



KERNEX MICROSYSTEMS (INDIA) LTD.

(An ISO 9001-2015 Certified Company)

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Registered Office :

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

KMIL/SE/AR/AGM/23-24/044

08th September'2023.

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| To The Corporate Relations Department BSE Limited PhirozeJeejeebhoy Towers Dalal Street, Mumbai-400 001 Fax No.: 022-22723121/3719 BSE Scrip Code: 532686 | To The Listing / Compliance Department National Stock Exchange of India Ltd Plot No.C/1, G Block,Exchange Plaza Bandra – Kurla Complex, Bandra (E) Mumbai – 400 051 NSE Symbol: KERNEX |
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Dear Sir/Madam,

Sub: Notice of 31st Annual General Meeting (AGM) and Annual Report of the Company for the F Y 2022-23.

With reference to the subject cited above, please find enclosed Notice convening the 31st AGM of the Company to be held on Saturday, the 30th day of September, 2023 at 04.00 P.M through Video Conference/Other Audio Visual Means (VC/OAVM)

In order to comply with the requirements of Regulation 34(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are herewith submitting the Annual Report of the Company along with the Notice of AGM for the financial year2022-23 which is being dispatched / sent to the members by the permitted mode(s).

This is for your information and necessary records.

Thanking you,
Yours faithfully
For **KERNEX MICROSYSTEMS (INDIA) LIMITED**

M B Narayana Raju
Whole Time Director
DIN: 07993925





Kernex Microsystems (India) Ltd.,

31st
Annual Report
2022-23

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 |

Chief Financial Officer

Sri. Sunny Sharma (w.e.f. 05.12.2022)

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 Pvt.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
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:

M /s. P. S. Rao & Associates,
Company Secretaries,
Flat No. 10, 4th Floor, D.No. 6-3-347/22/2
Ishwarya Nilayam, Opp: Sai Baba Temple,
Dwarakapuri Colony, Punjagutta,
Hyderabad – 500 082, Telangana, India

Bankers:

State Bank of India,
SME Branch, 6-3-652,
Amrutha Estates, 'Kautilya',
Somajiguda, Hyderabad - 500 082.

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 31st Annual General Meeting of the Members of M/s. Kernex Microsystems (India) Limited will be held on Saturday, 30th September 2023 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, 2023 and the Report of the Board of Directors and Auditors thereon; and
 - (b) the audited Consolidated Financial Statement of the Company for the financial year ended March 31, 2023 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, 2023 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, 2023 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 MS. SREELAKSHMI MANTHENA (DIN: 07996443) NON-EXECUTIVE DIRECTOR, WHO RETIRES BY ROTATION AND BEING ELIGIBLE OFFERS HERSELF 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 Ms. Sreelakshmi Manthena (DIN: 07996443) as a “Director”, who shall be liable to retire by rotation.”

3. **TO APPOINT A DIRECTOR IN PLACE OF DR. VINTA JANARDHANA REDDY (DIN: 02414912), 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. Vinta Janardhana Reddy (DIN: 02414912) as a “Director”, who shall be liable to retire by rotation.”

SPECIAL BUSINESS

4. TO INCREASE IN MANAGERIAL REMUNERATION OF MR. M B NARAYANA RAJU (DIN: 07993925), WHOLE-TIME DIRECTOR

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

“RESOLVED THAT pursuant to the provisions of Sections 196, 197, 198, 203, Schedule V and other applicable provisions of the Companies Act, 2013 (including statutory amendments or re-enactments thereof for the time being in force), the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and such other rules, laws, regulations, guidelines or notifications as may be applicable and as per the Memorandum and Articles of Association of the Company, the recommendation of the Nomination and Remuneration Committee, and in furtherance of the resolution passed in the Annual General Meeting held on 30th September 2020 and subject to such other approvals as may be necessary, approval of the Members be and are hereby accorded for payment of remuneration an amount of Rs. 1,08,000/- per month and such other allowances as mentioned in the explanatory statement to Mr. M B Narayana Raju (DIN: 07993925), Whole-Time Director, for the period from 5th December 2022 to 1st September 2023.

“FURTHER RESOLVED THAT in the event the Company does not have profits or the profit of the Company is inadequate in any financial year during her tenure as referred above, the amount of Salary and perquisites referred above shall be paid as minimum remuneration in terms of Section II of Part II of Schedule V to the Companies Act, 2013.”

“RESOLVED FURTHER THAT Mr. M B Narayana Raju (DIN: 07993925) is eligible for 1% profit sharing for the Financial Year 2023-24, based on the milestones set by the Board (which will include its committee thereof).

FURTHER RESOLVED THAT save and except as aforesaid, all other existing terms and conditions of appointment of Mr. M B Narayana Raju (DIN: 07993925) passed at Annual General Meeting held on 30th September 2020 shall continue to remain in full force and effect.

FURTHER RESOLVED THAT the Board (which will include its committee thereof) be and is hereby authorised to vary and / or revise the remuneration of Mr. M B Narayana Raju (DIN: 07993925) within limits permissible under the Act and do all such acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid Resolution.”

5. TO INCREASE IN MANAGERIAL REMUNERATION OF MR. M SITARAMA RAJU (DIN: 08576273), WHOLE-TIME DIRECTOR

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

“RESOLVED THAT pursuant to the provisions of Sections 196, 197, 198, 203, Schedule V and other applicable provisions of the Companies Act, 2013 (including statutory amendments or re-enactments thereof for the time being in force), the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and such other rules, laws, regulations, guidelines or notifications as may be applicable and as per the Memorandum and Articles of Association of the Company, the recommendation of the Nomination and Remuneration Committee, and in furtherance of the resolution passed in the Annual General Meeting held on 30th September 2020 and subject to such other approvals as may be necessary, approval of the

Members be and are hereby accorded for payment of remuneration an amount of Rs. 1,08,000/- per month and such other allowances as mentioned in the explanatory statement to Mr. M Sitarama Raju (DIN: 08576273), Whole-Time Director, for the period from 5th December 2022 to 1st September 2023.

“FURTHER RESOLVED THAT in the event the Company does not have profits or the profit of the Company is inadequate in any financial year during her tenure as referred above, the amount of Salary and perquisites referred above shall be paid as minimum remuneration in terms of Section II of Part II of Schedule V to the Companies Act, 2013.”

“RESOLVED FURTHER THAT Mr. M Sitarama Raju (DIN: 08576273) is eligible for 1% profit sharing for the Financial Year 2023-24, based on the milestones set by the Board (which will include its committee thereof).

RESOLVED FURTHER THAT save and except as aforesaid, all other existing terms and conditions of appointment of Mr. M Sitarama Raju (DIN: 08576273), passed at Annual General Meeting held on 30th September 2020 shall continue to remain in full force and effect.

RESOLVED FURTHER THAT the Board (which will include its committee thereof) be and is hereby authorised to vary and / or revise the remuneration of Mr. M Sitarama Raju (DIN: 08576273), within limits permissible under the Act and do all such acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid Resolution.”

6. TO CONSIDER AND APPROVE RE-APPOINTMENT OF MR. M B NARAYANA RAJU (DIN: 07993925) AS A WHOLE TIME 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 in pursuance of the recommendations of the Nomination and Remuneration Committee of the Company and pursuant to Sections 196, 197, 198, 203 and other applicable provisions, if any, of the Companies Act, 2013 (“the Act”), read with Schedule V to the Act and the rules made there under, as amended from time to time, the approval of the members of the Company be and is hereby accorded for the re-appointment and continuation of Mr. M B Narayana Raju (DIN: 07993925) as a Whole Time Director of the Company, despite of attaining age of 70 years, for a period of 3 years with effective from 2nd September 2023 on the following terms and conditions .

i. Period of Appointment

The appointment is for a period of 3 years commencing from 2nd September 2023.

ii. Salary

The monthly remuneration payable shall be Rs. 2,16,000/- (Rupees Two Lakhs Sixteen Thousand Only) per month including House Rent and other allowances.

iii. Perquisites

Medical Reimbursement: Expenses incurred for herself and his family subject to a ceiling of one month's salary in a year or 3 months' salary over a period of 3 years.

Leave Travel Concession:

One month's salary per year for himself and his family

Club Fees:

Subject to a maximum of two clubs. This will not include admission and Life membership Fees.

Personal Accident Insurance:

Premium not to exceed Rs. 10,000/- per annum.

Provident Fund:

Company's contribution towards Provident Fund at 12% of her basic salary or at any rate applicable from time to time.

Gratuity:

Gratuity not exceeding half a month's salary for each completed year of service.

Leave:

Entitled to one month's leave, as per the rules of the Company on full pay, for every 11 months of service. Encashment of leave at the end of the tenure will not be included in computation of the ceiling on perquisites.

Telephone, Electricity and Water charges for residence:

Free telephone facility at the residence for the use of the Company's business and Free Electricity and Water charges for residence.

Car:

- 1 Use of Company's Car on Company's business with Driver and all expenses on maintenance, repairs, and cost of petrol. (Provision of Car for use of Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Director).
2. Minimum remuneration: Notwithstanding anything to the contrary herein contained, if in any financial year during the currency of the tenure of Mr. M B Narayana Raju, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowance as specified above, subject to the limits specified in Companies Act, 2013 including amendments made thereto.
3. The terms and conditions of the appointment and / or Agreement may be altered or varied from time to time by the Board of Directors and/or a Committee of the Board as it may, in its discretion, deem fit, within the Maximum amount payable in accordance with the provisions contained in Companies Act' 2013, subject to amendments, if any, or any amendments made hereinafter in this regard.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to do all such acts, deeds and things as may be necessary to give effect to the aforesaid resolution.”

7. TO CONSIDER AND APPROVE THE RE-APPOINTMENT OF MR. M SITARAMA RAJU (DIN: 08576273) AS A WHOLE-TIME 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** in pursuance of the recommendations of the Nomination and Remuneration Committee of the Company and pursuant to Sections 196, 197, 198, 203 and other applicable provisions, if any, of the Companies Act, 2013 (“the Act”), read with Schedule V to the Act and the rules made there under, as amended from time to time, the approval of the members of the Company be and is hereby accorded for the re-appointment of Mr. M Sitarama Raju (DIN: 08576273) as a Whole-Time Director of the Company for a period of 3 years w.e.f. 2nd September 2023 and on the following terms and conditions.

i. Period of Appointment

The appointment is for a period of 3 years commencing from 2nd September 2023.

ii. Salary

The monthly remuneration payable shall be Rs. 2,16,000 /- (Rupees Two Lakhs Sixteen Thousand Only) per month including House Rent and other allowances.

iii. Perquisites

Medical Reimbursement: Expenses incurred for herself and his family subject to a ceiling of one month's salary in a year or 3 months' salary over a period of 3 years.

Leave Travel Concession:

One month's salary per year for himself and his family.

Club Fees:

Subject to a maximum of two clubs. This will not include admission and Life membership Fees.

Personal Accident Insurance:

Premium not to exceed Rs. 10,000/- per annum.

Provident Fund:

Company's contribution towards Provident Fund at 12% of her basic salary or at any rate applicable from time to time.

Gratuity:

Gratuity not exceeding half a month's salary for each completed year of service.

Leave:

Entitled to one month's leave, as per the rules of the Company on full pay, for every 11 months of service. Encashment of leave at the end of the tenure will not be included in computation of the ceiling on perquisites.

Telephone, Electricity and Water charges for residence:

Free telephone facility at the residence for the use of the Company's business and Free Electricity and Water charges for residence.

Car:

1. Use of Company's Car on Company's business with Driver and all expenses on maintenance, repairs, and cost of petrol. (Provision of Car for use of Company's business and telephone at residence will not

be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Director)

2. Minimum remuneration: Notwithstanding anything to the contrary herein contained, if in any financial year during the currency of the tenure of Mr. M Sitarama Raju Raju, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowance as specified above, subject to the limits specified in Companies Act, 2013 including amendments made thereto.
3. The terms and conditions of the appointment and / or Agreement may be altered or varied from time to time by the Board of Directors and/or a Committee of the Board as it may, in its discretion, deem fit, within the Maximum amount payable in accordance with the provisions contained in Companies Act' 2013, subject to amendments, if any, or any amendments made hereinafter in this regard.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to do all acts, deeds and things as may be necessary to give effect to the aforesaid resolution.”

8. To consider and approve issue of warrants on a preferential basis

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

“RESOLVED THAT pursuant to Sections 23(1)(b), 62, read with section 42 and other applicable provisions, if any, of the Companies Act, 2013 , read with Rule 13 of Companies (Share Capital and Debentures) Rules, 2014 and Rule 14 of Companies (Prospectus and Allotment of Securities) Rules, 2014 and in accordance with the provisions of the Memorandum and Articles of Association of the Company and in accordance with the provisions on preferential issue as contained in Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018, as amended (“SEBI ICDR Regulations”), and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the “SEBI Listing Regulations”) the listing agreements entered into by the Company with the BSE Limited and National Stock Exchange of India Limited (“Stock Exchanges”) on which the Equity Shares of the Company having face value of Rs.10/- (Ten) each (“Equity Shares”) are listed and subject to any other rules, Ministry of Corporate Affairs (“MCA”), Securities and Exchange Board of India (“SEBI”) and/ or any other competent authorities, (hereinafter referred to as “Applicable Regulatory Authorities”) from time to time to the extent applicable and subject to such approval(s), consent(s), permission(s)and/or sanction(s), if any, of any statutory / regulatory authorities, Stock Exchange(s), SEBI, institutions, or bodies, as may be required and subject to such terms and condition(s), alteration(s), correction(s), change(s) and/or modification(s) as may be prescribed by any of them while granting such consent(s), permission(s) or approval(s), and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the 'Board', which terms shall be deemed to include any Committee which the Board may have constituted or hereinafter constitute to exercise its power including the powers conferred by this Resolution, consent of the Members of the Company be and is hereby accorded to the Board and the Board be and is hereby authorized in its absolute discretion to create, offer, issue and allot on a preferential basis, in one or more tranches, up to 13,00,000 (Thirteen Lakhs) Share Warrants carrying an entitlement to subscribe to an equivalent number of Equity Shares having face value of Rs.10/- (Rupees Ten Only) each (hereinafter referred to as “Warrants”) to the following persons belonging to Non-Promoter group, on such terms and conditions as may be deemed appropriate by the Board

| S. No. | Name of Proposed allottee | Category | No of Warrants proposed to be issued |
|--------|---|--------------|--------------------------------------|
| 1. | Neeta Hemanth Ashar | Non-Promoter | 4,00,000 |
| 2. | Vanaja Sunder Iyer | Non-Promoter | 3,00,000 |
| 3. | Saurav Raidhani | Non-Promoter | 1,00,000 |
| 4. | Prakash Diwan | Non-Promoter | 50,000 |
| 5. | Sunil Kabra | Non-Promoter | 50,000 |
| 6. | Penang Enterprises Private Limited | Non-Promoter | 2,00,000 |
| 7. | Dhoot Industrial Finance Limited | Non-Promoter | 1,50,000 |
| 8. | Prabhudas Lilladher advisory services Private Limited | Non-Promoter | 50,000 |

at a price of Rs.403/- (Rupees Four Hundred and Three) which is being not less than the price determined in accordance with Chapter V of the SEBI ICDR Regulations or such higher price determined on such terms and conditions as may be decided and deemed appropriate by the Board at the time of issue or allotment in accordance with the provisions of SEBI ICDR Regulations, or other applicable laws in this respect.

“RESOLVED FURTHER THAT in accordance with SEBI ICDR Regulations, the 'Relevant Date' for determination of the issue price of Equity Shares resulting from the exercise of the option under the Warrants, shall be, 31st August 2023 being the date 30 (Thirty) days prior to the meeting of members of the Company is to be held to consider the Preferential Issue of Equity Shares resulting from the exercise of the option under the Warrants and the issue price determined in accordance with SEBI ICDR Regulations.”

RESOLVED FURTHER THAT the Board be and is hereby authorized to determine, vary, modify, alter any of the terms and conditions of the proposed issue of Warrants including reduction of the size of the issue, as it may deem expedient, in its discretion.

RESOLVED FURTHER THAT without prejudice to the generality of the above, the issue of Warrants shall be subject to following terms:

- i. An amount equivalent to 50% of the issue price of Warrants shall be payable at the time of making the application for the allotment of Warrants,
- ii. Balance exercise price i.e. 50% of the issue price of the Warrants will be payable by the Warrant holders at the time of exercising the Warrants.
- iii. The Warrants shall be exercised by the Warrant Holder at any time before the expiry of 2 months from the date of allotment of the Warrants.
- iv. In the event the Warrant Holder does not exercise the Warrants within 2 (Two) months from the date of allotment of the Warrants, the Warrants shall lapse and the amount paid on such Warrants shall stand forfeited by the Company;
- v. The Warrant Holder shall be entitled to exercise the option of exercising any or all of the Warrants in one or more tranches by way of a written notice to the Company, specifying the number of Warrants proposed to be exercised along with the aggregate amount thereon, without any further approval from the shareholders of the Company prior to or at the time of conversion. The Company shall accordingly, issue and allot the corresponding number of Equity Shares to the Warrant holder;

- vi. The Warrants and the equity shares proposed to be allotted upon their conversion shall be subject to a lock-in to be determined in accordance with the provisions specified under Chapter V of the SEBI (ICDR) Regulations.
- vii. The issue of the Warrants as well as the Equity Shares, arising from the exercise of the option under the Warrants in the manner aforesaid shall be governed by the respective provisions of the Act, the Memorandum & Articles of Association of the Company and also the Regulations issued by SEBI or any other authority as the case may be, or any modifications thereof.
- viii. The Company shall re-compute the price of the Warrants / Equity Shares issued on conversion of Warrants in terms of the provisions of ICDR Regulations, where it is required to do so and the differential price, if any, shall be required to be paid by such Warrant Holder to the Company in accordance with the provisions of ICDR Regulations;
- ix. The Warrants by itself, until exercise of conversion option and allotment of Equity Shares, does not give to the Warrant holders thereof any rights with respect to that of a shareholder of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot such number of Equity Shares of the Company as may be required to be issued and allotted upon exercise of the option in the Warrants held by the holder(s) of the Warrants and all such Equity Shares that are being allotted shall rank pari-passu with the then existing Equity Shares of the Company in all respects.

RESOLVED FURTHER THAT pursuant to the provisions of the Act and subject to receipt of such approvals as may be required under applicable law, the consent of the Members of the Company be and is hereby accorded to record the name and address of the allottees and issue a private placement offer cum application letter in the Form PAS-4 to the allottees inviting to subscribe to the Warrants in accordance with the provisions of the Act.

RESOLVED FURTHER THAT the Equity Shares having face value of Rs. 10 (Rupees Ten) each proposed to be allotted to the Warrant Holders, upon conversion of the Warrants, be listed on the BSE Limited and NSE, and that the Board be and is hereby authorized to make the necessary applications and to take all other steps as may be necessary for and in connection with the listing of such Equity Shares proposed to be allotted to the Warrant Holder, upon conversion of the Warrants, and for the admission of the Warrants and Equity Shares with the depositories, viz. NSDL & CDSL, and for the credit of the Warrants and Equity Shares allotted, upon conversion of the Warrants, to the Warrant Holder's dematerialized securities account.

“RESOLVED FURTHER THAT the Board be and is hereby authorized to decide and approve the other terms and conditions of the issue and also to vary, alter or modify any of the terms and conditions in the proposal as may be required by the agencies/authorities involved in such issues but subject to such conditions as stock exchanges and other appropriate authority may impose at the time of their approval and as agreed to by the Board other appropriate authority may impose at the time of their approval and as agreed to by the Board”

“RESOLVED FURTHER THAT the said Warrants shall be issued and allotted by the Company within a period of 15 (Fifteen) days from the date of passing of this resolution, provided that where the allotment of the said Warrants is pending on account of pendency of any approval for such allotment by any regulatory authority, the allotment shall be completed within a period of 15 (Fifteen) days from the date of receipt of last of such approvals.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorized, in its entire discretion, to do all such acts, matters, deeds and things and to take all such steps and to do all such things and give all such directions, as the Board may consider necessary, expedient or

desirable, including without limitation, effecting any modification to the foregoing (including any modifications to the terms of the issue), to prescribe the forms of application, allotment, to enter into any agreements or other instruments, and to take such actions or give such directions as may be necessary or desirable and to file applications and obtain any approvals, permissions, sanctions which may be necessary or desirable and to settle any questions or difficulties that may arise and appoint consultants, valuers, legal advisors, advisors and such other agencies as may be required for the Preferential Issue of Warrants and the Equity Shares to be issued upon conversion of the Warrants without being required to seek any further clarification, consent or approval of the members and that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT subject to applicable laws, the Board be and is hereby also authorized to delegate, all or any of the powers herein conferred, to any Director(s) or officer(s) of the company and to revoke and substitute such delegation from time to time, as deemed fit by the Board, to give effect to the aforesaid resolution.

“RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of the Board or any Director(s) or Officer(s) of the Company and to generally do all such acts, deeds and things as may be required in connection with the aforesaid resolution, including issue of offer letter, making necessary filings with the stock exchanges and regulatory authorities and execution of any documents on behalf of the Company and to represent the Company before any governmental authorities and to appoint any merchant bankers or other professional advisors, consultants and legal advisors to give effect to the aforesaid resolution.

“RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to agree and accept all such terms, condition(s), modification (s) and alteration(s) as may be stipulated by any relevant authorities while according approval or consent to the issue as may be considered necessary, proper or expedient and give effect to modification (s) and to resolve and settle all questions, difficulties or doubts that may arise in this regard in the implementation of this resolution for issue and allotment of equity shares on preferential basis and to do all acts, deeds and things in connection therewith and incidental thereto without being required to seek any further consent or approval of the members of the Company to the intent that the members shall be deemed to have given their approval thereto expressly by the authority of 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: 06.09.2023

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") has, vide its circular dated December 28, 2022 read together with circulars dated April 8, 2020, April 13, 2020, May 5, 2020, January 13, 2021, December 8, 2021, December 14, 2021 and May 5, 2022 (collectively referred to as "MCA Circulars"), permitted convening the Annual General Meeting ("AGM" / "Meeting") through Video Conferencing ("VC") or Other Audio Visual Means ("OAVM"), without 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 Regulations 26(4) and 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 24th September 2023 to 30th September 2023 (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 Private 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 20th September 2023 through email on 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. The Notice calling the AGM and Annual Report has been uploaded on the website of the Company at 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 and 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. 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.
19. 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 1st September 2023. 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.
20. 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. In view of the continuing Covid-19 pandemic, the general meetings of the companies shall be conducted as per the guidelines issued by the Ministry of Corporate Affairs (MCA) vide General Circular numbers 10/2022 dated December 28, 2022, 2/2022 dated May 5, 2022, 20/2021 dated 8th December, 2021, 10/2021 dated 23rd June, 2021, 39/2020 dated 31st December, 2020, 33/2020 dated 28th September, 2020, 22/2020 dated 15th June, 2020, 17/2020 dated 13th April, 2020, and 14/2020 dated 8th April, 2020 issued by the Ministry of Corporate Affairs (MCA) (collectively referred to as "MCA Circulars") and Circular Numbers SEBI/HO/CFD/CMD2/CIR/P/2022/62 dated May 13, 2022, SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated 15th January, 2021 and SEBI/H/CFD/CMD1/CIR/P/2020/79 dated 12th May, 2020, and issued by Securities and Exchange Board of India ('SEBI Circular') permitted the holding of the Annual General Meeting ("AGM") through Video Conferencing ("VC") / Other Audio- Visual Means ("OAVM"), without the physical presence of the Members at a common venue. In compliance with the provisions of the Companies Act, 2013 ("Act"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations") and MCA Circulars, the AGM of the Company is being held through VC / OAVM. Hence, Members can attend and participate in the ensuing AGM through VC/OAVM.
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 and December 28, 2022 and 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 has been uploaded on the website of the Company at www.kernex.in. The Notice can also be accessed from the websites of the Stock Exchanges i.e. BSE Limited at www.bseindia.com and NSE at 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

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

The remote e-voting period begins on Wednesday, 27th September 2023 (9:00 a.m. IST) and ends on Friday, 29th September 2023 (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 2023, 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 2023.

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. 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

A) 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"> 1. Existing IDeAS user can visit the e-Services website of NSDL Viz. https://eservices.nsdl.com either on a Personal Computer or on a mobile. On the e-Services home page click on the “Beneficial Owner” icon under “Login” which is available under 'IDeAS' 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 “Access to e-Voting” under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider i.e. NSDL and you will be re-directed to e-Voting website of NSDL for casting your vote during the remote e-Voting period. 2. If you are not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select “Register Online for IDeAS Portal” or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp 3. 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. 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 e-Voting |

| Type of shareholders | Login Method |
|---|---|
| | <p>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> <p>4. Shareholders/Members can also download NSDL Mobile App “NSDL Speede” facility by scanning the QR code mentioned below for seamless voting experience.</p> <div style="text-align: center;"> <p>NSDL Mobile App is available on</p>    </div> |
| <p>Individual Shareholders holding securities in demat mode with CDSL</p> | <ol style="list-style-type: none"> 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 https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi. After successful login of Easi/Easiest the user will be also able to see the E Voting Menu. The Menu will have links of e-Voting service provider i.e. NSDL. Click on NSDL to cast your vote. If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. NSDL where the e-Voting is in progress. |
| <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 evoting@nsdl.com 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 helpdesk.evoting@cdslindia.com 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.
 - b) Physical User Reset Password?” (If you are holding shares in physical mode) option available on 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 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 from 24th September 2023 (9:00 a.m. IST) to 27th September 2023 (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. 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 23rd September 2023. 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 by Ballot. If a member casts votes by both modes, then voting done through remote e-voting shall prevail and Ballot 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 AGM, thereafter unlock the votes through 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 authorised 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 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 30th September 2023.

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

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

Place: Hyderabad
Date: 06-09-2023

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 the accompanying Notice.

ITEM NO. 04:

Members are aware that Mr. M B Narayana Raju, was reappointed as a Whole-Time Director of the Company for a period of three years with effect from 2nd September 2020 till 1st September 2023, by means of Special Resolution passed by the Members at the 28th Annual General Meeting of the Company held on 30th September 2020 on the terms and conditions including payment of remuneration. In view of the rich experience and expertise knowledge, the Nomination and Remuneration committee and Board of Directors at their meeting held on 5th December 2022 approved for increase in remuneration as set out in the resolution and detailed hereunder;

1. Remuneration:

A) Salary: Rs. 1,08,000/- per month with authority to the Board of Directors and/or a Committee of the board, to vary the same from time to time

B) Perquisites & Allowances:

In addition to the salary payable, he shall also be entitled to the following perquisites and allowances

- i. House Rent Allowance @40% of the salary.
- ii. Special Monthly allowance @ 60% of the salary.
- iii. Reimbursement of Medical expenses incurred for self and his family not exceeding one month salary in a year or three months' salary in a block of three years.
- iv. Leave travel assistance: Expenses incurred for self and family in accordance with company's rules.
- v. Car: The Company shall provide a car for company's business.
- vi. Phone / cell phone: free except for personal long distance calls which shall be billed.
- vii. Club Fee: Subject to a maximum of two clubs. This will not include admission and life membership.
- viii. Group Medical Insurance and Personal Accident Insurance Premium as per the rules of the Company. I) Reimbursement of entertainment expenditure actually and properly incurred for the business of the Company.

Further, Nomination and Remuneration Committee and Board of Directors at their meetings held on 5th December 2023 have proposed to give 1% commission on the earned profits for the Financial Year 2023-24 subject to achievement of the milestones.

The following is the additional information as per Section II of Part II of Schedule V of the Companies Act, 2013:

I. GENERAL INFORMATION:

| | | |
|---|--|--|
| 1 | Nature of industry | The company is specialized in Integrating Technologies related to Wireless Front-end, Satellite Communication, Embedded Systems, Signal Processing, Network Management and Software development. |
| 2 | Date or expected date of commencement of commercial production | The company was incorporated in the year 1991 and the commercial production commenced simultaneously. |

| | | | | | |
|---|---|--|------------|------------|----------|
| 3 | In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus | Not applicable | | | |
| 4 | Financial performance based on given indicators (Figures in Lakhs) | Financial year | 2022-23 | 2021-22 | 2020-21 |
| | | Gross Revenue | 330.99 | 716.15 | 1,740.95 |
| | | Profit/(loss) before tax | (1,938.07) | (1,622.41) | 42.45 |
| | | Net Profit/(loss) | (1985.72) | (1,657.52) | 37.18 |
| 5 | Foreign investments or collaborations, if any. | The Company has not entered into any material foreign collaboration. Further the Company has invested Rs. 480.19 lakhs in wholly owned subsidiary during the previous three financial years. | | | |

II. INFORMATION ABOUT THE APPOINTEE: Mr. M B NARAYANA RAJU:

| | | |
|---|---|--|
| 1 | Background details | Mr. M B Narayana Raju is in the employment of the company for the past 23 years at a senior level with the designation of Chief Administrative and Commercial Officer and as a Whole Time Director from 20 th November'2017 and is looking after the General and Personnel Administration, liaison with all Government Agencies and Compliances |
| 2 | Past and Proposed remuneration | Past Remuneration: 90,000/- per month excluding HRA and Other Allowances. Details on increased remuneration have been stated in this explanatory Statement of the Notice. |
| 3 | Recognition or awards | -NIL- |
| 4 | Job profile and his suitability | Mr. M B Narayana Raju is in the employment of the company for the past 23 years at a senior level with the designation of Chief Administrative and Commercial Officer and as a Whole Time Director from 20 th November'2017 is looking after the General and Personnel Administration, liaison with all Government Agencies and Compliances |
| 5 | Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin) | Taking into consideration the size of the Company, the profile of the Whole-Time Director, the responsibilities shouldered by him and the industry benchmarks, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior levels in other companies. |

| | | |
|---|--|--|
| 6 | Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any. | There has no pecuniary relationship with the Company or its Key Managerial Personnel other than his remuneration in the capacity of Whole-Time Director. He is holding 2,087 shares in the Company in his personal capacity. |
|---|--|--|

III. Other information:

1. Reasons of loss or inadequate profits:

The increase in expenditure towards Research and Development and the fixed overheads also contributed for such inadequate profits. Further, due to the delay in government procedures to finalize the orders and realization of the payments after execution of such projects there was inadequate profits.

2. Steps taken or proposed to be taken for improvement

The operations of the company are being scaled up to increase to revenues.

3. Expected increase in productivity and profits in measurable terms

We expect a substantial increase in production which is leading to good improvement in operating margins.

None of the Directors/Key Managerial Personnel or their relatives is concerned or interested in the Resolution except Mr. M B Narayana Raju being interested in this resolution.

The Board of Directors recommends the Special Resolution as set out in Item No. 4 in the Notice for approval of the Shareholders.

ITEM NO. 05

Members are aware that Mr. M Sitarama Raju, was appointed as a Whole-Time Director of the Company for a period of three years with effect from 2nd September 2020 till 1st September 2023, by means of Special Resolution passed by the Members at the 28th Annual General Meeting of the Company held on 30th September 2020 on the terms and conditions including payment of remuneration. In view of the rich experience and expertise knowledge, the Nomination and Remuneration committee and Board of Directors at their meeting held on 5th December 2022 approved for increase in remuneration as set out in the resolution and detailed hereunder ;

1. Remuneration:

- A) Salary: Rs. 1,08,000/- per month with authority to the Board of Directors and/or a Committee of the board, to vary the same from time to time
- B) Perquisites & Allowances:

In addition to the salary payable, he shall also be entitled to the following perquisites and allowances

- i. House Rent Allowance @40% of the salary.
- ii. Special Monthly allowance @ 60% of the salary.
- iii. Reimbursement of Medical expenses incurred for self and his family not exceeding one month salary in a year or three months' salary in a block of three years.

