



# KERNEX MICROSYSTEMS (INDIA) LTD.

(An ISO 9001-2015 Certified Company)

Tel : +91 8414-667600  
Fax : +91 8414-667695  
email : kernex@kernex.in  
Website : www.kernex.in



**Registered Office :**  
"TECHNOPOLIS", Plot Nos : 38-41,  
Hardware Technology Park,  
TSIIC Layout, Raviryal (V),  
Hyderabad - 501 510. Telangana, India.

7<sup>th</sup> September 2024

The Manager Listing Compliances, BSE Limited PhirozeJeejeebhoy Towers Dalal Street, Mumbai – 400 001 <b>BSE Scrip Code: 532686</b>	The Manager Listing Department National Stock Exchange of India Ltd Plot No.C/1, G Block,Exchange Plaza Bandra – KurlaComplex, Bandra (E) Mumbai – 400 051 <b>NSE Symbol: KERNEX</b>
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Dear Sir/Madam,

**Sub: Annual Report for Financial Year 2023-24 of Kernex Microsystems (India) Limited ('Company')**

This is in furtherance to our AGM Notice submission dated September 07, 2024 wherein the Company had informed that the 32<sup>nd</sup> Annual General Meeting ('AGM') of the Company will be held on Monday,30<sup>th</sup> September 2024 at 04:00 p.m. (IST) via two-way Video Conference / Other Audio-Visual Means only, in accordance with the General Circular issued by the Ministry of Corporate Affairs and SEBI Circulars.

Please find enclosed herewith the 32<sup>nd</sup> Annual Report of Kernex Microsystems (India) Limited for the Financial Year 2023-24 along with the Notice of the 32<sup>nd</sup> AGM ('Annual Report'). The Annual Report is also being sent through electronic mode to those Members whose e-mail addresses are registered with the Company/Registrars and Transfer Agent/Depositories.

The Annual Report is available on the website of the Company at [www.kernex.in](http://www.kernex.in) This is submitted pursuant to Regulation 34(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

This is for your information and records.  
Thanking you.

Yours Faithfully,  
**For Kernex Microsystems (India) Limited**

**Prasada Rao K**  
**Company Secretary**

32<sup>nd</sup>

# ANNUAL REPORT 2023-24



**KERNEX**

Delivering Railway Safety

KERNEX MICROSYSTEMS (INDIA) LIMITED





**BOARD OF DIRECTORS**

Sri. Sreenivasa Rao Ravinuthala	Chairman & Independent Director
Sri. Koganti Somasekhara Rao	Independent Director
Sri. Krishna Mohan A V S	Independent Director
Dr. Anji Raju Manthena	Director
Dr. Janardhana Reddy Vinta	Director
Sri. Narender Kumar	Director
Ms. Sreelakshmi Manthena	Director
Sri. Sitarama Raju Manthena	Whole Time Director
Sri. Manthena Badari Narayana Raju	Whole Time Director
Sri. Adabala Seshagiri Rao (w.e.f 06.09.2024)	Independent Director
Sri. Ayyagari Viswanadha Sarma (w.e.f 06.09.2024)	Independent Director

**Chief Financial Officer**

Sri. Sunny Sharma (upto 20.10.2023)  
Sri. P Srikanth (w.e.f. 25.10.2023)

**Company Secretary & Compliance Officer**

Sri. CS. Prasada Rao Kalluri

**Registered Office:**

CIN: L30007TG1991PLC013211  
Plot No.38 (part) to 41, Survey No.1/1,  
Hardware Park, Raviryal Village,  
Maheswaram Mandal, Hyderabad - 501 510

**Overseas Subsidiary**

Avant - Garde Infosystems Inc.,  
#1906, Rayshell CT, Seabrook,  
TX-ZIP77586, USA

**Registrars & Share Transfer Agents:**

M/s. KFin Technologies Ltd  
Selenium Tower B, Plot 31-32,  
Gachibowli, Financial District,  
Nanakramguda, Hyderabad - 500 032  
Phones: 040 - 6716 1565  
Email: einward.ris@kfintech.com

**Auditors:**

PRSV & Co., LLP  
(upto 04.09.2024)  
Chartered Accountants

Flat No.202, Saptagiri Residency  
1-10-98/A, Chikoti Gardens,  
Begumpet, Hyderabad - 500 016  
FRN:S200016

**Internal Auditors:**

M/s. Thirupathi & Associates 303,  
Sai Brundavan Apts, Dwarakapuri  
Colony, Model House Lane, Punjagutta,  
Hyderabad FRN:013000S

**Secretarial Auditors:**

Mr. D S Rao  
Practicing Company Secretary  
Flat No. 10, 4<sup>th</sup> Floor, D.No. 6-3-347/22/2  
Ishwarya Nilayam, Opp: Sai Baba Temple,  
Dwarakapuri Colony, Punjagutta,  
Hyderabad – 500 082, Telangana, India

**Bankers:**

1. State Bank of India
2. HDFC Bank

**Auditors:**

NSVR & Associates LLP  
(w.e.f. 06.09.2024)  
Chartered Accountants

2nd Floor , House No.1-89/1/42,  
Plot No.41 and 43, Sri Ram Nagar  
Colony, Kavuri Hills, Guttala  
Begumpet, Madhapur, 500081  
FRN: 008801S/S200060

**Board Committees**

**Audit Committee**

Sri. Sreenivasa Rao Ravinuthala	–	Chairman
Sri. Somasekhara Rao K	–	Member
Sri. Sitarama Raju Manthena	–	Member

**Nomination and Remuneration Committee**

Sri. Somasekhara Rao K	–	Chairman
Sri. Sreenivasa Rao Ravinuthala	–	Member
Dr. Anji Raju Manthena	–	Member

**Corporate Social Responsibility Committee**

Sri. Krishna Mohan A V S	–	Chairman
Sri. Sreenivasa Rao Ravinuthala	–	Member
Sri. Sitarama Raju Manthena	–	Member

**Stakeholders Relationship Committee:**

Sri. Somasekhara Rao K	–	Chairman
Sri. Sreenivasa Rao Ravinuthala	–	Member Sri.
Sitarama Raju Manthena	–	Member

**Risk Management Committee**

Sri. Somasekhara Rao K	–	Chairman Sri.
Sreenivasa Rao Ravinuthala	–	Member
Dr. Vinta Janardhan Reddy	–	Member

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**NOTICE**

Notice is hereby given that the 32nd Annual General Meeting of the Members of M/s. Kernex Microsystems (India) Limited will be held on Monday, 30th September 2024 at 04:00 P.M. IST through Video Conference ("VC")/ Other Audio Visual Means ("OAVM") to transact the following items of business:

**ORDINARY BUSINESS**

**1. TO RECEIVE, CONSIDER AND ADOPT**

- (a) THE AUDITED STANDALONE FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED MARCH 31, 2024 AND THE REPORT OF THE BOARD OF DIRECTORS AND AUDITORS THEREON; AND**
- (b) THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED MARCH 31, 2024 AND THE REPORT OF AUDITORS THEREON**

*To consider and if thought fit to pass with or without modification(s) the following resolution as **Ordinary Resolutions***

- a) **"RESOLVED THAT** the audited standalone financial statements of the Company for the financial year ended March 31, 2024 and the reports of the Board of Directors and Auditors thereon, as circulated to the Members, be and are hereby received, considered and adopted."
- b) **"RESOLVED THAT** the audited consolidated financial statements of the Company for the financial year ended March 31, 2024 and the report of Auditors thereon, as circulated to the Members, be and are hereby received, considered and adopted."

**2. TO APPOINT A DIRECTOR IN PLACE OF MR. NARENDER KUMAR (DIN: 03295345) NON-EXECUTIVE DIRECTOR, WHO RETIRES BY ROTATION AND BEING ELIGIBLE OFFERS HIMSELF FOR RE-APPOINTMENT AS A DIRECTOR IN THE COMPANY.**

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

**"RESOLVED THAT** pursuant to the provisions of Section 152 (6) and other applicable provisions of the Companies Act, 2013, the approval of the members of the Company be and is hereby accorded to the re-appointment of Mr. Narender Kumar (DIN: 03295345) as a "Director", who shall be liable to retire by rotation."

**3. TO APPOINT A DIRECTOR IN PLACE OF DR. ANJI RAJU MANTHENA (DIN: 01022368), WHO RETIRES BY ROTATION AND BEING ELIGIBLE OFFERS HIMSELF FOR RE-APPOINTMENT AS A DIRECTOR IN THE COMPANY.**

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

**"RESOLVED THAT** pursuant to the provisions of Section 152 (6) and other applicable provisions of the Companies Act, 2013, the approval of the members of the Company be and is hereby accorded to the re-appointment of Dr. Anji Raju Manthena (DIN: 01022368) as a "Director", who shall be liable to retire by rotation."



**4. TO APPROVE THE APPOINTMENT OF STATUTORY AUDITORS TO FILL THE CASUAL VACANCY CAUSED BY THE RESIGNATION**

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

**“RESOLVED THAT** pursuant to the provisions of Sections 139, 142, and other applicable provisions, if any, of the Companies Act, 2013, as amended from time to time, or any other law for the time being in force (including any statutory modification or amendment thereto or reenactment thereof, for the time being in force), read with the Companies (Audit and Auditors) Rules, 2014, and on the recommendation of the Audit Committee and the Board of Directors, consent of the members of the Company be and is hereby accorded for appointment of M/s. NSVR & Associates LLP, Chartered Accountants, (Firm Registration Number: 008801S/S200060) as statutory auditors of the Company, with effect from 6th September 2024, to fill the casual vacancy arising out of resignation of P R S V & Co. LLP, Chartered Accountants, (Firm Registration Number: S200016), and to hold office till the conclusion of this Annual General Meeting, on such remuneration and reimbursement of expenses, as may be fixed by the Board of Directors in consultation with the statutory auditors, with the power of the Board of Directors to alter and vary the terms and conditions of appointment, etc. in such manner and to such extent, as may be mutually agreed with the statutory auditors.

**RESOLVED FURTHER THAT** the Board of Directors of the Company (hereinafter referred to as “the Board”, which term shall deem to include any committee of the Board), is authorized to do all such acts, deeds, matters and things, as may be considered necessary, desirable or expedient to give effect to this resolution, including filing of necessary e-Forms with Registrar of Companies.”

**SPECIAL BUSINESS**

**5. TO APPROVE THE APPOINTMENT OF STATUTORY AUDITORS FOR A PERIOD OF FIVE CONSECUTIVE YEARS, FROM THE CONCLUSION OF THIS ANNUAL GENERAL MEETING UNTIL THE CONCLUSION OF THE 37TH ANNUAL GENERAL MEETING TO BE HELD IN 2029, AND TO FIX THEIR REMUNERATION**

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

**“RESOLVED THAT** pursuant to the provisions of Sections 139, 142, and other applicable provisions, if any, of the Companies Act, 2013, as amended from time to time, or any other law for the time being in force (including any statutory modification or amendment thereto or reenactment thereof for the time being in force), read with the Companies (Audit and Auditors) Rules, 2014, and on the recommendation of the Audit Committee and the Board of Directors, consent of the members of the Company be and is hereby accorded for appointment of M/s. NSVR & Associates LLP, Chartered Accountants, (Firm Registration Number: 008801S/S200060), as statutory auditors of the Company, to hold office for a period of five consecutive years from the conclusion of this Annual General Meeting, till the conclusion of the Annual General Meeting to be held in 2029, on such remuneration and reimbursement of expenses, as may be fixed by the Board of Directors in consultation with the statutory auditors, with the power of the Board of Directors to alter and vary the terms and conditions of appointment, etc. in such manner and to such extent, as may be mutually agreed with the statutory auditors.

**“RESOLVED FURTHER THAT** the Board of Directors of the Company (hereinafter referred to as “the Board”, which term shall deem to include any committee of the Board), is authorized to do all such acts, deeds, matters and things, as may be considered necessary, desirable or expedient to give effect to this resolution, including filing of necessary e-Forms with Registrar of Companies.”

**6. TO CONSIDER AND APPROVE APPOINTMENT OF MR. ADABALA SESHAGIRI RAO (DIN: 09608973) AS AN INDEPENDENT DIRECTOR OF THE COMPANY**

*To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution***

**"RESOLVED THAT** Mr. Adabala Seshagiri Rao (DIN: 09608973), who was appointed as an Additional Director of the Company by the Board of Directors on recommendation of the Nomination & Remuneration Committee with effect from 06.09.2024 and who holds office up to the date of this Annual General Meeting under Section 161(1) of the Companies Act, 2013 ('the Act') and Article 116 of the Articles of Association of the Company, and he has given consent for appointment and in respect of whom the Company has received a notice in writing under Section 160(1) of the Act from a member proposing his candidature for the office of Director, be and is hereby approved.

**"RESOLVED FURTHER THAT** pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and Companies (Appointment and Qualifications of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and Regulations 16(1)(b), 17(1C), 25 and other applicable regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time and on recommendation of the Nomination & Remuneration Committee and Board of Directors, the consent of the members of the Company be and is hereby accorded for appointment of Mr. Adabala Seshagiri Rao (DIN: 09608973) who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Companies Act, 2013 as an Independent Director of the Company, not liable to retire by rotation, for a period of two years with effect from 06.09.2024 i.e. up to 05.09.2026.

**RESOLVED FURTHER THAT** the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall deem to include any committee of the Board), is authorized to do all such acts, deeds, matters and things, as may be considered necessary, desirable or expedient to give effect to this resolution, including filing of necessary e-Forms with Registrar of Companies."

**7. TO CONSIDER AND APPROVE APPOINTMENT OF MR. AYYAGARI VISWANADHA SARMA (DIN: 00499468) AS AN INDEPENDENT DIRECTOR OF THE COMPANY**

*To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution***

**"RESOLVED THAT** Mr. Ayyagari Viswanadha Sarma (DIN: 00499468), who was appointed as an Additional Director of the Company by the Board of Directors on recommendation of the Nomination & Remuneration Committee with effect from 06.09.2024 and who holds office up to the date of this Annual General Meeting under Section 161(1) of the Companies Act, 2013 ('the Act') and Article 116 of the Articles of Association of the Company, and he has given consent for appointment and in respect of whom the Company has received a notice in writing under Section 160(1) of the Act from a member proposing his candidature for the office of Director, be and is hereby approved.

**"RESOLVED FURTHER THAT** pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and Companies (Appointment and Qualifications of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and Regulations 16(1)(b), 17(1C) 25 and other applicable regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time and on recommendation of the Nomination & Remuneration Committee and Board of Directors, the consent of the members of the Company be and is hereby accorded for appointment of Mr. Ayyagari Viswanadha



Sarma (DIN: 00499468) who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Companies Act, 2013 as an Independent Director of the Company, not liable to retire by rotation, for a period of two years with effect from 06.09.2024 i.e. up to 05.09.2026

**RESOLVED FURTHER THAT** the Board of Directors of the Company (hereinafter referred to as “the Board”, which term shall deem to include any committee of the Board), is authorized to do all such acts, deeds, matters and things, as may be considered necessary, desirable or expedient to give effect to this resolution, including filing of necessary e-Forms with Registrar of Companies.”

**8. TO CONSIDER AND APPROVE APPOINTMENT OF MR. PASUPULETI DINAKARA RAO (DIN: 00009801) AS AN INDEPENDENT DIRECTOR OF THE COMPANY**

*To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution***

“**RESOLVED FURTHER THAT** pursuant to the provisions of Sections 149, 150, 152, 160 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and Companies (Appointment and Qualifications of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and Regulations 16(1)(b), 17(1A)(1C) 25 and other applicable regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time and on recommendation of the Nomination & Remuneration Committee and Board of Directors, the consent of the members of the Company be and is hereby accorded for appointment of Mr. Pasupuleti Dinakara Rao (DIN: 00009801) who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Companies Act, 2013 and attained age of 75 years as an Independent Director of the Company, not liable to retire by rotation, for a period of two years with effect from 30.09.2024 i.e. up to 29.09.2026

**RESOLVED FURTHER THAT** the Board of Directors of the Company (hereinafter referred to as “the Board”, which term shall deem to include any committee of the Board), is authorized to do all such acts, deeds, matters and things, as may be considered necessary, desirable or expedient to give effect to this resolution, including filing of necessary e-Forms with Registrar of Companies.”

By order of the Board  
**For Kernex Microsystems (India) Limited**

**Sd/-**  
**M B Narayana Raju**  
Whole-Time Director  
DIN: 07993925

Place: Hyderabad  
Date: 06.09.2024

**NOTES:**

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 (“Act”) setting out material facts relating to the business stated are annexed hereto.
2. The Ministry of Corporate Affairs (“MCA”) vide its General Circular dated May 5, 2020 read with Circulars dated April 8, 2020, April 13, 2020, January 13, 2021, December 14, 2021, May 5, 2022, December 28, 2022 and September 25, 2023 (collectively referred to as “MCA Circulars”) and SEBI vide its Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020, SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021, SEBI/HO/DDHS/P/CIR/2022/0063 dated May 13, 2022, SEBI/HO/DDHS/DDHSRACPOD1/P/CIR/2023/001 dated January 5, 2023 and SEBI/HO/CFD/CFD-PoD-2/P/CIR/2023/167 dated October 7, 2023 has permitted the holding of the Annual General Meeting (“AGM”) through Video Conference/Other Audio Visual Means, without the physical presence of the Members at a common venue. In accordance with the MCA Circulars and applicable provisions of the Companies Act, 2013 (“the Act”) read with Rules made there under and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), the AGM of the Company is being held through VC / OAVM. The deemed venue for the AGM shall be the Registered Office of the Company.
3. The relevant details, pursuant to Regulation 36(3) of the SEBI Listing Regulations and Secretarial Standard on General Meetings issued by the Institute of Company Secretaries of India, in respect of Director seeking re- appointment at this AGM is annexed.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 24<sup>th</sup> September 2024 to 30<sup>th</sup> September 2024 (both days inclusive) for the purpose of giving effect to the transmission and transposition requests lodged with the Company.
5. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), and the MCA Circulars, the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with National Securities Depository Limited (NSDL) for facilitating voting through electronic means, as the authorized agency. The facility of casting votes by a member using remote e-voting system as well as voting during the AGM will be provided by NSDL.
6. The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available for 1000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.
7. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.
8. Pursuant to the provisions of the Act, a member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since this AGM is being held pursuant to the MCA Circulars through VC / OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.

9. As per Regulation 40 of SEBI Listing Regulations, as amended, securities of listed companies can be transferred only in dematerialized form with effect from, April 1, 2019, except in case of request received for transmission or transposition of securities. In view of this and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holdings to dematerialized form. Members can contact the Company or Company's Registrars and Transfer Agents, KFin Technologies Limited ("Kfin") for assistance in this regard.
10. Members holding shares in the same name under different Ledger Folios are requested to apply for consolidation of such Folios and send the relevant share certificates to the RTA/Company.
11. To promote green initiative, Members who have not registered their email addresses are requested to register the same with their Depository Participants in case the shares are held by them in electronic form and with Kfin, in case the shares are held in physical form.
12. Members are requested to intimate changes, if any, pertaining to their name, postal address, email address, telephone/ mobile numbers, Permanent Account Number (PAN), mandates, nominations, power of attorney, bank details such as, name of the bank and branch details, bank account number, MICR code, IFSC code, etc., to their DPs in case the shares are held by them in electronic form and to Kfin in case the shares are held by them in physical form.
13. Members who have not yet registered their nomination are requested to register the same by submitting Form No. SH-13. The said form can be downloaded from the Company's website <https://www.kernex.in>. Members are requested to submit the said details to their DP in case the shares are held by them in electronic form and to Kfin in case the shares are held in physical form.
14. Members holding shares in physical form, in identical order of names, in more than one folio are requested to send to the Company or Kfin, the details of such folios together with the share certificates for consolidating their holdings in one folio. A consolidated share certificate will be issued to such Members after making requisite changes.
15. In case of joint holders, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the AGM.
16. Members seeking any information with regard to the accounts or any matter to be placed at the AGM are requested to write to the Company on or before 20<sup>th</sup> September 2024 through email on [acs@kernex.in](mailto:acs@kernex.in). The same will be replied by the Company suitably.
17. Pursuant to the directions/notifications of Securities and Exchange Board of India (SEBI) and Depositories, the demat account holders can operate their accounts if they had already provided Income Tax Permanent Account Number either at the time of opening of the account or at any time subsequently. In case they have not furnished the Income Tax Permanent Account Number to the Depository Participants, such demat account holders are requested to contact their DPs with a photocopy of the PAN Card (with original PAN Card for verification), so that the frozen demat accounts would be available for operation and further consequences of non-compliance with the aforesaid directives would be obviated. SEBI, vide Circular ref.no. MRD/Dop/Cir-05/2009 dated May 20, 2009 made it mandatory to have PAN particulars for registration of physical share transfer requests. Based on the directive contained in the said circulars, all share transfer requests are therefore to be accompanied with PAN details. Members holding shares in physical form can submit their PAN details to the Company / RTA.
18. SEBI vide circular nos. SEBI/HO/OIAE/OIAE\_IAD- 1/P/CIR/2023/131 dated July 31, 2023 and SEBI/HO/OIAE/OIAE\_IAD-1/P/CIR/2023/135 dated August 4, 2023 read with master circular no. SEBI/HO/OIAE/OIAE\_IAD-1/P/CIR/2023/145 dated August 11, 2023, had issued guidelines towards an additional

mechanism for investors to resolve their grievances by way of Online Dispute Resolution ('ODR') through a common ODR portal. Pursuant to above-mentioned circulars, post exhausting the option to resolve their grievance with the Company/its Registrar and Share Transfer Agent directly and through existing SCORES platform, the investors can initiate dispute resolution through the ODR Portal (<https://smartodr.in/login>).

19. SEBI, vide its circular dated 3 November 2021 (subsequently amended by circulars dated 14 December 2021, 16 March 2023 and 17 November 2023) mandated that the security holders (holding securities in physical form), whose folio(s) do not have PAN or Choice of Nomination or Contact Details or Mobile Number or Bank Account Details or Specimen Signature updated, shall be eligible for any dividend payment in respect of such folios, only through electronic mode with effect from 1 April 2024, only upon furnishing the PAN, choice of nomination, contact details including mobile number, bank account details and specimen signature.  
  
Further, relevant FAQs published by SEBI on its website can be viewed at the following link: [https://www.sebi.gov.in/sebi\\_data/faqfiles/jan-2024/1704433843359.pdf](https://www.sebi.gov.in/sebi_data/faqfiles/jan-2024/1704433843359.pdf)
20. Members may please note that SEBI vide its Circular No. SEBI/HO/MIRSD/MIRSD\_RTAMB/P/CIR/2022/8 dated 25th January 2022 has mandated the Listed Companies to issue securities in demat form only while processing service requests viz. Issue of duplicate securities certificate; claim from Unclaimed Suspense Account; Renewal/Exchange of securities certificate; Endorsement; Sub-division/Splitting of securities certificate; Consolidation of securities certificates/folios; Transmission and Transposition. Accordingly, Shareholders are requested to make service requests by submitting a duly filled and signed Form ISR-4, the format of which is available on the Company's website under Investors Corner and on the website of the Company's RTA. Member may also send email to obtain format by sending an email to [acs@kernex.in](mailto:acs@kernex.in) or the RTA. It may be noted that any service request can be processed only after the folio is KYC compliant.
21. The Notice calling the AGM along with the Annual Report has been uploaded on the website of the Company at [www.kernex.in](http://www.kernex.in). The Notice and Annual Report can also be accessed from the websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com) respectively and the AGM Notice is also available on the website of NSDL (agency for providing the Remote e-Voting facility) i.e. [www.evoting.nsdl.com](http://www.evoting.nsdl.com). All documents referred to in the accompanying Notice shall be open for inspection by the Members by writing an e-mail to the Company [acs@kernex.in](mailto:acs@kernex.in).
22. In compliance with the aforesaid MCA Circulars and SEBI Circular dated May 12, 2020 (collectively referred to as "MCA Circulars"), AGM Notice and Annual Report is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories as on 30<sup>th</sup> August 2024. Members whose email IDs are not registered with the Company/Depositories are requested to follow the process provided further for registration of email IDs with the depositories for procuring user ID & password and registration of email IDs for e-voting for the resolutions set out in this notice.
23. Since the AGM will be held through VC / OAVM, the Route Map is not annexed in this Notice.

**Instructions for e-voting and joining the AGM are as follows:**

**The instructions for Members for Remote E-Voting are as under:-**

1. The Ministry of Corporate Affairs ("MCA") vide its General Circular dated May 5, 2020 read with Circulars dated April 8, 2020, April 13, 2020, January 13, 2021, December 14, 2021, May 5, 2022, December 28, 2022 and September 25, 2023 (collectively referred to as "MCA Circulars") and SEBI vide its Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020, SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021, SEBI/HO/DDHS/P/CIR/2022/0063 dated May 13, 2022, SEBI/HO/DDHS/DDHSRACPOD1/P/CIR/2023/001 dated January 5, 2023 and SEBI/HO/CFD/CFD-PoD-2/P/CIR/2023/167 dated October 7, 2023 has permitted the holding of the Annual General Meeting ("AGM") through Video Conference/Other Audio Visual Means, without the physical presence of the Members at a common venue. In accordance with the MCA Circulars and applicable provisions of the Companies Act, 2013 ("the Act") read with Rules made there under and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the AGM of the Company is being held through VC / OAVM. The deemed venue for the AGM shall be the Registered Office of the Company.
2. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), and MCA Circulars dated April 08, 2020, April 13, 2020, May 05, 2020, January 13, 2021, December 14, 2021, May 5, 2022, December 28, 2022 and September 25, 2023, the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with National Depository Services (India) Limited (NSDL) for facilitating voting through electronic means, as the authorized e-Voting's agency. The facility of casting votes by a member using remote e-voting as well as the e-voting system on the date of the AGM will be provided by NSDL.
3. The Members can join the AGM in the VC/OAVM mode 30 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to at-least 1000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.
4. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of ascertaining the quorum under Section 103 of the Companies Act, 2013.
5. Pursuant to MCA Circular No. 14/2020 dated April 08, 2020, the facility to appoint proxy to attend and cast vote for the members is not available for this AGM. However, in pursuance of Section 112 and Section 113 of the Companies Act, 2013, representatives of the members such as the President of India or the Governor of a State or body corporate can attend the AGM through VC/OAVM and cast their votes through e-voting.
6. In line with the Ministry of Corporate Affairs (MCA) Circular No. 17/2020 dated April 13, 2020, the Notice calling the AGM and Annual Report has been uploaded on the website of the Company at [www.kernex.in](http://www.kernex.in). The Notice of AGM and Annual Report can also be accessed from the websites of the Stock Exchanges i.e. BSE Limited at [www.bseindia.com](http://www.bseindia.com) and NSE at [www.nse.com](http://www.nse.com). The AGM Notice is also disseminated on the website of NSDL (agency for providing the Remote e-Voting facility and e-voting system during the AGM) i.e. [www.evoting.nsdl.com](http://www.evoting.nsdl.com)

**THE INSTRUCTIONS FOR MEMBERS FOR REMOTE E-VOTING ARE AS UNDER:-**

**The remote e-voting period begins on Friday, 27th September 2024 (9:00 a.m. IST) and ends on Sunday, 29th September 2024 (5:00 p.m. IST). The remote e-voting module shall be disabled by NSDL for voting thereafter.**

The Members, whose names appear in the Register of Members / Beneficial Owners as on the record date (cut-off date) i.e. 23rd September 2024, may cast their vote electronically. The voting right of shareholders shall be in proportion to their shares in the paid-up equity share capital of the Company as on the cut-off date, being 23rd September 2024.

Any person, who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the Cut-off date, may obtain the login ID and password by sending a request at [evoting@nsdl.com](mailto:evoting@nsdl.com) However, if he/she is already registered with NSDL for remote e-voting then he/she can use his/her existing User ID and password for casting the vote.

**How do I vote electronically using NSDL e-Voting system?**

*The way to vote electronically on NSDL e-Voting system consists of “Two Steps” which are mentioned below:*

**Step 1: Access to NSDL e-Voting system**




**12) Login method for e-Voting for Individual shareholders holding securities in demat mode**

In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Login method for Individual shareholders holding securities in demat mode is given below:

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with NSDL.	<ol style="list-style-type: none"> <li>1. Existing <b>IDeAS</b> user can visit the e-Services website of NSDL Viz. <a href="https://eservices.nsdl.com">https://eservices.nsdl.com</a> either on a Personal Computer or on a mobile. On the e-Services home page click on the “<b>Beneficial Owner</b>” icon under “<b>Login</b>” which is available under '<b>IDeAS</b>' section , this will prompt you to enter your existing User ID and Password. After successful authentication, you will be able to see e-Voting services under Value added services. Click on “<b>Access to e-Voting</b>” under e-Voting services and you will be able to see e-Voting page. Click on company name or <b>e-Voting service provider i.e. NSDL</b> and you will be re-directed to e-Voting website of NSDL for casting your vote during the remote e-Voting period.</li> <li>2. If you are not registered for IDeAS e-Services, option to register is available at <a href="https://eservices.nsdl.com">https://eservices.nsdl.com</a>. Select “<b>Register Online for IDeAS Portal</b>” or click at <a href="https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp">https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp</a></li> <li>3. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <a href="https://www.evoting.nsdl.com/">https://www.evoting.nsdl.com/</a> either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or <b>e-Voting</b></li> </ol>



Type of shareholders	Login Method
	<p><b>service provider i.e. NSDL</b> and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period.</p> <p>4. Shareholders/Members can also download NSDL Mobile App “<b>NSDL Speede</b>” facility by scanning the QR code mentioned below for seamless voting experience.</p> <div style="text-align: center;"> <p><b>NSDL Mobile App is available on</b></p>    </div>
<p>Individual Shareholders holding securities in demat mode with <b>CDSL</b></p>	<ol style="list-style-type: none"> <li>Existing users who have opted for Easi / Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are <a href="https://web.cdslindia.com/myeasi/home/login">https://web.cdslindia.com/myeasi/home/login</a> or <a href="http://www.cdslindia.com">www.cdslindia.com</a> and click on New System Myeasi.</li> <li>After successful login of Easi/Easiest the user will be also able to see the E Voting Menu. The Menu will have links of <b>e-Voting service provider i.e. NSDL</b>. Click on <b>NSDL</b> to cast your vote.</li> <li>If the user is not registered for Easi/Easiest, option to register is available at <a href="https://web.cdslindia.com/myeasi/Registration/EasiRegistration">https://web.cdslindia.com/myeasi/Registration/EasiRegistration</a></li> <li>Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in <a href="http://www.cdslindia.com">www.cdslindia.com</a> home page. The system will authenticate the user by sending OTP on registered Mobile &amp; Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. <b>NSDL</b> where the e-Voting is in progress.</li> </ol>
<p>Individual Shareholders (holding securities in demat mode) login through their depository participants</p>	<p>You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. upon logging in, you will be able to see e-Voting option. Click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider i.e. NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period.</p>

**Important note:** Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

**Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.**

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at <a href="mailto:evoting@nsdl.com">evoting@nsdl.com</a> or call at toll free no.: 1800 1020 990 and 1800 22 44 30
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at <a href="mailto:helpdesk.evoting@cDSLindia.com">helpdesk.evoting@cDSLindia.com</a> or contact at 022-23058738 or 022-23058542-43

**B) Login Method for e-Voting shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.**

**How to Log-in to NSDL e-Voting website?**

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a Personal Computer or on a mobile.
2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section.
3. A new screen will open. You will have to enter your User ID, your Password/OTP and a Verification Code as shown on the screen.

*Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.*

4. Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12***** then your user ID is 12*****.
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

5. Password details for shareholders other than Individual shareholders are given below:
  - a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
  - b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

- c) How to retrieve your 'initial password'?
  - (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
  - (ii) If your email ID is not registered, please follow steps mentioned below in **process for those shareholders whose email ids are not registered.**
6. If you are unable to retrieve or have not received the “Initial password” or have forgotten your password:
  - a) Click on “Forgot User Details/Password?”(If you are holding shares in your demat account with NSDL or CDSL) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
  - b) Physical User Reset Password?” (If you are holding shares in physical mode) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
  - c) If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.com](mailto:evoting@nsdl.com) mentioning your demat account number/folio number, your PAN, your name and your registered address etc.
  - d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.
7. After entering your password, tick on Agree to “Terms and Conditions” by selecting on the check box.
8. Now, you will have to click on “Login” button.
9. After you click on the “Login” button, Home page of e-Voting will open.

**Step 2: Cast your vote electronically on NSDL e-Voting system.**

**How to cast your vote electronically on NSDL e-Voting system?**

1. After successful login at Step 1, you will be able to see all the companies “EVEN” in which you are holding shares and whose voting cycle
2. Select “EVEN” of company for which you wish to cast your vote during the remote e-Voting period Now you are ready for e-Voting as the Voting page opens.
3. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on “Submit” and also “Confirm” when prompted.
4. Upon confirmation, the message “Vote cast successfully” will be displayed.
5. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
6. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

**General Guidelines for shareholders**

1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to rao\_ds7@yahoo.co.in with a copy marked to evoting@nsdl.com.
2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the “Forgot User Details/Password?” or “Physical User Reset Password?” option available on www.evoting.nsdl.com to reset the password.
3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800 1020 990 and 1800 22 44 30 or send a request to NSDL at evoting@nsdl.com

**Process for those shareholders whose email ids are not registered with the depositories/ company for procuring user id and password and registration of e mail ids for e-voting for the resolutions set out in this notice:**

1. In case shares are held in physical mode please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to acs@kernex.in.
2. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to acs@kernex.in. If you are an Individual shareholders holding securities in demat mode, you are requested to refer to the login method explained at **step 1 (A)** i.e. **Login method for e-Voting for Individual shareholders holding securities in demat mode.**
3. Alternatively shareholder/members may send a request to evoting@nsdl.com for procuring user id and password for e-voting by providing above mentioned documents.
4. In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are required to update their mobile number and email ID correctly in their demat account in order to access e-Voting facility.

**THE INSTRUCTIONS FOR MEMBERS FOR e-VOTING ON THE DAY OF THE EGM/AGM ARE AS UNDER:-**

1. The procedure for e-Voting on the day of the EGM/AGM is same as the instructions mentioned above for remote e-voting.
2. Only those Members/ shareholders, who will be present in the EGM/AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the EGM/AGM.
3. Members who have voted through Remote e-Voting will be eligible to attend the EGM/AGM. However, they will not be eligible to vote at the EGM/AGM.
4. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the EGM/AGM shall be the same person mentioned for Remote e-voting.

**INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:**

1. Members will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access the same at <https://www.evoting.nsdl.com> under shareholders/members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/members login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush. Further members can also use the OTP based login for logging into the e-Voting system of NSDL.
2. The Members can join the AGM in the VC/OAVM mode 30 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice.
3. Members who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID/folio number, PAN, mobile number at [acs@kernex.in](mailto:acs@kernex.in) from 24<sup>th</sup> September 2024 (9:00 a.m. IST) to 27<sup>th</sup> September 2024 (5:00 p.m. IST). Those Members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.
4. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.
5. Members are encouraged to join the Meeting through Laptops for better experience.
6. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
7. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
8. Shareholders who would like to express their views/have questions may send their questions in advance mentioning their names demat account number/folio number, email id, mobile number at [acs@kernex.in](mailto:acs@kernex.in). The same will be replied by the company suitably.
9. The voting rights of Members shall be in proportion to their shares of the paid-up equity share capital of the Company as on 23<sup>rd</sup> September 2024. A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the Depositories as on the Cut- off date only shall be entitled to avail the facility of remote e-voting or voting at the AGM.
10. The Company has appointed Mr. D S Rao, Practicing Company Secretary, Hyderabad, as the Scrutinizer to the e-voting process and voting at the AGM in a fair and transparent manner and he has communicated his willingness to be appointed and will be available for same purpose.
11. The Chairman shall, at the general meeting, at the end of discussion on the resolutions on which voting is to be held, allow voting, with the assistance of scrutinizer, by using an electronic voting system for all those members who are present at the general meeting but have not cast their votes by availing the remote e-voting facility.

A member can opt for only one mode of voting, i.e., either through remote e-voting or venue voting. If a member casts votes by both modes, then voting done through remote e-voting shall prevail and venue voting shall be treated as invalid.

12. The scrutinizer shall, immediately after the conclusion of voting at the general meeting, first count the votes cast at the venue voting, thereafter unlock the votes through remote e-voting in the presence of at least two witnesses, not in the employment of the Company and make, not later than two working days from the conclusion of the meeting, a consolidated scrutinizer's report of the total votes cast in favor or against, if any, to the Chairman or a person authorized by him in writing who shall countersign the same and declare the results of voting forthwith.

The results declared along with the scrutinizer's report shall be placed on the Company's website: [www.kernex.in](http://www.kernex.in) and shall also be communicated to the stock exchanges. Subject to receipt of requisite number of votes, the Resolutions shall be deemed to be passed at the AGM of the Company scheduled to be held on 30<sup>th</sup> September 2024.

By order of the Board  
**For Kernex Microsystems (India) Limited**

**Sd/-**  
**M B Narayana Raju**  
Whole-Time Director  
DIN: 07993925

Place: Hyderabad  
Date: 06.09.2024



**EXPLANATORY STATEMENT**

(PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013)

As required by Section 102 of the Companies Act, 2013 (Act), the following explanatory statement sets out all the material facts relating to the business mentioned under Item Nos. 4 to 8 of the accompanying Notice.

**Item No. 4 and 5**

The Board of Directors, on the recommendation of the Audit Committee, and subject to approval of members, appointed M/s. NSVR & Associates LLP, Chartered Accountants, (Firm Registration Number: 008801S/S200060) as statutory auditors of the Company w.e.f. 6th September 2024 to fill the casual vacancy, arising out of resignation of PRSV & Co. LLP, Chartered Accountants, (Firm Registration Number: S200016).

In terms of the provisions of Section 139 of the Companies Act, 2013, read with rules made thereunder, appointment of statutory auditor, in case of casual vacancy caused due to resignation of existing auditor, shall also be approved by the members in a general meeting, convened within three months of appointment/recommendation of the Board, and such auditor shall hold office till the conclusion of the next Annual General Meeting.

M/s. NSVR & Associates LLP, Chartered Accountants is a mid-sized progressive auditing firm providing comprehensive set of cost-effective solutions to their clients. Their offering of services include Audit and assurance, Direct taxes- survey & searches, Indirect Taxation, International taxation, Business Consultancy, Corporate Restructuring, Financial advisory, Valuations, IPO's, Project Finance, etc.

Further, After evaluating and considering various factors, such as industry experience, competence of the audit team, efficiency in conducting audit, independence, etc., the Board of Directors of the Company, based on the recommendation of the Audit Committee, proposed the appointment of M/s. NSVR & Associates LLP, Chartered Accountants, (Firm Registration Number: 008801S/S200060), as the statutory auditors of the Company, for the first consecutive term of five years, from the conclusion of this Annual General Meeting till the conclusion of 37th Annual General Meeting of the Company to be held in 2029, at a remuneration as may be mutually agreed between the Board and the statutory auditors.

Accordingly, the Board of Directors has recommended for approval of the members for the appointment of M/s. NSVR & Associates LLP, Chartered Accountants, (Firm Registration Number: 008801S/S200060), as statutory auditors of the Company.

(i) To fill casual vacancy arising out of resignation of PRSV & Co. LLP, Chartered Accountants, (Firm Registration Number: S200016), of the existing auditor w.e.f. 6th September 2024 and to hold office till the conclusion of this Annual General Meeting.

(ii) For a period of five years, commencing from conclusion of this Annual General Meeting till conclusion of the Annual General Meeting to be held in 2029.

M/s. NSVR & Associates LLP, Chartered Accountants, (Firm Registration Number: 008801S/S200060), have given consent to act as statutory auditors of the Company, and confirmed that their appointment, if made, will be in accordance with the conditions prescribed under Sections 139 and 141 of the Companies Act, 2013. Total fees of Rs. 6,00,000/- (Rupees Six Lakhs only) is proposed to be paid to M/s. NSVR & Associates LLP, for the audit of financial statements of the Company for the financial year ended 31 March 2025, plus applicable taxes and out-of-pocket expenses. Any increase in fee will be mutually agreed between the Board and the statutory auditors, in consultation with the Audit Committee, for the remaining part of the tenure.

The Board recommends the Ordinary Resolution as set out in Item No. 4 & 5 in the Notice for approval of the members.

None of the directors' / key managerial personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution.

**ITEM NO. 06**

The Board of Directors in their meeting held on 6<sup>th</sup> September 2024 has appointed Mr. Adabala Seshagiri Rao (DIN: 09608973) as an Additional Director of the Company in the category of Independent Director on recommendation of the Nomination and Remuneration Committee, who shall hold office till the ensuing Annual General Meeting of the Company. The Board further proposed his appointment as an Independent Director of the Company for a period of two years commencing 06.09.2024 i.e. upto 05.09.2026. The Company has received notice in writing under section 160 of the Act, proposing the candidature of Mr. Adabala Seshagiri Rao for the office of Independent Director of the Company.

Mr. Adabala Seshagiri Rao, aged 63 years, holds a Degree of Bachelor of Science and Degree of Bachelor of Law from Andhra University. He holds a diploma in Industrial Relations & Personnel Management and Diploma in Marketing & Sales Management from the Bharatiya Vidya Bhavan. He is a Certified Associate of Indian Institute of Bankers (CAIIB Retail Banking examination) from the Institute of Banking & Finance.

Mr. Adabala Seshagiri Rao Started his carrier as a Medical Detailing Officer (Medical Representative) before transitioning to banking. In the Banking sector he rose through the ranks from clerk to Deputy General Manager. He was a Zonal Head for Pune overseeing 92 branches with a business mix of ₹12,000 crores, underscores the scale of his influence and the trust placed in his leadership.

With over 35 years of experience across Business Development, General Administration, and Banking and Financial Services, he has developed a comprehensive skill set. His expertise spans critical areas such as branch management, credit operations, risk management, and business growth strategies. His leadership experience in managing large teams and complex financial operations will undoubtedly be an asset to any organization.

His rich experience in banking and financial services will provide valuable insights and strategic direction. His deep understanding of business development will help in formulating growth strategies, while his experience in general administration will ensure efficient and smooth operations. Additionally, his proven leadership in managing high-performing teams will be critical in driving the company's success in a competitive environment.

Mr. Adabala Seshagiri Rao has given a declaration to the Board that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013. In terms of Schedule IV and proviso to sub-section (5) of Section 152, the Board of Directors are of the opinion that Mr. Adabala Seshagiri Rao fulfills the conditions specified in the Act, for his appointment as an Independent Director of the Company.

Details of directorships and other details of Mr. Adabala Seshagiri Rao as required as per Secretarial Standards and Regulation 36 of the Listing Regulations and Secretarial Standards of Institute of Company Secretaries of India are furnished as annexure to this Notice.

As per the provisions of Section 161 of Companies Act, 2013, term of appointment of Additional Director shall be up to the date of ensuing Annual General Meeting of the Company and as per Regulations 16 (1)(b), 17(1)(1C) and 25 of SEBI (Listing Obligation and Disclosure Requirements), Regulations, 2015, The listed entity shall ensure that approval of shareholders for appointment or re-appointment of a person on the Board of Directors or as a manager is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier.

Accordingly, the Board of Directors recommends the resolution set out at Item No. 6 of the Notice for approval of members by way of a Special Resolution.

Except Mr. Adabala Seshagiri Rao and his relatives, none of the other Directors and Key Managerial Personnel of the Company, or their relatives, are concerned or interested financially or otherwise in this resolution.

**ITEM NO. 07**

The Board of Directors in their meeting held on 6<sup>th</sup> September 2024 has appointed Mr. Ayyagari Viswanadha Sarma (DIN: 00499468) as an Additional Director of the Company in the category of Independent Director on recommendation of the Nomination and Remuneration Committee, who shall hold office till the ensuing Annual General Meeting of the Company. The Board further proposed his appointment as an Independent Director of the Company for a period of two years commencing 06.09.2024 i.e. upto 05.09.2026. The Company has received notice in writing under section 160 of the Act, proposing the candidature of Mr. Ayyagari Viswanadha Sarma (DIN: 00499468) for the office of Independent Director of the Company.

Mr. Ayyagari Viswanadha Sarma, aged 66 years, he has done his Bachelor of Commerce from Chennai University, qualified CA, CS and Insolvency Professional. He has done PG Diploma in Forex & Risk Management and, Alternative Dispute Resolution. He is a Certified Treasury Management from ICFAI. He is presently practicing as a Registered Insolvency Professional

Mr. Ayyagari Viswanadha Sarma is a highly accomplished professional with an extensive career spanning over 35 years, primarily in the Oil & Gas industry. His professional journey reflects not only technical expertise in financial management but also a wealth of experience in leadership, corporate governance, and strategic decision-making

He started his career at Hindustan Petroleum Corporation Limited (HPCL), a Fortune 500 company and a Government of India undertaking with Navratna status. He joined HPCL in 1983 as an Accounts Officer and progressed through the ranks, ultimately retiring as Executive Director in 2018.

In addition, he was the CFO and Company Secretary of HPCL Rajasthan Refinery Ltd (a joint venture between HPCL and the Government of Rajasthan). His role required overseeing corporate financial matters, regulatory compliance, and governance at the board level. He worked closely with the Board's Audit Committees and Independent Directors, particularly as the Head of Internal Audit at HPCL, managing a department of 40 officers and reporting directly to the Audit Committee.

He has been involved in finalizing accounts, budgeting, cost control, and working capital management. His role often included raising capital from debt and equity markets and ensuring compliance with financial regulations. He played a key role in formulating business strategies, conducting feasibility studies, and overseeing project appraisals and financial closures. His experience in mergers and acquisitions and joint ventures highlights his capacity for growth-oriented business management. He is an empanelled arbitrator with several prestigious bodies, including the Indian Council of Arbitration (ICA) and the National Stock Exchange (NSE). He has served as an arbitrator in multiple cases, handling disputes between companies and contractors or agencies.

With an extensive background in financial management, business strategy, and corporate governance, he brings a rare combination of operational expertise and strategic insight to the company.

Mr. Ayyagari Viswanadha Sarma has given a declaration to the Board that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013. In terms of Schedule IV and proviso to sub-section (5) of Section 152, the Board of Directors are of the opinion that Mr. Ayyagari Viswanadha Sarma fulfills the conditions specified in the Act, for his appointment as an Independent Director of the Company.

Details of directorships and other details of Mr. Ayyagari Viswanadha Sarma as required as per Secretarial Standards and Regulation 36 of the Listing Regulations and Secretarial Standards of Institute of Company Secretaries of India are furnished as annexure to this Notice.

As per the provisions of Section 161 of Companies Act, 2013, term of appointment of Additional Director shall be up to the date of ensuing Annual General Meeting of the Company and as per Regulations 16 (1)(b), 17(1)(1C)

and 25 of SEBI (Listing Obligation and Disclosure Requirements), Regulations, 2015, The listed entity shall ensure that approval of shareholders for appointment or re-appointment of a person on the Board of Directors or as a manager is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier.

