maximum Bid for Equity Shares by Bidder is for a total value of Rs. 50,000 or more and attach a copy of the PAN card and also submit a photocopy PAN Card(s) or a communication from the Income Tax

authority indicating allotment of PAN along with the application for the purpose of verification of the number, with the Bid cum Application Form. In case you do not have a PAN, ensure that you provide a declaration in Form 60 prescribed under the I.T Act along with the application.

Don'ts:

- (a) Do not Bid for lower than the minimum Bid size;
- (b) Do not Bid/ revise Bid to a price that is less than the Floor of the Price Band or higher than the Cap of the Price Band;
- (c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- (d) Do not pay the Bid amount in cash;
- (e) Do not send Bid cum Application Forms by post; instead hand them over to a member of the Syndicate only;
- (f) Do not bid at Cut-off price for Non-institutional and QIB Bidders;
- (g) A Bid from any investor should not exceed the investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable laws or regulations.
- (h) Submit Bids accompanied by Stockinvest
- (i) Do not submit the GIR number instead of the PAN as the bid is liable to be rejected on this ground.

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM, or Syndicate Members.

Bidder's Bank Account Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. These Bank Account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Company shall have any responsibility and undertake any liability for the same.

Bidders Depository Account Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These Bank Account details would be used for giving refunds to the Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLM or the registrar or the Escrow Collection Banks nor the Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum- Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY

PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID-CUM-APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID-CUM-APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID-CUM-APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID-CUM-APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable.

The Demographic Details given by Bidders in the Bid-cum-Application Form would not be used for any other purpose by the Registrar to the Issue. By signing the Bid-cum-Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

In case of Bidders receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid-cum-Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, the Registrar, Escrow Collection Bank(s) nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

The Company, in its absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid-cum- Application Form instead of those obtained from the depositories.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and /or commission. In case of Bidders who remit money through Indian Rupee Drafts purchased abroad such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, the details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. The company will not be responsible for the loss incurred by the Bidder on account of conversion to Foreign currency.

Bids under Power of Attorney

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development

Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by provident funds with minimum corpus of Rs.250 million and pension funds with minimum corpus of Rs.250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by mutual fund registered with SEBI, Venture Capital Fund registered with SEBI and Foreign Venture Capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

The Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid-cum-Application form, subject to such terms that we may deem fit, in consultation with the BRLM.

The Company, in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund orders and mailing of the refund order / CANs / allocation advice, the demographic details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use demographic details as given in the Bid-cum-Application Form instead of those obtained from the Depositories.

Submission of Bid-cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the BRLM or Syndicate Member at the time of submitting the Bid. Each member of the Syndicate may, at its sole discretion, waive the requirement of payment at the time of submission of Bid-cum-Application Form and Revision Form, provided however that for QIB Bidders the Syndicate Member shall collect the QIB margin and deposit the same in the specified Escrow account.

No separate receipts shall be issued for the money payable on the submission of Bid-cum- Application Form or Revision Form. However, the collection centre of the BRLM or Syndicate Member will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

Other Instructions

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

The Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all portion.

Procedure for Application by Mutual Funds

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered

with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the name of scheme concerned for which the Bid has been made. The application made by the asset management companies or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which application is being made.

The Company reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

PAN Number

Where Bid(s) is/are for Rs. 50,000/- or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.

Unique Identification Number (UIN)

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars by its circular MAPIN/Cir-13/2005. However, according to a press Release dated December 30, 2005, SEBI has decided to resume registration for obtaining UIN in a phased manner. The Press Release states that the cut-off for obtaining UIN has been raised from Rs.100,000 to Rs. 500,000 or more. The limit will be reduced progressively and for trade order of value less than Rs.500,000, the investors will have the option of obtaining either PAN or UIN. These changes will be implemented after necessary amendments in SEBI MAPIN Regulations .

Company's Right to Reject Bids

The Syndicate Members have right to reject a Bid received from QIB at the receipt of the Bids. However, the Syndicate Members shall disclose the reasons for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders and Retail Individual Bidders , the Company and the BRLM have a right to reject bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on among others on the following technical grounds:

- a. Amount paid does not tally with the highest number of Equity Shares bid for;
- b. Bank account details (for refund) are not given;

- c. Age of First Bidder not given;
- d. Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- e. PAN not given if Bid is for Rs. 50,000 or more or Copy of Form 60 or Form 61 as required not given;
- f. Bids for lower number of Equity Shares than specified for that category of investors;
- g. Bids at a price less than lower end of the Price Band;
- h. Bids at a price more than the higher end of the Price Band;
- i. Bids at cut-off price by Non-Institutional and QIB Bidders;
- j. Bids for number of Equity Shares which are not in multiples of [●];
- k. Category not ticked;
- l. Multiple bids as defined in this Draft Red Herring Prospectus;
- m. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- n. Bid-cum-Application Form does not have the stamp of the BRLM, or Syndicate Members;
- o. Bid-cum-Application Form does not have Bidder's depository account details;
- p. Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and this Draft Red Herring Prospectus and as per the instructions in this Draft Red Herring Prospectus and the Bid cum-Application Form;
- q. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- r. Bids accompanied by money order/postal order/cash/Stockinvests;
- s. Signature of sole and / or joint bidders missing;
- t. Bids by OCBs;
- u. In case no corresponding record is available with the Depositories that matches the parameters namely, names of the Bidders (including the sequence of names of joint holders), the depository participant's identity (DP ID);
- v. Bids by U.S residents or US persons other than "qualified institutional buyers" as defined in Rule 144A of the U.S. Securities Act of 1933;
- w. In case of bids under Power of Attorney or by limited Companies, Corporate, trust etc. relevant documents are not submitted;
- x. In case of partnership firms, Equity Shares may be registered in the names of the Individual partners and no such partnership firm, shall be entitled to apply; and
- y. Bids by Non Residents, if not in compliance with the appropriate foreign and Indian laws.

Equity Shares in Dematerialised Form with NSDL or CDSL

As per the provisions of section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode). In this context, two tripartite agreements have been

signed between the Company and the Depositories:

An agreement dated [●] with NSDL, the Company and Edelweiss Capital Limited

An agreement dated [●] with CDSL, the Company and Edelweiss Capital Limited

All bidders can seek allotment only in dematerialised mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

- a. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b. The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.
- c. Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- d. Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- e. Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.
- f. If incomplete or incorrect details are given under the heading 'Request for Equity Shares in electronic form' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- g. The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
- h. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- i. The trading of the Equity Shares of the Company would be in dematerialised form only for all investors.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque/draft number and issuing bank thereof.

The Company has appointed Ms. G. Bhargavi, Company Secretary as Compliance Officer. She can be contacted at A-4/II, Electronic Complex, Kushaiguda, Hyderabad - 500 062. A.P, India. Tel:= +91 40 2712 2222 Fax: +91 40 2713 3333

The Investors can contact the Compliance Officer in case of any pre-issue or post-issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account, refund orders, etc.

Procedure and Time Schedule for Allotment of Equity Shares and Disposal of Applications and Application Money

The Company reserves, at its absolute and uncontrolled discretion and without assigning any reason thereof, the right to accept or reject any Bid in whole or in part. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date.

The Company will ensure the allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date. The Company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if allotment is not made, refund orders are not despatched and/ or dematerialized credits are not made to investors within two working days from the date of allotment.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of section 68A of the Act, which is reproduced below: "Any person who:

- a) makes in a fictitious name, an application to a Company for acquiring or subscribing for, any shares therein, or**
- b) otherwise induces a Company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name**

shall be punishable with imprisonment for a term which may extend to five years."