- iv. Leave travel assistance: Expenses incurred for self and family in accordance with company's rules.
- v. Car: The Company shall provide a car for company's business.
- vi. Phone / cell phone: free except for personal long distance calls which shall be billed.
- vii. Club Fee: Subject to a maximum of two clubs. This will not include admission and life membership.
- viii. Group Medical Insurance and Personal Accident Insurance Premium as per the rules of the Company. I) Reimbursement of entertainment expenditure actually and properly incurred for the business of the Company.

Further, Nomination and Remuneration Committee and Board of Directors at their meetings held on 5th December 2022 have proposed to give 1% commission on the earned profits for the Financial Year 2023-24 subject to achievement of the milestones.

The following is the additional information as per Section II of Part II of Schedule V of the Companies Act, 2013:

I. GENERAL INFORMATION:

| | | | | | |
|---|---|--|------------|------------|----------|
| 1 | Nature of industry | The company is specialized in Integrating Technologies related to Wireless Front-end, Satellite Communication, Embedded Systems, Signal Processing, Network Management and Software development. | | | |
| 2 | Date or expected date of commencement of commercial production | The company was incorporated in the year 1991 and the commercial production commenced simultaneously. | | | |
| 3 | In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus | Not applicable | | | |
| 4 | Financial performance based on given indicators (Figures in Lakhs) | Financial year | 2022-23 | 2021-22 | 2020-21 |
| | | Gross Revenue | 330.99 | 716.15 | 1,740.95 |
| | | Profit/(loss) before tax | (1,938.07) | (1,622.41) | 42.45 |
| | | Net Profit/(loss) | (1985.72) | (1,657.52) | 37.18 |
| 5 | Foreign investments or collaborations, if any. | The Company has not entered into any material foreign collaboration. Further the Company has invested Rs. 480.19 lakhs in wholly owned subsidiary during the previous three financial years. | | | |

II. INFORMATION ABOUT THE APPOINTEE: Mr. M Sitarama Raju:

| | | |
|---|---|---|
| 1 | Background details | Mr. M Sitarama Raju holds a Bachelor Degree BS Computer Science and qualified in Minor in Business Administration. He also has over Two Decades of experience and expertise in International Business development, Project Management, Strategic planning, Operational planning, and financial acumen. Specialization in International Marketing. |
| 2 | Past and Proposed remuneration | Past Remuneration: 90,000/- per month excluding HRA and Other Allowances. Details on Increased remuneration have been stated in this explanatory Statement of the Notice. |
| 3 | Recognition or awards | -NIL- |
| 4 | Job profile and his suitability | Mr. M Sitarama Raju holds a Bachelor Degree BS Computer Science and qualified in Minor in Business Administration. He also has over Two Decades of experience and expertise in International Business development, Project Management, Strategic planning, Operational planning, and financial acumen. Specialization in International Marketing. |
| 5 | Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin) | Taking into consideration the size of the Company, the profile of the Whole-Time Director, the responsibilities shouldered by him and the industry benchmarks, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior levels in other companies. |
| 6 | Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any. | Mr. Sitarama Raju Manthena (DIN: 08576273), is a son of Dr. Anji Raju Manthena and Brother of Ms. Sreelakshmi Manthena. Mr. Sitarama Raju Manthena (DIN: 08576273) is holding 7,12,992 (Seven Lakhs Twelve Thousand Nine Hundred and Ninety Two Only) equity shares constituting 4.61% of total equity share capital of the Company. |

III. Other information:

1. Reasons of loss or inadequate profits:

The increase in expenditure towards Research and Development and the fixed overheads also contributed for such inadequate profits. Further, due to the delay in government procedures to finalize the orders and realization of the payments after execution of such projects there was inadequate profits.

2. Steps taken or proposed to be taken for improvement

The operations of the company are being scaled up to increase to revenues.

3. Expected increase in productivity and profits in measurable terms

We expect a substantial increase in production which is leading to good improvement in operating margins.

None of the Directors/ Key Managerial Personnel or their relatives is concerned or interested in the resolution except Mr. M Sitarama Raju (being interested), Dr. Anji Raju Manthena and Ms. Sree Lakshmi Manthena, Promoter Directors.

The Board of Directors recommends the Special Resolution as set out in Item No. 5 in the Notice for approval of the Shareholders.

ITEM NO. 06

Mr. M B Narayana Raju (DIN: 07993925) was appointed as the Whole time Director of the company. His tenure will be expiring on 1st September, 2023 and the members of the board, based on the recommendation of the Nomination and Remuneration Committee, on 13th August 2023 have reappointed him for a further period of 3 years at a remuneration of Rs. 2,16,000/- per month, with effect from 02nd September 2023, subject to the approval of the members at the ensuing Annual General Meeting of the company. Mr. M B Narayana Raju (DIN: 07993925) is in the employment of the company since last 23 years at a senior level with the designation of Chief Administrative and Commercial Officer and as a Whole Time Director from 20th November'2017 and has been looking after the General and Personnel Administration, Liaison with all Government Agencies and Compliances etc.,

Mr. M B Narayana Raju (DIN: 07993925) holds 2,087 (Two Thousand Eighty Seven Only) equity shares constituting 0.014% of total equity share capital of the Company. Mr. M B Narayana Raju (DIN: 07993925), does not have any directorship or membership of committee of Board in any other listed Company.

The Board of Directors recommends the resolution in relation to the appointment of Whole time Director, for the approval of the shareholders of the Company.

The following is the additional information as per Section II of Part II of Schedule V of the Companies Act, 2013:

I. GENERAL INFORMATION:

| | | | | | |
|---|---|--|------------|------------|----------|
| 1 | Nature of industry | The company is specialized in Integrating Technologies related to Wireless Front-end, Satellite Communication, Embedded Systems, Signal Processing, Network Management and Software development. | | | |
| 2 | Date or expected date of commencement of commercial production | The company was incorporated in the year 1991 and the commercial production commenced simultaneously. | | | |
| 3 | In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus | Not applicable | | | |
| 4 | Financial performance based on given indicators (Figures in Lakhs) | Financial year | 2022-23 | 2021-22 | 2020-21 |
| | | Gross Revenue | 330.99 | 716.15 | 1,740.95 |
| | | Profit/(loss) before tax | (1,938.07) | (1,622.41) | 42.45 |
| | | Net Profit/(loss) | (1985.72) | (1,657.52) | 37.18 |

| | | |
|---|--|--|
| 5 | Foreign investments or collaborations, if any. | The Company has not entered into any material foreign collaboration. Further the Company has invested Rs. 480.19 lakhs in wholly owned subsidiary during the previous three financial years. |
|---|--|--|

II. INFORMATION ABOUT THE APPOINTEE: Mr. M B NARAYANA RAJU:

| | | |
|---|---|--|
| 1 | Background details | Mr. M B Narayana Raju is in the employment of the company for the past 23 years at a senior level with the designation of Chief Administrative and Commercial Officer and as a Whole Time Director from 20 th November'2017 and is looking after the General and Personnel Administration, liaison with all Government Agencies and Compliances |
| 2 | Past and Proposed remuneration | Past Remuneration: 1,08,000/- per month excluding HRA and Other Allowances.(considering the resolution 4) Proposed Remuneration: Details are set out in the resolution no. 6 |
| 3 | Recognition or awards | -NIL- |
| 4 | Job profile and his suitability | Mr. M B Narayana Raju is in the employment of the company for the past 23 years at a senior level with the designation of Chief Administrative and Commercial Officer and as a Whole Time Director from 20 th November'2017 is looking after the General and Personnel Administration, liaison with all Government Agencies and Compliances |
| 5 | Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin) | Taking into consideration the size of the Company, the profile of the Whole-Time Director, the responsibilities shouldered by him and the industry benchmarks, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior levels in other companies. |
| 6 | Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any. | There has no pecuniary relationship with the Company or its Key Managerial Personnel other than his remuneration in the capacity of Whole-Time Director. He is holding 2,087 shares in the Company in his personal capacity. |

III. Other information:

1. Reasons of loss or inadequate profits:

The increase in expenditure towards Research and Development and the fixed overheads also contributed for such inadequate profits. Further, due to the delay in government procedures to finalize the orders and realization of the payments after execution of such projects there was inadequate profits.

2. Steps taken or proposed to be taken for improvement

The operations of the company are being scaled up to increase to revenues.

3. Expected increase in productivity and profits in measurable terms

We expect a substantial increase in production which is leading to good improvement in operating margins. None of the Directors/Key Managerial Personnel or their relatives is concerned or interested in the Resolution except Mr. M B Narayana Raju being interested in this resolution.

The Board of Directors recommends the Special Resolution as set out in Item No. 6 in the Notice for approval of the Shareholders.

ITEM NO. 07

Mr. M Sitarama Raju (DIN: 08576273) was appointed as the Whole time Director of the company. His tenure will be expiring on 1st September, 2023. The members of the board, based on the recommendation of the Nomination and Remuneration Committee, on 13th August 2023 have reappointed him for a further period of 3 years with a remuneration of Rs. 2,16,000/- per month, with effect from 02nd September 2023, subject to the approval of the members at the ensuing Annual General Meeting of the company.

Mr. M Sitarama Raju (DIN: 08576273) holds a Bachelor Degree BS Computer Science and qualified in Master in Business Administration. He has over Two Decades of experience and expertise in International Business development, Project Management, Strategic planning, Operational planning and financial acumen. Specialization in International Marketing.

Mr. M Sitarama Raju (DIN: 08576273), is a son of Dr. Anji Raju Manthana and Brother of Ms. Sreelakshmi Manthana. Mr. Sitarama Raju Manthana (DIN: 08576273), holds 7,12,992 (Seven Lakhs Twelve Thousand Nine Hundred and Ninety Two Only) equity shares constituting 4.61% of total equity share capital of the Company. Mr. M Sitarama Raju (DIN: 08576273), does not have any directorship or membership of committee of Board in any other listed Company. The Board of Directors recommends the resolution in relation to the appointment of Managing Director for the approval of the shareholders of the Company.

The following is the additional information as per Section II of Part II of Schedule V of the Companies Act, 2013:

I. GENERAL INFORMATION:

| | | | | | |
|---|---|--|------------|------------|----------|
| 1 | Nature of industry | The company is specialized in Integrating Technologies related to Wireless Front-end, Satellite Communication, Embedded Systems, Signal Processing, Network Management and Software development. | | | |
| 2 | Date or expected date of commencement of commercial production | The company was incorporated in the year 1991 and the commercial production commenced simultaneously. | | | |
| 3 | In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus | Not applicable | | | |
| 4 | Financial performance based on given indicators (Figures in Lakhs) | Financial year | 2022-23 | 2021-22 | 2020-21 |
| | | Gross Revenue | 330.99 | 716.15 | 1,740.95 |
| | | Profit/(loss) before tax | (1,938.07) | (1,622.41) | 42.45 |
| | | Net Profit/(loss) | (1985.72) | (1,657.52) | 37.18 |

| | | |
|---|--|--|
| 5 | Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any. | The Company has not entered into any material foreign collaboration. Further the Company has invested Rs. 480.19 lakhs in wholly owned subsidiary during the previous three financial years. |
|---|--|--|

II. INFORMATION ABOUT THE APPOINTEE: Mr. M Sitarama Raju:

| | | |
|---|---|---|
| 1 | Background details | Mr. M Sitarama Raju holds a Bachelor Degree BS Computer Science and qualified in Minor in Business Administration. He also has over Two Decades of experience and expertise in International Business development, Project Management, Strategic planning, Operational planning, and financial acumen. Specialization in International Marketing. |
| 2 | Past and Proposed remuneration | Past Remuneration: 1,08,000/- per month excluding HRA and Other Allowances. Proposed Remuneration: Details are mentioned in the resolution no. 7. |
| 3 | Recognition or awards | -NIL- |
| 4 | Job profile and his suitability | Mr. M Sitarama Raju holds a Bachelor Degree BS Computer Science and qualified in Minor in Business Administration. He also has over Two Decades of experience and expertise in International Business development, Project Management, Strategic planning, Operational planning, and financial acumen. Specialization in International Marketing. |
| 5 | Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin) | Taking into consideration the size of the Company, the profile of the Whole-Time Director, the responsibilities shouldered by him and the industry benchmarks, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior levels in other companies. |
| 6 | Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any. | Mr. Sitarama Raju Manthena (DIN: 08576273), is a son of Dr. Anji Raju Manthena and Brother of Ms. Sreelakshmi Manthena. Mr. Sitarama Raju Manthena (DIN: 08576273) is holding 7,12,992 (Seven Lakhs Twelve Thousand Nine Hundred and Ninety Two Only) equity shares constituting 4.61% of total equity share capital of the Company. |

III. Other information:

1. Reasons of loss or inadequate profits:

The increase in expenditure towards Research and Development and the fixed overheads also contributed for such inadequate profits. Further, due to the delay in government procedures to finalize the orders and realization of the payments after execution of such projects there was inadequate profits.

2. Steps taken or proposed to be taken for improvement

The operations of the company are being scaled up to increase to revenues.

3. Expected increase in productivity and profits in measurable terms

We expect a substantial increase in production which is leading to good improvement in operating margins.

None of the Directors/ Key Managerial Personnel or their relatives is concerned or interested in the resolution except Mr. M Sitarama Raju (being interested), Dr. Anji Raju Manthena and Ms. Sree Lakshmi Manthena, Promoter Directors.

The Board of Directors recommends the Special Resolution as set out in Item No. 7 in the Notice for approval of the Shareholders.

ITEM NO. 8

The Board of Directors of the Company, in its meeting held on 6th September, 2023, subject to the approval of the members of the Company and such other approvals as may be required, approved the proposal for raising funds by way of issuance and allotment of upto 13,00,000 (Thirteen Lakhs) Warrants carrying an entitlement to subscribe to an equivalent number of Equity Shares having face value of Rs. 10/- (Rupees Ten Only) each on preferential basis to Non-Promoter Investors mentioned in the resolution no. 8.

Since the Company is a listed Company, the proposed Preferential Issue is in terms of the provisions of the SEBI ICDR Regulations, the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011 (as amended), and other applicable provisions, if any and Sections 42 and 62(1) of the Companies Act, 2013, Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and Rule 13 of the Companies (Share Capital and Debentures) Rules, 2014 are to be complied.

The information as required under SEBI (ICDR) Regulations and as per the provisions of the Companies Act, 2013 read with Rule 13 of the Companies (Share Capital and Debentures) Rules, 2014 and Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 are given below:

A. Objects of the Preferential issue

The Company proposes to raise funds through issue of Warrants on preferential basis to:

1. Meet funding requirements of various ongoing Projects of the Company /its subsidiaries/JVs (in which the Company is a partner),
2. Meet working capital requirements to strengthen financial position
3. Repay Inter Corporate Deposits/ Unsecured Loans and interest thereon.
4. General corporate purposes.

B. Maximum number of specified securities to be issued

The Board of Directors in its meeting held on 6th September, 2023 had approved the issue of Warrants and accordingly proposes to issue and allot in aggregate upto 13,00,000 (Thirteen Laksh) Warrants to be converted into equal number of Equity Shares of Rs. 10/- each to Non-Promoter Investors on a preferential basis in compliance with applicable provisions of SEBI (ICDR) Regulations.

C. Amount which the company intends to raise by way of such securities;

Rs. 52.39 Crores (Rupees Fifty Two Crores and Thirty Nine Lakhs Only) only or such other amount upon issue of 13,00,000 Share Warrants as said above at a price calculated in terms of the regulation 164 of Chapter V of SEBI (ICDR) Regulations

D. Intention of promoters or their associates and relatives, directors or key managerial personnel of the issuer:

None of the promoters or their associates and relatives, directors or key managerial personnel is intend to subscribe to the offer

E. Shareholding Pattern before and after the proposed preferential issue.

| S.No. | Category | #Pre-Issue Equity | | \$Post Equity Issue | |
|----------|--|-------------------|-------------------|---------------------|-------------------|
| | | No of shares held | % of shareholding | No of shares held | % of shareholding |
| A | Promoter Holding | | | | |
| 1 | Indian | | | | |
| | Individuals/PAC | 2,392 | 0.02 | 2,392 | 0.01 |
| | Bodies Corporate | - | 0.00 | - | - |
| | Any Other | - | 0.00 | - | - |
| | Sub Total A 1 | 2,392 | 0.02 | 2,392 | 0.01 |
| 2 | Foreign Promoter | | | | |
| | Individuals/NRI/Foreign individuals/PAC | 48,82,320 | 31.58 | 48,82,320 | 29.13 |
| | Bodies Corporate | - | 0.00 | - | 0.00 |
| | Sub Total A 2 | 48,82,320 | 31.58 | 48,82,320 | 29.13 |
| | Total Promoters Group A= A1+A2 | 48,84,712 | 31.60 | 48,84,712 | 29.15 |
| B | Public/Non-Promoters' Shareholding | | | | |
| 1 | Institutional Investors | | | | |
| A | Mutual Funds/Banks/FI | - | 0.00 | - | 0.00 |
| B | Foreign Portfolio Investors | | | | |
| | Category I | 0 | 0.00 | 0 | 0.00 |
| C | Shareholding by Companies or Bodies Corporate where Central / State Government is a promoter | 10,563 | 0.07 | 10,563 | 0.06 |
| | Sub Total B | 10,563 | 0.07 | 10,563 | 0.06 |

| | | | | | |
|----------|--|--------------------|---------------|--------------------|---------------|
| 2 | Non Institutions | | | | |
| | Directors and their Relatives | 19,75,509 | 12.78 | 19,75,509 | 11.79 |
| | Individual share capital upto Rs. 2 Lacs | 33,77,913 | 21.85 | 33,77,913 | 20.16 |
| | Individual share capital in excess of Rs. 2 Lacs | 29,03,256 | 18.78 | 38,03,256 | 22.69 |
| | Non-Resident Indian (NRI) | 5,49,034 | 3.55 | 5,49,034 | 3.28 |
| | Clearing Members | 0 | 0.00 | 0 | 0.00 |
| | Foreign Bodies Corporate | 0 | 0.00 | 0 | 0.00 |
| | Indian Bodies Corporate | 13,54,868 | 8.76 | 17,54,868 | 10.47 |
| | Foreign Nationals | 0 | 0.00 | 0 | 0.00 |
| | Others (HUF, NBFC and Trusts) | 4,03,567 | 2.61 | 4,03,567 | 2.41 |
| | Sub Total B 2 | 1,05,64,147 | 68.33 | 1,18,64,147 | 70.79 |
| | Total Public Share holding B-B1+B2 | 1,05,74,710 | 68.40 | 1,18,74,710 | 70.85 |
| | GRAND TOTAL A+B | 1,54,59,422 | 100.00 | 1,67,59,422 | 100.00 |

Pre-issue shareholding pattern as on 30.06.2023

\$ The post issue shareholding percentage is arrived after considering all the warrants converted into Equity Shares. Consequently, the post-issue shareholding percentage mentioned above may stand altered.

F. Proposed time within which the allotment shall be completed:

As required under the ICDR Regulations, the Company shall complete the allotment of warrants as aforesaid on or before the expiry of 15 days from the date of passing of the special resolution by the shareholders granting consent for preferential issue or in the event allotment of equity shares would require any approval(s) from any regulatory authority or the Central Government, within 15 days from the date of such approval(s), as the case may be.

G. The name of the proposed allottees, the identities of the persons who are the ultimate beneficial owners of the shares and/or who ultimately control the proposed allottees, the percentage of post preferential issue capital that may be held by them.

| Sr. No. | Identity of proposed Preferential Allottee | Ultimate Beneficial Owner of the proposed Allottee(s) | Pre issue holding | % to Pre-issue Capital | Warrants proposed to be allotted | No. of Shares after conversion | % of shares on conversion* |
|---------|--|---|-------------------|------------------------|----------------------------------|--------------------------------|----------------------------|
| 1 | Non-Promoters Neeta Hemant Ashar | NA | 8,100 | 0.05 | 4,00,000 | 4,08,100 | 2.44 |
| 2 | Vanaja Sunder Iyer | NA | - | NA | 3,00,000 | 3,00,000 | 1.79 |
| 3 | Saurav Raidhani | NA | - | NA | 1,00,000 | 1,00,000 | 0.60 |
| 4 | Prakash Diwan | NA | - | 50,000 | 50,000 | 0.30 | |
| 5 | Kabra Sunil Murlimanohar | NA | - | NA | 50,000 | 50,000 | 0.30 |

| | | | | | | | |
|---|---|-----------------------|----------|------|----------|----------|------|
| 6 | \$Penang Enterprises Private Limited | Rajiv Gunvantlal Shah | 1,06,528 | 0.69 | 2,00,000 | 3,06,528 | 1.83 |
| 7 | #Dhoot Industrial Finance Limited (A listed company with BSE) | Rohit Rajgopal Dhoot | - | NA | 1,50,000 | 1,50,000 | 0.90 |
| 8 | @Prabhudas Lilladher advisory services Private Limited | Amisha N Vora | - | NA | 50,000 | 50,000 | 0.30 |

\$Penang Enterprises Private Limited: Rajiv Gunvantlal Shah, Pranav Shah, Sohini Shah, Gunvantlal Shah are holding 81.24% in the Company and each one is holding 20.31%. Rajiv Gunvantlal Shah has control over the affairs of the Company and he is the beneficial owner of the Company

Dhoot Industrial Finance Limited: It is Listed Company and the promoters are holding 69.07%. Mr. Rohit Kumar Dhoot is holding 17.30% in the Company and he is control over the affairs of the Company. He is the beneficial owner of the Company

@ Prabhudas Lilladher advisory services Private Limited: Mrs. Amisha N Vora is holding 48% in the Company and M/s. Conviction Capital Private Limited is holding 48% in the Company. Mrs. Amisha N Vora is holding 99% in M/s. Conviction Capital Private Limited and she is the beneficial owner.

*post issue shareholding pattern has been arrived at assuming that all the warrants are converted into equity shares.

H. Undertakings

In terms of SEBI (ICDR) Regulations, 2018, the Company hereby undertakes that:

- i. It shall re-compute the price of the Warrants issued in terms of the provisions of SEBI (ICDR) Regulations, where it is required to do so.
- ii. If the amount payable on account of the re-computation of price is not paid within the time stipulated in the SEBI (ICDR) Regulations, the underlying Warrants shall continue to be locked- in till the time such amount is paid by the proposed allottees.

I. Terms of Issue of the Warrants, if any

- i. Allotment of 13,00,000 Warrants for cash to Non-Promoters of the Company.
- ii. The Warrants shall be issued for consideration payable in cash
- iii. 50% of the total amount payable for preferential issue of Warrants shall be received by the Company prior to the allotments
- iv. The Warrants shall be exercised within a period of 2 months from the date of their allotment, in one or more tranches.
- v. At the time of exercise, the Warrant Holder(s) shall pay the balance 50% of the consideration payable in respect of the Warrants so being exercised,
- vi. The Warrants issued pursuant to the abovementioned resolution and equity shares issued upon the Conversion shall be subject to lock-in in accordance with the SEBI (ICDR) Regulations..
- vii. The Equity Shares, allotted pursuant to conversion of Warrants, shall rank pari passu inter se and with the then existing equity shares of the Company in all respects, including in relation to right to dividend.

J. Pricing of Preferential Issue:

The Board has fixed the price of Rs. 403/- per Warrant in terms of regulation 164 of SEBI (ICDR) Regulations, 2018

K. Basis on which the price would be arrived at

The Equity Shares of the Company are listed on BSE Limited and National Stock Exchange of India Limited ("NSE") (together referred to as the "Stock Exchanges"). The Equity Shares are frequently traded in terms of the SEBI ICDR Regulations on NSE, being the Stock Exchange with higher trading volumes for the said period, has been considered for determining the floor price in accordance with the SEBI ICDR Regulations. Further, in terms of Regulation 166A of SEBI (ICDR) Regulations, the said preferential issue, will not result in allotment of

more than five per cent of the post issue fully diluted share capital of the Company, to an allottee or to allottees acting in concert, hence valuation report from an independent registered valuer for determining the price is not applicable.

In terms of the applicable provisions of the Chapter V of SEBI (ICDR) Regulations, the minimum price for the preferential issue of each equity share to be issued shall be a price, being higher of the following:

- i. Average of 90 trading days of volume weighted average price of the Equity Shares of the Company quoted on the NSE preceding the Relevant Date is Rs. 361.48/- (Rupees Three Hundred and Sixty One and paise Forty Eight only); or
- ii. Average of 10 trading days of volume weighted average price of the Equity Shares of the Company quoted on the NSE preceding the Relevant Date is Rs. 402.34 /- (Rupees Four Hundred and Two and paise Thirty Four only);

The Board has fixed the floor price as Rs. 403/- (Rupees Four Hundred and Three) per equity share and the said price fixed by the Board is highest of the above two prices calculated in terms of the SEBI (ICDR) Regulation and other applicable provisions.

L. Name and address of valuer who performed valuation;

Not Applicable

M. The justification for the allotment proposed to be made for consideration other than cash together with valuation report of the registered valuer.

Not Applicable

N. Relevant Date

In terms of the provisions of Chapter V of the SEBI (ICDR) Regulations, relevant date for determining the floor price for this Preferential Allotment of Warrants is 31st August 2023 being the 30 days prior to the date of Annual General Meeting.

O. Class or Classes of Persons to whom the allotment is proposed to be made

The allotment is proposed to be made to the Non-Promoter Investors as mentioned below:-

| S.No. | Name of the Proposed Allottee | Current Status of the Allottee | Proposed Status of the Allottee |
|-------|---|--------------------------------|---------------------------------|
| 1 | Neeta Hemant Ashar | Non-Promoter | Non-Promoter |
| 2 | Vanaja Sunder Iyer | Non-Promoter | Non-Promoter |
| 3 | Saurav Raidhani | Non-Promoter | Non-Promoter |
| 4 | Prakash Diwan | Non-Promoter | Non-Promoter |
| 5 | Kabra Sunil Murlimanohar | Non-Promoter | Non-Promoter |
| 6 | Penang Enterprises Private Limited | Non-Promoter | Non-Promoter |
| 7 | Dhoot Industrial Finance Limited | Non-Promoter | Non-Promoter |
| 8 | Prabhudas Lilladher advisory services Pvt. Ltd. | Non-Promoter | Non-Promoter |

P. Change in control if any consequent to preferential issue

The existing Promoters of the Company will continue to be in control of the Company and there will not be any change in the management or control of the Company as a result of the proposed preferential issue.

However, the percentage of shareholding and voting rights exercised by the shareholders of the Company will change in accordance with the change in the shareholding pattern pursuant to the Preferential Allotment.

Q. No. of persons to whom allotment on preferential basis has already been made during the year, in terms of number of securities as well as price:

During the year, the Company has not allotted any equity shares on preferential basis.

R. Lock-in period

The Warrants and Shares to be issued upon conversion shall be subject to Lock-in as provided under the provisions of Chapter V of SEBI (ICDR) Regulations. The entire pre preferential shareholding of the above allottees, if any, shall be locked-in from the relevant date up to the period of 90 trading days from the date of allotment of said warrants as per Regulation 167 of the SEBI (ICDR) Regulations.

S. Certificate from Practicing Company Secretaries

A certificate from Mr. D S Rao, Practicing Company Secretary certifying that the issue of equity shares on preferential basis is being made in accordance with requirements of Chapter V of the SEBI (ICDR) Regulations, 2018 shall be available for inspection at the Registered office of the Company on all working days (excluding Saturdays and Sundays) during 10:00 A.M. to 5:00 P.M. up to the date of Annual General Meeting and all also be available during the Annual General Meeting.

The said Certificate will be uploaded on the Investor Relations page on the website of the Company i.e., www.kernex.in before the Annual General Meeting

T. Details of the Directors, Key Managerial Persons or their relatives, in any way, concerned or interested in the said resolution.

None of the Directors, Key Managerial Personnel and their relatives is concerned or interested in the resolution.

U. Other disclosures

In accordance with SEBI (ICDR) Regulations,

- i. The Company has not allotted any equity shares on preferential basis in the financial year.
- ii. Neither the Company nor any of its Promoters and Directors has been declared as a willful defaulter or a fraudulent borrower or a fugitive economic offender.
- iii. The pre- preferential holding of the proposed allottees is in the dematerialized form.
- iv. The Regulation 166A of the Chapter V of SEBI (ICDR) Regulations are not applicable as the Warrants or Shares are not being allotted more than 5% or more of the post issue fully diluted share capital of Company are allotted to an allottee or to allottees acting in concert.
- v. The issue of Warrants shall be made in accordance with the provisions of the Memorandum and Articles of Association of the Company, the Companies Act, 2013 and relevant regulations of SEBI (ICDR) Regulations and shall be made in a dematerialized form only.

The Board of Directors of the Company believes that the proposed preferential issue is in the best interest of the Company and its members. The Board of Directors recommends the passing of the resolution as set out in Item No. 8 as special resolution for your approval.

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

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

Place: Hyderabad
Date: 06.09.2023

Information pursuant to the Listing Regulations and Secretarial Standards in respect of Appointment/ Re-appointment of Directors

| Particulars | Mr. Badari Narayana Raju Manthena | Mr. Sitarama Raju Manthena |
|---|---|---|
| Date of Birth | August 01, 1954 | June 24, 1973 |
| Date of Appointment | September 02, 2023 | September 02, 2023 |
| Qualifications | Bachelor Degree in Commerce from Andhra University | BS Computer Science with Business Administration |
| Expertise in specific Functional area | Mr. Badari Narayana Raju Manthena is in the employment of the company for the past 23 years at a senior level with the designation of Chief Administrative and Commercial Officer and is looking after the General and Personnel Administration, Liaison with all Government Agencies and Compliances | He has Two Decades of experience and expertise in International Business development, Project Management, Strategic planning/ Operational planning, and financial acumen. Specialization in International Marketing |
| Directorship held in other public companies (excluding foreign companies) | NIL | NIL |
| Memberships / Chairmanships of committees of other Public companies (includes only Audit and Shareholders/ Investors Grievance Committee) | NIL | NIL |
| Number of shares held in the company | 2,087 | 7,12,992 |

DIRECTORS REPORT

To
The Members,
Kernex Microsystems (India) Limited.

Your Directors take pleasure in presenting the Thirty First Annual Report together with the audited statement of accounts of your company for the year ended 31st March 2023.

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

| Particulars | 2022-23 | 2021-22 |
|---|------------|------------|
| Sales and Other Income | 330.99 | 716.15 |
| Profit/Loss before Depreciation, Finance Cost and Tax | (1,501.51) | (796.24) |
| Less:- Finance Cost | 197.94 | 240.00 |
| Less:- Depreciation | 238.62 | 143.59 |
| Less: Exceptional items | - | - |
| Profit/Loss after Depreciation, Interest and before tax | (1,938.07) | (1,179.83) |
| Exceptional Items | - | (442.58) |
| Tax expense | 47.65 | 35.11 |
| Profit / Loss after Tax | (1,985.72) | (1,657.52) |
| Profit available for appropriation | - | - |
| Earnings Per Share (Rs.) | | |
| - Basic | (14.67) | (13.26) |
| - Diluted | (14.67) | (13.26) |

Financial Results (Consolidated) (Rs. in Lakhs)

| Particulars | 2022-23 | 2021-22 |
|---|------------|------------|
| Sales and Other Income | 482.18 | 838.23 |
| Profit/Loss before Depreciation, Finance Cost and Tax | (1,633.53) | (770.31) |
| Less:- Finance Cost | 82.14 | 329.47 |
| Less:- Depreciation | 238.71 | 143.68 |
| Add: Extra ordinary items | - | - |
| Profit/Loss after Depreciation, Interest and before tax | (1,954.38) | (1,243.46) |
| Exceptional Items | - | (442.58) |
| Tax expense | 47.65 | 35.11 |
| Profit / Loss after Tax | (2,002.03) | (1,721.16) |
| Profit available for appropriation | - | - |
| Earnings Per Share (Rs.) | | |
| - Basic | (14.67) | (13.26) |
| - Diluted | (14.67) | (13.26) |

2. Subsidiary and Joint Venture details with consolidated financial statement

Your Company has one 100% wholly owned subsidiary Avant Garde Infosystems Inc, In USA and one Joint Venture named KERNEX TCAS – JV and there were no associate Companies as of 31st March 2023. There has been no change in the business of subsidiary and JV during the year under review. In accordance with section 129 (3) of the Companies Act, 2013, the Company has prepared Consolidated financial statements of the Company and the JV & subsidiary in the form and manner as that of its own in compliance with the accounting standards and the listing regulations of the stock exchanges which forms part of the Annual Report for laying before the Annual General Meeting.