Accordingly, the Board of Directors recommend the resolution set out at Item No. 7 of the Notice for approval of members by way of a Special Resolution.

Except Mr. Ayyagari Viswanadha Sarma Rao and his relatives, none of the other Directors and Key Managerial Personnel of the Company, or their relatives, are concerned or interested financially or otherwise in this resolution.

#### **ITEM NO. 08**

The Nomination and Remuneration Committee and Board of Directors of the Company proposed the appointment of Mr. Pasupuleti Dinakara Rao (DIN: 00009801) as an Independent Director of the Company for a period of two years commencing 30.09.2024 i.e. upto 29.09.2026. The Company has received notice in writing under section 160 of the Act, proposing the candidature of Mr. Pasupuleti Dinakara Rao (DIN: 00009801) for the office of Independent Director of the Company.

Mr. Pasupuleti Dinakara Rao (DIN: 00009801), aged 79 years, he has done his Post Graduate Degree in Applied Economics.

He started his career as a Probationary Officer with the State Bank of Hyderabad. Throughout his career, he specialized in Human Resources Development, Personnel Management, Training, and Corporate Credit. He received training in Behavioral Science from the Indian Society for Individual and Social Development (ISISD) and Transactional Analysis from the International Transactional Analysis Association (ITAA). He retired as Chief General Manager from the State Bank of Hyderabad in 2005.

Post-retirement, Rao served as the Director of the Alpha Foundation and as a Senior Advisor to Maxwealth Trust Associates of ICFAI, Hyderabad. He is also an Arbitrator on the panels of NSE, BSE, and NCDEX. Currently, he serves as the Director of SPYN Financial Services Pvt Ltd.

With over 35 years of experience across Business Development, General Administration, and Banking and Financial Services, he has developed a comprehensive skill set. His expertise spans critical areas such as branch management, credit operations, risk management, and business growth strategies. His leadership experience in managing large teams and complex financial operations will undoubtedly be an asset to any organization.

Mr. Pasupuleti Dinakara Rao (DIN: 00009801) has given a declaration to the Board that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013. In terms of Schedule IV and proviso to sub-section (5) of Section 152, the Board of Directors are of the opinion that Mr. Pasupuleti Dinakara Rao (DIN: 00009801) fulfills the conditions specified in the Act, for his appointment as an Independent Director of the Company. Even though he has attained the age of 75 years, considering his rich experience in the Banking and Financial Services, the Nomination and Remuneration Committee and, Board of Directors had recommended the appointment of Mr. Pasupuleti Dinakara Rao as an Independent Director.

Details of directorships and other details of Mr. Pasupuleti Dinakara Rao (DIN: 00009801) as required as per Secretarial Standards and Regulation 36 of the Listing Regulations and Secretarial Standards of Institute of Company Secretaries of India are furnished as annexure to this Notice.

As per the provisions of Section 161 of Companies Act, 2013, term of appointment of Additional Director shall be up to the date of ensuing Annual General Meeting of the Company and as per Regulations 16 (1)(b),

17(1)(1A)&(1C) and 25 of SEBI (Listing Obligation and Disclosure Requirements), Regulations, 2015, The listed entity shall ensure that approval of shareholders for appointment or re-appointment of a person on the Board of Directors or as a manager is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier.

Accordingly, the Board of Directors recommend the resolution set out at Item No. 8 of the Notice for approval of members by way of a Special Resolution.

Except Mr. Pasupuleti Dinakara Rao and his relatives, none of the other Directors and Key Managerial Personnel of the Company, or their relatives, are concerned or interested financially or otherwise in this resolution.

By order of the Board  
**For Kernex Microsystems (India) Limited**

**Sd/-**  
**M B Narayana Raju**  
Whole-Time Director  
DIN: 07993925

Place: Hyderabad  
Date: 06.09.2024

**DETAILS OF THE DIRECTORS RETIRING BY ROTATION/SEEKING RE-APPOINTMENT IN THE FORTHCOMING ANNUAL GENERAL MEETING:**

[Pursuant of the Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard (SS-2) on General Meeting]

Name of the Director	Mr. Narender Kumar	Dr. Anji Raju Manthena	Mr. Adabala Seshagiri Rao
<b>Director Identification No</b>	03295345	01022368	09608973
<b>Date of Birth</b>	14.11.1980	03.04.1945	28.07.1960
<b>Date of First Appointment on the Board</b>	18.09.2022	20.05.2005	06.09.2024
<b>Relationship between Directors Inter-Se</b>	There is no inter se relationship with the directors	Mr. M Sitarama Raju is son and Ms. Sreelakshmi Manthena is daughter	There is no inter se relationship with the directors
<b>Nature of Expertise in Specific Functional Area</b>	He is having over 15 years of experience in the field of Business development Management, Strategy Planning, Project Procurement, Project Co-ordination, Consulting and Software	Ove 50 years of experience in Business Development	He has over 34 years' experience in General Management, Banking and Financial Services
<b>Directorship in other Listed Entities as on March 31, 2024</b>	Nil	Nil	1. Balaji Amines Limited 2. Nova Agritech Limited 3. Manoj Vaibhav Gems 'N' Jewellers Limited
<b>Membership in Committees of other Listed Companies (includes only Audit Committee and Stakeholders Relationship Committee)</b>	Nil	Nil	4
<b>Shareholding in the Company as on March 31, 2024</b>	4,69,743	24,86,873	Nil
<b>The skills and capabilities required for the role and the manner in which the proposed person meets such requirements</b>	The educational qualifications, expertise and vast experience of Mr. Narender Kumar enables him to fulfil the role and discharge responsibilities as a Director	The educational qualifications, expertise and vast experience of Mr. Anji Raju Manthena enables him to fulfil the role and discharge responsibilities as a Director	The educational qualifications, expertise and vast experience of Mr. Adabala Seshagiri Rao enables him to fulfil the role and discharge responsibilities as Independent Director



<b>Name of the Director</b>	<b>Mr. Ayyagari Viswanadha Sarma</b>	<b>Mr. Pasupuleti Dinakara Rao</b>
<b>Director Identification No</b>	00499468	00009801
<b>Date of Birth</b>	13.07.1958	14.09.1945
<b>Date of First Appointment on the Board</b>	06.09.2024	10.11.2018
<b>Relationship between Directors Inter-Se</b>	There is no inter se relationship with the directors	There is no inter se relationship with the directors
<b>Nature of Expertise in Specific Functional Area</b>	35 years of experience in financial management, business strategy, and corporate governance	35 years of experience across Business Development, General Administration, and Banking and Financial Services
<b>Directorship in other Listed Entities as on March 31, 2024</b>	Nil	Nil
<b>Membership in Committees of other Listed Companies (includes only Audit Committee and Stakeholders Relationship Committee)</b>	Nil	Nil
<b>Shareholding in the Company as on March 31, 2024</b>	Nil	Nil
<b>The skills and capabilities required for the role and the manner in which the proposed person meets such requirements</b>	The educational qualifications, expertise and vast experience of Mr. Ayyagari Viswanadha Sarma enables him to fulfil the role and discharge responsibilities as a Director	The educational qualifications, expertise and vast experience of Mr. Pasupuleti Dinakara Rao enables him to fulfil the role and discharge Responsibilities as a Director

**DIRECTORS REPORT**

To  
The Members,  
Kernex Microsystems (India) Limited.

Your Directors take pleasure in presenting the Thirty-Second Annual Report, along with the audited financial statements of your Company for the year ended 31st March 2024.

**1. Financial Results (Standalone) (Rs. in Lakhs)**

Particulars	2023-24	2022-23
Sales and Other Income	2,131.49	330.99
Profit/Loss before Depreciation, Finance Cost and Tax	(1,591.31)	(1,507.60)
Less:- Finance Cost	223.86	191.85
Less:- Depreciation	234.04	238.62
Add: Extra ordinary items	-	-
Profit/Loss after Depreciation, Interest and before tax	(2,049.21)	(1,938.07)
Exceptional Items	-	-
Tax expense	(8.69)	47.65
Profit / Loss after Tax	(2,040.53)	(1,985.72)
Earnings Per Share (Rs.)		
- Basic	(12.83)	(14.67)
- Diluted	(12.83)	(14.67)

**Financial Results (Consolidated) (Rs. in Lakhs)**

Particulars	2023-24	2022-23
Sales and Other Income	2,090.43	482.18
Profit/Loss before Depreciation, Finance Cost and Tax	(1,945.09)	(1,633.53)
Less:- Finance Cost	237.58	82.14
Less:- Depreciation	497.00	238.71
Add: Extra ordinary items	-	-
Profit/Loss after Depreciation, Interest and before tax	(2,679.67)	(1,954.38)
Exceptional Items	-	-
Tax expense	(8.69)	47.65
Profit / Loss after Tax	(2,670.98)	(2,002.03)
Earnings Per Share (Rs.)		
- Basic	(16.61)	(14.67)
- Diluted	(16.61)	(14.67)

**2. Subsidiary and Joint Venture details with consolidated financial statement**

Your Company has one 100% wholly owned subsidiary, Avant-Garde Infosystems Inc., in the USA, and Two Joint Ventures (KERNEX TCAS – JV& VRRC-KERNEX-CE-RVR-JV). There were no associate companies as of 31st March 2024. There has been no change in the business activities of the subsidiary and the Joint Ventures during the year under review.

In accordance with Section 129(3) of the Companies Act, 2013, the Company has prepared consolidated financial statements, including the financials of the Company, the subsidiary, and the Joint Venture, in the same form and manner as its own, in compliance with the Accounting Standards and the listing regulations of the stock exchanges. These consolidated financial statements are forming part of the Annual Report and will be laid before the Annual General Meeting.

A report containing detailed information about the subsidiary is annexed to this report as **Annexure–A**.

**Companies which have become or ceased to be subsidiaries, associates and joint ventures**

During the period under review, no company has become or ceased to be a subsidiary, associate, or joint venture of the Company.

**3. Amount, if any, which the Board proposes to carry to any reserves**

The Directors of the Company have not proposed to transfer any amount to reserves for the year under review.

**4. Dividends**

Due to the absence of distributable profits, the Directors of the Company have not declared any dividend for the financial year.

**5. State of Company's Affairs**

Your Company recorded a turnover of Rs.2,131.49 Lakhs for the financial year 2023-24. The Company has reported a loss before tax of Rs.2,049.21 Lakhs, compared to a loss of Rs.1,938.07 Lakhs in the previous financial year.

**Domestic**

**South Central Railways**

- The South Central Railway (SCR) project is now in its final stages, representing a significant milestone in its overall completion. Kernex Microsystems, the company tasked with executing this project, has been working diligently to ensure that every aspect meets the stringent standards set by the railway authorities. This progress highlights Kernex Microsystems' commitment to delivering high-quality results, reinforcing its reputation in the railway infrastructure sector. The project's nearing completion underscores the collaborative efforts and technical expertise involved, promising to enhance the region's railway network upon its conclusion.
- The Independent Safety Assessment (ISA) is currently in its final stage, with the report anticipated to be released shortly. This assessment is a crucial step in ensuring that all safety standards and regulations are thoroughly met before the project's completion. The forthcoming report will provide important insights and validations, helping to confirm the project's readiness and compliance with the required safety protocols.

**NCRA,B & ICF Projets :**

Kernex Microsystems and KEC International have formed a consortium and successfully secured two significant contracts with a combined value of approximately Rs.536 crores. These orders pertain to the North Central Railway section, covering a total distance of 1,500 kilometers. This collaboration marks a substantial achievement for both companies, highlighting their capabilities in the railway infrastructure sector.

**Project 1 – NCRA (Section between ChipyanaBuzurg (Excl) – Kanpur (Excl) in the North Central Railway)**

- The first milestone of the project was completed successfully. The Drone & RSSI Survey data, manual survey data, Station layouts were submitted. The construction of towers & buildings related to Milestone 2 was complete. The laying of RFID tags, Station commissioning & loco installations & commissioning for Milestone 2 is in progress
- The procurement of materials for three Milestones was complete and the orders were placed for the final milestone
- Agreements with Electronic Interface OEM's was finalized and successfully executed for the Milestone 1. Work in progress for other milestones
- The phase wise ISA activity was initiated

**Project 2 – NCRA (Section between Kanpur (Incl) – DDU (Excl) in the North Central Railway)**

- The first milestone of the project was completed successfully. The Drone & RSSI Survey data, manual survey data, Station layouts were submitted. The construction of towers & buildings related to Milestone 2 was complete. The laying of RFID tags, Station commissioning & loco installations & commissioning for Milestone 2 is in progress
- The procurement of material for three Milestones was complete and the orders were placed for the final milestone
- Agreements with Electronic Interface OEM's was finalized and successfully executed for the Milestone 1. Work in progress for other milestones
- The phase wise ISA activity was initiated

**Project 3 –ICF(Integral Coach Factory, Chennai)**

- The project plan & material planning for the delivery of 39 no's were prepared and submitted
- The drawings were approved by the ICF
- Material procurement is complete and all the units (39 no's) were delivered
- Procurement of material for the enhanced qty of 12 no's is in progress

**International**

**EGYPTIAN NATIONAL RAILWAYS (ENR), CAIRO**

**Project Status Update: Installation and Handover of Gates**

**Project Overview:**

- Total Gates Supplied: 136
- Total Gates Installed and Commissioned: 124
- Final Handover Status: In Progress

**Material Supply and Adjustments:**

- 100% Material Supply Completed.
- The project was mutually agreed to be shortened from 136 Lx gates to 124 Lx gates.
- 2 Lx gates were repaired and rebuilt.
- Remaining material related to the 10 Lx gates that were not installed is currently being handed over to ENR. So far, 102 wheel sensors have been handed over.

**Warranty Maintenance:**

- Warranty maintenance for three groups (totaling 102 Lx gates) has been completed.
- Warranty maintenance for the fourth group (22 Lx gates) has also been completed.

**Final Handover (FHO):**

- FHO of Lx sites is ongoing.
- FHO has been completed for 47 out of 85 Lx sites that are currently operational.
- ENR has dismantled and removed 39 Lx sites out of the 124 Lx gates that were commissioned.

**Remaining Deliverables:**

- 100 Booms are to be delivered to ENR for use as spares.

**SRI LANKA RAILWAYS**

Kernex Microsystems faced significant challenges in executing its order from Sri Lanka Railways during the 2021-22 periods. The order involved the supply, installation, testing, commissioning, and maintenance of 200 Bell and Light Level Crossing Protection Systems, a critical project aimed at enhancing railway safety in Sri Lanka. However, due to a combination of unforeseen circumstances, the execution of this order was delayed.

Kernex Microsystems has been closely monitoring and evaluating the ongoing conditions surrounding its involvement in a specific project. Over time, the company identified a significant "country risk," which typically encompasses economic, political, and social risks associated with operating in that particular country. These risks have the potential to undermine the stability, profitability, and long-term viability of the project, prompting Kernex to reconsider its continued involvement.

Kernex determined that the potential benefits of continuing the project were outweighed by the potential for adverse outcomes, leading to the decision to withdraw.

Rather than abruptly withdrawing from the project, which could have led to financial losses, reputational damage, or legal disputes, Kernex opted for a more strategic approach. The company sought to disengage through a "conciliated dialogue with SLR". This method involved engaging in discussions with SLR to reach a mutual agreement on the terms of the exit.

The decision to pursue a conciliated dialogue was rooted in Kernex's desire to maintain a professional and cooperative relationship with SLR. By approaching SLR for a mutual agreement, Kernex's strategic approach to exiting the project was successful, as SLR accepted the terms of the mutual agreement. Importantly, the exit was achieved without any financial implications for Kernex. Kernex Microsystems' strategic decision to exit the project due to significant country risks was a prudent move that prioritized the company's long-term stability and financial health. By engaging in a conciliated dialogue with SLR and reaching a mutual agreement, Kernex successfully navigated the complexities of the situation without incurring financial losses. This approach not only safeguarded Kernex's interests but also preserved its relationship with SLR, potentially opening doors for future opportunities.

**6. Change in Nature of business**

Your Company primarily operates in the business of manufacturing safety systems for railways. During the period under review, there has been no change in the business activities of the Company.

**7. Material changes and commitments, if any, affecting the financial position of the company, having occurred since the end of the Year and till the date of the Report**

There have been no material changes or commitments affecting the financial position of your Company that occurred between the end of the financial year to which the financial statements relate and the date of this Report.

**8. Details of revision of financial statement or the Report**

During the period under review, there was no revision of the financial statement or the Report.

**9. Share Capital**

As Members are aware, the Company obtained approval to issue 13,00,000 convertible warrants on a preferential basis to non-promoters at a price of Rs.403/- per warrant. These warrants were convertible into an equivalent number of equity shares of Rs.10/- each. Accordingly, the Company issued and allotted 13,00,000 warrants on 20th October 2023, which were subsequently converted into equity shares. As a result of this conversion, the issued, subscribed, and paid-up capital of the Company increased from Rs. 15,45,94,220/- to Rs. 16,75,94,220/-.

**Issue of equity shares with differential rights,**

During the period under review, the Company did not issue any equity shares with differential rights.

**Issue of Sweat Equity Shares**

During the period under review, the Company did not issue any sweat equity shares.

**Details of Employee Stock Options**

During the period under review, the Company did not issue any stock options to its employees. However, the Board of Directors has approved a scheme related to the Employee Stock Options Scheme (ESOS). After closure of the financial year 2023-24, the Company obtained approval from the shareholders. The company is yet to make application with the stock exchanges.

**10. Transfer of unclaimed dividend**

There is no unclaimed dividend requiring transfer to the Investor Education and Protection Fund (IEPF).

**11. Directors and Key Managerial Personnel**

During the year under review, Members are aware that Mr. Sunny Sharma resigned as the Chief Financial Officer of the Company on 20th October 2023. Subsequently, Mr. Srikanth P was appointed as the Chief Financial Officer of the Company on 25th October 2023.

During the year under review, the Company made key appointments to its senior management team:

1. Chief Technology Officer (CTO): Mr. B. Vishnu Varma was appointed as the Chief Technology Officer (CTO) of the Company, effective from 15th May 2023. In his role as CTO, Mr. Vishnu Varma is responsible for overseeing the Company's technological development, innovation, and strategic IT initiatives.
2. Chief Operating Officer (COO): Mr. E.B. Rao was appointed as the Chief Operating Officer (COO) of the Company, effective from 5th September 2023. As COO, Mr. Rao will be in charge of managing the day-to-day operations of the Company, ensuring operational efficiency, and implementing the strategic business objectives set by the Board.

These appointments are part of the Company's efforts to strengthen its leadership team and drive its strategic goals forward.

Further, at its meeting held on 13th August 2023, and as recommended by the Nomination and Remuneration Committee, the Board re-appointed Mr. M.B. Narayana Raju and Mr. M. Sitarama Raju as Whole-Time Directors for a further period of three years, effective from 2nd September 2023. This reappointment was subsequently approved by the shareholders at the Thirty-First Annual General Meeting held on 30th September 2023.

Further, in accordance with the provisions of Section 152 of the Companies Act, 2013, Mr. Narender Kumar and Dr. Anji Raju Manthana, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

Furthermore, Mr. Adabala Seshagiri Rao and Mr. Ayyagari Viswanadha Sarma appointed as an Additional Directors under Independent category of the company on 6th September 2024. The



necessary resolutions for appointing them as Directors are set out in the notice convening 32nd Annual General Meeting.

Further also, the nomination and remuneration committee and board of Directors had recommended to the members for the appointment of Mr. Pasupuleti Dinakara Rao as an Independent Director.

The brief profiles of the Directors who are to be appointed or re-appointed and necessary resolutions have been included in the notice convening the Annual General Meeting (AGM)..

## **12. Declaration by Independent Directors**

All the Independent Directors have submitted their disclosures to the Board confirming that they fulfill the requirements stipulated in Section 149(6) of the Companies Act, 2013, to qualify as Independent Directors under the provisions of the Companies Act, 2013, and the rules framed there under. In accordance with Section 150 of the Act, read with Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014, as amended, the Independent Directors of the Company have enrolled their names in the data bank of Independent Directors maintained by the Indian Institute of Corporate Affairs. Additionally, these Directors have successfully completed the test conducted by the Indian Institute of Corporate Affairs.

## **13. Meetings**

During the year, nine meetings of the Board of Directors were held, as detailed in the attached Report on Corporate Governance. The intervening gap between any two meetings was within the prescribed period as stipulated by the applicable regulations.

The number and dates of meetings held by the Board and its Committees, the attendance of Directors, and details of remuneration paid to them are provided separately in the Corporate Governance Report, in accordance with Section 134(3)(b) of the Companies Act, 2013.

None of the Directors are disqualified under Section 164(2) of the Companies Act, 2013. A certificate confirming non-disqualification of Directors, as required under Regulation 34 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, is annexed to this Annual Report.

## **14. Committees of the Board**

The Board of Directors has the following Committees:

- a. Audit Committee
- b. Nomination and Remuneration Committee
- c. Stakeholders' Relationship Committee
- d. Risk Management Committee
- e. Corporate Social Responsibility Committee

Details of these Committees, including their composition, number of meetings held, and attendance at the meetings, are provided in the Corporate Governance section of this Report.

## **15. Nomination and Remuneration Policy of Directors, Key Managerial Personnel and other Employees**

In accordance with Section 178(1) of the Companies Act, 2013, the Board, on the recommendation of the Nomination and Remuneration Committee, has approved the criteria and policy for the selection and appointment of Directors, Key Managerial Personnel (KMPs), and their remuneration. The Remuneration Policy is detailed in the Report on Corporate Governance.

## **16. Board Evaluation**

Pursuant to the provisions of the Companies Act, 2013 and the Listing Regulations, the Board has conducted an annual performance evaluation of its own members, including the Chairman of the Board, individual Directors, as well as the Audit Committee, Nomination and Remuneration Committee, and other Committees. The evaluation was based on various factors such as attendance, contribution, independence of judgment, and preparedness for meetings.

**17. Particulars Relating to Remuneration of Directors/Key Managerial Personnel and Employees.**

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are provided separately and annexed as **Annexure–B** to this Report.

In accordance with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company does not have any employees who were employed throughout the financial year and received remuneration of Rs.1.02 Crores or more, nor does it have employees employed for part of the year who received Rs.8.50 Lakhs or more per month.

Furthermore, the Company does not have any employee who, during the financial year under review, received remuneration which, in aggregate or at a rate in excess of that drawn by the Managing Director or Whole-Time Director, and holds, either individually or along with his spouse and dependent children, not less than 2% of the equity shares of the Company.

**Remuneration received by Managing/Whole time Director from holding or subsidiary company**

The Whole-Time Directors have not received any remuneration from the subsidiary company. Details regarding this are provided in the Report on Corporate Governance.

**18. Directors' Responsibility Statement**

The Directors, to the best of their knowledge and belief, hereby state and confirm that:

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed, with proper explanations provided for material departures.
- b) The Directors have selected appropriate accounting policies and applied them consistently. They have made reasonable and prudent judgments and estimates to provide a true and fair view of the Company's financial position at the end of the financial year and the loss incurred during that period.
- c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act, to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.
- d) The annual accounts have been prepared on a going concern basis.
- e) Internal financial controls have been established and are adequate, and such controls are operating effectively.
- f) Proper systems have been devised to ensure compliance with all applicable laws, and these systems are adequate and operating effectively.

**19. Internal Financial Controls**

The Company has established policies and procedures to ensure the orderly and efficient conduct of its business. These measures include adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records, and timely preparation of reliable financial information. The adequacy of internal controls is reviewed by an independent Audit Committee of the Board.

**20. Auditors**

**Statutory Auditors**

In terms of Section 139, 141 and 142 of the Companies Act, 2013 ("the Act"), and the Companies (Audit and Auditors) Rules, 2014 made thereunder, members of the Company have re-appointed M/s. P R S V & Co LLP, Chartered Accountants (FRN: S200016) as Statutory Auditors of the Company to hold office for a period of 5 years from conclusion of the 30th Annual General Meeting of the Company.

M/s. P R S V & Co LLP, Chartered Accountants, Hyderabad, have confirmed that they are eligible to conduct and within the prescribed limits under Section 141 of the Companies Act, 2013.

The financial statements have been audited by M/s. P R S V & Co LLP, Chartered Accountants, the Statutory Auditors of the Company. The following qualifications/comments have been made by the Auditors:-

**Comments/Qualifications reported by the Auditor.**

- (a) The Company has a 100% subsidiary namely Avant Garde International Inc in USA which is presently supporting the business of the company by identifying the sources, negotiating for and procuring electronic components from outside India. The subsidiary in the past, was involved in the trading of goods.

As per the latest unaudited financials of the subsidiary available as on 31-03-2024, the net worth of the subsidiary has eroded substantially to an extent of USD 1.917 million against an investment of USD 1.821 million, the equivalent Indian Rupees being 1450.81 lakhs per prevailing exchange rate. As a result the carrying amount of the investment by the Company in the equity of subsidiary at Rs. 1275.97 lakhs (at Cost) (Note 4) stands impaired fully. Ind AS 36, requires the company to provide for impairment in the value of investments which are accounted at Cost by providing for the amount of impairment in the Profit & Loss Account.

- (b) The Company besides making an investment of Rs. 8 lakhs in TCAS JV – a joint venture partnership formed to execute a railway safety project, in which the Company has 80% share in the profits and losses; has further exposure by way of long term advances of Rs. 489.70 lakhs and a trade receivable of Rs. 97.54 lakhs (ECL provided of Rs. 8.53 lakhs). The TCAS JV has accumulated losses Rs. 216.23 lakhs as on 31-03-2024 and the share of Company in these losses works to Rs. 172.99 lakhs. In our view, the company is required to make a provision for impairment loss towards its investment, loan and trade receivables to the tune of Rs. 164.46 lakhs to account for the share of accumulated losses in the Joint venture in its stand-alone financial statements.

Since the Company has not impaired the, the advance granted to joint venture and trade receivable to an extent of Rs 164.46 lakhs in its books, the Loss for the year and other Comprehensive Income are understated by the said amount. The Other Equity in the balance sheet is overstated by Rs. 164.46 lakhs. Our conclusion on the statement is qualified in respect of the above matters.

**Reply to the Comments made in the Statutory Auditors' Report**

- a) The management of the Company believes that the 100% subsidiary, Avant-Garde Infosystems Inc. (AGI), being a cost center, contributes to procurement efficiency and, therefore, its impairment cannot be assessed independently of the parent company. According to IND AS-36, impairment can be evaluated by comparing the carrying amount of the net assets with the market capitalization of the company. In this context, the Company's market capitalization is significantly higher than the carrying amount of its net assets, indicating that no impairment is required.
- b) Regarding the losses incurred in the TCAS Joint Venture, the management is confident that these losses are temporary. The ongoing projects within the Joint Venture are expected to eventually result in a net profit.

**Secretarial Audit**

In accordance with Section 204 of the Companies Act, 2013, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr. D. S. Rao, Practicing Company Secretary, to conduct the Secretarial Audit for the financial year 2023-24. The Secretarial Audit Report is annexed as **Annexure-C** to this report.

**Reply to the Comments made in the Secretarial Auditors' Report**

1. In accordance with SEBI Circular No. Cir/ISD/3/2011, the entire shareholding of Promoters/Persons Acting in Concert (PACs) has not been dematerialized. Consequently, the

*stock exchanges have placed the trading of the Company's shares under the trade-to-trade category.*

The Company is actively pursuing compliance with SEBI Circular No. Cir/ISD/3/2011 by working towards the dematerialization of the entire shareholding of Promoters/Persons Acting in Concert (PACs). However, despite ongoing efforts, the Company has been unable to fulfill this condition due to a lack of response from the promoters regarding the dematerialization process.

As a result, the stock exchanges have continued to place the trading of the Company's shares under the trade-to-trade category until the required dematerialization is completed.

The Company is also working towards re-classifying certain promoters to the public category. This initiative is based on representations received from these promoters, who have requested to be reclassified. The Company is in the process of evaluating these requests and will undertake the necessary steps to effect this reclassification in accordance with regulatory guidelines and requirements.

2. As per U.S. regulations, an audit is not mandatory for Avant-Garde Infosystems Inc. Consequently, an Auditor's Report was not initially prepared for the subsidiary's financial statements. However, we acknowledge that, under FEMA guidelines, the Auditor's Report must be submitted along with the Annual Performance Report (APR). To ensure compliance with FEMA provisions, we have initiated the process of obtaining the required Auditor's Report from the auditors of Avant-Garde Infosystems Inc. We are closely coordinating with the auditors to facilitate a timely submission of the report.
3. The delay in the submission of financials occurred due to pending account reconciliations with vendors.

#### **INTERNAL AUDITORS:**

On the recommendation of the Audit Committee, the Board of Directors appointed M/s. Thirupathi and Associates, Chartered Accountants, Hyderabad, as the Internal Auditors of the Company. The Internal Auditors submit their reports on a quarterly basis.

#### **21. Deposits**

During the year under review, your Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013, read with the Companies (Acceptance of Deposits) Rules, 2014. As such, no amount on account of principal or interest on deposits from the public was outstanding as of the Balance Sheet date.

Additionally, the Company has availed an amount of Rs.428.50 Lakhs from, Whole-Time Directors as un-secured loans, and Rs.725.00 lakhs as Inter Corporate Deposits, during the period 2023-24. These amounts were exempted from the definition of deposits. The outstanding balances exempt from the definition of deposits, including Inter-Corporate Deposits (ICDs) and Secured and Unsecured loans, as on 31st March 2024, amount to Rs.2,424.30 Lakhs

#### **22. Particulars of Loans, Guarantees and Investments.**

The details of Loans, Guarantees, and Investments covered under the provisions of Section 186 of the Companies Act, 2013, are provided in the notes forming part of the financial statements.

#### **23. Related Party Transactions**

During the financial year 2023-24, all related party transactions conducted by the Company were on an arm's length basis and in the ordinary course of business. Accordingly, the provisions of Section 188 of the Companies Act, 2013 are not applicable. There were no materially significant related party transactions involving Promoters, Directors, Key Managerial Personnel, or other designated persons during the year. Details of related party transactions under Section 188 of the Companies Act, 2013 are provided in Form AOC-2, annexed as **Annexure-D** to this report.

**24. Corporate Social Responsibility (CSR)**

During the financial year 2023-24, the provisions of Section 135 of the Companies Act, 2013 were not applicable to the Company. However, the Company has established a Corporate Social Responsibility (CSR) Policy and constituted a CSR Committee in accordance with Section 135 of the Companies Act, 2013. The details of the CSR Policy and Committee are available on the Company's website at [www.kernex.in](http://www.kernex.in).

**25. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo:**

As required under Section 134(3)(m) of the Companies Act, 2013 and Rule 8(3) of the Companies (Accounts) Rules, 2014, the information related to conservation of energy, technology absorption, and foreign exchange earnings and outgo is provided and annexed as **Annexure–E** to this report.

**26. Risk Management**

Your Company has established a comprehensive risk management framework to identify, assess, monitor, and mitigate various risks to its key business objectives. The major risks identified by the business and functional units are systematically addressed through ongoing mitigating actions. These risk management activities are discussed regularly at the meetings of the Audit Committee and the Board.

The Company has implemented robust internal control systems and processes to optimize risk mitigation measures. These systems are reviewed by the Audit Committee and approved by the Board. The executive management receives periodic guidance from the Board to enhance risk mitigation strategies and take timely action as needed.

**27. Vigil Mechanism**

In compliance with Section 177(9) of the Companies Act, 2013, your Company has established a Whistle Blower Policy/Vigil Mechanism to facilitate the reporting of illegal or unethical behavior. Employees are encouraged to report violations of applicable laws, regulations, and the Company's Code of Conduct. The Audit Committee oversees and reviews reports received through this mechanism. Employees have the option to report directly to the Chairman of the Audit Committee. Throughout the year under review, no employee was denied access to the Audit Committee. The Directors and senior management are committed to maintaining the confidentiality of the reporting process and ensuring that whistleblowers are protected from any form of discrimination.

**28. Regulatory / Court Orders**

No significant or material orders were passed by regulators, courts, or tribunals that would impact the going concern status of the Company or its future operations. However, it is noted that the stock exchanges imposed penalties for the non-submission of financial results for the quarters ended 31st December 2023 and 31st March 2024.

**29. Compliance with Secretarial Standards**

The Company is adhering to the applicable Secretarial Standards as prescribed under the Companies Act, 2013.

**30. Corporate Insolvency Resolution process initiated under the Insolvency and Bankruptcy Code, 2016 (IBC)**

During the period under review, no Corporate Insolvency Resolution Process (CIRP) under the Insolvency and Bankruptcy Code, 2016 (IBC) was initiated against the Company.

**31. Failure to implement any Corporate Action**

There were no instances of Corporate Insolvency Resolution Process (CIRP) initiated against the Company during the period under review.

**32. Annual Return**

The Annual Return of the Company as of 31<sup>st</sup> March 2024 is available on the Company's website and can be accessed at [www.kernex.in](http://www.kernex.in).

**33. Disclosure under the sexual harassment of women at workplace (prevention, prohibition and redressal) Act, 2013**

Your Company has implemented a Policy for the Prevention of Sexual Harassment of Women at the Workplace, in accordance with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. An Internal Complaints Committee (ICC) has been established to address and resolve any complaints related to sexual harassment. During the period under review, the Company has not received any complaints in this regard.

**34. Familiarization Programs for Independent Directors**

The Company undertakes a comprehensive familiarization program for all Independent Directors, ensuring they are well-acquainted with their roles, rights, and responsibilities within the Company. This program includes detailed briefings on various aspects such as the nature of the industry, risk management, board evaluation processes, financial controls, management, board effectiveness, and strategic direction.

Directors are thoroughly informed about the regulatory compliances required under the Companies Act, SEBI (LODR) Regulations, 2015, and other relevant regulations, with their affirmation obtained for the same. To provide a deeper understanding of the Company's operations, Directors are given insights into the functioning of various divisions and departments, the Company's market share, the markets it operates in, as well as governance and internal control processes.

The Whole-Time Directors engage in personal discussions with Independent Directors from time to time, further enhancing their understanding of the Company's business and the regulatory framework in which it operates. These initiatives are designed to equip Independent Directors with the knowledge and context needed to effectively fulfill their roles, contributing to informed decision-making and robust governance within the Company.

**35. Other General Disclosures**

**a. Consolidated Financial Statements**

The Company is presenting Consolidated Financial Statements in addition to the Standalone Financial Statements for the financial year ended 31<sup>st</sup> March 2024. This inclusion aligns with the applicable accounting standards and regulatory requirements, providing a comprehensive view of the financial performance of the Company, its subsidiary, and its joint venture. The consolidated statements offer shareholders a broader perspective on the overall financial health and operational results of the entire group.

**b. Timely Holding of the Annual General Meeting**

The Company has adhered to the statutory requirements by holding its Annual General Meeting (AGM) for the financial year 2023-24 within the prescribed time frame. There was no delay in convening the AGM, demonstrating the Company's commitment to compliance with regulatory obligations and its efforts to maintain transparency and timely communication with its shareholders.

**• Cost Records Maintenance**

As per the provisions of the Companies Act, 2013, the Company is not required to maintain cost records for the financial year 2023-24.

**36. Statement of deviation or variation**

During the year, the Company successfully raised funds from the public through private placement and preferential issue basis. The funds were raised in accordance with the provisions of the Companies Act,



2013 and SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

All proceeds from these issuances were utilized strictly for the purposes outlined in the Notice and Private Placement Offer Letter that was circulated to the Allottees prior to the issuance. The Company has ensured that the funds were deployed in line with the objectives stated, maintaining full compliance with regulatory requirements and commitment to transparency with its stakeholders. The utilization of funds has been closely monitored and reviewed by the Board of Directors to ensure adherence to the planned objectives.

**37. Management Discussion & Analysis (MDA)**

The Management's Discussion and Analysis Report for the year under review, as stipulated under Regulation 34(2)(e) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is presented in a separate section forming part of this Annual Report. This report provides a detailed analysis of the Company's performance, industry trends, opportunities, risks, and outlook for the future. The Management's Discussion and Analysis Report is annexed as **Annexure-F** to this report for the shareholders' reference.

**38. Corporate Governance Report**

Your Company is committed to adhering to corporate governance requirements and maintaining the highest standards of integrity and transparency. In line with this commitment, the report on Corporate Governance, as stipulated under Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is provided separately in this Annual Report. The detailed Corporate Governance Report outlines the Company's governance structure, board composition, committee functions, and other governance practices, and is annexed as **Annexure-G** to this report.

Additionally, the requisite certificate from the Practicing Company Secretary, confirming compliance with the conditions of corporate governance as prescribed under the SEBI (LODR) Regulations, is attached to this report. This certificate serves as an affirmation of the Company's adherence to the prescribed governance norms

**39. Suspension of Trading**

The shares of the Company are listed and actively traded on both BSE Limited ("BSE") and the National Stock Exchange of India ("NSE"). During the period under review, there has been no suspension of trading of the Company's securities on either of these stock exchanges.

**40. Acknowledgements:**

Your Directors would like to express their sincere appreciation for the valuable guidance, assistance, and cooperation received from the Indian Railways, South Central Railways, NCR (A) and NCR (B), RDSO, Egyptian Railways, Sri Lanka Railways, State Bank of India, HDFC Bank, Government authorities, and our esteemed members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the commendable and dedicated contribution of all employees, whose hard work and commitment have been integral to the Company's success.

**By order of the Board  
For Kernex Microsystems (India) Limited**

**Sd/-  
M Badari Narayana Raju  
Whole-Time Director  
DIN: 07993925**

**Sd/-  
Sitarama Raju Manthena  
Whole-Time Director  
DIN: 08576273**

**Place: Hyderabad  
Date: 06 September 2024**

**Place: Hyderabad  
Date: 06 September 2024**



**ANNEXURE-A**

**FORM AOC-1**

**(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)**

Statement containing salient features of the financial statement of subsidiaries / associate companies / joint ventures as per the Companies Act, 2013.

**PART "A" – Subsidiaries**

(Amount in US\$ '000s)

1.	Name of the Subsidiary	Avant-Garde Infosystems Inc.
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period.	No
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	USD and Rs. 83.389
4.	Share Capital	1,821.52
5.	Reserves & Surplus	(1,917.16)
6.	Total Assets	470.37
7.	Total Liabilities	470.37
8.	Investments	Nil
9.	Turnover	613.32
10.	Profit before taxation	(594.17)
11.	Provision for Taxation	Nil
12.	Profit after taxation	(594.17)
13.	Proposed Dividend	Nil
14.	Percentage of shareholding	100%

**PART “B”: Associates and Joint Ventures please enter the details  
Statement pursuant to Section 129(3) of  
the Companies Act, 2013 related to Associate Companies and joint Ventures**

<b>Name of Associates / Joint Venture</b>	<b>KERNEX TCAS JV</b>	<b>VRRC-KERNEX-CE-RVR JV</b>
1. Latest audited Balance Sheet Date	<b>31.03.2024</b>	<b>31.03.2024 (un-audited)</b>
2. Shares of Associates / Joint Ventures held by the company at the year end	<b>Not Applicable</b>	<b>Not Applicable</b>
3. Amount of Investment in Association / Joint Venture Extend of Holding %	<b>Rs. 8 Lakhs (80%)</b>	<b>35%</b>
4. Description of how there is significant influence	<b>Profit sharing ratio and control</b>	<b>Profit Sharing ratio</b>
5. Reason why the associate/Joint venture is not consolidated	<b>Consolidated</b>	<b>Consolidated</b>
6. Net worth attribute to Shareholding as per latest audited Balance Sheet	<b>Not Applicable</b>	<b>Not Applicable</b>
7. Profit / Loss for the year		
i. Considered in Consolidation	<b>Rs.(1,16,40,800)</b>	<b>Rs. Nil</b>
ii. Not Considered in Consolidation		

**By order of the Board  
For Kernex Microsystems (India) Limited**

**Sd/-  
M Badari Narayana Raju  
Whole-Time Director  
DIN: 07993925**

**Sd/-  
Sitarama Raju Manthena  
Whole-Time Director  
DIN: 08576273**

**Place: Hyderabad  
Date: 06 September 2024**

**Place: Hyderabad  
Date: 06 September 2024**

**Annexure-B**

**DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014.**

- i) The percentage increase in remuneration of each Director, CEO & Chief Financial Officer during the financial year 2023-24 and ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2023-24 are as under: -

<b>Name of Director / KMP and Designation</b>	<b>Remuneration of Director / KMP for financial year 2023-24 (Rs. in lakhs)</b>	<b>% increase in remuneration in the financial year 2023-24</b>	<b>Ratio of remuneration of each Director /to median remuneration of employees</b>
M Badari Narayana Raju, Whole Time Director	32.46	29.16	11.96
M Sitarama Raju, Whole Time Director	32.46	29.16	11.96
Sunny Sharma, CFO (resigned on 20/10/2023)	18.35	-	-
P Srikanth, CFO (appointed w.e.f. 20/10/2023)	18.52	-	-
K Prasada Rao, CS	10.50	25.35	-

Note: No other Director other than the Whole Time Directors received any remuneration other than sitting fees during the financial year 2023-24. Ms. Sreelakshmi Manthena is receiving remuneration of Rs. 4.00 lakh per month from the subsidiary.

- ii) In the financial year, there was a decrease of 4.07% in the median remuneration of employees.
- iii) There were 228 permanent employees on the rolls of Company as on March 31, 2024.
- iv) The remuneration of the Key Managerial Personnel put together is Rs. 112.28 lakhs which was Rs. 114.07 lakhs in the previous year.
- v) There was average 13.10 percentile increase either in the salaries of employees and managerial personnel in the financial year 2023-24. The increments are in comparison with the industries.
- vi) No variable component of remuneration availed by the directors / KMPs.
- vii) COOs are the highest paid employee and COO received remuneration higher than the Whole Time Directors.
- viii) It is hereby affirmed that the remuneration paid during the Financial Year ended 31st March 2024 is as per the Remuneration Policy of the Company.

**Details pertaining to Employees as required under Section 197(12) of the Companies Act, 2013 Statement of Particulars of Employees Pursuant to provisions of Section 197(12) of the Companies Act 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

Name	Age	Qualification And Experience of employee in Kernex	Designation	Date of commencement of employment	Nature of Employment	Remuneration in (Rs. In Lacs) Per Annum	Previous Employment	Relative of Director If any	% of Share Holding
Ennam Bhoogeswara Rao	58	B.E (ECE) / 1 Year	COO	06.09.23	Permanent	34.33	TYPSA	-	-
G Malla Reddy	48	B.Tech (CSE) / 16 Years	Deputy General Manager	18.02.08	Permanent	34.63	Silver Software, Bangalore	-	-
P Srikanth	46	CA / 1 Year	CFO	09.09.23	Permanent	18.51	Tierra Agrotech Ltd	-	-
Sunny Sharma (Resigned on 20-10-2023)	34	CA / 1 Year	CFO	05.12.23	Permanent	18.35	Gupta NS & Associates	-	-
B Vishnu Vardhana Varma	46	M.Sc Electronics/ 1 Year	CTO	15.05.23	Permanent	28.3	FCA Engineering India Pvt. Ltd.	-	-
B Sampath Kumar	52	Mtech/ PGCHRM, XLR/ 11 Years	AVP Projects	22.11.13	Permanent	24.48	Malcon Global Limited	-	-
Y. Tarun	33	B.Tech, PG Diploma / 11 years	Asst Manager Software Development	24.10.13	Permanent	19.93	Nil	-	-
H Ramesh Rao	52	DECE / 23 years	Sr. Manager Production Engineering	10.05.00	Permanent	16.85	MIC Electronics, Hyd	-	-
K Jaihind Kumar	53	B.SC (Ele)/ 23 years	Sr. Manager Production	10.05.00	Permanent	16.85	Nucleonix Systems P Ltd	-	-
D Pavan Kumar	39	B.Tech (Mech), LL.B, P in Tool Design / 1.6 Years	Manager - Purchase	19.01.23	Permanent	15.39	Atmakur Consulting Pvt.Ltd	-	-

**By order of the Board  
For Kernex Microsystems (India) Limited**

**Sd/-  
M Badari Narayana Raju  
Whole-Time Director  
DIN: 07993925**

**Sd/-  
Sitarama Raju Manthena  
Whole-Time Director  
DIN: 08576273**

**Place: Hyderabad  
Date: 06 September 2024**

**Place: Hyderabad  
Date: 06 September 2024**

**Form No. MR-3**  
**SECRETARIAL AUDIT REPORT**

*[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9  
of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

To  
**The Members**  
**Kernex Microsystems (India) Limited**  
**Hyderabad**

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Kernex Microsystems (India) Limited**, (hereinafter referred to as ("the Company"). The Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conduct/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that, in our opinion, the Company has, during the audit period covering the financial year ended **March 31, 2024**, complied with the statutory provisions listed hereunder and also that the Company has proper board-processes and compliance-mechanisms in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms, and returns filed and other records maintained by the Company according to the provisions of:

- (i) The Companies Act, 2013 (the Act) (applicable Sections as on date) and the rules made thereunder.
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder.
- (iii) The Depositories Act, 1996 and the regulations and bye-laws framed by the Securities and Exchange Board of India ('SEBI') thereunder;
- (iv) The following Regulations are prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
  - (d) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018;
  - (e) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with clients.
- (v) Provisions of the following Regulations prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') were not applicable to the Company during the financial year under review:-
  - (a) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;
  - (b) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021;
  - (c) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;

(vi) The industry-specific laws that are applicable to the Company are as follows:

- (a) Contract Labour (Regulation & Abolition) Act, 1970
- (b) E-Waste (Management and Handling) Rules, 2010

We have also examined compliance with the applicable clauses of the following:

- i) Secretarial Standards **SS-1** and **SS-2** with respect to meetings of the Board of Directors and General Meetings respectively, issued by The Institute of Company Secretaries of India and notified by the Ministry of Corporate Affairs.

**We report that**, during the period under review, the Company has duly complied with the provisions of the Companies Act, 2013, the Regulations of SEBI, and other acts, as specified above, applicable to the industry of the Company except the following:

- a. In terms of SEBI Circular No. Cir/ISD/3/2011 the entire shareholding of Promoters/ Persons Acting in Concert (PACs) has not been dematerialized. Therefore, the stock exchanges have kept the trading in the shares of the Company under trade-to-trade.
- b. The Company has not submitted Annual Performance Report (APR) for the FY 2022-23 with RBI in relation to its wholly owned subsidiary, Avant garde Info systems Inc., as required under the provisions of FEMA.
- c. There was a delay in submission of the consolidated financial results for the quarter ended on 31st December 2023 to the stock exchanges in terms of the Regulation of 33 of SEBI (LODR) Regulations, 2015.

