



# KERNEX MICROSYSTEMS (INDIA) LTD.

(An ISO 9001:2015 Certified Company)

CIN: L30007TG1991PLC013211

Tel: +91 90300 17501  
+91 90300 17502  
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website: www.kernex.in



**Registered Office :**

'TECHNOPOLIS', Plot No. 38(Part) to 41,  
Hardware Technology Park,  
TSIIC Layout, Imarath Kanch, Raviryal (V),  
Maheswaram (M), R.R. (Dist.),  
Hyderabad - 501 510. Telangana. India.  
08<sup>th</sup> September'2020.

KMIL/SE/AR/AGM/20-21/54

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

**Sub: Notice of 28<sup>th</sup> Annual General Meeting (AGM) and Annual Report of the Company for the F Y 2019-20**

With reference to the subject cited above, Please find enclosed Notice convening the 28<sup>th</sup> AGM of the Company to be held on Wednesday, the 30<sup>th</sup> day of September, 2020 at 4.00 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 year2019-20 which is being dispatched / sent to the members by the permitted mode(s).

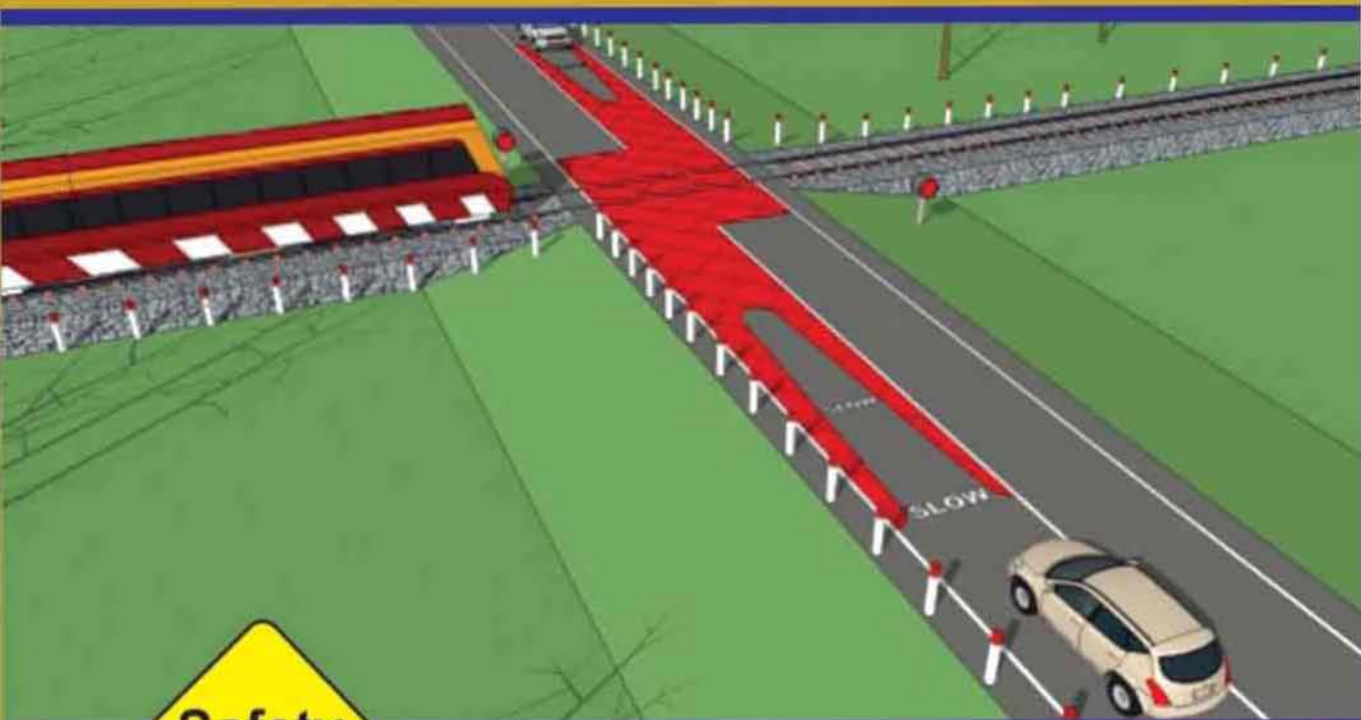
This is for your information and necessary records.

Thanking you,

Yours faithfully  
For **KERNEX MICROSYSTEMS (INDIA) LIMITED**

**Badari Narayana Raju Manthana**  
Whole Time Director  
DIN: 07993925





**28**<sup>th</sup>  
**Annual  
Report  
2019-20**

**BOARD OF DIRECTORS**

Sri. Sreenivasa Rao Ravinuthala	Chairman & Independent Director (w.e.f. 30.09.2019)
Sri. Koganti Somasekhara Rao	Independent Director (w.e.f. 30.09.2019)
Sri. Krishna Mohan AV S	Independent Director (w.e.f. 08.02.2020)
Dr. Anji Raju Manthena	Director
Dr. Janardhana Reddy Vinta	Director
Ms. Sree Lakshmi Manthena	Director
Sri. Sitarama Raju Manthena	Director (w.e.f. 30.09.2019)
Sri. Manthena Badari Narayana Raju	Whole Time Director
Sri. P Dinakara Rao	Independent Director (resigned w.e.f. 12.10.2019)
Sri. T V S N Raju	Independent Director (resigned w.e.f. 08.02.2020)
Sri. Ashok Gopalarao Kalmankar	Independent Director (resigned w.e.f. 08.02.2020)

**Chief Executive Officer**

Sri. Satyanarayana Raju Kalidindi

**Chief Financial Officer**

Sri. CA Ramayya Vutukuri

**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

**Board Committees**

**Audit Committee**

Sri. Sreenivasa Rao Ravinuthala	–	Chairman
Sri.Koganti Somasekhara Rao	–	Member
Ms.Sree Lakshmi Manthena	–	Member