A report on the information about the subsidiary is annexed as **Annexure -A** to this report.

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 subsidiaries, associates and joint ventures

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

Your directors of the Company have not proposed to transfer any amount to reserves.

4. Dividends

Your directors of the company in the absence of distributable profits have not declared any dividend during the year.

5. State of Company's Affairs

Your company has recorded a turnover of Rs. 3.31 Crores in the financial year FY 2022-23. The company has recorded a loss (before tax) of Rs.19.38 crores as against a loss of Rs.16.22 Crores in the previous year.

Domestic

South Central Railways

Kernex has completed the execution of the TCAS contract issued by South Central Railways in 2019. Pre-commission check list and Joint Inspection was carried out in the entire section and complied with. The company is now in the process of Final Handing Over of the Equipment to the Railways. Safety Integrity Level 4 (SIL4) certification by M/s. Ital Certifier (Independent Safety Assessor) has been taken up and is waiting for ISA (Independent Safety Assessment) Certification.

NCRA,B& ICF Projets :

The Railway Board has floated multiple tenders in various Railway zones for the installation of Kavach System. The total budget of the tenders was to the tune of Rs. 1,500 crores spanning across 1,500 Kms. Out of these tenders, Kernex has partnered with KEC as a consortium and bagged two orders worth about Rs. 550 Crores in the North Central Railway Section.

Project 1 – NCR-A (North Central Railway):

- Provision of Kavach (Train Collision Avoidance System), along with 2x24 fiber OFC as a backbone on ChipyanaBuzurg (Excl) - Kanpur (Excl.) Sector on North Central Railway on 31 Aug 2022. The total value of the project is Rs.268.89 Crores.
- The project is to be completed by August 2024
- The RSSI, Drone Survey, Station & locomotive surveys, tower location survey were carried out and the drawings were submitted. The detailed procurement plan and project schedules were worked out and were submitted. The procurement of material was initiated along with the pre-production works for the manufacturing of Station Kavach, Loco Kavach etc.,

Project 2 – NCR-B(North Central Railway):

- Provision of Kavach (Train Collision Avoidance System), along with 2x24 fiber OFC as a backbone on Kanpur (Incl) - Pt Deen Dayal Upadhyay Nagar (Excl) on 30 Sep 2022. The total value of the project is Rs.268.52 Crores
- The project is to be completed by September 2024
- The RSSI, Drone Survey, Station & locomotive surveys, tower location survey were carried out and the drawings were submitted. The detailed procurement plan and project schedules were worked out and were submitted. The procurement of material was initiated along with the pre-production works for the manufacturing of Station Kavach, Loco Kavach etc.

Project 3 –ICF(Integral Coach Factory, Chennai)

- Your company bagged an order worth of 26 Cr to supply and commission Kavach equipment on Vande Bharat trains being manufactured at Integral Coach Factory, Chennai.
- The delivery and commissioning will be completed within the Fiscal year 2023-24.

International

Egyptian National Railways (ENR), Cairo

Having supplied all the 136 gates earlier, your company has completed installation and Commissioning of 124 gates and preliminary handed over to the customer was completed. Your company is in the process of Final Handover process.100% material supplies are completed. Project short closed from 136 Lx to 124 Lxs on mutual agreement between Kernex and ENR , 2 Lxs repaired and rebuilt and the remaining material lying in store related to 10 Lx gates needs to be handed over to ENR, the process is started and handed over 102 nos wheel sensors to ENR, as a part of this material 2 years warranty maintenance for three PHO groups (34 Lx each) has been completed and warranty Maintenance of fourth Group (22Lxs) is under progress, likely to be completed in January 2024FHO of Lx sites is under progress, FHO of 6 Lx sites has been completed out of 96 Lx sites which are under operation currently.

28 Lx sites have been dismantled and removed by ENR out of 124 Lxs commissioned.

Sri Lanka Railways

Execution of the order from Sri Lanka Railways for Supply, Installation, Testing, Commissioning and Maintenance of 200 Nos of Bell and Light Level Crossing Protection Systems could not be done in 2021-22 due to the circumstances arising from Covid and Economic crises in Sri Lanka. During end of March 2022, Sri Lankan economy plunged into payments crisis with depleting Foreign Exchange reserves. The Sri Lankan Government has imposed Import controls and restrictions on foreign exchange utilization. Kernex has been evaluating the situation ever since, and due to the COUNTRY RISK, wanted to exit the project through a "Conciliated dialogue with SLR". It is expected to have Marginal financial implications, as the EXIT would be mutual.

6. Change in Nature of business

Your Company is mainly in the business of manufacturing of safety systems for Railways. During the period under review there is no change in the business 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 and commitments affecting the financial position of your Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the Report.

8. Details of revision of financial statement or the Report

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

9. Share Capital

Members are aware that the Company has taken approval for the Increase in Authorized Share Capital

of the Company from Rs. 15,00,00,000/- divided into 1,50,00,000 equity shares of Rs. 10/- each to Rs. 25,00,00,000/- divided into 2,50,00,000 equity shares of Rs. 10/- each. Further, the Company has issued and allotted 13,00,000 equity shares of Rs. 10/- each at a premium of Rs. 103/- per share to the specified investors (non-Promoter group) on preferential basis on 25.04.2022. As a result of which the issue, subscribed and paid-up capital of the Company has been increased from Rs. 12,49,96,550/- to Rs. 13,79,96,550/-. Further also the Company has issued and allotted 10,59,767 equity shares of Rs. 10/- each at the premium of Rs. 256/- per share to the Promoters and Non-Promoters including conversion of un-secured loan of Promoter and Promoter Group on preferential issue basis on 10.01.2023, and the Company has issued 6,00,000 Share Warrants carrying an entitlement to subscribe to an equivalent number of Equity Shares having face value of Rs.10/- (Rupees Ten Only) each at a premium of Rs. 256/- each to the person belonging to non-Promoter group on preferential basis on 10.01.2023. The Company has received full subscription amount as per the terms of issue of warrants and allotted 6,00,000 equity shares of Rs. 10/- each to the warrant holder on 17.02.2023. As a result of the above allotments, the Issued, Subscribed and Paid-Up Capital of the Company has increased from Rs. 13,79,96,550/- to Rs. 15,45,94,220/-

Issue of equity shares with differential rights,

During the period under review, the Company hadn't issued equity shares with differential rights.

Issue of Sweat Equity Shares

During the period under review, the Company hadn't issued sweat equity shares.

Details of Employee Stock Options

During the period under review, the Company hadn't issued stock options to the employees of the Company.

10. Transfer of unclaimed dividend

There is no Un-claimed dividend to be transferred to IEPF (Investor Education and Protection Fund).

11. Directors and Key Managerial Personnel

During year under review, members are aware that the Directors of the Company have co-opted Mr. Narender Kumar as an Additional Director of the Company on 18.09.2022 and members of the Company has approved the appointment of Mr. Narender Kumar as a Director of the Company at the EGM held on 12.10.2022. Further Mr. Sunny Sharma has been appointed as Chief Financial Officer of the Company on 05.12.2022.

During the period, Mr. B Vishnu Varma has been appointed as CTO of the Company from 15th May 2023.

Further, Mr. V Ramayya, Chief Financial Officer of the Company has been resigned on 05.12.2022 and Mr. K Satyanarayana Raju, Chief Executive Officer of the Company has been resigned on 20.03.2023.

Further, in accordance with the provisions of Section 152 of the Companies Act, 2013 Ms. Sreelakshmi Manthana and Dr. Vinta Janardhana Reddy, Directors of the company retires by rotation and being eligible offers themselves for re-appointment.

Further, the term of Mr. M B Narayana Raju and Mr. Sitarama Raju M as whole-Time Directors will be expiring on 01.09.2023. The Board at its meeting held on 13th August 2023 as recommended by Nomination and Remuneration committee, has re-appointed Mr. M B Narayana Raju and Mr. M Sitarama Raju as whole-time directors for further period of three years with effect from 02.09.2023.

The brief profiles of the Directors who are to be appointed/re-appointed have been furnished in the notice convening AGM.

12. Declaration by Independent Directors

All the Independent Directors have submitted their disclosures to the Board that they fulfill the requirements as stipulated in Section 149 (6) of the Companies Act 2013 to qualify themselves to be appointed as Independent Directors under the provisions of the Companies Act, 2013 and the rules

framed there under. In terms of Section 150 of the Act read with Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014, as amended, Independent Directors of the Company have enrolled their names in the data bank of Independent Directors maintained with the Indian Institute of Corporate Affairs and the said directors have taken 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 more particularly disclosed in the attached Report on Corporate Governance. The intervening gap between any two meetings was within the prescribed period.

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

None of the Directors are disqualified under Section 164(2) of the Act. Certificate on non-disqualification, as required under Regulation 34 of SEBI (Listing Obligation & 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

The details of the Committees along with their composition, number of meetings 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 terms of section 178 (1) of the Companies Act 2013 the Board on the recommendation of the Nomination and remuneration committee approved the criteria and policy for selection and appointment of directors, key managerial persons and their remuneration. The remuneration policy forms part of the report on corporate governance.

16. Board Evaluation

Pursuant to the provisions contained in the Companies Act 2013 and listing regulations the Board has carried out annual performance evaluation of its own members, The chairman of the Board, individual directors as well as the evaluation of the working of the Audit, Nomination and Remuneration committee and other committees. The evaluation was based on the attendance, contribution, independence of judgment and preparedness for the 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 Act 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 terms of Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company does not have any employee who is employed throughout the financial year and in receipt of remuneration of Rs.102 Lakhs or more, or employees who are employed for part of the year and in receipt of Rs. 8.50 Lakhs or more per month.

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. The details are provided in the report on corporate Governance.

18. Directors' Responsibility Statement

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

- a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures
- b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period
- c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities
- d) the Directors had prepared the annual accounts on a going concern basis and
- e) the internal financial controls to be followed by the Company were laid down and such financial controls were adequate and were operating effectively
- f) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and were operating effectively

19. Internal Financial Controls

The Company has laid down policies and procedures to be adopted for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and timely preparation of reliable financial information. An independent audit committee of the Board reviews the adequacy of internal controls.

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 there under, 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, Statutory Auditors of the Company, and no qualifications/comments have been made.

However, the Auditors have emphasized the matter which was mentioned in the Auditors Report and is self explanatory.

Frauds reported by the Auditor

There has been no such instance during the period.

Secretarial Audit

In terms of 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 Secretarial Audit for the year 2022-23 and their report is annexed as **Annexure–C** to this report.

Reply to the Comments made in the Secretarial Auditors' Report

1. *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.*

The Company is pursuing the same but unable to fulfill the condition as the promoters were not Responded

INTERNAL AUDITORS:

The Board of Directors based on the recommendation of the Audit Committee has appointed M/s. Thirupathi and Associates. Chartered Accountants, Hyderabad, as the Internal Auditors of your Company. The Internal Auditors are submitting their reports on quarterly basis.

21. Deposits

During the year, your Company has not accepted any deposits, within the meaning of Section 73 of the Companies Act, 2013 read with Companies (Acceptance of Deposits) Rules, 2014. No amount on account of principal or interest on deposits from public was outstanding as on Balance Sheet date. Further, the Company has availed an amount of Rs. 0.10 crores from Mr. M B Narayana Raju, Whole-Time Director, and M/s.Capgro Private Limited., Rs.7.50 crores, during the period 2022-23 which is exempt from the definition of Deposit. The outstanding unsecured loan balances which were exempted from the definition of Deposit as on 31st March 2023 is Rs. 5.28 crores (including ICDs).

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 given in notes forming part of the financial statements.

23. Related Party Transactions

All the related party transactions by the Company during the year 2022-23 were on an arms' length basis and were in the ordinary course of business and as such the provisions of section 188 are not attractive. There are no materially significant Related Party Transactions with Promoters, Directors, Key Managerial Persons, or other designated persons during the year. 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. Further, the details of the related party transactions entered into by the company during the year under the provisions of section 188 of the Companies Act, 2013 in Form AOC-2 is annexed as **Annexure-D** to this report.

24. Corporate Social Responsibility (CSR)

The Company had adopted a Corporate Social Responsibility Policy and constituted a CSR Committee as per the provisions of Section 135 of the Companies Act 2013. The details of policy and committee are placed on the website of the Company i.e., www.kernex.in. Further the Company was not required to spend any amount on CSR as the average three years net profits of the Company are in negative i.e., Rs. (655.67) lakhs. Hence, the requirement of disclosure under the said provisions and rules are not applicable to the Company.

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

The information pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo as required under section 134 (3) (m) of the Companies Act '2013 read with Rule 8 (3) of the Companies (Accounts) Rules 2014 is furnished and annexed as **Annexure-E** to this report.

26. Risk Management

Your Company has in place a mechanism to identify, assess, monitor and mitigate various risks to key business objectives. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. These are also discussed at the meetings

of the Audit Committee and the Board, Your Company has put in place internal control systems and processes to optimize the risk mitigation measures for review by the audit Committee and approval by the Board. The executive management is guided from time to time by the Board to improve the risk mitigation measures and initiate timely action.

27. Vigil Mechanism

Your Company in compliance with the provisions of Section 177 (9) of the Companies Act, 2013 framed a whistle Blower Policy/Vigil Mechanism for reporting illegal or unethical behavior. The employees are free to report violations of applicable laws and regulations and the Code of Conduct. The Audit Committee reviews reports received from the employees who may also report to the Chairman of the Audit Committee. During the year under review, no employee was denied access to the Audit Committee. The Directors and senior management staff are to maintain confidentiality of the reporting and ensure that the whistle blowers are not subjected to any kind of discrimination.

28. Regulatory / Court Orders

No significant and material orders were passed by the regulators or courts or tribunals impacting the going concern status of the Company and its future operations.

29. Compliance with Secretarial Standards

The Company is in compliance with the applicable secretarial standards.

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

During the period under review, there was no one initiated Corporate Insolvency Resolution process under the Insolvency and Bankruptcy Code, 2016 (IBC).

31. Failure to implement any Corporate Action

There were no instances occurred during the period under review.

32. Annual Return

The Annual Return of the Company as on 31st March 2023 is available on the Company's website and can be accessed at www.kernex.in

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

Your Company has put in place a Policy for prevention of Sexual Harassment of Women at the Workplace in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) of the Company has been constituted to redress complaints regarding sexual harassment.

During the period under review, the Company has not received any complaints.

34. Familiarization Programs for Independent Directors

The Company familiarizes all the independent directors about their roles, rights and responsibilities in the Company, nature of Industry, Risk Management, Board evaluation process and procedures, financial controls and management, Board effectiveness, strategic direction etc., The Directors also were explained in detail the compliances required from them under the Companies Act, SEBI (LODR) Regulations, 2015 and other relevant regulations and their affirmation taken with respect to the same. With a view to familiarize with the Company's operations, the functioning of various divisions / departments, the Company's market share and the markets in which it operates, governance and internal control processes and other relevant information pertaining to the Company's business. The Whole time Director/ CEO also has personal discussions from time to time with the Independent Directors. The above initiatives help the Directors to understand the Company, its business and the regulatory framework in which the Company operates and equips them to effectively fulfill their role as Independent Directors of the Company.

35. Other General Disclosures

- a. Consolidated financial statements is also being presented in addition to the standalone financial statements of the company
- b. No delay in holding the annual general meeting
- c. Cost records are not required to be maintained by the Company.

36. Statement of deviation or variation

During the year the Company has raised funds from the public through private placement/preferential issue basis. All the proceeds were used for the objects as stated in the Notice and Private Placement Offer Letter which was circulated to the Allottees.

37. Management Discussion & Analysis (MDA)

Management's Discussion and Analysis Report for the year under review, as stipulated under Regulation 34(2) (e) of the Listing Regulations is presented in a separate section forming part of the this report and annexed as **Annexure-F**.

38. Corporate Governance Report

Your Company is committed to adhere to the corporate governance requirements. The report on Corporate Governance as stipulated under Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is given separately and annexed as **Annexure-G** to this report.

The requisite certificate from the Practicing Company Secretary confirming compliance with the conditions of corporate governance is attached.

39. Suspension of Trading

The shares of the Company have been listed and traded on the BSE Limited and NSE. The securities of Company have not been suspended from trading on BSE Limited and NSE

40. Acknowledgements:

Your directors would like to express their sincere appreciation for the guidance, assistance and co-operation received from the Indian Railways, South Central Railways, NCR (A) and NCR (B), RDSO, Egyptian Railways, Sri Lanka Railways, State Bank of India, Government authorities and 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.

**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: 13th August 2023**

**Place: Hyderabad
Date: 13th August 2023**

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. | US\$82.22 |
| 4. | Share Capital | 1,821.52 |
| 5. | Reserves & Surplus | (1,288.02) |
| 6. | Total Assets | 780.62 |
| 7. | Total Liabilities | 780.62 |
| 8. | Investments | Nil |
| 9. | Turnover | 241.55 |
| 10. | Profit before taxation | (559.73) |
| 11. | Provision for Taxation | Nil |
| 12. | Profit after taxation | (559.73) |
| 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**

| | |
|--|---|
| Name of Associates / Joint Venture | KERNEX TCAS JV |
| 1. Latest audited Balance Sheet Date | 31.03.2023 |
| 2. Shares of Associates / Joint Ventures held by the company at the year end | Not Applicable |
| 3. Amount of Investment in Association / Joint Venture Extend of Holding % | Rs. 8 Lakhs (80%) |
| 4. Description of how there is significant influence | Profit sharing ratio and control |
| 5. Reason why the associate/Joint venture is not consolidated | Consolidated |
| 6. Net worth attribute to Shareholding as per latest audited Balance Sheet | Not Applicable |
| 7. Profit / Loss for the year | |
| i. Considered in Consolidation | Rs. (102.54) Lakhs |
| ii. Not Considered in Consolidation | Not Applicable |

**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: 13th August 2023**

**Place: Hyderabad
Date: 13th August 2023**

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 2022-23 and ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2022-23 are as under: -

| Name of Director / KMP and Designation | Remuneration of Director / KMP for financial year 2022-23 (Rs. in lakhs) | % increase in remuneration in the financial year 2022-23 | Ratio of remuneration of each Director /to median remuneration of employees |
|--|---|---|--|
| M Badari Narayana Raju, Whole Time Director | 22.99* | 6.45* | 8.12:1 |
| M Sitarama Raju, Whole Time Director | 22.99* | 6.45* | 8.12:1 |
| K Satyanarayana Raju, CEO (resigned on 20/03/2023) | 36.00* | 6.45* | - |
| Ramayya Vutukuri, CFO (resigned on 05/12/2022) | 11.67 | - | - |
| Sunny Sharma, CFO (appointed w.e.f. 05/12/2022) | 10.25 | - | - |
| K Prasada Rao, CS | 7.84 | 20.96 | - |

* excluding perquisites and other allowances

Note: No other Director other than the Whole Time Directors received any remuneration other than sitting fees during the financial year 2022-23. Ms. Sreelakshmi Manthena is receiving remuneration of Rs. 4.00 lakh per month from the subsidiary.

- ii) In the financial year, there was decrease in the median remuneration of employees.
- iii) There were 164 permanent employees on the rolls of Company as on March 31, 2023.
- iv) The remuneration of the Key Managerial Personnel put together is Rs. 114.07 lakhs which was Rs. 105.90 lakhs in the previous year.
- v) There was average 0.38 percentile increase either in the salaries of employees and managerial personnel in the financial year 2022-23. The increments are in comparison with the industries.
- vi) No variable component of remuneration availed by the directors / KMPs.
- vii) CEO is the highest paid employee. Three employees other than CEO were received remuneration higher than the Whole Time Directors.
- viii) It is hereby affirmed that the remuneration paid during the Financial Year ended 31st March 2023 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 |
|------------------------|-----|--|------------------------------|------------------------------------|----------------------|---|----------------------------------|--|--------------------|
| G Malla Reddy | 47 | B.Tech (CSE) / 15 Years | Deputy General Manager | 18.02.08 | Permanent | 25.92 | Silver Software, Bangalore | - | - |
| J R K Narasimham | 69 | NS (SS) / 2 year | Sr. Vice President | 07.10.21 | Permanent | 24.98 | Embsys Electronics Solutions | - | - |
| Penumetsa Naga Raju | 61 | M. Tech / 1 year 6 Months | DGM - Business Development | 12.02.22 | Permanent | 24.98 | Satyam Computer Services | - | - |
| B Sampath Kumar | 51 | MCA/ PGCHRM, XLR/ 10 Years | AVP Projects | 22.11.13 | Permanent | 21.60 | Malcon Global Limited | - | - |
| Nunna Venkateswara Rao | 48 | B Tech,(CSE) / 5.5 years | Manager S/W Development | 06.02.17 | Permanent | 21.00 | HBL Power Systems Ltd, Hyderabad | - | - |
| Y. Tarun | 31 | B.Tech, PG Diploma / 9 years | Project Lead | 23.10.13 | Permanent | 16.38 | Nil | - | - |
| H Ramesh Rao | 50 | DECE / 23 years | Manager Engineering | 10.05.00 | Permanent | 13.08 | MIC Electronics, Hyd | - | - |
| K Jaihind Kumar | 51 | B.SC (Ele)/ 23 years | Manager Production | 10.05.00 | Permanent | 13.08 | Nucleonix Systems P Ltd | - | - |
| S Jitender Vijay | 22 | B.Tech / 18 Years | Asst. Manager S/W Validation | 26.02.04 | Permanent | 12.48 | ROC India Limited | - | - |
| MA Sitarama Raju | 43 | M. Sc (Bio Tech) 9 years | GM - Business Development | 22.11.13 | Permanent | 12.30 | Metaway | Son of Sri. M B Narayana Raju, Whole-Time Director | - |

**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: 13th August 2023**

**Place: Hyderabad
Date: 013th August 2023**

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

I 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 my 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, I hereby report that, in my opinion, the Company has, during the audit period covering the financial year ended **March 31, 2023**, 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;
- (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.

I 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.

I 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 | Appointment/ Re-appointment/ Change in designation/ Cessation | Our Comments |
|---------|-----------------------------|---|---|
| 1. | Dr. Anji Raju Manthena | Re-appointment | Re-appointed upon retirement by rotation under the provisions of section 152 of the Act, |
| 2. | Dr. Janardhana Reddy Vinta | Re-appointment | Re-appointed upon retirement by rotation under the provisions of section 152 of the Act, |
| 3. | Mr. Narender Kumar | Appointment | Appointed as an additional director w.e.f. September 18, 2022 by the board under the category of non-executive director. Shareholders at Extra ordinary General Meeting held on October 12, 2022 approved the same. |
| 4. | Mr. Sunny Sharma | Appointment | Appointed as a Chief Financial Officer (CFO) of the Company w.e.f. December 05, 2022. |
| 5. | Mr. Kalidindi Satyanarayana | Cessation | Ceased to be Chief Executive Officer (CEO) of the Company w.e.f. March 20, 2023 |
| 6. | Mr. Vutukuri Ramayya | Cessation | Ceased to be Chief Financial Officer (CFO) of the Company w.e.f. December 05, 2022. |

Based on my verifications and the declarations received from the respective directors, i 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/requisite majority.

I further report that during the year

- 13,00,000 Equity Shares of Rs.10/- each were offered on preferential basis at a price of Rs.113/- including the premium of Rs.103/- to raise an amount of Rs. 14.69 Cr. After receiving necessary approvals, the said equity shares were allotted on 25th April 2022.
- 16,59,767 equity shares (including 6,00,000 share warrants) were offered on a preferential basis at a price of Rs.266/- including premium of Rs. 256/- to raise an amount of Rs.44.15 Cr. This includes conversion of unsecured loans of Promoters to the extent of Rs.4.15 Cr.

I further report that 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.

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

I 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 : August 13, 2023
Place: Hyderabad

Sd/-
CS D.S. Rao; PCS
ACS No.: 12394
C.P. No.: 14487
UDIN: A012394E000786618
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 my audit.
2. I 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 correct fact are reflected in the Secretarial records. We believe that the processes and practices we followed provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, I 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. My 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.

Sd/-

CS D.S. Rao; PCS

ACS No.: 12394

C.P. No.: 14487

UDIN: A012394E000786618

PEER REVIEW NO.: 1817/2022

Date : August 13, 2023

Place: Hyderabad

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 into 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 into 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 into 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 | Sales of Materials | One Time | Rs. 2.35 lakhs | 14.02.2023 | Nil |
| 2 | Sri M B Narayana Raju Whole time director | Unsecured Loan | One Time | Rs. 10.00 lakhs | 22.12.2021 | 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: 13th August 2023**

**Place: Hyderabad
Date: 13th August 2023**

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 takes all the necessary steps to conserve energy at the offices and work places 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:

There is no imported technology involved in the operation of the company. The company continues to focus its attention towards the rapid technological changes in the fields of its activity and train the man power continuously to improve the productivity. The technologies being used are indigenous and the company has evolved a training methodology to measure the extent of adaptation by its personnel and training needs are accordingly identified.

The Company develops products with in-house technology and to facilitate such development, the following facilities have been established:

- 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

Specific Application Safety Assessment (SASC) for SCR TCAS field trials is completed for the first for any project commissioned so far and the Final audit report is awaited.

An upgraded version of Microcontroller Intelligent Module (MIE V2.1) development is completed and undergoing Type tests. This is the vital controller module which is responsible for all logic and control operations. This is going to be the basic building block for all future M/s. Kernex projects. For the next version of TCAS, this module shall be ready for implementation.

To enhance the safety, Indian Railways releases a new version of Kavach specifications 4.0. Targeted to complete the development, validation, field trials and independent safety assessment in FY23-24.

To integrate Kernex Kavach with LTE (in place of exiting UHF communication), the hardware and Software development is in progress and targeted to complete field trials in FY23-24.

Safety Integrity Level 4 (SIL4) certification by M/s. Ital Certifier (Independent Safety Assessor) for Level Crossing Control Systems (LxCS) has been taken up and shall be taken up for the generic product of (LxCS), waiting for the ISA Audit This certification will enable us to submit our proposals to OEMs like Alstom, Revenga, etc., who are participating in ENR modernization projects.

Kernex is participating in the development of moving blocks along with Center of Excellence IRISSET which is aimed for headway improvement. This is likely to start in Q4 of 2023.

c) Foreign Exchange Earnings and Outgo:

(Rs. in Lakhs)

| | Current Year 2022-23 | Previous year 2021-22 |
|-------------------------|---------------------------------|----------------------------------|
| Foreign Exchange Used | 214.41 | 480.87 |
| Foreign Exchange earned | 130.23 | 41.00 |

**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: 13th August 2023**

**Place: Hyderabad
Date: 13th August 2023**

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(A) Industry and Business Overview:

Review of Operations

Your company has recorded a turnover of Rs. 3.31 Crores in the financial year FY 2022-23. The company has recorded a loss (before tax) of Rs.19.38 crores as against a loss of Rs.11.80 Crores in the previous year.

South Central Railways

Kernex has completed the execution of the TCAS contract issued by South Central Railways in 2019. Pre-commission check list and Joint Inspection was carried out in the entire section and complied with. The company is now in the process of Final Handing Over of the Equipment to the Railways. Safety Integrity Level 4 (SIL4) certification by M/s. Ital Certifier (Independent Safety Assessor) has been taken up and is waiting for ISA (Independent Safety Assessment) Certification.

NCR A, B & ICF Projets:

The Railway Board has floated multiple tenders in various Railway zones for the installation of Kavach System. The total budget of the tenders was to the tune of Rs. 1,500 crores spanning across 1,500 Kms. Out of these tenders, Kernex has partnered with KEC as a consortium and bagged two orders worth about Rs. 550 Crores in the North Central Railway Section.

Project 1 – NCR-A (North Central Railway):

Provision of Kavach (Train Collision Avoidance System), along with 2x24 fiber OFC as a backbone on Chipiyana Buzurg (Excl) - Kanpur (Excl.) Sector on North Central Railway on 31 Aug 2022. The total value of the project is Rs.268.89 Crores.

The project is to be completed by August 2024

The RSSI, Drone Survey, Station & locomotive surveys, tower location survey were carried out and the drawings were submitted. The detailed procurement plan and project schedules were worked out and were submitted. The procurement of material was initiated along with the pre-production works for the manufacturing of Station Kavach, Loco Kavach, etc.,

Project 2 – NCR-B (North Central Railway):

Provision of Kavach (Train Collision Avoidance System), along with 2x24 fiber OFC as a backbone on Kanpur (Incl) - Pt Deen Dayal Upadhyay Nagar (Excl) on 30 Sep 2022. The total value of the project is Rs.268.52 Crores

The project is to be completed by September 2024

The RSSI, Drone Survey, Station & locomotive surveys, tower location survey were carried out and the drawings were submitted. The detailed procurement plan and project schedules were worked out and were submitted. The procurement of material was initiated along with the pre-production works for the manufacturing of Station Kavach, Loco Kavach etc.

Project 3 – ICF (Integral Coach Factory, Chennai)

Your company bagged an order worth of 26 Cr to supply and commission Kavachequipment on Vande Bharat trains being manufactured at Integral coach factory, Chennai.

The delivery and commissioning will be completed within the Fiscal year 2023-24.

International

Having supplied all the 136 gates earlier, your company has completed installation and Commissioning of 124 gates and preliminary handed over to the customer was completed. Your company is in the process of Final Handover process. 100% material supplies are completed. Project short closed from 136 Lx to 124 Lxs on mutual agreement between Kernex and ENR, 2 Lxs repaired and rebuilt and the remaining material lying in store related to 10 Lx gates needs to be handed over to ENR, the process is started and handed over 102 nos wheel sensors to ENR, as a part of this material 2 years warranty maintenance for three PHO groups (34 Lx each) has been completed and warranty Maintenance of fourth Group (22 Lxs) is under progress, likely to be completed in January 2024 FHO of Lx sites is under progress, FHO of 6 Lx sites has been completed out of 96 Lx sites which are under operation currently.

28 Lx sites have been dismantled and removed by ENR out of 124 Lxs commissioned

Sri Lanka Railways

Execution of the order from Sri Lanka Railways for Supply, Installation, Testing, Commissioning and Maintenance of 200 Nos of Bell and Light Level Crossing Protection Systems could not be done in 2021-22 due to the circumstances arising from Covid and Economic crises in Sri Lanka. During end of March 2022, Sri Lankan economy plunged into payments crisis with depleting Foreign Exchange reserves. The Sri Lankan Government has imposed Import controls and restrictions on foreign exchange utilization. Kernex has been evaluating the situation ever since, and due to the COUNTRY RISK, wanted to exit the project through a "Conciliated dialogue with SLR". It is expected to have Marginal financial implications, as the EXIT would be mutual.

A) Research & Development and Addition of New Products

Specific Application Safety Assessment (SASC) for SCR TCAS field trials is completed for the first for any project commissioned so far and the Final audit report is awaited.

An upgraded version of Microcontroller Intelligent Module (MIE V2.1) development is completed and undergoing Type tests. This is the vital controller module which is responsible for all logic and control operations. This is going to be the basic building block for all future M/s. Kernex projects. For the next version of TCAS, this module shall be ready for implementation.

To enhance the safety, Indian Railways releases a new version of Kavach specifications 4.0. Targeted to complete the development, validation, field trials and independent safety assessment In FY23-24.