**We further report that**

The Board of Directors of the Company is duly constituted with a proper balance of Executive Directors, Non-Executive Directors, and Independent Directors. During the period under review and till the date of this the following changes took place in the Board of Directors:

Sl. No.	Name of the Director/KMP	Appointment/ Re-appointment/ Cessation	Our Comments
1.	Ms.Sreelakshmi Manthana	Re-appointment	Reappointed as a director at 31st AGM held on September 30, 2023 upon the retirement by rotation in accordance with the provisions of section 152 of the Act.
2.	Dr. Janardhana Reddy Vinta	Re-appointment	Reappointed as a director at 31st AGM held on September 30, 2023 upon the retirement by rotation in accordance with the provisions of section 152 of the Act.
3.	Mr. M B Narayana Raju	Re-Appointment	Re-appointed as a Whole-Time Director w.e.f. 2nd September 2023 for a period of 3 (Three) years and same has been approved by the shareholders at 31st AGM held on September 30, 2023.
4.	Mr. Sitarama Raju Manthana	Re-Appointment	Re-appointed as a Whole-Time Director w.e.f. 2nd September 2023 for a period of 3 (Three) years and same has been approved by the shareholders at 31st AGM held on September 30, 2023.
5.	Mr. Sunny Sharma	Cessation	Ceased to be the Chief Financial Officer w.e.f. October 25, 2023.
6.	Mr. P. Srikanth	Appointment	Appointed as Chief Financial Officer w.e.f. October 25, 2023.

Based on our verifications and the declarations received from the respective directors, we further report that the directors are not disqualified to act as such under the provisions of the Companies Act, Orders/ Circulars/ Regulations issued by SEBI, or such other acts, for the time being enforceable. Adequate notice was given to all the directors to schedule the Board Meetings. Agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. As a general practice of the Board, decisions were taken on unanimous consent.

**Further report that during the year,**

13,00,000 convertible share warrants were offered on Preferential basis at a price of Rs. 403/- including premium of Rs. 393/- to raise an amount of Rs.52.39 Cr. The Company has allotted equity shares upon the exercising the option by the respective allottees after receiving the required amount from the warrant holder. With this the paid-up equity share capital has become Rs.16,75,94,220/-

**We further report that** no prosecutions were initiated, and no fines or penalties were imposed on the Company except as stated above for the year, under the Companies Act, the SEBI Act, the SCRA, or other SEBI Regulations, on the Company or its directors and officers.

**We further report that** there are adequate systems and processes in the Company, commensurate with the size and operations of the Company, to monitor and ensure compliance with applicable laws, rules, regulations, and guidelines.

Date : 03-09-2024  
Place: Hyderabad

Sd/-  
**CS D.S. Rao; PCS**  
ACS No.: 12394  
C.P. No.: 14487  
UDIN: A012394F001114363  
PEER REVIEW NO.: 1817/2022

Note: This report is to be read with our letter of even date which is annexed as 'Annexure A' and forms an integral part of this report.



To,

**The Members,  
Kernex Microsystems (India) Limited  
Hyderabad**

My report of even date is to be read along with this letter.

1. Maintenance of Secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these Secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on a test basis to ensure that the correct fact is reflected in the Secretarial records. We believe that the processes and practices we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of the financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained Management representation regarding the compliance of laws, rules, and regulations and happening of events, etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, and standards is the responsibility of the management. Our examination was limited to the verification of procedures on a test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Date : 03-09-2024  
Place: Hyderabad

**Sd/-**  
**CS D.S. Rao; PCS**  
ACS No.: 12394  
C.P. No.: 14487  
UDIN: A012394F001114363  
PEER REVIEW NO.: 1817/2022

**Form No. AOC-2**

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

**Form for disclosure of particulars of contracts/arrangements entered by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.**

1. There are no contracts or arrangements entered by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 which are not at arm's length basis.
2. **Contracts or arrangements entered by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 which are at arm's length basis:**

S. No.	(a) Name(s) of the related party and nature of relationship	(b) Nature of contracts/arrangements/transactions	(c) Duration of the contracts / arrangements/ transactions	(d) Salient terms of the contracts or arrangements or transactions including the value, if any	(e) Date(s) of approval by the Board, if any	(f) Amount paid as advances, if any
1	Avant-Garde Info systems Inc., USA 100% Wholly Owned Subsidiary	Purchase of Materials	Multiple times	INR 509.37	28.05.2023	Nil
2	Mr. M B Narayana Raju Whole time director	Unsecured Loan	Multiple times	INR 93.50	28.05.2023	Nil
3	Mr. M Sitarama Raju, Whole time director	Unsecured Loan	Multiple times	INR 335.50	28.05.2023	Nil

**By order of the Board  
For Kernex Microsystems (India) Limited**

Sd/-  
**M Badari Narayana Raju**  
Whole-Time Director  
DIN: 07993925

Sd/-  
**Sitarama Raju Manthena**  
Whole-Time Director  
DIN: 08576273

Place: Hyderabad  
Date: 06 September 2024

Place: Hyderabad  
Date: 06 September 2024

**ANNEXURE-E**

**PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS REQUIRED UNDER SECTION 134 (3) (M) READ WITH RULE 8 (3) OF THE COMPANIES (ACCOUNTS) RULES, 2014**

**A. CONSERVATION OF ENERGY**

The activities of the Company do not result in significant consumption of energy. However, the Company remains committed to energy conservation and take all necessary steps to ensure efficient energy usage at its offices and workplaces. This includes implementing energy-saving measures and regularly reviewing energy consumption to identify opportunities for further conservation on an ongoing basis.

**B. PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY & RESEARCH AND DEVELOPMENT (R&D) CARRIED OUT BY THE COMPANY:**

**a) Technology Absorption Adaptation and Innovation:**

The Company does not involve any imported technology in its operations. It focuses on keeping pace with rapid technological advancements in its field by continuously training its personnel to enhance productivity. The Company uses indigenous technologies and has developed a training methodology to assess the adaptation of its staff to these technologies. Training needs are regularly evaluated and addressed to ensure that employees remain proficient and capable of utilizing the latest advancements effectively.

The Company develops products using its in-house technology and has established the following facilities to support this development:

**Research and Development (R&D) Lab:** Equipped with state-of-the-art instruments and tools to innovate and enhance product design and performance.

**Technology Development Center:** Dedicated to advancing and refining proprietary technologies and solutions.

**Testing and Quality Assurance Unit:** Ensures that products meet stringent quality standards and regulatory requirements through rigorous testing processes.

**Training and Skill Development Facility:** Provides ongoing training for employees to keep them updated on new technologies and methods.

**Prototyping Workshop:** Allows for the creation and evaluation of prototypes to validate design concepts and functionality before full-scale production.

These facilities enable the Company to maintain its competitive edge by fostering innovation and ensuring high-quality product development.

- Burn-In chamber for products endurance testing
- Up-gradation of Vibration test facility
- Environmental test facility (ESS)
- Digital Projection Microscope for visual inspection with video recording facility
- Test Equipments like Spectrum Analyzer, Signal Generators, Oscilloscopes, Function Generators, High Power Attenuators, Radio Communication test equipment and LCR meter to enhance the testing capability.

**b) Research and Development**

The South Central Railway Specific Application Safety Case (SASC) has been approved by the Independent Safety Assessor for Diesel Locomotives. The assessment for Electric Locomotives is

currently in progress, with approval expected shortly.

Type tests have been successfully completed for the newly developed MIEV1.2 cards. These microcontroller-based intelligent modules are crucial components, serving as the primary controllers responsible for all logic and control operations of the Kavach system.

The hardware development and software implementation for Kavach 4.0 have been completed. Currently, internal verification and validation, RDSO functional tests, and locomotive trials are in progress to ensure the system's functionality and readiness for deployment.

Implementing Kavach 4.0 enables us to interface seamlessly with various types of electronic interlocking used across Indian Railways. It also supports station-to-station communication via fiber optics and allows the implementation of temporary speed restrictions, enhancing the system's flexibility and operational safety.

Passenger locomotive trials and the Independent Safety Assessment (ISA) are scheduled for completion by the second quarter of FY2024-25.

To stay competitive in the market and enhance flexibility, reliability, and performance, the development of a new generation of MIE cards has been initiated, centered around Xilinx FPGAs. This platform aims to leverage advanced technology to meet the evolving demands of the industry.

The prototype platform is expected to be ready by the third quarter of FY2024-25, with the first Loco Kavach hardware utilizing the new platform anticipated to be ready by the first quarter of FY2025-26.

This FPGA-based platform will enable us to develop the foundational components for Moving Blocks and Communications-Based Train Control (CBTC) systems, paving the way for more advanced and efficient railway signaling solutions.

Due to the prioritization of Kavach 4.0 development and the next-generation platform, the following activities have been re-prioritized and are now targeted for completion by the fourth quarter of FY2024-25:

LTE integration with Kavach

Generic SIL-4 ISA for LxCS (Level crossing Control Systems)

**c) Foreign Exchange Earnings and Outgo:**

(Rs. in Lakhs)

	<b>Current Year 2023-24</b>	<b>Previous year 2022-23</b>
Foreign Exchange Used	714.82	214.41
Foreign Exchange earned	131.16	130.23

**By order of the Board  
For Kernex Microsystems (India) Limited**

**Sd/-  
M Badari Narayana Raju  
Whole-Time Director  
DIN: 07993925**

**Sd/-  
Sitarama Raju Manthana  
Whole-Time Director  
DIN: 08576273**

**Place: Hyderabad  
Date: 06 September 2024**

**Place: Hyderabad  
Date: 06 September 2024**

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

**(A) Industry and Business Overview:**

**Review of Operations**

Your Company recorded a turnover of Rs.2,131.49 Lakhs for the financial year 2023-24. The Company has reported a loss before tax of Rs.2,049.21 Lakhs, compared to a loss of Rs.1,938.07 Lakhs in the previous financial year.

**South Central Railways**

- The South Central Railway (SCR) project is now in its final stages, representing a significant milestone in its overall completion. Kernex Microsystems, the company tasked with executing this project, has been working diligently to ensure that every aspect meets the stringent standards set by the railway authorities. This progress highlights Kernex Microsystems' commitment to delivering high-quality results, reinforcing its reputation in the railway infrastructure sector. The project's nearing completion underscores the collaborative efforts and technical expertise involved, promising to enhance the region's railway network upon its conclusion.
- The Independent Safety Assessment (ISA) is currently in its final stage, with the report anticipated to be released shortly. This assessment is a crucial step in ensuring that all safety standards and regulations are thoroughly met before the project's completion. The forthcoming report will provide important insights and validations, helping to confirm the project's readiness and compliance with the required safety protocols.

**NCRA, B & ICF Projets:**

Kernex Microsystems and KEC International have formed a consortium and successfully secured two significant contracts with a combined value of approximately Rs.536 crores. These orders pertain to the North Central Railway section, covering a total distance of 1,500 kilometers. This collaboration marks a substantial achievement for both companies, highlighting their capabilities in the railway infrastructure sector.

**Project 1 – NCR A (Section between ChipyanaBuzurg (Excl) – Kanpur (Excl) in the North Central Railway)**

- The first milestone of the project was completed successfully. The Drone & RSSI Survey data, manual survey data, Station layouts were submitted. The construction of towers & buildings related to Milestone 2 was complete. The laying of RFID tags, Station commissioning & loco installations & commissioning for Milestone 2 is in progress
- The procurement of materials for three Milestones was complete and the orders were placed for the final milestone
- Agreements with Electronic Interface OEM's was finalized and successfully executed for the Milestone 1. Work in progress for other milestones
- The phase wise ISA activity was initiated

**Project 2 – NCRA (Section between Kanpur (Incl) – DDU (Excl) in the North Central Railway)**

- The first milestone of the project was completed successfully. The Drone & RSSI Survey data, manual survey data, Station layouts were submitted. The construction of towers & buildings related to Milestone 2 was complete. The laying of RFID tags, Station commissioning & loco installations & commissioning for Milestone 2 is in progress
- The procurement of material for three Milestones was complete and the orders were placed for the final milestone

- Agreements with Electronic Interface OEM's was finalized and successfully executed for the Milestone 1. Work in progress for other milestones
- The phase wise ISA activity was initiated

### **Project 3 – ICF (Integral Coach Factory, Chennai)**

- The project plan & material planning for the delivery of 39 no's were prepared and submitted
- The drawings were approved by the ICF
- Material procurement is complete and all the units (39 no's) were delivered
- Procurement of material for the enhanced qty of 12 no's is in progress

### **International**

#### **EGYPTIAN NATIONAL RAILWAYS (ENR), CAIRO**

##### **Project Status Update: Installation and Handover of Gates**

###### **Project Overview:**

- Total Gates Supplied: 136
- Total Gates Installed and Commissioned: 124
- Final Handover Status: In Progress

###### **Material Supply and Adjustments:**

- 100% Material Supply Completed.
- The project was mutually agreed to be shortened from 136 Lx gates to 124 Lx gates.
- 2 Lx gates were repaired and rebuilt.
- Remaining material related to the 10 Lx gates that were not installed is currently being handed over to ENR. So far, 102 wheel sensors have been handed over.

###### **Warranty Maintenance:**

- Warranty maintenance for three groups (totaling 102 Lx gates) has been completed.
- Warranty maintenance for the fourth group (22 Lx gates) has also been completed.

###### **Final Handover (FHO):**

- FHO of Lx sites is ongoing.
- FHO has been completed for 47 out of 85 Lx sites that are currently operational.
- ENR has dismantled and removed 39 Lx sites out of the 124 Lx gates that were commissioned.

###### **Remaining Deliverables:**

- 100 Booms are to be delivered to ENR for use as spares.

### **SRI LANKA RAILWAYS**

Kernex Microsystems faced significant challenges in executing its order from Sri Lanka Railways during the 2021-22 periods. The order involved the supply, installation, testing, commissioning, and maintenance of 200 Bell and Light Level Crossing Protection Systems, a critical project aimed at enhancing railway safety in Sri Lanka. However, due to a combination of unforeseen circumstances, the execution of this order was delayed.

Kernex Microsystems has been closely monitoring and evaluating the ongoing conditions surrounding its involvement in a specific project. Over time, the company identified a significant "country risk," which typically encompasses economic, political, and social risks associated with operating in that particular

country. These risks have the potential to undermine the stability, profitability, and long-term viability of the project, prompting Kernex to reconsider its continued involvement.

Kernex determined that the potential benefits of continuing the project were outweighed by the potential for adverse outcomes, leading to the decision to withdraw.

Rather than abruptly withdrawing from the project, which could have led to financial losses, reputational damage, or legal disputes, Kernex opted for a more strategic approach. The company sought to disengage through a "conciliated dialogue with SLR". This method involved engaging in discussions with SLR to reach a mutual agreement on the terms of the exit.

The decision to pursue a conciliated dialogue was rooted in Kernex's desire to maintain a professional and cooperative relationship with SLR. By approaching SLR for a mutual agreement, Kernex's strategic approach to exiting the project was successful, as SLR accepted the terms of the mutual agreement. Importantly, the exit was achieved without any financial implications for Kernex. Kernex Microsystems' strategic decision to exit the project due to significant country risks was a prudent move that prioritized the company's long-term stability and financial health. By engaging in a conciliated dialogue with SLR and reaching a mutual agreement, Kernex successfully navigated the complexities of the situation without incurring financial losses. This approach not only safeguarded Kernex's interests but also preserved its relationship with SLR, potentially opening doors for future opportunities.

#### **A) Research & Development and Addition of New Products**

The South Central Railway Specific Application Safety Case (SASC) has been approved by the Independent Safety Assessor for Diesel Locomotives. The assessment for Electric Locomotives is currently in progress, with approval expected shortly.

Type tests have been successfully completed for the newly developed MIEV1.2 cards. These microcontroller-based intelligent modules are crucial components, serving as the primary controllers responsible for all logic and control operations of the Kavach system.

The hardware development and software implementation for Kavach 4.0 have been completed. Currently, internal verification and validation, RDSO functional tests, and locomotive trials are in progress to ensure the system's functionality and readiness for deployment.

Implementing Kavach 4.0 enables us to interface seamlessly with various types of electronic interlocking used across Indian Railways. It also supports station-to-station communication via fiber optics and allows the implementation of temporary speed restrictions, enhancing the system's flexibility and operational safety.

Passenger locomotive trials and the Independent Safety Assessment (ISA) are scheduled for completion by the second quarter of FY2024-25.

To stay competitive in the market and enhance flexibility, reliability, and performance, the development of a new generation of MIE cards has been initiated, centered around Xilinx FPGAs. This platform aims to leverage advanced technology to meet the evolving demands of the industry.

The prototype platform is expected to be ready by the third quarter of FY2024-25, with the first Loco Kavach hardware utilizing the new platform anticipated to be ready by the first quarter of FY2025-26.

This FPGA-based platform will enable us to develop the foundational components for Moving Blocks and Communications-Based Train Control (CBTC) systems, paving the way for more advanced and efficient railway signaling solutions.

Due to the prioritization of Kavach 4.0 development and the next-generation platform, the following activities have been re-prioritized and are now targeted for completion by the fourth quarter of FY2024-25:

LTE integration with Kavach

Generic SIL-4 ISA for LxCS (Level crossing Control Systems)



**B) Future outlook**

The government has prioritized transforming Indian Railways into a world-class entity. For the year 2024-25, a record capital expenditure (Capex) of Rs.2,62,200 crores has been allocated to the Railways. The Gross Budgetary Support for the same period is set at Rs.2,52,200 crores, a significant increase from the Rs.2,40,200 crores in 2023-24, and a substantial rise from Rs.28,174 crores in 2013-14. The infusion of Capex has yielded remarkable results, with Indian Railways achieving an all-time high freight loading of 1,588 million tonnes (MT) in FY 2023-24, up from 1,095 MT in 2014-15. The Railway's goal is to reach 3,000 MT by 2030. Additionally, in 2023-24, Indian Railways reported all-time high total receipts of Rs.2,56,093 crores and generated a Net Revenue of Rs.3,260 crores, which will further support Capex. Indian Railways has achieved significant milestones, including commissioning 31,180 track kilometers in the past decade. The pace of track laying has increased from 4 kilometers per day in 2014-15 to 14.54 kilometers per day in 2023-24. Furthermore, 41,655 Route Kilometers (RKMs) have been electrified from 2014-2024, compared to only 21,413 RKMs before 2014. This year's budget also allocates additional funds to promote industrial development, focusing on infrastructure to support industrial clusters at strategic locations. Key nodes include Kopparthy on the Visakhapatnam-Chennai Industrial Corridor, Orvakal on the Hyderabad-Bengaluru Industrial Corridor in Andhra Pradesh, and Gaya on the Amritsar-Kolkata Industrial Corridor in Bihar. These initiatives aim to catalyze industrial growth, particularly in eastern India. Under the PM Gati Shakti Mission, Indian Railways has adopted a new approach to infrastructure development. Three Economic Railway Corridors—Energy, Mineral, and Cement Corridors (192 Projects); Port Connectivity Corridors (42 Projects); and High Traffic Density Corridors (200 Projects)—have been identified. The focus remains on enhancing capacity, decongesting high-density networks, reducing logistics costs, and improving passenger experience and safety.

As a result of various safety measures taken over the years, there has been a steep decline in the number of accidents. The consequential train accidents during the period 2004-14 was 1711 (average 171 per annum), which has declined to 678 during the period 2014-24 (average 68 per annum).

**Various Safety Measures Taken to Enhance Safety in Train Operations**

1. **Rashtriya Rail SanrakshaKosh (RRSK)** was introduced in 2017-18 to replace, renew, and upgrade critical safety assets, with a corpus of Rs.1 lakh crore over five years, ending in 2021-22. In 2022-23, the government extended the RRSK for another five-year period, with Gross Budgetary Support (GBS) of Rs.45,000 crores.
2. **Electrical/Electronic Interlocking Systems** with centralized operation of points and signals have been installed at 6,589 stations up to June 30, 2024, to eliminate accidents caused by human error.
3. **Interlocking of Level Crossing (LC) Gates** has been provided at 11,048 level crossing gates up to June 30, 2024, enhancing safety at LC gates.
4. Complete Track Circuiting of stations, which enhances safety by verifying track occupancy through electrical means, has been implemented at 6,609 stations as of June 30, 2024.
5. **Kavach**, an indigenously developed Automatic Train Protection (ATP) system, assists loco pilots by automatically applying brakes if the pilot fails to do so, and ensures safe operation during adverse weather conditions. Adopted as the National ATP system in July 2020, Kavach has been deployed over 1,465 Route km and on 144 locomotives (including Electric Multiple Unit rakes) on South Central Railway. The latest Kavach 4.0 specification was approved by RDSO (Research Designs and Standards Organisation) on July 16, 2024. As of July 24, 2024, Rs.1,216.77 crore had been spent on Kavach, with an additional Rs.1,112.57 crore allocated for 2024-25.
6. Axle counters for Automatic clearance of Block Section, BPAC (Block Proving Axle Counter) are provided to ensure complete arrival of train without manual intervention before granting line clear to receive next train and to reduce human element. These systems have been provided on 6079 Block Sections up to June 30, 2024.
7. A project for the provision of a Long-Term Evolution (LTE) based Mobile Train Radio Communication system has been approved for 34,803 Route Kilometers over Indian Railways.

8. Emergency talk-back systems and emergency alarm systems are installed in Vande Bharat train sets. CCTV cameras have been installed in all Vande Bharat Express coaches. As of July 24, 2024, more than 9,572 coaches are equipped with CCTV.
9. All locomotives are equipped with Vigilance Control Devices (VCD) to enhance the alertness of loco pilots.
10. A GPS-based Fog Safety Device (FSD) is provided to loco pilots in fog-prone areas, allowing them to gauge the distance to upcoming landmarks like signals and level crossings.
11. Ultrasonic Flaw Detection (USFD) testing of rails is conducted to identify and replace defective rails timely.
12. Preventive maintenance of railway assets (coaches & wagons) is undertaken to ensure safe train operations.
13. A web-based online monitoring system for track assets, including a track database and decision support system, has been adopted to optimize maintenance requirements.
14. Detailed instructions on track safety issues, such as integrated block, corridor block, worksite safety, and monsoon precautions, have been issued.
15. All unmanned level crossings (UMLCs) on Broad Gauge (BG) routes were eliminated by January 2019.
17. Safety of railway bridges is ensured through regular inspections, with repairs or rehabilitation undertaken as needed.
16. Indian Railways displays statutory "Fire Notices" in all coaches to educate passengers on fire prevention measures, including prohibitions on carrying inflammable materials and smoking.
17. Production Units provide Fire Detection and Suppression Systems in newly manufactured Power Cars and Pantry Cars, with progressive fitment in existing coaches underway by Zonal Railways.
18. CCTV cameras have been installed in all Vande Bharat Express coaches. As of July 24, 2024, more than 9,572 coaches are equipped with CCTV.
19. All locomotives are equipped with Vigilance Control Devices (VCD) to enhance the alertness of loco pilots.
20. A GPS-based Fog Safety Device (FSD) is provided to loco pilots in fog-prone areas, allowing them to gauge the distance to upcoming landmarks like signals and level crossings.
21. Ultrasonic Flaw Detection (USFD) testing of rails is conducted to identify and replace defective rails timely.
22. Preventive maintenance of railway assets (coaches & wagons) is undertaken to ensure safe train operations.
23. A web-based online monitoring system for track assets, including a track database and decision support system, has been adopted to optimize maintenance requirements.
24. Detailed instructions on track safety issues, such as integrated block, corridor block, worksite safety, and monsoon precautions, have been issued.
25. Safety of railway bridges is ensured through regular inspections, with repairs or rehabilitation undertaken as needed.
26. Indian Railways displays statutory "Fire Notices" in all coaches to educate passengers on fire prevention measures, including prohibitions on carrying inflammable materials and smoking.
27. Production Units provide Fire Detection and Suppression Systems in newly manufactured Power Cars and Pantry Cars, with progressive fitment in existing coaches underway by Zonal Railways.

## **Modernization and Up gradation of Railway Infrastructure**

**Locomotive:** Indian Railways has implemented a long-term plan to acquire new technology, including 12,000 HP electric locomotives and 9,000 HP electric locomotives for freight operations. Traction Distribution System: The existing 1X25 kV system is being upgraded to a 2X25 kV system in a phased manner.

**Coaching Stock:** Indian Railways is modernizing its coaching rolling stock. The Vande Bharat Chair Car trains, featuring enhanced safety, better ride index, and improved passenger amenities, have been introduced. Additionally, Indian Railways plans to manufacture Vande Bharat sleeper rakes at IR Production Units for long and medium inter-state journeys. Vande Metros are also planned to revolutionize travel for suburban and regional commuters, providing a better experience for short-distance inter-city movement and suburban commuting, leveraging the features of Vande Bharat.

**Non-AC Amrit Bharat Trains:** Indian Railways has introduced complete Non-AC Amrit Bharat Trains to meet the needs of the masses. These trains have advanced features such as CCTV surveillance, Passenger Information System (PAPIS), aesthetically pleasing and ergonomically designed seats and berths, improved luggage racks, enhanced LED lighting, and additional charging sockets.

**Wagon:** 25T (Higher Axle Load) wagons (BOXNHL (25T), BLCS, BLSS etc.) have been introduced to improve throughput. In addition, special purpose wagons for Steel Coil (BFNV, BOSM, BFNS), Multipurpose wagon (FMP), for Cement/Fly Ash Loading (BTFC) and Auto Carrier (ACT1, ACT2) for higher throughput have been introduced. In addition, trackside detection equipments i.e. OMRS, HABD, WILD are being introduced for detecting possible failures.

**Track Structures:** Modernization efforts include the use of weldable track crossings to reduce the number of fish-plated joints. Flash butt welding is maximised in place of thermit welds by providing long rail panels and testing Flash Butt welds with advanced phased array technology to enhance weld reliability. Indian Railways is also providing higher-strength R260 & R350 HT rails with upgraded modern fastening systems. Rail grinding is conducted across the network using state-of-the-art modern machines manufactured in India to improve asset reliability.

**Station Development:** Station development projects aim to provide state-of-the-art amenities and transform stations into city centers.

**Signaling:** To enhance the safety and efficiency of train operations, signaling systems are being modernized with the latest technologies, including Kavach, Electronic Interlocking, and Automatic Signaling.

The Indian Railways is undergoing a transformative phase, marked by significant investments and modernization efforts to enhance its infrastructure, safety, and passenger experience. The record capital expenditure allocated during 2024-25 underscores the government's commitment to elevating Indian Railways to world-class standards. Key initiatives, such as the Amrit Bharat Station Scheme, modernization of locomotives and coaching stock, and the implementation of advanced safety measures, are crucial steps towards achieving this vision. The Rail Land Development Authority's efforts in optimizing land use further contribute to the holistic development of the railway network. These comprehensive measures are expected to not only boost the efficiency and safety of train operations but also support India's broader economic growth and connectivity goals.

The safety measures taken in the last few years have borne results. To further strengthen this effort high density network and highly utilized network routes will be provided with indigenously designed automatic train collision system that eliminates train collision due to human error.

Your company's business mainly emanates from the strategic sector and as such the capital / revenue allocations in the railway business segment have direct bearing on Kernex operations. Post Budget announcements, Kernex are expected to maintain a healthy order book from strategic sector and achieve rapid growth compared to previous years.

Your Company domestically having successfully executed the Design, Development, Manufacture, supply, and trials of the Train Collision Avoidance System in South Central Railways a Project of the Indian Railways. The Company has a strong R & D base for the development of new products. The Government of India's thrust now being in Modernizing Railways with large infrastructure spending and Rail safety, the Company is in a strong

position to grab the opportunities that are expected to be available. Your Company with its experience and expertise gained domestically has made a successful foray into the International Markets in the Rail Sector in Egypt and South Africa and in Sri Lanka and the outlook for the future appears promising in the years to come.

**C) Mission Raftar : Indian Railways rolls out Train Collision Avoidance System**

Kavach, an indigenously developed Automatic Train Protection (ATP) system, assists loco pilots by automatically applying brakes if the pilot fails to do so, and ensures safe operation during adverse weather conditions. Adopted as the National ATP system in July 2020, Kavach has been deployed over 1,465 Route km and on 144 locomotives (including Electric Multiple Unit rakes) on South Central Railway. The latest Kavach 4.0 specification was approved by RDSO (Research Designs and Standards Organisation) on July 16, 2024. As of July 24, 2024, Rs.1,216.77 crore had been spent on Kavach, with an additional Rs.1,112.57 crore allocated for 2024-25.

**D) Opportunities**

**Domestic and International Successes:**

1. **Indian Railways:** The Company has been instrumental in implementing TCAS systems across the Indian Railways network. This extensive experience has solidified its position as a leading provider of rail safety solutions within the country.
2. **International Projects:**
  - o **Egypt:** Successfully completed the installation of automatic and semi-automatic railway gates, enhancing the safety and efficiency of Egypt's rail infrastructure.
  - o **South Africa:** Executed a rail safety project, demonstrating the Company's capability in handling complex international projects and reinforcing its global presence.

**Opportunities for Future Growth:**

1. **Expanding Market Presence:**
  - o **Domestic Opportunities:** The Company's established credibility in India provides a solid foundation to explore additional opportunities within the domestic rail sector, including upgrades and expansions of existing systems.
  - o **International Ventures:** The successful completion of projects in Egypt and South Africa positions the Company as a credible player in the international rail safety market, opening doors to new projects in other regions.
2. **Yard Management:**
  - o **Integration with TCAS:** The Company is actively pursuing opportunities in Yard Management, where its TCAS systems are already being utilized. This involves managing and optimizing the movement of trains and assets within railway yards, enhancing operational efficiency and safety.
  - o **Potential for Growth:** By leveraging its TCAS technology for Yard Management, the Company can tap into a growing market segment, providing solutions that integrate safety and operational efficiency for rail operators.

Overall, the Company's proven track record and ongoing innovations in rail safety systems equip it to seize new opportunities and further its growth in both domestic and international markets.

The Company is exploring the potential to diversify into new areas, specifically focusing on:

**1. Defense-Related Work:**

- **Opportunities:** Given its expertise in designing and deploying sophisticated systems for rail safety, the Company could leverage its technological capabilities to enter the defense sector. This could include the development of advanced electronic systems, communication equipment, and other defense-related technologies.

- **Strategic Fit:** The Company's experience with high-tech solutions and rigorous safety standards aligns well with the requirements of defense applications, potentially leading to significant new business avenues.

## 2. **Manufacture of Electronic Components:**

- **Expansion Potential:** Diversifying into the manufacture of electronic components could complement the Company's existing capabilities. This includes producing parts and assemblies for its own systems or for external customers.
- **Market Demand:** With the increasing reliance on electronics across various industries, there is a growing demand for high-quality electronic components, which could provide a lucrative market opportunity for the Company.

## 3. **Outsourced Assembly Work:**

- **Business Model:** Offering outsourced assembly services involves assembling electronic components and systems for other companies. This can help the Company utilize its existing facilities and expertise to generate additional revenue.
- **Benefits:** Engaging in outsourced assembly work can also enhance operational efficiency and flexibility, as it provides a steady stream of work and helps in optimizing resource utilization.

### **Strategic Approach:**

- **Feasibility Study:** Conduct a thorough market analysis and feasibility study to understand the demand, competition, and potential challenges in these new areas.
- **Capability Assessment:** Evaluate the current technological and operational capabilities to determine how they can be adapted or enhanced for defense and electronic component manufacturing.
- **Partnerships and Collaborations:** Explore potential partnerships or collaborations with established players in the defense and electronics sectors to leverage their expertise and market access.

By pursuing these diversification opportunities, the Company can enhance its market position, tap into new revenue streams, and leverage its existing strengths in technology and manufacturing.

## **E) Threats**

The Company, primarily operating within the Railway sector, faces challenges related to high customer concentration. To mitigate these risks and ensure sustainable growth, the Company is undertaking several proactive measures:

### 1. **Diversification into New Sectors:**

- **Objective:** To reduce dependence on the Railway sector and spread the risk associated with customer concentration.
- **Approach:** Explore opportunities in other sectors such as defense, electronic components manufacturing, and outsourced assembly work.
- **Action Plan:** Conduct market research to identify viable sectors with growth potential and align product offerings with the needs of these sectors.

### 2. **Expansion of Existing Portfolio:**

- **Objective:** To enhance the range of products and services offered within the Railway sector and beyond.
- **Approach:** Develop new products or improve existing ones to meet evolving market demands and technological advancements.

- Action Plan: Invest in R&D to innovate and expand the product portfolio, focusing on both current and potential future needs.

**3. Addressing Technological Changes:**

- **Objective:** To stay competitive in a rapidly evolving technological landscape.
- **Approach:** Continuously monitor technological trends and invest in upgrading capabilities.
- **Action Plan:** Implement ongoing training programs for employees, adopt new technologies, and enhance product development processes.

**4. Navigating Competition:**

- **Objective:** To remain competitive against multinational and domestic players.
- **Approach:** Differentiate offerings through superior quality, innovation, and value-added services.
- **Action Plan:** Analyze competitors' strategies, identify unique selling propositions, and adapt business strategies to address competitive pressures.

**5. Adapting to Government Policies:**

- **Objective:** To mitigate the impact of changes in government policies on business operations.
- **Approach:** Stay informed about policy changes and adapt strategies accordingly.
- **Action Plan:** Engage with industry bodies, participate in policy discussions, and ensure compliance with new regulations.

**6. Managing Threats:**

- **Technological Advances:** Invest in technology to stay ahead of competitors and meet market demands.
- **Competition:** Focus on differentiating the Company's offerings through innovation and quality.
- **Policy Changes:** Develop flexible business strategies to quickly adapt to regulatory changes.

By pro-actively addressing these areas, the Company aims to reduce customer concentration risks, capitalize on new opportunities, and strengthen its position in both existing and new markets.

**F) Segment wise or product wise performance**

The Company operates exclusively in the Rail Safety equipment and services sector, which constitutes its single business segment. The details of the performance of this segment are comprehensively outlined in the Director's Report. This focused approach allows the Company to concentrate its resources and expertise on enhancing its offerings and delivering specialized solutions within this niche market.

**G) Risks and areas of concern**

The Rail Ministry has emphasized the need for Indian manufacturers of Train Collision Avoidance Systems (TCAS) to elevate their products to meet global standards. This includes ensuring that the systems adhere to international safety and security benchmarks while also addressing specific requirements such as increasing in-line capacity and enhancing indigenization of technology. The key directives and implications are as follows:

**1. Adherence to Global Standards:**

- Objective: The Rail Ministry aims for Indian TCAS technology to align with international best practices. This involves meeting stringent global safety and security standards and ensuring that the technology competes effectively on a global scale.



- o **Implementation:** Manufacturers are expected to upgrade their TCAS systems to incorporate international standards, which includes adopting advanced safety protocols and improving system capabilities.
- 2. Integration with European Train Control System (ETCS) Level 2:**
- o Requirement: Companies are advised to develop an interface between the ETCS Level 2 and the TCAS system. This integration will enable locomotives equipped with TCAS to operate seamlessly across territories that use ETCS Level 2, facilitating international interoperability.
  - o Action Plan: This requires significant development efforts to ensure compatibility and efficient functioning between the two systems. Manufacturers must focus on creating a robust interface that meets both the technical and regulatory requirements.
- 3. Trial and Certification:**
- o Expedited Trials: The companies are urged to accelerate trials and obtain necessary safety certifications. These trials are crucial for validating the upgraded TCAS systems and ensuring they meet the prescribed safety standards.
  - o Certification Process: The process for certification might involve rigorous testing and validation, which could extend the timeline for finalizing the system modifications.
- 4. Financial and Time Considerations:**
- o **Additional Costs:** The efforts to align with international standards, develop the required interface, and complete the trials will incur additional financial resources. Companies should be prepared for increased expenditure related to technology upgrades, testing, and certification processes.
  - o **Extended Timelines:** The changes and improvements needed to meet the new standards might extend the development and deployment timelines beyond initial expectations. Companies need to manage these timelines effectively while maintaining progress on their technological advancements.

## Conclusion

A significant push towards global competitiveness and technological advancement for Indian TCAS systems. While this presents opportunities for enhanced market reach and alignment with international standards, it also requires careful planning, resource allocation, and adherence to extended timelines. The Company will need to navigate these challenges effectively to achieve the desired upgrades and maintain its competitive edge in the global market.

## H) Discussion on financial performance with respect to operational performance

The details of the Company's revenue and financial performance for the year under review are comprehensively covered in the Directors' Report. Please refer to the respective section of the Directors' Report for a detailed analysis and insights into the Company's financial results.

## I) Internal control systems and their adequacy

The Company has appointed an external firm of chartered accountants to conduct Internal Audit, ensuring that our internal control systems are robust and appropriate for our size and operational nature. These systems are designed to:

- Provide reasonable assurance regarding the accuracy and reliability of financial and operational information.
- Ensure compliance with applicable statutes and regulations.
- Safeguard assets from unauthorized use or losses.
- Execute transactions with proper authorization.



- Ensure adherence to corporate policies.

The effectiveness of these internal controls is regularly reviewed to ensure they remain adequate and effective.

The Internal Audit process is meticulously designed to review the adequacy and effectiveness of the internal control systems across all significant areas of the Company's operations. This includes, but is not limited to:

- **Software and Hardware Delivery:** Ensuring the systems meet required standards and specifications.
- **Production:** Monitoring production processes to ensure efficiency and compliance.
- **Accounting and Finance:** Reviewing financial records and controls to ensure accuracy and adherence to policies.
- **Procurement:** Verifying that procurement processes are transparent and in line with company policies.
- **Employee Engagement:** Assessing processes related to employee management and engagement.
- **Travel and Insurance:** Evaluating travel policies and insurance coverage for adequacy and compliance.

The Company has established an Audit Committee, with details provided in the Corporate Governance Report. The Audit Committee plays a crucial role in overseeing the internal audit process. Its responsibilities include:

- **Reviewing Audit Reports:** The Committee meticulously reviews the reports submitted by the Internal Auditors to ensure that all findings and recommendations are addressed.
- **Systematic Improvements:** Suggestions for systematic improvements identified during audits are considered by the Committee. It monitors the implementation of corrective actions to enhance the effectiveness of internal controls.
- **Engagement with Auditors:** The Committee regularly meets with both the Company's statutory auditors and Internal Auditors to discuss the adequacy of internal control systems. These discussions help in assessing the effectiveness of controls and addressing any concerns.
- **Reporting to the Board:** The Audit Committee keeps the Board of Directors informed of its major observations and the status of corrective actions, ensuring that the Board is aware of key issues and improvements.

This proactive approach ensures that internal control systems are robust and continuously improved, maintaining the integrity and efficiency of the Company's operations.

Your Company has established well-defined internal control systems designed to ensure the integrity and efficiency of its operations. These systems are integral to maintaining reliable financial and operational information, safeguarding assets, and ensuring compliance with applicable laws and corporate policies.

#### **Certifications Obtained:**

- (i) **ISO 9001:2015:** This certification demonstrates the Company's commitment to quality management systems, ensuring that processes meet customer and regulatory requirements.

#### **J) Material developments in HR / Industrial relations area including number of people employed:**

During the year, there have been no materially significant changes in the Human Resources (HR) domain. The total number of employees as of March 2024 stands at 228, compared to 164 in the previous year. This increase reflects the Company's expansion and its commitment to enhancing its workforce capabilities.

The Company prides itself on maintaining a positive work environment that fosters innovation and meritocracy. This vibrant work ethic provides employees with opportunities to engage with cutting-edge technologies and leverage their talents effectively. As an organization committed to constant upgrading, the

Company has focused on building competence through training, cross-training, and skills upgradation. The aim is to ensure that employees are equipped with the latest knowledge and skills to meet evolving industry demands.

S No	Details	2023-24
1	Debtors Turnover	2.44
2	Inventory Turnover	0.45
3	Interest Coverage Ratio	-8.15
4	Current Ratio	2.41
5	Debt Equity Ratio (Times)	0.20
6	Operating Profit Margin (%)	-82.46%
7	Net Profit Margin (%)	-105.74%

**K) Cautionary Statement**

Statements in the Management's Discussion and Analysis Report that describe the Company's objectives, projections, estimates, expectations, or predictions may be considered "forward-looking statements" as required by applicable laws and regulations. These statements reflect the Company's current views and expectations and are based on certain assumptions.

**Key Points:**

- **Risk of Actual Results Differing:** Actual results may differ significantly from those projected or implied in forward-looking statements due to various factors.
- **Influencing Factors:** Factors such as global and domestic demand-supply conditions, raw material prices, technological advancements, changes in government regulations and policies, tax laws, and other statutory requirements may impact actual outcomes.

**By order of the Board  
For Kernex Microsystems (India) Limited**

**Sd/-  
M Badari Narayana Raju  
Whole-Time Director  
DIN: 07993925**

**Place: Hyderabad  
Date: 06 September 2024**

**Sd/-  
Sitarama Raju Manthana  
Whole-Time Director  
DIN: 08576273**

**Place: Hyderabad  
Date: 06 September 2024**

**CORPORATE GOVERNANCE REPORT**

**1. Company's philosophy on Code of Governance.**

The Company is committed to adhering to good corporate governance practices, which it believes are essential for effectively directing and controlling its operations. These practices are fundamental to achieving the Company's primary objective of maximizing value for all stakeholders. By fostering transparency, integrity, and accountability, the Company aims to maintain the trust and confidence of its shareholders, customers, employees, and the broader community.

The Board considers itself a trustee for its shareholders, fully acknowledging its responsibility to create and safeguard shareholder wealth. In all its endeavors, the Board is committed to upholding the core values of transparency, integrity, honesty, and accountability, ensuring that these principles guide its decision-making and corporate governance practices.

The Company's Code of Conduct serves as a guiding framework for all employees, clearly outlining the values, ethics, and business principles that are expected to be upheld in their professional conduct. This code is integral to maintaining a culture of integrity and excellence within the organization.

**2. Board of Directors:**

- i) The Company has a Non-Executive Independent Director as Chairman. The Board of Directors of the Company consists of eminent people with professional expertise. The Board comprises of 3 Promoter Directors in which two are Non- Executive Directors and one Whole-Time Director, one Whole-Time Director, two Non-Executive Non-Independent and three Independent Directors.
- ii) None of the Directors on the Board is a member on more than 10 committees or Chairman of more than 5 committees as specified in SEBI (LODR) Regulations, 2015, across all the Companies in which he/she is a director. Necessary disclosures regarding Committee positions have been made by the Directors.
- iii) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee memberships held by them in other companies is given below. Other directorships do not include alternate directorships, directorships of private limited Companies and companies incorporated outside India. Chairmanship/membership of Board committees includes membership of Audit and Shareholders/Investor Grievance Committee.

**Composition and Category of Directors**

<b>Name of the Director</b>	<b>Category</b>	<b>Designation</b>	<b>No. of shares held in the Company (%)</b>	<b>Names of the Listed companies holding directorship &amp; category of such directorship held other than this Company</b>
Sri. Sreenivasa Rao Ravinuthala	Non-Executive	Independent Director	-	Nil
Sri.Koganti Somasekhara Rao	Non-Executive	Independent Director	-	Nil
Sri. A V S Krishna Mohan	Non-Executive	Independent Director	-	Nil

Dr. Anji Raju Manthena	Non-Executive	Non-Independent Director	24,86,873	Nil
Dr.Vinta Janardhana Reddy	Non-Executive	Non-Independent Director	3,33,362	Nil
Ms.Sreelakshmi Manthena	Non-Executive	Non-Independent Director	6,40,398	Nil
Mr. Narender Kumar	Non-Executive	Non-Independent Director	4,69,743	Nil
Sri. Manthena Badari Narayana Raju	Executive	Whole Time Director	2,087	Nil
Sri. Sitarama Raju Manthena	Executive	Whole Time Director	7,12,992	Nil

**The Board has identified the following skill set with reference to its business and industry which are available with the Board:**

<b>Name of Director</b>	<b>Expertise in specific functional area</b>
Sri. Sreenivasa Rao Ravinuthala	Project and Working Capital Finance, Strategic Management, Insolvency, Financial Expert to the IEC (Independent Evaluation Committee)
Sri.Koganti Somasekhara Rao	Business Development Management, Marketing, Strategy Planning, Project Procurement, Project Coordination, Consulting
Sri. A V S Krishna Mohan	Finance, Banking, Industrial Finance, Restructuring, Credit Monitoring, Legal procedures and processes of SARFAESIA, DRT BIFR, and IBC.
Dr. Anji Raju Manthena	Clinical operation, medical affairs and business development (MABD).
Dr. Vinta Janardhana Reddy	Clinical operation, medical affairs and business development (MABD).
Ms. Sreelakshmi Manthena	Business Development Management, Marketing, Strategy Planning, Project Procurement, Project Coordination, Consulting
Mr. Narender Kumar	Business Development Management, Strategy Planning, Project Procurement, Project Coordination, Consulting
Sri. Manthena Badari Narayana Raju	Organization and Business Management
Sri. Sitarama Raju Manthena	Business Development Management, Marketing, Strategy Planning, Project Procurement, Project Coordination, Consulting

### **Relationship among Directors**

Dr. Anji Raju Manthena, Ms. Sreelakshmi Manthena, and Sri. Sitarama Raju Manthena are related to each other. Specifically:

- Dr. Anji Raju Manthena
- Ms. Sreelakshmi Manthena
- Mr. Sitarama Raju Manthena

These three individuals are connected through familial ties. Aside from them, none of the other directors on the Board are related to each other. This disclosure ensures transparency and compliance with governance practices regarding relationships among Board members.

**Details of attendance of Directors at the AGM, Board Meetings with particulars of their Directorship and Chairmanship /Membership of Board /Committees in other Companies are as under:**

Name of the Director	Category	No. of Board Meetings during the year 2023-24		Whether Attended AGM on 30.09.2023	No. of Directorships in other public companies	No. of committee positions held in other public companies		% of Share Holding
		Held	Attended			Chairman	Member	
Dr. Anji Raju Manthena	Non-Independent Non-Executive	9	9	Yes	-	-	-	24,86,873
Dr. Vinta Janardhana Reddy	Non-Independent Non-Executive	9	9	Yes	-	-	-	3,33,362
Ms. Sreelakshmi Manthena	Non-Independent Non-Executive	9	9	Yes	-	-	-	6,40,398
Mr. Narender Kumar	Non-Independent Non-Executive	9	8	Yes	-	-	-	4,69,743
Sri. R Sreenivasa Rao	Independent Non-Executive	9	9	Yes	1	-	1	-
Sri. K Somasekhara Rao	Independent Non-Executive	9	9	Yes	-	-	-	-
Sri. AVS Krishna Mohan	Independent Non-Executive	9	7	Yes	-	-	-	-
Sri. Manthena Badari Narayana Raju	Executive Director	9	9	Yes	-	-	-	2,087
Sri. Sitarama Raju Manthena	Executive Director	9	9	Yes	-	-	-	7,12,992

The Directorships held by the Directors in other companies, as mentioned above; do not include Directorships in foreign companies, companies registered under Section 8 of the Companies Act, 2013, and private limited companies.