Disposal of Applications and Application Money

Our Company shall give credit of Equity Share allotted to the beneficiary account with Depository Participants within 15 working days of the Bid Closing Date / Issue Closing Date. Applicants residing at 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through ECS only (subject to availability of all information for crediting the refund through ECS) except where applicants are otherwise disclosed as eligible to get refunds through Direct Credit, NEFT or RTGS.

In case of other applicants, our Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post, except for Bidders who have opted to receive refunds through the Direct Credit, NEFT, RTGS or ECS facility.

Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of Issue.

Our Company shall ensure dispatch of refund orders, if any, by "Under Certificate of Posting" or registered post or speed post or Direct Credit, NEFT, RTGS or ECS, as applicable, only at the sole or First Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer.

Our Company shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 2 (two) working days of date of Allotment.

The Company shall put in its best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, the Company, further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialised form within 15 days of the Bid/Issue Closing Date;
- The Company would ensure dispatch of refund orders within 15 days of the Bid/Issue Closing Date; and
- The Company shall pay interest at 15% per annum (for any delay beyond the 15 days time period as mentioned above), if allotment is not made, refund orders are not dispatched/ECS credits are not made and/or demat credits are not made to investors within the 15 days time prescribed above.

The Company shall provide adequate funds required to the Registrar to the Issue for dispatch of refund orders or allotment advice.

Refunds will be made by cheque, pay orders or demand drafts drawn on a bank appointed by us as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

No separate receipts shall be issued for the money payable on the submission of Bid-cum- Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the record of the Bidder.

Interest on Refund of excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched/ ECS credit is not made within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Basis of allotment

A. For Retail Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue to the public, less allotment to Non Institutional and QIB Bidders, shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of [●] Equity Shares. For the method of proportionate basis of allotment, refer below.

B. For Non Institutional Bidders

- Bids received from Non institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non Institutional Bidders will be made at the Issue Price.
- The Net Issue to the public, less allotment to QIBs and Retail Portion, shall be available for allotment to Non Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allotment shall be made to Non Institutional Bidders to the extent of their demand.

In case the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis subject to minimum allocation being equal to

the minimum bid/application size of [●] Equity Shares. For the method of proportionate basis of allotment refer below.

C. For QIBs

- Atleast 50% of the Net Issue to the Public i.e. [●] shares shall be allotted to QIBs of which 5% is reserved to Mutual Funds i.e [●] Equity Shares and balance shares will be available for allocation to all QIBs including Mutual Funds on proportionate basis.
- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the QIBs will be made at the Issue Price.
- Allotment shall be undertaken in the following manner:
 - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB portion shall be determined as follows:
 - I. In the event that Mutual Fund bids exceed 5% of the QIB portion, allocation to Mutual funds shall be done on a proportionate basis for up to 5% of the QIB portion.
 - II. In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the issue price.
 - III. Equity Share remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for allotment to all QIBs as set out in (b) below;
 - (b) In the second instance allotment to all QIBs shall be determined as follows:
 - I. In the event that the oversubscription in the QIB portion, all QIB bidders who have submitted bids above the issue price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB portion.
 - II. Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity shares bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB bidders.
 - III. Undersubscription below 5% of the QIB portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB bidders on a proportionate basis.
- The aggregate allotment to QIB bidders shall not be less than [●] Equity Shares.

Bids by NRIs, FIIs, FVCIs registered with SEBI on a repatriation basis

- NRI, FIIs and FVCI Bidders to comply with the following: Individual NRI Bidders can obtain the Bid-cum-Application Forms from our Registered Office at Plot A-4/II, Electronics Complex, Kushaiguda Hyderabad 500 062 or from members of the Syndicate or the Registrar to the Issue.
- NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange through approved banking channels shall be considered for allotment.
- NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid-cum-Application form meant for Resident Indians (white in colour).

Bids and revision to Bids must be made:

- On the Bid-cum-Application Form or the Revision Form, as applicable, (blue in colour), and completed

in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

- In a single name or joint names (not more than three).
- **By NRIs** – For a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid amount of Rs.1,00,000 for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs.1,00,000 would be considered under Non Institutional Category for the purposes of allocation. For further details see “**Maximum and Minimum Bid Size**” on page no. [●] of this Draft Red Herring Prospectus.
- **By FIIs** – for a minimum of such number of Equity Shares and in multiples of [□] that the Bid Amount exceeds Rs. 1,00,000. For further details see section titled “**Maximum and Minimum Bid Size**” on page no. [●].
- In the names of individuals or in the names of FIIs or in the names of FVCIs, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees or OCBs.
- Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/speed post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

The Company does not require approvals from FIPB or RBI for the transfer of Equity Shares in this Issue to eligible NRI's, FIIs, FVCIs registered with SEBI and multilateral and bilateral institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non-Residents, NRIs, FIIs and FVCIs and all Non-Residents, NRIs, FIIs and FVCIs applicants will be treated on the same basis with other categories for the purpose of allocation.

As per RBI regulations OBC's cannot participate in this issue.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account of benefit of, "U.S. Persons" (as defined in the Regulation S of the Securities Act), except pursuant to any exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

Procedure and Time Schedule for Allotment of Equity Shares

The Syndicate Members have the right to reject the Bid received from QIB at the time of receipt of the Bids. However, the Syndicate Members shall disclose the reasons for not accepting the Bid to the Bidder. In case of Non- Institutional Bidders and Retail Individual Bidders, the Company has a right to reject bids based on technical grounds. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. The Company will ensure allotment/transfer of the Equity Shares within 15 days from the Bid/Issue Closing Date, and the Company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if Equity Shares are not allotted, refund orders are not dispatched and/ or demat credits are not made to investors within two working days from the date of allotment.

Method of Proportionate Basis of Allotment

In the event of the Issue being over-subscribed, the basis of allotment to Retail and Non Institutional Bidders shall be finalized by the Company, in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner. The allocation shall be made in multiples of one share, on a proportionate basis as explained below subject to minimum allocation being equal to the [●]:

- a. The subscription for each portion will be computed separately.
- b. Bidders will be categorised according to number of equity shares applied for by them

The total number of equity shares to be allotted in each category as a whole shall be arrived at on a proportionate basis which is the total number of equity shares applied for in the category (number of bidders in the category multiplied by the number of Equity Shares applied for in the category) multiplied by the inverse of the over-subscription ratio.

In all Bids, where the proportionate allotment is less than [●] equity Shares per Bidder, the allotment shall be made as follows:

1. Each successful Bidder must be allotted a minimum [●] equity shares
 2. The successful Bidders in a category will be decided by a draw of lots so that the total number of equity shares allotted to the category is equal to the number calculated following the above stated formula.
- c. If the pure proportionate allotment to a Bidder is a number that is more than minimum allotment lot but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.
1. If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds (“MF”)

A. ISSUE DETAILS

Sr. No	Particulars	Issue Details
1	Issue Size	200 million Equity Shares
2	Allocation to QIBs (upto 50% of the Issue)	100 million Equity Shares
	Of which	
	a. Reservation for mutual funds (5%)	5 million equity Shares
	b. Balance of all QIBs including Mutual Funds	95 million Equity Shares
3	Number of QIB applicants	10
4	Number of equity Shares applied for	500 million Equity shares

B. DETAILS OF QIB BIDS

Sr.No	Type of QIB Bidders#	No.of Shares bid for (in Millions)
1	A1	50

2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF 1	40
7	MF 2	40
9	MF3	80
9	MF 4	20
10	MF 5	20
	TOTAL	500

A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Fund)