To integrate Kernex Kavach with LTE (in place of exiting UHF communication), the hardware and Software development is in progress and targeted to complete field trials in FY23-24.

Safety Integrity Level 4 (SIL4) certification by M/s. Ital Certifier (Independent Safety Assessor) for Level Crossing Control Systems (LxCS) has been taken up and shall be taken up for the generic product of (LxCS), waiting for the ISA Audit This certification will enable us to submit our proposals to OEMs like Alstom, Revenga, etc., who are participating in ENR modernization projects.

Kernex is participating in the development of moving blocks along with Center of Excellence IRISSET which is aimed for headway improvement. This is likely to start in Q4 of 2023.

B) Future outlook

India has the fourth largest railway network with over 22,593 operating trains (9,141 freight and 13,452 passengers) with a daily passenger count of 24 million passengers and 203.88 million tons of freight. In FY22 passenger traffic stood at 3.54 billion as compared to 1.28 billion in FY21. In FY23, railway freight volume stood at 1,109.38 MT which depicted year-on-year growth of 8%. Since August 2020, the Indian Railways has run 450 Kisan Rail services and was able to transport over 1.45 lakh tons of agricultural produce & perishables RailTel, a PSU under the Railway Ministry, which provides fast and free Wi-Fi across the In November 2020, India Railways announced that 40% of dedicated freight corridor (DFC) will be opened for traffic by end-FY21. India is among the top three exporters of railways globally as of 2022. India's export of railways has grown at a CAGR of 31.51% during 2010-18 to US\$ 507.90 million. Exports of railways in 2021 stood at US\$ 633.27 million.

Indian Railways is developing and creating technology in areas such as signaling and telecommunication with 15,000 kms being converted into automatic signaling and 37,000 kms to be fitted with 'KAVACH', the domestically developed Train Collision Avoidance System.

The Indian Railways can be called the lifeline of India's transport system, connecting villages, towns, and cities across the country in a cost-effective and efficient manner. Every year, the Union Budget is a highly anticipated event with all eyes set on the proposals for the railways in the latest budget. These will set the tone for new development projects to enhance levels of safety and comfort for passengers.

A total of Rs 2.40 lakh crore has been earmarked in capital expenditure for the Indian Railways in the Union Budget 2023-24. This is approximately nine times the amount spent in fiscal year 2013-14. Capex will rise more over the next few years and the railway system will evolve as a national growth engine. Increased private investment will be made in the infrastructure sector of the railways. The Infrastructure Finance Secretariat, which has been developed recently, will support all stakeholders like roads, power, railways, and urban infrastructure which rely primarily on government resources. The Union Budget 2023-24 is expected to benefit the middle-class sector since railways are not likely to increase passenger ticket or freight fares. A comprehensive description of the Indian Railways' budget estimates, allocations, revenue, and annual statements will be provided by the finance minister. The Railway budget 2023 is likely to encourage the Make in India effort and to emphasize the importance of renewable energy. The Indian Railways has designed an autonomous railway protection system called Kavach (Train Collision Avoidance System). This system will focus on preventing accidents caused by human errors. By 2030, the Indian Railways aims to become a Net Zero Carbon Emitter. It intends to lower its carbon footprint and reliance on imported fuel, while saving foreign exchange. The Indian Railways is introducing Kavach in stages. It has been implemented for 1,455 route km on the South-Central Railway with 77 locomotives till 23 December 2022. Kavach work is underway on the Delhi-Mumbai and Delhi-Howrah sectors (3000 route km). The railway track doubling between Surendra Nagar and Rajkot is nearly complete. The Ministry of Railways states that 92% of the 116.17 km long doubling project is finished. The Udhampur Srinagar Baramulla Rail Link (USBRL), which was implemented to build a broad-gauge railway line over the Himalayas is now 90% finished. Through this project, Kashmir will be connected to other parts of India. The Sivok-Rangpo New Broad-Gauge Rail Line Project is now more than half completed. Sikkim will be connected to the rail network with the help of this project. This railway line will stretch 44.96 km from Sivok to Rangpo. A small railway line of 41.55 km will stretch in Sikkim. The introduction of Vande Bharat Express has brought a significant improvement in terms of speed and convenience. Because of its rapid acceleration and deceleration, the train may reach a maximum speed of 160-180 km per hour. With these trains, the journey time will be reduced by 25% to 45%. In the coming three years, 400 new-generation Vande Bharat Express trains will be constructed and manufactured. Additionally, more money will be allocated for the new Vande Bharat trains and the sleeper-class Vande Bharat 2.0.

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 is 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

INDIAN Railways (IR) is accelerating the deployment of the domestically developed Train Collision Avoidance System (TCAS), now known as Kavach, with the aim of installing it on 2000 route-km in the current financial year.

Kavach to be implemented on 65 locomotives, 1,445 km route and 134 stations in South Central Railway zone, while implementation on 1,200 km is underway as of April 2022. Upgrades to Kavach will be made so that it can handle trains at speeds of up to 160 kmph prior to it being implemented across 3000 km of track, including the majority of the - New DelhiMumbai main line and - HowrahDelhi main line. as part of the "Mission Raftar" project being undertaken by Indian Railways.

The Union budget of India for the FY 2022-23 allocated fund for the rapidly implementation of Kavach along 2000 km of track, while also sanctioning its later implementation across 34,000 km track of Golden Quadrilateral rail route.[4] Indian commentators have claimed that had Kavach been deployed at the site of the 2023 Odisha train collision that the system would have prevented the accident from occurring.

Newly built WAG-9HH locomotives will be equipped with Kavach apparatus; the system will be useable even at these locomotives' maximum design speed of 120 kmph. By June 2023, two percent of all Indian trains had been outfitted with Kavach apparatus.

D) Opportunities

The Company with its expertise in designing, development, and deployment of Train Collision Avoidance Systems in Indian Railways, and successfully completing the installation of automatic and semi-automatic Railway Gates in Egypt and Rail Safety project in South Africa is better poised to grab new opportunities both domestically and internationally. Apart from these, the Company is pursuing the opportunities in the Yard Management where our TCAS systems are using.

There is a possibility of diversifying into Defense related work and manufacture of Electronic components and can undertake outsourced assembly work.

E) Threats

The company is presently limited to operations Railways Sector resulting in the high customer concentration while there is a requirement to look for newer opportunities in other sectors as well. Your company has initiated various proactive steps i.e., planning newer offerings in the existing portfolio and diversification of its product offerings. The rapid technological changes, competition from multi-national Companies and unfair domestic competition, change in Government policies are the threats.

F) Segment wise or product wise performance

The Company, being in the business of Rail Safety equipment and services is operating in one segment only. The performance of the operations is detailed in the Director's Report on the result of operations.

G) Risks and areas of concern

The Rail Ministry wants the Indian manufacturers of Train Collision Avoidance System to attain global standards, while meeting the yardsticks of safety and security for their products and the need to increase in-line capacity and indigenization of the technology to upgrade the TCAS system to international best practices so that Indian technology matches their international counterparts. The companies were advised to develop an interface between ETCS Level 2 (European Train Control System) and TCAS system so that locos provided can work in both territories. The firms are to expedite the trials and safety certifications. These activities may take further time for making changes and improvements from that already specified by RDSO besides incurring further financial resources.

I) Discussion on financial performance with respect to operational performance

The Revenues and financial performance is detailed elsewhere in the Directors Report.

J) Internal control systems and their adequacy

The Company has appointed an external firm of chartered accountants to conduct Internal Audit and has in place systems of internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance to record and provide reliable financial and operational information, compliance with applicable statutes, safeguarding of assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of corporate policies. The control systems are regularly under review.

The internal Audit process is designed to review the adequacy of internal control checks and balances in the systems and covers all significant areas of the Company's operations such as Software and Hardware delivery, production, accounting and finance, procurement, employee engagement, travel, insurance & other processes in the company. Safeguarding of assets and their protection against unauthorized use are also part of these exercises.

The company has an Audit Committee, the details of which have been provided in the Corporate Governance Report. The Audit Committee reviews Audit Reports submitted by the Internal Auditors. Suggestions for systematic improvements are considered and the Audit Committee follows up on the implementation of corrective action. The Committee also meets the Company's statutory auditors and Internal Auditors to ascertain, inter-alia, their views on the adequacy of internal control systems in the Company and keeps the Board of Directors informed of its major observations from time to time.

Your company has well defined internal control systems. The company has the following certification:

- (i) Quality Management System as per ISO 9001:2015

K) Material developments in HR / Industrial relations area including number of people employed:

There are no materially significant changes in the HR front during the year. The total number of employees as of March 2023 is 164 as against 87 in the previous year. The company has a good work environment that encourages innovation and meritocracy with a vibrant work ethic that provides its employees an opportunity to work on new technologies and enables it to leverage talents. As an organization which must constantly upgrade itself, it has been building competence through training, cross training, and skills up-gradation. Industrial relations remained cordial throughout the year.

The key ratios are mentioned in the Note No. 42 of the financial statements

L) Cautionary Statement

Statements in the Management's Discussion and Analysis Report, which seek to describe the Company's objectives, projections, estimates, expectations predictions may be "forward looking statements" and are stated as required by applicable laws and regulations. Actual results could differ from those expressed or implied. Many factors including global and domestic demand-supply conditions, prices, raw materials availability, technological changes, changes in Government Regulations and policies, tax laws and other statutes may affect the actual results, which can be different from what the Director's envisage in terms of future performance and outlook.

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

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

**Place: Hyderabad
Date: 13th August 2023**

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

**Place: Hyderabad
Date: 13th August 2023**

CORPORATE GOVERNANCE REPORT

1. Company's philosophy on Code of Governance.

The Company believes that good corporate governance practices enable the management to direct and control the affairs of the Company in an efficient manner and to achieve the Company's goal of maximizing value for all its stake holders.

The board considers itself as a trustee of its shareholders and acknowledges its responsibilities to the Shareholders for creation and safeguarding shareholders wealth, while upholding the core values of transparency, integrity, honesty and accountability.

The Company's Code of Conduct serves as a guide to the employees on the values, ethics and business principles expected of them.

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 persons with professional expertise. The Board comprises of three Promoter Directors in which two are Non- Executive Directors and one Whole-Time Director, one Whole-Time Director, one 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 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

| Name of the Director | Category | Designation | No. of shares held in the Company (%) | Names of the Listed companies holding directorship & category of such directorship held other than this Company |
|---------------------------------|-----------------|----------------------|--|--|
| 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 | 3,39,655 | 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:

| Name of Director | Expertise in specific functional area |
|------------------------------------|---|
| 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. Further, none of the other directors are related to each other.

The board has confirmed that in the opinion of the Board, Independent Directors fulfill the conditions specified in the SEBI (LODR) Regulations and are independent of the management

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 2022-23 | | Whether Attended AGM on 30.09.2022 | 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 | 8 | Yes | - | - | - | 3,39,655 |
| Ms. Sreelakshmi Manthena | Non-Independent Non-Executive | 9 | 9 | Yes | - | - | - | 6,40,398 |
| Mr. Narender Kumar (appointed w.e.f. 18/09/2022) | Non-Independent Non-Executive | 9 | 5 | 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 | 9 | 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 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.

None of the Directors on the Board is a member on more than 10 Committees and Chairman of more than 5 Committees across all the companies in which they are directors.

None of the Directors serve as Independent Director in more than seven listed companies.

DATES OF BOARD MEETINGS:

The Board met 9 times in the financial year 2022-23 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 |
|------------|----------------|--------------------------|
| 29/05/2022 | 8 | 7 |
| 13/08/2022 | 8 | 8 |
| 04/09/2022 | 8 | 8 |
| 17/09/2022 | 8 | 8 |
| 14/11/2022 | 9 | 9 |
| 05/12/2022 | 9 | 9 |
| 13/01/2023 | 9 | 9 |
| 14/02/2023 | 9 | 9 |
| 12/03/2023 | 9 | 9 |

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

3. Audit Committee and composition:

- i. The Audit Committee of the Company as of 31st March'2023 consisted of Two Independent Directors and One Non-Executive Director. The Chairman of the Audit Committee was an Independent Director who was present at the Board Meeting where Annual accounts have been approved. All the members of the committee are financially literate. Accordingly, the composition of the Audit committee is in conformity with Regulation 18 and Part C of Schedule II of the SEBI Listing Regulations, 2015 as well as in Section 177 of the Companies Act, 2013. The Chief Financial Officer, Internal Auditor and Statutory Auditors are also invited to attend and participate at meetings of the Committee. The Chairman of the Audit Committee has been presented at the Annual General Meeting held on 30th September 2022.

The Terms of Audit committee includes the following:-

- A. 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 are disclosed.
- B. 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.
- C. 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.
- D. Recommending the appointment and removal of the statutory auditors, fixation of audit fees and also approval for payment for any other services.
- E. 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.
- F. Reviewing, with the management, the annual financial statements before submission to the board, focusing primarily on:
- a) 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
 - b) Any changes in accounting policies and practices
 - c) Major accounting entries based on the exercise of judgment by management
 - d) Significant adjustments arising out of audit;
 - e) Compliance with listing and other legal requirements relating to financial statements.
 - f) Disclosure of any related party transactions
 - g) Qualifications in the draft audit report.
 - h) Compliance with accounting standards
 - i) Management discussion and analysis of financial condition and result of operations.
- G. Reviewing the Quarterly Financial Results before submitting the same to the Board's approval
- H. Reviewing, with the management, the performance of external and internal auditors and adequacy of the internal control systems.
- I. Reviewing the adequacy of internal audit function and frequency of internal audit.
- J. 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.
- i. The Audit Committee Meetings are usually held at the registered office of the Company and are also attended by CFO, Statutory Auditors and Internal Auditors.
 - ii. The last Annual General Meeting of the Company was held on September 30, 2022.
 - iii. The composition of the Audit Committee as on March 31, 2023, and particulars of meetings attended by the members are as follows:

| Name | Category | Number of meetings during the year 2022-23 | |
|--|-------------------------------|--|----------|
| | | Held | Attended |
| Sri. Sreenivasa Rao Ravinuthala | Non-Executive Independent | 5 | 5 |
| Sri. Koganti Somasekhara Rao (Ceased on 29.05.2022) | Non-Executive Independent | 5 | 1 |
| Sri. A V S K Mohan (Appointed on 29.05.2022) | Non-Executive Independent | 5 | 4 |
| Ms. Sreelakshmi Manthana | Non-Executive Non Independent | 5 | 5 |

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 |
|------------|----------------|--------------------------|
| 29.05.2022 | 3 | 3 |
| 13.08.2022 | 3 | 3 |
| 04.09.2022 | 3 | 3 |
| 14.11.2022 | 3 | 3 |
| 12.02.2023 | 3 | 3 |

The necessary quorum was present at all meetings.

4. Nomination and Remuneration Committee:

1. 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.
2. The Nomination and Remuneration Committee of the Company as on 31st March'2023 consists of three directors, out of whom two are independent directors.
3. 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.
4. The composition of the Nomination and Remuneration Committee as on March 31, 2023 is mentioned below and five meetings were held on 04.09.2022, 17.09.2022, 30.11.2022, 05.12.2022 and 12.02.2023, 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 2022-23 | |
|--|-------------------------------|--|----------|
| | | Held | Attended |
| Sri. Koganti Somasekhara Rao (Ceased on 29.05.2022) | Non-Executive Independent | 5 | 0 |
| Sri. A V S K Mohan (Appointed on 29.05.2022) | Non-Executive Independent | 5 | 4 |
| Sri. Sreenivasa Rao Ravinuthala | Non-Executive Independent | 5 | 5 |
| Dr. Anji Raju Manthana | Non-Executive Non Independent | 5 | 5 |

Meetings of Nomination and Remuneration Committee

| Date | Board Strength | No. of Directors Present |
|------------|----------------|--------------------------|
| 04.09.2022 | 3 | 3 |
| 17.09.2022 | 3 | 3 |
| 30.11.2022 | 3 | 2 |
| 05.12.2022 | 3 | 3 |
| 12.02.2023 | 3 | 3 |

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 persons 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 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 take into account financial position of the Company, trend in the industry, qualification, experience and past performance of the appointee.
10. The Committee shall be in a position 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. The Company has paid Remuneration and Sitting Fee during the Financial Year 2022-23.

6. The Company does not have any Employee Stock Option Scheme.

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. Performance of the individuals is measured through the annual appraisal process.

A. Remuneration paid to Whole time Director during the financial year 2022-23 is follows: -

| Name | Designation | REMUNERATION (Rs. Lakhs) | | |
|----------------------------------|---------------------|--------------------------|------------|--------------|
| | | Salary & Benefits | Commission | Total |
| Manthana Badari Narayana Raju | Whole Time Director | 32.56 | 0.00 | 32.56 |
| Sitarama Raju Manthnea | Whole Time Director | 28.30 | 0.00 | 28.30 |

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 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 2022-23, is as follows: -

| Name | Sitting fee (Amount in Rs. Lakhs) |
|---------------------------------|--------------------------------------|
| Dr. Anji Raju Manthana | 7.70 |
| Dr. Janardhana Reddy Vinta | 4.00 |
| Ms. Sreelakshmi Manthana | 7.00 |
| Sri. Sreenivasa Rao Ravinuthala | 10.50 |
| Sri. Koganti Somasekhara Rao | 5.50 |
| Sri. AVS Krishna Mohan | 9.50 |
| Sri. Narender Kumar | 2.5 |

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

The Company has not entered into any pecuniary transactions with the Non-Executive Directors. During the year, the Company has paid a sitting fee to the Non-Executive Directors.

5. Stakeholders Relationship Committee:

The Company has a Stakeholders Relationship Committee constituted as per Section 178 of the Companies Act, 2013 to look into the redressal of complaints of investors such as transfer or credit of shares, non-receipt of dividend/notices/annual reports, etc. The Committee has met one time in the financial year on 14.02.2023. All the members of the Committee were presented in the meeting.

- i. The Stakeholders Relationship Committee of Company consists of three directors, in which two are independent directors and one executive director. Chairman of the committee is a independent director.

- ii. The Composition of the shareholder/ investors Grievance Committee is given below:-

| Name | Category |
|--------------------------------|---------------------------|
| Sri.Sreenivasa Rao Ravinuthala | Non-Executive Independent |
| Sri. A V S K Mohan | Non-Executive Independent |
| Sri. Sitarama Raju Manthana | Whole-Time Director |

- 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 01.04.2022 to 31.03.2023 | Resolved during the period 01.04.2022 to 31.03.2023 | Closing Balance |
|-----------------|---|---|-----------------|
| Nil | 1 | 1 | Nil |

The Committee reviews the security transfers/transmissions, process of dematerialization and the Investor's grievances and the systems dealing with these issues. Sri. 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/ transmission and comply with other formalities in relation thereto. All investor complaints, which cannot be settled at the level of the Compliance Officer, will be placed before the Committee for final settlement. There were no pending complaints and transfers as on 31st March 2023.

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 Private 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, along with the Registrars and Share Transfer Agents of the Company follows the policy of attending to the complaints, if any, within seven days from the date of its receipt.

As mandated by SEBI, the Quarterly Reconciliation of Share Capital Audit, highlighting the reconciliation of total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) vis-à-vis the total issued and listed capital is being carried out by a

Practicing Company Secretary. This Audit confirms that the total issued and paid up capital is in agreement with the total number of shares held in physical and dematerialized form with NSDL and CDSL.

6. Risk Management Committee

The Company is not required to constitute a Risk Management Committee, as the Company would fall outside the purview of the provisions of Regulation 21(5) of the SEBI Listing Regulations, 2015.

However, the Company has constituted a Risk Management Committee consists of the following Directors to identify the risks and to take measures for mitigating the same.

| Name | Category |
|--|-------------------------------|
| Sri.Sreenivasa Rao Ravinuthala | Independent Non-Executive |
| Sri.Koganti Somasekhara Rao (Ceased on 29.05.2022) | Independent Non-Executive |
| Sri. A V S K Mohan (Appointed on 29.05.2022) | Independent Non-Executive |
| Dr.Janardhan Reddy Vinta | Non Independent Non-Executive |

7. Corporate Social Responsibility Committee

The Company has constituted CSR Committee and developed CSR policy as per the provisions of the Companies Act, 2013. Further, the Company is not required to spend the amount to implement the CSR initiatives as the average three years net profits of the company are in negative. The CSR committee comprises of 2 Independent Directors and 1 Executive Director. The composition of the Corporate Social Responsibility Committee is as under:

| Name | Category |
|--|---------------------------|
| Sri. AVS Krishna Mohan | Independent Non-Executive |
| Sri. Koganti Somasekhara Rao (Ceased on 29.05.2022) | Independent Non-Executive |
| Sri. Sreenivasa Rao Ravinutala (Appointed on 29.05.2022) | Independent Non-Executive |
| Sri. Sitarama Raju Manthena | Whole-Time Director |

Note: After closure of the financial year 2022-23, the Board of Directors of the Company have re-constituted all the committees of the Company.

MEETING OF INDEPENDENT DIRECTORS

During the year under review, the Independent Directors met on 2nd March 2023 inter alia, to discuss:

- Evaluation of the performance of Non-Independent Directors and the Board of Directors as a whole;
- Evaluation of the performance of the Chairman of the Company, taking into account the views of the Executive and Non-Executive Directors.
- Evaluation of the quality, content and time lines of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.
- All of the Independent Directors were present at the Meeting.

Compliance officer:

Sri. Prasada Rao Kalluri, Company Secretary, is the Compliance Officer for complying with the requirements of the Securities Laws, Listing Agreements with the Stock Exchanges and SEBI (LODR) Regulations, 2015. He acts as the Secretary to all the mandatory sub-committees of the Board.

Compliance Reports

The Board of Directors review the compliance reports on applicable laws to the Company periodically.

Succession Plans

The Company has plans in place for orderly succession for appointment to the Board and senior management and the Board is satisfied of such plans.

Code of Conduct

The Board of Directors has laid down a code of conduct for all Board members and senior management of the Company. All Board members and senior management personnel have affirmed compliance with the code of conduct. The Code of Conduct has incorporated the duties of independent directors as laid down under the Companies Act, 2013. A declaration signed by the Director In charge to this effect is as follows.

Information and Compliance Certificate to the Board

All information as required under Regulation 17 of the SEBI Listing Regulations, 2015, is being made available to the Board. In terms of the Company's Corporate Governance Policy, all statutory and materially significant information are submitted either as a part of the agenda papers well in advance of the Board Meetings, or circulated in the course of the Board Meetings to enable Directors to discharge their responsibilities of strategic supervision of the Company as trustees of the Shareholders.

The Director In charge / CEO and the Chief Financial Officer have provided compliance certificate to the Board of Directors as specified under Part B of Schedule II of the SEBI Listing Regulations, 2015

The Company has laid down the procedures to inform the Board of Directors about the risk assessment and minimization procedures. The Board of Directors continuously advises the management on framing and implementing risk management plans and monitors the same.

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 persons having access to unpublished price sensitive information.

8. Related Party Transactions

The Company has formulated Related Party Transactions Policy. All related party transactions are carried out in line with Related Party Transaction (RPT) Policy and as per the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. All RPTs are placed before the Audit Committee for their approval. 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. There are no materially significant Related Party Transactions with Promoters, Directors, Key Managerial Persons, or other designated persons during the year

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

The Company does not have a domestic subsidiary. Further based on the Financial Statements for the FY 2022-23, M/s. Avant Garde Info Systems Inc, wholly owned subsidiary has fallen under the definition of Material Subsidiary and the Company has complied with the corporate governance requirements with respect to subsidiary of the company.

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) Schedule IV (VII) of the Companies Act 2013 and clause 25 (3) of Securities Exchange Board of India (Listing obligations and disclosure requirements) Regulations 2015, a separate meeting of the Independent Directors of the Company was held during the year on 2nd March 2023

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 Regulations, 2015 relating to the limit of the committees on which a Director may serve in all public limited companies, affirmation of compliance with the code of conduct, disclosures relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the company at large.

Familiarization Programme for Board Members:

A formal familiarization programme was conducted about the amendments in the Companies Act, 2013, Rules prescribed thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and all other applicable laws of the Company.

It is the general practice of the Company to notify the changes in all the applicable laws from time to time in every Board Meeting conducted.

The details of such familiarization programs for Independent Directors are posted on the website of the Company <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 carried out the annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Audit and other Committees.

A structured questionnaire was prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as 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 carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgment, safeguarding the interest of the Company and its minority shareholders etc. The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Chairman and the Non-Independent Directors was carried out by the Independent Directors who also reviewed the performance of the Secretarial Department. The Directors expressed their satisfaction with the evaluation process.

12. General Meetings

Details of the location, date and time of the last three Annual General Meetings (AGM) and the details of special resolutions passed at the AGMs or to be passed by Postal Ballot:

| Year | Day, Date and Time of the Meeting | Venue | Special Resolutions passed at the AGM by the Shareholders |
|---------|--|------------------|---|
| 2021-22 | 30 th AGM held on Friday, the 30 th September' 2022 10:00 A.M. | Video Conference | No special resolutions were passed |
| 2020-21 | 29 th AGM held on Wednesday, the 30 th September' 2021 04:00 P.M. | Video Conference | No special resolutions were passed |
| 2019-20 | 28 th AGM held on Wednesday, the 30 th September' 2020 04:00 P.M. | Video Conference | <ol style="list-style-type: none"> To consider and approve appointment of Mr. Sitarama Raju Manthena (DIN: 08576273) as a Whole-Time Director of the company To consider and approve appointment of Mr. Badari Narayana Raju Manthena (DIN: 07993925) as a Whole-Time Director of the company Increase in aggregate limit of investment and holding by Non-Resident Indians (NRIs) / Overseas Citizens of India (OCI) in the Equity Share Capital of the Company |

Smt. N Vanitha, 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 ballot during the previous financial year.

There are no Special Resolutions proposing to be conducted in the ensuing 31st AGM

Extraordinary General Meeting:

During the year, the Company has conducted an Extraordinary General Meeting of the Members on 12.10.2022.

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 at 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 at Notes to financial statements. 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
- ii. The equity shares of the Company has listed and traded in BSE Limited and NSE. There were no penalties and strictures were imposed on the Company by SEBI or stock exchanges or any authority on any matter related to capital markets during the last three years. The Stock exchanges have levied penalty for the non composition of Stakeholders Relationship Committee in the financial year 2020-21. The Company has given reply to the stock exchanges that the Company has complied with the composition of the committee and request for waive off the same. The stock exchanges have considered the same and waived 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 also 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.

- iv. The Company does not have any Material Subsidiary. 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. After adoption of financials for FY 2022-23, M/s. Avant-Garde Info Systems Inc, Wholly Owned Subsidiary of the Company is covered under the purview of Material Subsidiary. Accordingly, 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 Management provides the financials of the subsidiary companies 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/CEO/CFO certification for the Financial Year ended 31st March 2023.
- 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. K S Raju, CEO, Mr. Badari Narayana, VP, Mr. V Ramayya, CFO, Mr. A V R Murthy, AVP (Marketing), Mr. Shankara Prasad (Project Manager) have 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 2022-23 is set out in Note No. 27 of the Standalone and Consolidated 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 : Nil

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.
- xiv) During the year, the Company has raised funds through issue of shares/warrants on preferential issue basis. The Company has utilised an amount of Rs. 2883.40 lakhs for the purpose of objects mentioned in the notice/private placement offer letter.
- xv) During the period under review, the company has invested an amount of Rs. 480.19 lakhs in the Wholly Owned Subsidiary. Further, the company has not made any loans and advances in the nature of loans to firms/companies in which directors are interested.
- xvi) After adoption of financials for FY 2022-23, M/s. Avant-Garde Info Systems Inc, Wholly Owned Subsidiary of the Company is covered under the purview of Material Subsidiary.
- xvii) the company has complied with corporate governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46.

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 and also 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 31st Annual General Meeting of the company will be held on Friday, the 30th day of September, 2023 at 10:00 A.M. through Video Conference/ Other Audio-Visual Means (e-AGM)/Registered Office.

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

Results for the quarter ending:

| | |
|----------------------------|---|
| 30 th June 2023 | : On or before 14 th August 2023. |
| 30 th Sep, 2023 | : On or before 14 th November, 2023. |
| 31 st Dec, 2023 | : On or before 14 th February, 2024. |
| 31 st Mar, 2024 | : On or before 30 th May, 2024. |
| Date of Book closure | : Sunday, 24 th September 2023 to Saturday, 30 th September 2023 (both days inclusive). |

Dividend Payment Date : Not Applicable

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

Stock Code:

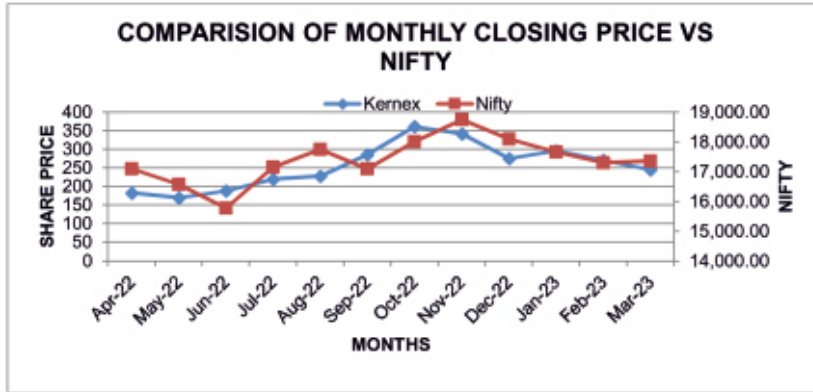
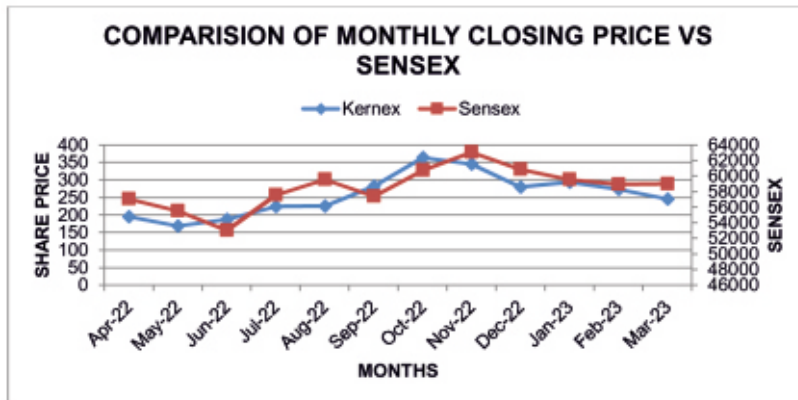
| | |
|--|----------------|
| The BSE Ltd | : 532686 |
| National Stock Exchange of India Limited | : KERNEX |
| ISIN | : INE202H01019 |

The Annual Listing fee for the year 2023-24 has been paid to the Stock Exchange.

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-22 | 205.65 | 142.45 | 38,805 | 205.00 | 142.10 | 2,85,578 |
| May-22 | 195.90 | 151.55 | 51,889 | 192.95 | 149.00 | 1,91,939 |
| Jun-22 | 201.90 | 163.70 | 39,448 | 199.00 | 167.20 | 1,97,105 |
| Jul-22 | 247.70 | 185.3 | 1,21,776 | 248.60 | 185.30 | 3,70,468 |
| Aug-22 | 254.95 | 220.7 | 43,572 | 252.00 | 217.00 | 1,96,965 |
| Sep-22 | 312.95 | 236.85 | 65,065 | 309.00 | 230.00 | 3,75,456 |
| Oct-22 | 390.90 | 296.00 | 95,881 | 389.90 | 290.00 | 4,38,448 |
| Nov-22 | 389.95 | 302.80 | 41,232 | 377.00 | 305.30 | 2,26,172 |
| Dec-22 | 373.35 | 268.75 | 54,307 | 359.80 | 272.00 | 2,12,831 |
| Jan -23 | 320.00 | 261.00 | 26,038 | 317.00 | 265.00 | 1,34,585 |
| Feb -23 | 317.60 | 265.00 | 26,095 | 319.75 | 263.00 | 1,70,607 |
| Mar-23 | 293.75 | 214.70 | 72,719 | 293.00 | 214.60 | 2,59,644 |

The securities of the Company are not suspended from trading during the financial year ending March 31, 2023.