This clarification ensures that only relevant and reportable Directorships are considered, aligning with the disclosure requirements under applicable regulations and guidelines.

None of the Directors on the Board is a member of more than 10 committees and is the Chairman of more than 5 committees across all the companies in which they serve as directors. This practice aligns with regulatory requirements and helps ensure that the Directors can effectively contribute to the various committees they are part of.

None of the Directors serves as an Independent Director in more than seven listed companies. This ensures compliance with regulatory limits and helps maintain the Directors' ability to effectively contribute to each board on which they serve.

#### **DATES OF BOARD MEETINGS:**

The Board met 9 times in the financial year 2023-24 on the following dates, with a gap not exceeding one hundred and twenty days between any two meetings:

Date	Board Strength	No. of Directors Present
28/05/2023	9	9
05/06/2023	9	9
27/07/2023	9	9
13/08/2023	9	8
06/09/2023	9	8
12/10/2023	9	8
14/11/2023	9	9
29/01/2024	9	9
14/02/2024	9	9

- None of the Non-Executive Independent Directors have any material pecuniary relationship or transaction with the Company.

### 3. Audit Committee and composition:

- The Audit Committee of the Company as of 31st March 2024 consisted of two Independent Directors and one Executive Director. The Chairman of the Audit Committee was an Independent Director who was present at the Board Meeting where the annual accounts were approved. All the members of the committee are financially literate.

The composition of the Audit Committee conforms to Regulation 18 and Part C of Schedule II of the SEBI Listing Regulations, 2015, as well as Section 177 of the Companies Act, 2013. The Chief Financial Officer, Internal Auditor, and Statutory Auditors are also invited to attend and participate in meetings of the Committee. Additionally, the Chairman of the Audit Committee was present at the Annual General Meeting held on 30th September 2023.

The Terms of Audit committee includes the following:-

- Overview of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement reflects a true and fair position, and that sufficient and credible information is disclosed.
- Monitoring and reviewing risk management assessment and minimization procedures, implementing, and monitoring the risk management plan and identifying, reviewing, and mitigating all elements of risks which the Company may be exposed to.
- In compliance with provisions of Section 177(9) of the Companies Act, 2013 and Regulation 22 of SEBI (LODR) Regulations, 2015, the Company has framed a Whistle Blower Policy / Vigil Mechanism to report concerns about the Company's working or about any violation of its policies.
- Recommending the appointment and removal of the statutory auditors, fixation of audit fees and approval for payment for any other services.
- Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- Reviewing, with the management, the annual financial statements before submission to the board, focusing primarily on:
  - Matters required to be included in the Director's Responsibility statement to be incorporated Pursuant to section 134 (3) (c) of the Companies Act, 2013
  - Any changes in accounting policies and practices
  - Major accounting entries based on the exercise of judgment by management
  - Significant adjustments arising out of audit;
  - Compliance with listing and other legal requirements relating to financial statements.
  - Disclosure of any related party transactions
  - Qualifications in the draft audit report.
  - Compliance with accounting standards
  - Management discussion and analysis of financial condition and result of operations.
- Reviewing the Quarterly Financial Results before submitting the same to the Board's approval
- Reviewing, with the management, the performance of external and internal auditors and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function and frequency of internal audit.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

- K. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- The Audit Committee Meetings are usually held at the registered office of the Company and Audio/Video Conference, and are also attended by CFO, Statutory Auditors and Internal Auditors.
  - The last Annual General Meeting of the Company was held on September 30, 2023.
  - The composition of the Audit Committee as on March 31, 2024, and particulars of meetings attended by the members are as follows:

Name	Category	Number of meetings during the year 2023-24	
		Held	Attended
Sri. Sreenivasa Rao Ravinuthala	Non-Executive Independent	4	4
Sri. Koganti Somasekhara Rao (Appointed on 28.05.2023)	Non-Executive Independent	4	3
Sri. Sitarama Raju Manthana (Appointed on 28.05.2023)	Executive	4	3
Sri. A V S K Mohan (Ceased on 28.05.2023)	Non-Executive Independent	4	1
Ms. Sreelakshmi Manthana (Ceased on 28.05.2023)	Non-Executive Non Independent	4	1

**Meetings of Audit Committee:**

The Audit Committee met 5 times during the previous year, with a gap exceeding one hundred and twenty days between two meetings as per the relaxations given by the statutory authorities. All members were present at the meetings of Audit Committees. The said committee met at the following dates.

Date	Board Strength	No. of Directors Present
28.05.2023	3	3
13.08.2023	3	3
14.11.2023	3	3
14.02.2023	3	3

The necessary quorum was present at all meetings.

**4. Nomination and Remuneration Committee:**

- The Nomination and Remuneration Committee was constituted in conformity with SEBI (LODR) Regulations, 2015 and the terms of reference are in conformity with Section 178 of the Companies Act'2013.
- The Nomination and Remuneration Committee of the Company as on 31st March'2024 consists of 3 directors, out of whom two are independent directors.
- The main object of this Committee is to identify persons who are qualified to become directors and who may be appointed in senior management of the Company, recommend to the Board their appointment and removal and shall carry out evaluation of every Director's performance, recommend the remuneration package of both the Executive and the Non-Executive Directors on the Board and also the remuneration of Senior Management, one level below the Board. The Committee reviews the remuneration package payable to Executive Director(s) and recommends to the Board the same and acts in terms of reference of the Board from time to time.
- The composition of the Nomination and Remuneration Committee as on March 31, 2024 is mentioned below and two meetings were held on 13.08.2023 and 23.08.2023, and the details of the members attended are as follows: -



**Composition of the Nomination and Remuneration Committee**

Name	Category	Number of meetings during the year 2023-24	
		Held	Attended
Mr. Sreenivasa Rao Ravinuthala	Non-Executive Independent	2	1
Dr. Anji Raju Manthana	Non-Executive Non Independent	2	2
Mr. Koganti Somasekhara Rao (Appointed on 28.05.2023)	Non-Executive Independent	2	2
Mr. A V S K Mohan (Ceased on 28.05.2023)	Non-Executive Independent	1	0

**Meetings of Nomination and Remuneration Committee**

Date	Board Strength	No. of Directors Present
13.08.2023	3	3
23.08.2023	3	2

**5. The broad terms of reference of the remuneration Committee includes:-**

The terms of reference of the Nomination and Remuneration Committee are as under:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of the directors, key Managerial Personnel, and other employees.
  2. Formulation of criteria for evaluation of Independent Directors and the Board.
  3. Devising a policy on Board diversity.
  4. Identifying people who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal.
  5. To recommend/review remuneration of Key Managerial Personnel based on their performance and defined assessment criteria.
  6. To decide on the elements of the remuneration package of all the Key Managerial Personnel i.e., salary, benefits, bonus, stock options, pensions etc.
  7. Recommendation of fee / compensation if any, to be paid to Non-Executive Directors, including Independent Directors of the Board.
  8. Payment / revision of remuneration payable to Managerial Personnel.
  9. While approving the remuneration, the committee shall consider the financial position of the Company, trend in the industry, qualifications, experience, and past performance of the appointee.
  10. The Committee shall be able to bring about objectivity in determining the remuneration package while striking the balance between the interest of the Company and shareholders.
  11. Any other functions / powers / duties may be entrusted by the Board from time to time. The Company has adopted a policy relating to the remuneration for Directors, Key Managerial Personnel and other employees of the Company which is disclosed on the website of the Company [www.kernex.in](http://www.kernex.in). The Company has paid Remuneration and Sitting Fee during the Financial Year 2023-24.
6. The Company does not have any Employee Stock Option Scheme (ESOS) in place.
7. Remuneration Policy:

The Company's remuneration policy is driven by the success and performance of the individual employees. The Company follows a compensation policy of fixed pay, allowances & perquisites. The performance of the individuals is measured through the annual appraisal process.

**8. Remuneration paid to Whole time Director during the financial year 2023-24 is follows: -**

Name	Designation	REMUNERATION (Rs. Lakhs)		
		*Salary & Benefits	Commission	Total
Mr. Manthena Badari Narayana Raju	Whole Time Director	32.46	-	<b>32.46</b>
Mr. Sitarama Raju Manthnea	Whole Time Director	32.46	-	<b>32.46</b>

\*not included allowances and perquisites

Besides above, the Whole Time Directors of the Company is also entitled to Company's contribution to provident Fund and Superannuation Fund or Annuity Fund to the extent, not taxable under the Income Tax Act 1961, Gratuity as per the Gratuity Act, 1972 and other allowances.

**B. Non-Executive Directors:**

The Non-Executive Directors are paid a sitting fee at the rate of Rs.50,000/- for each meeting of the Board and committee meetings. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending meetings.

Sitting fee paid to non-executive Directors during Financial Year 2023-24, is as follows: -

Name	Sitting fee (Amount in Rs. Lakhs)
Dr. Anji Raju Manthena	5.50
Dr. Janardhana Reddy Vinta	4.50
Ms. Sreelakshmi Manthena	5.00
Mr. Narender Kumar	4.00
Mr. Sreenivasa Rao Ravinuthala	7.50
Mr. Koganti Somasekhara Rao	10.20
Mr. AVS Krishna Mohan	3.50

**All pecuniary relationship or transactions of the Non-Executive Directors:**

The Company has not engaged in any pecuniary transactions with the Non-Executive Directors during the financial year. However, the Company has paid sitting fees to the Non-Executive Directors for attending Board and Committee meetings.

**5. Stakeholders Relationship Committee:**

The Company has constituted a Stakeholders Relationship Committee in accordance with Section 178 of the Companies Act, 2013. This Committee is responsible for addressing and resolving complaints from investors, including issues related to the transfer or credit of shares, non-receipt of dividends, notices, annual reports, etc.

- i. The Company's Stakeholders Relationship Committee is comprised of three directors, with a majority being Non-Executive Independent Directors. This composition ensures a balanced and independent approach to addressing and resolving investors' complaints.
- ii. The Committee met once during the financial year on February 14, 2024. All members of the Committee were present at the meeting.

The Shareholders/Investors Grievance Committee of the Company comprises the following directors:

Name	Category
Mr. Sreenivasa Rao Ravinuthala	Non-Executive Independent
Mr. Sitarama Raju Manthena	Whole-Time Director
Mr. K Somasekhara Rao (Appointed on 28.05.2023)	Non-Executive Independent
Mr. A V S K Mohan (Ceased on 28.05.2023)	Non-Executive Independent

**iii. Name, designation and address of Compliance Officer:**

CS Prasada Rao Kalluri, Company Secretary & Compliance Officer  
 Plot No.38 to 41, Survey no.1/1, Hardware Park, Maheswaram Mandal, Raviryal Village, Ranga Reddy, Hyderabad – 501 510

**iv. Details of complaints received and redressed:**

Opening Balance	Received during the period 01.04.2023 to 31.03.2024	Resolved during the period 01.04.2023 to 31.03.2024	Closing Balance
Nil	Nil	Nil	Nil

The Committee reviews the security transfers/transmissions, processes of dematerialization, investor grievances, and the systems dealing with these issues. Mr. Prasada Rao Kalluri, Company Secretary, is appointed as the Compliance Officer of the Company. The Board has authorized the Company Secretary, who is also the Compliance Officer, to approve share transfers/transmissions and comply with other formalities related thereto. All investor complaints that cannot be settled at the level of the Compliance Officer will be placed before the Committee for final resolution. As of 31st March 2024, there were no pending complaints or transfers.

**Terms of reference:**

The terms of reference of the Stakeholders Relationship Committee are as under:

- Redressal of grievances of shareholders, debenture holders and other security holders.
- Transfer and transmission of securities.
- Dealing with complaints related to transfer of shares, non-receipt of declared dividend, non-receipt of Balance Sheet etc.
- Issuance of duplicate shares certificates.
- Review of dematerialization of shares and related matters.
- Performing various functions relating to the interests of shareholders/investors of the Company as may be required under the provisions of the Companies Act, 2013, SEBI (LODR) Regulations, 2015 with the Stock Exchanges and regulations/guidelines issued by the SEBI or any other regulatory authority In order to expedite the process and for effective resolution of grievances/complaints, the Committee has delegated powers to the Registrar and Share Transfer Agents i.e., M/s. KFin Technologies Limited., to redress all complaints/grievances/enquiries of the shareholders/investors. It redresses the grievances/ complaints of shareholders/investors under the supervision of Company Secretary & Compliance Officer of the Company.

The Committee, in conjunction with the Registrars and Share Transfer Agents of the Company, follows a policy of addressing any complaints within seven days from the date of receipt.

As mandated by SEBI, the Quarterly Reconciliation of Share Capital Audit is conducted by a Practicing Company Secretary. This audit verifies the reconciliation of total admitted capital with the National

Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) against the total issued and listed capital. The audit confirms that the total issued and paid-up capital aligns with the total number of shares held in both physical and dematerialized forms with NSDL and CDSL.

## 6. Risk Management Committee

The Company is not mandated to constitute a Risk Management Committee as per Regulation 21(5) of the SEBI Listing Regulations, 2015, due to its current scope and size.

However, in alignment with best practices, the Company has voluntarily established a Risk Management Committee to proactively identify and address potential risks. The Committee is responsible for assessing and implementing measures to mitigate risks. The members of the Risk Management Committee are as follows:

Name	Category
Mr. Sreenivasa Rao Ravinuthala	Non-Executive Independent
Dr. Janardhan Reddy Vinta	Non-Executive Non-Independent
Mr. Koganti Somasekhara Rao (Appointed on 28.05.2023)	Non-Executive Independent
Mr. A V S K Mohan (Ceased on 28.05.2023)	Non-Executive Independent

## 7. Corporate Social Responsibility Committee

During the year under review, the provisions of Corporate Social Responsibility (CSR) were not applicable to the Company. However, in adherence to the best practices, the Company has constituted a CSR Committee and developed a CSR policy in line with the provisions of the Companies Act, 2013. The CSR Committee comprises the following members:

Name	Category
Sri. AVS Krishna Mohan	Non-Executive Independent
Sri. Sreenivasa Rao Ravinuthala	Non-Executive Independent
Sri. Sitarama Raju Manthena	Whole-Time Director

The CSR Committee is responsible for formulating and monitoring the CSR policy and activities of the Company.

## MEETING OF INDEPENDENT DIRECTORS

During the year under review, the Independent Directors met on 12th February 2024, inter alia, to discuss:

- Performance Evaluation: Review and evaluate the performance of the Board, its Committees, and individual Directors.
- Compliance with Regulatory Requirements: Discuss compliance with regulatory requirements and any necessary actions to address compliance issues.
- Strategic Matters: Assess strategic issues impacting the Company's long-term goals and performance.
- Risk Management: Evaluate the effectiveness of risk management strategies and measures.
- Board Effectiveness: Discuss and improve the effectiveness of Board processes and dynamics.
- Independent Directors' Role: Review the role and responsibilities of Independent Directors to ensure their effectiveness in governance.
- The meeting provided an opportunity for Independent Directors to discuss these matters freely and contribute to the overall governance of the Company.
- All the Independent Directors were present at the Meeting.

**Compliance officer:**

Mr. Prasada Rao Kalluri, Company Secretary, serves as the Compliance Officer responsible for ensuring adherence to the Securities Laws, Listing Agreements with the Stock Exchanges, and SEBI (LODR) Regulations, 2015. In addition to his role as Compliance Officer, he acts as the Secretary to all the mandatory sub-committees of the Board, facilitating their meetings and ensuring compliance with regulatory requirements.

**Compliance Reports**

The Board of Directors periodically reviews compliance reports on applicable laws to ensure that the Company adheres to all regulatory requirements and legal standards.

**Succession Plans**

The Company has established plans for the orderly succession of appointments to the Board and senior management. The Board is satisfied with the effectiveness and robustness of these succession plans.

**Code of Conduct**

The Board of Directors has established a Code of Conduct applicable to all Board members and senior management of the Company. This Code of Conduct incorporates the duties of independent directors as stipulated under the Companies Act, 2013. All Board members and senior management personnel have affirmed their compliance with this Code.

A declaration signed by the Whole Time Directors confirming adherence to the Code of Conduct is included below:

**Information and Compliance Certificate to the Board**

All information required under Regulation 17 of the SEBI Listing Regulations, 2015, is provided to the Board. In accordance with the Company's Corporate Governance Policy, all statutory and materially significant information is submitted as part of the agenda papers well in advance of Board Meetings or circulated during the meetings. This practice ensures that Directors are well-informed and able to effectively discharge their responsibilities in overseeing the strategic direction of the Company as trustees of the Shareholders.

The Whole-Time Directors (WTDs) and the Chief Financial Officer have provided the compliance certificate to the Board of Directors, as specified under Part B of Schedule II of the SEBI Listing Regulations, 2015. This certification confirms that the Company has adhered to the relevant corporate governance requirements and regulations.

The Company has established procedures to keep the Board of Directors informed about the risk assessment and minimization procedures. The Board continuously advises the management on the development and implementation of risk management plans and oversees their effectiveness.

**Prevention of Insider Trading**

The Company has framed the Code of Conduct to regulate, monitor and report trading by employees and other connected persons and the Code of Practices and Procedures for fair disclosure of unpublished price sensitive information for Prevention of Insider Trading based on SEBI (Prohibition of Insider Trading) Regulations, 2015. The Code of Conduct to regulate, monitor and report trading by employees and other connected persons is applicable to all the Board members / officers / designated persons. The Code ensures the prevention of dealing in shares by people having access to unpublished price sensitive information.

**8. Related Party Transactions**

The Company has formulated a Related Party Transactions Policy. All related party transactions are conducted in accordance with the Related Party Transactions (RPT) Policy and comply with the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. All RPTs are presented to the Audit Committee for approval.

**9. Corporate governance requirements with respect to subsidiary of the company and compliance thereto**

The Company does not have any domestic subsidiaries. However, based on the financials for FY 2022-23,

M/s. Avant Garde Info Systems Inc, a wholly-owned subsidiary, qualifies as a Material Subsidiary. The Company has ensured compliance with the corporate governance requirements applicable to its subsidiary.

**10. Independent Directors and compliance of their obligations**

All the independent directors have fulfilled their obligations as specified under Regulation 25 of the SEBI Listing Regulations, 2015.

As stipulated by the Code of Independent Directors under the provisions of Section 149 (8) and Schedule IV (VII) of the Companies Act, 2013, and Clause 25 (3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate meeting of the Independent Directors of the Company was held during the year on 12th February 2024.

**11. Obligations with respect to employees including senior management, key managerial persons, directors and promoters**

Directors and Senior Management have complied with the obligations specified under Regulation 26 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This includes adherence to the limits on the number of committees on which a Director may serve in all public limited companies, affirmation of compliance with the Code of Conduct, and disclosure of all material, financial, and commercial transactions where they have a personal interest that may potentially conflict with the interests of the Company at large.

**Familiarization Programme for Board Members:**

A formal familiarization program was conducted to update the Board and senior management on the amendments to the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and all other applicable laws relevant to the Company.

It is the general practice of the Company to periodically notify changes in all applicable laws to ensure ongoing compliance and awareness.

The details of the familiarization programs for Independent Directors are posted on the Company's website at <http://www.kernex.in>.

**Performance evaluation:**

Pursuant to the provisions of the Companies Act, 2013, and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has conducted the annual performance evaluation of its own performance, the performance of individual Directors, as well as the functioning of its Audit and other Committees.

A structured questionnaire was prepared, taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning. This included the adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations, and governance.

A separate exercise was conducted to evaluate the performance of individual Directors, including the Chairman of the Board. They were assessed on parameters such as their level of engagement and contribution, independence of judgment, and their ability to safeguard the interests of the Company and its minority shareholders. The performance evaluation of the Independent Directors was carried out by the entire Board, while the evaluation of the Chairman and Non-Independent Directors was conducted by the Independent Directors, who also reviewed the performance of the Secretarial Department. The Directors expressed their satisfaction with the overall evaluation process.

## 12. General Meetings

Here is the information regarding the location, date, and time of the last three Annual General Meetings (AGMs) along with the details of special resolutions passed:

Year	Day, Date and Time of the Meeting	Venue	Special Resolutions passed at the AGM by the Shareholders
2022-23	31 <sup>st</sup> AGM held on Saturday, 30 <sup>th</sup> September 2023 04:00 PM	Video Conference	<ol style="list-style-type: none"> <li>1. To increase in managerial remuneration of Mr. M B Narayana Raju (DIN: 07993925), Whole-Time Director</li> <li>2. To increase in managerial remuneration of Mr. M SitaramaRaju (DIN: 08576273), Whole-time director</li> <li>3. To consider and approve re-appointment of Mr. M B Narayana Raju (din: 07993925) as aWhole Time Director of the company</li> <li>4. To consider and approve the re-appointment of Mr. M Sitarama Raju (DIN:08576273) as awhole-time director of the company</li> <li>5. To consider and approve issue of warrants on a preferential basis</li> </ol>
2021-22	30 <sup>th</sup> AGM held on Friday, the 30 <sup>th</sup> September '2022 10:00 A.M.	Video Conference	No special resolutions were passed
2020-21	29 <sup>th</sup> AGM held on Wednesday, the 30 <sup>th</sup> September '2021 04:00 P.M.	Video Conference	No special resolutions were passed

Mr. D S Rao, Company Secretary in Practice, conducted the remote e-voting and e-voting process during the previous Annual General Meeting.

The Company had not conducted any postal ballots during the previous financial year. However, after closure of the financial year the company conducted postal ballot.

There are Special Resolutions proposing to be conducted in the ensuing 32<sup>nd</sup> AGM

### Extraordinary General Meeting:

During the year, the Company has not conducted any Extraordinary General Meeting of the Members.

## 13. OTHER DISCLOSURES

- i. There were no materially significant related party transactions made by the Company with its Promoters, their subsidiaries, Directors or Management or relatives etc. that may have potential conflict with the interests of the Company at large. All the related party transactions are on an arm's length basis and in the ordinary course of business. The particulars of transactions between the Company and its related parties are set out in the Notes to financial statements. However, during the year the Company has taken approval from shareholders for related party transactions which were falling under the material events. However, these transactions are not likely to have any conflict with the Company's interest. The Policy on Related Party Transactions as approved by the Board is uploaded on the website of the Company [www.kernex.in](http://www.kernex.in)
- ii. The equity shares of the Company are listed and traded on BSE Limited and NSE. Over the last three years, the Company has maintained a good compliance record, with no penalties or strictures imposed by SEBI, the stock exchanges, or any other authority on matters related to capital markets. However, in the financial year 2023-24, the Company faced penalties from the stock exchanges under Regulation 33 of SEBI (LODR) Regulations, 2015. These penalties were due to the non-submission of financial results for the quarter ended 31st December 2023 and the quarter and year ended 31st March 2024. Additionally, in the FY 2020-21 the Company was penalized for non-compliance concerning the Stakeholders Relationship Committee. The Company responded to the stock exchanges, stating that it



had complied with the composition requirements of the Stakeholders Relationship Committee and requested a waiver of the penalties. After considering the Company's response, the stock exchanges decided to waive off the penalties.

- iii. The Company has a Vigil Mechanism through a Whistle Blower Policy. The policy enables stakeholders, including individual employees and their representative bodies, to freely communicate their concerns about illegal or unethical practices, if any. It also enables reporting of concerns by directors and employees about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy or any other genuine concerns or grievances. The policy provides for adequate safeguards against victimization of employees and directors who avail of the vigil mechanism and provide for direct access to the Chairperson of the Audit Committee. No personnel have approached the Audit Committee till date.

The Policy covers malpractices and events which have taken place / suspected to have taken place, misuse or abuse of authority, fraud or suspected fraud, violation of Company rules, manipulations, negligence causing danger to public health and safety, misappropriation of monies, and other matters or activity on account of which the interest of the Company is affected and formally reported by whistle blowers concerning its employees. The Whistle Blower Policy of the Company is also posted on the website of the Company [www.kernex.in](http://www.kernex.in).

- iv. The Company has no material subsidiaries. However, the Company has nominated an Independent Director of the Company on the Board of material subsidiary to comply with the applicable provisions of SEBI (LODR) Regulations, 2015. The Policy on Material Subsidiaries as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as approved by the Board is uploaded on the website of the Company [www.kernex.in](http://www.kernex.in). The Management provides the financials of the subsidiary companies/JVs/Consortium on a quarterly basis and the audited financial statements annually to the Audit Committee and the Board of Directors.
- v. The Whole-Time Directors and the Chief Financial Officer have certified to the Board in accordance with Regulation 33(2) (a) of SEBI Listing Regulations pertaining to WTDs/CFO certification for the Financial Year ended 31st March 2024.
- vi. The Company has complied with the mandatory requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Company has complied with the Discretionary Requirements as specified by Regulation 27(1) of SEBI Listing Regulations which are as under:
- \* Reporting of the Internal Auditor: The internal auditor of the company reports directly to the audit committee.
- vii. There are no Shares lying in Demat Suspense Account.
- viii. During the year Mr. Sunny Sharma, CFO, has resigned from the office of senior management.
- ix. Company's practices and procedures meet the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.
- x. Total fees for all services paid by the listed entity to the statutory auditor FY 2023-24 is set out in Note No. 30 of the Standalone Financial Statements, forming part of the Annual Report.
- xi. Disclosures in relation to the Sexual Harassment of Women at Workplace Prevention, Prohibition and Redressal) Act, 2013:
- a) number of complaints filed during the financial year : Zero
  - b) number of complaints disposed of during the financial year : Zero
  - c) number of complaints pending as on end of the financial year : Zero

- xii. The Company also complies with the following non-mandatory requirements Regulation 27 of the SEBI Listing Regulations, 2015.

- There are no audit qualifications during the year under review except mentioned in the Auditors Report

- The Internal auditors report to the Audit Committee every quarter

The Company has complied with all mandatory requirements. Adoption of non-mandatory requirements is provided under Item No. 19 of this report.

Disclosure on Commodity price risks and commodity hedging activities

The Company does not import any commodity except few electronic components as and when required.

- xiii. None of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority as on the date of the report. A certificate from a Company Secretary in practice is enclosed in this regard.

#### 14. Means of Communication:

- The quarterly, half yearly and annual results are generally published in widely circulating national and local dailies such as Financial Express and Nava Telangana from time to time within 48 Hours from time of Board Meeting. These are not sent individually to the shareholders.
- The financial results are displayed on the website of the Company - [www.kernex.in](http://www.kernex.in) and in the websites of BSE Limited and National Stock Exchange of India Limited. The Company's website also displays official press releases and other disclosures submitted to stock exchanges.
- The Company has not made any presentation to institutional investors or to analysts

#### 15. General Shareholder's information:

The 32nd Annual General Meeting of the company will be held on Monday, the 30th day of September 2024 at 04:00 P.M. through Video Conference/ Other Audio-Visual Means (e-AGM).

Financial Calendar: The Company follows April to March as its financial year.

Results for the quarter ending:

30<sup>th</sup> June 2024 : On or before 14<sup>th</sup> August 2024.

30<sup>th</sup> Sep, 2024 : On or before 14<sup>th</sup> November, 2024.

31<sup>st</sup> Dec, 2024 : On or before 14<sup>th</sup> February, 2025.

31<sup>st</sup> Mar, 2025 : On or before 30<sup>th</sup> May, 2025.

Date of Book closure : Tuesday, 24th September 2024 to Monday, 30th September 2024 (both days inclusive).

Dividend Payment Date : Not Applicable

Listing on Stock Exchanges : The BSE Limited and National Stock Exchange of India Limited

#### Stock Code:

The BSE Ltd : **532686**

National Stock Exchange of India Limited : **KERNEX**

ISIN : **INE202H01019**

The Annual Listing fee for the year 2024-25 has been paid to the Stock Exchanges.

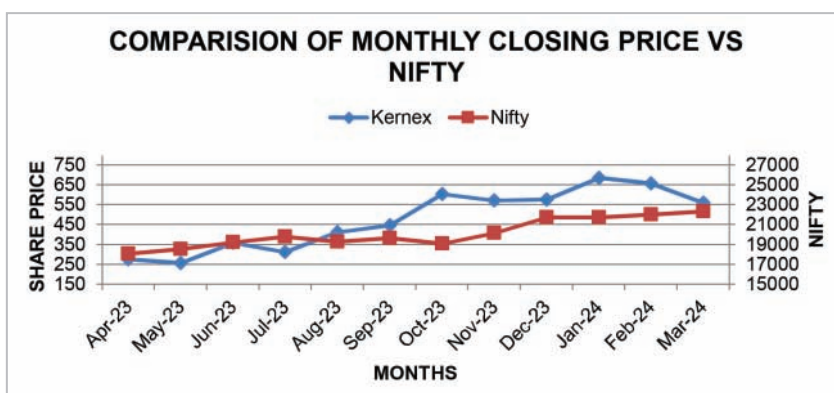
16. **Market Price Data:** High, Low (Based on the closing prices) and number of shares traded during each month in the last financial year on the National Stock Exchange of India Limited and the BSE Limited, Mumbai: -

Month	BSE Limited			National Stock Exchange of India Limited		
	High (Rs.)	Low (Rs.)	Total No. of Shares Traded	High (Rs.)	Low (Rs.)	Total No. of Shares Traded
Apr-23	288.90	225.00	48,383	288.20	222.15	1,54,573
May-23	290.00	243.90	46,611	295.00	244.55	3,30,068
Jun-23	362.00	252.95	2,48,656	364.75	253.20	12,92,220
Jul-23	360.00	302.75	1,28,710	358.90	300.65	3,95,743
Aug-23	437.00	305.10	2,63,584	435.00	304.20	23,67,924
Sep-23	518.00	408.95	1,24,475	518.45	405.15	9,19,211
Oct-23	612.05	436.5	1,28,712	610.00	435.50	8,79,427
Nov-23	706.95	576.05	62,362	699.70	572.50	4,82,334
Dec-23	644.95	535.65	78,368	644.00	538.15	4,45,418
Jan -24	708.05	550.05	1,37,941	721.00	561.85	5,45,286
Feb -24	718.00	586.10	90,106	707.00	586.95	6,55,256
Mar-24	682.00	530.10	1,00,980	681.90	527.35	4,07,146

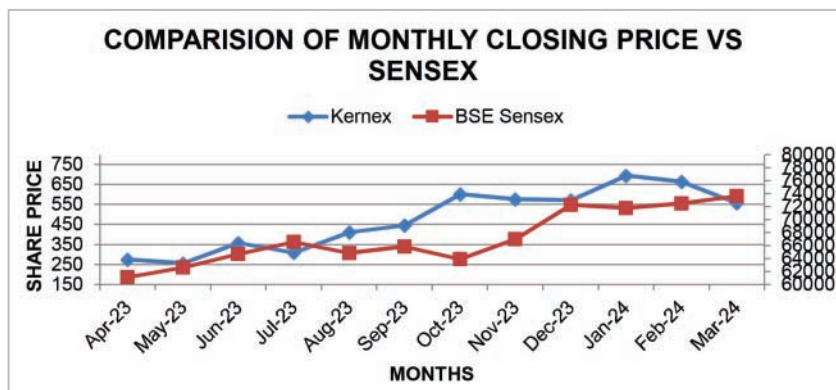
The securities of the Company are not suspended from trading during the financial year ending March 31, 2024.

#### Share Price Performance:

#### Comparison with NSE Nifty



Comparison with BSE Sensex



Distribution of Shareholding (as on March 31, 2024):

SI No	Category No. of Shares	No. of shareholders	% to Capital	No. of Shares	% of Total Share capital
1	1 - 5000	14,475	89.12	11,83,838	7.06
2	5001 - 10000	766	4.72	5,97,764	3.57
3	10001 - 20000	447	2.75	6,67,836	3.98
4	20001 - 30000	156	0.96	3,94,445	2.35
5	30001 - 40000	85	0.52	2,98,107	1.78
6	40001 - 50000	61	0.38	2,83,847	1.69
7	50001 - 100000	114	0.70	8,15,977	4.87
8	100001 and above	138	0.85	1,25,17,608	74.70
	<b>TOTAL</b>	<b>16,242</b>	<b>100.00</b>	<b>1,67,59,422</b>	<b>100.00</b>

Shareholding pattern as on March 31, 2024

SI No	Category	No of share holders	No of Shares	Percentage of Holding
<b>(A)</b>	<b>PROMOTER AND PROMOTER GROUP</b>			
(1)	<b>INDIAN</b>			
(a)	Individual /HUF	3	2,392	0.02
(b)	Others	-	-	-
(2)	<b>FOREIGN</b>			
(a)	Individuals (NRIs/Foreign Individuals)	13	48,82,320	29.13
(b)	Others	-	-	-
	<b>Total</b>	<b>16</b>	<b>48,84,712</b>	<b>29.15</b>

SI No	Category	No of share holders	No of Shares	Percentage of Holding
<b>(B)</b>	<b>PUBLIC SHAREHOLDING</b>			
(1)	INSTITUTIONS			
(a)	Financial Institutions /Banks			
(b)	Foreign Portfolio Investors Category I	1	2,000	0.01
(c)	Shareholding by Companies or Bodies Corporate where Central / State Government is a promoter	1	1,890	0.01
<b>(2)</b>	<b>NON-INSTITUTIONS</b>			
(a)	Bodies Corporate	165	20,81,585	12.42
(b)	Directors and their Relatives	8	11,53,949	6.89
(c)	Key Managerial Personnel	0	0	0
(b)	Individuals			
	(i) Individuals holding nominal share capital upto Rs.1 lakh	15,232	41,87,766	24.99
	(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	43	32,04,268	19.12
(c)	Others (NBFCs)			
	Clearing Members	-	-	-
	Non Resident Indians	234	7,07,981	4.22
	Foreign Nationals	1	330	0.00
	Trusts	3	24,431	0.15
	Huf	537	4,99,947	2.98
	<b>Total</b>	<b>16,226</b>	<b>1,18,74,710</b>	<b>70.85</b>
	<b>Grand Total</b>	<b>16,242</b>	<b>1,67,59,422</b>	<b>100.00</b>

#### Dematerialization of shares and liquidity:

The company's shares are compulsorily traded in dematerialization form. Equity shares of the Company representing 97.26% of the company's share capital are dematerialized as on March 31, 2024.

The Company's shares are regularly traded on The National Stock Exchange of India Limited and BSE Limited, Mumbai, in electronic form.

#### Dematerialization mandatory for effecting share transfers

SEBI has vide proviso to Regulation 40(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, mandated that requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialized form with a depository. In view of the same, the Company shall not process any requests for transfer of shares in physical mode. Shareholders who desire to demat their shares can get in touch with any Depository Participant having registration with SEBI to open a demat account and follow the procedure for share transfers.

#### Bank Details

Shareholders holding shares in the physical form are requested to advise the Registrar Transfer Agent of change in their address / mandate / bank details to facilitate better servicing. Shareholders are advised that their bank details, or where such details are not available, their addresses, as furnished by them to the Company or to the Depository participant, will be printed on the dividend warrants as required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as a measure of protection against fraudulent encashment.

**Permanent Account Number (PAN)**

Shareholders holding shares in the physical form are mandatorily required to furnish copy of PAN Card in the following transactions:

- i. Transfer of shares – Transferee and Transferor
- ii. Transmission of shares - Legal heirs' or Nominees'
- iii. Transposition of shares - Joint holders' and
- iv. In case of decease of shareholder - Surviving joint holders'

As on March 31, 2024 the company did not have any outstanding GDRs /ADRs / Warrants or any convertible instruments.

Manufacture facility Locations : Kernex Microsystems (India) Ltd.  
Plot No.38 to 41, Survey no.1/1,  
Hardware Park, Maheswaram Mandal,  
Raviryal Village, Ranga Reddy,  
Hyderabad – 501 510

Address of Correspondence: : Kernex Microsystems (India) Ltd.  
Plot No.38 to 41, Survey no.1/1,  
Hardware Park, Maheswaram Mandal,  
Raviryal Village, Ranga Reddy,  
Hyderabad – 501 510

**Registrar and Transfer Agents**

Kfin Technologies Limited : Karvy Selenium Tower No .B, Plot No.31-32,  
Gachibowli, Financial District, Nanakramguda  
Hyderabad : 500 032 | India  
P : +91 040 67161591  
E-mail: ganesh.patro@kfintech.com

Contact Person : Mr. Ganesh Chandra Patro  
(Sr. Manager)

**Share Transfer System**

The Share transfers are affected within one month from the date of lodgment for transfer, transmission, Sub-division, consolidation, renewal etc. Such modified Share certificates are delivered to the shareholders immediately.

**Compliance Certificate**

Certificate from Mr. D S Rao, Company Secretary in Practice, confirming compliance with the conditions of Corporate Governance as stipulated Under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is attached to the Directors' Report and forms part of this 32<sup>nd</sup> Annual Report.

**Secretarial Audit:**

1. Mr. D S Rao, Company Secretary in Practice have conducted Secretarial Audit of the Company for the year 2023-24. Their Audit Report confirms that the Company has complied with the applicable provisions of the Companies Act and the Rules made there under, SEBI Listing Regulations and other laws applicable to the Company. The Secretarial Audit Report forms part of the Director's Report.
2. Pursuant to Regulation 40(9) of the SEBI Listing Regulations, certificates have been issued on a yearly basis, by Mr. D S Rao, Company Secretary in Practice, certifying due compliance of share transfer formalities by the Company.
3. Mr. D S Rao, Company Secretary in Practice carry out a quarterly Reconciliation of Share Capital Audit, to reconcile the total admitted capital with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) and the total issued and listed capital. The audit confirms that the total issued/ paid-up capital is in agreement with the aggregate of the total number of shares in physical form and the total number of shares in dematerialized form (held with NSDL and CDSL). On the online portal of both the stock exchanges (NSE and BSE) on a quarterly basis reconciliation of share capital audit report has been filed within the prescribed time limit and the same is also placed before the Board.
4. Compliance under SEBI Listing Regulations pertaining to mandatory requirements and Practicing Company Secretaries Certificate on Corporate Governance is attached herewith.

**17. COMPLIANCE OF CORPORATE GOVERNANCE CONDITIONS**

The Company has generally complied with the requirements of corporate governance report as specified in Schedule V of the SEBI Listing Regulations, 2015. The Company has submitted the quarterly compliance reports on corporate governance to the stock exchanges within prescribed time as provided by the SEBI (LODR) Regulations, 2015 during the financial year 2023-24.

**18. WEBSITE DISCLOSURES**

The website contents of the company as required under Regulation 46 of SEBI (LODR) Regulation 2015 is being updated.

**19. DISCLOSURE ON NON-MANDATORY REQUIREMENTS**

***The Board***

The company has appointed Non-Executive Independent Director as Chairman of the Board so as to comply with Regulation 17 (1) of the Securities and Exchange Board of India (Listing Obligations and disclosure requirements) Regulations 2015 regarding number of Independent directors

***Shareholder Rights – Quarterly/Half yearly/Annual results***

The quarterly / half yearly/annual results, after approved by the Board of Directors, are forthwith sent to the Stock Exchanges with whom the Company has listing arrangements. The results, in prescribed format, are published in Financial Express and Nava Telangana.

***Separate Posts of Chairman and CEO***

The Chairman of the Board is a Non-Executive Independent Director. At present there is no CEO.

***Reporting of Internal Auditors***

The Internal Auditor of the Company reports to the Audit Committee.

The Company has submitted quarterly compliance report on Corporate Governance with the Stock Exchanges, in accordance with the requirements of Regulation 27 (2)(a) of the Listing Regulations.

***Code of Conduct***

The Company has a Code of Conduct for Directors and Senior Management of the Company and has received confirmations from the directors and senior management regarding compliance with the Code for the year ended March 31, 2024. A certificate from Whole Time Directors to this effect is attached to this Report.



**Allotment of shares**

During the year under review, the Company has passed special resolution for issue of convertible warrants on preferential basis. The Company has made allotment of shares during the year.

**Accounting treatment**

The Financial Statements of the Company have been prepared in accordance with the Indian Accounting Standard (Ind AS), notified under the Companies (Indian Accounting Standard) Rules, 2015 and the relevant provisions of Companies Act, 2013. The Financial statements have been prepared on accrual basis under the historical cost convention.

**Code of Conduct for Prevention of Insider Trading**

Pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time, your Company has in place a Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting of Trading by Designated Persons and their Immediate Relatives. The disclosures received pursuant to this code and the regulations are disseminated to the Stock Exchanges within the prescribed time limit and a report on compliance are being duly placed before the respective Audit Committee and Board Meetings.

**Secretarial Standards**

Your Company's practices and procedures meet the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

6th September 2024

To  
The members of Kernex Microsystems (India) Limited

**DECLARATION TO THE MEMBERS PURSUANT TO SCHEDULE V OF SEBI  
(LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS)  
REGULATIONS, 2015**

We, Badari Narayana Raju Manthena and Sitarama Raju Manthena, Whole Time Directors of the Company, hereby declare that all Board members and senior management personnel have affirmed compliance with the Code of Business Conduct and Ethics formulated by the Company for the financial year ended 31st March, 2024.

**Sd/-  
M Badari Narayana Raju  
Whole Time Director  
DIN: 07993925**

**Sd/-  
M Sitarama Raju  
Whole Time Director  
DIN: 08576273**

**AUDITORS' CERTIFICATE REGARDING CORPORATE GOVERNANCE**

To The Members,

**KERNEX MICROSYSTEMS (INDIA) LIMITED**

Hyderabad

We have examined the compliance of the conditions of Corporate Governance by Kernex Microsystems (India) Limited (hereinafter referred to as “the Company”) for the year ended March 31, 2024, as stipulated in Chapter IV of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”).

Compliance with the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We conducted our examination of the Corporate Governance Report in accordance with the established systems and procedures selected by us depending on our judgment, including an assessment of the risks associated with compliance of the Corporate Governance Report with the applicable criteria. The procedures include but are not limited to, verification of secretarial records and other information of the Company, as we deem necessary to arrive at an opinion.

Based on the procedures performed by us as mentioned above and according to the information and explanations provided to us, we are of the opinion that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations as applicable for the year ended March 31, 2024.

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

**Sd/-**

**CS D.S. Rao; PCS**

ACS No.: 12394

C.P. No.: 14487

UDIN: A012394F001114440

PEER REVIEW NO.: 1817/2022

Date : 03-09-2024

Place: Hyderabad

**CERTIFICATE GIVEN BY WHOLE-TIME DIRECTORS (WTDS)/ CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION**

To  
The Board of Directors,  
KERNEX MICROSYSTEMS (INDIA) LIMITED

We, M B Narayana Raju, Whole-Time Director, Sitarama Raju Mantena, Whole-Time Director and Srikanth P, Chief Financial Officer of the Company, to the best of our knowledge and belief, certify that:

- a. We have reviewed the financial statements including cash flow statement (standalone and consolidated) for the financial year ended 31st March, 2024 and to the best of our knowledge and belief:
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws, and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered by the Company during the year, which are fraudulent, illegal or violate of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to address these deficiencies.
- d. We have indicated to the auditors and the Audit Committee:
  - i. that there are no significant changes in the internal control over financial reporting during the year;
  - ii. that there are no significant changes in the accounting policies during the year; and
  - iii. that there are no instances of significant fraud of which they have become aware of and involvement therein of the management or an employee having a significant role in the Company's internal control system over financial reporting.

**For Kernex Microsystems (India) Limited**

**Sd/-**  
**M B Narayana Raju**  
Whole-Time Director  
DIN: 07993925

**Sd/-**  
**Sitarama Raju M**  
Whole-Time Director  
DIN: 08576273

**Sd/-**  
**Srikanth P**  
Chief Financial Officer

Place: Hyderabad  
Date: 13.07.2024

**CERTIFICATE ON NON-DISQUALIFICATION OF DIRECTORS**

*[Pursuant to Regulation 34(3) and Schedule V Para C Clause 10(i) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015]*

To  
The Members,  
**KERNEX MICROSYSTEMS (INDIA) LIMITED**  
**Hyderabad**

We have examined the relevant records, forms, returns and disclosures received from the directors of **KERNEX MICROSYSTEMS (INDIA) LIMITED** having CIN: L30007TG1991PLC013211 and having registered office at Plot No.38 (part) to 41, Survey No.1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Hyderabad – 501 510 (hereinafter referred to as “the Company”) produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with sub-clause 10(i) of Para C of Schedule V to the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Director Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and the explanations furnished to us by the Company & its officers, we hereby certify that none of the directors on the Board of the Company for the financial year ended March 31, 2024, have been debarred or disqualified from being appointed or continuing as directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any other statutory authority.

Sr. No.	Name of Director	Nature/ Category of Directorship	DIN
1	Sreenivasa Rao Ravinthula	Chairman & Independent Director	03271625
2	Somasekhara Rao Koganti	Independent Director	08576216
3	Addanki Venkata Sai Krishnamohan	Independent Director	07967460
4	Anji Raju Manthena	Non-Executive Director	01022368
5	Janardhana Reddy Vinta	Non-Executive Director	02414912
6	Sreelakshmi Manthena	Non-Executive Director	07996443
7	Narender Kumar	Non-Executive Director	02395345
8	Badari Narayana Raju Manthena	Whole-time Director	07993925
9	Sitarama Raju Manthena	Whole-time Director	08576273

*Ensuring eligibility for the appointment/ continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.*

Date : 03-09-2024  
Place: Hyderabad

**Sd/-**  
**CS D.S. Rao; PCS**  
ACS No.: 12394  
C.P. No.: 14487  
UDIN: A012394F001114541  
PEER REVIEW NO.: 1817/2022



**STANDALONE  
FINANCIAL STATEMENTS  
2023-24**



## INDEPENDENT AUDITOR'S REPORT

To the Members of **Kernex Microsystems (India) Limited**

### Report on the Audit of the Standalone Financial Statements

#### Qualified Opinion

We have audited the accompanying standalone financial statements of Kernex Microsystems (India) Limited ("the Company"), which comprise the balance sheet as at 31 March 2024, and the statement of Profit and Loss, including the Statement of Other Comprehensive Income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of material accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, **except for the effects of the matter described in the Basis for Qualified Opinion paragraph below**, the aforesaid standalone Financial statements give the information required by the Companies Act, 2014, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2024, its loss including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

#### Basis for Opinion

- (a) The Company has a 100% subsidiary namely Avant Garde International Inc in USA which is presently supporting the business of the company by identifying the sources, negotiating for and procuring electronic components from outside India. The subsidiary in the past, was involved in the trading of goods.

As per the latest unaudited financials of the subsidiary available as on 31-03-2024, the net worth of the subsidiary has eroded fully and to an extent of USD 1.917 million against an investment of USD 1.821 million, the equivalent Indian Rupees being 1450.81 lakhs per prevailing exchange rate. As a result, the carrying amount of the investment by the Company in the equity of subsidiary at Rs. 1275.97 lakhs (at Cost) (Note 4) stands fully impaired. Ind AS 36 requires the company to provide for impairment in the value of investments which are accounted at Cost by providing for the amount of impairment in the Profit & Loss Account.