Details of Allotment to QIB Bidders/Applicants

Type of QIB Bidders	Shares Bid for	Allocation of 5 million shares to MF proportionately	Allocation of balance 95 million equity shares to QIBs proportionately	Aggregate allocation to MF
I	II	III	IV	V
A1	50	0	9.60	0
A2	20	0	3.84	0
A3	130	0	24.95	0
A4	50	0	9.60	0
A5	50	0	9.60	0
MF1	40	1	7.48	8.48
MF2	40	1	7.48	8.48
MF3	80	2	14.97	16.97
MF4	20	0.5	3.74	4.24
MF5	20	0.5	3.74	4.24
	500	5	95	42.42

Please note:

1. The illustration presumes compliance with the requirements specified in this Draft Red Herring Prospectus in the section titled “BASIC TERMS OF THE ISSUE” beginning on page [●].
2. Out of 100 million Equity Shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 shares in the QIB Portion.
3. The balance 95 million Equity Shares [i.e. 100 - 5 (available for Mutual Funds only)] will be allocated on proportionate basis among 10 QIB Bidders who applied for 500 Equity Shares (including 5 Mutual Fund applicants who applied for 200 Equity Shares).
4. The figures in the fourth column titled “Allocation of balance 95 million Equity Shares to QIBs proportionately” in the above illustration are arrived as under:
 - For QIBs other than Mutual Funds (A1 to A5) = Number of Equity Shares Bid for X 95 /495
 - For Mutual Funds (MF1 to MF5) = [(No. of shares bid for (i.e in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 95/495
 - The numerator and denominator for arriving at allocation of 95 million Equity Shares to the 10 QIBs are reduced by 5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Dispatch of Refund Orders

The Company shall make refunds to applicants in case of oversubscription using the following modes.

- (a) In case of applicants residing in any of the centres specified by the SEBI, the refunds shall be credited to the bank accounts of applicants through electronic transfer of funds by using Electronic Clearing Service (ECS) Direct Credit, Real Time Gross Settlement (RTGS) or National Electronic Funds Transfer (NEFT), as is for the time being permitted by the Reserve Bank of India.
- (b) In case of other applicants – by dispatch of refund orders by registered post, where the value is Rs. 1500/- or more, or under certificate of posting in other cases, (subject however to postal rules) and
- (c) In case of any category of applicants specified by SEBI- crediting of refunds to the applicants in any other electronic manner permissible under the banking laws for the time being in force which is permitted by SEBI from time to time.

Interest in case of delay in Dispatch of Allotment Letters/Refund Orders in case of Public Issues

The Company agrees that allotment of securities offered to the public shall be made not later than 15 days after the closure of the public issue. The Company further agrees that it shall pay interest at rate of 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the date of closure of the Issue. However, applications received after the closure of issue in fulfillment of underwriting obligations to meet the minimum subscription requirement shall not be entitled for the said interest.

Refund orders shall be payable at par at all centres where Bidding terminals were set up to receive Bids from Bidders.

Undertaking by the Company

The Company undertakes as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to this Issue by the Issuer;
- that the refund orders or allotment advice to the Eligible NRIs or FIIs shall be dispatched within specified time;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of the issue, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within the specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Draft Red Herring Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.

Utilization of Issue proceeds

The Board of Directors of the Company Certify that:

- all monies received out of the Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilized out of Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised; and
- details of all unutilised monies out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The Company shall not have recourse to the Issue proceeds until approval for trading of Equity Shares from all the stock exchanges where listing is sought is received.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the industrial policy of Government of India, or the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of the Government of India (“FIPB”) and the RBI. Under present regulations, the maximum permissible FII investment in our Company is restricted to 24% of our total issued capital. This can be raised to 100% by adoption of a Board resolution and special resolution by our shareholders; however, as of the date hereof, no such resolution has been recommended to Board or our shareholders for adoption.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public Issue without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

The transfer of Equity Shares of NRIs, FIIs, and Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial institutions shall be subject to the conditions as may be prescribed by the Government of India or RBI while granting such approvals.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, Indian law does not prohibit an FII or its sub-account to issue, deal or hold, offshore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favor of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of “Know Your Client” requirements, which stipulate fortnightly disclosures by the FII to SEBI informing them about the name, location, type of investor (hedge fund, corporate, individual, pension fund or trust), quantity and value of investment made on behalf of the investor. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Subscription by Eligible Non-Residents

There is no reservation for any NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation.

As per RBI regulations, OCBs cannot participate in the Issue.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (“the Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

IX. RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy of the Government of India notified through press notes and press releases issued from time to time and the FEMA and circulars and notifications issued thereunder. While the policy of the Government prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy of the Government, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures and reporting requirements for making such investment. **As per current foreign investment policies, foreign direct investment in the construction sector is allowed upto 100% under the automatic route.**

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents. In our Company, as of date the aggregate FII holding cannot exceed 24% of the total issued share capital.

Subscription by Non-Residents

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRI and FIIs applicants will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this Issue.

As per the RBI regulations, OCBs cannot participate in this Issue. The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of our post-Issue paid-up capital (i.e., 10% of 20,127,655 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of total issued capital of our Company in case such sub account is a foreign corporate or an individual.

As of now, the aggregate FII holding in our Company cannot exceed 24% of the total issued capital of our Company. With approval of our Board and that of the shareholders by way of a special resolution, the aggregate FII holding limit can be enhanced up to 100%; however till date no such resolution has been recommended to our shareholders for approval.

As per the current regulations, the following restrictions are applicable for investments by SEBI registered VCFs and FVCIs:

The SEBI (Venture Capital) Regulations, 1996, and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any VCF or FVCI should not exceed 25% of the corpus of the VCF or FVCI, as the case may be.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

X. MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalised terms used in this section have the meaning that has been given to such terms in the Articles of Association of the Company.

TABLE-A, NOT APPLICABLE

SHARE CAPITAL

2. The authorized share capital of the Company shall be such amount as may from time to time be authorized by the Memorandum of the Company.
3. The Directors with the sanction of Company in general meeting and subject to the provisions of the Companies Act, 1956 may increase or reduce the share capital by such sum as they may consider to be advisable and necessary. The Company has power to attach to its capital special rights and privileges or conditions as they may be determined by or in accordance with the regulations of the company to reorganize its capital and to vary, modify or to abrogate any such rights, privileges or conditions in such manner as may from time to time be provided by the regulations of the Company and to consolidate or sub-divide the shares and issue of higher or lower denominations.
4. Every share holder shall be liable to the Company in respect of all the monies due and payable towards such share held by him, the joint holders of share shall be liable jointly and severally in respect of all monies due and payable towards each share held by them.
5. The Company shall always treat registered shareholder as the absolute owner of the shares thereof and accordingly shall not except, if and as ordered by a court of competent jurisdiction or as statute requires, be bound to recognize an equitable or other claim to or interest in such share or shares on the part of any person.
6. Subject to the provisions of Section 81 of the Act, and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that the opinion or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

CERTIFICATE

8. (a) Every member shall entitled, without payment, to one more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of the application for registration of transfer, transmission, sub-division, consolidation, or renewal of any of its shares, as the case may be. Every certificate of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all shareholders.
- (b) If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the

Company, a new certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction to the Company and on execution of such indemnity as the Company deem adequate, being given, and a new certificate in lieu thereof shall be given to party entitled to such lost or destroyed certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fees shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such rules or regulation or requirements of any Stock Exchange or the rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in the behalf.

The provisions of this article shall mutatis mutandis apply to debentures of the Company.