**Nomination and Remuneration Committee**

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

**Corporate Social Responsibility Committee**

Sri. A V S Krishna Mohan	–	Chairman
Sri. K Soma Sekhara Rao	–	Member
Sri. Sita Ramaraju Manthena	–	Member

**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, 4<sup>th</sup> Floor, D. No.6-3-347/22/2  
Ishwarya Nilayam, Opp: Sai Baba Temple,  
Dwarakapuri Colony, Punjagutta,  
Hyderabad – 500 082, Telangana, India

**Bankers:**

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

**Stakeholders Relationship Committee:**

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

**Risk Management Committee**

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

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## Annual Report 2019-20

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Notice is hereby given that the 28<sup>th</sup> Annual General Meeting of the Members of M/s. Kernex Microsystems (India) Limited will be held on Wednesday 30<sup>th</sup> day of September 2020 at 4:00 P.M IST through Video Conference ("VC")/Other Audio Visual Means ("OAVM") facility to transact the following items of business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Standalone and Consolidated financial statements for the year ended on 31<sup>st</sup> March, 2020 together with the reports of the Board of Director's and Auditors thereon.
2. To appoint a director in place of Dr. Anji Raju Manthana (DIN: 01022368) as a Non-Executive Director, who retires by rotation and being eligible offers himself for re-appointment as a director in the company.
3. To appoint a director in place of Dr. Vinta Janardhana Reddy (DIN: 02414912) as a Non-Executive Director, who retires by rotation and being eligible offers himself for re-appointment as a director in the company.

### SPECIAL BUSINESS

4. **TO CONSIDER AND APPROVE APPOINTMENT OF MR. SREENIVASA RAO RAVINUTHALA (DIN: 03271625) AS AN INDEPENDENT DIRECTOR OF THE COMPANY**

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

**"RESOLVED THAT** Mr. Sreenivasa Rao Ravinuthala (DIN: 03271625), who was appointed as an Additional Director of the Company by the Board of Directors with effect from 30<sup>th</sup> September'2019 and who holds office up to the date of ensuing Annual General Meeting under Section 161(1) of the Companies Act, 2013 ('the Act') and Articles of Association of the Company, and he has given consent for appointment and in respect of whom the Company has received a notice in writing under Section 160(1) of the Act from a member proposing his candidature for the office of Director, be and is hereby approved.

**"RESOLVED FURTHER THAT** pursuant to the provisions of Section 149, 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and Companies (Appointment and Qualifications of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and Regulation 16(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, Mr. Sreenivasa Rao Ravinuthala (DIN: 03271625), who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Companies Act, 2013, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, with effect from 30<sup>th</sup> September' 2019 to 29<sup>th</sup> September' 2024 be and is hereby approved.

5. **TO CONSIDER AND APPROVE APPOINTMENT OF MR. KOGANTI SOMASEKHARA RAO (DIN: 8576216) AS AN INDEPENDENT DIRECTOR OF THE COMPANY**

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

**"RESOLVED THAT** Mr. Koganti Somasekhara Rao (DIN: 8576216), who was appointed as an Additional Director of the Company by the Board of Directors with effect from 30<sup>th</sup> September'2019 and who holds office up to the date of ensuing Annual General Meeting under Section 161(1) of the Companies Act, 2013 ('the Act') and Articles of Association of the Company, and he has given consent for appointment and in respect of whom the Company has received a notice in writing under Section 160(1) of the Act from a member proposing his candidature for the office of Director, be and is hereby approved.

**“RESOLVED FURTHER THAT** pursuant to the provisions of Section 149, 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and Companies (Appointment and Qualifications of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and Regulation 16(1)(b) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, Mr. Koganti Somasekhara Rao (DIN: 8576216), who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Companies Act, 2013, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, with effect from 30<sup>th</sup> September’2019 to 29<sup>th</sup> September’2024 be and is hereby approved.

**6. TO CONSIDER AND APPROVE APPOINTMENT OF MR. ADDANKI VENKATA SAI KRISHNA MOHAN (DIN: 7967460) AS AN INDEPENDENT DIRECTOR OF THE COMPANY**

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

**“RESOLVED THAT** Mr. Addanki Venkata Sai Krishna Mohan (DIN: 7967460), who was appointed as an Additional Director of the Company by the Board of Directors with effect from 08<sup>th</sup> February’2020 and who holds office up to the date of ensuing Annual General Meeting under Section 161(1) of the Companies Act, 2013 (‘the Act’) and Articles of Association of the Company, and he has given consent for appointment and in respect of whom the Company has received a notice in writing under Section 160(1) of the Act from a member proposing his candidature for the office of Director, be and is hereby approved.

**“RESOLVED FURTHER THAT** pursuant to the provisions of Section 149, 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and Companies (Appointment and Qualifications of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and Regulation 16(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, Mr. Addanki Venkata Sai Krishna Mohan (DIN: 7967460), who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Companies Act, 2013, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, with effect from 08<sup>th</sup> February’2020 to 07<sup>th</sup> February’2025 be and is hereby approved.

**7. TO CONSIDER AND APPROVE APPOINTMENT OF MR. SITARAMA RAJU MANTHENA (DIN: 08576273) AS ADDITIONAL DIRECTOR OF THE COMPANY**

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

**“RESOLVED THAT** Mr. Sitarama Raju Manthena (DIN: 08576273) who was appointed as an Additional Director at the meeting of the Board of Directors held on 30<sup>th</sup> September, 2019 and who holds office as such upto the date of ensuing Annual General Meeting and in respect of whom the Company has received a notice under section 160 of the Companies Act, 2013 proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

**8. TO CONSIDER AND APPROVE APPOINTMENT OF MR. SITARAMA RAJU MANTHENA (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 and Board of Directors of the Company and pursuant to Sections 196, 197, 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 appointment of Mr. Sitarama Raju Manthena (DIN: 08576273) as a Whole Time Director of the Company for a period of three years w.e.f 02<sup>nd</sup> September 2020 and on the following terms and conditions.