- (b) The Company besides making an investment of Rs. 8 lakhs in TCAS JV – a joint venture partnership (Note 4) formed to execute a railway safety project, in which the Company has 80% share in the profits and losses; has further exposure by way of long-term advances of Rs. 489.70 lakhs (Note 6.1) and a trade receivable of Rs. 97.54 lakhs (ECL provided of Rs. 8.53 lakhs) (Note 3). The TCAS JV has accumulated losses Rs. 216.23 lakhs as on 31-03-2024 and the share of Company in these losses works to Rs. 172.99 lakhs (Note 34A). In our view, the company is required to make a provision for impairment loss towards its investment, loan and trade receivables to the tune of Rs. 164.46 lakhs to account for the share of accumulated losses in the Joint venture in its stand-alone financial statements.

Since the Company has not impaired the cost of investments, the advance granted to joint venture and trade receivable to an extent of Rs. 1440.43 lakhs (Rs. 1275.97 lakhs on account of AGI & Rs. 164.46 lakhs on account of TCAS JV) in its books, the Loss for the year and other Comprehensive Income are understated by the said amount. The Other Equity in the balance sheet is overstated by Rs. 1440.43 lakhs. Our conclusion on the statement is qualified in respect of the above matters.

We conducted our audit of standalone financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act, and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the standalone financial statements.

### Emphasis of Matter

We draw attention to Note 3, 7, 10 and 33 (g) of the standalone financial statements which describes that the company has assessed the recoverability and impairment of the following financial assets:

- (a) Trade Receivables from customers Rs. 532.46 lakhs (including a related party of Rs. 323.77 (PY Rs. 512.12 lakhs) net of ECL provision.
- (b) MAT credit receivable of Rs. 122.56 lakhs (PY Rs. 122.56 lakhs)
- (c) Margin money deposits with banks of Rs. 1513.30 lakhs (PY Rs. 1702.34 lakhs) secured for customer guarantees and under arbitration / negotiation.

Such assessments are based on current facts and circumstances and may not necessarily reflect future uncertainties and events and the final recoverable amounts may vary for the reasons mentioned therein.

### Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	Auditor's Response
<p>1. The Company (as a lead member) along with a third party as consortium partners (with joint and several liability), entered into Engineering, Procurement and Construction Contracts with a Customer in financial year 22-23 in connection with providing railway safety equipment on EPC basis. The consortium partners entered an inter se agreement to share the revenues from these customer contracts in proportion to the scope of work agreed between them, each being responsible for their share of agreed work.</p> <p>The Company, though as a lead member received the entire revenue, it accounted revenue to the extent of its share alone i.e., after deducting the amount per scope of work for which the other consortium partner is responsible and entitled to. The revenue from these contracts commenced in this year of audit, and being material to the Company is considered as a key audit matter.</p>	<p>We have examined the EPC contract with the Customer, the inter se agreement between consortium partners which detailed the scope of work for which each of them is responsible, and the proportion of contract value payable to the third-party consortium partner for its share of work under the contract. In terms of Ind AS 115 the Company accounted only for its share of revenue as the income from the contract instead of gross revenue of the contract with a corresponding adjustment to contract assets.</p> <p>We reviewed the invoices raised on the customer vis a vis the invoices raised by third party consortium partner on the company (Note 20). For the purposes of determining the company's share of</p>



Key Audit Matter	Auditor's Response
	<p>revenue from the EPC contract, the company's management certified the proportion of work rendered by third party consortium partner basis contract milestones for reduction from the invoices raised on the customer.</p> <p>Pending confirmation of balances by the third-party consortium partner, we have verified their invoices raised on the company and the remittances made to them.</p>
<p>2. The Customers of the Company stipulated material amounts as liquidated damages for delays in execution of the contract, which are not accounted for.</p>	<p>As regards liquidated damages, we have been informed by the management that the contracts most likely would be extended on account of delays at Customer-end obviating the need to provide for liquidated damages in the financial statements. We have verified the receipts from customers during the year to confirm that no deductions were made towards liquidated damages.</p>
<p>3. The value of Inventories (Note No 8) at Rs. 7169.56 Lakhs comprising of Raw materials, Work in Progress and Finished goods as on 31-03-2024 is considered as a key audit matter considering the relative size of it in the financial statements.</p>	<p>The physical verification of raw material stocks in stores was conducted by the Internal auditors and management in April 24 &amp; Finished goods at production department were physically verified by us in May 24; both of which have been related back to year-end numbers based on the recorded movement from year-end to the date(s) of physical verification, to ascertain corresponding book balances as on 31-03-2024.</p> <p>Finished goods and other components of Rs. 2564.79 lakhs include Rs. 1918.25 lakhs at project site not verified by us but certified by the management. Material components lying in production department under conversion to semi-finished / finished goods, valued at Rs. 1914.79 lakhs (excluding unbilled revenue of Rs. 163.47 lakhs), as per the integrated software application could not be physically verified.</p> <p>We have verified the integrated accounting and inventory software maintained by the Company to ascertain the receipts from purchases, issues and stock transfers; for material balancing of major items of raw materials to arrive at the closing stock of Inventories as well as the valuation thereof.</p>

Key Audit Matter	Auditor's Response
4. Balances lying with statutory / government authorities as on 31-03-2024 amount to Rs. 1506.93 lakhs (Note 6) is considered as a key audit matter considering the relative size of it in the financial statements.	This amount relates to Input credit and GST TDS to be availed / set off against future sales by the Company. We have verified the same with the returns filed by the Company under the Statute and the amounts recorded in the concerned authorities' portal(s)

### Information Other than the Standalone Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the Standalone Financial Statements and our auditor's report thereon. The Company's Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the standalone financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available, and, in doing so, consider whether such other information is materially inconsistent with the standalone Financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

### Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in the equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Standalone Financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Standalone Financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from

fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. A. As required by Section 143(3) of the Act, we report that:
  - i. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books except for the matters stated in paragraph 2B below on reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014.

- iii. The Standalone Balance Sheet, the Statement of Profit and Loss including the Statement of other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
- iv. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards (Ind AS) specified under Section 133 of the Act.
- v. The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.
- vi. On the basis of the written representations received from the directors from 01-04-2024 to 29-05-2024 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2024 from being appointed as a director in terms of Section 164(2) of the Act.
- vii. The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above and in paragraph 2B.
- viii. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- ix. With respect to the matter to be included in the Auditor's Report under Section 197(16) of the Act, in our opinion and according to the information and explanations given to us, the remuneration paid / payable by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. Remuneration of Rs. 39 lakhs to the Wholetime Directors for the period from 1st October 2023 till March 2024 approved in the Board meeting held on 12-10-2023, is subject to ratification of the members in the ensuing general meeting.
- x. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
  - I. The company has disclosed the impact of pending litigations on its financial position in its financial statements.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company
  - iv. a) The management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person or entity, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediaries shall, whether, directly or indirectly lend or invest in other person or entity identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;  
b) The management has represented that, to the best of its knowledge and belief, no funds have been received by the company from any person or entity, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the company shall, whether, directly or indirectly, lend or invest in other person or entity identified in any manner whatsoever by or on behalf of the Funding Parties ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and  
c) Based on the audit procedures that were considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.
  - v. No dividend has been declared or paid during the year by the Company.

- B. The reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 applicable from 1 April 2023 is as follows:

Based on our examination which included test checks, except for the instances mentioned below, the Company has used accounting software for maintaining its books of account, which have a feature of recording audit trail (edit log) facility and the same has operated during the year, as under, for all relevant transactions recorded in the respective software:

- a. The feature of recording audit trail has been put in place only from 03-07-2023 when the company upgraded the integrated accounting and inventory software to the edit log version.
- b. The feature of recording audit trail (edit log) facility was not enabled for accounts relating to payroll, fixed asset register and consolidation process.
- c. The feature of recording audit trail (edit log) was not enabled for records maintained with respect to indenting and purchase of raw material components and job works.

Further, for the periods where audit trail (edit log) facility was enabled and operated throughout the year for the respective accounting software, we did not come across any instance of the audit trail feature being tampered with. As regards audit trail preservation, since this is the first year, the requirements are not applicable.

Place: Hyderabad  
Date : 13 July 2024

For **PRSV & Co. LLP**  
Chartered Accountants  
Firm's Registration No. S-200016

**Sd/-**  
**Raja Praturi**  
Partner  
Membership No. 020615  
**UDIN: 24020615BKCQYL7616**

## **ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT**

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of **Kernex Microsystems (India) Limited** of even date)

### **Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub- section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of **Kernex Microsystems (India) LIMITED** (“the Company”) as of 31 March 2024 in conjunction with our audit of the standalone Financial statements of the Company for the year ended on that date.

#### **Management’s Responsibility for Internal Financial Controls**

The Board of Directors of the Company is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditor’s Responsibility**

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls Over Financial Reporting**

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, has an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March, 2024, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **PRSV & Co. LLP**  
Chartered Accountants  
Firm's Registration No. S-200016

**Sd/-**  
**Raja Praturi**  
Partner  
Membership No. 020615  
**UDIN: 24020615BKCQYL7616**

Place: Hyderabad  
Date : 17 July 2024



**ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT**

**(Referred to in paragraph 1 under Report on Other Legal and Regulatory Requirements' section of our report to the Members of Kernex Microsystems (India) Limited of even date)**

In terms of the information and explanations sought by us and given by the company and the books of account and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state that:

- i. In respect of the Company's fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
  - (b) The Company has maintained proper records showing full particulars of intangibles assets.
  - (c) The Company has a regular program of verification to cover all the items of fixed assets in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No physical verification of assets has been carried out during the year under Audit.
  - (d) The title deeds of immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) included in property, plant and equipment are held in the name of the Company.
  - (e) The Company has not revalued its property, plant and equipment (including right of use assets) or intangible assets during the year ended March 31, 2024.
  - (f) There are no proceedings initiated or are pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder.
- ii.
  - (a) The inventory to the extent of raw materials lying in stores have been physically verified by the management during the year in January 2024 and in April 2024. In our opinion, the frequency and coverage of verification by the management requires to be improved given the size of inventory maintained and the procedures for such verification are to be tailored accordingly. There were no discrepancies of 10% or more in aggregate for each class of inventory.
  - (b) ) As disclosed in Note 39 to the standalone financial statements, the Company has been sanctioned working capital limits (Including non-fund based) in excess of Rs. five crores in aggregate from State bank of India & HDFC Bank during the year on the basis of security of current assets of the Company. The quarterly statements filed by the Company with such banks are in agreement with the books of accounts of the Company other than those as set out below.

Name of the Bank(s)	Quarter ended	Receivables & Inventories		Difference (Excess)/ Shortfall (Lakhs)	Difference in FY 2022-23	Reasons
		Per statements filed with banks	Per books of account			
State Bank of India	30-06-23	4989.30	3359.72	(1629.58)	1001.23	See below Note
	30-09-23	5688.04	3894.89	(1793.15)	828.89	
	31-12-23	8455.28	8790.68	335.40	883.70	
	31-03-24	10922.68	7169.56	(3753.12)	868.32	
HDFC Bank	31-03-23	9061.63	7169.56	(1892.07)	NA	

Note: The company states that it submitted statements to the bank without deducting the provisions carried in the books of account.

- iii. (a) The Company has not made any investment in, provided any guarantee or security to companies, firms, limited liability partnerships or any other parties during the year. The Company has granted unsecured loans to Joint Venture / firms in respect of which the requisite information is as below: Loans & Guarantees (Rs. Lakhs)

Particulars	Financial Year 2023- 24	Previous Year
<b>I. Aggregate amount invested / granted/ provided during the year</b>		
(a) Joint venture – 80% share to Company per Partnership dt. 15-04-2019 (net of repayments)	92.97	148.14
(b) Overseas 100% subsidiary (Avant Garde Infosystems Inc, USA	NIL	480.20
<b>II. Balance outstanding as at balance sheet date in respect of above case including opening balance outstanding</b>		
(a) (i) Joint venture loan / advance	489.70	396.73
(ii) Bank Guarantee for Contract performance provided to Customer	97.54	97.54
(iii) investment in the capital of the JV	8.00	8.00
(b) Investment in 100% Subsidiary	1,275.97	1,275.97
<b>III. Aggregate amount of Loans where any terms &amp; period for repayment are not mentioned &amp; % age thereof (Related Parties)</b>		
- Agreement does not specify any terms or period of repayment	489.70	396.73
Percentage of loans/ advances in nature of loans to the total loans	100%	100%

- b) In respect of the aforesaid investments and loans, the terms and conditions under which such investments were made and loans were granted are not prejudicial to the Company's interest
- c) In the case of loans given, there is no stipulation of repayment of principal and payment of interest and hence unable to make specific comment on the regularity of repayment of principal and payment of interest. The applicable interest has been debited to the above loan account of the party.
- d) In the case of loans given, as there is no stipulation of repayment of principal and payment of interest and hence, we are unable to comment on overdue amount for more than ninety days in respect of loans given.
- e) In the case of loans given, as there is no stipulation of repayment of principal and payment of interest and hence, we are unable to comment if any loan given falling due during the year has been renewed or extended. However, no fresh loans given to settle the overdues of existing loans given to the same party.
- f) In the case of loans given, there is no stipulation of repayment of principal and payment of interest. However, we are given to understand that the loan is repayable on 'demand'.
- iv. The Company has not granted any other loans or provide any guarantees or securities to parties covered under Section 185 of the Act other than the book debts of Rs. 418.34 lakhs (excluding ECL provision of Rs. 183.58 lakhs) overdue from a company in which directors are interested. Further, the aggregate of such loans or guarantees have not exceeded the limits specified in Sections 186 of the Companies Act, 2013.

- v. The Company has neither accepted any deposits from the public nor accepted any amount which are deemed to be deposits within the meaning of Sections 73 to 76 of the Act and rules made thereunder, to the extent applicable. Accordingly, the requirement to report on clause 3(v) of the Order is not applicable to the Company.
- vi. The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013 for the business activities carried out by the Company. Thus, reporting under clause 3(vi) of the order is not applicable to the Company.
- vii. (a) The Company has in many cases delayed depositing with appropriate authorities, undisputed statutory dues including Goods and Services Tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and any other statutory dues.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of goods and services tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, disputed amounts payable in respect of income-tax that were outstanding as at 31 March 2023 as follows

Nature of the statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount ₹ in Lakhs
The Income Tax Act, 1961	Income Tax	Commissioner (Appeals)	A.Y. 2019-20	92.36

- viii. The Company has not surrendered or disclosed any transaction, previously unrecorded in the books of account, in the tax assessments under the Income Tax Act, 1961 as income during the year. Accordingly, the requirement to report on clause 3(viii) of the Order is not applicable to the Company.
- ix. (a) The Company has not defaulted in repayment of loans or borrowing or in payment of interest thereon to banks. In case of loans from directors and inter corporate loans, the principal including interest are repayable on demand/as may be mutually agreed between the parties. The repayment period for inter-corporate deposits in terms of agreements entered into with the parties has since expired, and therefore classified as payable on demand. The Company has repaid some of the loans including intercorporate loans along with interest during the year.
- (b) The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.
- (c) In our opinion, and according to the information and explanations given to us, the term loans have been applied, on an overall basis, for the purposes for which they were obtained.
- (d) On an overall examination of the standalone financial statements of the Company, no funds raised on short-term basis have been used for long-term purposes by the Company.
- (e) On an overall examination of the standalone financial statements of the Company, the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries and Joint venture. The Company does not have any associate.

- (f) The Company has not raised loans during the year on the pledge of securities held in its subsidiaries or associate companies. Hence, the requirement to report on clause (ix)(f) of the Order is not applicable to the Company.
- x. The Company has raised money during the year by way of preferential allotment to the tune of Rs. 5239.00 lakhs including premium of Rs. 5109.00 lakhs, which based on the books of account has been utilized for the purposes of the issue. The unutilized amount from the previous issue(s) made in financial year 2022-23 of Rs. 1500.00 lakhs are also utilised during the year for the purposes of the said issue(s).
- Based on the information and explanations given to us, compliances under section 42 and section 62 of the Companies Act, 2013 have been completed.
- xi. (a) Based on examination of the books and records of the Company and according to the information and explanations given to us, considering the principles of materiality outlined in Standards on Auditing, we report that no fraud by the Company or on the Company has been noticed or reported during the course of the audit.
- (b) During the year, no report under sub-section (12) of section 143 of the Act has been filed by secretarial auditor or by us in Form ADT – 4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.
- (c) As represented to us by the management, there are no whistle blower complaints received by the Company during the year.
- xii. The Company is not a Nidhi Company. Accordingly, reporting on clause 3 (xii) of the Order is not applicable to the Company.
- xiii. The Company is in compliance with Section 177 and 188 of the Companies Act, 2013 where applicable, for all transactions with the related parties excepting Provision made during the year, for Expected credit losses (ECL) / doubtful debts of Rs. 183.58 lakhs in respect of overdue receivables from a company in which directors are interested; and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. (a) The Company has an internal audit system commensurate with the size and nature of its business.
- (b) The internal audit reports of the Company issued till the date of the audit report, for the period under audit have been considered by us
- xv. The Company has not entered into any non-cash transactions with its directors or persons connected with its directors. Accordingly, the requirement to report on clause 3(xv) of the Order is not applicable to the Company.
- xvi. (a) the company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 as the company is not engaged in the business of financing. Accordingly, the requirement to report on clause 3(xv) of the Order is not applicable to the Company.
- (b) The Company has not conducted any Non-Banking Financial or Housing Finance activities during the year. Accordingly, the requirement to report on clause (xvi)(b) of the Order is not applicable to the Company.
- (c) The Company is not a Core Investment Company as defined in the regulations made by Reserve Bank of India. Accordingly, the requirement to report on clause 3(xvi) of the Order is not applicable to the Company.
- (d) There is no Core Investment Company as part of the Group, hence, the requirement to report on clause 3(xvi) of the Order is not applicable to the Company.

- xvii. The Company has incurred cash losses during the current financial year covered by our audit and the preceding financial year as under:

Particulars	Financial Year 2023-24	Previous FY 2022-23
2023-24	1815.17	1699.45

- xviii. There has been no resignation of the statutory auditors during the year and accordingly the reporting under Clause 3(xviii) of the Order is not applicable to the Company.
- xix. On the basis of the financial ratios disclosed in Note 44 to the standalone financial statements, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the standalone financial statements, our knowledge of the Board of Directors' and management's plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. However, there may be a delay in meeting its liabilities as and when they fall due to delay in receipt of trade receivables on account of contractual obligations and also due to possible delay in commencement of new projects. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.
- xx. The company incurred losses during 2 of the three immediately preceding financial years consequent to which there are no average profits, that are required to be spent under sub-section (5) of section 135 of the Act. Accordingly, reporting under clause (xx) of the Order is not applicable to the Company for the year.
- xxi. The Company has no Indian subsidiary and consequently there is no report issued under the Companies (Auditors Report) Order to be reported upon under this clause.

For **PRSV & Co. LLP**  
Chartered Accountants  
Firm's Registration No. S-200016

**Sd/-**  
**Raja Praturi**  
Partner  
Membership No. 020615  
**UDIN: 24020615BKCQYL7616**

Place: Hyderabad  
Date : 13-07-2024

**Balance Sheet as at 31-Mar-24**

(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	Note	As at 31-Mar-24	As at 31-Mar-23
<b>ASSETS</b>			
<b>1) NON-CURRENT ASSETS</b>			
(a) Property, Plant and Equipment	2	2,368.15	2,372.95
(b) Intangible assets	2.1	0.84	0.35
(c) Intangible assets Under Development	2.2	231.39	-
(d) Financial assets		-	-
(i) Trade Receivables	3	609.39	937.79
(ii) Investments	4	1,283.97	1,283.97
(iii) Other financial assets		-	-
(e) Loans and Advances	5	50.71	12.92
(f) Income tax Assets	6.1	489.70	396.73
	7	258.74	263.60
		<b>5,292.89</b>	<b>5,268.31</b>
<b>(2) CURRENT ASSETS</b>			
(a) Inventories	8	7,169.56	1,405.67
(b) Financial assets		-	-
(i) Trade receivables	3.1	36.32	-
(ii) Cash and cash equivalents	9	384.80	1,511.26
(iii) Bank balances other than (ii) above	10	1,513.31	1,702.35
(iv) Other financial assets	11	24.27	10.51
(c) Other Current assets	6	2,711.10	1,233.06
(d) Income Tax Assets	7.1	154.97	14.23
		<b>11,994.34</b>	<b>5,877.08</b>
		<b>17,287.22</b>	<b>11,145.39</b>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
(a) Equity Share capital	12	1,675.94	1,545.94
(b) Other equity	13	10,505.45	7,683.12
		<b>12,181.39</b>	<b>9,229.07</b>
<b>LIABILITIES</b>			
<b>1) NON-CURRENT LIABILITIES</b>			
(a) Financial liabilities			
Long term Borrowings	14	18.52	33.81
(b) Provisions	15	1.35	18.18
(c) Deferred tax liabilities (Net)	28	114.96	123.45
		<b>134.84</b>	<b>175.44</b>
<b>2) CURRENT LIABILITIES</b>			
(a) Financial liabilities		-	-
(i) Short Term Borrowings	16	2,405.78	833.17
(ii) Trade Payables		-	-
(a) Total outstanding Dues of micro enterprises and small enterprises	17	67.85	0.10
(b) Total outstanding Dues of other than micro enterprises and small enterprises	17.1	1,910.80	317.23
(iii) Other financial liabilities	18	476.29	404.62
(b) Other current liabilities	19	110.28	185.75
		<b>4,970.99</b>	<b>1,740.89</b>
		<b>17,287.22</b>	<b>11,145.39</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			

See accompanying notes to the financial statements

1-46

As per our report of even date attached

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**

**For PRSV & Co. LLP**

Chartered Accountants  
Firm Regn No. S200016

**Sd/-  
RAJA PRATURI**  
Partner

Membership No: 020615

Hyderabad  
13-07-2024

**Sd/-  
BADARI NARAYANA RAJU MANTHENA**  
Whole Time Director  
DIN 07993925

**Sd/-  
PAMIDI SRIKANTH**  
Chief Financial Officer

**Sd/-  
SITARAMA RAJU MANTHENA**  
Whole Time Director  
DIN 08576273

**Sd/-  
PRASADA RAO KALLURI**  
Company Secretary

**Statement of changes in equity and other equity**

(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	Equity share capital	Share application money pending allotment	Reserves & Surplus			Other Comprehensive Income		Total Other Equity
			Securities premium	General Reserve	Profit and loss	Foreign currency translation reserve	Actuarial Gains/(Losses)	
<b>Balance as at 31 March 2022</b>	1,249.97	552.00	9,172.20	612.14	-5,284.81	-393.42	-48.48	4,609.63
Share application Money	-	-552.00	5,588.00	-	-	-	-	5,036.00
Equity issued during the year	295.98	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-1,985.72	-	-	-1,985.72
Foreign currency translation	-	-	-	-	-	-24.01	-0.88	23.13
Others	-	-	-	-	-	-	0.08	0.08
<b>Balance as at 31-03-2023</b>	<b>1,545.94</b>	-	<b>14,760.20</b>	<b>612.14</b>	<b>-7,270.52</b>	<b>-369.41</b>	<b>-49.28</b>	<b>7,663.12</b>
Share application Money	-	-	-	-	-	-	-	-
Equity issued during the year- (Note a)	130.00	-	5,109.00	-	-	-	-	5,109.00
Profit for the period from 01.4.23 to 31.03.24	-	-	-	-	-2,040.53	-	-	-2,040.53
Foreign currency translation	-	-	-	-	-	-	-	-
Utilized (Note b)	-	-	-246.76	-	-	-	-	-246.76
Actuarial Gains/Losses (Net of Tax)	-	-	-	-	-	-	0.61	0.61
<b>Balance as at 31-03-2024</b>	<b>1,675.94</b>	-	<b>19,622.44</b>	<b>612.14</b>	<b>9,311.05</b>	<b>-369.41</b>	<b>-48.67</b>	<b>10,505.45</b>

**Note :** a) Company during the year issued 13,00,000 equity shares of Rs 10 each at a premium of 393 per share aggregating to Rs 403 per share on preferential basis.

b) Issue Expenses on the above preferential issue are adjusted against securities premium.

As per our report of even date attached  
For PRSV & Co. LLP  
Chartered Accountants  
Firm Regn No. S200016

**Sd/-**  
**RAJA PRATURI**  
Partner  
Membership No: 020615  
Hyderabad  
13-07-2024

**Sd/-**  
**BADARI NARAYANA RAJU MANTHENA**  
Whole Time Director  
DIN 07993925

**Sd/-**  
**SITARAMA RAJU MANTHENA**  
Whole Time Director  
DIN 08576273

**Sd/-**  
**PAMIDI SRIKANTH**  
Chief Financial Officer

**Sd/-**  
**PRASADA RAO KALLURI**  
Company Secretary

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**



**Statement of Profit & Loss for the year ended 31-Mar-24**

(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	Note No	Year ended 31-Mar-24	Year ended 31-Mar-23
<b>Income</b>			
I Revenue from operations	20	1,929.83	200.36
II Other Income	21	201.66	130.62
<b>III Total income (I+II)</b>		<b>2,131.49</b>	<b>330.99</b>
<b>IV Expenses</b>			
a) Cost of materials consumed	22	5,012.56	254.16
b) Changes in inventories of finished goods, work in progress and stock in trade	23	-3,754.99	-112.88
c) Project execution expenses	24	591.80	350.49
d) Employee benefit expense	25	1,205.13	749.72
e) Finance cost	26	223.86	191.85
f) Depreciation and amortization expense	2 & 2.1	234.04	238.62
g) Other expenses	27	1,021.06	597.10
h) Amount transferred to capital expenditure	31	-352.77	-
<b>Total expenses (IV)</b>		<b>4,180.70</b>	2,269.06
<b>Profit/(loss) before extraordinary, exceptional items and tax(III-IV)</b>		<b>-2,049.21</b>	<b>-1,938.07</b>
<b>Exceptional items</b>		-	-
<b>Profit/( Loss) before tax for the year (V-VI)</b>		<b>-2,049.21</b>	<b>-1,938.07</b>
Tax expense/Credit(Net)			
- (a) Current tax		-	-
- (b) Deferred tax	28	-8.69	47.65
Total tax expense/Credit(net)		-8.69	47.65
<b>Profit/( loss) for the year ( VII-VIII)</b>		<b>-2,040.53</b>	<b>-1,985.72</b>
<b>Other comprehensive income/(loss)</b>			
A. Items that will not be reclassified to Statement of Profit and loss			
(i) Remeasurement gains/(losses) of the defined benefit plans		0.81	-0.88
(ii) Income tax effect on the above		-0.20	-
B. Items that will be reclassified to Statement of Profit or loss			
(i) Income tax relating to items that will be reclassified to Statement of Profit or loss		-	-
<b>Total comprehensive Income for the year</b>		<b>-2,039.92</b>	<b>-1,986.60</b>
<b>Earnings per equity share (EPS)</b>			
Paid up Equity Share Capital		1,675.94	1,545.94
Basic EPS - Face Value of Rs.10/- each ₹	29	-12.83	-14.67
Diluted EPS - Face Value of Rs.10/- each ₹		-12.83	-14.67
See accompanying notes to the financial statements	1-46		

As per our report of even date attached

**For PRSV & Co. LLP**

Chartered Accountants  
Firm Regn No. S200016

**Sd/-**

**RAJA PRATURU**

Partner

Membership No: 020615

Hyderabad  
13-07-2024

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**

**Sd/-**

**BADARI NARAYANA RAJU MANTHENA**

Whole Time Director

DIN 07993925

**Sd/-**

**PAMIDI SRIKANTH**

Chief Financial Officer

**Sd/-**

**SITARAMA RAJU MANTHENA**

Whole Time Director

DIN 08576273

**Sd/-**

**PRASADA RAO KALLURI**

Company Secretary

**Statement of Cash Flows for the year ended 31-Mar-24**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

Particulars	Year ended 31-Mar-24	Year ended 31-Mar-23
<b>I. Cash flows from operating activities</b>		
Profit / (loss) before tax	-2,049.21	-1,938.07
Add/(less): Adjustments for		
Depreciation and amortisation	234.04	238.62
Foreign currency translation (gain)/ loss	87.06	144.70
Provision for obsolete stock/ Others	8.99	-
Sundry balances written off/ Bad debts Written off	18.43	-
Provision for doubtful debts/advances/written off	276.15	26.68
Liabilities no longer required written Back	-	-11.04
(Profit) on disposal of property, plant and equipment	-1.90	-
Finance costs	223.86	191.85
Interest income	-71.64	-53.00
<b>Operating Profit/(Loss) before working capital changes</b>	<b>-1,274.23</b>	<b>-1,400.27</b>
<b>Changes in assets and liabilities</b>		
(Increase)/ Decrease in trade receivables	-2.49	193.35
(Increase) in inventories	-5,772.88	-507.10
(Increase)/Decrease in other financial assets- non current	-37.78	0.51
(Increase) in income tax assets-non current	-135.87	-17.64
(Increase) in other financial assets- current	-13.76	-7.81
(Increase) in other current assets	-1,478.04	-971.23
Decrease/(Increase) in margin money towards bank guarantees with bank	189.04	-436.53
Increase/(Decrease) in trade payables	1,575.06	-119.80
(Decrease) in provisions	-16.83	14.43
Increase/(Decrease) in other financial liabilities	71.67	-185.49
Increase/(Decrease) in other current liabilities	-75.47	-
<b>Net cash (used in) operating activities</b>	<b>(A) -6,971.60</b>	<b>-3,437.59</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES.</b>		
Proceeds from disposal of property, plant and equipment	22.13	-
Payment for Purchase of property, plant and equipment	-248.49	-62.72
Incase in capital work in progress	-231.39	-
Investment in 100% wholly owned subsidiary(WOS)	-	-480.19
Loans and advances to joint venture ( JV)	-92.97	-
Payment for intangible assets	-1.45	-
Interest income received	71.64	53.00
<b>Net cash (used) in investing activities</b>	<b>(B) -480.55</b>	<b>-489.91</b>
<b>II. CASH FLOWS FROM FINANCING ACTIVITIES.</b>		
Proceeds from issuance of equity share capital	130.00	4,917.48
Proceeds from securities premium	5,109.00	-
Promoters loan converted into equity	-	414.50
Expenses incurred on Increase of share capital	-246.76	-
Increase in Bank Borrowings through cash credit	1,589.52	267.58
(Repayment)/ Increase in vehicle loan	-13.74	47.55
(Repayment) of term loan	-17.79	-17.77
Inter corporate deposit (ICD) including conversion to Equity	-0.68	-625.15
Finance costs	-223.86	-191.85
<b>Net cash flow from financing activities</b>	<b>(C) 6,325.70</b>	<b>4,812.34</b>
<b>Net increase/(Decrease) in cash and cash equivalents</b>	<b>(A+B+C) -1,126.46</b>	<b>884.84</b>
Cash and Cash Equivalents at the beginning of the year	1,511.26	626.41
<b>Cash and cash equivalents at the end of the year</b>	<b>384.80</b>	<b>1,511.26</b>

**Statement of Cash Flows for the year ended 31-Mar-24**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

Particulars	Year ended 31-Mar-24	Year ended 31-Mar-23
<b>Bank Balances as per Balance Sheet</b>	<b>384.80</b>	<b>1,511.26</b>
Components of Cash and Cash Equivalents		
	-	-
Cash on Hand	0.77	0.89
Bank balances in Current Accounts	384.03	10.37
Fixed Deposits<3 Months Maturity	-	1,500.00
<b>Total</b>	<b>384.80</b>	<b>1,511.26</b>

See accompanying notes to the financial statements 1-46

Note: The above cash flow statement has been prepared under "Indirect method" as set out in the Indian Accounting Standard (INDAS 7) - Statement of Cash flows

As per our report of even date attached

**For PRSV & Co. LLP**  
Chartered Accountants  
Firm Regn No. S200016

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**

**Sd/-**  
**RAJA PRATURI**  
Partner  
Membership No: 020615

Hyderabad  
13-07-2024

**Sd/-**  
**BADARI NARAYANA RAJU MANTHENA**  
Whole Time Director  
DIN 07993925

**Sd/-**  
**PAMIDI SRIKANTH**  
Chief Financial Officer

**Sd/-**  
**SITARAMA RAJU MANTHENA**  
Whole Time Director  
DIN 08576273

**Sd/-**  
**PRASADA RAO KALLURI**  
Company Secretary

**Note 1: NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**I. Corporate information**

Kernex Microsystems (India) Limited is engaged in the manufacture and sale of Safety Systems and Software services for Railways with plant location at Hyderabad and a branch in Cairo, Egypt

**II. Significant Material accounting policies information**

Entity specific disclosure of material accounting policies where Ind AS permits alternative treatment is disclosed hereunder after assessing the materiality of the accounting policy information involving exercising of judgments considering the qualitative and quantitative factors like size and nature, characteristics of transactions, events or conditions. Entity's conclusion that the accounting policy is not material does not affect the disclosures required under Ind AS.

The material accounting policies applied by the Company in the preparation of its financial statements are listed below. Such accounting policies have been applied consistently to all the periods presented in these financial statements, unless otherwise indicated.

**III.1 Basis of Preparation and Presentation**

The financial statements are prepared on a 'going concern' basis under historical cost using accrual basis, except for the following assets and liabilities which have been measured at fair value amount:

- i) Certain financial assets and liabilities
- ii) employee defined benefit assets/(liability)

The financial statements have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 and other relevant provisions of the Act since 1st April 2017.

Company's financial statements are presented in Indian Rupees, which is also its functional currency and rounded off to the nearest Rs. lakhs.

For the purposes of current and non-current classification, the Entity reckoned its normal operating cycle as 12 months

**III.2 Use of estimates and judgments**

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

**III.3 Property, plant and equipment**

Property, plant and equipment are stated at cost, net of recoverable taxes, trade discount and rebates less accumulated depreciation and impairment losses, if any. Such cost includes purchase price, cost of manufacture including proportionate overhead expenditure and any cost directly attributable to bringing the assets to its working conditions for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.

Depreciation on property, plant and equipment is provided using written down value method. Depreciation is provided based on useful life of the assets as prescribed in schedule II to the companies Act, 2013.

### **III. 4 Intangible assets**

Intangible assets that are acquired by the company are stated at cost of acquisition net of recoverable taxes, trade discount and rebates less accumulated amortization/depletion and impairment loss, if any. Such cost includes purchase price, and any cost directly attributable to bringing the asset to its working condition for the intended use. Intangible Assets internally developed or under development by the Entity are stated by including the cost of outsourced services together with the relevant employee costs for such development and other relevant overhead expenditure.

Gains and Losses arising from de-recognition of an intangible assets are recorded in the statement of profit and loss, and are measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as on the date of de-recognition.

### **III.5 Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **III.5.1 Financial Assets**

All financial assets are recognised initially at fair value and in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset are amortized. Purchase and sale of financial assets are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The financial assets are subsequently measured at fair value through Profit & Loss (FVTPL) excepting investments in subsidiary which are stated at cost.

#### **III.5.2 Investment in subsidiaries**

The Company has elected to carry its investment in Equity instruments of subsidiary at cost in accordance with Ind AS 27. Investment is evaluated for impairment by adopting the 'Value in Use' model for the purposes of ascertaining the estimated recoverable amount of the investment. In the absence of computation of 'Value in Use', the net-worth of the investee company is considered as the amount of 'value in use' and impairment is considered accordingly.

#### **III.5.3 Impairment of financial assets**

In accordance with Ind AS 109, the Company uses 'Expected Credit Loss' (ECL) model, for evaluating impairment of financial assets other than those measured at cost.

Receivables from Railways which are under the Government (including foreign government) are generally treated as fully recoverable based on past experience. Impairment on account of expected credit loss is however, assessed in respect of dues outstanding for a significant period of time.

### **III.6 Financial Liabilities**

#### *Initial recognition and measurement*

All financial liabilities are recognized at fair value and in case of loans, net of directly attributable transaction costs. Fees of recurring nature are directly recognised in the Statement of Profit and Loss as finance cost.

#### *Subsequent measurement*

Financial liabilities are carried at amortized cost using the effective interest method in cases where the

contractual liability is for a long term. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

### **III.7 Derecognition of financial instruments**

A financial asset (or a part of the financial asset) is derecognized from the Company's balance sheet when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability (or a part of the financial liability) is derecognized from the Company's balance sheet when the obligation under the liability is discharged or cancelled or expires.

### **III.8 Cash and cash equivalents**

Cash and cash equivalents consist of cash at banks and on hand, demand deposits and other short term deposits that are readily convertible into known amounts of cash and are subject to insignificant risk of changes in value and have a short term maturity. Deposits under pledge with the bankers for obtaining credit facilities are not included in cash & cash equivalents.

### **III.9 Inventories**

Inventories consist of raw materials, stores and spares, work-in-progress, costs incurred on customer contracts yet to be accepted by them and finished goods and measured at the lower of cost and net realisable value after providing for obsolescence. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of fixed overheads based on normal operating capacity for the relevant period(s).

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### **III.10 Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent of impairment if any.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognised in the statement of profit and loss to the extent, the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

### **III.11 Provisions, Contingent Liabilities and Contingent Assets**

#### **a) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### **b) Contingent liabilities**

A contingent liability is disclosed when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present

obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

### **III.12 Revenue recognition**

Revenue from sale of goods, services and from contracts is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms and excluding taxes or duties collected on behalf of the government.

#### **i. Revenue from contracts**

Revenue from contracts with customers is recognized only to the extent of performance obligations relating to the goods and services to be provided by the Entity itself as a principal after excluding the goods or services to be provided by a third party though it may act as a lead member of a consortium because the third party is responsible for his performance obligations to the customer on a joint and several basis; and the entity is a mere agent in respect of such goods or services.

Subject to above, the Entity allocates the transaction price by assessing the components of goods or services to be transferred under the performance obligations of the contract. Revenue is recognized when control of the respective goods or services is transferred to the customer and the amount due is shown as Receivables.

In respect of these contracts where milestone billing is applicable, the costs incurred to date pending customer acceptance for performance obligations completed are carried as part of inventories.

#### **ii. Revenue from services**

Service income is recognised as per the terms of contracts with the customer, when the related services are performed.

#### **iii. Sale of goods**

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing effective control or management involvement with the goods, and the amount of revenue can be measured reliably.

#### **iv. Interest Income**

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and effective interest rate applicable.

### **III.13 Employee Benefits Expense**

#### **i. Short Term Employee Benefits**

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees are recognised as an expense during the period when the employees render the services.

#### **ii. Post-Employment Benefits**

##### **a) Defined Contribution Plans**

A defined contribution plan is a post-employment benefit plan under which the Company pays specified contributions to a separate entity. The Company's contributions to defined contribution plans are recognised as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.



**b) Defined Benefit Plans**

The liability in respect of gratuity benefit is determined using the Projected Unit Credit Method based on actuarial valuation, performed by an independent qualified actuary.

Re-measurement of defined benefit plans in respect of post-employment are charged to the Other Comprehensive Income.

**c) Other Long term employee benefits**

The Entity does not have a scheme of providing the facility for encashment of annual or sick leave during the period of service or on retirement. Consequently, an assumption is made that accumulated leaves will not be compensated in monetary terms and hence no provision is made in the financial statements.

**III.14 Finance cost**

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are capitalized as part of the cost of such assets.

All other borrowing costs are charged to the statement of profit and loss for which they are incurred.

**III.15 Foreign currencies transactions and translation**

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date.

**III.16 Deferred tax**

Deferred tax is recognised at the expected rates of tax based on prevailing tax laws using the balance sheet method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding amounts used in the computation of taxable profit.

Deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax asset is not recognised in respect of brought forward business losses due to uncertainties associated with respect to availment of set off from future taxable profits

**III.17. Earnings per share**

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS would arise only in cases of potential dilutive entitlements.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**Note No 2: Property, Plant and Equipment**

**as on 31-Mar-24**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

Description	Land and Land Development	Building Own Use	Plant and Equipment Owned	Furniture and Fixtures Owned	Vehicles Owned	Office Equipment Owned	Total
<b>Cost as at 1st April 2022</b>	<b>451.33</b>	<b>3,875.38</b>	<b>1,399.31</b>	<b>124.08</b>	<b>112.88</b>	<b>100.21</b>	<b>6,063.19</b>
Additions	-	-	17.41	-	45.18	-	62.58
Disposals	-	-	-	-	-	-	-
<b>Cost as at 1st April 2023</b>	<b>451.33</b>	<b>3,875.38</b>	<b>1,416.72</b>	<b>124.08</b>	<b>158.06</b>	<b>100.21</b>	<b>6,125.78</b>
Additions	-	15.95	220.19	4.85	-	7.49	248.49
Disposals	20.22	-	-	-	-	-	20.22
<b>Cost as at 1st April 2024</b>	<b>431.11</b>	<b>3,891.33</b>	<b>1,636.91</b>	<b>128.93</b>	<b>158.06</b>	<b>107.71</b>	<b>6,354.05</b>
<b>Accumulated depreciation as at 1 April 2022</b>	-	<b>1,945.40</b>	<b>1,344.80</b>	<b>117.06</b>	<b>108.15</b>	<b>99.54</b>	<b>3,514.95</b>
Depreciation for the year	-	210.24	13.71	1.48	12.32	0.28	238.02
Disposals/adjustments	-	-	-	-	-0.14	-	-0.14
<b>Accumulated depreciation as at 31 March 2023</b>	-	<b>2,055.64</b>	<b>1,358.51</b>	<b>118.53</b>	<b>120.32</b>	<b>99.82</b>	<b>3,752.82</b>
Depreciation for the year	-	188.32	32.36	0.85	10.86	0.68	233.07
Disposals/adjustments	-	-	-	-	-	-	-
<b>Accumulated depreciation as at 31 March 2024</b>	-	<b>2,243.97</b>	<b>1,390.86</b>	<b>119.38</b>	<b>131.19</b>	<b>100.50</b>	<b>3,985.90</b>
<b>Net carrying value as at 31 March 2024</b>	<b>431.11</b>	<b>1,647.36</b>	<b>246.05</b>	<b>9.55</b>	<b>26.87</b>	<b>7.21</b>	<b>2,368.15</b>
<b>Net carrying value as at 31 March 2023</b>	<b>451.33</b>	<b>1,819.74</b>	<b>56.21</b>	<b>5.55</b>	<b>37.74</b>	<b>0.39</b>	<b>2,372.95</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**2.1 Intangible Assets** (All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Description	Computer Software
<b>Cost as at 1st April 2022</b>	149.76
Additions	-
Disposals	-
<b>Cost as at 1st April 2023</b>	<b>149.76</b>
Additions	1.45
Disposals	-
<b>Cost as at 1st April 2024</b>	<b>151.22</b>
	-
<b>Accumulated depreciation as at 31 March 2023</b>	<b>148.81</b>
Depreciation for the year	0.60
Disposals/adjustments	-
<b>Accumulated depreciation as at 31 March 2023</b>	<b>149.41</b>
Depreciation for the year	0.97
Disposals/adjustments	-
<b>Accumulated depreciation as at 31 March 2024</b>	<b>150.38</b>
<b>Net carrying value as at 31 March 2024</b>	<b>0.84</b>
<b>Net carrying value as at 31 March 2023</b>	<b>0.35</b>

**Note No.2.2 :**

**Capital Work in Progress** (All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Description	Capital Work in Progress	Total
<b>Cost as at 1st April 2022</b>		
Additions	-	-
Transfer	-	-
<b>Cost as at 1st April 2023</b>		
Additions	231.39	231.39
Transfer	-	-
<b>Cost as at 31st March 2024</b>	<b>231.39</b>	<b>231.39</b>
<b>Net Carrying Value as at 31st March 2024</b>	<b>231.39</b>	<b>231.39</b>
<b>Net Carrying Value as at 31st March 2023</b>	<b>-</b>	<b>-</b>

**Note No. 2b: Ageing Schedule for Capital work-in Progress**

Particulars	Less than 1 Year	1-2 Years	2-3 Years	More Than 3 Years	Total
Capital Work In Progress- Intangible Assets	231.39	-	-	-	231.39

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

Note	Particulars	As at 31-Mar-24	As at 31-Mar-23
<b>3</b>	<b>TRADE RECEIVABLES</b>		
	<b>Unsecured &amp; Non Current</b>	-	-
	<b>Considered good</b>		
	a. Trade Receivable from Related Parties	-	512.12
	b. Others	113.25	423.92
	<b>Considered Impaired</b>		
	a. Trade Receivable from Related Parties	515.88	-
	b. Others	2,319.15	2,064.50
	<b>Total</b>	2,948.28	3,000.54
	Less: Allowances for credit losses	-2,338.89	-2,062.74
		<b>609.39</b>	<b>937.79</b>
<b>3.1</b>	<b>Unsecured &amp; Current</b>		
	<b>Considered good</b>		
	a. Trade Receivable from Related Parties	-	-
	b. Others	36.32	-
	<b>Considered Impaired</b>		
	a. Trade Receivable from Related Parties		
	b. Others	-	-
	<b>Total</b>	<b>36.32</b>	-
	Less: Allowances for expected credit losses	-	-
		36.32	-
	<b>Trade receivables Ageing Schedule</b>	<b>645.71</b>	<b>937.79</b>

**Trade Receivables ageing schedule**

(All amounts in lakhs, except share data and where otherwise stated)

Particulars	Outstanding for following periods from due date of payment						Total	Non-Current	Current	Impairment Provided
	Not due	Less than 6 months	6 months - 1 year	1-2 Years	2-3 Years	More than 3 years				
(i) Undisputed Trade Receivables - considered good	113.25	36.32	-	-	-	-	149.57	113.25	36.32	-
(ii) Undisputed Trade Receivables - which have significant increase in credit risk	-	-	-	-	-	-	-	-	-	-
(iii) Undisputed Trade Receivables - credit impaired	-	-	-	97.54	-	254.65	352.19	352.19	-	92.56
(iv) Disputed Trade Receivables - considered good	-	-	-	-	-	-	-	-	-	-
(v) Disputed Trade Receivables - which have significant increase in credit risk	-	-	-	-	-	-	-	-	-	-
(vi) Disputed Trade Receivables - credit impaired	-	1.88	1.88	3.77	23.77	2,451.54	2,482.84	2,482.84	-	2,246.33
<b>Balance as at 31 March 2024</b>	<b>113.25</b>	<b>38.20</b>	<b>1.88</b>	<b>101.31</b>	<b>23.77</b>	<b>2,706.19</b>	<b>2,984.60</b>	<b>2,984.28</b>	<b>36.32</b>	<b>2,338.89</b>
(i) Undisputed Trade Receivables - considered good	423.92	-	-	-	97.54	-	521.46	521.46	-	-
(ii) Undisputed Trade Receivables - which have significant increase in credit risk	-	1.88	1.88	-	-	410.81	414.57	414.57	-	-
(iii) Undisputed Trade Receivables - credit impaired	-	-	-	-	-	-	-	-	-	-
(iv) Disputed Trade Receivables - considered good	-	-	-	-	-	-	-	-	-	-
(v) Disputed Trade Receivables - which have significant increase in credit risk	-	-	-	-	-	-	-	-	-	-
(vi) Disputed Trade Receivables - credit impaired	-	-	-	-	-	2,064.50	2,064.50	2,064.50	-	2,062.74
<b>Balance as at 31 March 2023</b>	<b>423.92</b>	<b>1.88</b>	<b>1.88</b>	<b>-</b>	<b>97.54</b>	<b>2,475.31</b>	<b>3,000.54</b>	<b>3,000.54</b>	<b>-</b>	<b>2,062.74</b>

- i) An amount of INR 254.65 Lakhs (PY INR 423.91 Lakhs) due from Egyptian National Railways (ENR) is outstanding pending mile stones of the contract to be achieved.
- ii) Further an amount Rs 2064.5 lakhs (PY Rs 2064.5 lakhs) receivable from Konkan Railways Corporation Ltd (KRCL) is under arbitration / in the process of fling arbitration, in respect of which a provision of Rs. 2062.74 lakhs is made.
- iii) Due from related party i.e., Comptek Computer Systems Pvt Ltd., is Rs. 418.34 Lakhs (PY Rs.414.57 Lakhs) in respect of which a provision of Rs. 183.58 lakhs (PY nil) is made.
- iv) Due from related party i.e., TCAS JV is Rs. 97.54 Lakhs (PY Rs.97.54 Lakhs) in respect of which a provision of Rs. 8.53 lakhs (PY nil) is made.
- v) Excludes unbilled revenue of Rs. 163.47 (PY Rs. 183.47 lakhs) against which allowance has been created for expected obsolescence to an extent of Rs. 20 lakhs (PY Rs. 20 Lakhs) which is included in WIP under Inventories (Note 6)

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

Note	Particulars	As at 31-Mar-24	As at 31-Mar-23
<b>4</b>	<b>INVESTMENTS</b>		
	Investments carried at cost		
	Unquoted equity shares (fully paid up)		
	<b>In 100% subsidiary - Avant Garde Infosystems Inc USA</b>	<b>1,275.97</b>	1,275.97
	35,80,000 Equity shares of US \$ 0.02 each		
	17,99,240 Equity shares of US \$ 0.10 each		
	62,80,000 Equity shares of US \$ 0.25 each		
	<b>In Joint Venture - Kernex TCAS JV (80% Share)</b>	<b>8.00</b>	8.00
		<b>1,283.97</b>	<b>1,283.97</b>
<b>5</b>	<b>OTHER FINANCIAL ASSETS</b>		
	Unsecured and considered good		
	Security deposits	<b>50.71</b>	12.92
	EMD	12.51	-
	Less: Considered Doubtful	-12.51	-
		<b>50.71</b>	<b>12.92</b>
<b>6</b>	<b>OTHER NON CURRENT ASSETS</b>		
	Unsecured		
	Advance to vendors - Considered good	900.80	888.34
	Considered doubtful	-	71.96
		900.80	960.29
	Less: Provision for Advances	-	-71.96
		<b>900.80</b>	<b>888.34</b>
	Advance for Capital goods	1.13	-
	Balances with statutory/government authorities	1,506.94	282.83
	Advance for expenses	96.48	19.60
	Prepaid expenses	205.76	42.30
		<b>2,711.10</b>	<b>1,233.06</b>
	Balances with statutory/government authorities represent input credit on goods and services purchased/received and VAT claims receivable for earlier years.		
<b>6.1</b>	<b>OTHER NON CURRENT ASSETS - LOANS AND ADVANCES.</b>		
	Unsecured and Considered Good		
	Advance to TCAS JV- WC- Realted Party	489.70	396.73
		<b>489.70</b>	<b>396.73</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

Note	Particulars	As at 31-Mar-24	As at 31-Mar-23
<b>7</b>	<b>INCOME TAX ASSETS</b>		
	Non Current		
	Tax Deducted At Source	136.17	141.03
	Mat credit entitlement	122.57	122.57
		<b>258.74</b>	<b>263.60</b>
<b>7.1</b>	<b>Current</b>		
	Tax Deducted At Source	<b>154.97</b>	<b>14.23</b>
<b>8</b>	<b>INVENTORIES</b>		
	Raw material	2,416.58	766.41
	Raw material- Obsolete Stock	244.35	-
	Less: Provision for slow / non moving stock	-244.35	-248.80
		<b>2,416.58</b>	<b>517.61</b>
	Finished Goods	2,564.79	-
	Work-in-progress	2,078.26	888.06
	Stock In Transit	109.93	-
		<b>7,169.56</b>	<b>1,405.67</b>
	Work in Progress includes unbilled Revenue of Rs 163.47 Lakhs. (Previous Year 183.47 Lakhs)		
<b>9</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash on hand	0.77	0.89
	Balances with banks in Current Accounts		
	Scheduled Banks	384.01	0.20
	Others	0.02	10.17
	Fixed Deposits	-	1,500.00
		<b>384.80</b>	<b>1,511.26</b>
<b>10</b>	<b>OTHER BANK BALANCES</b>		
	Fixed Deposit accounts	-	
	Margin money for bank guarantees	1,513.31	1,702.35
		<b>1,513.31</b>	<b>1,702.35</b>

The margin money is given as a security for providing performance bank guarantee of Rs 2,161.71 (PY 2,796.70) The Bank guarantees are also secured by current assets of the company both present & future, collateral hypothecation of fixed assets of the company including Land and Building situated at TSIC hardware park.