LIEN

9.
 - (a) The Company shall have a first and paramount lien upon all the shares/debentures (other than fully paid up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures. No equitable interest in any share shall be created except upon the footing and condition that this Article shall have full effect.
 - (b) Fully paid shares shall be free from all lien and that in the case of partly paid shares the Company's lien shall be restricted to moneys called or payable at a fixed time in respect of such shares.
 - (c) Any lien of the Company shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed, the registration of transfer of shares/debentures shall operate as a waiver of the Company's lien, if any, on such shares/debentures. The Directors may at any time declare any such shares/debentures wholly or in part to be exempt from the provisions of this clause.
10. The Company may sell, in such manner as the Board thinks fit, any shares on which the Company has a lien; provided that no sale shall be made.
 - a) Unless sum in respect of which the lien exists is presently payable, or
 - b) Until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency.
11.
 - 1) To give effect to any such sale, the Board may authorize some person to transfer the shares sold to the purchaser thereof.
 - 2) The purchaser shall be registered as the holder of the shares comprised in any such transfer.
 - 3) The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
12.
 - 1) The proceeds of the sales shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable.
 - 2) The residue, if any, shall be subject to a like lien for sums not presently payable as existed upon the shares before the sale, be paid to the person entitled to the shares at the date of the sale.

CALLS ON SHARES

13. The Directors may from time to time subject to any terms on which any shares may have been issued make such calls as they think fit upon shareholders in respect all money unpaid on shares held by them and each member shall pay the amount of every call so made on him to the persons and at the time and place appointed by the Directors.
14. A call shall be deemed to have been made at the time when the resolution of the Directors authorizing such call was passed and may be required to be paid by installments.
15. Thirty days clear notice at least of any call shall be given specifying the date, time and place of payment and to whom such call shall be paid.
16. A call may be revoked or postponed at the discretion of the Board.
 - 1) If a sum called in respect of a share is not paid before or on the day appointed for the payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment at Eighteen percent per annum or at such lower rate if any, as the Board may determine.
 - 2) The Board shall be at liberty to waive payment of any such interest wholly or in part.
18.
 - 1) Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purpose of these regulations be deemed to be call duly made and payable on the date of which by the terms of issue such sums become payable.
 - 2) In case of non payment of such sum, all the relevant provisions of these regulation as to payment of interest and expenses for forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
19. The Directors:
 - (a) May if they think fit, subject to provisions hereof, receive from any member willing to advance the same, all or any part of the money uncalled and unpaid upon any shares held by him; and
 - (b) Upon all or any of the of the money so advanced (as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made), until such monies but for such advance become payable, the Company may pay interest at such rate as the member paying such sum in advance and the directors agree upon, provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The directors may, at any time, repay the amount so advanced.
 - (c) The members shall not be entitled to any voting rights in respect of the monies so paid by him until the same would, but for such payment, become presently payable.
 - (d) The provisions of these Articles shall apply mutatis mutandis apply to calls on the debentures of the Company.

FORFEITURE OF SHARES

20. If a member fails to pay any call or installment of a call, on the day appointed for payment thereof, the Board may, at any time there after during such time as any part of the call or installment remains unpaid, serve notice on him requiring payment of so much of the call or installment is unpaid, together with any interest which might have accrued.
21. **The notice aforesaid shall**

- a) name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made, and
 - b) State that, in the event of non-payment on or before the day so named, the shares in respect of which the call was made will be liable to be forfeited.
22. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter before the payment required by the notice has been made, forfeited by a resolution of the Board to that effect.
23. 1) A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.
- 2) At any time before sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.
24. 1) A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding the forfeiture remain liable to pay to the company all money which, at the date of forfeiture were presently payable by him to the company in respect of the shares.
- 2) The liability of such person shall cease if and when the Company shall have received payment in full of all such money in respect of the shares.
25. 1) A duly verified declaration in writing that the declarant is a Director, the manager or Secretary, of the company, and that the share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons - aiming to be entitled to the share.
- 2) The Company may receive the consideration, if any, given for the share on any sale or disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of.
- 3) The transferee there upon be registered as the holder of the share.

TRANSFER OF SHARES

26. The instrument transfer shall be in writing and all provision of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.
27. Subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the Company has a lien on the shares.
28. Transfer of shares/ debentures in whatever lot shall not be refused.
29. Registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever;

TRANSMISSION OF SHARES

30. 1) On the death of a member, the survivor or survivors where the member was a joint holder, and his legal representatives where he was a sole holder, shall be the only person recognized by the company as having any title to his interest in the shares.
- 2) Nothing in clause (1) shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.
31. 1) Any person becoming entitled to a share in consequence of the death or insolvency of a member may, upon such evidence being produced as may from time to time properly be required by the Board and subject as hereinafter provided, elect, either-
- a) To be registered himself as holder of the share, or
- b) To make such transfer of share as the deceased or insolvent member could have made.
- 2) The Board shall in either case, have the same right to decline or suspend registration as it would have had, if deceased or insolvent member had transferred the share before his death or insolvency.
32. 1) If the person so becoming entitled shall elect to be registered as holder of the share himself, he shall deliver or send to the company a notice in writing signed by him stating that he so elects.
- 2) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the share.
33. A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share been titled in respect of it to exercise any right conferred by membership in relations to meetings of the Company. Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied within ninety days, the Board may there after withhold payment of all dividends, bonuses or other monies payable in respect of the share, until the requirements of the notice have been complied with.
- 33A. No fees shall be charged for registration of transfer, transmission, probate, Succession Certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.

ALTERATION OF CAPITAL

34. The Company may, from time to time, by ordinary resolution increase the share capital by such sum, to be divided in to preference shares or equity shares of such amount, as may be specified in the resolution.
- 34A 1. Where at the time after the expiry of two years from the formation of the Company or at any time after expiry of one year from the allotment of the shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of the further shares either out of the unissued capital or out of the increased share capital then:
- (a) Such further shares shall be offered to the persons who at the date of the offer, are holders of equity shares of the Company, in proportion, as near as circumstances admit, to the capital on those shares at the date.
- (b) Such offer shall be made by a notice specifying the number of shares offered and the time, not less then thirty days from the date of the offer, and the offer if not accepted, will be deemed to have been declined.

- (c) The offer aforesaid shall be deemed to include a right exercisable person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. Provided That the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may, renounce the shares offered to him.
 - (d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose them off in such manner and to such person(s) as they may think, in their sole discretion, fit.
 - 2. Notwithstanding anything contained in sub-clause (1) thereof, the further shares aforesaid may be offered to any person (whether or not those person include the person referred to in clause (a) of sub- clause (1) hereof) in any manner whatsoever.
 - (a) If a special resolution to that effect is passed by the Company in General Meeting, or
 - (b) Where no special resolution is passed, if the vote cast (whether on show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the chairman) by the members who being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is the most beneficial to the Company.
 - 3. Nothing in sub-clause (c) of (1) hereof shall be deemed:
 - (a) To extend the time within which the offer should be accepted; or
 - (b) To authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
 - 4. Nothing in this Article shall apply to the increase of subscribed capital of the Company caused by the exercise of an option attached to the debentures issued or loans raised by the Company:
 - (i) To convert such debentures or loans into shares in the Company; or
 - (ii) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise)
- PROVIDED THAT the terms of issue of such debentures or the terms of such Loans include a term providing for such option and such term:
- a. Either has been approved by the Central Government before the issue of debentures or the raising of the loans, or is in conformity with the rules, if any, made by that Government in this behalf;
 - b. In the case of debentures or loans other than debentures issued to, or loans obtained from, the Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or the raising of the loans.
- 35. a) The new capital may be issued upon such rights and privileges annexed thereto, as the general meeting resolving upon the creation and/or issuing thereof shall direct and if no direction be given as the Board of Directors shall determine, and in particular such shares may be issued

with a preferential or qualified right to dividend and in the distribution of assets of the Company.