**1. Remuneration:**

A) Salary: Rs. 90,000/- 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

- a) House Rent Allowance @ 40% of the salary.
- b) Special Monthly allowance @ 60% of the salary.
- c) 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.
- d) Leave travel assistance: Expenses incurred for self and family in accordance with company's rules.
- e) Car: The Company shall provide a car for company's business.
- f) Phone / cell phone: free except for personal long distance calls which shall be billed.
- g) Club Fee: Subject to a maximum of two clubs. This will not include admission and life membership.
- h) Group Medical Insurance and Personal Accident Insurance Premium as per the rules of the Company.
- l) Reimbursement of entertainment expenditure actually and properly incurred for the business of the Company.

2. Minimum remuneration: Notwithstanding anything to the contrary herein contained, if in any financial year during the currency of the tenure of Mr. Sitarama Raju Manthena (DIN: 08576273), 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.

**9. TO CONSIDER AND APPROVE APPOINTMENT OF MR. BADARI 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 and Board of Directors of the Company and pursuant to Sections 196, 197, 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 appointment of Mr. Manthana Badari Narayana Raju (DIN: 07993925) as a Whole Time Director of the Company for a period of three years with effective from 02nd September, 2020 on the following terms and conditions .

1. Remuneration:

- A) Salary: Rs. 90,000/- 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
- a) House Rent Allowance @ 40% of the salary.
  - b) Special Monthly allowance @ 60% of the salary.
  - c) 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.
  - d) Leave travel assistance: Expenses incurred for self and family in accordance with Company's rules.
  - e) Car: The Company shall provide a car for company's business.
  - f) Phone / cell phone: free except for personal long distance calls which shall be billed.
  - g) Club Fee: Subject to a maximum of two clubs. This will not include admission and life membership.
  - h) 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.
2. Minimum remuneration: Notwithstanding anything to the contrary herein contained, if in any financial year during the currency of the tenure of Mr. Manthana Badari 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.

**10. 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**

*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 applicable provisions of Foreign Exchange Management Act, 1999, as amended ("FEMA"), Foreign Exchange Management (Non-debt Instruments) Rules, 2019 as amended from time to time, the Companies Act, 2013 as amended, as the case may be and all other applicable acts, rules, regulations, provisions and guidelines (including any amendment, variation, statutory modification(s) or re-enactment(s) thereof for the time being in force) and subject to all applicable approvals, permissions and sanctions of the Foreign Investment Promotion Board, The Reserve Bank of India, Ministry of Finance,



Ministry of Corporate Affairs, Government of India, Securities and Exchange Board of India and other concerned authorities and subject to such conditions as may be prescribed by any of the said concerned authorities while granting such approvals, permissions or sanctions, the maximum permitted NRI limit be and is hereby increased from the existing 10% to 24%, i.e., to permit Non-Resident Individuals (the "NRIs"), to acquire and hold on their own account, equity shares upto an aggregate limit of 24% of the paid up capital of the Company on repatriation basis for the time being provided, however, that the equity shareholding of each NRI shall not exceed such limits as are or as may be prescribed, from time to time, under applicable laws, rules and regulations."

**"FURTHER RESOLVED THAT** the Board of Directors of the Company (including duly constituted and authorized committee thereof) be and is hereby authorized to do such acts, deeds, matters and things and execute all documents or writings as may be necessary, proper or expedient for the purpose of giving effect to this resolution including intimating the concerned authorities or such other regulatory body and for matters connected therewith or incidental thereto including delegating all or any of the powers conferred herein to any committee of Directors or any Director(s) or officer(s) of the Company."

**11. APPROVAL FOR RE-APPOINTMENT AND REMUNERATION PAYABLE TO MS. SREE LAKSHMI MANTHENA AS A DIRECTOR IN M/s. AVANT GARDE INFO SYSTEMS INC**

*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 188(1)(f) and all other applicable provisions of the Companies Act, 2013 read with the Rules made thereunder, Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modifications(s) or re-enactment thereof, for the time being in force), as per the recommendation and approval of the Nomination and Remuneration Committee and Audit Committee, and subject to such consents, approvals and permissions as may be required, the consent of the members of the Company be and is hereby accorded to re-appoint Ms. Sree Lakshmi Manthena as a director of the Company's Wholly Owned Subsidiary i.e. M/s. Avant Garde Info Systems Inc, at a remuneration of Rs. 4,00,000 per month and such other prerequisites in accordance with the service rules of the Company w.e.f. 1st October 2020.

**"RESOLVED FURTHER THAT** the Board of Directors and of the Company be and is hereby authorized to do, all such acts, matters, deeds and things, settle any queries/difficulties, doubts arise from it, as may be considered necessary, proper or expedient to give effect to this resolution and for matters connected herewith or incidental there to in the best interest of the Company."

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

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

Place: Hyderabad  
Date: 02<sup>nd</sup> September' 2020

**NOTES:**

1. In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs (“MCA”) has vide its circular dated May 5, 2020 read with circulars dated April 8, 2020 and April 13, 2020 (collectively referred to as “MCA Circulars”) and SEBI circular SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 permitted the holding of the Annual General Meeting (“AGM”) through VC / 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 (“SEBI Listing Regulations”) and MCA Circulars, the AGM of the Company is being held 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 the MCA Circulars, and SEBI circular SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 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.
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 September 24, 2020 to September 30, 2020 (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 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 and SEBI circular SEBI/HO/CFD/CMD1/ CIR/P/2020/79 dated May 12, 2020 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.
6. 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.
7. 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.
8. 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.
9. 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 [www.kernx.in](http://www.kernx.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.