**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

*(All amounts in lakhs, except share data and where otherwise stated)*

Note	Particulars	As at	
		31-Mar-24	31-Mar-23
<b>11 OTHER FINANCIAL ASSETS</b>			
	Interest accrued but not due on term deposits	<b>24.27</b>	10.51
		<b>24.27</b>	<b>10.51</b>

*(All amounts in lakhs, except share data and where otherwise stated)*

Note	Particulars	31-Mar-24		31-Mar-23	
		No of Shares	Amount	No of Shares	Amount
<b>12 SHARE CAPITAL</b>					
	<b>Authorised share capital</b>				
	2,50,00,000 Equity shares of Rs.10/- each	<b>2,50,00,000</b>	2,500.00	<b>2,50,00,000</b>	2,500.00
	<b>Issued, subscribed and fully paid-up</b>				
	1,67,59,422 Equity Shares of Rs.10/- each with voting rights	<b>1,67,59,422</b>	1,675.94	<b>1,54,59,422</b>	1,545.94
		<b>1,67,59,422</b>	<b>1,675.94</b>	<b>1,54,59,422</b>	<b>1,545.94</b>

**a. Reconciliation of equity shares outstanding at the beginning and at the end of the year**

Particulars	31-Mar-24		31-Mar-23	
	No of Shares	Amount	No of Shares	Amount
At the beginning of the year	<b>1,54,59,422</b>	1,545.94	<b>1,24,99,655</b>	1,249.97
Issued during the year	<b>13,00,000</b>	130.00	<b>29,59,767</b>	295.98
<b>Outstanding at the end of the year</b>	<b>1,67,59,422</b>	1,675.94	<b>1,54,59,422</b>	1,545.94

**b. Rights attached to the equity shares**

The company has only one class of shares having a face value of Rs. 10/- per share. All equity shareholders rank pari-passu in respect of dividend and voting rights. Each holder of equity shares is entitled to one vote per share. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of preferential amounts, in proportion to their shareholding.

**c. Details of shareholders holding more than 5% shares in the Company**

Name of the shareholder	As at 31-Mar-24		As at 31-Mar-23	
	No of Shares	% of holding	No of Shares	% of holding
Anji Raju Manthena	<b>24,86,873</b>	<b>14.84%</b>	24,86,873	16.09%

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**d. Details of shares held by promoters** *(All amounts in lakhs, except share data and where otherwise stated)*

Name of the shareholder	As at 31-Mar-24		As at 31-Mar-23	
	No of Shares	% of holding	No of Shares	% of holding
Anji Raju Manthena	24,86,873	14.84%	24,86,873	16.09%
Sitarama Raju Manthena	712,992	4.25%	7,12,992	4.61%
Sreelakshmi Manthena	6,40,398	3.82%	6,40,398	4.14%
Srinivasa Raju Manthena	6,06,597	3.62%	6,06,597	3.92%
Manthena Parvathi	2,68,469	1.60%	2,68,469	1.74%
Madhav Mantena	1,10,260	0.66%	1,10,260	0.71%
Raju N Mantena	40,032	0.24%	40,032	0.26%
Namrata Kapoor	7,917	0.05%	7,917	0.05%
Madhuvalli Lakamraju	5,480	0.03%	5,480	0.04%
Venkataramamurthy Raju Lakamraju	2,883	0.02%	2,883	0.02%
Venkateswara Raju Lakkamraju	1,863	0.01%	1,863	0.01%
Subbaraju Venkata Lakamraju	498	0.00%	498	0.00%
Jagannadha L Raju	419	0.00%	419	0.00%
Lakkamraju Susilamma	31	0.00%	31	0.00%
	<b>48,84,712</b>	<b>29.15%</b>	<b>48,84,712</b>	<b>31.60%</b>
Shares under pledge/encumbered				
Sitarama Raju Manthena	4,28,297			
Percentage of his total holdings under pledge	60.07%			

**13. Other equity**

Particulars	As at 31-Mar-24	As at 31-Mar-23
<b>Securities premium</b>		
Opening balance	14,760.20	9,172.20
Add: Received on preferential allotment of equity shares	5,109.00	5,588.00
Less: Utilised during the year towards issue of bonus shares	-246.76	-
<b>Closing balance</b>	<b>19,622.44</b>	<b>14,760.20</b>
<b>Retained earnings</b>		
Opening balance	-7,270.52	-5,284.81
Add: Profit during the year	-2,040.53	-1,985.72
<b>Closing balance</b>	<b>-9,311.05</b>	<b>-7,270.52</b>
<b>General Reserve</b>	<b>612.14</b>	<b>612.14</b>
<b>Items recognised directly in other comprehensive income</b>		
a) Re-measurement losses on employee defined benefit plans (net of tax)	-48.67	-49.28
b) Foreign currency translation reserve	-369.41	-393.42
Add: Current Year Loss	-	24.01
<b>Closing Balance</b>	<b>-369.41</b>	<b>-369.41</b>
	<b>10,505.45</b>	<b>7,683.12</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Note	Particulars	As at 31-Mar-23	As at 31-Mar-22
<b>14</b>	<b>LONG TERM BORROWINGS</b>		
	<b>i. Secured &amp; Non Current</b>		
	Vehicle loans	18.52	33.81
		<b>18.52</b>	<b>33.81</b>
	<b>ii. Secured &amp; Current</b>		
	Vehicle loans	15.29	13.74
		<b>15.29</b>	<b>13.74</b>
	Vehicles are hypothecated to Axis Bank. The rate of Interest is 10.75% p.a. The loan is repayable in 47 equated Installments.		
<b>15</b>	<b>LONG TERM PROVISIONS</b>		
	<b>Provision for employee benefits</b>		
	Provision for gratuity	-	18.18
	Provision for Leave Encashment- Directors	1.35	-
		<b>1.35</b>	<b>18.18</b>
<b>16</b>	<b>BORROWINGS</b>		
	<b>Loans repayable on demand</b>		
	From banks Secured		
	Cash credit facilities	1,857.10	267.58
	Term Loan	20.58	36.82
	Others		
	Unsecured loans from directors	222.55	179.63
	Inter corporate deposits	296.09	339.69
	Others	9.45	9.45
		<b>2,405.78</b>	<b>833.17</b>

- a. Cash credit (Working Capital )facilities from State Bank of India are secured by Paripassu first charge of Cash credit (Working Capital )facilities from HDFC Bank are having Primary security of Raw material, Railway anti-collision Device Manufacturing including Electronic Controllers, PLCS and Receivables from Railways. Collateral security is Plant Land and Buildings located at TSIIC Hardware Park. The Applicable rate of Interest to HDFC bank is 11.25%.
- b. Guaranteed emergency term loan( Unsecured) from SBI is repayable by May 2024 carrying Interest rate at 9.25%.
- c. Unsecured Loans from Directors are repayable on demand and carrying Interest at 18%.
- d. Inter corporate deposit is repayable on demand and carrying interest rate of 15% to 18%.
- e. Other Loans are Interest free and repayable on demand.
- f. The Cash Credit/( Working Capital) facilities are guaranteed by Promoter Directors namely Dr. Anji Raju Manthena, Ms. Sreelakshmi Manthena and Sitarama Raju Manthena.
- g. Inter corporate deposits carrying personal guarantee of Promoter Director Sitarama raju, M Executive Director and Badari Narayan Raju M.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

Note	Particulars	Year ended 31-Mar-24	Year ended 31-Mar-23
<b>17</b>	<b>TRADE PAYABLES</b>		
	Due to micro, small and medium enterprises	<b>67.85</b>	<b>0.10</b>
17.1	Others	<b>1,910.80</b>	<b>317.23</b>
		<b>1,978.64</b>	<b>317.34</b>
	<b>Trade Payables Aging Schedule</b>		
	<b>a) Other than MSME creditors</b>		
	Upto 1 Year	1,703.38	12.30
	1-2 Years	23.11	3.87
	2-3 Years	176.76	0.23
	More than 3 Years	7.54	300.83
	<b>Total</b>	<b>1,910.80</b>	<b>317.23</b>
	<b>b) MSME creditors</b>		
	Upto 6 Months	67.85	0.10
	Upto 1 Year	-	-
	1-2 Years	-	-
	2-3 Years	-	-
	More than 3 Years	-	-
	<b>Total</b>	<b>67.85</b>	<b>0.10</b>
<b>18</b>	<b>OTHER FINANCIAL LIABILITIES</b>		
	Due to capital creditors	<b>1.71</b>	2.19
	Share application money due for refund	<b>0.26</b>	0.26
	Expenses Payables	-	-
	Directors	90.60	153.15
	Others	383.71	249.02
		<b>476.29</b>	<b>404.62</b>
<b>19</b>	<b>OTHER CURRENT LIABILITIES</b>		
	Advance from customers	26.80	137.25
	Provision for Gratuity	15.99	17.12
	Statutory dues	67.49	31.38
		<b>110.28</b>	<b>185.75</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

<b>Note</b>	<b>Particulars</b>	<b>Year ended 31-Mar-24</b>	<b>Year ended 31-Mar-23</b>
<b>20</b>	<b>REVENUE FROM OPERATIONS</b>		
	a. Contract Revenue including sale of Products- Gross	6,548.75	-
	Less: Consortium Partner's Share	4,811.00	-
	Net Share of Revenue from Consortium.	1,737.74	-
	b. Other Products & Services	192.09	200.36
		<b>1,929.83</b>	<b>200.36</b>
<b>21</b>	<b>OTHER INCOME</b>		
	Interest Income		
	On fixed deposits with Banks	<b>120.85</b>	63.71
	On Others	<b>2.25</b>	-
	Interest on advances( From Related party)	<b>71.64</b>	53.00
	Profit on sale of asset	<b>1.90</b>	-
	Rental income	<b>2.59</b>	2.59
	Miscellaneous income	<b>2.42</b>	0.28
	Liabilities no longer required written off	-	11.04
		<b>201.66</b>	<b>130.62</b>
<b>22</b>	<b>COST OF MATERIALS CONSUMED</b>		
	Opening stock (Net Provision for Obsolescence)	<b>517.61</b>	143.39
	Add: Purchases	<b>6,911.54</b>	628.38
	Less: Closing stock (Net Provision for Obsolescence)	<b>2,416.58</b>	517.61
		<b>5,012.56</b>	<b>254.16</b>
<b>23</b>	<b>CHANGES IN INVENTORIES OF WORK-IN-PROCESS</b>		
	<b>Inventories at the end of the year</b>		
	Work-in- process	<b>2,078.26</b>	888.06
	Finished Goods	<b>2,564.79</b>	-
	<b>Inventories at the beginning of the year</b>	-	-
	Work-in- process	<b>888.06</b>	775.18
	<b>Net (increase)/decrease</b>	<b>-3,754.99</b>	<b>-112.88</b>
<b>24</b>	<b>PROJECT EXECUTION EXPENSE</b>		
	Installation Expenses	223.47	212.89
	Commission Expenses	6.68	3.67
	Transportation Charges	12.59	9.71
	Site Admin Expenses	66.77	36.07
	Project Allowance Expenses	26.49	11.89
	Labour Cess	18.87	-
	Consultancy Charges	85.59	12.15
	Travel Expenses	79.12	27.54
	Hotel Accommodation Exp	49.28	17.31
	Rent	16.38	5.07
	Stamp Duty	6.56	14.18
		<b>591.80</b>	<b>350.49</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

<b>Note</b>	<b>Particulars</b>	<b>Year ended 31-Mar-24</b>	<b>Year ended 31-Mar-23</b>
<b>25</b>	<b>EMPLOYEE BENEFIT EXPENSE</b>		
	Salaries and wages	<b>1,028.34</b>	647.27
	Contribution to provident and other funds	<b>39.80</b>	20.98
	Gratuity expense	<b>10.14</b>	14.43
	Staff welfare expenses	<b>60.58</b>	21.04
	Directors remuneration	<b>64.92</b>	45.99
	Directors Earned Leave encashment	<b>1.35</b>	-
		<b>1205.13</b>	<b>749.72</b>
<b>26</b>	<b>FINANCE COSTS</b>		
	Interest on Working Capital& Term Loan		
	a) Banks	85.82	14.80
	b) Others Including Directors	100.37	172.78
	Other borrowing costs	24.44	-
	Interest on Vehicle Loans	4.45	4.08
	Loan Processing Charges	8.79	0.19
		<b>223.86</b>	<b>191.85</b>
<b>27</b>	<b>OTHER EXPENSES</b>		
	Electricity charges	<b>55.46</b>	32.69
	Security charges	<b>21.09</b>	12.99
	Rates and taxes	<b>66.39</b>	76.73
	Printing and stationery	<b>2.43</b>	2.55
	Insurance	<b>16.97</b>	5.51
	Repairs and maintenance	-	-
	a) Buildings	<b>63.58</b>	6.21
	b) Others	<b>79.13</b>	108.90
	Postage, telephone and courier	<b>11.24</b>	8.85
	Travelling and conveyance	<b>98.71</b>	28.36
	Professional & consultancy fees	<b>113.50</b>	73.92
	Directors sitting Fees	<b>40.20</b>	47.60
	Business promotion	<b>5.87</b>	7.03
	Loss on foreign currency transactions and translation (net)	<b>87.06</b>	120.61
	Miscellaneous expenses(General Expenses)	<b>14.16</b>	22.28
	Bank charges	<b>50.69</b>	36.20
	Provision for doubtful debts/ECL	<b>276.15</b>	6.68
	Bad Debts Written Off	<b>18.43</b>	-
		<b>1021.06</b>	<b>597.10</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

Note	Particulars	Year ended 31-Mar-24	Year ended 31-Mar-23
<b>28</b>	<b>DEFERRED TAX LIABILITY</b>		
	<b>Deferred tax liabilities</b>		
(a)	Net block differences	1,404.17	1,562.14
(b)	Unabsorbed depreciation allowance available against future profits	-961.99	-885.93
(c)	Other timing differences	-	-182.41
	Net temporary differences	442.17	493.80
	Tax rate	0.00	0.00
	<b>Required deferred tax liability as on 31.3.24</b>	114.96	123.45
	Deferred tax liability as on 31-3-23	123.45	75.80
	<b>Deferred tax liability reversed/provided</b>	-8.48	47.65
	Deferred tax on OCI	-0.20	-
	Deferred tax provided / (reversed) in the year	-8.69	47.65
	Note: Unabsorbed business losses under Income tax Act, 2013 available for set off against future profits not considered for deferred tax asset, as it does not meet the tests of recognition	-	-
<b>29</b>	<b>EARNING PER SHARE</b>		
	Profit after tax attributable to equity shareholders	-2,040.53	-1,985.72
	Weighted average number of equity shares for basic EPS	159.04	135.32
	Weighted average number of equity shares for diluted EPS	159.04	135.32
	Basic earnings per share	-12.83	-14.67
	Diluted earning per share	-12.83	-14.67
<b>30</b>	<b>Professional and consultancy charges under other expenses include payments to statutory Auditors</b>		
	Statutory Audit	4.00	4.00
	Certification and other Matters	2.40	2.50
	Reimbursement of out of pocket expenses	1.05	0.80
		<b>7.45</b>	<b>7.30</b>
<b>31</b>	<b>Expenditure Capitalized includes</b>		
	Materials Consumed for Self Generated Tangible Assets	110.92	-
	Employee Benefits and Other Expenses	-	-
	a- Intangible Assets.	191.59	-
	b. Tangible Assets	50.26	-
		<b>352.77</b>	<b>-</b>
<b>32</b>	<b>Travel Expenses includes payment to directors towards foreign Travel</b>		
	Current year	21.68	-
	Previous years (2018-19 to 2022-23)	33.78	-
		<b>55.46</b>	<b>-</b>



**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

**33 CONTINGENT LIABILITIES AND COMMITMENTS**

Note	Particulars	Year ended 31-Mar-24	Year ended 31-Mar-23
a	Claims against the Company not acknowledged as a debt (See note c(i to iv) & note d(i to iii) below)	391.88	856.10
a	Bank guarantee outstanding( Gross)	2,186.71	2,796.70
c	<b>Income tax</b>		
i	The AO adjusted refund of Rs. 43.86 Lakhs for Assessment year 2014-15 with regard to an adhoc disallowance of the Project Expenses incurred during 2013-14. For Asst. Year 2018-19 disallowances were made to an extent of Rs. 761.37 lakhs. In respect of these, Appeal was filed with the Commissioner (Appeals) and the Company is confident of getting a favorable order.		
ii	The Company received demand notices from CPC , Bangalore for Assessment years 2019-20 in relation to certain computational omissions in department with regard to capital gains & consequent business loss thus assessing an income of Rs. 495.58 lakhs against returned business loss of Rs 618.16 lakhs; resulting in a demand of Rs. 92.36 lakhs. The Company preferred an appeal against the said order before Commissioner of Income tax and expects to get a favorable decision.		
iii	The Company received an order u/s 151 of the Income tax Act, 1961 for initiating reassessment proceedings in relation to escapement of income for Asst. Year 2017-18 to the tune of Rs. 785.00 lakhs. The Company proposes to contest the same under the Act.		
iv	A Show-cause notice was received u/s 279(1) of the Income Tax Act, 1961, initiating prosecution proceedings u/s 276B r.w.s 278B of the Income Tax Act, 1961 for failure to deposit the deducted TDS within the due date in Central Government Account for financial year(s) 2013-14 to 2016-17. The company has represented the case before the CIT (TDS) and is expecting a favorable order.		
d	<b>Other Matters</b>		
i	Ex employee Murlidhar Raju claimed salary arrears along with interest to the extent of Rs. 40.52 lakhs before RR dist. Court.		
ii	Ex MD of the company Col LV Raju claimed arrears of remuneration and outstanding loan and sought attachment before judgement in RR dist. Court fro an amount of Rs. 234.00 lakhs.		
iii	Ex MD of the company Col LV raju filed a case under section 138 of Negotiable Instruments Act for bouncing of cheque against the company for an amount of Rs. 25.00 lakhs at additional chief metropolitan court, Secunderabad.		

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

Note	Particulars	Year ended 31-Mar-24	Year ended 31-Mar-23
<b>e</b>	<b>Local Agent Commission</b>		
	The Company received an Order dated 19/02/2020 from Cairo Economic Court, Egypt, directing the Company to pay an amount of USD 3.42 Lakhs and Egyptian Pounds 4.98 Lakhs along with an interest of 5% to M/s Alkan Consult, Cairo, towards the Local Agent commission in relation to Egyptian National Railways contract that has been executed by the Company in Cairo, Egypt. The commission payable to the Local Agent is being deducted by the contractor, Egyptian National Railways who in turn have to pay to the Local Agent. The current claim of the Local Agent is even for the works that are yet to be executed. The Company is in the process of filing a suitable case against the Local Agent wherein the Company is confident of getting a favorable order.	294.04	296.20
<b>f</b>	<b>OTHER SIGNIFICANT LITIGATIONS</b>		
	In view of dispute with Konkan Railway Corporation Limited (KRCL), the company has filed arbitration on 09.05.2016 in respect of dues amounting to INR 1518.00 Lakhs . The Arbitration proceedings are under progress. Further the company has failed in the conciliation proceedings against KRCL for outstanding dues of INR 518.00 Lakhs and is in process of filing Arbitration petition. In view of the above, the company has made a provision of INR 2036.00 Lakhs in the books of accounts.		
<b>g</b>	<b>Note 3, 3.1, 6, 7, 7.1 &amp; 8</b>		
<b>i</b>	The Company's assessment of recoverability and impairment loss allowance on its trade receivables, contractual performance obligations, income tax assets and dues from government authorities as on 31 March 2024 are subject to number of management judgments and estimates that are based on prevailing conditions and circumstances as on the date of approval of these financial statements. However, actual results may differ from these estimates as on the date of approval of these financial statements due to the following reasons.		
<b>ii</b>	Recoverability of income tax assets (TDS Receivables) (Note 7 & 7.1) of Rs. 291.14 lakhs (PY Rs. 155.26 lakhs) for respective years will depend on the outcome of the assessment proceedings which are yet to be closed. Recoverability of MAT credit of Rs. 122.57 Lakhs (PY Rs. 122.57 lakhs) would depend on the Company's ability to earn taxable profits in future before expiry of the time limit prescribed for carry forward of MAT Credit.		

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Note		Particulars	Year ended 31-Mar-24	Year ended 31-Mar-23
	iii	Dues from government authorities (Note 6) of Rs. 1506.93 lakhs (PY Rs. 282.83 lakhs) mainly comprised of input tax credits under GST Act and receipt /adjustment of the same depends on actions of government of authorities and outcome of the assessment proceedings which are yet to be closed.		
	iv	Unbilled revenue included in Work-in-Progress (Note 8) of Rs. 163.46 lakhs (PY Rs. 183.46 lakhs) is net of allowance for expected credit loss of Rs. 20 lakhs(PY Rs. 20 lakhs) and is subject to customers' acceptance.		
	v	Trade receivables (Note 3& 3.1) of Rs. 645.71 lakhs (PY Rs. 937.79 lakhs) may be affected due to delay in final deliverables, acceptance of performance claims by the customer, claims/counter claims on quantum of work and Company's decision for continuing the customer contract(s).		
	h	Capital Expenditure Commitments	Not Quantifiable	Nil
<b>34</b>	<b>A</b>	The company entered into a partnership agreement under the name and style of "Kernex TCAS JV" on 15-04-2019 with Vasishta Constructions Pvt Ltd., for the purpose of cooperation in connection with execution of supply & commissioning of on-board TCAS equipment in South Central Railway (Project). The parties agreed to jointly execute the project and share the profits / losses in the ratio of 80%: 20%. In terms of Ind AS 111, the company treats this arrangement as a joint venture and the results of the partnership are reported in the consolidated financial statements of the group. Consequently, no adjustment is made for the results of this joint venture (given hereunder) in the stand-alone financial statements of the company.		
		<b>Particulars</b>		
	a	Total assets of the Partnership	414.20	448.72
	b	Outside liabilities	33.19	15.18
	c	Due to Kernex Microsystems India Ltd	587.25	512.12
	i)	Loans	489.70	414.57
	ii)	Trade Receivable	97.54	97.54
	d	Capital of the Firm	10.00	10.00
	e	Accumulated Losses upto 31-03-2024	-216.23	-70.72
	f	Loss for the year	-145.51	-102.54
	g	Share of the Company in cumulative loss	-172.99	-56.58
	h	Provision for Expected Credit Loss	8.53	-
	i	Net Exposure to TCAS JV	-164.46	-56.58

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

Note	Particulars	Year ended 31-Mar-24	Year ended 31-Mar-23
<b>B</b>	The company entered into a partnership agreement under the name and style of “VRRC Kernex CE RVRJV” on 06-01-2024 with M/s Venkata Rami Reddy Constructions, M/s Charvitha Enterprises & M/s R.Venkat Reddy., for the purpose of cooperation in Comprehensive Signaling and Telecommunication works for provision of Automatic Block Signaling System in Vemulapadu-Muddanur Section of Guntakal Division in South Central Railway (Project). The parties agreed to jointly execute the project and share the profits / losses in the ratio of 35%(KML) : 45% : 10% : 10%. In terms of Ind AS 111, the company proposes to treat this arrangement as a joint venture and the results of the partnership are reported in the consolidated financial statements of the group. Since the capital contribution has not been made by the company and reportedly no transactions have taken place since the inception of JV. Hence no reporting is made in this behalf.		
<b>35</b>	<b>Segment Reporting</b> As per the assessment undertaken by CODM, the allocation of resources and assessment of the financial performance is undertaken at the company level. The Company has only one reportable business segment, which is safety systems for railways . Accordingly, the amounts appearing in the financial statements relate to the Company’s single business segment		
	<b>Geographical information</b>		
	<b>a. Revenue</b>		
	Within India	1,925.64	195.14
	Outside India*	4.19	5.22
	<b>Total</b>	<b>1,929.83</b>	<b>200.36</b>
	<b>* Excludes export sales from India</b>	<b>155.55</b>	<b>105.13</b>
	<b>b. Assets and Liabilities</b>		
	<b>i) Assets</b>		
	Within India	17,168.95	10,827.69
	Outside India	118.27	317.70
		17,287.22	11,145.39
	<b>ii) Liabilities</b>		
	Within India	5,076.10	1,886.73
	Outside India	29.73	29.60
		<b>5,105.83</b>	<b>1,916.33</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

**36. Details of dues to micro and small enterprises as defined under MSMED Act 2006**

Particulars	As at 31-Mar-24	As at 31-Mar-23
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	68.94	0.10
- Principal amount due to micro and small enterprises	65.94	-
- Interest due on above	2.99	-
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act;	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED Act.	-	-
Dues to micro and small enterprises have been determined to the extent such parties have been identified on the basis of information requested by the management and responded by its vendors to the company.	-	-

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

**37 RELATED PARTIES**

**a. List of Related parties and description of Relationship.**

S.No.	Nature of Relationship	Name of the related party	Category
1	Wholly owned subsidiary	Avant-Garde Info Systems Inc, USA	
2	Joint Venture	KernexTCAS JV	
3	Key Managerial Personnel	Anji Raju Manthena	
		Janardhana Reddy Vinta	
		Sreelakshmi Manthena	
		Sitarama Raju Manthena	
		Badari Narayana Raju Manthena	
		R Sreenivasa Rao	
		K Soma Sekhara Rao	
		A V S Krishna Mohan	
		Narender Kumar	
		Satyanarayana Raju Kalidindi ( Upto 20.3.2023)	
		Ramayya Vutukuri ( Upto 05.12.2022)	
P Srikanth (Appointed w.e.f 20.10.2023)			
Sunny sharma (resigned w.e.f. 20.10.2023)			
		Prasada Rao Kalluri	
4	Relatives of Key Managerial Personnel	Alluri Sita Rama Raju Manthena	
5	A Company in which relative of director is interested	Comptek Computer System Pvt. Ltd.	

**b. Transactions with Related parties during the year 2023-24**

S.No.	Nature of Transaction	Name of the related party	2023-24	2022-23	
1	Managerial Remuneration	Sitarama Raju Manthena	32.60	28.39	
		Badari Narayana Raju Manthena	34.03	35.56	
		Satyanarayana Raju Kalidindi ( Upto 20.03.2023)	-	53.37	
		Ramayya Vutukuri ( Upto 05.12.2022)	-	11.67	
		Sunny Sharma ( upto 20.10.2023)	19.76	10.25	
		P Srikanth	17.50	-	
		M A Sitarama Raju	14.81	11.28	
		Prasada Rao Kalluri	11.18	7.84	
2	Directors' sitting fees*	Anji Raju Manthena	5.50	7.00	
		Janardhana Reddy Vinta	4.50	4.00	
		Sreelakshmi Manthena	5.00	7.00	
		Narender Kumar	4.00	2.50	
		R Sreenivasa Rao	7.50	10.50	
		K Soma Sekhara Rao	10.20	6.10	
		A V S Krishna Mohan	3.50	10.50	
* Note: The above excludes reimbursements Travelling & conveyance Expenditure.					
3	Income	Sales	Avant-Garde Info Systems Inc, USA	8.91	2.36
		Rental Income	Comptek Computer System Pvt Ltd	3.77	3.77
		Sales	Kernex TCAS JV	-	109.54
		Interest Received	Kernex TCAS JV	71.64	53.00
	Expenditure	Purchases	Avant-Garde Info Systems Inc, USA	479.22	-
		Purchases-Asset	Avant-Garde Info Systems Inc, USA	13.90	-
		Interest Paid	Anji Raju Manthena	23.39	76.86
			Janardhana Reddy Vinta	8.05	10.44
			Badari Narayana Raju Manthena	5.56	1.34
			Sitarama Raju Manthena	9.62	-
Provision for Doubtful Debts	Comptek Computer System Pvt Ltd	183.59	-		
	KernexTCAS JV	8.53	-		
4	Unsecured Loans	Received	Badari Narayana Raju Manthena	93.50	10.00
		Paid	Badari Narayana Raju Manthena	77.53	74.89
		Received	Sitarama Raju Manthena	335.00	-
		Paid	Sitarama Raju Manthena	335.00	-
		Received	Dr Anji Raju	-	-
		Paid	Dr Anji Raju( Converted to Equity)	-	414.50
		Received	Vinta Janardhana Reddy	-	-
		Paid	Vinta Janardhana Reddy	-	75.00
		Repayment Received	Kernex TCAS JV	85.50	-
5	Others	Working Capital	Kernex TCAS JV	114.00	100.44
		Receipt of dues from TCAS JV	Kernex TCAS JV	-	179.00



**c. Balances as at 31-Mar-24**

S.No.	Nature of Transaction	Name of the related party	31-Mar-24	31-Mar-23
1	Loan taken from KMP along with Interest	Anji Raju Manthena	145.71	129.61
		Vinta Janardhana Reddy	55.86	50.01
		Badari Narayana Raju Manthena	20.98	-
		Sreelakshmi Manthena	-	-
2	Trade payable	Avant-Garde Info Systems Inc, USA	357.25	293.45
3	Trade Receivables	Kernex TCAS JV	97.54	97.54
		Comptek Comuter systems Pvt Ltd	418.34	414.57
4	Investments - Wholly owned subsidiary Joint Venture	Avant-Garde Info Systems Inc, USA	1,275.97	1,275.97
		Kernex TCAS JV	8.00	8.00
5	Advances to customers	Kernex TCAS JV	489.70	396.73
6	Remuneration Payable	Sitarama Raju Manthena	1.64	1.30
		Badari Narayana Raju Manthena	1.72	1.52
		Sunny Sharma	-	2.32
		Satyanarayana Raju Kalidindi	-	-
		Ramayya Vutukuri	-	-
		P Srikath	2.73	-
		Prasada Rao Kalluri	0.61	0.72
		M A Sitarama Raju	1.23	0.52
7	Reimbursements payable	Sitarama Raju Manthena	1.62	0.71
		Badari Narayana Raju Manthena	2.23	1.02
		Sunny Sharma	-	0.21
		P Srikanth	0.65	-
		Prasada Rao Kalluri	1.44	0.97
		M A Sitarama Raju	1.50	0.15
8	Non Executive Directors' sitting fees	Anji Raju Manthena	0.34	1.81
		Janardhana Reddy Vinta	5.18	13.23
		Sreelakshmi Manthena	19.54	16.10
		Narender Kumar	0.45	2.25
		R Sreenivasa Rao	-	1.94
		K Soma Sekhara Rao	-	-0.50
		A V S Krishna Mohan	-	2.45
		Manthena Raju Narasa	4.39	4.39
9	Non Executive Directors' Reimbursements Payable	Anji Raju Manthena	49.05	-
		Janardhana Reddy Vinta	4.44	-
		Sreelakshmi Manthena	-	-
		Narender Kumar	-	-
		R Sreenivasa Rao	-	-
		K Soma Sekhara Rao	-	-
		A V S Krishna Mohan	-	-

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**
*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*
**38. EMPLOYEE BENEFITS**
**a. Defined contribution plan**

Eligible employees of the Company receive benefits from a provident fund, which is a defined contribution plan. Both the employee and Company make monthly contributions to the provident fund plan equal to a specified percentage of the eligible employee's qualifying salary. The Company has no further obligations under the plan beyond its monthly contributions. The Company contributed INR 34.48 Lakhs (Previous year INR 18.74 Lakhs) towards provident fund plan during the years ended 31-Mar-24.

**b. Defined Benefit Plan**

The Company provides for gratuity, a defined benefit plan ("Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum gratuity payment to eligible employees at retirement or termination of their employment. The amount of the payment is based on the respective employee's last drawn salary and the years of employment with the Company. The company does not provide the facility of leave encashment to its employees. Hence there is no plan for the latter benefits.

The following table sets out the amounts recognised in the financial statements in respect of retiring gratuity plan:

**i. Changes in the present value of obligation**

Particulars	31-Mar-24	31-Mar-23
Present value of obligation as at beginning of the year	78.52	63.20
Current service cost	8.6	13.00
Interest expense or cost	5.8	4.53
Re-measurement (or Actuarial) (gain) / loss	-	-
Benefits Paid	-1.25	-2.21
<b>Present Value of Obligation as at the end of the year</b>	<b>91.67</b>	<b>78.52</b>

**ii. Changes in fair value of plan assets**

Particulars	31-Mar-24	31-Mar-23
Fair Value of Plan Assets as at the beginning of the year	43.22	43.22
OB difference		-
Investment Income	4.26	3.09
Employer's Contribution	28.92	-
Expenses	-0.27	-
Benefits Paid	-	-
Return on plan assets , excluding amount recognised in net interest expense		-
Actuarial gain/(Loss)	-0.45	-3.09
<b>Fair Value of Plan Assets as at the end of the year</b>	<b>75.68</b>	<b>43.22</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

**iii. Fair value of Assets and Obligations**

Particulars	31-Mar-24	31-Mar-23
Fair value of plan assets	75.68	43.22
Present value of obligation	91.67	78.52
Amount recognized in balance sheet	-15.99	-35.30

**iv. Expenses recognised during the year**

Particulars	31-Mar-24	31-Mar-23
<b>In Income Statement</b>		
Current Service Cost	8.60	13.00
Net Interest Cost / (Income) on the Net Defined Benefit Liability / (Asset)	1.54	1.43
<b>Expenses Recognised in the Income Statement</b>	<b>10.14</b>	<b>14.43</b>
<b>In Other Comprehensive Income</b>		
Actuarial (gains) / losses		
Opening balance difference	-	-
Others	-1.26	-2.21
Return on plan assets, excluding amount recognized in net interest expense	0.45	3.09
<b>Components of defined benefit costs recognised in other comprehensive income</b>	<b>-0.81</b>	<b>0.88</b>

**v. Actuarial assumptions**

Particulars	31-Mar-24	31-Mar-23
Discount rate (per annum)	7.10%	7.39%
Salary growth rate (per annum)	2.00%	2.00%

**vi. Sensitivity Analysis**

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The result of sensitivity analysis for a 1% increase/decrease of following assumptions, in the amount of defined benefit obligation is given as under:

Particulars	31-Mar-24		31-Mar-23	
	Decrease	Increase	Decrease	Increase
Change in discounting rate	100.26	84.30	85.58	72.44
Change in salary growth rate	81.76	102.67	68.83	90.11
Change in attrition rate	91.05	92.34	72.40	83.99
Change in mortality rate	91.54	91.78	77.11	79.95

**39. Quarter wise Inventory values vis-a-vis Bank statements filed**

Name of the Bank(s)	Quarter ended	Receivables & Inventories		Difference (Excess)/Shortfall (Lakhs)	Difference in FY 2022-23	Reasons
		Per statements filed with banks	Per books of account			
State Bank of India	6/30/2023	4,989.30	3,359.72	-1,629.58	1,001.23	Receivables were furnished to the banks without reducing provisions
	9/30/2023	5,688.04	3,894.89	-1,793.15	828.89	
	12/31/2023	8,455.28	8,790.68	335.40	883.70	
	3/31/2024	10,922.68	7,169.56	-3,753.12	868.32	
HDFC Bank	3/31/2024	9,061.63	7,169.56	1,892.07	NA	

**40 CAPITAL MANAGEMENT**

The company manages its capital to ensure that it will be able to continue as going concern while creating value for share holders by facilitating the meeting of long term and short term goals of the Company. The company determines the amount of capital required on the basis of annual business plan and five year's corporate plan coupled with long term and short term strategic investment and expansion plans. The Company monitors the capital structure on the basis of net debt to equity ratio on a periodical basis.

**41 Financial Risk Management**

In course of its business, the company is exposed to certain financial risk such as market risk , credit risk and liquidity risk that could have significant influence on the company's business and operational/financial performance. The Board of directors and the Audit Committee reviews and approves risk management framework and policies for managing these risks and monitor suitable mitigating actions taken by the management to minimize potential adverse effects and achieve greater predictability to earnings.

**a. Credit risk**

Credit Risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the company. The Company has a prudent and conservative process for managing its credit risk raising in the course of its business activities. Credit risk is managed through continuously monitoring the creditworthiness of customers and obtaining sufficient collateral, where appropriate, a means of mitigating the risk of financial loss from defaults.

The company makes an allowance for doubtful debts/advances using expected credit loss model.

**i. Trade Receivables:**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of loss (e.g. timeliness of payments, available press information etc.) and applying experienced credit judgment. Exposures to customers outstanding at the end of each reporting period are reviewed by the Company to determine incurred and expected credit losses. Historical trends of impairment of trade receivables do not reflect any significant credit losses. Given that the macro economic indicators affecting customers of the Company have not undergone any substantial change, the Company expects the historical trend of minimal credit losses to continue. The company however made provision for expected credit loss based on the age of the outstanding's.

**ii. Cash and Cash Equivalents**

The Company held cash and cash equivalents of INR 384.80 Lakhs at 31-Mar-24 (Previous year INR 1511.26 Lakhs). This includes the cash and cash equivalents held with the bank and the cash on hand with the Company.

**b. Liquidity risk**

Liquidity Risk refers to the risk that the company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

The Company has obtained fund and non-fund based working capital loans from banks. The borrowed funds are generally applied for Company's own operational activities

**Exposure to liquidity risk:**

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted :

<b>Particulars 31-Mar-24</b>	<b>Upto 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total carrying amount</b>
Other Non Current Liabilities (excluding deferred tax)	19.87	-	-	-	19.87
Current Borrowings	2,405.78	-	-	-	2405.78
Trade payables	1,978.64	-	-	-	1,978.64
Other financial liabilities	476.29	-	-	-	476.29
Other payables	110.28	-	-	-	110.28
	<b>4,990.87</b>	-	-	-	<b>4,990.87</b>

<b>Particulars 31-Mar-23</b>	<b>Upto 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total carrying amount</b>
Other Non Current Liabilities (excluding deferred tax)	51.99	-	-	-	51.99
Current Borrowings	833.17	-	-	-	833.17
Trade payables	317.34	-	-	-	317.34
Other financial liabilities	404.62	-	-	-	404.62
Other payables	185.75	-	-	-	185.75
	<b>1,792.88</b>	-	-	-	<b>1,792.88</b>

**Sensitivity analysis**

A reasonably possible strengthening (weakening) of the Indian Rupee against US dollars and Egyptian Pounds at March 31 would have affected the measurement of financial instruments denominated in US dollars and Egyptian Pounds and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant and ignores any impact of forecast sales and purchases.

Particulars 31-Mar-24	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
<b>1% movement</b>				
<b>US Dollar</b>	-2,494.08	2,494.08	-	-
<b>Egyptian Pounds</b>	50,390.20	-50,390.20	-	-
	47,896.12	-47,896.12	-	-

Particulars 31-Mar-23	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
<b>1% movement</b>				
<b>US Dollar</b>	- 0.01	0.01	-	-
<b>Egyptian Pounds</b>	1.11	-1.11	-	-
	1.10	-1.10	-	-

#### 42 Financial Instruments valuation

All financial instruments are initially measured at cost and subsequently measured at fair value.

The carrying value and fair value of financial instruments by categories as of 31-Mar-24 are as follows

Particulars	Carrying Value	Level of input used in			Fair Value
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
At Amortised Cost					
Investments*	-	-	-	-	-
Trade receivables	645.71	-	-	-	645.71
Cash and cash equivalents	384.80	-	-	-	384.80
Other bank balances	1,513.31	-	-	-	1,513.31
Other financial assets	74.98	-	-	-	74.98
<b>Financial liabilities</b>					
At Amortised Cost					
Borrowings	2,424.30	-	-	-	2,424.30
Trade payables	1,978.64	-	-	-	1,978.64
Other financial liabilities	476.29	-	-	-	476.26

The carrying value and fair value of financial instruments by categories as of 31-Mar-23 are as follows

Particulars	Carrying Value	Level of input used in			Fair Value
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
At Amortised Cost					
Investments*	-	-	-	-	-
Trade receivables	937.79	-	-	-	937.79
Cash and cash equivalents	1,511.26	-	-	-	1,511.26
Other bank balances	1,702.35	-	-	-	1,702.35
Other financial assets	23.43	-	-	-	23.43
<b>Financial liabilities</b>					
At Amortised Cost					
Borrowings	866.98	-	-	-	866.98
Trade payables	317.34	-	-	-	317.34
Other financial liabilities	404.62	-	-	-	404.62

\* excludes Financials assets measured at cost namely investments Rs. 12,83,96,825/- PY(Rs. 12,83,96,825/-)

The financial instruments are categorized into three levels based on the inputs used to arrive at fair value measurements as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable Inputs for the asset or liability.

### 43 CAPITAL RISK MANAGEMENT

For the purpose of the Company's capital management, capital includes issued capital and other equity reserves. The primary objective of the Company's Capital Management is to maximize shareholders value. The Company manages its capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants.

The Company monitors capital using adjusted net debt to equity ratio. For this purpose, adjusted net debt is defined as total debt less cash and bank balances.