Share Price Performance:
Comparison with NSE Nifty

Comparison with BSE Sensex

Distribution of Shareholding (as on March 31, 2023): (based on PAN consolidation)

| SI No | Category No. of Shares | No. of shareholders | % to Capital | No. of Accounts | % of Total Accounts |
|-------|------------------------|---------------------|---------------|-----------------|---------------------|
| 1 | 1 - 5000 | 12754 | 98.47 | 2527294 | 16.35 |
| 2 | 5001 - 10000 | 85 | 0.66 | 618216 | 4.00 |
| 3 | 10001 - 20000 | 46 | 0.36 | 681419 | 4.41 |
| 4 | 20001 - 30000 | 18 | 0.14 | 450751 | 2.92 |
| 5 | 30001 - 40000 | 7 | 0.05 | 250767 | 1.62 |
| 6 | 40001 - 50000 | 6 | 0.05 | 284127 | 1.84 |
| 7 | 50001 - 100000 | 11 | 0.08 | 795264 | 5.14 |
| 8 | 100001 and above | 25 | 0.19 | 9851584 | 63.73 |
| | TOTAL | 12,952 | 100.00 | 15459422 | 100.00 |

Shareholding pattern as on March 31, 2023 (based on non-consolidation of PAN)

| SI No | Category | No of share holders | No of Shares | Percentage of Holding |
|------------|--|---------------------|--------------------|-----------------------|
| (A) | PROMOTER AND PROMOTER GROUP | | | |
| (1) | INDIAN | | | |
| (a) | Individual /HUF | 3 | 2,392 | 0.02 |
| (b) | Others | | | |
| (2) | FOREIGN | | | |
| (a) | Individuals (NRIs/Foreign Individuals) | 13 | 48,82,320 | 31.58 |
| (b) | Others | | | |
| | Total | 16 | 48,84,712 | 31.60 |
| (B) | PUBLIC SHAREHOLDING | | | |
| (1) | INSTITUTIONS | | | |
| (a) | Financial Institutions /Banks | | | |
| (b) | Foreign Portfolio Investors Category I | 1 | 80 | 0.00 |
| (c) | Shareholding by Companies or Bodies Corporate where Central / State Government is a promoter | 1 | 10,563 | 0.07 |
| (2) | NON-INSTITUTIONS | | | |
| (a) | Bodies Corporate | 110 | 14,39,901 | 9.31 |
| (b) | Directors and their Relatives | 10 | 20,60,655 | 13.33 |
| (c) | Key Managerial Personnel | 0 | 0 | 0 |
| (b) | Individuals | | | |
| | (i) Individuals holding nominal share capital upto Rs.1 lakh | 12,357 | 32,47,583 | 21.01 |
| | (ii) Individuals holding nominal share capital in excess of Rs.1 lakh | 36 | 29,88,348 | 19.33 |
| (c) | Others (NBFCs) | - | - | - |
| | CLEARING MEMBERS | 5 | 2,388 | 0.02 |
| | NON RESIDENT INDIANS | 143 | 4,91,125 | 3.18 |
| | TRUSTS | 3 | 24,431 | 0.16 |
| | HUF | 414 | 309,636 | 2.00 |
| | Total | 13,080 | 1,05,74,710 | 68.40 |
| | Grand Total | 13,096 | 1,54,59,422 | 100.00 |

Dematerialization of shares and liquidity:

The company's shares are compulsorily traded in dematerialization form. Equity shares of the Company representing 96.29% of the company's share capital are dematerialized as on March 31, 2023.

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, 2023 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 P S Rao & Associates, Company Secretaries, 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 30th Annual Report.

Secretarial Audit:

1. Sri. D S Rao, Company Secretary in Practice have conducted Secretarial Audit of the Company for the year 2022-23. 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 half-yearly basis, by Sri. D S Rao, Company Secretary in Practice, certifying due compliance of share transfer formalities by the Company.
3. Sri. 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 Practising 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 2022-23.

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 full time Chairman of the Company 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 they are approved by the Board of Directors, are forthwith sent to the Stock Exchanges with whom the Company has listing arrangements. The results, in prescribed proforma, are published in Financial Express and Nana Telangana.

Separate Posts of Chairman and CEO

The Chairman of the Company is a Non-Executive Independent Director, the post of CEO is held by a non-promoter.

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, 2023. 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 shares on preferential basis. The Company has not made any 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.

13th August 2023

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, 2023.

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

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

**PRACTISING COMPANY SECRETARY 'S CERTIFICATE REGARDING
CORPORATE GOVERNANCE**

To The Members,
KERNEX MICROSYSTEMS (INDIA) LIMITED
Hyderabad

I 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, 2023**, 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. My 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.

I conducted my examination of the Corporate Governance Report in accordance with the established systems and procedures selected by us depending on my 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 me as mentioned above and according to the information and explanations provided to me, I am 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, 2023.

I 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: A012394E000786662

PEER REVIEW NO.: 1817/2022

Date : August 13, 2023
Place: Hyderabad

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 Sunny Sharma, 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, 2023 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 into 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/-
Sunny Sharma
Chief Financial Officer

Place: Hyderabad
Date: 28.05.2023

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

I 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 me 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 my opinion and to the best of me 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, I hereby certify that none of the directors on the Board of the Company for the financial year ended March 31, 2023, 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 | Badari Narayana Raju Manthena | Whole-time Director | 07993925 |
| 8 | Sitarama Raju Manthena | Whole-time Director | 08576273 |
| 9 | Narender Kumar* | Non-Executive Director | 02395345 |

*Appointed as a non-executive director of the Company w.e.f.18.09.2022

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.

Sd/-
CS D.S. Rao; PCS

ACS No.: 12394

C.P. No.: 14487

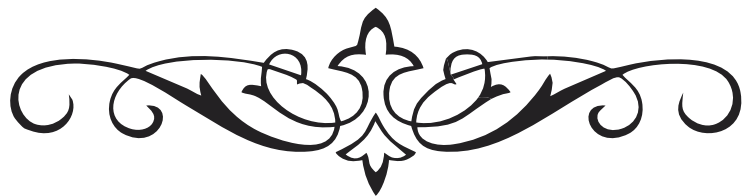
UDIN: A012394E000786728

PEER REVIEW NO.: 1817/2022

Date : August 13, 2023
Place: Hyderabad



**STANDALONE
FINANCIAL STATEMENTS
2022-23**



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 2023, 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 significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Financial statements give the information required by the Companies Act, 2013, 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, 2023, its loss including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

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 44 to the standalone financial statements which describes that the Company has assessed the recoverability and impairment of certain financial assets namely trade receivables including Rs. 414.57 lakhs from Related party, income tax assets and margin money /security deposits secured for customer guarantees 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 amount may vary for the reasons mentioned there in.

Our opinion is not modified in respect of this matter.

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 recognizes revenue from sale of goods/services based on the terms and conditions of purchase orders / contracts received from different customers. For recognising revenue, the control of goods / services are transferred to the customer. As revenue recognition is subject to management's assessment as to when control is transferred / services performed, we consider this as a key audit matter.</p> | <p>1. We have evaluated the appropriateness of the assumptions applied for assessing the revenue and tested the evidence to support the revenue recognition.</p> |

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.

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 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. We have nothing to report in this regard.

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

The Company's Board of Directors is 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. As required by Section 143(3) of the Act, we report that:
 - a) 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.
 - b) 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
 - c) The 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.

- d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of the written representations received from the directors as on 31 March 2023 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2023 from being appointed as a director in terms of Section 164(2) of the Act.
- f) 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".
- g) In our opinion, the managerial remuneration for the year ended 31 March 2023 has been paid /provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
- h) 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.

Place: Hyderabad
Date : 28 May 2023

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

Sd/-
Raja Praturi
Partner
Membership No. 020615
UDIN: 23020615BGYNNY7297

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 2023 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, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March, 2023, 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: 23020615BGYNNY7297

Place: Hyderabad
Date : 28 May 2023

ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 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, 2023.
 - (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 has been physically verified by the management during the year. 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 19 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 banks 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 | Quarter ended | Amount of Receivables & Inventories as per statements filed with banks | Amount of Receivables & Inventories as per books of account | Difference (Rs. in Lakhs) | Reasons |
|---------------------|---------------|--|---|---------------------------|----------------|
| State Bank of India | 30-Jun-22 | 809.00 | 1810.23 | 1001.23 | See below Note |
| Do | 30-Sep-22 | 910.93 | 1739.82 | 828.89 | |
| Do | 31-Dec-22 | 782.58 | 1666.28 | 883.70 | |
| Do | 31-Mar-23 | 1268.58 | 2136.90 | 868.32 | |

Note: The differences arose mainly on account of reporting to the bank of receivables eligible for calculating the drawing power of working capital facilities.

- 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:

| Particulars | Loans / Guarantees Rs. lakhs |
|---|---------------------------------|
| I. Aggregate amount invested / granted/ provided during the year | |
| (a) Joint venture – 80% share to Company per Partnership dt. 15-04-2019 | 148.14 |
| (b) Overseas 100% subsidiary (Avant Garde Infosystems Inc, USA | 480.20 |
| II. Balance outstanding as at balance sheet date in respect of above case including opening balance outstanding | |
| (a) (i) Joint venture loan / advance | 396.73 |
| (ii) Bank Guarantee for Contract performance provided to Customer | 121.10 |
| (b) Investment in 100% Subsidiary | 1,275.97 |

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'.

| Particulars | Related Parties |
|--|-----------------|
| Aggregate amount of loans/ advances in nature of loans | |
| - Agreement does not specify any terms or period of repayment | 148.14 |
| Percentage of loans/ advances in nature of loans to the total loans | 100% |

- iv. The Company has not granted any loans or provide any guarantees or securities to parties covered under Section 185 of the Act. Further, the Company has complied with the provisions of Sections 186 of the Companies Act, 2013 in respect of the loans and investments made by it, as applicable.
- 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 | ADIT, CPC | A.Y. 2020-21 | 392.29 |
| The Income Tax Act, 1961 | Income Tax | CPC | A.Y. 2019-20 | 92.36 |
| The Income Tax Act, 1961 | Income Tax | CPC | A.Y. 2018-19 | 0.10 |
| The Income Tax Act, 1961 | Income Tax | AO | A.Y. 2017-18 | 4.67 |
| The Income Tax Act, 1961 | Income Tax | Commissioner (Appeals) | A.Y. 2014-15 | 43.86 |

- 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 and terms and conditions for payment of interest thereon have not been stipulated. The Company has repaid some of the loans including intercorporate loans along with interest during the year to these parties. From out of the amounts due to directors, an amount of Rs. 414.49 lakhs have been converted to Equity capital vide the Preferential issue made in January 2023.
- (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. (a) The Company has raised money during the year by way of preferential allotment as under:

| Date of Preferential Issue | Amount Issued (Rs. Lakhs) | Objects of the Issue | Amount utilized for the objects (Rs. Lakhs) |
|--|---------------------------|--|---|
| 25-04-2022 | 1469.00 | 13,00,000 Equity shares at an issue price of Rs. 113/- To reduce debt, meet funding requirements of ongoing projects of the Company /Subsidiary/ JV, working capital and general corporate purposes | 1469.00 |
| 10-01-2023 | 414.50 | 1,55,827 Equity shares at an issue price of Rs. 266/- Conversion of Promoters' loan into Equity | 414.50 |
| 10-01-2023 | 2404.48 | 903,940 Equity shares at an issue price of Rs. 266/- Repay inter corporate deposits / unsecured loans with interest, funding requirements for ongoing projects of the Company/ Subsidiary/JV, working capital and general corporate purposes. | 2500.48* |
| 17-02-2023 | 1596.00 | 6,00,000 Warrants at an issue price of Rs. 266/- issued & subsequently converted to Equity on full payment of consideration. Repay inter corporate deposits / unsecured loans and interest thereon, meet funding requirements of ongoing projects of the Company /Subsidiary / JV, working capital & general corporate purposes | |
| *Unspent amount of Rs 1500.00 lakhs lying in fixed deposits. | | | |

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 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:

| Financial Year | Amount of Cash Losses (Rs. Lakhs) |
|----------------|-----------------------------------|
| 2022-23 | 1700.33 |
| 2021-22 | 1492.44 |

- 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 43 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 has incurred losses during 2 financial years out of the three immediately preceding financial years and hence, it is not required to spend any money 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: 23020615BGYNKY7297

Place: Hyderabad
Date : 28 May 2023

Balance Sheet as at 31-Mar-23

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

| Particulars | Note | As at 31-Mar-23 | As at 31-Mar-22 |
|--|------|--------------------|--------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, Plant and Equipment | 2 | 2,372.95 | 2,548.25 |
| Capital work-in-progress | | | |
| Intangible assets | 3 | 0.35 | 0.95 |
| Financial assets | | | |
| Investments | 4 | 1,283.97 | 803.78 |
| Other financial assets | 5 | 12.92 | 13.43 |
| Deferred tax assets (net) | | | |
| Income tax Assets | 6 | 277.83 | 260.19 |
| Total non-current assets | | 3,948.03 | 3,626.59 |
| Current assets | | | |
| Inventories | 7 | 1,222.20 | 715.10 |
| Financial assets | | | |
| Trade receivables | 8 | 937.79 | 1,137.82 |
| Cash and cash equivalents | 9 | 11.26 | 626.41 |
| Other bank balances | 10 | 3,202.35 | 1,265.82 |
| Other financial assets | 11 | 10.51 | 2.70 |
| Other current assets | 12 | 1,813.26 | 862.02 |
| Total current assets | | 7,197.36 | 4,609.87 |
| TOTAL ASSETS | | 11,145.39 | 8,236.47 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Equity Share capital | 13 | 1,545.94 | 1,249.97 |
| Other equity | 14 | 7,683.12 | 4,609.63 |
| Total Equity | | 9,229.07 | 5,859.60 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Financial liabilities | | | |
| Borrowings (Term Loans) | 15 | 47.55 | - |
| Provisions | 16 | 35.30 | 19.98 |
| Deferred tax liabilities | | 123.45 | 75.80 |
| Other Non-current liabilities | | - | - |
| Total Non-current liabilities | | 206.30 | 95.79 |
| Current liabilities | | | |
| Financial liabilities | | | |
| Borrowings | 17 | 819.43 | 1,194.77 |
| Trade Payables | 18 | - | - |
| Dues of small enterprises and micro enterprises | | 0.10 | 27.22 |
| Dues of creditors other than small enterprises and micro enterprises | | 317.23 | 289.31 |
| Other financial liabilities | 19 | 404.62 | 522.94 |
| Other current liabilities | 20 | 168.63 | 246.84 |
| Total current liabilities | | 1,710.02 | 2,281.08 |
| TOTAL EQUITY AND LIABILITIES | | 11,145.39 | 8,236.46 |

See accompanying notes to the financial statements

1-45

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 PATURI

Partner
Membership No: 020615

Hyderabad
28th May 23

Sd/-

BADARI NARAYANA RAJU MANTHENA

Whole Time Director
DIN 07993925

Sd/-

SUNNY SHARMA

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) | |
| Balance as at 31 March 2021 | 1,249.97 | - | 9,172.20 | 612.14 | -3,627.29 | -364.55 | -34.86 | 5,757.64 |
| Share application Money | - | 552.00 | - | - | - | - | - | 552.00 |
| Profit for the period | - | - | - | - | -1,657.52 | - | - | -1,657.52 |
| Foreign currency translation | - | - | - | - | - | -28.87 | - | -28.87 |
| Actuarial gain/(loss) on post-employment benefit obligations (Net of tax) | - | - | - | - | - | - | -13.62 | -13.62 |
| Balance as at 31-03-2022 | 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 |
| Balance as at 31-03-2023 | 1,545.94 | - | 14,760.20 | 612.14 | -7,270.52 | -369.41 | -49.28 | 7,683.12 |

As per our report of even date attached

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

Sd/-
RAJA PATURI

Partner
Membership No: 020615

Hyderabad
28th May 23

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Sd/-
BADARI NARAYANA RAJU MANTHENA

Whole Time Director
DIN 07993925

Sd/-
SUNNY SHARMA

Chief Financial Officer

Sd/-
SITARAMA RAJU MANTHENA

Whole Time Director
DIN 08576273

Sd/-
PRASADA RAO KALLURI

Company Secretary

Statement of Profit & Loss for the year ended 31-Mar-23

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

| Particulars | Note | Year ended 31-Mar-23 | Year ended 31-Mar-22 |
|---|------|-------------------------|-------------------------|
| Income | | | |
| Revenue from operations | 21 | 200.36 | 535.89 |
| Other Income | 22 | 130.62 | 180.26 |
| Total income | | 330.99 | 716.15 |
| Expenses | | | |
| Cost of materials consumed | 23 | 254.16 | 257.66 |
| Purchases of stock in trade | | | - |
| Changes in inventories of finished goods, work in progress and stock in trade | 24 | -132.88 | 84.84 |
| Employee benefit expense | 25 | 749.72 | 577.86 |
| Finance cost | 26 | 197.94 | 240.00 |
| Depreciation and amortization expense | 2 | 238.62 | 143.59 |
| Other expenses | 27 | 961.50 | 592.02 |
| Total expenses | | 2,269.06 | 1,895.98 |
| Profit/(loss) before extraordinary, exceptional items and tax | | -1,938.07 | -1,179.83 |
| Extraordinary items | | | - |
| Exceptional items | 28 | - | -442.58 |
| Profit/(loss) before tax | | -1,938.07 | -1,622.41 |
| Tax expense | | | |
| - (i) Current tax | | - | - |
| - (ii) Previous years tax | | - | - |
| - (iii) Deferred tax | | 47.65 | 35.11 |
| Net profit/(loss) for the year | | -1,985.72 | -1,657.52 |
| Other comprehensive income | | | |
| Items that will not be reclassified to Statement of Profit and loss | | | |
| (i) Remeasurement gains/(losses) of the defined benefit plans | | -0.88 | -13.62 |
| (ii) Income tax effect on the above | | - | - |
| Total comprehensive Income for the year | | -1,986.60 | -1,671.15 |
| Earnings per equity share (EPS) | | | |
| Paid up Equity Share Capital (Face value of Rs.10/- each per equity share) | | 1,545.94 | 1,249.97 |
| Basic and Diluted Earnings per share of Rs.10/- each (not annualised) Rs. | | -14.67 | -13.26 |
| See accompanying notes to the financial statements | 1-45 | | |

As per our report of even date attached

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

Sd/-
RAJA PATURI
Partner
Membership No: 020615

Hyderabad
28th May 23

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

Sd/-
SUNNY SHARMA
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-23

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

| Particulars | Year ended 31-Mar-23 | Year ended 31-Mar-22 |
|---|-------------------------|-------------------------|
| Cash flows from operating activities | | |
| Profit / (loss) before tax | -1,938.07 | -1,622.41 |
| Adjustments to reconcile net loss to net cash provided by operating activities | | |
| Depreciation and amortisation | 238.62 | 143.59 |
| Foreign currency translation gain / (loss) | 144.70 | -25.11 |
| Provision for Gratuity | 14.43 | - |
| Provision for expected credit loss | 26.68 | - |
| Liabilities no longer required written off | -11.04 | - |
| (Profit) on disposal of property, plant and equipment | - | -75.39 |
| Receivable on sale of fixed asset written off | - | 442.58 |
| Finance costs | 197.94 | 240.00 |
| Interest income | -166.71 | -91.25 |
| Trade receivables | 193.35 | 143.31 |
| Inventories | -507.10 | 119.56 |
| Other Financial Assets - Non Current | 0.51 | - |
| Other Financial Assets - Current | -7.81 | - |
| Income Tax assets - Non Current | -17.64 | - |
| Other current assets | -971.23 | 335.34 |
| Trade payables | -119.80 | -23.50 |
| Other liabilities | -185.49 | -123.01 |
| Net cash flow from operating activities | A | -3,058.68 |
| Cash flows from investing activities | | |
| Proceeds from disposal of property, plant and equipment | - | 553.69 |
| Purchase of property, plant and equipment | -62.72 | -15.76 |
| Investment in 100% WOS | -480.19 | - |
| Interest income | 116.71 | 91.25 |
| Net cash flow used in investing activities | B | -426.20 |
| Cash flow from financing activities | | |
| Proceeds from issuance of equity share capital | 4,917.49 | - |
| Promotors Loan Converted to Equity | 414.49 | - |
| Proceeds from Share application money | - | 552.00 |
| Increase in Cash Credit Limit | 267.58 | - |
| Increase in Vehicle Loan | 47.55 | - |
| Repayment of Term Loan | -17.77 | - |
| Repayment of Promotors loan and ICD including conversion to equity | -625.15 | 186.59 |
| Finance costs | -197.94 | -240.00 |
| Net cash flow (used in)/from financing activities | C | 4,806.26 |
| Net increase in cash and cash equivalents (A+B+C) | A+B+C | 218.30 |
| Cash and bank balances at the beginning of the year | 1,892.23 | 1,673.94 |
| Less: Bank deposits with less than 12 months maturity | 3,202.35 | 1,265.82 |
| Cash and cash equivalents at the end of the year | 11.26 | 626.41 |
| See accompanying notes to the financial statements | 1-45 | |

As per our report of even date attached

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

Sd/-
RAJA PATURI
Partner
Membership No: 020615

Hyderabad
28th May 23

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

Sd/-
SUNNY SHARMA
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

1. Corporate information

Kernex Microsystems (India) Limited is engaged in the manufacture and sale of Safety Systems and Software services for Railways.

2. Significant accounting policies

The significant 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.

2.1. Basis of Preparation and Presentation

The financial statements have been prepared on the historical cost basis and on 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 the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

Company's financial statements are presented in Indian Rupees, which is also its functional currency.

2.2. 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.

2.3. Property, plant and equipment

Property, plant and equipment are stated at cost, net off recoverable taxes, trade discount and rebates less accumulated depreciation and impairment losses, if any. Such cost includes purchase price and any cost directly attributable to bringing the assets to its working conditions for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

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.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.4. 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.

Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate.

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.

2.5. 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.

Financial Assets

Initial recognition and measurement All financial assets are recognised initially at fair value plus, 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. 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.

Subsequent measurement

i. Financial assets carried at amortised cost (AC)

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii. Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is measured at FVTOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

iii. Financial assets at fair value through profit or loss (FVTPL)

A financial asset which is not classified in any of the above categories are measured at FVTPL.

Investment in subsidiaries

The Company has accounted for its investment in subsidiary at cost.

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 fair value through profit and loss (FVTPL).

For trade receivables, Company applies 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of simplified approach require the Company to recognises impairment loss allowance based on lifetime ECLs at each reporting date,

right from its initial recognition. The Company uses historical default rates to determine impairment loss on the portfolio of trade receivables. At every reporting date these historical default rates are reviewed and changes in the forward looking estimates are analysed.

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. 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.

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.

2.6. 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, are subject to insignificant risk of changes in value and have a maturity of three months or less.

2.7. Inventories

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods are 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 overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.8. 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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.

2.9. Provisions, Contingent Liabilities and Contingent Assets 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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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.

Contingent assets

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

2.10. Revenue recognition

Effective 1st Apr, 2018 the Company has applied Ind AS 115. This comprehensive new standard will supersede existing revenue recognition guidance, and requires an entity to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

i. Revenue from contracts

Revenue from contracts priced on a time and material basis are recognised as the related services are rendered and the related costs are incurred.

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.

Revenue from sale of goods 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.

iv. Interest Income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and effective interest rate applicable.

2.11. 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

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.

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.

2.12. 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.

2.13. 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.

Exchange differences arising on settlement or translation of monetary items are recognised in Statement of Profit and Loss except to the extent of exchange differences which are regarded as an adjustment to interest costs on foreign currency borrowings that are directly attributable to the acquisition or construction of qualifying assets, are capitalized as cost of assets.

Non-Monetary items that are measured in terms of historical cost in a foreign currency are recorded using the exchange rates at the date of transaction.

2.14. Tax Expenses

The tax expense for the period comprises current and deferred tax. Tax expense is recognised in Statement of Profit and Loss, except to the extent that it relates to items recognised in the comprehensive income or in equity. In which case, the tax is also recognised in other comprehensive income or equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised 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 liabilities and assets are measured at the tax rates that are expected to apply to the temporary differences in the period in which the liability is settled or the asset realised, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

A 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.

2.15. 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 is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares except where the result would be anti dilutive.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Note No 2: Property, Plant and Equipment
as on 31-Mar-23

(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 |
|---|---------------------------|------------------|---------------------------|------------------------------|----------------|------------------------|-----------------|
| Cost as at 31 March 2021 | 929.62 | 3,875.38 | 1,384.52 | 124.08 | 113.00 | 100.21 | 6,526.81 |
| Additions | - | - | 14.80 | - | - | - | 14.80 |
| Disposals | -478.29 | - | - | - | -0.12 | - | -478.41 |
| Cost as at 31 March 2022 | 451.33 | 3,875.38 | 1,399.31 | 124.08 | 112.88 | 100.21 | 6,063.20 |
| Additions | - | - | 17.41 | - | 45.17 | - | 62.58 |
| Disposals | - | - | - | - | - | - | - |
| Cost as at 31 March 2023 | 451.33 | 3,875.38 | 1,416.73 | 124.08 | 158.05 | 100.21 | 6,125.78 |
| Accumulated depreciation as at 1 April 2021 | - | 1,724.47 | 1,329.53 | 114.38 | 105.77 | 99.08 | 3,373.23 |
| Depreciation for the year | - | 120.93 | 15.27 | 2.68 | 2.37 | 0.46 | 141.71 |
| Disposals/adjustments | - | - | - | - | - | - | - |
| Accumulated depreciation as at 31 March 2022 | - | 1,845.40 | 1,344.80 | 117.06 | 108.15 | 99.54 | 3,514.95 |
| Depreciation for the year | - | 210.24 | 13.72 | 1.47 | 12.32 | 0.28 | 238.02 |
| Disposals/adjustments | - | - | - | - | - | - | -0.14 |
| Accumulated depreciation as at 31 March 2023 | - | 2,055.64 | 1,358.52 | 118.53 | 120.32 | 99.82 | 3,752.82 |
| | | | | | | | |
| Net carrying value as at 31 March 2022 | 451.33 | 2,029.98 | 54.51 | 7.02 | 4.74 | 0.67 | 2,548.25 |
| Net carrying value as at 31 March 2023 | 451.33 | 1,819.74 | 58.21 | 5.55 | 37.73 | 0.39 | 2,372.95 |

The title deeds of all the immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee), are held in the name of the Company.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

| Description | Computer Software | Total |
|---|-------------------|---------------|
| Cost as at 1 April 2021 | 148.80 | 148.80 |
| Additions | 0.96 | 0.96 |
| Disposals | - | - |
| Cost as at 31 March 2022 | 149.76 | 149.76 |
| Additions | - | - |
| Disposals | - | - |
| Cost as at 31 March 2023 | 149.76 | 149.76 |
| | - | |
| Accumulated depreciation as at 1 April 2021 | 147.05 | 147.05 |
| Depreciation for the year | 1.76 | 1.76 |
| Disposals/adjustments | - | - |
| Accumulated depreciation as at 31 March 2022 | 148.81 | 148.81 |
| Depreciation for the year | 0.60 | 0.60 |
| Disposals/adjustments | - | - |
| Accumulated depreciation as at 31 March 2023 | 149.41 | 149.41 |
| | | |
| Net carrying value as at 31 March 2022 | 0.95 | 0.95 |
| Net carrying value as at 31 March 2023 | 0.35 | 0.35 |

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 |
|----------|---|--------------------|--------------------|
| 4 | INVESTMENTS | | |
| | Investments carried at cost | | |
| | Unquoted equity shares (fully paid up) | | |
| | In 100% subsidiary - Avant Garde Infosystems Inc USA | 1,275.97 | 795.78 |
| | 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 | | |
| | In Joint Venture - Kernex TCAS JV (80% Share) | 8.00 | 8.00 |
| | | 1,283.97 | 803.78 |
| 5 | OTHER FINANCIAL ASSETS | | |
| | Unsecured and considered good | | |
| | Security deposits | 12.92 | 13.43 |
| | | 12.92 | 13.43 |
| 6 | OTHER NON CURRENT ASSETS | | |
| | Advance income tax (net) | 155.26 | 137.62 |
| | Mat credit entitlement | 122.57 | 122.57 |
| | | 277.83 | 260.19 |
| 7 | INVENTORIES | | |
| | Raw material | 766.41 | 392.19 |
| | Less: Obsolete stock written off | - | - |
| | Less: Provision for slow / non moving stock | -248.80 | -248.80 |
| | | 517.61 | 143.39 |
| | Work-in-progress | 704.59 | 571.71 |
| | | 1,222.20 | 715.10 |
| | Work-in-progress represent work completed in respect of projects yet to be billed to the customers. | | |
| 8 | TRADE RECEIVABLES | | |
| | Unsecured | | |
| | Trade Receivable from Related Parties | 512.12 | 3,193.89 |
| | Others | 423.92 | - |
| | Considered impaired (See note No) | 2,064.50 | 2,056.07 |
| | | 3,000.54 | 3,193.89 |
| | Less: Allowances for expected credit losses | -2,062.74 | -2,056.07 |
| | | 937.79 | 1,137.82 |

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 | | | | | | |
|--|--|--------------------|------------------|-----------|---------------|-------------------|-----------------|
| | Not due | Less than 6 months | 6 months -1 year | 1-2 Years | 2-3 Years | More than 3 years | Total |
| (i) Undisputed Trade Receivables - considered good | 423.92 | - | - | - | 97.54 | - | 521.46 |
| (ii) Undisputed Trade Receivables - which have significant increase in credit risk | - | 1.88 | 1.88 | - | - | 410.81 | 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 |
| Total | 423.92 | 1.88 | 1.88 | - | 97.54 | 2,475.31 | 3,000.54 |
| Less: Allowance for expected credit losses | - | - | - | - | - | 2,062.74 | 2,062.74 |
| Balance as at 31 March 2023 | 423.92 | 1.88 | 1.88 | - | 97.54 | 412.57 | 937.79 |
| (i) Undisputed Trade Receivables - considered good | 551.57 | 167.01 | - | - | 419.24 | - | 1,137.82 |
| (ii) Undisputed Trade Receivables - which have significant increase in credit risk | - | - | - | - | - | - | - |
| (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 | - | - | - | - | - | 2,056.07 | 2,056.07 |
| Total | 551.57 | 167.01 | - | - | 419.24 | 2,056.07 | 3,193.89 |
| Less: Allowance for expected credit losses | - | - | - | - | - | 2,056.07 | 2,056.07 |
| Balance as at 31 March 2022 | 551.57 | 167.01 | - | - | 419.24 | - | 1,137.82 |