## Annual Report 2019-20

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10. 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.
11. 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.
12. 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 September 25, 2020 through email on [acs@kernex.in](mailto:acs@kernex.in). The same will be replied by the Company suitably.
13. In compliance with the aforesaid MCA Circulars and SEBI Circular dated May 12, 2020, Notice of the AGM along with the Annual Report 2019-20 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories. Members may note that the Notice and Annual Report 2019-20 will also be available on the Company's website [www.kernex.in](http://www.kernex.in), websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com) respectively and NSDL at <https://www.evoting.nsdl.com/>. 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.
14. At the Twenty-Fifth AGM held on September 29, 2017 the Members approved appointment of PRSV & Co LLP, Chartered Accountants (Firm Registration No. S200016) as Statutory Auditors of the Company to hold office for a period of five years from the conclusion of that AGM till the conclusion of the Thirtieth AGM. The requirement to place the matter relating to appointment of auditors for ratification by Members at every AGM has been done away by the Companies (Amendment) Act, 2017 with effect from May 7, 2018. Accordingly, no resolution is being proposed for ratification of appointment of statutory auditors at the Twenty Eighth AGM.
15. Since the AGM will be held through VC / OAVM, the Route Map is not annexed in this Notice.
16. Instructions for e-voting and joining the AGM are as follows:

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

**The remote e-voting period begins on Sunday, September 27, 2020 (9:00 a.m. IST) and ends on Tuesday, September 29, 2020 (5:00 p.m. IST). The remote e-voting module shall be disabled by NSDL for voting thereafter.**

During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on September 23, 2020 (Cut-off date), may cast their vote electronically.

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.co.in](mailto:evoting@nsdl.co.in). 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: Log-in to NSDL e-Voting system at <https://www.evoting.nsdl.com/>

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

**Details on Step 1 is mentioned below:**

**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 'Shareholders' section.
3. A new screen will open. You will have to enter your User ID, your Password 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.

**1. Your User ID details are given below:**

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
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*****.
a) 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*****
b) 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. Your password details 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 in 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'.

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- (ii) If your email ID is not registered, please follow steps mentioned below in process for those shareholders whose email ids are not registered.
6. If you are unable to retrieve or have not received the “Initial password” or have forgotten your password:
  - a) Click on “Forgot User Details/Password?” (If you are holding shares in your demat account with NSDL or CDSL) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
  - b) “Physical User Reset Password?” (If you are holding shares in physical mode) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
  - c) If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) mentioning your demat account number/folio number, your PAN, your name and your registered address.
  - 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.

Details on Step 2 is given below:

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

1. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.
2. After click on Active Voting Cycles, you will be able to see all the companies “EVEN” in which you are holding shares and whose voting cycle is in active status.
3. Select “EVEN” of company for which you wish to cast your vote.
4. Now you are ready for e-Voting as the Voting page opens.
5. 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.
6. Upon confirmation, the message “Vote cast successfully” will be displayed.
7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
8. 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 [csvanitha19@gmail.com](mailto:csvanitha19@gmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
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](http://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](http://www.evoting.nsdl.com) or call on toll free no.: 1800-222-990 or send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)

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

**Process for those shareholders whose email ids are not registered with the depositories for procuring user id and password and registration of email 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](mailto:acs@kernex.in).  
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](mailto:acs@kernex.in).
2. Alternatively member may send an e-mail request to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) for obtaining User ID and Password by proving the details mentioned in Point (1) or (2) as the case may be.

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

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.
2. Only those Members/ shareholders, who will be present in the 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 AGM.
3. Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the 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 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.

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.

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3. Members who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID/folio number, PAN, mobile number at [acs@kernex.in](mailto:acs@kernex.in). on or before September 27th 2020. Those Members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.
4. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.
5. Members are encouraged to join the Meeting through Laptops for better experience.
6. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
7. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
8. Shareholders who would like to express their views/have questions may send their questions in advance mentioning their names, demat account number/folio number, email id, mobile number at [acs@kernex.in](mailto:acs@kernex.in). The same will be replied by the company suitably.
9. The voting rights of Members shall be in proportion to their shares of the paid-up equity share capital of the Company as on September 23, 2020. 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 Mrs. N Vanitha, P S Rao & Associates, Practising Company Secretaries, 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 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 three days from the conclusion of the meeting, a consolidated scrutiniser's report of the total votes cast in favour or against, if any, to the Chairman of the Company, who shall countersign the same.
12. The scrutiniser shall submit his report to the Chairman, who shall declare the result of the voting. The results declared along with the scrutiniser's report shall be placed on the Company's website: [www.neulandlabs.com](http://www.neulandlabs.com) and shall also be communicated to the stock exchanges. The resolution shall be deemed to be passed at the AGM of the Company scheduled to be held on September 30, 2020.
13. Subject to receipt of requisite number of votes, the Resolutions shall be deemed to be passed on the date of the Meeting, i.e. September 30, 2020.

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

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

Place: Hyderabad  
Date: 02<sup>nd</sup> September'2020



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

<b>Particulars</b>	<b>Mr. Sreenivasa Rao Ravinuthala</b>	<b>Mr. Koganti Somasekhara Rao</b>
Date of Birth	November 07, 1955	February 25, 1953
Date of Appointment	September 30, 2019	September 30, 2019
Qualifications	Fellow Member of the Institute of Cost Accountants of India.	Master in Technology in Advanced Electronics from Jawaharlal Nehru Technological University
Expertise in specific Functional area	He is a practicing Cost & Management Accountant having over 3 decades of association with the industry in several fields in functional level to strategic Management and also rendering services as I.E.C. Member nominated by the ICAI, in the re-phasing of Corporate debts over Rs.500 Cr., and Qualified as Insolvency Professional under the provisions of the Insolvency and Bankruptcy Code, 2016. Specialization in Project Finance, Working Capital Finance, Preparation & review of DPRs, Stock Audits, Lender's Auditor, Restructuring Proposals, Viability Studies and contributed as IEC Member, Credit Audit. He has been Identified as one of 32 Cost & Management Accountants amongst thousands of practicing members in the same field in India by the Institute of Cost Accountants of India (ICAI) and nominated as a financial Expert to the Independent Evaluation Committee (IEC), which is meant for the evaluation of Re-phasing proposals as per mandatory guidelines of RBI.	He has 22 years of experience in design, development, Engineering and execution of SCADA projects and process control systems. Specialization in Finalizing the project requirements, preparation of FDS and SDS documents, project engineering, firming up the special application software requirements of the individual projects, design of special modules, co-ordination with various departments, customer interaction, installation and commissioning and fine tuning of the SCADA systems to the needs of the customer requirements at ECIL and IIPL and expertise in International Business development, Project Management, Strategic planning/ Operational planning, and financial acumen.
Directorship held in other public companies (excluding foreign companies)	1. Vayhan Coffee Limited	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	0	0