Particulars	31/Mar/24	31/Mar/23
Current borrowings	2,405.78	833.17
<b>Total Debts</b>	2,405.78	833.17
Less: Cash & Cash equivalents	384.80	1,511.26
Adjusted net debts	2,020.79	-678.08
Equity	1,675.94	1,545.94
Other Equity	10,505.45	7,683.12
<b>Total Equity</b>	<b>12,181.39</b>	<b>9,229.07</b>
Adjusted net debt to equity ratio	<b>0.17</b>	-0.07



**44. Ratios**

Ratio	Numerator	Denominator	31-Mar 2024	31-Mar 2023	% Variance	Reason for variance
Current Ratio	Current Assets	Current Liabilities	2.41	3.38	-29%	Change in % Current Ratio is on account of increase in Bank Borrowings compared to previous year.
Debt - Equity Ratio	Total Debt	Shareholder's Equity	0.20	0.09	112%	Change in % debt equity is on account of increase in Bank Borrowings compared to previous year.
Debt Service Coverage Ratio	Earnings available for debt service= Net profit after taxes + Non-cash operating expenses + Finance cost	Debt service= Interest & Lease Payments + Principal Repayments	-6.25	-1.84	240%	NA
Return on Equity (ROE)	Net Profits after taxes	Average Shareholder's Equity	-0.19	-0.26	-28%	Change in % of Return on equity is on account of loss incurred during the current year as compared to loss earned during previous year
Inventory Turnover Ratio	Cost of goods sold	Average Inventory	0.45	0.19	138%	Change in % of Inventory turnover ratio is on account of increase in sales as compared to previous year
Trade receivables turnover ratio	Revenue from operations	Average Trade Receivable	2.44	0.19	1183%	Change in % of trade receivables turnover ratio is on account of Increase in Sales and in Debtors as compared to previous year.
Trade payables turnover ratio	Net credit purchases	Average Trade Payables	6.02	1.98	204%	Change in % of Average Trade Payable ratio is on account of Increase in Purchases as compared to previous year.
Net capital turnover ratio	Revenue from operations	Working capital = current assets-current liabilities.	0.27	0.05	467%	Change in % of net capital turnover ratio is on account of decrease in sales as compared to previous year
Net profit ratio	Net Profit	Revenue from operations	-1.06	-9.91	-89%	Change in % of Net profit ratio is on account of Increase in Loss, & Increase in Revenue during the current year as compared to loss during previous year
Return on capital employed (ROCE)	Earnings before interest and taxes	Capital employed= Tangible net worth+ Total debt+ Deferred tax (assets)/liabilities	-0.12	-0.17	-27%	Change in % of Return on capital employed is on account of loss incurred during the current year and Increase in capital as compared to Loss during previous year
Return on investment	Income generated from investments	Time weighted average investments	NA	NA	NA	NA

**45. Other Statutory Information**

- (i) The Company does not have any Benami property, where any proceeding has been initiated or pending against the Company for holding any Benami property.
  - (ii) The Company does not have any transactions with struck off companies
  - (iii) The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period,
  - (iv) The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year
  - (v) The Company has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall
    - a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or
    - b) provide any guarantee, security or the like to or on behalf of the Ultimate Benefit carries.
  - (vi) The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Company shall:
    - a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
    - b) provide any guarantee, security or the like on behalf of the Ultimate Benefit carries.
  - (vii) The Company has not entered in to any transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961).
  - (viii) The Company has not been declared as wilful defaulter by any bank or financial institution or other lender
  - (ix) The Company has complied with the number of layers prescribed under clause (87) of section 2 of the Act read with the Companies (Restriction on number of Layers) Rules, 2017
  - (x) No Scheme of Arrangements has been approved by the Competent Authority in terms of sections 230 to 237 of the Companies Act, 2013, during the year.
46. Previous year figures have been regrouped/reclassified wherever necessary to conform to the current year's classification.

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**

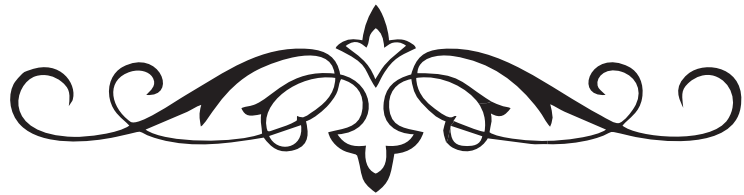
**Sd/-**  
**BADARI NARAYANA RAJU MANTHENA**  
Whole Time Director  
DIN 07993925

**Sd/-**  
**SITARAMA RAJU MANTHENA**  
Whole Time Director  
DIN 08576273

**Sd/-**  
**PAMIDI SRIKANTH**  
Chief Financial Officer

**Sd/-**  
**PRASADA RAO KALLURI**  
Company Secretary

Hyderabad  
13-07-2024



**CONSOLIDATED  
FINANCIAL STATEMENTS  
2023-24**



## **INDEPENDENT AUDITOR'S REPORT**

To the Members of **KERNEX MICROSYSTEMS (INDIA) LIMITED**

### **REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **Opinion**

We have audited the accompanying consolidated financial statements of **KERNEX MICROSYSTEMS (INDIA) LIMITED** (hereinafter referred to as the "Holding Company") its subsidiaries and Joint venture (Controlled Entity) (Holding Company its subsidiary and Joint venture (Controlled Entity) together referred to as "The Group"), which comprise consolidated balance sheet as at 31 March 2024, and the consolidated statement of Profit and Loss (including Other Comprehensive Income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies and other explanatory information (hereinafter referred to as the "consolidated financial statements")

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the group as at 31 March 2024, and their consolidated loss including other comprehensive income, their consolidated statement of changes in equity and their consolidated cashflows for the year ended on that date.

#### **Basis for Opinion**

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Companies Act, 2013 and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us along with the consideration of reports of the other auditors referred to in "Other Matters" section below, is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

#### **Emphasis of Matter**

We draw attention to Note 3, 7, 10 and 33 (g) of the consolidated financial statements which describes that the company has assessed the recoverability and impairment of the following financial assets:

- (a) Trade Receivables from customers Rs. 616.40 lakhs (including a related party of Rs. 234.75 (PY Rs. 914.70 lakhs) net of ECL provision.
- (b) MAT credit receivable of Rs. 122.56 lakhs (PY Rs. 122.56 lakhs)
- (c) Margin money deposits with banks of Rs. 1532.34 lakhs (PY Rs. 1721.38 lakhs) secured for customer guarantees and under arbitration / negotiation.

Such assessments are based on current facts and circumstances and may not necessarily reflect future uncertainties and events and the final recoverable amounts may vary for the reasons mentioned therein.

Our opinion is not modified in respect of this matter.

### Key Audit Matter

Key audit matters are those matters that, in our professional judgement and based on the consideration of reports of other auditors on consolidated financial statements of components audited by them were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	Auditor's Response
<p>1. The Company (as a lead member) along with a third party as consortium partners (with joint and several liability), entered into Engineering, Procurement and Construction Contracts with a Customer in financial year 22-23 in connection with providing railway safety equipment on EPC basis. The consortium partners entered an inter se agreement to share the revenues from these customer contracts in proportion to the scope of work agreed between them, each being responsible for their share of agreed work.</p> <p>The Company, though as a lead member received the entire revenue, it accounted revenue to the extent of its share alone i.e., after deducting the amount per scope of work for which the other consortium partner is responsible and entitled to. The revenue from these contracts commenced in this year of audit, and being material to the Company is considered as a key audit matter.</p>	<p>We have examined the EPC contract with the Customer, the inter se agreement between consortium partners which detailed the scope of work for which each of them is responsible, and the proportion of contract value payable to the third-party consortium partner for its share of work under the contract. In terms of Ind AS 115 the Company accounted only for its share of revenue as the income from the contract instead of gross revenue of the contract with a corresponding adjustment to contract assets.</p> <p>We reviewed the invoices raised on the customer vis a vis the invoices raised by third party consortium partner on the company (Note 20). For the purposes of determining the company's share of revenue from the EPC contract, the company's management certified the proportion of work rendered by third party consortium partner basis contract milestones for reduction from the invoices raised on the customer.</p> <p>Pending confirmation of balances by the third-party consortium partner, we have verified their invoices raised on the company and the remittances made to them.</p>
<p>2. The Customers of the Company stipulated material amounts as liquidated damages for delays in execution of the contract, which are not accounted for.</p>	<p>As regards liquidated damages, we have been informed by the management that the contracts most likely would be extended on account of delays at Customer-end obviating the need to provide for liquidated damages in the financial statements. We have verified the receipts from customers during the year to confirm that no deductions were made towards liquidated damages.</p>
<p>3. The value of Inventories (Note No 8) at Rs. 7169.56 Lakhs comprising of Raw materials, Work in Progress and Finished goods as on 31-03-2024 is considered as a key audit matter considering the relative size of it in the financial statements.</p>	<p>The physical verification of raw material stocks in stores was conducted by the Internal auditors and management in April 24 &amp; Finished goods at production department were physically verified by us in May 24; both of which have been related back to year-end numbers based on the recorded movement from year-end to the date(s) of physical</p>

Key Audit Matter	Auditor's Response
	<p>verification, to ascertain corresponding book balances as on 31-03-2024.</p> <p>Finished goods and other components of Rs. 2564.79 lakhs include Rs. 1918.25 lakhs at project site not verified by us but certified by the management. Material components lying in production department under conversion to semi-finished / finished goods, valued at Rs. 1914.79 lakhs (excluding unbilled revenue of Rs. 163.47 lakhs), as per the integrated software application could not be physically verified.</p> <p>We have verified the integrated accounting and inventory software maintained by the Company to ascertain the receipts from purchases, issues and stock transfers; for material balancing of major items of raw materials to arrive at the closing stock of Inventories as well as the valuation thereof.</p>
<p>4. Balances lying with statutory / government authorities as on 31-03-2024 amount to Rs. 1638.75 lakhs (Note 6) is considered as a key audit matter considering the relative size of it in the financial statements.</p>	<p>This amount relates to Input credit and GST TDS to be availed / set off against future sales by the Company. We have verified the same with the returns filed by the Company under the Statute and the amounts recorded in the concerned authorities' portal(s)</p>
<p>5. The company entered into a partnership agreement under the name and style of "VRRC Kernex CE RVRJV " on 06-01-2024 with M/s Venkata Rami Reddy Constructions &amp; Others (Refer Note 34) for automatic Block Signalling System South Central Railway (Project). The parties agreed to jointly execute the project and share the profits / losses in the ratio of 35%(KMIL) : 45% : 10% : 10%. In terms of Ind AS 111, the company proposes to treat this arrangement as a joint venture and the results of the partnership are to be reported in the consolidated financial statements of the group. Since the capital contribution has not been made by the company and reportedly no transactions have taken place since the inception of JV. Hence no reporting is made in this behalf.</p>	<p>Since the capital contribution into the partnership has not been made by the company and no transactions have taken place since the inception of the JV, the financial results of the said Joint venture are not incorporated in the consolidated financial statements.</p>

**Information Other than the Consolidated Financial Statements and Auditor's Report Thereon**

The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Holding Company's annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial statements**

The Holding Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income and consolidated cash flows and consolidated statement of changes in equity of the group in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. The respective Management and Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of each company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Management and Board of Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective management and Board of Directors of companies included in the group are responsible for assessing the ability of each company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Management/Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of each company.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial statements**

Our objectives are to obtain reasonable assurance about whether the Consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(l) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management and Board of Directors.
- Conclude on the appropriateness of management and Board of Directors use of the going concern basis of accounting in preparation of consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated financial statements, including the disclosures, and whether the Consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial statements of such entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in section titled "Other Matters" in this audit report.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Other Matter**

1. The consolidated financial results include the Un-audited financial statements / information of one wholly owned subsidiary whose financial information / statements in their standalone financial results reflect total net liabilities of Rs. 79.74 Lakhs as at 31-3-2024 and total revenues of Rs. 509.14 lakhs, total net Loss after tax of Rs. 493.47 lakhs and total comprehensive loss of 398.37 lakhs for the year ended on that date. This financial statements / information have not been audited by us. This financial statements / information are unaudited and have been furnished to us by the management and our opinion on the statement in so far as it relates to the amounts and disclosures included in respect of this Subsidiary is based solely on such unaudited financial statement / information. Our opinion on the statement is not modified in respect of this matter.
2. We did not audit the financial statements / financial information of one Joint Venture Partnership firm included in the consolidated financial results whose financial statements / financial information in their respective standalone financial results reflect total net liabilities of Rs. 206.23 Lakh as at 31-3-2024 and total revenues of Rs. Nil lakhs, total net Loss after tax of Rs.145.51 lakhs and total comprehensive loss of Rs.145.51 lakh for the year ended on that date. This financial statements / information have been by audited by other Auditors whose reports have been furnished to us and our opinion in so far as it relates to the



amounts and disclosures included in respect of this Joint venture is based solely on the report of such other Auditors and the procedures performed by us as stated in above paragraph.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. **A.** As required by Section 143(3) of the Act, based on our audit and on the consideration of review reports of the other auditors / management of the Holding Company, on separate financial statements of such subsidiary and Joint venture as were reviewed by other auditors, as noted in the "Other Matters" paragraph, we report, to the extent applicable, that:
  - i. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements
  - ii. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors except for the matters stated in paragraph 2B below on reporting under Rule 11(g) of the companies (Audit and Auditors) Rules, 2014.
  - iii. The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
  - iv. In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended.
  - v. On the basis of the written representations received from 01-04-2024 to 29-05-2024, and taken on record by the Board of directors of the Holding Company, none of the directors of the Group companies incorporated in India is disqualified as on 31 March 2024 from being appointed as a director in terms of Section 164(2) of the Act
  - vi. The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in paragraph 2B.
  - vii. With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company and its Joint venture incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A"
  - viii. With respect to the matter to be included in the Auditor's Report under Section 197(16) of the Act, in our opinion and according to the information and explanations given to us, the remuneration paid / payable by the Holding Company and its Subsidiary to its directors during the current year is in accordance with the provisions of Section 197 of the Act. Remuneration of Rs. 39 lakhs to the Whole-time Directors for the period from 1st October 2023 till March 2024 approved in the Board meeting held on 12-10-2023, is subject to ratification of the members in the ensuing general meeting. The provisions of section 197 of the Act are not applicable to its Joint venture incorporated in India.
  - ix. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate/consolidated financial statements of the subsidiary & joint venture as noted in the "Other Matters" paragraph:
    - i. The group do not have any pending litigations which would impact the consolidated financial position of the group.
    - ii. The group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses

- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company.
  - iv. a) The management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Holding Company or its subsidiary company and Joint venture in India to or in any other person or entity, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediaries shall, whether, directly or indirectly lend or invest in other person or entity identified in any manner whatsoever by or on behalf of the Holding Company or its subsidiary companies and Joint venture in India ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
  - b) The management has represented that, to the best of its knowledge and belief, no funds have been received by the Holding Company or its subsidiary company and Joint venture in India from any person or entity, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Holding Company or its subsidiary company and Joint venture in India shall, whether, directly or indirectly, lend or invest in other person or entity identified in any manner whatsoever by or on behalf of the Funding Parties ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
  - c) Based on the audit procedures that were considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.
  - v. No dividend has been declared or paid during the year by the Holding Company.
- B. The reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 applicable from 1 April 2023 is as follows:

Based on our examination which included test checks, except for the instances mentioned below, the Holding Company, the Subsidiary & the Joint Venture have used accounting software for maintaining their books of account, which have a feature of recording audit trail (edit log) facility and the same has operated during the year, as under, for all relevant transactions recorded in the respective software:

- a. The feature of recording audit trail has been put in place only from 03-07-2023 when the group upgraded the integrated accounting and inventory software to the edit log version.
- b. The feature of recording audit trail (edit log) facility was not enabled for accounts relating to payroll, fixed asset register and consolidation process.
- c. The feature of recording audit trail (edit log) was not enabled for records maintained with respect to indenting and purchase of raw material components and job works.

Further, for the periods where audit trail (edit log) facility was enabled and operated throughout the year for the respective accounting software, we did not come across any instance of the audit trail feature being tampered with. As regards audit trail preservation, since this is the first year, the requirements are not applicable.

Place: Hyderabad  
Date: 13.07.2024

For **PRSV & Co. LLP**  
Chartered Accountants  
Firm's Registration No. S-200016

**Sd/-**  
**Raja Praturi**  
Partner  
Membership No. 020615  
UDIN: 24020615BKCCQYM1750

**ANNEXURE “A” TO THE INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED  
FINANCIAL STATEMENTS OF KERNEX MICROSYSTEMS (INDIA) LIMITED  
FOR THE YEAR ENDED 31 MARCH 2024**

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of **Kernex Microsystems (India) Limited** of even date)

**Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub- section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

The Consolidated Financial Statements of KERNEX MICROSYSTEMS (INDIA) LIMITED (Holding Company), its foreign subsidiary AVANT GARDE INFOSYSTEMS INC, USA and its Joint Venture KERNEX TCAS JV together referred to as the group have been audited by us subject to the section “OTHER MATTERS” of the aforesaid Report.

Pursuant to clause (i) sub-section 3 of section 143 of the Companies Act, 2013, we rendered a separate report on the Internal Financial Controls Over Financial Reporting of the holding company. The other entities in the group namely the Subsidiary (un-audited) and the Joint Venture (audited by other auditors) are not covered by the provisions of clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 as the subsidiary is a foreign subsidiary & the Joint Venture is a partnership firm. Accordingly, we do not issue a separate report under this clause.

For **PRSV & Co. LLP**  
Chartered Accountants  
Firm's Registration No. S-200016

**Sd/-**  
**Raja Praturi**  
Partner  
Membership No. 020615  
UDIN: 24020615BKCQYM1750

Place: Hyderabad  
Date: 13.07.2024

**ANNEXURE “B” TO THE INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS OF KERNEX MICROSYSTEMS (INDIA) LIMITED FOR THE YEAR ENDED 31 MARCH 2024**

**(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Kernex Microsystems (India) Limited of eventdate)**

The Auditors of the Companies/ Joint Venture whose financial statements are comprised in the consolidated financial statements being reported upon, have made adverse remarks in the Companies (Auditor's Report) Order (CARO). The details thereof are as under:

<b>S. No</b>	<b>Company Name &amp; CIN</b>	<b>Status of the Company</b>	<b>CARO Clause No. which is qualified or adverse</b>
1.	Kernex Microsystems (India) Limited (CIN: L30007TG1991PLC013211)	Holding Company	i(c), ii(a) & (b), iii, vii(a) & (c), x, xvii
2.	Avant Garde Infosystems	Foreign Subsidiary Company	Un-audited & Not applicable
3.	Kernex TCAS JV	Joint Venture	Audited by other auditors & Not applicable

For **PRSV & Co. LLP**  
Chartered Accountants  
Firm's Registration No. S-200016

**Sd/-**  
**Raja Praturi**  
Partner  
Membership No. 020615  
UDIN: 24020615BKCYM1750

Place: Hyderabad  
Date: 13.07.2024

**CONSOLIDATED Balance Sheet as at 31-Mar-24**

(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	Note No	As at 31-Mar-24	As at 31-Mar-23
<b>I. ASSETS</b>			
<b>(1) NON-CURRENT ASSETS</b>			
(a) Property, Plant and Equipment	2	2,368.15	2,372.95
(b) Intangible assets	2.1	0.84	0.35
(c) Intangible assets Under Development	2.2	231.39	260.26
(d) Financial assets		-	-
(i) Trade Receivables	3	580.08	914.70
(ii) Investments	4	-	-
(iii) Other financial assets	5	252.55	214.77
(e) Loans and Advances	6.1	-	-
(f) Income tax Assets	7	258.74	263.60
		<b>3,691.75</b>	<b>4,026.63</b>
<b>(2) CURRENT ASSETS</b>			
(a) Inventories	8	7,169.56	1,405.67
(b) Financial assets		-	-
(i) Trade receivables	3.1	36.32	-
(ii) Cash and cash equivalents	9	390.83	1,529.41
(iii) Bank balances other than (ii) above	10	1,532.34	1,721.38
(iv) Other financial assets	11	24.45	10.69
(c) Other Current assets	6	2,871.31	1,452.17
(d) Income Tax Assets	7.1	155.15	14.23
		<b>12,179.96</b>	<b>6,133.54</b>
<b>TOTAL ASSETS</b>		<b>15,871.71</b>	<b>10,160.17</b>
<b>II. EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
(a) Equity Share Capital	12	1,675.94	1,545.94
(b) Other equity	13	8,985.27	6,668.53
Equity attributable to owners of Kernex Micro Systems (India) Limited		<b>10,661.21</b>	<b>8,214.47</b>
Non-controlling interests		-41.25	-11.46
<b>Total Equity</b>		<b>10,619.97</b>	<b>8,203.01</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
(a) Financial liabilities			
Long term Borrowings	14	18.52	33.81
(b) Provisions	15	1.35	18.18
(c) Deferred tax liabilities (Net)	28	114.96	123.45
		<b>134.84</b>	<b>175.44</b>

(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	Note No	As at 31-Mar-24	As at 31-Mar-23
<b>CURRENT LIABILITIES</b>			
(a) Financial liabilities			
(i) Short Term Borrowings	16	2,780.64	1,036.35
(ii) Trade Payables		-	-
(a) Total outstanding Dues of micro enterprises and small enterprises	17	67.85	0.10
(b) Total outstanding Dues of other than micro enterprises and small enterprises	17.1	1,558.48	33.17
(iii) Other financial liabilities	18	589.27	520.56
(b) Other current liabilities	19	120.66	174.42
(c) Provisions		-	17.12
		<b>5,116.90</b>	<b>1,781.72</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>15,871.71</b>	<b>10,160.17</b>
See accompanying notes to the financial statements	1-46		

As per our report of even date attached

**For PRSV & Co. LLP**  
Chartered Accountants  
Firm Regn No. S200016

**Sd/-**  
**RAJA PRATURI**  
Partner  
Membership No: 020615

Hyderabad  
13-07-2024

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**

**Sd/-**  
**BADARI NARAYANA RAJU MANTHENA**  
Whole Time Director  
DIN 07993925

**Sd/-**  
**PAMIDI SRIKANTH**  
Chief Financial Officer

**Sd/-**  
**SITARAMA RAJU MANTHENA**  
Whole Time Director  
DIN 08576273

**Sd/-**  
**PRASADA RAO KALLURI**  
Company Secretary

**Statement of changes in equity and other equity**

(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	Equity share capital	Share application money pending allotment	Reserves & Surplus			Other Comprehensive Income		Total Other Equity	Non-Controlling Interest
			Securities premium	General Reserve	Profit and loss	Foreign currency translation reserve	Actuarial Gains/(Losses)		
<b>Balance as at 31 March 2022</b>	1,249.97	552.00	9,172.20	612.14	-6,243.70	-461.76	-48.48	3,582.39	9.05
Share application Money	-	-552.00	5,588.00	-	-	-	-	5,036.00	-
Equity issued during the year	295.98	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-1,981.53	-	-	-1,981.53	-20.51
Foreign currency translation	-	-	-	-	-	38.96	-0.88	38.08	-
Prior Period Adjustment	-	-	-	-	-	-6.42	-	-6.42	-
Others	-	-	-	-	-	-	-	-	-
<b>Balance as at 31-03-2023</b>	<b>1,545.94</b>	<b>-</b>	<b>14,760.20</b>	<b>612.14</b>	<b>-8,225.22</b>	<b>-429.22</b>	<b>-49.36</b>	<b>6,668.53</b>	<b>-11.46</b>
Share application Money	-	-	-	-	-	-	-	-	-
Equity issued during the year- (Note a)	130.00	-	5,109.00	-	-	-	-	5,109.00	-
Profit for the period from 01.4.23 to 31.03.24	-	-	-	-	-2,641.20	-	-	-2,641.20	-29.79
Foreign currency translation	-	-	-	-	-	95.10	-	95.10	-
Utilized (Note b)	-	-	-246.76	-	-	-	-	-246.76	-
Actuarial Gains/(Losses)( Net of Tax)	-	-	-	-	-	-	0.60	0.60	-
<b>Balance as at 31-03-2024</b>	<b>1,675.94</b>	<b>-</b>	<b>19,622.44</b>	<b>612.14</b>	<b>-10,866.42</b>	<b>-334.13</b>	<b>-48.76</b>	<b>8,985.27</b>	<b>-41.25</b>

As per our report of even date attached

**For PRSV & Co. LLP**  
Chartered Accountants  
Firm Regn No. S200016

**Sd/-**  
**RAJA PRATURU**  
Partner  
Membership No: 020615

Hyderabad  
13-07-2024

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**

**Sd/-**  
**BADARI NARAYANA RAJU MANTHENA**  
Whole Time Director  
DIN 07993925

**Sd/-**  
**SITARAMA RAJU MANTHENA**  
Whole Time Director  
DIN 08576273

**Sd/-**  
**PAMIDI SRIKANTH**  
Chief Financial Officer

**Sd/-**  
**PRASADA RAO KALLURI**  
Company Secretary

**CONSOLIDATED Statement of Profit and Loss Account for the year ended 31-Mar-24**

(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	Note	Year ended 31-Mar-24	Year ended 31-Mar-23
<b>Income</b>			
I Revenue from operations	20	1,959.80	403.96
II Other Income	21	130.63	78.23
<b>III Total income (I+II)</b>		<b>2,090.43</b>	<b>482.18</b>
<b>IV Expenses</b>			
(a) Cost of materials consumed	22	5,044.58	415.07
(b) Changes in inventories of finished goods, work in progress and stock in trade	23	-3,754.99	-132.88
(c) Project execution expenses	24	662.02	454.22
(d) Employee benefit expense	25	1,253.29	797.72
(e) Finance cost	26	237.58	82.14
(f) Depreciation and amortization expense	2&2.1	497.00	238.71
(g) Other expenses	27	1,183.38	581.60
(h) Amount transferred to capital expenditure	31	-352.77	-
<b>Total expenses (IV)</b>		<b>4,770.10</b>	<b>2,436.57</b>
<b>V Profit/(loss) before extraordinary, exceptional items and tax( III-IV)</b>		<b>-2,679.67</b>	<b>-1,954.39</b>
<b>VI Exceptional items</b>		-	-
<b>VII Profit/( Loss) before tax for the year (V-VI)</b>		-2,679.67	-1,954.39
<b>VIII Tax expense</b>		-8.69	47.65
(i) Current tax		-	-
(ii) Deferred tax	28	-8.69	47.65
		-	-
<b>IX Net Profit/( loss) for the year ( VII-VIII)</b>		-2,670.98	-2,002.03
Attributable to			
Shareholders of the Company		-2,641.20	-1,981.53
Non-controlling interest		-29.79	-20.51
<b>X Other comprehensive income</b>			
A. Items that will not be reclassified to Statement of Profit and loss			
(i) Remeasurement gains/(losses) of the defined benefit plans		0.81	-0.88
(ii) Income tax effect on the above		-0.21	-
B (i) Items that will be reclassified to Statement of Profit and loss		95.10	38.96
(ii) Income tax relating to items that will be reclassified to Statement of Profit and loss		-	-
<b>XI Total comprehensive Income for the year</b>		<b>-2,575.29</b>	<b>-1,963.95</b>
Attributable to			
Shareholders of the company		-2,545.50	-1,943.44
Non-controlling interest		-29.79	-20.51



(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	Note	Year ended 31-Mar-24	Year ended 31-Mar-23
<b>XII Earnings per equity share (EPS)</b>		-	-
<b>Paid Up Equity Sharecapital</b>		1,675.94	1,545.94
Basic Earnings per share of Rs.10/- each (not annualised) Rs. 29		-16.61	-14.67
Diluted Earnings per share of Rs.10/- each (not annualised) Rs.		-16.61	-14.64
See accompanying notes to the financial statements	<b>1-46</b>		

As per our report of even date attached

**For PRSV & Co. LLP**  
Chartered Accountants  
Firm Regn No. S200016

**Sd/-  
RAJA PRATURI**  
Partner  
Membership No: 020615

Hyderabad  
13-07-2024

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**

**Sd/-  
BADARI NARAYANA RAJU MANTHENA**  
Whole Time Director  
DIN 07993925

**Sd/-  
PAMIDI SRIKANTH**  
Chief Financial Officer

**Sd/-  
SITARAMA RAJU MANTHENA**  
Whole Time Director  
DIN 08576273

**Sd/-  
PRASADA RAO KALLURI**  
Company Secretary

**Consolidated Statement of Cash Flows for the year ended 31 March, 2024**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

Particulars	Year ended 31-Mar-24	Year ended 31-Mar-23
<b>I CASHFLOW FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before tax	-2,679.67	-1,954.39
Add/(less): Adjustments for	-	-
Depreciation and amortisation	497.00	238.71
Foreign currency translation (gain)/ loss	179.46	159.57
Provision for obsolete stock/ Others	8.99	-
Sundry balances written off/ BADE debts Written off	18.43	-
Provision for doubtful debts/advances/written off	267.62	26.68
Provision for Gratuity	-	15.32
Liabilities no longer required written Back	-	-11.04
(Profit) on disposal of property, plant and equipment	-1.90	-
Finance costs	237.58	82.14
<b>Operating Profit before changes in working capital</b>	<b>-1,472.50</b>	<b>-1,443.01</b>
<b>Changes in assets and liabilities</b>		
(Increase)/ Decrease in Trade receivables	12.26	163.68
(Increase) in Inventories	-5,772.88	-507.10
(Increase)/Decrease in Other Financial Assets- Non Current	-37.78	-201.34
(Increase) in Income tax assets-Non Current and Current	-136.05	-16.85
(Increase) in Other Financial assets- Current	-13.76	193.86
(Increase) in Other Current assets	-1,419.14	-1,057.13
Increase in other Non Current Assets	-	-
Decrease/(Increase) in Margin Money towards Bank Guarantees with bank	189.04	-456.46
Increase/(Decrease) in Trade payables	1,505.99	-141.61
(Decrease) in Provisions	-33.95	-
(Decrease) in Other Financial and Other current liabilities	15.76	-132.94
<b>Net cash generated/(used in) operating activities</b>	<b>(A) -7,163.03</b>	<b>-3,598.91</b>
<b>II. CASH FLOW FROM INVESTING ACTIVITIES.</b>		
Proceeds from disposal of property, plant and equipment	22.13	-
Payment for Purchase of Property, Plant & Equipment and capital work in Progress	-248.49	-62.72
Incase in Capital work in Progress	-231.39	-
Payment for Intangible Assets	-1.45	-
<b>Net cash (used) in investing activities</b>	<b>(B) -459.21</b>	<b>-62.72</b>
<b>II. CASH FLOW FROM FINANCING ACTIVITIES.</b>		
Proceeds from issuance of equity share capital	130.00	4,917.48
Proceeds from Securities Premium	5,109.00	-
Promoters loan converted into Equity	-	414.50
Expenses incurred on Increase of Share Capital	-246.76	-
Increase in Bank Borrowings through Cash Credit Limit	1,751.62	267.58
(Repayment)/ Increase in Vehicle Loan	-13.74	47.55
(Repayment) of Term Loan	-17.79	-17.77
(Repayment) of Promoters Loan and Inter Corporate Deposit (ICD) including conversion to Equity	8.92	-623.54

(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	Year ended 31-Mar-24	Year ended 31-Mar-23
Repayment of Loan by Subsidiary	-	-591.55
Increase in credit line to subsidiary by bank	-	182.52
Finance costs	-237.58	-82.14
<b>Net cash flow from financing activities</b>	<b>(C) 6,483.67</b>	<b>4,514.64</b>
<b>Net increase/(Decrease) in cash and cash equivalents</b>	<b>(A+B+C) -1,138.58</b>	<b>853.01</b>
Cash and Cash Equivalents at the beginning of the year	1,529.41	676.40
Less: Bank deposits with less than 12 months maturity	-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>390.83</b>	<b>1,529.41</b>
<b>Bank Balances as per Balance Sheet</b>	<b>-</b>	<b>-</b>
	390.83	-1,529.41
<b>Components of Cash and Cash Equivalents</b>		
Cash on Hand	0.79	16.11
Bank balances in Current Accounts	390.04	13.30
Fixed Deposits < 3 Months Maturity	-	1,500.00
<b>Total</b>	<b>390.83</b>	<b>1,529.41</b>
See accompanying notes to the financial statements	1-46	

Note: The above cash flow statement has been prepared under "Indirect method" as set out in the Indian Accounting Standard (IND AS 7) - Statement of Cash flows

As per our report of even date attached

**For PRSV & Co. LLP**  
Chartered Accountants  
Firm Regn No. S200016

**Sd/-**  
**RAJA PRATURU**  
Partner  
Membership No: 020615

Hyderabad  
13-07-2024

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**

**Sd/-**  
**BADARI NARAYANA RAJU MANTHENA**  
Whole Time Director  
DIN 07993925

**Sd/-**  
**PAMIDI SRIKANTH**  
Chief Financial Officer

**Sd/-**  
**SITARAMA RAJU MANTHENA**  
Whole Time Director  
DIN 08576273

**Sd/-**  
**PRASADA RAO KALLURI**  
Company Secretary

**Note 1: NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

- I. Corporate information** Kernex Microsystems (India) Limited is engaged in the manufacture and sale of Safety Systems and Software services for Railways with plant location at Hyderabad and a branch in Cairo, Egypt.
- II Material accounting policies information** Entity specific disclosure of material accounting policies where Ind AS permits alternative treatment is disclosed hereunder after assessing the materiality of the accounting policy information involving exercising of judgments considering the qualitative and quantitative factors like size and nature, characteristics of transactions, events or conditions. Entity's conclusion that the accounting policy is not material does not affect the disclosures required under Ind AS. The material accounting policies applied by the Company in the preparation of its financial statements are listed below. Such accounting policies have been applied consistently to all the periods presented in these financial statements, unless otherwise indicated.
- III.1 Basis of Preparation and Presentation** The financial statements are prepared on a 'going concern' basis under historical cost using accrual basis, except for the following assets and liabilities which have been measured at fair value amount:
- i) Certain financial assets and liabilities
  - ii) employee defined benefit assets/(liability)
- The financial statements have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 and other relevant provisions of the Act since 1<sup>st</sup> April 2017.
- Company's financial statements are presented in Indian Rupees, which is also its functional currency and rounded off to the nearest Rs. lakhs. For the purposes of current and non-current classification, the Entity reckoned its normal operating cycle as 12 months.
- III. Principles of Consolidation** The Consolidated financial statements relate to Kernex Microsystems (India) Limited ("the company") and its subsidiary company Avant- Garde Info Systems Inc and Joint Venture partnership firm TCAS JV . The consolidated Financial statements have been prepared on the following basis.
- The Financial statements of the company and its subsidiaries are combined on a line by line basis by adding together like items of assets, liabilities, equity, incomes, expenses and cash flows, after fully eliminating intra-group balances and intra group transactions.
- Profits or losses resulting from intra group transactions that are recognised in assets, such as inventory and property, plant & equipment, are eliminated in full.
- Revenue items are consolidated at the average rate prevailing during the year. All monetary assets and liabilities are converted at rates prevailing at the end of the year.
- Off set (eliminate) the carrying amount of the parents investment in subsidiary and the parent portion of equity of subsidiary.
- IV. Other Material accounting policies** These are set out under Material Accounting Polices as given in the company's standalone Financial statements.

**Note No 2: Property, Plant and Equipment  
as on 31-Mar-24**
*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

Description	Land and Land Development	Building Own Use	Plant and Equipment Owned	Furniture and Fixtures Owned	Vehicles Owned	Office Equipment Owned	Total
<b>Cost as at 1st April 2022</b>	<b>451.33</b>	<b>3,875.38</b>	<b>1,399.31</b>	<b>124.08</b>	<b>112.88</b>	<b>100.21</b>	<b>6,063.20</b>
Additions	-	-	17.41	-	45.18	-	62.58
Disposals	-	-	-	-	-	-	-
<b>Cost as at 1st April 2023</b>	<b>451.33</b>	<b>3,875.38</b>	<b>1,416.72</b>	<b>124.08</b>	<b>158.06</b>	<b>100.21</b>	<b>6,125.78</b>
Additions	-	15.95	220.19	4.85	-	7.49	248.49
Disposals	20.22	-	-	-	-	-	20.22
<b>Cost as at 1st April 2024</b>	<b>431.11</b>	<b>3,891.33</b>	<b>1,636.91</b>	<b>128.93</b>	<b>158.06</b>	<b>107.71</b>	<b>6,354.05</b>
<b>Accumulated depreciation as at 1st April 2022</b>	-	<b>1,845.40</b>	<b>1,344.80</b>	<b>117.06</b>	<b>108.15</b>	<b>99.54</b>	<b>3,514.95</b>
Depreciation for the year	-	210.24	13.71	1.48	12.32	0.28	238.02
Disposals/adjustments	-	-	-	-	-0.14	-	-0.14
<b>Accumulated depreciation as at 31 March 2023</b>	-	<b>2,055.64</b>	<b>1,358.51</b>	<b>118.53</b>	<b>120.32</b>	<b>99.82</b>	<b>3,752.82</b>
Depreciation for the year	-	188.32	32.36	0.85	10.86	0.68	233.07
Disposals/adjustments	-	-	-	-	-	-	-
<b>Accumulated depreciation as at 31 March 2024</b>	-	<b>2,243.97</b>	<b>1,390.86</b>	<b>119.38</b>	<b>131.19</b>	<b>100.50</b>	<b>3,985.90</b>
<b>Net carrying value as at 31 March 2024</b>	<b>431.11</b>	<b>1,647.36</b>	<b>246.05</b>	<b>9.55</b>	<b>26.87</b>	<b>7.21</b>	<b>2,368.15</b>
<b>Net carrying value as at 31 March 2023</b>	<b>451.33</b>	<b>1,819.74</b>	<b>58.21</b>	<b>5.55</b>	<b>37.74</b>	<b>0.39</b>	<b>2,372.95</b>

(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

**2.1. Intangible Assets**

Description	Computer Software
<b>Cost as at 1st April 2022</b>	149.76
Additions	-
Disposals	-
<b>Cost as at 1st April 2023</b>	<b>149.76</b>
Additions	1.45
Disposals	-
<b>Cost as at 1st March 2024</b>	<b>151.22</b>
	-
<b>Accumulated Depreciation as at 31st April 2023</b>	<b>148.81</b>
Depreciation for the year	0.60
Disposals/adjustments	-
<b>Accumulated depreciation as at 31st March 2023</b>	<b>149.41</b>
Depreciation for the year	0.97
Disposals/adjustments	-
<b>Accumulated depreciation as at 31st March 2024</b>	<b>150.38</b>
	-
<b>Net carrying value as at 31 March 2024</b>	<b>0.84</b>
<b>Net carrying value as at 31 March 2023</b>	<b>0.35</b>

**Note No.2.2 : Capital Work in Progress**

Description	Capital Work in Progress	Total
<b>Cost as at 1st April 2022</b>	-	-
Additions	-	-
Transfer	-	-
<b>Cost as at 1st April 2023</b>	-	-
Additions	262.96	262.96
Transfer	<b>231.39</b>	<b>231.39</b>
Impairment of Software under development (AGI)	262.96	262.96
<b>Cost as at 31st March 2024</b>	<b>231.39</b>	<b>231.39</b>
<b>Net Carrying Value as at 31st March 2024</b>	<b>231.39</b>	<b>231.39</b>
<b>Net Carrying Value as at 31st March 2023</b>	262.96	262.96

**Note No. 2b: Ageing Schedule for Capital work-in Progress**

Particulars	Less than 1 Year	1 - 2 Year	2 - 3 Year	More Than 3 Years	Total
Net Carrying Value as at 31st March 2024	231.39	-	-	-	231.39
Net Carrying Value as at 31st March 2023	-	-	-	262.96	262.96

**Notes to financial statements for the Period ended 31 March 2024**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

Note	Particulars	As at 31-Mar-24	As at 31-Mar-23
<b>3. TRADE RECEIVABLES</b>			
	<b>Unsecured &amp; Non Current</b>	-	-
	<b>Considered good</b>	-	-
	a. Trade Receivable from Related Parties	-	414.56
	b. Others	172.95	498.38
	<b>Considered Impaired</b>	-	-
	a. Trade Receivable from Related Parties	418.34	-
	b. Others	2,319.15	2,064.50
	<b>Total</b>	<b>2,910.44</b>	<b>2,977.44</b>
	Less: Allowances for credit losses	-2,330.36	-2,062.74
		<b>580.08</b>	<b>914.70</b>
<b>3.1 Unsecured &amp; Non Current</b>		-	-
	<b>Considered good</b>	-	-
	a. Trade Receivable from Related Party	-	-
	b. Others	36.32	-
	<b>Considered Impaired</b>	-	-
	a. Trade Receivable from Related Parties	-	-
	b. Others	-	-
	<b>Total</b>	<b>36.32</b>	-
	Less: Allowances for expected credit losses	-	-
	<b>Trade receivables Ageing Schedule</b>	<b>616.40</b>	<b>914.70</b>
<b>4. INVESTMENTS</b>			
	<b>Investments carried at cost</b>		
	<b>Unquoted equity shares (fully paid up)</b>		
	<b>In 100% subsidiary - Avant Garde Infosystems Inc USA</b>	-	-
	35,80,000 Equity shares of US \$ 0.02 each		
	17,99,240 Equity shares of US \$ 0.10 each		
	62,80,000 Equity shares of US \$ 0.25 each		
	<b>In Joint Venture - Kernex TCAS JV(80% Share)</b>	-	-
		-	-

**Trade Receivables ageing schedule**

(All amounts in lakhs, except share data and where otherwise stated)

Particulars	Outstanding for following periods from due date of payment						Total	Non-Current	Current	Impairment Provided
	Not due	Less than 6 months	6 months -1 year	1-2 Years	2-3 Years	More than 3 years				
(i) Undisputed Trade Receivables - considered good	113.25	36.32	59.70	-	-	-	209.27	172.95	36.32	-
(ii) Undisputed Trade Receivables - which have significant increase in credit risk	-	-	-	-	-	-	-	-	-	-
(iii) Undisputed Trade Receivables - credit impaired	-	-	-	-	-	254.65	254.65	254.65	-	84.03
(iv) Disputed Trade Receivables - considered good	-	-	-	-	-	-	-	-	-	-
(v) Disputed Trade Receivables - which have significant increase in credit risk	-	-	-	-	-	-	-	-	-	-
(vi) Disputed Trade Receivables - credit impaired	-	1.88	1.88	3.77	23.77	2,451.54	2,482.84	2,482.84	-	2,246.33
<b>Balance as at 31 March 2024</b>	<b>113.25</b>	<b>38.20</b>	<b>64.58</b>	<b>3.77</b>	<b>23.77</b>	<b>2,706.19</b>	<b>2,946.76</b>	<b>2,910.44</b>	<b>36.32</b>	<b>2,330.36</b>
(i) Undisputed Trade Receivables - considered good	414.56	-	-	-	-	-	414.56	414.56	-	-
(ii) Undisputed Trade Receivables - which have significant increase in credit risk	-	1.88	1.88	-	-	494.61	498.38	498.38	-	-
(iii) Undisputed Trade Receivables - credit impaired	-	-	-	-	-	-	-	-	-	-
(iv) Disputed Trade Receivables - considered good	-	-	-	-	-	-	-	-	-	-
(v) Disputed Trade Receivables - which have significant increase in credit risk	-	-	-	-	-	-	-	-	-	-
(vi) Disputed Trade Receivables - credit impaired	-	-	-	-	-	2,064.50	2,064.50	2,064.50	-	2,062.74
<b>Balance as at 31 March 2023</b>	<b>414.56</b>	<b>1.88</b>	<b>1.88</b>	-	-	<b>2,559.11</b>	<b>2,977.44</b>	<b>2,977.44</b>	-	<b>2,062.74</b>

- i) An amount of INR 254.65 Lakhs (PY INR 423.91 Lakhs) due from Egyptian National Railways (ENR) is outstanding pending mile stones of the contract to be achieved.
- ii) Further an amount Rs 2064.5 lakhs (PY Rs 2064.5 lakhs) receivable from Konkan Railways Corporation Ltd (KRCL) is under arbitration / in the process of filing arbitration, in respect of which a provision of Rs. 2062.74 lakhs is made.
- iii) Due from related party i.e., Comptek Computer Systems Pvt Ltd., is Rs. 418.34 (PY Rs.414.57 Lakhs) in respect of which a provision of Rs. 183.58 lakhs (PY nil) is made.
- iv) Excludes unbilled revenue of Rs. 163.47 ( PY Rs. 183.47 lakhs) against which allowance has been created for expected obsolescence to an extent of Rs. 20 lakhs (PYRs. 20 Lakhs) which is included in WIP under Inventories (Note 6)



**Notes to financial statements for the Period ended 31 March 2024**

(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Note	Particulars	As at 31-Mar-24	As at 31-Mar-23
<b>5</b>	<b>OTHER FINANCIAL ASSETS</b>		
	<b>Unsecured and considered good</b>		
	Security deposits	252.55	214.77
	EMD	12.51	-
	Less: Considered Doubtful	<b>-12.51</b>	<b>-</b>
		<b>252.55</b>	<b>214.77</b>
<b>6</b>	<b>OTHER CURRENT ASSETS</b>		
	<b>Unsecured</b>		
	Advance to vendors - Considered good	<b>929.19</b>	1,051.72
	Considered doubtful	<b>929.19</b>	1,051.72
	Less: <i>Provision for Advances</i>	-	-71.96
		<b>929.19</b>	979.76
	Advances to Capital goods	<b>1.13</b>	-
	Balances with statutory/government authorities	<b>1638.75</b>	410.45
	Advance for expenses	<b>96.48</b>	19.60
	Prepaid expenses	<b>205.76</b>	42.30
	Unbilled Revenue		
	Payroll Advance	-	-
	Software Development	-	-
	Organisation Expenses	-	8.15
	Accumulated Amortisation	-	-8.09
		<b>2,871.31</b>	<b>1,452.17</b>
	Balances with statutory/government authorities represent input credit on goods and services purchased/received and VAT claims receivable for earlier years.		
<b>6.1</b>	Advance to TCAS JV- WC- Realted Party	-	-
		-	-
<b>7</b>	<b>INCOME TAX ASSETS</b>		
	<b>Non Current</b>	-	-
	Tax Deducted At Source	136.17	141.03
	Mat credit entitlement	122.57	122.57
		<b>258.74</b>	<b>263.60</b>

(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Note	Particulars	As at 31-Mar-24	As at 31-Mar-23
<b>7.1 Current</b>			
	Tax Deducted At Source	<b>155.15</b>	<b>14.23</b>
<b>8 INVENTORIES</b>			
	Raw material	2,416.58	517.61
	Raw material- Obsolete Stock	244.35	248.80
	<i>Less: Provision for slow / non moving stock</i>	-244.35	-248.80
		<b>2,416.58</b>	<b>517.61</b>
	Finished Goods	2,564.79	-
	Work-in-progress	2,078.26	888.06
	Material In Transit	109.93	-
		<b>7,169.56</b>	<b>1,405.67</b>
	Work in Progress includes unbilled Revenue of Rs 163.47 Lakhs.( Previous Year 183.47 Lakhs).		
<b>9 CASH AND CASH EQUIVALENTS</b>			
	Cash on hand	0.79	16.11
	Balances with banks in Current Accounts		
	Scheduled Banks	387.92	3.13
	Others	2.12	10.17
	Fixed Deposits	-	1,500.00
		<b>390.83</b>	<b>1529.41</b>
<b>10 OTHER BANK BALANCES</b>			
	Margin money for bank guarantees	<b>1,532.34</b>	1,721.38
		<b>1,532.34</b>	1,721.38
	The margin money is given as a security for providing performance bank guarantee of Rs 2307.82 (PY 2796.70) The Bank guarantees are also secured by current assets of the company both present & future, collateral hypothecation of fixed assets of the company including Land and Building situated at TSIC hardware park.		
<b>11 OTHER FINANCIAL ASSETS</b>			
	Interest accrued but not due on term deposits	<b>24.45</b>	10.69
		<b>24.45</b>	10.69

(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Note	Particulars	31-Mar-24		31-Mar-23	
		No of Shares	Amount	No of Shares	Amount
<b>12</b>	<b>SHARE CAPITAL</b>				
	<b>Authorised share capital</b>				
	2,50,00,000 Equity shares of Rs.10/- each	25,000,000	2,500.00	25,000,000	2,500.00
	<b>Issued, subscribed and fully paid-up</b>				
	1,67,59,422 Equity Shares of Rs.10/- each with voting rights	16,759,422	1,675.94	15,459,422	1,545.94
		<b>16,759,422</b>	<b>1,675.94</b>	<b>15,459,422</b>	<b>1,545.94</b>
	<b>a. Reconciliation of equity shares outstanding at the beginning and at the end of the year</b>				
	At the beginning of the year	15,459,422	1,545.94	12,499,655	1,249.97
	Issued during the year	1,300,000	130.00	2,959,767	295.98
	<b>Outstanding at the end of the year</b>	<b>16,759,422</b>	<b>1,675.94</b>	<b>15,459,422</b>	<b>1,545.94</b>

**b. Rights attached to the equity shares**

The company has only one class of shares having a face value of Rs. 10/- per share. All equity shareholders rank pari-passu in respect of dividend and voting rights. Each holder of equity shares is entitled to one vote per share. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of preferential amounts, in proportion to their shareholding.