- a) Out of the above Trade Receivables, an amount of Rs 423.91 lakhs (PY Rs 551 lakhs) due from Egyptian National Railways (ENR) is outstanding pending mile stones of the contract to be achieved.
- b) Further an amount Rs 2,064.5 lakhs (PY Rs 2,056 lakhs) receivable from Konkan Railways Corporation Ltd (KRCL) is under arbitration / in the process of filing arbitration and provision for expected credit losses upto the extent of Rs 2062.74 is made in respect of this outstanding.
- c) Due from Related party i.e Comptek Computer systems Pvt Ltd Rs 414.57 (PY 410.8)
- d) Excludes unbilled revenue of Rs 183.47 (PY 203.47) against which allowance has been created for expected credit losses to an extent of Rs. 20 (PY nil)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts in lakhs, except share data and where otherwise stated)

| Note | Particulars | As at 31-Mar-23 | As at 31-Mar-22 |
|-----------|--|--------------------|--------------------|
| 9 | CASH AND CASH EQUIVALENTS | | |
| | Balances with banks | | |
| | In Current accounts | 10.17 | 622.32 |
| | Cash on hand | 1.08 | 4.09 |
| | | 11.26 | 626.41 |
| 10 | OTHER BANK BALANCES | | |
| | Fixed Deposit accounts | 1,500.00 | 0.90 |
| | Margin money for bank guarantees | 1,702.35 | 1,264.92 |
| | | 3,202.35 | 1,265.82 |
| | The margin money is given as a security for providing performance bank guarantee of Rs 2796.70 (PY 1818.72). The Bank guarantee are also secured by collateral hypothecation of fixed assets of the company including Land and Building situated at TSIIC hardware park. | | |
| 11 | OTHER FINANCIAL ASSETS | | |
| | Interest accrued but not due on term deposits | 10.51 | 2.70 |
| | | 10.51 | 2.70 |
| 12 | OTHER CURRENT ASSETS | | |
| | Unsecured and considered good | | |
| | Advance to vendors - Considered good | 1285.06 | 315.53 |
| | Considered doubtful | 71.96 | 71.96 |
| | | 1,357.02 | 387.49 |
| | Less: <i>Provision for Advances</i> | -71.96 | -71.96 |
| | | 1,285.06 | 315.53 |
| | Advances to customers | | - |
| | Balances with statutory/government authorities | 282.83 | 328.74 |
| | Advance for expenses | 19.60 | 9.53 |
| | Unbilled revenue | 183.47 | 203.47 |
| | Prepaid expenses | 42.30 | 4.76 |
| | Receivable on sale of fixed assets | - | - |
| | | 1,813.26 | 862.02 |

- a) Balances with statutory/government authorities represent input credit on goods and services purchased/received of Rs. 269.05 (PY 253.13 lakhs) lakhs and VAT claims receivable of Rs. 12.40 lakhs (PY 75.61 lakhs).
- b) Unbilled revenue gross is 203.47 (PY 203.47) and allowance for expected credit loss is 20 lakhs and net unbilled revenue is 183.47 (PY 203.47)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts in lakhs, except share data and where otherwise stated)

| Note | Particulars | 31-Mar-23 | | 31-Mar-22 | |
|-----------|--|--------------------|-----------------|--------------------|-----------------|
| | | No of Shares | Amount | No of Shares | Amount |
| 13 | SHARE CAPITAL | | | | |
| | Authorised share capital | | | | |
| | 2,50,00,000 Equity shares of Rs.10/- each | 2,50,00,000 | 2,500.00 | 1,50,00,000 | 1,500.00 |
| | Issued, subscribed and fully paid-up | | | | |
| | 1,54,59,422 Equity Shares of Rs.10/- each with voting rights | 1,54,59,422 | 1,545.94 | 1,24,99,655 | 1,249.97 |
| | | 1,54,59,422 | 1,545.94 | 1,24,99,655 | 1,249.97 |

a. Reconciliation of equity shares outstanding at the beginning and at the end of the year

| Particulars | 31-Mar-23 | | 31-Mar-22 | |
|---|--------------------|---------------|--------------------|----------|
| | No of Shares | Amount | No of Shares | Amount |
| At the beginning of the year | 1,24,99,655 | 1,249.97 | 1,24,99,655 | 1,249.97 |
| Issued during the year | 29,59,767 | 295.98 | - | - |
| Outstanding at the end of the year | 1,54,59,422 | 1,545.94 | 1,24,99,655 | 1,249.97 |

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-23 | | As at 31-Mar-22 | |
|-------------------------|---------------------|---------------|-----------------|--------------|
| | No of Shares | % of holding | No of Shares | % of holding |
| Anji Raju Manthena | 24,86,873.00 | 16.09% | 19,55,106.00 | 15.64% |
| Seetharamaraju Manthena | 7,12,995.00 | 4.61% | 7,12,995.00 | 5.70% |
| Sreelakshmi Manthena | 6,40,398.00 | 4.14% | 6,40,398.00 | 5.12% |

d. Details of shares held by promoters

| Name of the shareholder | As at 31-Mar-23 | | As at 31-Mar-22 | |
|-------------------------|-----------------|--------------|-----------------|--------------|
| | No of Shares | % of holding | No of Shares | % of holding |
| Anji Raju Manthena | 24,86,873 | 16.09% | 19,55,106 | 15.64% |
| Sitarama Raju Manthena | 7,12,992 | 4.61% | 7,12,992 | 5.70% |
| Sreelakshmi Manthena | 6,40,398 | 4.14% | 6,40,398 | 5.12% |
| Srinivasa Raju Manthena | 6,06,597 | 3.92% | 6,06,597 | 4.85% |
| Manthena Parvathi | 2,68,469 | 1.74% | 2,68,469 | 2.15% |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts in lakhs, except share data and where otherwise stated)

| Name of the shareholder | As at 31-Mar-23 | | As at 31-Mar-22 | |
|----------------------------------|------------------|---------------|------------------|---------------|
| | No of Shares | % of holding | No of Shares | % of holding |
| Madhav Mantena | 1,10,260 | 0.71% | 1,10,260 | 0.88% |
| Raju N Mantena | 40,032 | 0.26% | 2,032 | 0.02% |
| Namrata Kapoor | 7,917 | 0.05% | 7,917 | 0.06% |
| Madhuvalli Lakamraju | 5,480 | 0.04% | 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% |
| Kishore Babu Gottimukkala | - | 0.00% | - | 0.00% |
| | 48,84,712 | 31.60% | 43,14,945 | 34.52% |

14. Other equity

| Particulars | As at 31-Mar-23 | As at 31-Mar-22 |
|--|--------------------|--------------------|
| Securities premium | | |
| Opening balance | 9,172.20 | 9,172.20 |
| Add: Received on preferential allotment of equity shares | 5,588.00 | |
| Utilised during the year towards issue of bonus shares | | |
| Closing balance | 14,760.20 | 9,172.20 |
| Retained earnings | | |
| Opening balance | -5,284.81 | -3,627.29 |
| Add: Profit during the year | -1,985.72 | -1,657.52 |
| Closing balance | -7,270.52 | -5,284.81 |
| General Reserve | 612.14 | 612.14 |
| Items recognised directly in other comprehensive income | | |
| Re-measurement losses on employee defined benefit plans (net of tax) | -49.28 | -48.48 |
| Foreign currency translation reserve | -369.42 | -393.42 |
| | -418.70 | -441.90 |
| Share application money pending allotment | - | 552.00 |
| Total | 7,683.12 | 4,609.62 |

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 |
|-----------|--|--------------------|--------------------|
| 15 | BORROWINGS | | |
| | Secured | | |
| | Vehicle loans | 47.55 | - |
| | | 47.55 | - |
| | Vehicles purchased are hypothecated to Axis Bank. The rate of Interest is 10.75 % pa. The loan is repayable in 47 equated instalments. | | |
| 16 | LONG TERM PROVISIONS | | |
| | Provision for employee benefits | | |
| | Provision for gratuity | 35.30 | 19.98 |
| | | 35.30 | 19.98 |
| 17 | BORROWINGS | | |
| | Loans repayable on demand | | |
| | From banks | | |
| | Cash credit facilities | 267.58 | - |
| | Term Loan | 23.08 | 40.85 |
| | Others | | |
| | Unsecured loans from directors | 179.63 | 672.74 |
| | Inter corporate deposits | 339.69 | 471.72 |
| | Others | 9.45 | 9.45 |
| | | 819.48 | 1,194.77 |
| a. | Cash credit facilities from State Bank of India are secured by first charge of hypothecation on all current assets of the Company present and future and collaterally secured by extension of 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 interest rate is 3.0 % spread on EBLR ranged between 9.65 % to 12.15 % | | |
| b. | Guaranteed Emergency Credit Term Loan (Unsecured) is repayable by May 2024 carrying interest rate at 9.25 % | | |
| c. | Unsecured Loan from directors are repayable on demand and carrying interest at 18 % | | |
| d. | Inter corporate Loan is repayable on demand and carrying interest rate of 15%. | | |
| e. | Other Loans are interest free and repayable on demand | | |
| 18 | TRADE PAYABLES | | |
| | Due to micro, small and medium enterprises | 0.10 | 27.22 |
| | Others | 317.23 | 289.31 |
| | | 317.34 | 316.53 |

Trade payables ageing schedule

| Particulars | Upto 1 year | 1-2 Years | 2-3 Years | More than 3 years | Total |
|-------------|-------------|-----------|-----------|-------------------|--------|
| Creditors | 12.41 | 3.87 | 0.23 | 300.83 | 317.34 |

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-23 | Year ended 31-Mar-22 |
|-----------|--|-------------------------|-------------------------|
| 19 | OTHER FINANCIAL LIABILITIES | | |
| | Due to capital creditors | 2.19 | 2.19 |
| | Share application money due for refund | 0.26 | 0.26 |
| | Expenses Payables | 249.01 | 167.85 |
| | Others | 153.15 | 352.63 |
| | | 404.62 | 522.94 |
| 20 | OTHER CURRENT LIABILITIES | | |
| | Advance from customers | 137.25 | 29.03 |
| | Statutory remittances | 31.38 | 217.81 |
| | | 168.63 | 246.84 |
| 21 | REVENUE FROM OPERATIONS | | |
| | Sale of Products | 200.36 | 535.89 |
| | | 200.36 | 535.89 |
| 22 | OTHER INCOME | | |
| | Interest Income | | |
| | On fixed deposits | 63.71 | 77.77 |
| | Interest on advances | 53.00 | 13.48 |
| | Profit on sale of asset | - | 75.39 |
| | Rental income | 2.59 | 2.59 |
| | Miscellaneous income | 0.28 | 0.69 |
| | Forgien exchange gain | - | 10.34 |
| | Liabilities no longer required written off | 11.04 | - |
| | | 130.62 | 180.26 |
| 23 | COST OF MATERIALS CONSUMED | | |
| | Opening stock | 143.39 | 178.11 |
| | Add: Purchases | 628.38 | 222.94 |
| | Less: Closing stock | 517.61 | 143.39 |
| | | 254.16 | 257.66 |
| 24 | CHANGES IN INVENTORIES OF WORK-IN-PROCESS | | |
| | Inventories at the end of the year | | |
| | Work-in- process | 704.59 | 571.71 |
| | Work-in- process | 571.71 | 656.55 |
| | Net (increase)/decrease | -132.88 | 84.84 |

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-23 | Year ended 31-Mar-22 |
|-------------|---|---------------------------------|---------------------------------|
| 25 | EMPLOYEE BENEFIT EXPENSE | | |
| | Salaries and wages | 647.27 | 501.50 |
| | Directors remuneration* | 45.99 | 43.20 |
| | Contribution to provident and other funds | 20.98 | 17.21 |
| | Gratuity expense | 14.43 | 4.82 |
| | Staff welfare expenses | 21.04 | 11.13 |
| | | 749.72 | 577.86 |
| | * Excludes perquisites and Other allowances of Rs 14.97 lakhs (PY 15.84 akhs) grouped under other expenses. | | |
| 26 | FINANCE COSTS | | |
| | Interest on borrowings (Bank Loans + Promotors Loans) | 187.58 | 180.61 |
| | Other borrowing costs | 10.36 | 59.40 |
| | | 197.94 | 240.01 |
| 27 | OTHER EXPENSES | | |
| | Project execution expenses | 399.96 | 301.39 |
| | Electricity charges | 32.69 | 25.52 |
| | Security charges | 12.99 | 17.81 |
| | Rates and taxes | 76.73 | 7.74 |
| | Printing and stationery | 2.55 | 1.63 |
| | Insurance | 5.51 | 5.04 |
| | Repairs and maintenance | 65.64 | 76.81 |
| | Postage, telephone and courier | 8.85 | 8.13 |
| | Travelling and conveyance | 28.36 | 15.33 |
| | Professional & consultancy fees | 66.62 | 34.86 |
| | Directors sitting Fees | 47.60 | 41.10 |
| | Business promotion | 7.03 | 4.88 |
| | Statutory audit | 6.50 | 4.00 |
| | Out of Pocket Expenses | 0.80 | 0.80 |
| | Loss on foreign currency transactions and translation (net) | 120.61 | 9.66 |
| | Miscellaneous expenses | 22.28 | 37.31 |
| | Bank charges | 30.11 | - |
| | Allowances for expected credit losses | 26.68 | - |
| | | 961.50 | 592.02 |
| 28 | EXCEPTIONAL ITEMS | | |
| | Receivable on sale of fixed asset written off | - | -442.58 |
| | | - | -442.58 |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

29 DETAILS OF CORPORATE SOCIAL RESPONSIBILITY EXPENDITURE

The company is not required to spend on corporate social responsibility under section 135 of the Companies Act, 2013 as the Company does not meet the criteria thereunder.

30 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 18.74 Lakhs (Previous year INR 13.62 Lakhs) towards provident fund plan during the years ended 31-Mar-23.

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 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-23 | 31-Mar-22 |
|--|--------------|--------------|
| Present value of obligation as at beginning of the year | 63.20 | 64.53 |
| Current service cost | 13.00 | 5.53 |
| Interest expense or cost | 4.53 | 3.58 |
| Re-measurement (or Actuarial) (gain) / loss | -2.21 | 13.38 |
| Benefits Paid | - | -23.82 |
| Present Value of Obligation as at the end of the year | 78.52 | 63.20 |

ii. Changes in fair value of plan assets

| Particulars | 31-Mar-23 | 31-Mar-22 |
|---|--------------|--------------|
| Fair Value of Plan Assets as at the beginning of the year | 43.22 | 62.99 |
| OB difference | - | - |
| Investment Income | 3.09 | 4.28 |
| Employer's Contribution | - | - |
| Expenses | - | -0.36 |
| Benefits Paid | - | -23.82 |
| Return on plan assets , excluding amount recognised in net interest expense | - | 0.12 |
| Actuarial gain/(Loss) | -3.09 | - |
| Fair Value of Plan Assets as at the end of the year | 43.22 | 43.22 |

iii. Fair value of Assets and Obligations

| Particulars | 31-Mar-23 | 31-Mar-22 |
|------------------------------------|---------------|-----------|
| Fair value of plan assets | 43.22 | 43.22 |
| Present value of obligation | 78.52 | 63.20 |
| Amount recognized in balance sheet | -35.30 | -19.98 |

iv. Expenses recognised during the year

| Particulars | 31-Mar-23 | 31-Mar-22 |
|---|--------------|-----------|
| In Income Statement | | |
| Current Service Cost | 13.00 | 5.53 |
| Net Interest Cost / (Income) on the Net Defined Benefit Liability / (Asset) | 1.43 | -0.71 |
| Expenses Recognised in the Income Statement | 14.43 | 4.82 |
| In Other Comprehensive Income | | |
| Actuarial (gains) / losses | | |
| Opening balance difference | - | - |
| Others | -2.21 | 13.74 |
| Return on plan assets, excluding amount recognized in net interest expense | 3.09 | -0.12 |
| Components of defined benefit costs recognised in other comprehensive income | 0.88 | 13.62 |

v. Actuarial assumptions

| Particulars | 31-Mar-23 | 31-Mar-22 |
|--------------------------------|--------------|-----------|
| Discount rate (per annum) | 7.39% | 7.16% |
| 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 is given below:

| Particulars | 31-Mar-23 | | 31-Mar-22 | |
|------------------------------|--------------|--------------|-----------|----------|
| | Decrease | Increase | Decrease | Increase |
| Change in discounting rate | 85.58 | 72.44 | 69.11 | 58.15 |
| Change in salary growth rate | 68.83 | 90.11 | 55.07 | 73.00 |
| Change in attrition rate | 72.40 | 83.99 | 58.01 | 67.89 |
| Change in mortality rate | 77.11 | 79.95 | 62.97 | 63.43 |

31 RELATED PARTIES

a. List of the transacted 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 | 100% WOS |
| 2 | Joint Venture | KernexTCAS JV | Investor in Joint Venture |
| | | Anji Raju Manthena | Director |
| | | Janardhana Reddy Vinta | Director |
| | | Sreelakshmi Manthena | Director |
| | | Sitarama Raju Manthena | Whole Time Director |
| | | Badari Narayana Raju Manthena | Whole Time Director |
| 3 | Key Managerial Personnel | R Sreenivasa Rao | Independent Director |
| | | K Soma Sekhara Rao | Independent Director |
| | | A V S Krishna Mohan | Independent Director |
| | | Narender Kumar | Director |
| | | Satyanarayana Raju Kalidindi | Chief Executive Officer (Resigned on 20.03.2023) |
| | | Sunny Sharma | Chief Financial Officer (Appointed on 05.12.2022) |
| | | Ramayya Vutukuri | Chief Financial Officer (Resigned on 05.12.2022) |
| | | Prasada Rao Kalluri | Company Secretary |
| 4 | Relatives of Key Managerial Personnel | Alluri Sita Rama Raju Manthena | Son of Director |
| 5 | Enterprises Controlled by Relatives of KMP | Hiliks Technologies Limited | Spouse of CEO is Director |
| 6 | A Company in which relative of director is interested | Comptek Computer System Pvt. Ltd. | Relative of Director is Interested |

b. Transactions with Related parties during the year 2022-23

| S.No. | Nature of Transaction | Name of the related party | 2022-23 | 2021-22 | |
|------------------|---|--|-----------------------------------|---------------|--------|
| 1 | Managerial Remuneration | Sitarama Raju Manthena | 28.39 | 25.20 | |
| | | Badari Narayana Raju Manthena | 35.56 | 28.91 | |
| | | Satyanarayana Raju Kalidindi | 53.37 | 41.04 | |
| | | Ramayya Vutukuri (EX CFO upto 05-12-2022) | 11.67 | 20.23 | |
| | | Sunny Sharma (CFO wef 05-12-2022) | 10.25 | - | |
| | | Prasada Rao Kalluri | 7.83 | 6.48 | |
| 2 | Unsecured Loans | Repayment | Anji Raju Manthena* | 414.49 | 294.50 |
| | | Received | Anji Raju Manthena | - | - |
| | | Repayment | Badari Narayana Raju Manthena | 74.88 | - |
| | | Received | Badari Narayana Raju Manthena | 10.00 | 62.00 |
| | | Repayment | Janardhana Reddy Vinta | 75.00 | - |
| | | Received | Janardhana Reddy Vinta | - | 114.50 |
| 3 | Others | Sales | Avant-Garde Info Systems Inc, USA | 2.35 | 0.30 |
| | | Sales | Kernex TCAS JV | 109.53 | 622.70 |
| | | Purchases | Avant-Garde Info Systems Inc, USA | - | - |
| | | Commission | Avant-Garde Info Systems Inc, USA | - | - |
| | | Advance | Kernex TCAS JV | 100.43 | 30.05 |
| | | Interest Received | Kernex TCAS JV | 53.00 | 33.86 |
| | | Interest Paid | Anji Raju Manthena | 76.86 | 76.73 |
| | | Interest Paid | Janardhana Reddy Vinta | 10.44 | 3.33 |
| | | Interest Paid | Badari Narayana Raju Manthena | 1.33 | 2.11 |
| | | Advance paid | Hiliks Technologies Limited | - | - |
| | | Advance refund | Hiliks Technologies Limited | - | 29.22 |
| | | Foreign Exchange | fluctuation Avant Garde | 18.83 | - |
| | | Management contracts including for deputation of employees | Comptek Computer System Pvt Ltd | - | 20.00 |
| Remittances from | Kernex TCAS JV | 179.00 | - | | |
| Rental income | Comptek Computer System Pvt Ltd | 3.77 | 3.77 | | |
| 4 | Directors' sitting fees & reimbursments | Anji Raju Manthena | 7.00 | 5.50 | |
| | | Janardhana Reddy Vinta | 4.00 | 3.50 | |
| | | Sreelakshmi Manthena | 7.00 | 6.00 | |
| | | R Sreenivasa Rao | 10.50 | 9.50 | |
| | | K Soma Sekhara Rao | 6.10 | 10.50 | |
| | | A V S Krishna Mohan | 10.50 | 6.10 | |
| | | Narender Kumar | 2.50 | - | |

c. Balances as at 31-Mar-23

| S.No. | Nature of Transaction | Name of the related party | 31-Mar-23 | 31-Mar-22 |
|-------|---|-----------------------------------|-----------|-----------|
| 1 | Loan taken from KMP | Anji Raju Manthena | 129.61 | 491.23 |
| | | Vinta Janardhana Reddy | 50.01 | 117.83 |
| | | Badari Narayana Raju Manthena | - | 63.68 |
| 2 | Trade payable | Avant-Garde Info Systems Inc, USA | 293.44 | 276.97 |
| 3 | Trade Receivables | Kernex TCAS JV | 97.54 | 167.01 |
| | | Comptek Comuter systems Pvt Ltd | 414.57 | 410.80 |
| 4 | Investments - Wholly owned subsidiary Joint Venture | Avant-Garde Info Systems Inc, USA | 1,275.96 | 795.78 |
| | | Kernex TCAS JV | 8.00 | 8.00 |
| 5 | Advances to customers | Kernex TCAS JV | 396.72 | 248.59 |
| | | Hiliks Technologies Limited | - | - |
| 6 | Directors' sitting fees & reimbursements payable | Anji Raju Manthena | 1.81 | 18.00 |
| | | Janardhana Reddy Vinta | 13.23 | 10.48 |
| | | Sreelakshmi Manthena | 16.10 | 11.28 |
| | | Mantena Raju Narasa | 4.39 | 4.39 |
| | | R Sreenivasa Rao | 1.93 | 6.55 |
| | | K Soma Sekhara Rao | -0.45 | 7.45 |
| | | A V S Krishna Mohan | 2.44 | 4.49 |
| | Narender Kumar | 2.25 | - | |

* Converted to equity share capital

32 EARNINGS PER SHARE

| S.No. | Particulars | 31-Mar-23 | 31-Mar-22 |
|-------|--|-------------|------------|
| 1 | Profit after tax attributable to equity shareholders | -1,985.72 | -1,657.52 |
| 2 | Weighted average number of equity shares for Basic EPS | 1,35,31,741 | 12,499,655 |
| 3 | Weighted average number of equity shares for Diluted EPS | 1,35,31,741 | 12,499,655 |
| 4 | Basic earnings per Share | -14.67 | -13.26 |
| 5 | Diluted earnings per Share | -14.67 | -13.26 |

33 INCOME TAXES

Income tax expense/ (benefit) recognised in the statement of profit and loss

| S.No. | Particulars | 31-Mar-23 | 31-Mar-22 |
|-------|--|--------------|--------------|
| 1 | Current tax | - | - |
| 2 | Previous years tax | - | - |
| 3 | Deferred tax | 47.65 | 35.11 |
| | Total income tax expense recognised in the statement of profit & loss | 47.65 | 35.11 |

34 CONTINGENT LIABILITIES AND COMMITMENTS

| | Particulars | 31-Mar-23 | 31-Mar-22 |
|----|--|-----------|-----------|
| a. | Claims against the Company not acknowledged as a debt (See note c to e below) | 856.11 | 832.82 |
| b. | Bank guarantee outstanding* | 2,796.70 | 1,698.64 |

- i) The Company has deposited margin money of Rs 1702.35 lakhs against the same. The balance is secured by hypothecation of fixed assets of the company including land and building situated at TSIIIC hardware park.
- ii) Includes BG on behalf of Joint Venture TCAS JV of Rs 121.11 lakhs (PY 121.11 lakhs)

| Particulars | 31-Mar-23 | 31-Mar-22 |
|--|-----------|-----------|
| c. Income Tax Demands (Excluding interest) | | |
| 1. Penalties admitted but yet to be settled (AY 2017-18 and AY 2018-19) | 0.66 | 4.78 |
| 2. Demands raised in intimation for inter - head adjustments for which rectification and appeal filed (AY 2019-20 and AY 2020-21) | 484.65 | 484.65 |
| 3. Demands in appeal (AY 2014-15 and AY 2018-19) | 43.86 | 43.86 |
| 4. Presecution proceedings u/s 276B initiated for failure to deposit TDS by due date (FY 2013-14 and FY 2016-17) | - | - |
| d. GST | | |
| Demand raised for discrepancies in GST returns (FY 2018-19) | 27.41 | - |
| e. Other Matters | | |
| 1. Ex employee Murlidhar Raju claimed salary arrears with interest before RR distt. Court | 40.52 | 40.52 |
| 2. EX MD of the company Col LV Raju claimed arrears of remuneration and outstanding loan and sought attachment before judgement before in RR distt court | 234.00 | 234.00 |
| 3. EX MD of the company Col LV Raju filed section 138 case under Negotiable Instrument Act for bouncing of cheque against the company at additional chief metropolitan court, secunderabad | 25.00 | 25.00 |

f. Local Agent Commission

- i. 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 favourable order.

35 OTHER SIGNIFICANT LITIGATIONS

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 2062.74 Lakhs in the books of accounts.

36 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.

37 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.

ii. Cash and Cash Equivalents

The Company held cash and cash equivalents of Rs. 11.26 Lakhs at 31-Mar-23 (Previous year INR 626.41 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 :

| Particulars 31-Mar-23 | Upto 1 year | 1 to 3 years | 3 to 5 years | > 5 years | Total carrying amount |
|----------------------------------|--------------------|---------------------|---------------------|---------------------|------------------------------|
| Vehicle Loan | 12.00 | 36.00 | - | - | 48.00 |
| Current Borrowings | 819.43 | - | - | - | 819.43 |
| Trade payables | 317.34 | - | - | - | 317.34 |
| Other financial liabilities | 404.62 | - | - | - | 404.62 |
| Other Current Liabilities | 168.63 | - | - | - | 168.63 |
| | 1,722.02 | 36.00 | - | - | 1,758.02 |

| Particulars 31-Mar-22 | Upto 1 year | 1 to 3 years | 3 to 5 years | > 5 years | Total carrying amount |
|-------------------------------|-----------------|--------------|--------------|-----------|-----------------------|
| Other non current liabilities | 1,194.77 | - | - | - | 1,194.77 |
| Current borrowings | 316.53 | - | - | - | 316.53 |
| Trade payables | 2.46 | - | - | - | 2.46 |
| Other financial liabilities | 767.33 | - | - | - | 767.33 |
| Other Current Liabilities | - | - | - | - | - |
| Other Payables | - | - | - | - | - |
| | 2,281.09 | - | - | - | 2,281.09 |

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-23 | 31-Mar-22 |
|---|---------------|-----------------|
| Floating rate instruments | | |
| Financial Liabilities - measured at amortised cost | | |
| Working capital facilities from bank | 267.58 | - |
| Fixed rate instruments | | |
| Term Loan from Bank | 23.08 | 40.85 |
| Unsecured loans from directors | 189.08 | 682.20 |
| Inter corporate deposits | 339.69 | 471.72 |
| Vehicle loans | 47.55 | - |
| Total | 866.98 | 1,197.78 |

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 |
| 31-Mar-23 | | |
| Variable rate loan instruments | 0.67 | -0.67 |
| 31-Mar-22 | | |
| Variable rate loan instruments | 0.10 | -0.10 |

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 though its sales, services and purchases from overseas suppliers in various foregin currencies.

The foreign currency exposures as of 31-Mar-23 were as follows

| Particulars | USD | Egyptian Pound | Total |
|------------------------|-------------|----------------|---------------|
| Assets | | | |
| Cash and bank balances | - | 4.16 | 4.16 |
| Trade receivables | 3.03 | 67.87 | 68.90 |
| Other assets | - | 49.88 | 49.88 |
| Total | 3.03 | 119.92 | 122.94 |
| Liabilities | | | |
| Trade payables | 3.57 | - | 3.57 |
| Other liabilities | - | 11.14 | 11.14 |
| Total | 3.57 | 11.14 | 14.71 |

The foreign currency exposures as of 31-Mar-22 were as follows

| Particulars | USD | Egyptian Pound | Total |
|------------------------|-------------|----------------|--------------|
| Assets | | | |
| Cash and bank balances | - | 5.70 | 5.70 |
| Trade receivables | 3.58 | 67.16 | 70.74 |
| Other assets | - | 14.64 | 14.64 |
| Total | 3.58 | 87.50 | 91.08 |
| Liabilities | | | |
| Trade payables | 2.88 | - | 2.88 |
| Other liabilities | - | 11.14 | 11.14 |
| Total | 2.88 | 11.14 | 14.02 |

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-23 | Profit or loss | | Equity, net of tax | |
|--------------------------|----------------|--------------|--------------------|-----------|
| | Strengthening | Weakening | Strengthening | Weakening |
| 1% movement | | | | |
| US Dollar | - 0.01 | 0.01 | - | - |
| Egyptian Pounds | 1.09 | -1.09 | - | - |
| | 1.08 | -1.08 | - | - |

| Particulars 31-Mar-22 | Profit or loss | | Equity, net of tax | |
|--------------------------|----------------|--------------|--------------------|-----------|
| | Strengthening | Weakening | Strengthening | Weakening |
| 1% movement | | | | |
| US Dollar | 0.01 | -0.01 | - | - |
| Egyptian Pounds | 0.76 | -0.76 | - | - |
| | 0.77 | -0.77 | - | - |

38 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-23 are as follows

| Particulars | Carrying Value | Level of input used in | | | Fair Value |
|-----------------------------|----------------|------------------------|---------|---------|------------|
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets | | | | | |
| At Amortised Cost | | | | | |
| Investments* | - | - | - | - | - |
| Trade receivables | 937.79 | - | - | - | 937.79 |
| Cash and cash equivalents | 11.26 | - | - | - | 11.26 |
| Other bank balances | 3,202.35 | - | - | - | 3,202.35 |
| Other financial assets | 10.51 | - | - | - | 10.51 |
| Financial liabilities | | | | | |
| At Amortised Cost | | | | | |
| Borrowings | 819.43 | - | - | - | 819.43 |
| Trade payables | 317.34 | - | - | - | 317.34 |
| Other financial liabilities | 404.62 | - | - | - | 404.62 |

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 | |
| Financial assets | | | | | |
| At Amortised Cost | | | | | |
| Investments* | - | - | - | - | - |
| Trade receivables | 1,137.82 | - | - | - | 1,137.82 |
| Cash and cash equivalents | 626.41 | - | - | - | 626.41 |
| Other bank balances | 1,265.82 | - | - | - | 1,265.82 |
| Other financial assets | 2.70 | - | - | - | 2.70 |
| Financial liabilities | | | | | |
| At Amortised Cost | | | | | |
| Borrowings | 1,194.77 | - | - | - | 1,194.77 |
| Trade payables | 316.53 | - | - | - | 316.53 |
| Other financial liabilities | 522.94 | - | - | - | 522.94 |

* excludes Financial assets measured at cost

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.