<b>Particulars</b>	<b>Mr. Addanki Venkata Sai Krishna Mohan</b>	<b>Mr. Sitarama Raju Manthena</b>
Date of Birth	March 15, 1957	June 24, 1973
Date of Appointment	February 08, 2020	September 30, 2019
Qualifications	Masters in English Literature, Bachelor of Science – Andhra University	BS Computer Science with Business Administration
Expertise in specific Functional area	An astute professional having 39 years of post qualification experience in Commercial Banking of which 20+ years of experience is in Credit Appraisal, Industrial Finance, Restructuring, Credit monitoring, Recovery, and Branch Management in a Public Sector Bank in various capacities at various centers. Retired as a Deputy General Manager at Union Bank of India in Mar'17. An experienced banker with a proven track record of demonstrating fast business growth, adept handling of stressed assets, participation and chairing several consortium meetings, assessing and studying the viability of organizations in stress, having sound knowledge of Legal procedures / processes of SARFAESIA, DRT, and BIFR. Practicing as an Insolvency Professional since September 2017.	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	0	7,12,992

<b>Particulars</b>	<b>Mr. Badari Narayana Raju Manthena</b>
Date of Birth	August 01, 1954
Date of Appointment	September 02, 2020
Qualifications	Bachelor Degree in Commerce from Andhra University
Expertise in specific Functional area	Mr. Badari Narayana Raju Manthena is in the employment of the company for the past 20 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 with Service Tax, Sales Tax, VAT, Excise, PF,ESI, etc.,
Directorship held in other public companies (excluding foreign companies)	Nil
Memberships / Chairmanships of committees of other Public companies (includes only Audit and Shareholders/ Investors Grievance Committee)	Nil
Number of shares held in the company	2,087

**EXPLANATORY STATEMENT**

(Pursuant to Section 102 of the Companies Act, 2013)

**Item No. 4:**

The Board of Directors, based on the recommendation of Nomination and Remuneration Committee had appointed Mr. Sreenivasa Rao Ravinuthala (DIN: 03271625) as an Additional Director of the Company with effect from 30th September'2019, under Non-Executive Independent Director category.

In terms of Section 161 (1) of the Companies Act, 2013, Mr. Sreenivasa Rao Ravinuthala holds Office as an Additional Director up-to the date of the forthcoming Annual General Meeting. The Nomination and Remuneration Committee and the Board of Directors of the Company has recommended the appointment and the Company received a notice pursuant to Section 160 of the Companies Act, 2013 from a Member signifying his intention to propose the appointment of Mr. Sreenivasa Rao Ravinuthala as a Director.

Mr. Sreenivasa Rao Ravinuthala has over 3 decades of association with the industry in several fields in functional level to strategic Management and also rendering services as I.E.C. Member nominated by the ICAI, in the re-phasing of corporate debts over Rs.500 Cr., and Qualified as Insolvency Professional under the provisions of the Insolvency and Bankruptcy Code, 2016. Specialization in Project Finance, Working Capital Finance, Preparation & review of DPRs, Stock Audits, Lender's Auditor, Restructuring Proposals, Viability Studies and contributed as IEC Member, Credit Audit. He has been Identified as one of 32 Cost & Management Accountants amongst thousands of practicing members in the same field in India by the Institute of Cost Accountants of India (ICAI) and nominated as a financial Expert to the Independent Evaluation Committee (IEC), which is meant for the evaluation of Re-phasing proposals as per mandatory guidelines of RBI.

As per the provisions of section 149 of the Companies Act, 2013 ("Act") an Independent Director shall hold office for a term up to five consecutive years on the Board of a Company and is not liable to retire by rotation.

Mr. Sreenivasa Rao Ravinuthala has given a declaration to the Board that he meets the criteria of independence as provided under section 149 (6) of the Act. The matter regarding appointment of Mr. Sreenivasa Rao Ravinuthala as an Independent Director was placed before the Nomination and Remuneration Committee, which commends his appointment as an Independent Director up to 5 years from the 30<sup>th</sup> September'2019 up to 29<sup>th</sup> September'2024.

In the opinion of the Board, Mr. Sreenivasa Rao Ravinuthala fulfills the conditions specified in the Act and the Rules made thereunder for appointment as an Independent Director and he is independent of the management. In compliance with the provisions of section 149 read with Schedule IV of the Act, the appointment of Mr. Sreenivasa Rao Ravinuthala as an Independent Director is now being placed before the Members in general meeting for their approval.

The terms and conditions of appointment of Independent Directors shall be open for inspection by the members at the Registered Office during normal business hours on any working day of the Company.

Mr. Sreenivasa Rao Ravinuthala is interested and concerned in the Resolution and no other Director, key managerial personnel or their respective relatives are concerned or interested in the Resolution.

The Board recommends the resolution for your approval.

**Item No. 5:**

The Board of Directors, based on the recommendation of Nomination and Remuneration Committee had appointed Mr. Koganti Somasekhara Rao (DIN: 8576216) as an Additional Director of the Company with effect from 30th September'2019, under Non-Executive Independent Director category.

In terms of Section 161 (1) of the Companies Act, 2013, Mr. Koganti Somasekhara Rao holds Office as an Additional Director up-to the date of the forthcoming Annual General Meeting. The Nomination and Remuneration Committee and the Board of Directors of the Company has recommended the appointment and the Company received a notice pursuant to Section 160 of the Companies Act, 2013 from a Member signifying his intention to propose the appointment of Mr. Koganti Somasekhara Rao as a Director.

He has 22 years of experience in design, development, Engineering and execution of SCADA projects and process control systems. Specialization in Finalizing the project requirements, preparation of FDS and SDS documents, project engineering, firming up the special application software requirements of the individual projects, design of special modules, co-ordination with various departments, customer interaction, installation and commissioning and fine tuning of the SCADA systems to the needs of the customer requirements at ECIL and IIPL and expertise in International Business development, Project Management, Strategic planning/Operational planning, and financial acumen.