- b) Any capital raised by the creation and/or by issue of new shares shall be considered as part of the original capital in all respects, so far as may be, subject to the forgoing provisions with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien and surrender unless it may be otherwise resolved by the general meeting sanctioning the increase.
 - c) Company may, subject to confirmation by the court from time to time, by special resolution, reduce its capital in anyway and in particular and without prejudice to the generality of the forgoing powers by exercising the powers mentioned in section 100 of the Companies Act, 1956.
36. The company may, by special resolution, reduce in any manner and with and subject to, any incident authorised and consent required by law:
- a) Its share capital
 - b) Any capital redemption reserve account, or
 - c) Any share premium account
37. The Company may, by ordinary resolution,
- a) Consolidate and divide all or any of its share capital in to shares of larger amount than its existing shares;
 - b) Sub-divide its existing shares or any of them in to shares of smaller amount than is fixed by the memorandum, subject nevertheless to the provisions of the clause(d) of sub-section(1) of section 94;
 - c) Cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.
 - d) The Directors of the Company are authorised to give any guarantee or provide any security to any body corporate (whether or not under the same management of the company and to provide counter guarantee(s) to any financial institution(s) to any banks for and on behalf of any body corporate (whether or not the same management of the company) on such terms and conditions as the Board may think fit.
38. (a) Whatever the capital by reason of the issue of the preference shares or otherwise is divided into different class of shares, all or any of the rights and privileges attached to each class in the capital for the time being of the Company may be modified, commuted, affected, abrogated or dealt with by agreement between the company and any person purporting to contract on behalf of the class, provided that such agreement is ratified, in writing by the holders of atleast 75 percent in nominal value of the issued shares of the class, or is confirmed by a special resolution passed at a separate meeting of the holders of the shares of that class. The powers conferred upon the Company by this article are subject to sections 106 and 107 of the Companies Act, 1956.
- (b) Subject to the provisions of Sec.80 of the Companies Act, 1956, the Company is authorized to issue Redeemable Preference Shares, which are at the option of the Company are to be liable to be redeemed provided that;
- (i) No such shares shall be redeemed except act of profit of the Company which would otherwise be available for dividend or act of the proceed of a fresh issue of shares made for the purpose of the redemption.
 - (ii) No such shares shall be redeemed unless they are fully paid.

- (iii) The premium, if any, payable on redemption shall have been provided for out of the profits of the Company or out of the Company's share premium account, before the shares are redeemed.
 - (iv) Where any shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of the profits which would otherwise have been available for dividend, be transferred to a reverse fund, to be called the Capital Redemption Reserve Account, a sum equal to the nominal amount of the shares redeemed, and the provisions of this act relating to the reduction of the share capital of a company shall, except as provided in this section, apply as if the Capital Redemption Reserve Account were paid up, share capital of the Company.
 - (c) The redemption of preference shares may be effected on such terms and in such manner may be provided by the Articles of the Company.
 - (d) The redemption of preference shares shall not be taken as reducing the amount of its Authorized Capital.
 - (e) The Company shall not issue any preference shares which is irredeemable or is redeemable after the expiry of a period of 10 years from the date of its issue.
 - (f) If the Company shall have power to issue up to the nominal amount of the shares redeemed or to be redeemed as if the shares have never been issued.
 - (g) The Capital Redemption Reserve Account may be applied by the Company in paying up unissued shares of the Company to be issued to the members of the Company as fully paid Bonus Shares.
- 38A. Any debentures, debenture stock or other securities may be issued at a discount, premium or otherwise, and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the general meeting, right to appointment of directors, and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the general meeting by way of special resolution.

GENERAL MEETINGS

- 39.
 - 1) All general meetings other than annual general meetings shall be called extraordinary general meetings.
 - 2) The annual general meeting will be held as per the provisions of section 166 read with section 210 of the Companies Act, 1956.
- 40.
 - 1) The Board may, whenever it thinks fit, call an extra-ordinary general meeting.
 - 2) If at any time there are not, within India, Directors capable of acting who are sufficient in number to form a quorum any Director or any two members of the Company may call an extra-ordinary general meeting in the same manner, as nearly as possible, as that in which such a meeting may be called by the Board.
 - 3) Extra-ordinary general meetings shall also be called on such requisition, or in default, may be called by such requisitionists as per section 169 of the Act.

PROCEEDINGS AT GENERAL MEETINGS

- 41.
 - 1) A General meeting of a company may be called by giving not less than twenty one days notice in writing, excluding both the dates on which the notice is served or deemed to be served and the date of meeting.

- 2) Every notice of meeting of a company shall specify the place and the day and hour of the meeting, and shall contain a statement of the business to be transacted there at.
 - 3) The accidental omission to give notice to or the non-receipt of notice by, any member or other person to whom it should be given shall not invalidate the proceedings at the meeting.
- 42.
- a) In the case of an annual general meeting, all business to be transacted at the meeting shall be deemed special, with the exception of business relating to
 - (i) the consideration of accounts, balance sheet and the reports of the Board of Directors and auditors
 - (ii) the declaration of dividend
 - (iii) the appointment of Directors in place of those retiring and
 - (iv) the appointment of, and fixing of the remuneration of the auditors; and
 - b) In the case of any other meetings, all business shall be deemed special.
 - c) Where any items of business to be transacted at the meeting are deemed to be special as aforesaid there shall be attached to the notice of the meeting a statement setting out all material facts concerning each such item of business;
 - d) Where any item of business consists of the according of approval to any document by the meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.
- 43.
- 1) No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business.
 - 2) Save as herein otherwise provided, five members present in person, shall be quorum.
 - 3) If within half an hour from time appointed for the meeting a quorum is not present, the meeting, if called upon the requisition of members shall stand dissolved, in any other case it shall stand adjourned to the same day, in the next week at the same time and place, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the members present shall be a quorum.
- 44.
- 1) The Chairman, if any, of the Board shall preside as chairman at every general meeting of the Company.
 - 2) If there is no such chairman, or if he is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as a chairman of the meeting, the Directors present shall elect one of their Members to be the Chairman of the meeting.
 - 3) If at any meeting no Director is willing to act as a Chairman or if no Director is present within fifteen minutes after the time appointed for holding the meeting, the members present shall choose one of their members to be the Chairman of the meeting.
- 45.
- 1) The Chairman may, with the consent of any meeting at which quorum is present, and shall, if so directed by the meeting adjourn the meeting from time to time and from place to place.
 - 2) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
 - 3) When a meeting is adjourned for thirty days or more, notice of the adjournment meeting shall be given as in the case of an original meeting.
 - 4) Save as aforesaid, it shall not be necessary to give any notice of an adjourned or of the business to be transacted at an adjourned meetings.

46. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result on the show of hands) demanded (in accordance with the provisions of section 179 of the Companies act, 1956) and unless a poll is so demanded, a declaration by the Chairman that a resolution on a show of hands been carried, or carried unanimously or by particular majority or less and an entry to that effect in the book of the proceedings of the Company shall be conclusive evidence of the fact, without any proof of the number or proportion of the votes recorded in favour of, or against the resolution.
47. If a poll is duly demanded, it shall be taken in such a manner as the chairman directs, and the result of poll shall be deemed to be the resolution of the meeting at which poll was demanded.
48. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place, or at which the poll is demanded, shall be entitled to a second or casting vote.
49. Any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.