39 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/23 | 31/Mar/22 |
|-----------------------------------|-----------------|-----------------|
| Current borrowings | 819.43 | 1,194.77 |
| Total Debts | 819.43 | 1,194.77 |
| Less: Cash & Cash equivalents | -11.26 | -626.41 |
| Adjusted net debts | 808.18 | 568.35 |
| Equity | 1,545.94 | 1,249.97 |
| Other Equity | 7,683.12 | 4,609.63 |
| Total Equity | 9,229.07 | 5,859.60 |
| Adjusted net debt to equity ratio | 0.09 | 0.10 |

40 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

| Particulars | 31/Mar/23 | 31/Mar/22 |
|---------------|---------------|---------------|
| Within India | 92.83 | 527.00 |
| Outside India | 107.53 | 8.89 |
| Total | 200.36 | 535.89 |

40. Details of dues to micro and small enterprises as defined under MSMED Act 2006

| Particulars | 31/Mar/23 | 31/Mar/22 |
|--|-----------|-----------|
| The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year | | |
| - Principal amount due to micro and small enterprises | 0.10 | 27.22 |
| - Interest due on above | - | - |
| 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. | - | - |

42. Ratios

| Ratio | Numerator | Denominator | 31-Mar 2023 | 31-Mar 2022 | % Variance | Reason for variance |
|-----------------------------------|--|---|-------------|-------------|------------|--|
| Current Ratio | Current Assets | Current Liabilities | 4.21 | 2.02 | 108% | Increase in inventory along with increase in bank balance due to equity infusion |
| Debt - Equity Ratio | Total Debt | Shareholder's Equity | 0.09 | 0.20 | -56% | Infusion of equity capital |
| Debt Service Coverage Ratio | Earnings available for debt service= Net profit after taxes + Non-cash operating | Debt service= Interest & Lease Payments + Principal Repayments | -2.06 | NA | NA | |
| Return on Equity (ROE) | Net Profits after taxes | Average Shareholder's Equity | -0.26 | -0.24 | -10% | |
| Inventory Turnover Ratio | Cost of goods sold | Average Inventory | 0.13 | 0.69 | -81% | Lower Sales and high inventory |
| Trade receivables turnover ratio | Revenue from operations | Average Trade Receivable | 0.19 | 0.44 | -56% | Lower Sales |
| Trade payables turnover ratio | Net credit purchases | Average Trade Payables | 1.98 | 0.68 | 192% | Accumulation of trade payables |
| Net capital turnover ratio | Revenue from operations | Working capital = current assets-current liabilities. | 0.04 | 0.23 | -84% | Lower Sales |
| Net profit ratio | Net Profit | Revenue from operations | -9.91 | -3.09 | 220% | Increase in loss due to low sales |
| Return on capital employed (ROCE) | Earnings before interest and taxes | Capital employed= Tangible net worth+ Total debt+ Deferred tax (assets)/liabilities | -0.17 | -0.23 | -27% | Increase in loss due to low sales |
| Return on investment | Income generated from investments | Time weighted average investments | NA | NA | NA | |

43. 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 Beneficiaries
- (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 Beneficiaries,
- (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.

Notes 6, 8 & 12

- 44. The Company's assessment of recoverability and impairment loss allowance on its trade receivables, income tax assets and other long pending dues from government authorities as on 31 March 2023 is subject to number of management judgments and estimates that are based on prevailing conditions and circumstances as on the date of approval of these standalone financial statements. However, actual results may differ from these estimates as on the date of approval of these standalone financial statements due to the following reasons.
 - A. Recoverability of income tax assets (Note 6) Rs 277.83 lakhs (PY Rs 260 lakhs) for respective years will depend on the outcome of the assessment proceedings which are yet to be closed. Recoverability of MAT credit 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. Further, the department may adjust the refunds against demands raised detailed in Note 34.
 - B. Dues from government authorities (Note 12) Rs 282.83 lakhs (PY Rs 328.74 lakhs) mainly comprise of Input Tax Credits under GST Act and depend on actions of government authorities, outcome of assessments and availability of Input Credit against future output liabilities.
 - C. Unbilled Revenue (Note 12) of Rs 183.46 Lakhs (PY 203.46 Lakhs) is net of allowance for expected credit loss made in books of Rs. 20 lakhs (PY Nil) and is subject to customer's acceptance.
 - D. Trade receivables (Note 8) Rs 937.79 Lakhs (PY 1137.82 lakhs) may be affected due to delay in final deliverables, acceptance of performance claims by customers, Claims/ counter claims on quantum of work and company's decision for continuing the projects and on account of COVID 19.
- 45. Previous year figures have been regrouped/reclassified wherever necessary to conform to the current year's classification.

As per our report of even date attached

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

Sd/-
RAJA PATURI
Partner
Membership No: 020615

Hyderabad
28th May 23

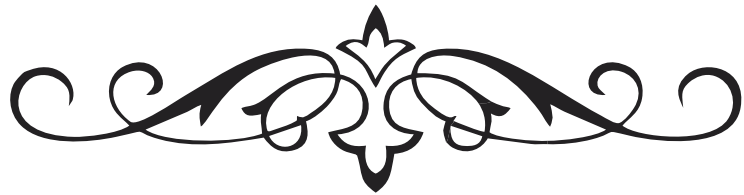
FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

Sd/-
SUNNY SHARMA
Chief Financial Officer

Sd/-
SITARAMA RAJU MANTHENA
Whole Time Director
DIN 08576273

Sd/-
PRASADA RAO KALLURI
Company Secretary



**CONSOLIDATED
FINANCIAL STATEMENTS
2022-23**



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 2023, 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 significant 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 2023, 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 44 to the consolidated financial statements which describes that the Company has assessed the recoverability and impairment of certain financial assets namely trade receivables including Rs. 414.57 lakhs from Related party, income tax assets and margin money /security deposits secured for customer guarantees 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 amount may vary for the reasons mentioned there in.

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 recognizes revenue from sale of goods/services based on the terms and conditions of purchase orders / contracts received from different customers. For recognising revenue, the control of goods / services are transferred to the customer. As revenue recognition is subject to management's assessment as to when control is transferred / services performed, we consider this as a key audit matter.</p> | <p>1. We have evaluated the appropriateness of the assumptions applied for assessing the revenue and tested the evidence to support the revenue recognition.</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 assets of Rs. 641.80 Lakhs as at 31-3-2023 and total revenues of Rs. 190.05 lakhs, total net profit after tax of Rs. 86.22 lakhs and total comprehensive income 86.22 lakh 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 un-audited 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 assets of Rs. 448.72 Lakh as at 31-3-2023 and total revenues of Rs. 102.95 lakhs, total net Loss after tax of Rs.102.54 lakhs and total comprehensive loss of Rs.102.54 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. As required by Section 143(3) of the Act, based on our audit and on the consideration of review reports of the other auditors on separate/ consolidated 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:
 - a) 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;
 - b) 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.
 - c) 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.
 - d) 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.
 - e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2023 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 2023 from being appointed as a director in terms of Section 164(2) of the Act
 - f) 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"
 - g) In our opinion, the managerial remuneration for the year ended 31 March 2023 has been paid / provided by the Holding Company to their directors in accordance with the provisions of section 197 read with Schedule V to the Act. The provisions of section 197 read with Schedule V of the Act are not applicable to its Joint venture incorporated in India for the year ended 31 March 2023.

- h) 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 subsidiaries 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 during the year ended 31 March 2023 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 incorporated in India during the year ended 31 March 2023.
 - 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.

Place: Hyderabad
Date: 28.05.2023

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

Sd/-
Raja Praturi
Partner
Membership No. 020615
UDIN: 23020615BGYNZ1506

**ANNEXURE “A” TO THE INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED
FINANCIAL STATEMENTS OF KERNEX MICROSYSTEMS (INDIA) LIMITED
FOR THE YEAR ENDED 31 MARCH 2023**

(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 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: 23020615BGYNZ1506

Place: Hyderabad
Date: 28.05.2023

ANNEXURE “B” TO THE INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS OF KERNEX MICROSYSTEMS (INDIA) LIMITED FOR THE YEAR ENDED 31 MARCH 2023

(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:

| S. No | Company Name & CIN | Status of the Company | CARO Clause No. which is qualified or adverse |
|--------------|---|------------------------------|--|
| 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: 23020615BGYNNZ1506

Place: Hyderabad
Date: 28.05.2023

CONSOLIDATED Balance Sheet as at 31-Mar-23

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

| Particulars | Note | As at 31-Mar-23 | As at 31-Mar-22 |
|---|------|--------------------|--------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, Plant and Equipment | 2 | 2,372.95 | 2,548.25 |
| Capital work-in-progress | | | |
| Intangible assets | 3 | 0.35 | 0.95 |
| Financial assets | | | |
| Investments | 4 | - | - |
| Other financial assets | 5 | 214.77 | 13.43 |
| Deferred tax assets (net) | | | |
| Income tax Assets | 6 | 277.83 | 260.99 |
| Total non-current assets | | 2,865.91 | 2,823.62 |
| Current assets | | | |
| Inventories | 7 | 1,222.20 | 715.10 |
| Financial assets | | | |
| Trade receivables | 8 | 914.70 | 1,085.06 |
| Cash and cash equivalents | 9 | 29.41 | 657.33 |
| Other bank balances | 10 | 3,221.38 | 1,283.98 |
| Other financial assets | 11 | 10.69 | 204.54 |
| Other current assets | 12 | 1,899.96 | 983.43 |
| Total current assets | | 7,298.33 | 4,929.44 |
| TOTAL ASSETS | | 10,164.23 | 7,753.06 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Equity Share capital | 13 | 1,545.94 | 1,249.97 |
| Other equity | 14 | 6,668.53 | 3,573.30 |
| Equity attributable to Shareholders of the Company | | 8,214.47 | 4,823.26 |
| Non-controlling interests | | -11.46 | 9.05 |
| Total Equity | | 8,203.01 | 4,832.31 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Financial liabilities | | | |
| Borrowings | 15 | 47.55 | - |
| Provisions | | - | - |
| Deferred tax liabilities | | 123.45 | 75.80 |
| Other Non-current liabilities | | - | - |
| Provisions | 16 | 35.30 | 19.98 |
| Total Non-current liabilities | | 206.30 | 95.79 |
| Current liabilities | | | |
| Financial liabilities | | | |
| Borrowings | 17 | 1,022.61 | 1,805.36 |
| Trade Payables | | - | - |
| Dues of small enterprises and micro enterprises | 18 | 0.10 | 27.22 |

| | | | |
|--|------|------------------|-----------------|
| Dues of creditors other than small enterprises and micro enterprises | 18 | 33.17 | 149.36 |
| Other financial liabilities | 19 | 524.62 | 596.18 |
| Other current liabilities | 20 | 174.42 | 246.84 |
| Provisions | | - | - |
| Total current liabilities | | 1,754.93 | 2,824.96 |
| TOTAL EQUITY AND LIABILITIES | | 10,164.23 | 7,753.06 |
| See accompanying notes to the financial statements | 1-45 | | |

As per our report of even date attached

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

Sd/-
RAJA PATURI
Partner
Membership No: 020615

Hyderabad
28th May 23

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

Sd/-
SUNNY SHARMA
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 | | Other Equity attributable to the owners of the Company | Non-Controlling Interest | Total Other Equity |
|---|----------------------|---|--------------------|-----------------|------------------|--------------------------------------|--------------------------|--|--------------------------|--------------------|
| | | | Securities premium | General Reserve | Profit and loss | Foreign currency translation reserve | Actuarial Gains/(Losses) | | | |
| Balance as at 31 March 2021 | 1,249.97 | - | 9,172.20 | 612.14 | -4,522.50 | -211.65 | -34.86 | 5,015.32 | 10.35 | 5,025.67 |
| Share application Money | - | 552.00 | - | - | - | - | - | 552.00 | - | 552.00 |
| Profit for the period | - | - | - | - | -1,721.16 | - | - | -1,721.16 | -1.30 | -1,722.46 |
| Other Comprehensive Income for the year | - | - | - | - | - | - | -13.62 | -13.62 | - | -13.62 |
| Foreign currency translation reserve | - | - | - | - | - | -250.15 | - | -250.15 | - | -250.15 |
| Prior period adjustment | - | - | - | - | - | - | - | - | - | - |
| Balance as at 31-03-2022 | 1,249.97 | 552.00 | 9,172.20 | 612.14 | -6,243.70 | -461.80 | -48.48 | 3,582.39 | 9.05 | 3,591.43 |
| Share application Money | - | -552.00 | 5,588.00 | - | - | - | - | 5,036.00 | - | 5,036.00 |
| Equity issued during the year | 295.98 | - | - | - | - | - | - | - | - | - |
| Profit for the period | - | - | - | - | -1,981.52 | 38.96 | -0.88 | -1,981.52 | -20.51 | -2,002.03 |
| Foreign currency translation | - | - | - | - | - | -6.42 | - | 38.08 | - | 38.08 |
| Prior period adjustment | - | - | - | - | - | - | - | -6.42 | - | -6.42 |
| Balance as at 31-03-2023 | 1,545.94 | - | 14,760.20 | 612.14 | -8,225.22 | -429.26 | -49.36 | 6,668.53 | -11.46 | 6,657.07 |

As per our report of even date attached

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

Sd/-
RAJA PATURI
Partner
Membership No: 020615
Hyderabad
28th May 23

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

Sd/-
SUNNY SHARMA
Chief Financial Officer

Sd/-
SITARAMA RAJU MANTHENA
Whole Time Director
DIN 08576273

Sd/-
PRASADA RAO KALLURI
Company Secretary

CONSOLIDATED Statement of Profit and Loss Account for the year ended 31-Mar-23

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

| Particulars | Note | Year ended 31-Mar-23 | Year ended 31-Mar-22 |
|---|------|-------------------------|-------------------------|
| Income | | | |
| Revenue from operations | 21 | 403.96 | 665.15 |
| Other Income | 22 | 78.23 | 173.08 |
| Total income | | 482.18 | 838.23 |
| Expenses | | | |
| Cost of materials consumed | 23 | 415.07 | 278.62 |
| Changes in inventories of finished goods, work in progress and stock in trade | 24 | -132.88 | 84.84 |
| Employee benefit expense | 25 | 797.72 | 625.86 |
| Finance cost | 26 | 82.14 | 329.47 |
| Depreciation and amortization expense | | 238.71 | 143.68 |
| Other expenses | 27 | 1,035.82 | 619.23 |
| Total expenses | | 2,436.57 | 2,081.69 |
| Share of Profit/(loss) of Joint venture | | | |
| Profit/(loss) before extraordinary, exceptional items and tax | | -1,954.39 | -1,243.47 |
| Extraordinary items | | | |
| Exceptional items | | - | -442.58 |
| Profit/(loss) before tax | | -1,954.39 | -1,686.05 |
| Tax expense | | | |
| (i) Current tax | | - | - |
| (ii) Previous years tax | | - | - |
| (iii) Deferred tax | | 47.65 | 35.11 |
| Net profit/(loss) for the year | | -2,002.03 | -1,721.16 |
| Attributable to | | | |
| Shareholders of the Company | | -1,981.53 | -1,719.85 |
| Non controlling interest | | -20.51 | -1.30 |
| Other comprehensive income | | | |
| A. (i) Items that will not be reclassified to Statement of Profit and loss | | -0.88 | -13.62 |
| (ii) Income tax relating to items that will not be reclassified to Statement of Profit and loss | | - | - |
| B. (i) Items that will not be reclassified to Statement of Profit and loss | | 38.96 | 88.43 |
| (ii) Income tax relating to items that will not be reclassified to Statement of Profit and loss | | | |
| Total comprehensive Income for the year | | -1,963.95 | -1,646.35 |
| Attributable to | | | |
| Shareholders of the Company | | -1,943.44 | -1,645.04 |
| Non controlling interest | | -20.51 | -1.30 |
| Earnings per equity share (EPS) | | | |
| Paid up Equity Share Capital (Face value of Rs.10/- each per equity share) | | 1,545.94 | 1,249.97 |
| Basic and Diluted Earnings per share of Rs.10/- each | | -14.67 | -13.76 |
| See accompanying notes to the financial statements | 1-45 | | |

As per our report of even date attached

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

Sd/-
RAJA PATURI
Partner
Membership No: 020615

Hyderabad
28th May 23

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

Sd/-
SUNNY SHARMA
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-Mar-23

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

| Particulars | Year ended 31-Mar-23 | Year ended 31-Mar-22 |
|---|-------------------------|-------------------------|
| Cash flows from operating activities | | |
| Profit / (loss) before tax | -1,954.39 | -1,686.04 |
| Adjustments to reconcile net loss to net cash provided by operating activities | - | - |
| Depreciation and amortisation | 238.71 | 143.68 |
| Foreign Currency translation reserve | 159.57 | -25.11 |
| Provision for Doubtful Advances | 26.68 | - |
| Liabilities no longer required written off | -11.04 | - |
| Loss relating to Minority interest | - | - |
| Interest income | -64.31 | -91.25 |
| Finance costs | 82.14 | 329.47 |
| (Profit) / Loss on sale of Fixed assets | - | -75.39 |
| Provision for gratuity | 15.32 | - |
| Receivable on sale of fixed asset written off | - | 442.58 |
| Trade receivables | 163.68 | 113.02 |
| Inventories | -507.10 | 119.56 |
| Other Financial Assets - Non Current | -201.34 | - |
| Income Tax assets | -16.85 | - |
| Other Financial Assets - Current | 193.86 | - |
| Other current assets | -1,057.14 | 418.88 |
| Trade payables | -141.61 | -63.00 |
| Other Financial Liability | -71.55 | - |
| Other Current liabilities | -61.39 | -87.75 |
| Net cash flow from operating activities | A -3,206.77 | -461.37 |
| Cash flows from investing activities | | |
| Sale of Fixed Assets | - | 553.69 |
| Purchase of property, plant and equipment | -62.72 | -15.76 |
| Interest income | 64.31 | 91.25 |
| Net cash flow used in investing activities | B 1.59 | 629.18 |
| Cash flow from financing activities | | |
| Proceeds from issuance of equity share capital | 4,917.49 | - |
| Promoters Loan Converted to Equity | 414.49 | - |
| Proceeds from Share application money | - | 552.00 |
| Increase in Vehicle Loan | 47.55 | - |
| Increase in Cash Credit Limit | 267.58 | - |
| Repayment of Promoters loan and ICD including conversion to equity | -623.54 | -219.27 |
| Repayment of Term Loan | -17.77 | - |
| Repayment of Loan by Subsidiary | -591.55 | - |
| Increase in credit line to subsidiary by bank | 182.52 | - |
| Finance costs | -82.14 | -329.47 |
| Net cash flow (used in)/from financing activities | C 4,514.64 | 3.26 |
| Net increase in cash and cash equivalents (A+B+C) | A+B+C 1,309.47 | 171.07 |
| Cash and bank balances at the beginning of the year | 1,941.32 | 1,770.25 |
| Less: Bank deposits with less than 12 months maturity | 3,221.38 | 1,283.98 |
| Cash and cash equivalents at the end of the year | 29.41 | 657.33 |

See accompanying notes to the financial statements

1-45

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/-
BADARI NARAYANA RAJU MANTHENA
Whole Time Director
DIN 07993925

Sd/-
SITARAMA RAJU MANTHENA
Whole Time Director
DIN 08576273

Sd/-
RAJA PATURI
Partner
Membership No: 020615

Sd/-
SUNNY SHARMA
Chief Financial Officer

Sd/-
PRASADA RAO KALLURI
Company Secretary

Hyderabad
28th May 23

Note 1: NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1. Corporate information

Kernex Microsystems (India) Limited is engaged in the manufacture and sale of Safety Systems and Software services for Railways.

2. Basis of Preparation and Presentation

The consolidated financial statements have been prepared on the historical cost basis and on accrual basis (except to the extent of subsidiary accounts which are being maintained on cash 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 the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

Company's financial statements are presented in Indian Rupees, which is also its functional currency.

2.1. Principles of Consolidation

The consolidated financial statements relate to Kernex Microsystems (India) Limited ('the Company') and its subsidiary company Avant-Garde Info Systems Inc. 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.

Offset (eliminate) the carrying amount of the parent's investment in subsidiary and the parent's portion of equity of subsidiary.

2.2. Other significant accounting policies

These are set out under 'Significant Accounting Policies' as given in the Company's standalone financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Note No 2: Property, Plant and Equipment
as on 31-Mar-23

(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 |
|---|---------------------------|------------------|---------------------------|------------------------------|----------------|------------------------|-----------------|
| Cost as at 31 March 2021 | 929.62 | 3,875.38 | 1,384.52 | 124.08 | 113.00 | 100.21 | 6,526.81 |
| Additions | - | - | 14.80 | - | - | - | 14.80 |
| Disposals | -478.29 | - | - | - | -0.12 | - | -478.41 |
| Cost as at 31 March 2022 | 451.33 | 3,875.38 | 1,399.32 | 124.08 | 112.88 | 100.21 | 6,063.20 |
| Additions | - | - | 17.41 | - | 45.17 | - | 62.58 |
| Disposals | - | - | - | - | - | - | - |
| Cost as at 31 March 2023 | 451.33 | 3,875.38 | 1,416.73 | 124.08 | 158.05 | 100.21 | 6,125.78 |
| Accumulated depreciation as at 1 April 2021 | - | 1,724.47 | 1,329.53 | 114.38 | 105.77 | 99.08 | 3,373.23 |
| Depreciation for the year | - | 120.93 | 15.27 | 2.68 | 2.37 | 0.46 | 141.71 |
| Disposals/adjustments | - | - | - | - | - | - | - |
| Accumulated depreciation as at 31 March 2022 | - | 1,845.40 | 1,344.80 | 117.06 | 108.15 | 99.54 | 3,514.95 |
| Depreciation for the year | - | 210.24 | 13.72 | 1.47 | 12.32 | 0.28 | 238.02 |
| Disposals/adjustments | - | - | - | - | -0.14 | - | -0.14 |
| Accumulated depreciation as at 31 March 2023 | - | 2,055.64 | 1,358.52 | 118.53 | 120.32 | 99.82 | 3,752.82 |
| | - | - | - | - | - | - | - |
| Net carrying value as at 31 March 2022 | 451.33 | 2,029.98 | 54.51 | 7.02 | 4.74 | 0.67 | 2,548.25 |
| Net carrying value as at 31 March 2023 | 451.33 | 1,819.74 | 58.21 | 5.55 | 37.73 | 0.39 | 2,372.95 |

The title deeds of all the immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee), are held in the name of the Company.

Notes to the consolidated financial statements for the year ended 31 March 2023

3. Intangible Assets

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

| Description | Computer Software | Total |
|---|-------------------|---------------|
| Cost as at 1 April 2021 | 148.80 | 148.80 |
| Additions | 0.96 | 0.96 |
| Disposals | - | - |
| Cost as at 31 March 2022 | 149.76 | 149.76 |
| Additions | - | - |
| Disposals | - | - |
| Cost as at 31 March 2023 | 149.76 | 149.76 |
| | - | |
| Accumulated depreciation as at 1 April 2021 | 147.05 | 147.05 |
| Depreciation for the year | 1.76 | 1.76 |
| Disposals/adjustments | - | - |
| Accumulated depreciation as at 31 March 2022 | 148.81 | 148.81 |
| Depreciation for the year | 0.60 | 0.60 |
| Disposals/adjustments | - | - |
| Accumulated depreciation as at 31 March 2023 | 149.41 | 149.41 |
| | | |
| Net carrying value as at 31 March 2022 | 0.95 | 0.95 |
| Net carrying value as at 31 March 2023 | 0.35 | 0.35 |

Notes to financial statements for the Period ended 31 March 2023

(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 |
|-----------------------------------|---|--------------------|--------------------|
| 4. INVESTMENTS | | | |
| | Investments carried at cost | | |
| | Unquoted equity shares (fully paid up) | | |
| | In 100% subsidiary - Avant Garde Infosystems Inc USA | - | - |
| | 35,80,000 Equity shares of US \$ 0.02 each | | |
| | In Joint Venture - Kernex TCAS JV | - | - |
| | | - | - |
| 5 OTHER FINANCIAL ASSETS | | | |
| | Unsecured and considered good | | |
| | Security deposits | 214.77 | 13.43 |
| | Receivable on sale of fixed assets | - | - |
| | | 214.77 | 13.43 |
| 6 OTHER NON CURRENT ASSETS | | | |
| | Advance income tax (net) | 155.26 | 138.42 |
| | Mat credit entitlement | 122.57 | 122.57 |
| | | 277.83 | 260.99 |
| 7 INVENTORIES | | | |
| | Raw material | 517.61 | 392.19 |
| | Less: Obsolete stock written off | - | - |
| | Less: Provision for slow / non moving stock | - | -248.80 |
| | | 517.61 | 143.39 |
| | Work-in-progress | 704.59 | 571.71 |
| | | 1,222.20 | 715.10 |
| | Work-in-progress represent work completed in respect of projects yet to be billed to the customers. | | |
| 8 TRADE RECEIVABLES | | | |
| | Unsecured | | |
| | Trade receivables from related parties | 414.57 | 410.81 |
| | Trade receivables from other parties | 498.37 | 674.25 |
| | Less: Allowance for expected credit losses | - | - |
| | | 912.94 | 1,085.06 |
| | Unsecured, Credit impaired | | |
| | Trade receivables from related parties (refer note 35) | 2,064.50 | - |
| | Trade receivables from other parties | - | 2,056.07 |
| | Less: Allowance for expected credit losses | -2,062.74 | -2,056.07 |
| | Total Receivables | 914.70 | 1,085.06 |

Trade Receivables ageing schedule

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

| Particulars | Outstanding for following periods from due date of payment | | | | | | Total |
|--|--|--------------------|------------------|-----------|---------------|-------------------|-----------------|
| | 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 | 423.92 | - | 74 | - | - | - | 498.37 |
| (ii) Undisputed Trade Receivables - which have significant increase in credit risk | - | 1.88 | 2 | - | - | 410.81 | 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 |
| Total | 423.92 | 1.88 | 76.33 | - | - | 2,475.31 | 2,977.44 |
| Less: Allowance for expected credit losses | - | - | - | - | - | 2,062.74 | 2,062.74 |
| Balance as at 31 March 2023 | 423.92 | 1.88 | 76.33 | - | - | 412.57 | 914.70 |
| (i) Undisputed Trade Receivables - considered good | 551.57 | 114.24 | - | - | 419.24 | - | 1,085.06 |
| (ii) Undisputed Trade Receivables - which have significant increase in credit risk | - | - | - | - | - | - | - |
| (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 | - | - | - | - | - | 2,056.07 | 2,056.07 |
| Total | 551.57 | 114.24 | - | - | 419.24 | 2,056.07 | 3,141.12 |
| Less: Allowance for expected credit losses | - | - | - | - | - | 2,056.07 | 2,056.07 |
| Balance as at 31 March 2022 | 551.57 | 114.24 | - | - | 419.24 | - | 1,085.06 |

- a) Out of the above Trade Receivables, an amount of Rs 423.91 lakhs (PY Rs 551 lakhs) due from Egyptian National Railways (ENR) is outstanding pending mile stones of the contract to be achieved.
- b) Further an amount Rs 2,064.5 lakhs (PY Rs 2,056 lakhs) receivable from Konkan Railways Corporation Ltd (KRCL) is under arbitration / in the process of filing arbitration and provision for expected credit losses upto the extent of Rs 2062.74 is made in respect of this outstanding.
- c) Due from Related party i.e Comptek Computer systems Pvt Ltd Rs 414.57 (PY 410.8)
- d) Excludes unbilled revenue of Rs 183.47 (PY 203.47) against which allowance has been created for expected credit losses to an extent of Rs. 20 (PY nil)

Notes to financial statements for the Period ended 31 March 2023

(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 |
|-----------|---|--------------------|--------------------|
| 9 | CASH AND CASH EQUIVALENTS | | |
| | Balances with banks | | |
| | In Current accounts | 13.30 | 622.80 |
| | Cash on hand | 16.11 | 34.54 |
| | | 29.41 | 657.33 |
| 10 | OTHER BANK BALANCES | | |
| | Fixed Deposit accounts | 1,500.00 | 19.07 |
| | Margin money for bank guarantees | 1,721.38 | 1,264.92 |
| | | 3,221.38 | 1,283.98 |
| | The margin money is given as a security for providing performance bank guarantee of Rs 2796.70 (PY 1818.72). The Bank guarantee are also secured by collateral hypothecation of fixed assets of the company including Land and Building situated at TSIIIC hardware park. | | |
| 11 | OTHER FINANCIAL ASSETS | | |
| | Interest accrued but not due on term deposits | 10.69 | 2.70 |
| | EMD | - | 201.85 |
| | | 10.69 | 204.54 |
| 12 | OTHER CURRENT ASSETS | | |
| | Unsecured and considered good | | |
| | Advance to vendors - Considered good | 1367.59 | 66.94 |
| | Receivable from KMIL | 80.85 | - |
| | Considered doubtful | - | 71.96 |
| | | 1,448.44 | 138.90 |
| | Less: <i>Provision for Advances</i> | -71.96 | -71.96 |
| | | 1,376.49 | 66.94 |
| | Advances to customers | | - |
| | Unbilled revenue | 183.47 | 203.47 |
| | Balances with statutory/government authorities | 410.45 | 452.93 |
| | Advance for expenses | 19.60 | 9.53 |
| | Prepaid expenses | 42.30 | 6.70 |
| | Payroll Advance | 4.06 | 3.75 |
| | Software Development | 260.26 | 239.97 |
| | Organisation Expenses | 8.15 | 7.51 |
| | Accumulated Amortisation | -8.09 | -7.37 |
| | | 2,296.68 | 983.43 |

a) Balances with statutory/government authorities represent input credit on goods and services purchased/received of Rs. 396.67 (PY 372.72 lakhs) lakhs and VAT claims receivable of Rs. 12.40 lakhs (PY 75.61 lakhs).

b) Unbilled revenue gross is 203.47 (PY 203.47) and allowance for expected credit loss is 20 lakhs and net unbilled revenue is 183.47 (PY 203.47)

Notes to financial statements for the Period ended 31 March 2023

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

| Note | Particulars | 31-Mar-23 | | 31-Mar-22 | |
|-----------|--|--------------------|-----------------|--------------------|-----------------|
| | | No of Shares | Amount | No of Shares | Amount |
| 12 | SHARE CAPITAL | | | | |
| | Authorised share capital | | | | |
| | 1,50,00,000 Equity shares of Rs.10/- each | 1,50,00,000 | 1,500.00 | 1,50,00,000 | 1,500.00 |
| | Issued, subscribed and fully paid-up | | | | |
| | 1,54,59,422 Equity Shares of Rs.10/- each with voting rights | 1,54,59,422 | 1,545.94 | 1,24,99,655 | 1,249.97 |
| | | 1,54,59,422 | 1,545.94 | 1,24,99,655 | 1,249.97 |

a. Reconciliation of equity shares outstanding at the beginning and at the end of the year

| Particulars | 31-Mar-23 | | 31-Mar-22 | |
|---|--------------------|---------------|--------------------|----------|
| | No of Shares | Amount | No of Shares | Amount |
| At the beginning of the year | 1,24,99,655 | 1,249.97 | 1,24,99,655 | 1,249.97 |
| Issued during the year | 29,59,767 | 295.98 | - | - |
| Outstanding at the end of the year | 1,54,59,422 | 1,545.94 | 1,24,99,655 | 1,249.97 |

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-23 | | 31-Mar-22 | |
|-------------------------|------------------|---------------|--------------|--------------|
| | No of Shares | % of holding | No of Shares | % of holding |
| Anji Raju Manthena | 24,86,873 | 16.09% | 19,55,106 | 15.64% |
| Seetharamaraju Manthena | 7,12,995 | 4.61% | 7,12,995 | 5.70% |
| Sreelakshmi Manthena | 6,40,398 | 4.14% | 6,40,398 | 5.12% |

d. Details of shares held by promoters

| Name of the shareholder | 31-Mar-22 | | 31-Mar-21 | |
|-------------------------|--------------|--------------|--------------|--------------|
| | No of Shares | % of holding | No of Shares | % of holding |
| Anji Raju Manthena | 24,86,873 | 16.09% | 19,55,106 | 15.64% |
| Sitarama Raju Manthena | 7,12,992 | 4.61% | 7,12,992 | 5.70% |
| Sreelakshmi Manthena | 6,40,398 | 4.14% | 6,40,398 | 5.12% |
| Srinivasa Raju Manthena | 6,06,597 | 3.92% | 6,06,597 | 4.85% |
| Manthena Parvathi | 2,68,469 | 1.74% | 2,68,469 | 2.15% |
| Madhav Mantena | 1,10,260 | 0.71% | 1,10,260 | 0.88% |