As per the provisions of section 149 of the Companies Act, 2013 ("Act") an Independent Director shall hold office for a term up to five consecutive years on the Board of a Company and is not liable to retire by rotation.

Mr. Koganti Somasekhara Rao has given a declaration to the Board that he meets the criteria of independence as provided under section 149 (6) of the Act. The matter regarding appointment of Mr. Koganti Somasekhara Rao as an Independent Director was placed before the Nomination and Remuneration Committee, which commends his appointment as an Independent Director up to 5 years from the 30<sup>th</sup> September 2019 up to 29<sup>th</sup> September 2024.

In the opinion of the Board, Mr. Koganti Somasekhara Rao fulfills the conditions specified in the Act and the Rules made there under for appointment as an Independent Director and he is independent of the management. In compliance with the provisions of section 149 read with Schedule IV of the Act, the appointment of Mr. Koganti Somasekhara Rao as an Independent Director is now being placed before the Members in general meeting for their approval.

The terms and conditions of appointment of Independent Directors shall be open for inspection by the members at the Registered Office during normal business hours on any working day of the Company.

Mr. Koganti Somasekhara Rao is interested and concerned in the Resolution and no other Director, key managerial personnel or their respective relatives are concerned or interested in the Resolution.

The Board recommends the resolution for your approval.

**Item No. 6:**

The Board of Directors, based on the recommendation of Nomination and Remuneration Committee had appointed Mr. Addanki Venkata Sai Krishna Mohan (DIN: 7967460) as an Additional Director of the Company with effect from 8th February 2020, under Non-Executive Independent Director category.

In terms of Section 161 (1) of the Companies Act, 2013, Mr. Addanki Venkata Sai Krishna Mohan holds Office as an Additional Director up-to the date of the forthcoming Annual General Meeting. The Nomination and Remuneration Committee and the Board of Directors of the Company has recommended the appointment and the Company received a notice pursuant to Section 160 of the Companies Act, 2013 from a Member signifying his intention to propose the appointment of Mr. Addanki Venkata Sai Krishna Mohan as a Director.

Mr. Addanki Venkata Sai Krishna Mohan has over 39 years of post qualification experience in Commercial Banking of which 20+ years of experience is in Credit Appraisal, Industrial Finance, Restructuring, Credit monitoring, Recovery, and Branch Management in a Public Sector Bank in various capacities at various centers. Retired as a Deputy General Manager at Union Bank of India in Mar'17. An experienced banker with a

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proven track record of demonstrating fast business growth, adept handling of stressed assets, participation and chairing several consortium meetings, assessing and studying the viability of organizations in stress, having sound knowledge of Legal procedures / processes of SARFAESIA, DRT, and BIFR. Practicing as an Insolvency Professional since September 2017.

As per the provisions of section 149 of the Companies Act, 2013 ("Act") an Independent Director shall hold office for a term up to five consecutive years on the Board of a Company and is not liable to retire by rotation.

Mr. Addanki Venkata Sai Krishna Mohan has given a declaration to the Board that he meets the criteria of independence as provided under section 149 (6) of the Act. The matter regarding appointment of Mr. Addanki Venkata Sai Krishna Mohan as an Independent Director was placed before the Nomination and Remuneration Committee, which commends his appointment as an Independent Director up to 5 years from the 08<sup>th</sup> February' 2020 up to 07<sup>th</sup> February'2025.

In the opinion of the Board, Mr. Addanki Venkata Sai Krishna Mohan fulfills the conditions specified in the Act and the Rules made there under for appointment as an Independent Director and he is independent of the management. In compliance with the provisions of section 149 read with Schedule IV of the Act, the appointment of Mr. Addanki Venkata Sai Krishna Mohan as an Independent Director is now being placed before the Members in general meeting for their approval.

The terms and conditions of appointment of Independent Directors shall be open for inspection by the members at the Registered Office during normal business hours on any working day of the Company.

Mr. Addanki Venkata Sai Krishna Mohan is interested and concerned in the Resolution and no other Director, key managerial personnel or their respective relatives are concerned or interested in the Resolution.

The Board recommends the resolution for your approval.

### **Item No. 7 & 8:**

The Board of Directors, based on the recommendation of Nomination and Remuneration Committee had appointed Mr. Sitarama Raju Manthena (DIN: 08576273) as an Additional Director of the Company with effect from 30<sup>th</sup> September'2019, under Non-Executive category.

In terms of Section 161 (1) of the Companies Act, 2013, Mr. Sitarama Raju Manthena holds Office as an Additional Director up-to the date of the forthcoming Annual General Meeting. The Nomination and Remuneration Committee and the Board of Directors of the Company has recommended the appointment and the Company received a notice pursuant to Section 160 of the Companies Act, 2013 from a Member signifying his intention to propose the appointment of Mr. Sitarama Raju Manthena (DIN: 08576273) as a Director.

Further, the Board of Directors based on the recommendation of the Nomination and Remuneration Committee had appointed Mr. Sitarama Raju Manthena (DIN: 08576273) as a Whole-Time Director of the Company for a period of three years with a remuneration of Rs. 21,60,000/- per annum, per annum, with effect from 2<sup>nd</sup> September 2020 subject to approval of members at the ensuing Annual General Meeting of the Company.

Mr. Sitarama Raju Manthena (DIN: 08576273) 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.

Mr. Sitarama Raju Manthena (DIN: 08576273), is a son of Dr. Anji Raju Manthena and Borthor of Ms. Sree Lakshmi Manthena. Mr. Sitarama Raju Manthena (DIN: 08576273), holds 7,12,992 (Seven Lakhs Twelve Thousand Nine Hundred and Ninety Two Only) equity shares constituting 5.70% of total equity share capital of

the Company. Mr. Sitarama Raju Manthena (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 Whole Time Director, for the approval of the shareholders of the Company.