VOTES OF MEMBERS

50. A poll is demanded on the election of a Chairman or on a question of adjournment shall be taken forth with. A poll demanded on any other question shall be taken at such time as the Chairman of the meeting, directs, or not later than 48 hours from the time when the demand was made.
51. Subject to any rights or restrictions for the time being attached to any class or classes of shares.
 - a) On a show of hands every member present in person shall have one vote.
 - b) On a poll, the voting rights of members shall be laid down in section 87
52. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members.
53. A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may on a poll, vote by proxy.
54. No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.
55. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or notarially certified copy of that power or authority, shall be deposited at the Registered office of the Company not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll; and in default the instrument of proxy shall not be treated as valid.
56. An instrument appointing a proxy shall be in either of the forms in schedule IX to the act or a form as near thereto as circumstances admit.

BOARD OF DIRECTORS

57.
 - a) Until otherwise determined by the company in general meeting the number of Directors shall not be less than three and more than twelve including Special, Technical, Additional, Alternate, Nominated Directors and all other types of Directors on the Board of Directors.
 - b) At the annual general meeting of the Company to be held in every year, one third of such of the Directors as are liable to be retired by rotation for the time being or if their number is not three or a multiple of three the number nearest to one third shall retire from office and they will be

eligible for re-election in accordance with the provisions of section 256 of the act provided nevertheless that the Managing Director or Director appointed under articles 62 and 66 or an additional Director shall not retire by rotation under this article nor shall they be included in calculating the total number of Directors of whom one third shall retire from office under this article

- c) The following shall be the first Directors:
1. Shri M.V.Ramana Rao
 2. Shri R. Kumar Raju
58. 1) The remuneration of the Directors shall, in so far as it consists of a monthly payment, be deemed to accrue from day to day.
- 2) In addition to the remuneration payable to them in pursuance of the Act, the Directors may be paid all traveling, hotel and other expenses properly incurred by them.
- a) In attending and returning from meetings of the Board of Directors or any committee thereof or general meetings of the Company; or
 - b) In connection with the business of the Company.
59. Any individual whether a member of the Company or not may be appointed as a Director and no qualification by way of shareholding shall be required from any Director.
60. The Board of Directors shall have the power to appoint alternate Director(s) in the manner stated in section 313 of the Act.
- 1) The Board shall have power at any time, and from time to time to appoint a person as an additional Director, provided the number of Directors and additional Directors together shall not at any time exceed the maximum strength fixed for the Board by the articles.
 - 2) Such a person shall hold the office only upto the date of the next annual general meeting but shall be eligible for appointment by the Company as a Director at the meeting subject to the provisions of the Act.
62. The Union Government or any State Government or any Financial institution granting loans to the Company shall be entitled so long as the Company is indebted to such institutions, to nominate and from time to time to substitute in place of such nominees one or more individuals as the Directors on the Board of the Company and while holding such office such nominees shall not be liable to retirement by rotation.
63. The Board may pay all expenses incurred in setting up and registering the Company.
64. All cheques, promissory notes, drafts, hundies, bills of exchange and other negotiable instruments, and all receipts for money paid to the Company, shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, by such person and in such manner as the Board shall from time to time by resolution determine.
65. Every Director present at any meeting of the Board or a committee thereof shall sign his name in a book to be kept for that purpose.

MANAGING DIRECTORS/WHOLE TIME DIRECTORS

66. The Board may, from time to time appoint one or more of their body to the office of Managing Director or Joint Managing Directors/Whole-time-Directors for such term not exceeding 5 years at a time and on such remuneration (whether by way of salary or commission or partly in one or partly in another) as they may think fit and a Director so appointed shall not, while holding the office, be subject to retirement by rotation but his appointment shall be subject to determination IPSO-FACTO if he ceases from any cause

to be a Director of the Company or its General meeting resolves that his tenure of the office of Managing Director/Whole-time-Director be terminated.

67. Subject to the provisions of the Act, the Directors may from time to time entrust to and confer upon the Managing Director/Whole-time-director for the time being, such of the powers exercisable by the Board of Directors as they may think fit, and may confer such powers for such time and to be exercised for such objects and purpose upon such terms and conditions with such restrictions as they may think expedient and they may from time to time withdraw, revoke, alter or vary all or any of such powers.

PROCEEDINGS OF BOARD

68. 1) Subject to the provisions of Sec.285 of the Companies Act, 1956 The Directors shall meet once in every three months or often if necessary for the transaction and dispose of business, adjourn and otherwise regulate its meetings, as it thinks fit.
- 2) A Director may, and the manager or secretary on the requisition of a Director shall, at any time summon a meeting of the Board.
69. The quorum for a meeting of the Board of Directors of a Company shall be one-third of its total strength (any fraction contained in that one third being rounded off as one) or two Directors whichever is higher; provided that where at any time the number of interested Directors, that is to say, the number of the Directors who are interested present at the meeting being not less than two, shall be the quorum during such time.
70. 1) Save as otherwise expressly provided in the Act, questions arising at any meeting of the Board shall be decided by majority of votes.
- 2) In case of any equality of votes, the Chairman of the Board, if any, shall have a second or casting vote.
71. The continuing Directors may act notwithstanding any vacancy in the Board, but, if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing Directors or Director may act for the purpose of increasing the number of Directors to be fixed for the quorum, or of summoning a general meeting of the Company, but for no other purpose.
72. 1) *The Board may elect a chairman of its meetings and determine the period for which he is to hold office.*
- 2) If no such Chairman is elected, or if at any meeting Chairman is not present within five minutes after the time appointed for holding the meeting, the Directors present may choose one of their members to be chairman of the meeting.
73. 1) The Board may, subject to the provisions of the Act, delegate any of its powers to committees consisting of such member or members of its body as it thinks fit.
- 2) Any committee so formed shall, in the exercise of the powers so delegated, confirm to any regulations that may be imposed on it by the Board.
74. Save as otherwise expressly provided in the Act, a resolution in writing, signed by all the members of the Board or committee thereof for the time being entitled to receive notice of a meeting of the Board or committee, shall be as valid and effectual as if it had been passed at a meeting of the Board or committees, on the day convened and held.

MANAGEMENT OF BUSINESS & BORROWING POWERS

75. The Business of the Company shall be managed by the Board of Directors who shall appoint the Managing Director / whole-time-Director to exercise such powers and rights as delegated to him by the Board of Directors of the Company.