**c. Details of shareholders holding more than 5% shares in the Company**

Name of the shareholder	31-Mar-24		31-Mar-23	
	No of Shares	% of holding	No of Shares	% of holding
Anji Raju Manthena	<b>24,86,873</b>	<b>14.84%</b>	24,86,873	16.09%

(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

**d. Details of shares held by promoters**

Name of the shareholder	As at March, 31-Mar-24		As at March, 31-Mar-23	
	No of Shares	% of holding	No of Shares	% of holding
Anji Raju Manthena	24,86,873	14.84%	24,86,873	16.09%
Sitarama Raju Manthena	7,12,992	4.25%	7,12,992	4.61%
Sreelakshmi Manthena	6,40,398	3.82%	6,40,398	4.14%
Srinivasa Raju Manthena	6,06,597	3.62%	6,06,597	3.92%
Manthena Parvathi	2,68,469	1.60%	2,68,469	1.74%
Madhav Mantena	1,10,260	0.66%	1,10,260	0.71%
Raju N Mantena	40,032	0.24%	40,032	0.26%
Namrata Kapoor	7,917	0.05%	7,917	0.05%
Madhuvalli Lakamraju	5,480	0.03%	5,480	0.04%
Venkataramamurthy Raju Lakamraju	2,883	0.02%	2,883	0.02%
Venkateswara Raju Lakkamraju	1,863	0.01%	1,863	0.01%
Subbaraju Venkata Lakamraju	498	0.00%	498	0.00%
Jagannadha L Raju	419	0.00%	419	0.00%
Lakkamraju Susilamma	31	0.00%	31	0.00%
	<b>48,84,712</b>	<b>29.15%</b>	<b>48,84,712</b>	<b>31.60%</b>
Shares under pledge/encumbered				
Sitarama Raju Manthena	428297			
Percentage of his total holdings under pledge	60.07			

**13. Other equity**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

Particulars	As at 31-Mar-24	As at 31-Mar-23
<b>Securities premium</b>		
Opening balance	14,760.20	9,172.20
Add: Received on preferential allotment of equity shares	5,109.00	5,588.00
Less: Utilised during the year towards issue of bonus shares	-246.76	-
<b>Closing balance</b>	<b>19,622.44</b>	<b>14,760.20</b>
<b>Retained earnings</b>		
Opening balance	-8,225.22	-6,243.70
Add: Profit during the year	-2,641.20	-1,981.53
<b>Closing balance</b>	<b>-10,866.42</b>	<b>-8,225.22</b>
<b>General Reserve</b>	<b>612.14</b>	<b>612.14</b>
<b>Items recognised directly in other comprehensive income</b>		
a) Remeasurement losses on employee defined benefit plans(net of tax)	-48.67	-49.36
b) Foreign currency Translation Reserve	-334.13	-429.22
Closing Balance	-	-478.58
<b>Total</b>	<b>8,985.27</b>	<b>6,668.53</b>
<b>14 LONG TERM BORROWINGS</b>		
<b>Secured &amp; Non Current</b>		
Vehicle loans	18.52	33.81
	<b>18.52</b>	<b>33.81</b>
<b>Secured &amp; Current</b>	<b>15.29</b>	<b>13.74</b>
Vehicle loans	15.29	13.74
Vehicles purchased are hypothecated to Axis Bank. The rate of Interest is 10.75 % pa. The loan is repayable in 47 equated instalments.		
<b>15 LONG TERM PROVISIONS</b>		
<b>Provision for employee benefits</b>		
Provision for gratuity	-	18.18
Provision for Leave Encashment- Directors	1.35	-
	<b>1.35</b>	<b>18.18</b>

(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	As at 31-Mar-24	As at 31-Mar-23
<b>16 BORROWINGS</b>		
<b>Loans repayable on demand</b>		
From banks		
Cash credit facilities	2,192.27	440.66
Term Loan	20.58	36.82
	-	-
Others	-	-
Unsecured loans from directors	262.24	209.73
Inter corporate deposits	296.09	339.69
Others	9.45	9.45
	<b>2,780.64</b>	<b>1,036.35</b>

- a. **Cash credit (Working Capital)** facilities from State Bank of India are secured by Paripassu first charge of hypothecation on all current assets of the Company present and future and collaterally secured by extension of paripassu first charge on the fixed assets (movable and immovable) of the Company both present and future and extension of equitable mortgage of land and buildings situated at TSIIC Hardware park. The Applicable rate of Interest to state Bank of India is 8.2% spread on EBLR (External Bench Marking rate).

Cash credit (Working Capital) facilities from HDFC Bank are having Primary security of Rawmaterial, Railway anti-collision Device Manufacturing including Electronic Controllers, PLCs and Receivables from Railways. Collateral security is Plant Land and Buildings located at TSIIC Hardware Park. The Applicable rate of Interest to HDFC bank is 11.25%.

Wallis Bank, Texas, USA has granted commercial loan with a limit of USD 5 lakhs at a rate interest 2.65%. The loan matured on 28th Sept 2023, the same has been extended but no formal agreement has been entered. The loan payable as on 31st march 2024, is USD 4,01,967.7 (INR 3,35,17,272) The loan is guranteed by the promoters of the company Dr.Anji Raju, Sree Lakshmi Manthena, & Sita Rama Raju Manthena

- b. Guaranteed emergency term loan( Unsecured) from SBI is repayable by May 2024 carrying Interest rate at 9.25%.
- c. Unsecured Loans from Directors are repayable on demand and carrying Interest at 18%.
- d. Inter corporate deposit is repayable on demand and carrying interest rate of 15% to 18%.
- e. Other Loans are Interest free and repayable on demand.
- f. The Cash Credit/( Working Capital) facilities are gauranteed by Promoter Directors namely Dr. Anji Raju, Ms. Sreelakshmi Manthena and Sita Ramaraju Manthena.
- g. Inter corporate deposits carrying personal guarantee of Promoter Director Sitarama raju, M Executive Director and Badari Narayan Raju Manthena

(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Note	Particulars	Year ended 31-Mar-24	Year ended 31-Mar-23
<b>17</b>	<b>TRADE PAYABLES</b>		
	Due to micro, small and medium enterprises	67.85	0.10
17.1	Others	1,558.48	33.17
		<b>1,626.33</b>	<b>33.28</b>
	<b>Trade Payables Aging Schedule</b>		
	<b>a) Other than MSME creditors</b>		
	Upto 1 Year	1,558.48	28.97
	1-2 Years	-	4.21
	2-3 Years	-	-
	More than 3 Years	-	-
	Total	1,558.48	33.18
	<b>b) MSME creditors</b>		
	Upto 6 Months	67.85	0.10
	Upto 1 Year	-	-
	1-2 Years	-	-
	2-3 Years	-	-
	More than 3 Years	-	-
	<b>Total</b>	<b>-</b>	<b>0.10</b>
<b>18</b>	<b>OTHER FINANCIAL LIABILITIES</b>		
	Due to capital creditors	1.71	2.19
	Share application money due for refund	0.26	0.26
	Expenses Payables	-	-
	Directors	203.57	162.35
	Others	383.71	355.76
		<b>589.26</b>	<b>520.56</b>
<b>19</b>	<b>OTHER CURRENT LIABILITIES</b>		
	Advance from customers	26.80	137.25
	Provision for Gratuity	15.99	17.12
	Statutory dues	77.87	37.17
		<b>120.66</b>	<b>191.54</b>

**Notes to financial statements for the Period ended 31 March 2024**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

Note	Particulars	Year ended 31-Mar-24	Year ended 31-Mar-23
<b>20</b>	<b>REVENUE FROM OPERATIONS</b>		
	a. Contract Revenue including sale of Products- Gross	6,548.75	-
	Less: Consortium Partner's Share	4,811.00	-
	Net Share of Revenue from Consortium.	1,737.74	-
	b. Other Products & Services	222.06	403.96
		<b>1,959.80</b>	<b>403.96</b>
<b>21</b>	<b>OTHER INCOME</b>		
	Interest Income		
	On fixed deposits with Bank	121.46	64.29
	On Others	2.25	0.02
	Interest on advances( From Related party)	-	-
	Profit on sale of asset	1.90	-
	Rental income	2.59	2.59
	Miscellaneous income	2.42	0.28
	Liabilities no longer required written Bank-	-	11.04
		<b>130.63</b>	<b>78.23</b>
<b>22</b>	<b>COST OF MATERIALS CONSUMED</b>		
	Opening stock	517.61	143.39
	Add: Purchases	6,943.55	789.29
	Less: Closing stock	2,416.58	517.61
		<b>5,044.58</b>	<b>415.07</b>
<b>23</b>	<b>CHANGES IN INVENTORIES OF WORK-IN-PROCESS</b>		
	<b>Inventories at the end of the year</b>		
	Work-in- process	2,078.26	704.59
	Finished Goods	2564.79	-
	<b>Inventories at the beginning of the year</b>	-	-
	Work-in- process	888.06	571.71
	<b>Net (increase)/decrease</b>	<b>-3,754.99</b>	<b>-132.88</b>



**Notes to financial statements for the Period ended 31 March 2024**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

<b>Note</b>	<b>Particulars</b>	<b>Year ended 31-Mar-24</b>	<b>Year ended 31-Mar-23</b>
<b>24</b>	<b>PROJECT EXECUTION EXPENSE</b>		
	Installation Expenses	293.69	316.61
	Commission Expenses	6.68	3.67
	Transportation Charges	12.59	9.71
	Site Admin Expenses	66.77	36.07
	Project Allowance Expenses	26.49	11.89
	Labour Cess	18.87	-
	Consultancy Charges	85.59	12.15
	Travel Expenses	79.12	27.54
	Hotel Accommodation Exp	49.28	17.31
	Rent	16.38	5.07
	Stamp Duty	6.56	14.18
		<b>662.02</b>	<b>454.22</b>
<b>25</b>	<b>EMPLOYEE BENEFIT EXPENSE</b>		
	Salaries and wages	1,076.50	709.71
	Contribution to provident and other funds	39.80	20.98
	Gratuity expense	10.14	21.04
	Staff welfare expenses	60.58	-
	Directors remuneration	64.92	45.99
	Directors Earned Leave encashment	1.35	-
		<b>1,253.29</b>	<b>797.72</b>
<b>26</b>	<b>FINANCE COSTS</b>		
	Interest on Working Capital& Term Loan		
	a) Banks	99.53	14.80
	b) Others Including Directors	100.37	172.78
	Other borrowing costs	24.44	-120.15
	Interest on Vehicle Loans	4.45	14.71
	Loan Processing Charges	8.79	-
		<b>237.58</b>	<b>82.14</b>

**Notes to financial statements for the Period ended 31 March 2024**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

Note	Particulars	Year ended 31-Mar-24	Year ended 31-Mar-23
<b>27</b>	<b>OTHER EXPENSES</b>		
	Electricity charges	55.46	32.69
	Security charges	21.09	12.99
	Rates and taxes	66.75	80.28
	Printing and stationery	2.43	2.55
	Insurance	16.97	5.51
	Repairs and maintenance	-	-
	a) Buildings	63.58	29.24
	b) Others	79.13	36.40
	Postage, telephone and courier	11.24	11.22
	Travelling and conveyance	98.71	37.48
	Professional & consultancy fees	117.88	75.99
	Directors sitting Fees	40.20	47.60
	Business promotion	5.87	7.03
	Loss on foreign currency transactions and translation (net)	87.06	120.61
	Miscellaneous expenses(General Expenses)	15.79	25.21
	Bank charges	51.39	30.12
	Provision for doubtful debts/ECL	267.62	26.68
	Bad Debts Written Off	18.43	-
	Prior Period Expenses	163.78	-
	<b>Total</b>	<b>1,183.38</b>	<b>581.60</b>
<b>28</b>	<b>DEFERRED TAX LIABILITY</b>		
	<b>Deferred tax liabilities</b>		
	(a) Net block differences	1404.17	1,562.14
	(b) Unabsorbed depreciation allowance available against future profits	-961.99	-885.93
	(c) Other timing differences	-	-182.41
	Net temporary differences	442.17	493.80
	Tax rate	26%	25.%
	<b>Required deferred tax liability at the end of year</b>	<b>114.96</b>	<b>123.45</b>
	Deferred tax liability at the beginning of the year	123.45	75.80
	Deferred tax liability reversed/provided	-8.48	47.65
	Deferred tax on OCI	-0.20	-
	<b>Deferred tax provided / (Reversed) in the year</b>	<b>-8.69</b>	<b>47.65</b>

Note: Unabsorbed business losses under Income tax Act, 2013 available for set off against future profits not considered for deferred tax asset, as it does not meet the tests of recognition

**Notes to financial statements for the Period ended 31 March 2024**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

<b>Note</b>	<b>Particulars</b>	<b>Year ended 31-Mar-24</b>	<b>Year ended 31-Mar-23</b>
<b>29</b>	<b>EARNING PER SHARE</b>		
	Profit After Tax attributable to equity shareholders	-2641.20	-1,981.53
	Weighted Average number of equity shares for Basic EPS	159.04	135.32
	Weighted Average number of equity shares for Diluted EPS	159.04	135.32
	Basic Earnings per Share	-16.61	-14.64
	Diluted Earning per Share	-16.61	-14.64
<b>30.</b>	<b>Professional and consultancy charges under other expenses include payments to statutory Auditors</b>		
	Statutory Audit	5.00	6.50
	Certification and other Matters	2.40	-
	Reimbursement of out of pocket expenses	1.05	1.55
		<b>8.45</b>	<b>8.05</b>
	Materials Consumed for Self Generated Tangible Assets	110.92	-
	Employee Benefits and Other Expenses	-	-
	a- Intangible Assets.	191.59	-
	b. Tangible Assets	50.26	-
		-	-
		<b>352.77</b>	-
<b>32.</b>	<b>Travel Expenses includes payment to directors towards foreign Travel</b>		
	Current year	-	-
	Previous year	21.68	-
	Previous years (2018-19 to 2022-23)	33.78	-
		<b>55.46</b>	-

**Notes to financial statements for the Period ended 31 March 2024**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

**33 CONTINGENT LIABILITIES AND COMMITMENTS**

Note	Particulars	Year ended 31-Mar-24	Year ended 31-Mar-23
a	Claims against the Company not acknowledged as a debt (See note c(i to iv) & note d(i to iii) below)	391.88	856.10
a	Bank guarantee outstanding( Gross)	2,307.82	2,796.70
c	<b>Income tax</b>		
i	The AO adjusted refund of Rs. 43.86 Lakhs for Assessment year 2014-15 with regard to an adhoc disallowance of the Project Expenses incurred during 2013-14. For Asst. Year 2018-19 disallowances were made to an extent of Rs. 761.37 lakhs. In respect of these, Appeal was filed with the Commissioner (Appeals) and the Company is confident of getting a favorable order.		
ii	The Company received demand notices from CPC, Bangalore for Assessment years 2019-20 in relation to certain computational omissions in department with regard to capital gains & consequent business loss thus assessing an income of Rs. 495.58 lakhs against returned business loss of Rs 618.16 lakhs; resulting in a demand of Rs. 92.36 lakhs. The Company preferred an appeal against the said order before Commissioner of Income tax and expects to get a favorable decision.		
iii	The Company received an order u/s 151 of the Income tax Act, 1961 for initiating reassessment proceedings in relation to escapement of income for Asst. Year 2017-18 to the tune of Rs. 785.00 lakhs. The Company proposes to contest the same under the Act.		
iv	A Show-cause notice was received u/s 279(1) of the Income Tax Act, 1961, initiating prosecution proceedings u/s 276B r.w.s 278B of the Income Tax Act, 1961 for failure to deposit the deducted TDS within the due date in Central Government Account for financial year(s) 2013-14 to 2016-17. The company has represented the case before the CIT (TDS) and is expecting a favorable order.		
d	<b>Other Matters</b>		
i	Ex employee Murlidhar Raju claimed salary arrears along with interest to the extent of Rs. 40.52 lakhs before RR dist. Court.		
ii	Ex MD of the company Col LV Raju claimed arrears of remuneration and outstanding loan and sought attachment before judgement in RR dist. Court fro an amount of Rs. 234.00 lakhs.		
iii	Ex MD of the company Col LV raju filed a case under section 138 of Negotiable Instruments Act for bouncing of cheque against the company for an amount of Rs. 25.00 lakhs at additional chief metropolitan court, Secunderabad.		

**Notes to financial statements for the Period ended 31 March 2024**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

Note	Particulars	Year ended 31-Mar-24	Year ended 31-Mar-23
<b>e</b>	<b>Local Agent Commission</b>		
	The Company received an Order dated 19/02/2020 from Cairo Economic Court, Egypt, directing the Company to pay an amount of USD 3.42 Lakhs and Egyptian Pounds 4.98 Lakhs along with an interest of 5% to M/s Alkan Consult, Cairo, towards the Local Agent commission in relation to Egyptian National Railways contract that has been executed by the Company in Cairo, Egypt. The commission payable to the Local Agent is being deducted by the contractor, Egyptian National Railways who in turn have to pay to the Local Agent. The current claim of the Local Agent is even for the works that are yet to be executed. The Company is in the process of filing a suitable case against the Local Agent wherein the Company is confident of getting a favorable order.	294.04	296.20
<b>f</b>	<b>OTHER SIGNIFICANT LITIGATIONS</b>		
	In view of dispute with Konkan Railway Corporation Limited (KRCL), the company has filed arbitration on 09.05.2016 in respect of dues amounting to INR 1518.00 Lakhs . The Arbitration proceedings are under progress. Further the company has failed in the conciliation proceedings against KRCL for outstanding dues of INR 518.00 Lakhs and is in process of filing Arbitration petition. In view of the above, the company has made a provision of INR 2036.00 Lakhs in the books of accounts.		
<b>g</b>	<b>Note 3, 3.1, 6, 7, 7.1 &amp; 8</b>		
<b>i</b>	The Company's assessment of recoverability and impairment loss allowance on its trade receivables, contractual performance obligations, income tax assets and dues from government authorities as on 31 March 2024 are subject to number of management judgments and estimates that are based on prevailing conditions and circumstances as on the date of approval of these financial statements. However, actual results may differ from these estimates as on the date of approval of these financial statements due to the following reasons.		
<b>ii</b>	Recoverability of income tax assets (TDS Receivables) (Note 7 & 7.1) of Rs. 291.31 lakhs (PY Rs. 155.26 lakhs) for respective years will depend on the outcome of the assessment proceedings which are yet to be closed. Recoverability of MAT credit of Rs. 122.57 Lakhs (PY Rs. 122.57 lakhs) would depend on the Company's ability to earn taxable profits in future before expiry of the time limit prescribed for carry forward of MAT Credit.		

**Notes to financial statements for the Period ended 31 March 2024**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

Note	Particulars	Year ended 31-Mar-24	Year ended 31-Mar-23
iii	Dues from government authorities (Note 6) of Rs. 1638.75 lakhs (PY Rs. 410.45 lakhs) mainly comprised of input tax credits under GST Act and receipt /adjustment of the same depends on actions of government of authorities and outcome of the assessment proceedings which are yet to be closed.		
iv	Unbilled revenue included in Work-in-Progress (Note 8) of Rs. 163.46 lakhs (PY Rs. 183.46 lakhs) is net of allowance for expected credit loss of Rs. 20 lakhs(PY Rs. 20 lakhs) and is subject to customers' acceptance.		
v	Trade receivables (Note 3& 3.1) of Rs. 616.40 lakhs (PY Rs. 914.70 lakhs) may be affected due to delay in final deliverables, acceptance of performance claims by the customer, claims/counter claims on quantum of work and Company's decision for continuing the customer contract(s).		
h	Capital Expenditure Commitments	Not Quantifiable	Nil

**34 VRRC Kernex CERVR JV Accounts Not included in Consolidated Financial statements.**

The company entered into a partnership agreement under the name and style of "VRRC Kernex CE RVRJV" on 06-01-2024 with M/s Venkata Rami Reddy Constructions, M/s Charvitha Enterprizes & M/s R.Venkat Reddy., for the purpose of cooperation in Comprehensive Signalling and Telecommunication works for provision of Automatic Block Signalling System in Vemulapadu-Muddanur Section of Guntakal Division in South Central Railway (Project). The parties agreed to jointly execute the project and share the profits / losses in the ratio of 35%(KMIL) : 45% : 10% : 10%. In terms of Ind AS 111, the company proposes to treat this arrangement as a joint venture and the results of the partnership are reported in the consolidated financial statements of the group. Since the capital contribution has not been made by the company and reportedly no transactions have taken place since the inception of JV. Hence no reporting is made in this behalf.

**35 Segment Reporting**

As per the assessment undertaken by CODM, the allocation of resources and assessment of the financial performance is undertaken at the company level. The Company has only one reportable business segment, which is safety systems for railways . Accordingly, the amounts appearing in the financial statements relate to the Company's single business segment

**Geographical information**

Note	Particulars	Year ended 31-Mar-24	Year ended 31-Mar-23
	<b>a. Revenue</b>		
	Within India	1,925.64	195.14
	Outside India*	34.16	208.81
	<b>Total</b>	<b>1,959.80</b>	<b>403.96</b>
	* Excludes export sales from India	<b>155.55</b>	<b>105.13</b>
	<b>b. Assets and Liabilities</b>		
	<b>i) Assets</b>		
	Within India	15,720.47	9,578.09
	Outside India	151.24	582.08
		<b>15,871.71</b>	<b>10,160.17</b>
	<b>ii) Liabilities</b>		
	Within India	4,754.17	1,604.39
	Outside India	497.57	352.77
		<b>5,251.74</b>	<b>1,957.16</b>

**36. Details of dues to micro and small enterprises as defined under MSMED Act 2006**

Particulars	As at 31-Mar-24	As at 31-Mar-23
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	68.94	0.10
- Principal amount due to micro and small enterprises	65.94	-
- Interest due on above	2.99	-
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act;	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED Act.	-	-
Dues to micro and small enterprises have been determined to the extent such parties have been identified on the basis of information requested by the management and responded by its vendors to the company.	-	-

**36 RELATED PARTIES**

**a. List of the transacted Related Parties and description of relationship**

S.No.	Nature of Relationship	Name of the related party
1	Key Managerial Personnel	Anji Raju Manthena
		Janardhana Reddy Vinta
		Sreelakshmi Manthena
		Sitarama Raju Manthena
		Badari Narayana Raju Manthena
		R Sreenivasa Rao
		K Soma Sekhara Rao
		A V S Krishna Mohan
		Narender Kumar
		Satyanarayana Raju Kalidindi ( Upto 20.3.2023)
		Ramayya Vutukuri ( Upto 05.12.2022)
		P Srikanth (Appointed w.e.f 20.10.2023)
Sunny Sharma (resigned w.e.f. 20.10.2023)		
Prasada Rao Kalluri		
2	Relatives of Key Managerial Personnel	Alluri Sita Rama Raju Manthena
3	A Company in which relative of director is interested	Comptek Computer System Pvt. Ltd.



**b. Transactions with Related parties during the year 2023-24**

S.No.	Nature of Transaction		Name of the related party	2023-24	2022-23
	Managerial Remuneration		Sitarama Raju Manthena	32.60	28.39
			Badari Narayana Raju Manthena	34.03	35.56
			Satyanarayana Raju Kalidindi (Upto 20.03.2023)	-	53.37
			Sreelakshmi Manthena	48.17	48.00
			Ramayya Vutukuri (Upto 05.12.2022)	-	11.67
			Sunny Sharma (upto 20.10.2023)	19.76	10.25
			P Srikanth	17.50	-
			M A Sitarama Raju	14.81	11.28
			Prasada Rao Kalluri	11.18	7.84
	Directors' sitting fees*		Anji Raju Manthena	5.50	7.00
			Janardhana Reddy Vinta	4.50	4.00
			Sreelakshmi Manthena	5.00	7.00
			Narender Kumar	4.00	2.50
			R Sreenivasa Rao	7.50	10.50
			K Soma Sekhara Rao	10.20	6.10
			A V S Krishna Mohan	3.50	10.50
* Note: The above excludes reimbursements			Travelling & conveyance Expensidiyure.		
Income	Rental Income	Comptek Computer System Pvt Ltd	3.77	3.77	
Expenditure	Interest Paid	Anji Raju Manthena	23.39	76.86	
		Janardhana Reddy Vinta	8.05	10.44	
		Badari Narayana Raju Manthena	5.56	1.34	
		Sitarama Raju Manthena	9.62	-	
	Provision for Doubtful Debts	Comptek Computer System Pvt Ltd	183.59	-	
Unsecured Loans	Received	Badari Narayana Raju Manthena	93.50	10.00	
	Paid	Badari Narayana Raju Manthena	77.53	74.89	
	Received	Sitarama Raju Manthena	335.00	-	
	Paid	Sitarama Raju Manthena	355.55	-	
	Received	Dr Anji Raju	-	-	
	Paid	Dr Anji Raju( Converted to Equity)	-	414.50	
	Received	Vinta Janardhana Reddy	-	-	
Paid	Vinta Janardhana Reddy	-	75.00		

**c. Balances as at 31-Mar-24**

S.No.	Nature of Transaction	Name of the related party	31-Mar-24	31-Mar-23
1	Loan taken from KMP along with Interest	Anji Raju Manthena	148.63	129.61
		Vinta Janardhana Reddy	55.86	50.01
		Badari Narayana Raju Manthena	40.98	-
		Sitarama Raju Manthena	0.10	20.62
	Trade Receivables	Comptek Computer System Pvt Ltd	418.34	414.57
	Remuneration Payable	Sitarama Raju Manthena	1.64	1.30
		Badari Narayana Raju Manthena	1.72	1.52
		Sunny Sharma	-	2.32
		Satyanarayana Raju Kalidindi	-	-
		Ramayya Vutukuri	-	-
		P Srikath	2.73	-
		Prasada Rao Kalluri	0.61	0.72
		Sreelakshmi Manthena	117.09	120.00
	M A Sitarama Raju	1.23	0.52	
	Reimbursements payable	Sitarama Raju Manthena	1.62	0.71
		Badari Narayana Raju Manthena	2.23	1.02
		Sunny Sharma	-	0.21
		P Srikanth	0.65	-
		Prasada Rao Kalluri	1.44	0.97
		M A Sitarama Raju	1.50	0.15
	Non Executive Directors' sitting fees	Anji Raju Manthena	0.34	1.81
		Janardhana Reddy Vinta	5.18	13.23
		Sreelakshmi Manthena	19.54	16.10
		Narender Kumar	0.45	2.25
		R Sreenivasa Rao	-	1.94
		K Soma Sekhara Rao	-	-0.50
		A V S Krishna Mohan	-	2.45
Manthena Raju Narasa		4.39	4.39	
Non Executive Directors' Reimbursements Payable	Anji Raju Manthena	49.05	-	
	Janardhana Reddy Vinta	4.44	-	
	Sreelakshmi Manthena	-	-	
	Narender Kumar	-	-	
	R Sreenivasa Rao	-	-	
	K Soma Sekhara Rao	-	-	
	A V S Krishna Mohan	-	-	

### 38. EMPLOYEE BENEFITS

#### a. Defined contribution plan

Eligible employees of the Company receive benefits from a provident fund, which is a defined contribution plan. Both the employee and Company make monthly contributions to the provident fund plan equal to a specified percentage of the eligible employee's qualifying salary. The Company has no further obligations under the plan beyond its monthly contributions. The Company contributed INR 34.48 Lakhs (Previous year INR 18.74 Lakhs) towards provident fund plan during the years ended 31-Mar-24.

#### b. Defined Benefit Plan

The Company provides for gratuity, a defined benefit plan ("Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum gratuity payment to eligible employees at retirement or termination of their employment. The amount of the payment is based on the respective employee's last drawn salary and the years of employment with the Company. The company does not provide the facility of leave encashment to its employees. Hence there is no plan for the latter benefits.

The following table sets out the amounts recognised in the financial statements in respect of retiring gratuity plan:

##### i. Changes in the present value of obligation

Particulars	31-Mar-24	31-Mar-23
Present value of obligation as at beginning of the year	78.52	63.20
Current service cost	8.6	13.00
Interest expense or cost	5.8	4.53
Re-measurement (or Actuarial) (gain) / loss	-	-
Benefits Paid	-1.25	-2.21
<b>Present Value of Obligation as at the end of the year</b>	<b>91.67</b>	<b>78.52</b>

##### ii. Changes in fair value of plan assets

Particulars	31-Mar-24	31-Mar-23
Fair Value of Plan Assets as at the beginning of the year	43.22	43.22
OB difference	-	-
Investment Income	4.26	3.09
Employer's Contribution	28.92	-
Expenses	-0.27	-
Benefits Paid	-	-
Return on plan assets , excluding amount recognised in net interest expense	-	-
Actuarial gain/(Loss)	-0.45	-3.09
<b>Fair Value of Plan Assets as at the end of the year</b>	<b>75.68</b>	<b>43.22</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

**iii. Fair value of Assets and Obligations**

Particulars	31-Mar-24	31-Mar-23
Fair value of plan assets	75.68	43.22
Present value of obligation	91.67	78.52
Amount recognized in balance sheet	-15.99	-35.30

**iv. Expenses recognised during the year**

Particulars	31-Mar-24	31-Mar-23
<b>In Income Statement</b>		
Current Service Cost	8.60	13.00
Net Interest Cost / (Income) on the Net Defined Benefit Liability / (Asset)	1.54	1.43
<b>Expenses Recognised in the Income Statement</b>	<b>10.14</b>	<b>14.43</b>
<b>In Other Comprehensive Income</b>		
Actuarial (gains) / losses		
Opening balance difference	-	-
Others	-1.26	-2.21
Return on plan assets, excluding amount recognized in net interest expense	0.45	3.09
<b>Components of defined benefit costs recognised in other comprehensive income</b>	<b>-0.81</b>	<b>0.88</b>

**v. Actuarial assumptions**

Particulars	31-Mar-24	31-Mar-23
Discount rate (per annum)	7.10%	7.39%
Salary growth rate (per annum)	2.00%	2.00%

**vi. Sensitivity Analysis**

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The result of sensitivity analysis for a 1% increase/decrease of following assumptions, in the amount of defined benefit obligation is given as under:

Particulars	31-Mar-24		31-Mar-23	
	Decrease	Increase	Decrease	Increase
Change in discounting rate	100.26	84.30	85.58	72.44
Change in salary growth rate	81.76	102.67	68.83	90.11
Change in attrition rate	91.05	92.34	72.40	83.99
Change in mortality rate	91.54	91.78	77.11	79.95

## **39 CAPITAL MANAGEMENT**

The company manages its capital to ensure that it will be able to continue as going concern while creating value for share holders by facilitating the meeting of long term and short term goals of the Company. The company determines the amount of capital required on the basis of annual business plan and five year's corporate plan coupled with long term and short term strategic investment and expansion plans. The Company monitors the capital structure on the basis of net debt to equity ratio on a periodical basis.

## **40 Financial Risk Management**

In course of its business, the company is exposed to certain financial risk such as market risk, credit risk and liquidity risk that could have significant influence on the company's business and operational/financial performance. The Board of directors and the Audit Committee reviews and approves risk management framework and policies for managing these risks and monitor suitable mitigating actions taken by the management to minimize potential adverse effects and achieve greater predictability to earnings.

### **a. Credit risk**

Credit Risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the company. The Company has a prudent and conservative process for managing its credit risk raising in the course of its business activities. Credit risk is managed through continuously monitoring the creditworthiness of customers and obtaining sufficient collateral, where appropriate, a means of mitigating the risk of financial loss from defaults.

The company makes an allowance for doubtful debts/advances using expected credit loss model.

#### **i. Trade Receivables:**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of loss (e.g. timeliness of payments, available press information etc.) and applying experienced credit judgment. Exposures to customers outstanding at the end of each reporting period are reviewed by the Company to determine incurred and expected credit losses. Historical trends of impairment of trade receivables do not reflect any significant credit losses. Given that the macro economic indicators affecting customers of the Company have not undergone any substantial change, the Company expects the historical trend of minimal credit losses to continue. The company however made provision for expected credit loss based on the age of the outstandings.

#### **ii. Cash and Cash Equivalents**

The Company held cash and cash equivalents of INR 390.83 Lakhs at 31-Mar-24 (Previous year INR 1529.41 Lakhs). This includes the cash and cash equivalents held with the bank and the cash on hand with the Company.

### **b. Liquidity risk**

Liquidity Risk refers to the risk that the company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

The Company has obtained fund and non-fund based working capital loans from banks. The borrowed funds are generally applied for Company's own operational activities

**Exposure to liquidity risk:**

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted :

<b>Particulars 31-Mar-24</b>	<b>Upto 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total carrying amount</b>
Other Non Current Liabilities (excluding deferred tax)	19.87	-	-	-	19.87
Current Borrowings	2,780.64	-	-	-	2,780.64
Trade payables	1,626.33	-	-	-	1,626.33
Other financial liabilities	589.27	-	-	-	589.27
Other Current Liabilities	120.66	-	-	-	120.66
	<b>5,136.78</b>	-	-	-	<b>5,136.78</b>

<b>Particulars 31-Mar-23</b>	<b>Upto 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total carrying amount</b>
Other Non Current Liabilities (excluding deferred tax)	51.99	-	-	-	51.99
Current Borrowings	1,036.35	-	-	-	1,036.35
Trade payables	33.28	-	-	-	33.28
Other financial liabilities	520.56	-	-	-	520.56
Other Current Liabilities	191.54	-	-	-	191.54
	<b>1,833.71</b>	-	-	-	<b>1,833.71</b>

**c. Interest Rate Risk**

Interest rate risk can be either fair value interest rate risk or cash flow interest rate risk. Fair value interest rate risk is the risk of changes in fair values of fixed interest bearing investments because of fluctuations in the interest rates. The company's exposure to the risk of changes in the market interest rate relates primarily to the company's long term debt obligations with floating interest rates. The company's interest rate exposure is mainly related to variable interest rates debt obligations. The Company manages the liquidity and fund requirements for its day to day operations like working capital, suppliers/buyers credit

**Exposure to interest rate risk:**

Company's interest rate risk arises from borrowings. Borrowings issued at fixed rates exposes to fair value interest rate risk. The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows.

Particulars	31-Mar-24	31-Mar-23
<b>Floating rate instruments</b>		
<b>Financial Liabilities - measured at amortised cost</b>		
Working capital facilities from bank	2,192.27	440.66
<b>Fixed rate instruments</b>		
SBI-Term Loan	5.29	23.08
Vehicle loans	33.81	47.55
Unsecured loans from directors	262.24	209.73
Inter corporate deposits	296.09	339.69
<b>Total</b>	<b>2,789.71</b>	<b>1,060.71</b>

Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

The risk estimates provided assume a change of 25 basis points interest rate for the interest rate benchmark as applicable to the borrowings summarised above. This calculation assumes that the change occurs at the balance sheet date and has been calculated based on risk exposures outstanding as at that date assuming that all other variables, in particular foreign currency exchange rates, remain constant. The period end balances are not necessarily representative of the average debt outstanding during the period.

Cash flow sensitivity (net)	Profit or loss	
	25 bp increase	25 bp decrease
<b>31-Mar-24</b>		
Variable rate loan instruments	5.48	-5.48
<b>31-Mar-23</b>		
Variable rate loan instruments	1.10	-1.10

**d. Market risk**

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices such as commodity prices, foreign currency exchange rates and other market changes.

**e. Exchange rate risk**

The company foreign exchange arised from its foreign operations, foreign currency revenues and expenses, (Primarily in US Dollars and Egyptian pounds). Consequently, the company is exposed to foreign exchange risk through its sales, services and purchases from overseas suppliers in various foreign currencies.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

**The foreign currency exposures as of 31-Mar-24 were as follows**

Particulars	USD	Egyptian Pound
<b>Assets</b>		
Cash and bank balances	0.03	0.16
Trade receivables	1.82	59.85
Other assets	0.39	7.20
<b>Total</b>	<b>2.24</b>	<b>67.31</b>
<b>Liabilities</b>		
Trade payables	4.28	-
Other liabilities	5.66	16.92
<b>Total</b>	<b>9.94</b>	<b>16.92</b>

**The foreign currency exposures as of 31-Mar-23 were as follows**

Particulars	USD	Egyptian Pound
<b>Assets</b>		
Cash and bank balances	0.04	4.16
Trade receivables	3.03	67.87
Other assets	0.05	49.88
<b>Total</b>	<b>3.12</b>	<b>121.91</b>
<b>Liabilities</b>		
Trade payables	3.57	-
Other liabilities	-	11.14
<b>Total</b>	<b>3.57</b>	<b>11.14</b>

**Sensitivity analysis**

A reasonably possible strengthening (weakening) of the Indian Rupee against US dollars and Egyptian Pounds at March 31 would have affected the measurement of financial instruments denominated in US dollars and Egyptian Pounds and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant and ignores any impact of forecast sales and purchases.

Particulars 31-Mar-24	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
<b>1% movement</b>				
US Dollar	-7,709	7,709	-	-
Egyptian Pounds	50,390	-50,390	-	-
	42,681	-42,681	-	-



**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

*(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)*

Particulars 31-Mar-23	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
<b>1% movement</b>				
<b>US Dollar</b>	<b>0.00</b>	<b>0.00</b>	-	-
<b>Egyptian Pounds</b>	<b>1.11</b>	<b>-1.11</b>	-	-
	<b>1.10</b>	<b>-1.10</b>	-	-

**41 Financial Instruments valuation**

All financial instruments are initially measured at cost and subsequently measured at fair value.

**The carrying value and fair value of financial instruments by categories as of 31-Mar-24 are as follows**

Particulars	Carrying Value	Level of input used in			Fair Value
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
At Amortised Cost					
Investments*	-	-	-	-	-
Trade receivables	<b>616.40</b>	-	-	-	<b>616.40</b>
Cash and cash equivalents	<b>390.83</b>	-	-	-	<b>390.83</b>
Other bank balances	<b>1,532.34</b>	-	-	-	<b>1,532.34</b>
Other financial assets	<b>277.01</b>	-	-	-	<b>277.01</b>
<b>Financial liabilities</b>					
At Amortised Cost					
Borrowings	<b>2,799.16</b>	-	-	-	<b>2,799.16</b>
Trade payables	<b>1,626.33</b>	-	-	-	<b>1,626.33</b>
Other financial liabilities	<b>589.27</b>	-	-	-	<b>589.27</b>

The carrying value and fair value of financial instruments by categories as of 31-Mar-22 are as follows

Particulars	Carrying Value	Level of input used in			Fair Value
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
At Amortised Cost					
Investments*	-	-	-	-	-
Trade receivables	914.70	-	-	-	914.70
Cash and cash equivalents	1,529.41	-	-	-	1,529.41
Other bank balances	1,721.38	-	-	-	1,721.38
Other financial assets	225.46	-	-	-	225.46
<b>Financial liabilities</b>					
At Amortised Cost					
Borrowings	1,036.35	-	-	-	1,036.35
Trade payables	33.28	-	-	-	33.28
Other financial liabilities	520.56	-	-	-	520.56

The financial instruments are categorized into three levels based on the inputs used to arrive at fair value measurements as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable Inputs for the asset or liability.

## 42 CAPITAL RISK MANAGEMENT

For the purpose of the Company's capital management, capital includes issued capital and other equity reserves. The primary objective of the Company's Capital Management is to maximize shareholders value. The Company manages its capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants.

The Company monitors capital using adjusted net debt to equity ratio. For this purpose, adjusted net debt is defined as total debt less cash and bank balances.

Particulars	31/Mar/24	31/Mar/23
Current borrowings	2,780.64	1,036.35
<b>Total Debts</b>	2,780.64	1,036.35
Less: Cash & Cash equivalents	390.83	1,529.41
Adjusted net debts	2,389.81	-493.06
Equity	1,675.94	1,545.94
Other Equity	8,944.03	6,657.07
<b>Total Equity</b>	<b>10,619.97</b>	<b>8,203.01</b>
Adjusted net debt to equity ratio	<b>0.23</b>	-0.06

43	Additional Information as required under Schedule III to the Companies act, 2013 pursuant to para 2 of general instructions for the preparation of Consolidated Financial Statements								
	Name of the entity in the Group	Net Assets i.e., total assets minus total liabilities		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
		As % of Consolidated net assets	Amount	As % of Consolidated profit or loss	Amount	As % of Consolidated other comprehensive income	Amount	As % of Consolidated total comprehensive income	Amount
	Parent - Kernex Microsystems (India) Ltd	100.51%	10,673.82	61.50%	-1,624.47	0.63%	0.60	63.79%	-1,623.87
	Wholly owned subsidiary - Avant Garde Info-Systems Inc	-4.09%	-434.87	36.83%	-972.64	99.37%	95.10	34.47%	-877.55
	Joint Venture - Kernex TCAS JV	3.59%	381.01	1.67%	-44.09	0.00%	-	1.73%	-44.09
	<b>Total</b>	<b>100.00%</b>	<b>10,619.97</b>	<b>100.00%</b>	<b>-2,641.20</b>	<b>100.00%</b>	<b>95.70</b>	<b>100.00%</b>	<b>-2,545.50</b>

**44. Ratios**

Ratio	Numerator	Denominator	31-Mar 2024	31-Mar 2023	% Variance	Reason for variance
Current Ratio	Current Assets	Current Liabilities	2.38	3.44	-31%	Change in % Current Ratio is on account of increase in Bank Borrowings compared to previous year.
Debt - Equity Ratio	Total Debt	Shareholder's Equity	0.26	0.13	102%	Change in % debt equity is on account of increase in Bank Borrowings compared to previous year.
Debt Service Coverage Ratio	Earnings available for debt service= Net profit after taxes + Non-cash operating	Debt service= Interest & Lease Payments + Principal Repayments	-8.41	-2.19	283%	NA
Return on Equity (ROE)	Net Profits after taxes	Average Shareholder's Equity	-0.28	0.24	-16%	Change in % of Return on equity is on account of loss incurred during the current year as compared to loss earned during previous year
Inventory Turnover Ratio	Cost of goods sold	Average Inventory	-0.46	0.38	20%	Change in % of Inventory turnover ratio is on account of increase in sales as compared to previous year
Trade receivables turnover ratio	Revenue from operations	Average Trade Receivable	2.56	0.40	534%	Change in % of trade receivables turnover ratio is on account of Increase in Sales and in Debtors as compared to previous year.
Trade payables turnover ratio	Net credit purchases	Average Trade Payables	8.37	7.52	11%	Change in % of Average Trade Payable ratio is on account of Increase in Purchases as compared to previous year.
Net capital turnover ratio	Revenue from operations	Working capital = current assets-current liabilities.	0.28	0.09	199%	Change in % of net capital turnover ratio is on account of decrease in sales as compared to previous year
Net profit ratio	Net Profit	Revenue from operations	-1.35	-9.91	-86%	Change in % of Net profit ratio is on account of Increase in Loss, & Increase in Revenue during the current year as compared to loss during previous year
Return on capital employed (ROCE)	Earnings before interest and taxes	Capital employed= Tangible net worth+ Total debt+ Deferred tax (assets)/liabilities	-0.18	-0.20	-9%	Change in % of Return on capital employed is on account of loss incurred during the current year and Increase in capital as compared to Loss during previous year
Return on investment	Income generated from investments	Time weighted average investments	NA	NA	NA	NA

**45. Other Statutory Information**

- (i) The Company does not have any Benami property, where any proceeding has been initiated or pending against the Company for holding any Benami property.
  - (ii) The Company does not have any transactions with struck off companies
  - (iii) The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period,
  - (iv) The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year
  - (v) The Company has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall
    - a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or
    - b) provide any guarantee, security or the like to or on behalf of the Ultimate Benefit Carries.
  - (vi) The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Company shall:
    - a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
    - b) provide any guarantee, security or the like on behalf of the Ultimate Benefit Carries.
  - (vii) The Company has not entered in to any transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961).
  - (viii) The Company has not been declared as wilful defaulter by any bank or financial institution or other lender
  - (ix) The Company has complied with the number of layers prescribed under clause (87) of section 2 of the Act read with the Companies (Restriction on number of Layers) Rules, 2017
  - (x) No Scheme of Arrangements has been approved by the Competent Authority in terms of sections 230 to 237 of the Companies Act, 2013, during the year.
46. Previous year figures have been regrouped/reclassified wherever necessary to conform to the current year's classification.

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**

**Sd/-**  
**BADARI NARAYANA RAJU MANTHENA**  
Whole Time Director  
DIN 07993925

**Sd/-**  
**SITARAMA RAJU MANTHENA**  
Whole Time Director  
DIN 08576273

**Sd/-**  
**PAMIDI SRIKANTH**  
Chief Financial Officer

**Sd/-**  
**PRASADA RAO KALLURI**  
Company Secretary

Hyderabad  
13-07-2024



*if undelivered, please return to :*

**KERNEX MICROSYSTEMS (INDIA) LIMITED**

Office : Plot Nos. 38 (Part) to 41, Survery No. 1/1,  
Hardware Technology Park, Raviryala Village Maheswaram Mandal,  
Hyderabad, Telangana 501 510, Phone : +91-9948488877  
e-mail: [acs@kernex.in](mailto:acs@kernex.in) Web Site : [www.kernex.in](http://www.kernex.in)