Employment Agreement containing the terms and Conditions of the appointment of Mr. Sitarama Raju Manthena (DIN: 08576273), would be available for inspection.

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

**I. General Information**

**I. Nature of Industry:**

1. 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 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:

(Rs. In Lakhs)

PARTICULARS	Financial Year 2019-20	Financial Year 2018-19
Total Revenue	3,288.44	2,820.19
Net Profit / Loss Before Tax (PBT)	802.68	(2,091.85)
Net Profit (PAT)	806.07	(2,067.26)

5. Foreign investments or collaborations, if any. Nil

**(II) Information about the appointee**

1. Mr. Sitarama Raju Manthena 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 Remuneration: Nil

3. Recognition or awards: Nil

4. Job profile and his suitability: Mr. Sitarama Raju Manthena 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. Remuneration proposed: Rs. 1,80,000/- per month

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6. 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 w.r.t. the country of his origin): **Nil**
7. 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 Borthor of Ms. Sree Lakshmi Manthena. Mr. Sitarama Raju Manthena (DIN: 08576273), holds 7,12,992 (Seven Lakhs Twelve Thousand Nine Hundred and Ninety Two Only) equity shares constituting 5.70% of total equity share capital of the Company.

### III. Other information:

1. Reasons of loss or inadequate profits:-

At present the financial performance of the company is good and possesses adequate profits. Further, due to the delay in government procedures to finalize the orders and realization of the payments after execution of such projects there may be inadequate profits, in any of the financial years in near future.

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 approval and implementation of various government projects 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 Dr. Anji Raju Manthena and Ms. Sree Lakshmi Manthena, Promoter Directors.

Your Board recommends the resolution for your approval.

### Item No. 9:

Mr. Manthena Badari Narayana Raju (DIN: 07993925) was appointed as the Whole Time Director of the company. His tenure will be expiring on 27th September, 2020 and the members of the board, based on the recommendation of the Nomination and Remuneration Committee, on 2nd September, 2020 have reappointed him for a further period of Three years with a remuneration of Rs. 21,60,000/- per annum, with effect from 02nd September 2020, subject to the approval of the members at the ensuing Annual General Meeting of the company.

Mr. Manthena Badari Narayana Raju (DIN: 07993925) is in the employment of the company from the past 20 years at a senior level with the designation of Chief Administrative and Commercial Officer and as an Whole Time Director from 20th November 2017 and is looking after the General and Personnel Administration, Liaison with all Government Agencies and Compliances with Service Tax, Sales Tax, VAT, Excise, PF,ESI, etc.,

Mr. Manthena Badari Narayana Raju (DIN: 07993925) holds 2,184 (Two Thousand One Hundred and Eighty Four Only) equity shares constituting 0.016% of total equity share capital of the Company. Mr. Manthena Badari 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.

Employment Agreement containing the terms and Conditions of the appointment of Mr. Manthena Badari Narayana Raju (DIN: 07993925), would be available for inspection.

None of the Directors / Key Managerial Personnel or their relatives is concerned or interested in the resolution. The following is the additional information as per Section II of Part II of Schedule V of the Companies Act, 2013:

**I. General Information**

**I. Nature of Industry:**

1. 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 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:

(Rs. In Lakhs)

<b>PARTICULARS</b>	<b>Financial Year 2019-20</b>	<b>Financial Year 2018-19</b>
Total Revenue	3,288.44	2,820.19
Net Profit/Loss Before Tax (PBT)	802.68	(2,091.85)
Net Profit (PAT)	806.07	(2,067.26)

5. Foreign investments or collaborations, if any. Nil

**(II) Information about the appointee**

1. Back ground details: Mr. Badri Narayana Raju is in the employment of the company for the past 20 years at a senior level with the designation of Chief Administrative and Commercial Officer and as an Whole Time Director from 20<sup>th</sup> November'2017 and is looking after the General and Personnel Administration, Liaison with all Government Agencies and Compliances with Service Tax, Sales Tax, VAT, Excise, PF,ESI, etc.,
2. Past Remuneration: Rs.1,50,000/- Per month
3. Recognition or awards: Nil
4. Job profile and his suitability: Mr. Badri Narayana Raju is in the employment of the company for the past 20 years at a senior level with the designation of Chief Administrative and Commercial Officer and as an Whole Time Director from 20<sup>th</sup> November'2017 is looking after the General and Personnel Administration, Liaison with all Government Agencies and Compliances with Service Tax, Sales Tax, VAT, Excise, PF,ESI, etc.,
5. Remuneration proposed: Rs.1,80,000/- per month
6. 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 w.r.t. the country of his origin): Nil
7. Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel, if any. **Not Applicable**



## Annual Report 2019-20

### III. Other information:

#### 1. Reasons of loss or inadequate profits:-

At present the financial performance of the company is good and possesses adequate profits. Further, due to the delay in government procedures to finalize the orders and realization of the payments after execution of such projects there may be inadequate profits, in any of the financial years in near future.

#### 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 approval and implementation of various government projects leading to good improvement in operating margins.

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

Your Board recommends the resolution for your approval.

### **Item No. 10:**

Considering the overwhelming interest of NRIs in the recent past, it is anticipated that the NRIs may further buy the shares of the Company, which in turn may result in breaching the prescribed limit of 10% as per the FDI Policy. NRIs play a crucial role in unlocking Company's value and escalating it to next level by attracting new investments into the Company. In view of the said, and considering various other collateral benefits in the long run, it is proposed to increase the aggregate limit for holding shares by the NRIs on repatriation basis to 24% from the existing 10%.

As per Schedule III of Foreign Exchange Management (Non-debt Instruments) Rules, 2019, the Company shall obtain the approval of its shareholders by way of special resolution to increase the said limits with a prior intimation to Reserve Bank India. The members are, therefore, requested to consider and accord their approval, for the purpose of increasing the aggregate limits as set out in the resolution.

None of the Directors, any other Key Managerial Person(s) of the Company and their relatives is, in any way, concerned or interested in the said resolution.