76. a) Subject to the provisions of the Act, and without prejudice to the powers conferred by any other article or articles, the Directors may from time to time, at their discretion borrow or secure the payment of any sum or sums of money for the purpose of the Company either from any Director or else-where on security or otherwise and may secure the repayment or payment of any sum or sums in such a manner, and upon such terms & conditions in all respects as they think fit, and in particular by the creation of any mortgage or charge on the undertaking or the whole or part of the property present or future or the uncalled capital for the Company, or by the issue of debentures or debenture stock of the Company, perpetual; or redeemable charged on the undertaking on all or any part of the property of the Company, both present and future, including its uncalled capital for the time being and the Directors or any of them may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon, and shall be entitled to receive such payment as consideration for the giving of any such guarantee as may be determined by the Directors with powers to them to indemnify the guarantors from or against liabilities under guarantees by means of a mortgage or charge on the undertaking of the Company or upon any of its property or assets or otherwise.
- b) The Directors may at any time by a resolution passed at a Board meeting delegate to any category of managerial personnel or any committee of Directors or any other principal officer or the branch officer of the Company, the powers specified in sub-clause (a) above provided the resolution delegating powers to such managerial personnel or committee to borrow money shall specify the total amount upto which the money may be borrowed by him or by them.
77. The Directors may, subject to the provisions of Sec. 293 of the Act, borrow any sum of money and where the money to be borrowed together with the money already borrowed by the Company (apart from temporary loans obtained by the Company's bankers in the ordinary course of business) exceeds the aggregate of the paid up capital of the company and its free reserves, that is to say reserves not set apart for any specific purpose, the sanction of the general meeting should be obtained and every resolution passed by the Company in relation to the exercise of the power referred to in the article shall specify the total amount up to which the money may be borrowed by the Board of Directors.
78. The Directors shall be entitled to receive interest on loans made by them to the Company as may be agreed upon between the Company and the Directors. The Directors including the Managing Director may guarantee any loan made to the Company and shall be entitled to receive such payment on account of his having given any such guarantee as may be determined by the Board, and such payment shall not be remuneration in respect of his services as a Director.
79. If any uncalled capital be included in or charged by any mortgage or other security, the Directors may by instrument under the Company's seal, authorize the person in whose favour such mortgage or security is executed, or any other person in entrust for him, to make calls on the members in respect of such uncalled capital, and the provisions herein before contained in regard to calls shall mutatis mutandis apply to calls made under such authority and such authority may be made exercisable either conditionally or unconditionally and either to exclusion of the Directors power or otherwise and shall be assignable if expressed so to be.

MINUTES

80. 1) The Board shall, in accordance with the provisions of Sec. 193 of the Act, cause minutes to be kept of every general meeting of the Company and of every meeting of the Board or of every committee of the Board.
- 2) Any such minutes of any meetings of the Board or of any committee of the Board or of the Company in general meeting if kept in accordance with the provisions of Section 193 of the Act, shall be evidence of matters stated in such minutes. The minute books of general meetings of the Company shall be kept at the registered office and shall be open to inspection by members during the business hours on such business days as the Act requires them to be kept open for inspection.

SECRETARY

81. Subject to the provisions of the Act.

- 1) Secretary may be appointed by the Board for such term, at such remuneration and upon such conditions as it may think fit; and any secretary so appointed may be removed by the Board.
- 2) A Director may be appointed as Secretary.

AUTHENTICATION OF DOCUMENTS

82. Save as otherwise provided in the Act any Director or the secretary or any person appointed by the Board for the purpose shall have power to authenticate any documents affecting the constitution of the company and any resolutions passed by the Company or the Board and any books, records, documents and accounts relating to the business of the Company and to certify copies thereof or extracts therefrom as true copies or extracts; and where any books, records, documents or accounts are elsewhere than at the office, the local manager or other officer of the Company having the custody thereof, shall be deemed to be a person appointed by the Board as aforesaid.
83. A document purporting to be a copy of resolution of the Board or an extract from the minutes of meeting of the Board which is certified as such in accordance with the provisions of the last proceeding article shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such extract is a true and accurate record, of a duly constituted meeting of the Board.

THE SEAL

84.
 - 1) The Directors shall provide a common seal for the purpose of the Company, and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof. The directors shall provide for the safe custody of the seal.
 - 2) Subject to any statutory requirements as to share certificates or otherwise the seal of the Company shall not be affixed to any instrument except by authority of a resolution of the Board or of a committee of the Board authorized by it in that behalf and except in the presence of at least one Director and of secretary or of two directors, who shall sign every instrument to which the seal of the Company is so affixed in their presence.
 - 3) The Board shall also be at liberty to have an official seal in accordance with Section.50 of the Act for use in territory, district or place outside India.

DIVIDENDS AND RESERVES

85. The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board.
86. Subject to the provisions of section 205 of the Act. no dividend shall be payable except out of the profits of the Company or out of the money provided by the central or a state government for the payment of the dividend in pursuance of any guarantee given by such Government and no dividend shall carry interest against the Company.
87. The declaration of the Board as to the amount of the net profits of the Company shall be conclusive.
88. The board may from time to time pay to the members such interim dividends as appears to it to be justified by the profits of the Company.
89.
 - 1) The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks proper as a reserve or reserves which shall, at the discretion of the Board, be applicable, for any purpose to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalizing dividends; and pending such application, may, at the like discretion, either be employed in the business of the company or be invested in such investment as the Board may, from time to time think fit.

- 2) The Board may also carry forward any profits which it may think prudent not to divide, without setting them aside as a reserve.
90.
 - 1) Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof, the dividend is paid, but if and so long as nothing is paid upon any of the shares in the Company, dividends may be declared and paid according to the amounts of the shares.
 - 2) No amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this regulation as paid on the share.
 - 3) All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date such shares shall rank for dividend accordingly.
 91. The Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.
 92.
 - 1) Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one as if the joint holders who is first named in the register of members, or to such person and to such address as the holder or joint holders may in writing direct.
 - 2) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.
 93. Any one of two or more joint holders of a share may give effectual receipts for any dividends, bonuses or other money payable in respect of such share.
 94. Notice of any dividend that may have been declared shall be given to the persons entitled to share therein in the manner mentioned in the Act.
 95. No dividend shall bear interest against the Company.
 96. Any general meeting declaring a dividend may make a call on the members of such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him, and so that the call be made payable at the same time as the dividend and the dividend may be set off against the call.
 97. The Company may pay interest on capital raised for construction of works or buildings when and so far as it shall be authorised to do by sec. 208 of the Act.
 98. Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days of the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall, within 7 days of the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "*Unpaid Dividend of MIC Electronics Limited*" and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Fund established under Sec 205C of the Act.

A claim to any money so transferred to the Fund may be preferred to the Central Government by the shareholders to whom the money is due.

That there shall be no forfeiture of unclaimed dividends before the claim becomes barred by law.

CAPITALISATION OF PROFITS

99. 1) The Company in general meeting may, upon the recommendation of the Board, resolve-
- a) That it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts, or to the credit of the profit and loss account, or otherwise available for distribution; and
 - b) That such sum be accordingly set free for distribution in the manner specified in the clause (2) amongst the members who would have entitled thereto, if distributed by way of dividend and in the same proportions.
- 2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provisions contained in clause (3) either in or towards
- (i) Paying up any amounts for the time being unpaid on any shares held by such members respectively.
 - (ii) Paying up in full, unissued shares of the Company to be allotted and distributed, credited as fully paid-up to and amongst such members in the proportions aforesaid; *or*
 - (iii) Partly in the way specified in sub-clause (i) and partly in that specified in sub-clause (ii)
- 3) A share premium account and a capital redemption reserve or free reserves built out of the genuine profits may for the purpose of this regulation, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.
- 4) The Board shall give effect to the resolution passed by the Company in pursuance of this regulation.
100. 1) Whenever such a resolution as aforesaid shall have been passed the Board shall -
- a) Make all appropriations and applications of the undivided profits resolved to be capitalized thereby, and all allotments and issues of fully paid shares, if any, and
 - b) Generally do all acts and things required to give effect thereto.
- 2) Board shall have full power-
- a) To make such provision, by the issue of fractional certificates or by payment in cash or otherwise, as it thinks fit for the case of shares or debentures becoming distributable in fractions; and also
 - b) To authorise any person to enter, on behalf of all the members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares to which they may be entitled upon such capitalization or (as the case may require) for the payment up by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares.
- 3) Any agreement made under such authority shall be effective and binding on all such members.