Notes to financial statements for the Period ended 31 March 2023

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

| Name of the shareholder | 31-Mar-23 | | 31-Mar-22 | |
|----------------------------------|------------------|---------------|------------------|---------------|
| | No of Shares | % of holding | No of Shares | % of holding |
| Raju N Mantena | 40,032 | 0.26% | 2,032 | 0.02% |
| Namrata Kapoor | 7,917 | 0.05% | 7,917 | 0.06% |
| Madhuvalli Lakamraju | 5,480 | 0.04% | 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% |
| Kishore Babu Gottimukkala | - | 0.00% | - | 0.00% |
| | 48,84,712 | 31.60% | 43,14,945 | 34.52% |

Note No. 13: 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 | | | Other Equity attributable to the owners of the Company | Non-Controlling Interest | Total Other Equity |
|---|----------------------|---|--------------------|-----------------|------------------|--------------------------------------|--------------------------|-----------------|--|--------------------------|--------------------|
| | | | Securities premium | General Reserve | Profit and loss | Foreign currency translation reserve | Actuarial Gains/(Losses) | | | | |
| Balance as at 31 March 2021 | 1,249.97 | - | 9,172.20 | 612.14 | -4,522.50 | -211.65 | -34.86 | 5,015.32 | 10.35 | 5,025.67 | |
| Share application Money | - | 552.00 | - | - | - | - | - | 552.00 | - | 552.00 | |
| Profit for the period | - | - | - | - | -1,721.16 | - | - | -1,721.16 | -1.30 | -1,722.46 | |
| Other Comprehensive Income for the year | - | - | - | - | - | -13.62 | -13.62 | -13.62 | - | -13.62 | |
| Foreign currency translation reserve | - | - | - | - | - | -250.15 | - | -250.15 | - | -250.15 | |
| Prior period adjustment | - | - | - | - | - | - | - | - | - | - | |
| Balance as at 31-03-2022 | 1,249.97 | 552.00 | 9,172.20 | 612.14 | -6,243.70 | -461.80 | -48.48 | 3,582.39 | 9.05 | 3,591.43 | |
| Share application Money | - | -552.00 | 5,588.00 | - | - | - | - | 5,036.00 | - | 5,036.00 | |
| Equity issued during the year | 295.98 | - | - | - | - | - | - | - | - | - | |
| Profit for the period | - | - | - | - | -1,981.52 | 38.96 | -0.88 | -1,981.52 | -20.51 | -2,002.03 | |
| Foreign currency translation | - | - | - | - | - | -6.42 | - | 38.08 | - | 38.08 | |
| Prior period adjustment | - | - | - | - | - | - | - | -6.42 | - | -6.42 | |
| Balance as at 31-03-2023 | 1,545.94 | - | 14,760.20 | 612.14 | -6,225.22 | -429.26 | -49.36 | 6,668.53 | -11.46 | 6,657.07 | |

As per our report of even date attached

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

Sd/-
RAJA PATURI
Partner
Membership No: 020615

Hyderabad
28th May '23

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

Sd/-
SUNNY SHARMA
Chief Financial Officer

Sd/-
SITARAMA RAJU MANTHENA
Whole Time Director
DIN 08576273

Sd/-
PRASADA RAO KALLURI
Company Secretary

Notes to financial statements for the Period ended 31 March 2023

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

14. Other equity

| Particulars | As at 31-Mar-23 | As at 31-Mar-22 |
|--|--------------------|--------------------|
| Securities premium | | |
| Opening balance | 9,172.20 | 9,172.20 |
| Add: Received on preferential allotment of equity shares | 5,588.00 | |
| Utilised during the year towards issue of bonus shares | | |
| Closing balance | 14,760.20 | 9,172.20 |
| General Reserve | | |
| Opening balance | 612.14 | 612.14 |
| Add: Received during the year | | |
| Utilised during the year | - | - |
| | 612.14 | 612.14 |
| Retained earnings | | |
| Opening balance | -6,243.70 | -4,522.55 |
| Add: Profit during the year | -1,981.47 | -1,721.16 |
| Closing balance | -8,225.18 | -6,243.70 |
| Items recognised directly in other comprehensive income | | |
| Re-measurement losses on employee defined benefit plans (net of tax) | -49.36 | -48.48 |
| Foreign currency translation reserve | -429.26 | -461.80 |
| | -478.62 | -510.28 |
| Share application money pending allotment | - | 552.00 |
| Closing Balance | -8,703.80 | -6,201.99 |
| Total | 6,668.53 | 3,582.34 |

Notes to financial statements for the Period ended 31 March 2023

(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 |
|-----------|---|--------------------|--------------------|
| 15 | BORROWINGS | | |
| | Secured | | |
| | Vehicle loans | 47.55 | - |
| | | 47.55 | - |
| | Vehicles purchased are hypothecated to Axis Bank. The rate of Interest is 10.75 % pa. The loan is repayable in 47 equated instalments. | | |
| 16 | LONG TERM PROVISIONS | | |
| | Provision for employee benefits | | |
| | Provision for gratuity | 35.30 | 19.98 |
| | | 35.30 | 19.98 |
| 17 | BORROWINGS | | |
| | Loans repayable on demand | | |
| | From banks | | |
| | Cash credit facilities | 267.58 | - |
| | Term Loan | 23.08 | 40.85 |
| | Others | | |
| | Unsecured loans from directors | 200.28 | 691.79 |
| | Inter corporate deposits | 339.69 | 471.72 |
| | Millenium Strategic Group Inc | - | 591.55 |
| | Others | 9.45 | 9.45 |
| | Wallis Bank LC | 182.52 | - |
| | | 1,022.61 | 1,805.36 |
| a. | Cash credit facilities from State Bank of India are secured by first charge of hypothecation on all current assets of the Company present and future and collaterally secured by extension of 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 TSIC Hardware park. The applicable interest rate is 3.0 % spread on EBLR ranged between 9.65 % to 12.15 % | | |
| b. | Guaranteed Emergency Credit Term Loan (Unsecured) is repayable by May 2024 carrying interest rate at 9.25 % | | |
| c. | Unsecured Loan from directors are repayable on demand and carrying interest at 18 % | | |
| d. | Inter corporate Loan is repayable on demand and carrying interest rate of 15%. | | |
| e. | Other Loans are interest free and repayable on demand | | |
| 18 | TRADE PAYABLES | | |
| | Due to micro, small and medium enterprises | 0.10 | 27.22 |
| | Others | 33.17 | 149.36 |
| | | 33.28 | 176.59 |

Trade payables ageing schedule

| Particulars | Upto 1 year | 1-2 Years | 2-3 Years | More than 3 years | Total |
|---------------------------------|-------------|-----------|-----------|-------------------|-------|
| Unsecured, undisputed Creditors | 28.97 | 4.31 | - | - | 33.28 |

Notes to financial statements for the Period ended 31 March 2023

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

| Note | Particulars | Year ended 31-Mar-23 | Year ended 31-Mar-22 |
|-----------|--|-------------------------|-------------------------|
| 19 | OTHER FINANCIAL LIABILITIES | | |
| | Current maturity of vehicle loans | - | - |
| | Due to capital creditors | 2.19 | 2.19 |
| | Expenses Payables | 369.01 | 593.72 |
| | Others | 153.15 | - |
| | Share application money due for refund | 0.26 | 0.26 |
| | | 524.62 | 596.18 |
| 20 | OTHER CURRENT LIABILITIES | | |
| | Advance from customers | 137.25 | 29.03 |
| | Statutory remittances | 37.17 | 217.81 |
| | | 174.42 | 246.84 |
| 21 | REVENUE FROM OPERATIONS | | |
| | Sale of Products | 403.96 | 665.15 |
| | Sales of services | - | - |
| | | 403.96 | 665.15 |
| 22 | OTHER INCOME | | |
| | Interest Income | | |
| | On fixed deposits | 64.31 | 78.89 |
| | On advances | - | 5.17 |
| | Profit on sale of asset | - | 75.39 |
| | Rental income | 2.59 | 2.59 |
| | Miscellaneous income | 0.28 | 0.69 |
| | Forgien exchange gain | - | 10.34 |
| | Liabilities no longer required written off | 11.04 | - |
| | | 78.23 | 173.08 |
| 23 | COST OF MATERIALS CONSUMED | | |
| | Opening stock | 143.39 | 178.11 |
| | Add: Purchases | 789.29 | 243.90 |
| | Less: Closing stock | 517.61 | 143.39 |
| | | 415.07 | 278.62 |
| 24 | CHANGES IN INVENTORIES OF WORK-IN-PROCESS | | |
| | Inventories at the end of the year | | |
| | Work-in- process | 704.59 | 571.71 |
| | Inventories at the beginning of the year | - | - |
| | Work-in- process | 571.71 | 656.55 |
| | Net (increase)/decrease | -132.88 | 84.84 |

Notes to financial statements for the Period ended 31 March 2023

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

| Note | Particulars | Year ended 31-Mar-23 | Year ended 31-Mar-22 |
|-------------|---|---------------------------------|---------------------------------|
| 25 | EMPLOYEE BENEFIT EXPENSE | | |
| | Salaries and wages | 647.27 | 554.32 |
| | Contribution to provident and other funds | 20.98 | 17.21 |
| | Directors remuneration | 93.99 | 43.20 |
| | Gratuity expense | 14.43 | - |
| | Staff welfare expenses | 21.04 | 11.13 |
| | | 797.72 | 625.86 |
| 26 | FINANCE COSTS | | |
| | Interest on borrowings | 187.58 | 209.92 |
| | Interest - Mellenium | -120.15 | 57.18 |
| | Other borrowing costs | 14.71 | 62.36 |
| | | 82.14 | 329.47 |
| 27 | OTHER EXPENSES | | |
| | Project execution expenses | 452.65 | 314.99 |
| | Electricity charges | 32.69 | 25.52 |
| | Security charges | 12.99 | 17.81 |
| | Rates and taxes | 80.28 | 14.51 |
| | Printing and stationery | 2.55 | 1.65 |
| | Insurance | 7.08 | 9.30 |
| | Repairs and maintenance | 65.64 | 76.81 |
| | Postage, telephone and courier | 11.22 | 9.61 |
| | Travelling and conveyance | 37.48 | 15.33 |
| | Professional & consultancy fees | 65.84 | 33.49 |
| | Directors sitting Fees | 47.60 | 41.10 |
| | Business promotion | 7.03 | 4.88 |
| | Statutory audit | 6.50 | 4.00 |
| | Tax audit | 1.86 | 2.00 |
| | Loss on foreign currency transactions and translation (net) | 120.61 | 9.66 |
| | Internal audit fee | 1.80 | - |
| | License & Permits | - | 0.38 |
| | Miscellaneous expenses | 25.21 | 38.19 |
| | Bank charges | 30.11 | - |
| | Provision for doubtful advances | 26.68 | - |
| | Total | 1,035.82 | 619.23 |
| 28 | EXCEPTIONAL ITEMS | | |
| | Receivable on sale of fixed asset written off | - | -442.58 |
| | | - | -442.58 |

Notes to financial statements for the Period ended 31 March 2023

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

29 DETAILS OF CORPORATE SOCIAL RESPONSIBILITY EXPENDITURE

The company is not required to spend on corporate social responsibility under section 135 of the Companies Act, 2013 as the Company does not meet the criteria thereunder.

30 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 13.62 Lakhs (Previous year INR 13.07 Lakhs) towards provident fund plan during the years ended 31-Mar-23

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 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-23 | 31-Mar-22 |
|--|--------------|--------------|
| Present value of obligation as at beginning of the year | 63.20 | 64.53 |
| Current service cost | 13.00 | 5.53 |
| Interest expense or cost | 4.53 | 3.58 |
| Re-measurement (or Actuarial) (gain) / loss | -2.21 | 13.38 |
| Benefits Paid | - | -23.82 |
| Present Value of Obligation as at the end of the year | 78.52 | 63.20 |

ii. Changes in fair value of plan assets

| Particulars | 31-Mar-23 | 31-Mar-22 |
|---|--------------|--------------|
| Fair Value of Plan Assets as at the beginning of the year | 43.22 | 62.99 |
| OB difference | - | - |
| Investment Income | 3.09 | 4.28 |
| Employer's Contribution | - | - |
| Expenses | - | -0.36 |
| Benefits Paid | - | -23.82 |
| Return on plan assets , excluding amount recognised in net interest expense | - | 0.12 |
| Actuarial gain/(Loss) | -3.09 | - |
| Fair Value of Plan Assets as at the end of the year | 43.22 | 43.22 |

iii. Fair value of Assets and Obligations

| Particulars | 31-Mar-23 | 31-Mar-22 |
|------------------------------------|---------------|-----------|
| Fair value of plan assets | 43.22 | 43.22 |
| Present value of obligation | 78.52 | 63.20 |
| Amount recognized in balance sheet | -35.30 | -19.98 |

iv. Expenses recognised during the year

| Particulars | 31-Mar-23 | 31-Mar-22 |
|---|--------------|-----------|
| In Income Statement | | |
| Current Service Cost | 13.00 | 5.53 |
| Net Interest Cost / (Income) on the Net Defined Benefit Liability / (Asset) | 1.43 | -0.71 |
| Expenses Recognised in the Income Statement | 14.43 | 4.82 |
| In Other Comprehensive Income | | |
| Actuarial (gains) / losses | | |
| Opening balance difference | - | - |
| Others | -2.21 | 13.74 |
| Return on plan assets, excluding amount recognized in net interest expense | 3.09 | -0.12 |
| Components of defined benefit costs recognised in other comprehensive income | 0.88 | 13.62 |

v. Actuarial assumptions

| Particulars | 31-Mar-23 | 31-Mar-22 |
|--------------------------------|--------------|-----------|
| Discount rate (per annum) | 7.39% | 7.16% |
| 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 is given below:

| Particulars | 31-Mar-23 | | 31-Mar-22 | |
|------------------------------|--------------|--------------|-----------|----------|
| | Decrease | Increase | Decrease | Increase |
| Change in discounting rate | 85.58 | 72.44 | 69.11 | 58.15 |
| Change in salary growth rate | 68.83 | 90.11 | 55.07 | 73.00 |
| Change in attrition rate | 72.40 | 83.99 | 58.01 | 67.89 |
| Change in mortality rate | 77.11 | 79.95 | 62.97 | 63.43 |

31 RELATED PARTIES

a. List of the transacted Related Parties and description of relationship

| S.No. | Nature of Relationship | Name of the related party | Category |
|---------------------|---|-----------------------------------|---|
| 1 | Key Managerial Personnel | Anji Raju Manthena | Director |
| | | Janardhana Reddy Vinta | Director |
| | | Sreelakshmi Manthena | Director |
| | | Sitarama Raju Manthena | Whole Time Director |
| | | Badari Narayana Raju Manthena | Whole Time Director |
| | | R Sreenivasa Rao | Independent Director |
| | | K Soma Sekhara Rao | Independent Director |
| | | A V S Krishna Mohan | Independent Director |
| | | Narender Kumar | Director |
| | | Satyanarayana Raju Kalidindi | Chief Executive Officer (Resigned on 20.03.2023) |
| | | Sunny Sharma | Chief Financial Officer (Appointed on 05.12.2022) |
| Ramayya Vutukuri | Chief Financial Officer (Resigned on 05.12.2022) | | |
| Prasada Rao Kalluri | Company Secretary | | |
| 2 | Relatives of Key Managerial Personnel | Alluri Sita Rama Raju Manthena | Son of Director |
| 3 | Enterprises Controlled by Relatives of KMP | Hiliks Technologies Limited | Spouse of CEO is Director |
| 4 | A Company in which relative of director is interested | Comptek Computer System Pvt. Ltd. | Relative of Director is Interested |

b. Transactions with Related parties during the year 2022-23

| S.No. | Nature of Transaction | Name of the related party | 2022-23 | 2021-22 | |
|-------|---|--|---------------------------------|---------------|--------|
| 1 | Managerial Remuneration | Sitarama Raju Manthena | 28.39 | 25.20 | |
| | | Badari Narayana Raju Manthena | 32.56 | 28.91 | |
| | | Satyanarayana Raju Kalidindi | 53.37 | 41.04 | |
| | | Ramayya Vutukuri (EX CFO upto 05-12-2022) | 11.67 | 20.23 | |
| | | Sunny Sharma (CFO wef 05-12-2022) | 10.25 | - | |
| | | Sreelakshmi Manthena | 48.00 | 48.00 | |
| | | Prasada Rao Kalluri | 7.83 | 6.48 | |
| 2 | Unsecured Loans | Repayment | Anji Raju Manthena* | 414.49 | 294.50 |
| | | Received | Anji Raju Manthena | - | - |
| | | Repayment | Badari Narayana Raju Manthena | 74.88 | - |
| | | Received | Badari Narayana Raju Manthena | 10.00 | 62.00 |
| | | Repayment | Janardhana Reddy Vinta | 75.00 | - |
| | | Received | Janardhana Reddy Vinta | - | 114.50 |
| | | Interest Paid | Anji Raju Manthena | 76.86 | 76.73 |
| | | Interest Paid | Janardhana Reddy Vinta | 10.44 | 3.33 |
| | | Interest Paid | Badari Narayana Raju Manthena | 1.33 | 2.11 |
| | | Advance paid | Hiliks Technologies Limited | - | - |
| | | Advance refund | Hiliks Technologies Limited | - | 29.22 |
| | | Advance refund | Hiliks Technologies Limited | - | 29.22 |
| 3 | Others | Management contracts including for deputation of employees | Comptek Computer System Pvt Ltd | - | 20.00 |
| | | Rental income | Comptek Computer System Pvt Ltd | 3.77 | 3.77 |
| 4 | Directors' sitting fees & reimbursments | Anji Raju Manthena | 7.00 | 5.50 | |
| | | Janardhana Reddy Vinta | 4.00 | 3.50 | |
| | | Sreelakshmi Manthena | 7.00 | 6.00 | |
| | | R Sreenivasa Rao | 10.50 | 9.50 | |
| | | K Soma Sekhara Rao | 6.10 | 10.50 | |
| | | A V S Krishna Mohan | 10.50 | 6.10 | |
| | | Narender Kumar | 2.50 | - | |

c. Balances as at 31-Mar-23

| S.No. | Nature of Transaction | Name of the related party | 31-Mar-23 | 31-Mar-22 |
|-------|--|---------------------------------|-----------|-----------|
| 1 | Loan taken from KMP | Anji Raju Manthena | 129.61 | 491.23 |
| | | Vinta Janardhana Reddy | 50.01 | 117.83 |
| | | Badari Narayana Raju Manthena | - | 63.68 |
| | | B Murali Mohan | 9.45 | 9.45 |
| 2 | Trade Receivables | Comptek Comuter systems Pvt Ltd | 414.57 | 410.80 |
| 3 | Directors' sitting fees & reimbursements payable | Anji Raju Manthena | 1.81 | 18.00 |
| | | Janardhana Reddy Vinta | 13.23 | 10.48 |
| | | Sreelakshmi Manthena | 136.10 | 83.28 |
| | | Mantena Raju Narasa | 4.39 | 4.39 |
| | | R Sreenivasa Rao | 1.93 | 6.55 |
| | | K Soma Sekhara Rao | -0.45 | 7.45 |
| | | A V S Krishna Mohan | 2.44 | 4.49 |
| | | Narender Kumar | 2.25 | - |

32 EARNINGS PER SHARE

| S.No. | Particulars | 31-Mar-23 | 31-Mar-22 |
|-------|--|-------------|------------|
| 1 | Profit after tax attributable to equity shareholders | -1,943.44 | -1,645.04 |
| 2 | Weighted average number of equity shares for Basic EPS | 1,35,31,741 | 12,499,655 |
| 3 | Weighted average number of equity shares for Diluted EPS | 1,35,31,741 | 12,499,655 |
| 4 | Basic earnings per Share | (14.36) | (13.16) |
| 5 | Diluted earnings per Share | (14.36) | (13.16) |

33 INCOME TAXES

Income tax expense/ (benefit) recognised in the statement of profit and loss

| S.No. | Particulars | 31-Mar-23 | 31-Mar-22 |
|--|--------------------|--------------|--------------|
| 1 | Current tax | - | - |
| 2 | Previous years tax | - | - |
| 3 | Deferred tax | 47.65 | 35.11 |
| Total income tax expense recognised in the statement of profit & loss | | 47.65 | 35.11 |

34 CONTINGENT LIABILITIES AND COMMITMENTS

| | Particulars | 31-Mar-23 | 31-Mar-22 |
|----|--|-----------|-----------|
| a. | Claims against the Company not acknowledged as a debt (See note c to e below) | 856.11 | 832.82 |
| b. | Bank guarantee outstanding* | 2,796.70 | 1,698.64 |

- i) The Company has deposited margin money of Rs 1702.35 lakhs against the same. The balance is secured by hypothecation of fixed assets of the company including land and building situated at TSIC hardware park.

| Particulars | 31-Mar-23 | 31-Mar-22 |
|--|---------------|-----------|
| c. Income Tax Demands (Excluding interest) | | |
| 1. Penalties admitted but yet to be settled (AY 2017-18 and AY 2018-19) | 0.66 | 4.78 |
| 2. Demands raised in intimation for inter - head adjustments for which rectification and appeal filed (AY 2019-20 and AY 2020-21) | 484.65 | 484.65 |
| 3. Demands in appeal (AY 2014-15 and AY 2018-19) | 43.86 | 43.86 |
| 4. Presecution proceedings u/s 276B initiated for failure to deposit TDS by due date (FY 2013-14 and FY 2016-17) | - | - |
| d. GST | | |
| Demand raised for discrepancies in GST returns (FY 2018-19) | 27.41 | - |
| e. Other Matters | | |
| 1. Ex employee Murlidhar Raju claimed salary arrears with interest before RR distt. Court | 40.52 | 40.52 |
| 2. EX MD of the company Col LV Raju claimed arrears of remuneration and outstanding loan and sought attachment before judgement before in RR distt court | 234.00 | 234.00 |
| 3. EX MD of the company Col LV Raju filed section 138 case under Negotiable Instrument Act for bouncing of cheque against the company at additional chief metropolitan court, secunderabad | 25.00 | 25.00 |

f. Local Agent Commission

- i. 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 favourable order.

35 OTHER SIGNIFICANT LITIGATIONS

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 2062.74 Lakhs in the books of accounts.

36 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.

37 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.

ii. Cash and Cash Equivalents

The Company held cash and cash equivalents of INR 29.41 Lakhs at 31-Mar-23 (Previous year INR 657.33 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 :

| Particulars 31-Mar-23 | Upto 1 year | 1 to 3 years | 3 to 5 years | > 5 years | Total carrying amount |
|----------------------------------|--------------------|---------------------|---------------------|---------------------|----------------------------------|
| Current Borrowings | 1,034.61 | 35.55 | - | - | 1,070.16 |
| Trade payables | 33.28 | - | - | - | 33.28 |
| Other financial liabilities | 524.62 | - | - | - | 524.62 |
| Other Payables | 174.42 | - | - | - | 174.42 |
| | 1,766.93 | 35.55 | - | - | 1,802.48 |

| Particulars 31-Mar-22 | Upto 1 year | 1 to 3 years | 3 to 5 years | > 5 years | Total carrying amount |
|-----------------------------|-----------------|--------------|--------------|-----------|-----------------------|
| Current borrowings | 1,805.36 | - | - | - | 1,805.36 |
| Trade payables | 176.59 | - | - | - | 176.59 |
| Other financial liabilities | 596.18 | - | - | - | 596.18 |
| Other Payables | 246.84 | - | - | - | 246.84 |
| | 2,824.97 | - | - | - | 2,824.97 |

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-23 | 31-Mar-22 |
|---|-----------------|-----------------|
| Floating rate instruments | | |
| Financial Liabilities - measured at amortised cost | | |
| Working capital facilities from bank | 450.11 | 40.85 |
| Fixed rate instruments | | |
| Vehicle loans | 47.55 | - |
| Unsecured loans from directors | 200.28 | 701.24 |
| Inter corporate deposits | 339.69 | 1,063.26 |
| Total | 1,037.62 | 1,805.35 |

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 |
| 31-Mar-23 | | |
| Variable rate loan instruments | 1.13 | -1.13 |
| 31-Mar-22 | | |
| Variable rate loan instruments | 0.10 | -0.10 |

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 though its sales, services and purchases from overseas suppliers in various foregin currencies.

The foreign currency exposures as of 31-Mar-23 were as follows

| Particulars | USD | Egyptian Pound | Total |
|---|-------------|----------------|---------------|
| Assets | | | |
| Cash and bank balances | 0.04 | 4.16 | 4.20 |
| Trade receivables | 3.03 | 67.87 | 68.90 |
| Other assets | 0.05 | 49.88 | 49.93 |
| Total | 3.11 | 119.92 | 123.03 |
| Liabilities | | | |
| Trade payables | - | - | - |
| Other liabilities including Bank borrowings | 3.93 | 11.14 | 15.07 |
| Total | 3.93 | 11.14 | 15.09 |

The foreign currency exposures as of 31-Mar-22 were as follows

| Particulars | USD | Egyptian Pound | Total |
|------------------------|-------------|----------------|--------------|
| Assets | | | |
| Cash and bank balances | - | 5.70 | 5.70 |
| Trade receivables | 3.58 | 67.16 | 70.74 |
| Other assets | - | 14.64 | 14.64 |
| Total | 3.58 | 87.50 | 91.08 |
| Liabilities | | | |
| Trade payables | - | - | - |
| Other liabilities | - | 11.14 | 11.14 |
| Total | - | 11.14 | 11.14 |

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-23 | Profit or loss | | Equity, net of tax | |
|--------------------------|----------------|--------------|--------------------|-----------|
| | Strengthening | Weakening | Strengthening | Weakening |
| 1% movement | | | | |
| US Dollar | - 0.01 | 0.01 | - | - |
| Egyptian Pounds | 1.09 | -1.09 | - | - |
| | 1.08 | -1.08 | - | - |

| Particulars 31-Mar-22 | Profit or loss | | Equity, net of tax | |
|--------------------------|----------------|--------------|--------------------|-----------|
| | Strengthening | Weakening | Strengthening | Weakening |
| 1% movement | | | | |
| US Dollar | 0.04 | -0.04 | - | - |
| Egyptian Pounds | 0.76 | -0.76 | - | - |
| | 0.80 | -0.80 | - | - |

38 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-23 are as follows

| Particulars | Carrying Value | Level of input used in | | | Fair Value |
|-----------------------------|----------------|------------------------|---------|---------|------------|
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets | | | | | |
| At Amortised Cost | | | | | |
| Investments* | - | - | - | - | - |
| Trade receivables | 914.70 | - | - | - | 914.70 |
| Cash and cash equivalents | 29.41 | - | - | - | 29.41 |
| Other bank balances | 3,221.38 | - | - | - | 3,221.38 |
| Other financial assets | 10.69 | - | - | - | 10.69 |
| Financial liabilities | | | | | |
| At Amortised Cost | | | | | |
| Borrowings | 1,022.61 | - | - | - | 1,022.61 |
| Trade payables | 33.28 | - | - | - | 33.28 |
| Other financial liabilities | 524.62 | - | - | - | 524.62 |

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 | |
| Financial assets | | | | | |
| At Amortised Cost | | | | | |
| Investments* | - | - | - | - | - |
| Trade receivables | 1,085.06 | - | - | - | 1,085.06 |
| Cash and cash equivalents | 657.33 | - | - | - | 657.33 |
| Other bank balances | 1283.98 | - | - | - | 1283.98 |
| Other financial assets | 204.54 | - | - | - | 204.54 |
| Financial liabilities | | | | | |
| At Amortised Cost | | | | | |
| Borrowings | 1,085.36 | - | - | - | 1,085.36 |
| Trade payables | 176.59 | - | - | - | 176.59 |
| Other financial liabilities | 596.18 | - | - | - | 596.18 |

* excludes Financial assets measured at cost

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.

39 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/23 | 31/Mar/22 |
|-----------------------------------|-----------------|-----------------|
| Current borrowings | 1,022.61 | 1,805.36 |
| Total Debts | 1,022.61 | 1,805.36 |
| Less: Cash & Cash equivalents | -29.41 | -657.33 |
| Adjusted net debts | 993.20 | 1,148.02 |
| Equity | 1,545.94 | 1,249.97 |
| Other Equity | 6,657.07 | 3,582.34 |
| Total Equity | 8,203.01 | 4,832.31 |
| Adjusted net debt to equity ratio | 0.12 | 0.24 |

40 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

| Particulars | 31/Mar/23 | 31/Mar/22 |
|---------------|---------------|---------------|
| Within India | 106.38 | 656.26 |
| Outside India | 297.58 | 8.89 |
| Total | 403.96 | 665.15 |

41. Details of dues to micro and small enterprises as defined under MSMED Act 2006

| Particulars | 31/Mar/23 | 31/Mar/22 |
|--|-----------|-----------|
| The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year | | |
| - Principal amount due to micro and small enterprises | 0.10 | 27.22 |
| - Interest due on above | - | - |
| 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. | - | - |

42. 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 total comprehensive income | Amount |
| Parent - Kernex Micro Systems (India) Ltd | 112.51% | 9,229.07 | 99.19% | -1,986.60 | 73.31% | 23.21 | 87.48% | -418.69 |
| Subsidiaries – Indian | | | | | | | | |
| Avant Garde Info-systems Inc | -11.67% | -957.33 | -4.31% | 86.23 | 26.69% | 8.45 | 12.52% | -59.93 |
| Jont Venture | | | | | | | | |
| Kernex TCAS JV | -0.84% | -68.72 | 5.12% | -102.54 | - | - | 0.00% | - |
| Total | 100.00% | 8,203.02 | 100.00% | -2,002.91 | 100.00% | 31.66 | 100.00% | -478.62 |

43. 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 Beneficiaries
- (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 Beneficiaries,
- (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.

Notes 6, 8 & 12

44. The Company's assessment of recoverability and impairment loss allowance on its trade receivables, income tax assets and other long pending dues from government authorities as on 31 March 2023 is subject to number of management judgments and estimates that are based on prevailing conditions and circumstances as on the date of approval of these standalone financial statements. However, actual results may differ from these estimates as on the date of approval of these standalone financial statements due to the following reasons.
- A. Recoverability of income tax assets (Note 6) Rs 277.83 lakhs (PY Rs 260 lakhs) for respective years will depend on the outcome of the assessment proceedings which are yet to be closed. Recoverability of MAT credit 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. Further, the department may adjust the refunds against demands raised detailed in Note 34.
- B. Dues from government authorities (Note 12) Rs 410.45 lakhs (PY Rs 452.93 lakhs) mainly comprise of Input Tax Credits under GST Act and depend on actions of government authorities, outcome of assessments and availability of Input Credit against future output liabilities.
- C. Unbilled Revenue (Note 12) of Rs 183.46 Lakhs (PY 203.46 Lakhs) is net of allowance for expected credit loss made in books of Rs. 20 lakhs (PY Nil) and is subject to customer's acceptance.
- D. Trade receivables (Note 8) Rs 914.70 Lakhs (PY 1085.06 lakhs) may be affected due to delay in final deliverables, acceptance of performance claims by customers, Claims/ counter claims on quantum of work and company's decision for continuing the projects and on account of COVID 19.
45. Previous year figures have been regrouped/reclassified wherever necessary to conform to the current year's classification.

As per our report of even date attached

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

Sd/-
RAJA PATURI
Partner
Membership No: 020615

Hyderabad
28th May 23

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

Sd/-
SUNNY SHARMA
Chief Financial Officer

Sd/-
SITARAMA RAJU MANTHENA
Whole Time Director
DIN 08576273

Sd/-
PRASADA RAO KALLURI
Company Secretary

NOTES

NOTES



Kernex Microsystems (India) Ltd.,

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Hyderabad - 501 510. Phone : +91-8414667601
E-mail : acs@kernex.in Website : www.kernex.in