BROKERAGE AND COMMISSION

101. The Company may on any issue of shares or debentures pay such brokerage as may be reasonable and lawful.
102. In addition to the payment of any reasonable sums as brokerage, the Company, may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally for any shares, debenture or debenture stock in the Company or procuring or agreeing to procure subscriptions (whether absolutely or conditional) for any shares, debentures or debenture stock in the Company but so that (if the commission shall be paid or payable out of the capital) the commission should not exceed 5% of the price at which the shares are issued or 2.5 percent of the price at which debentures are issued.
103. The commission may be satisfied by the payment of cash or the allotment of fully paid-up shares or partly in one way and partly in the other.

ACCOUNTS, AUDIT AND INSPECTION

104. The Directors shall cause to be kept proper books of account with respect to:
 - i) All sums of money received and expended by the Company and the matters in respect of which the receipts and expenditure take place.
 - ii) All sales and purchases of goods by the Company.
 - iii) The assets and liabilities of the Company.
105. The books of account shall be kept at the registered office of the Company or at such other place as the Directors shall think fit and shall be open to inspection by the Directors during the business hours.
106. The Directors shall as required by sections 210 and 211 of the Act, cause to be prepared and laid before the Company in annual general meeting such profit and loss accounts, balance sheets, and reports as referred to in those sections.
107. Once atleast in every year, the accounts of the Company shall be examined and the correctness thereof and of the balance sheet and profit and loss account ascertained by one or more auditor or auditors.
108. The Board shall, from time to time, determine whether and to what extent and at what times and places and under what conditions or regulations, the books of account and books and documents of the Company shall be open to inspecting any books of account or books or document of the Company except as conferred by law or authorized by the Board or by the Company in general meeting.

SERVICE OF DOCUMENTS AND NOTICES

109. A document may be served by the Company on any member either personally or by sending it by post to him to his registered address, or if he has no registered address in India, to the address within India, supplied by him to the Company for giving notice to him.
110. Where a document is sent by post, service of notice shall be deemed to have been effected by properly addressing, preparing and posting a letter containing the Documents, provided that where a member has intimated to the Company in advance that the document should be sent to him under certificate of posting or by registered post with or without acknowledgement due and has deposited with the Company a sum sufficient to defray the expenses of doing so, service of the document shall not be deemed to be effected in the case of notice of a meeting at the expiration of forty eight hours after the letter containing the same is posted, and in any other case at any time at which the letter would be delivered in the ordinary course of post.
111. If a member has no registered address in India and has not supplied to the Company an address within India for giving notice to him, a document or notice of meeting advertised in a newspaper circulating in

the neighborhood of the registered office of the Company shall be deemed to be duly given to him on the day on which the advertisement appears.

- 112.A document may be served by the Company on the joint holders of a share by serving it on the joint holder named first in the register in respect of the share.
113. A document may be given by the Company to the person entitled to a share in consequence of the death or insolvency of a member by sending through the post in a pre-paid letter addressed to them by name, or by the title of their representatives of the deceased or assignee of the insolvent or by any like description at the address, if any, in India supplied for the purpose by the persons, claiming to be so entitled or unfit such an address has been so applied by giving notice in any manner in which the same might have been given, if the death or insolvency had not occurred.
114. Notice of every meeting shall be given to every member of the Company in a manner specified in Articles 109 to 111 hereof and also to every person entitled to a share in consequence of death or insolvency of a member who but for his death or insolvency would be entitled to receive the notice of the meeting.

WINDING-UP

115. 1) If the Company shall be wound-up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide among the members, in specie or kind, the whole or any part of the assets of the Company, whether they shall consist of property of the same kind or not.
- 2) For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.
- 3) The liquidator may with like sanction vest the whole or any part of such assets in trustees upon such trust for the benefit of the contributories as the liquidators, with the like sanction shall think fit, but so that no member shall be compelled to accept any shares or other securities where on there is any liability.

XI. OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus, delivered to the RoC for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company between 10.00 am to 4.00 pm on working days from the date of this Draft Red Herring Prospectus until the Bid/ Issue Closing Date.

Material Contracts to the Issue

1. Engagement Letter dated January 10, 2006 for appointment of Edelweiss Capital Limited as BRLM.
2. Memorandum of Understanding amongst our Company and the BRLM dated November 2, 2006.
3. Memorandum of Understanding executed by our Company and the Registrar to the Issue dated October 27, 2006.
4. Escrow Agreement dated [●] among the Company, the BRLM, Escrow Collection Bank(s) and the Registrar to the Issue.
5. Syndicate Agreement dated [●] among the Company, the BRLM and the Syndicate Members.
6. Underwriting Agreement dated [●] among the Company, the BRLM and the Syndicate Members.

Material Documents

1. Certified true copies of the Memorandum and Articles of Association of the Company as amended from time to time.
2. Our certificate of incorporation dated July 29, 1997
3. Copies of annual reports of our Company for the years ended on June 30, 2002, 2003, 2004, 2005 and 2006 and our subsidiary, MIC Technologies (Aust) PTY Limited as on June 30, 2005 and June 30, 2006 and the unaudited accounts of our subsidiary InfoSTEP Inc. certified by its directors for the years ending December 31, 2005, 2004, 2003, 2002 and 2001 .
4. Shareholders' resolution dated August 12, 2006 in relation to this Issue and other related matters.
5. Resolutions of the Board of Directors of the Company dated July 18, 2006 in relation to this Issue and other related matters.
6. Reports of the statutory Auditors dated November 1, 2006 prepared as per Indian GAAP and mentioned in this Draft Red Herring Prospectus, consents of the Auditors for inclusion of their report on accounts in the form and context in which they appear in this Draft Red Herring Prospectus and the Statement of Tax Benefits available to the Company dated November 1, 2006, prepared by the Auditors.
7. General Power of Attorney executed by the Directors of our Company in favour of Person(s) for signing and making necessary changes to this Draft Red Herring Prospectus and other related documents.
8. Consents of BRLM, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, Legal Counsel to the Company, Directors, Company Secretary and Compliance Officer, as referred to, in their respective capacities.

9. Initial listing applications dated [●] and [●] filed with NSE and BSE.
10. In-principle listing approvals dated [●] and [●] from NSE and BSE, respectively.
11. Tripartite agreement between NSDL, our Company and the Registrar to the Issue dated [●].
12. Tripartite agreement between CDSL, our Company and the Registrar to the Issue dated [●].
13. Due diligence certificate dated November 21, 2006 to SEBI from Edelweiss Capital Limited.
14. SEBI observation letter no. [●] dated [●] and our reply to the same dated [●].
15. Agreement dated 23rd March, 2006, with S. P. Enterprises for purchase of a plot of land admeasuring 2900.25 square feet located at Roorkee.
16. Share Purchase Agreement dated October 3, 2006 executed between the shareholders of InfoSTEP Inc. and our Company.
17. Agreement dated August 17, 2006 between Visible Display Corporation (VDC), InfoSTEP Inc. and our Company.

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.

DECLARATION

All the relevant provisions of the Companies Act 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We and the signatories mentioned below further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY ALL DIRECTORS

Mr. M.V.Ramana Rao, CEO and Managing Director

Mr. L.N.Malleswara Rao, Director

Mr. N.Sreenivasa Rao, Director

Mr. Anil Goyal, Director

Mr. Mangilal Kalani, Director

Mr. Somendra Khosla, Director

Mr. Ranjan Kapoor, Director

Mr. Y.Harish Chandra Prasad, Director

Mr. Harshraj Charandas Mariwala, Director

Mr. Venkata Ram Atluri, Director

Mr. Vidya Sagar Ansingaraju, Director

Mr. U.Ramakrishna, Director

Mr. Y.N.V. Trinadh Babu, CFO

Date:

Place: Mumbai