### **Item No. 11:**

Ms. Sree Lakshmi Manthena holds a Bachelor Degree from Houston Baptist University, (Houston, TX, USA) and qualified in Minor in Business Administration (Project Mgmt Courses). From University of Texas Health Science center, San Antonio, Texas, USA. She also has over 7 years of experience in Marketing, Strategic planning, Project Procurement, coordination and consulting.

Ms. Sree Lakshmi Manthena has immensely contributed for initiating, procuring, marketing, developing and managing the RBCT project in South Africa.

The Board of your Company, pursuant to the recommendations of the Nomination and Remuneration Committee, and Audit Committee, approved to re-appoint Ms. Sree Lakshmi Manthena as a Director of M/s. Avant Garde Info Systems Inc at a remuneration of Rs. 4,00,000 P.M., subject to your consent as mentioned in terms of Section 188(1)(f) of the Companies Act, 2013 for holding office or place of profit by a relative of the Director in the wholly-owned subsidiary of the Company.

Particulars under Rule 15(3) of Companies (Meetings of Board and its Powers) Rules, 2014 under Section 188 of the Companies Act, 2013 are as follows:

A	Name of the related party	Ms. Sree Lakshmi Manthena
B	Name of the director or key managerial personnel who is related, if any	Dr. Anji Raju Manthena and Mr. Sitarama Raju Manthena, Directors of M/s. Kernex Microsystems (India) Limited
C	Nature of relationship	Daughter of Dr. Anji Raju Manthena and Sister of Mr. Sitarama Raju Manthena
D	Nature, material terms, monetary value and particulars of the contract or arrangement	Appointment as a Director of M/s. Avant Garde Info Systems Inc on a remuneration of Rs. 48,00,000/- (inclusive of all allowances) per annum and other allowances as may be decided by the Board of Directors of the Company
E	Any other information relevant or important for the members to take a decision on the proposed resolution	Ms. Sree Lakshmi Manthena has been appointed as Director in M/s. Avant Garde Info Systems Inc in the year 2014 and the present appointment is continuing in nature. The approval is sought in view of the provision under Section 188 of the Companies Act, 2013 in respect of related party transactions. The remuneration proposed is reasonable, Sufficient to motivate and retain the required quality to run the Company successfully. The proposed remuneration is relatively comparable to the prevailing remuneration in similarly placed bodies corporate. The proposal is recommended by the Nomination & Remuneration and Audit Committees of the Company and approved by the Board, subject to the consent of Members.

The Board recommends the Ordinary Resolution for members' approval.

None of the other Directors, Key Managerial Personnel of the Company and their relatives are in any way deemed to be interested or concerned in this Resolution except Dr. Anji Raju Manthena, Mr. Sitarama Raju Manthena and Ms. Sree Lakshmi Manthena.

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

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

Place: Hyderabad  
Date: 02<sup>nd</sup> September'2020

**DIRECTORS REPORT**

To  
The Members,  
Kernex Microsystems (India) Limited.

Your Directors have pleasure in presenting the Twenty Eighth Annual Report together with the audited statement of accounts of your company for the year ended 31<sup>st</sup> March 2020.

(Rs. in Lakhs)

<b>Particulars</b>	<b>2019-20</b>	<b>2018-19</b>
Sales and Other Income	<b>3,288.45</b>	2,820.19
Profit/Loss before Depreciation, Finance Cost and Tax	<b>1,103.48</b>	851.90
Less:- Finance Cost	<b>127.72</b>	228.78
Less:- Depreciation	<b>173.08</b>	210.33
Less: Exceptional items	-	2,504.64
Profit/Loss after Depreciation, Interest and before tax	<b>802.68</b>	(2,091.85)
Add: Tax expense and other comprehensive Income	<b>3.12</b>	26.12
Profit / Loss after Tax	<b>805.80</b>	(2,068.73)
Add: Balance brought forward from previous year	<b>(4,470.41)</b>	(2,403.14)
Adjustment consequent to revision of useful life of certain assets pursuant to Schedule II of Companies Act, 2013	-	-
Balance carried forward to Balance sheet	<b>(3,664.34)</b>	(4,470.41)
Profit available for appropriation	-	
<b>Earnings Per Share (Rs.)</b>		
- Basic	<b>6.45</b>	(16.54)
- Diluted	<b>6.45</b>	(16.54)
<b>Appropriations:</b>		
Transfer to General Reserve	-	-
Proposed Dividend	-	-
Income Tax on proposed Dividend	-	-
Balance carried to the Balance sheet	<b>(3,664.34)</b>	(4,470.41)

**2. Subsidiary Details with consolidated financial statement**

Your Company has one 100% wholly owned subsidiary Avant Garde Info systems Inc, In USA and One Joint Venture "Kernex TCAS JV" and there were no associate Companies Companies as of 31st March 2020. There has been no change in the nature of business of subsidiary, during the year under review. In accordance with section 129 (3) of the Companies Act, 2013 the Company has prepared Consolidated financial statement of the Company and the 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

**3. Material changes and commitments affecting the financial position of the company**

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.

**4. Share Capital**

There was no change in Share Capital of your Company during the year.

**5. Dividend and Reserves**

Your company in the absence of distributable profits has not declared any dividend during the year. And no amount was transferred to reserves also.

**6. Directors and Key Managerial Personnel**

In accordance with the provisions of Section 152 of the Companies Act, 2013 Dr. Anji Raju Manthena and Dr. Vinta Janardhana Reddy, Directors of the company retires by rotation and being eligible offers themselves for re-appointment.

Mr. Sreenivasa Rao Ravinuthala and Mr. Koganti Somasekhara Rao as an additional directors in the category of Independent Director effective from 30<sup>th</sup> September'2019 and Mr. Addanki Venkata Sai Krishna Mohan effective from 08<sup>th</sup> February'2020. Mr. Sitarama Rraju Manthena as an additional director in the category of Non-Executive Non-Independent Director effective from 30<sup>th</sup> September' 2019. Further, the Board of Directors of the Company has re-appointed Mr. Badari Narayana Raju Manthena and Mr. Sitarama Raju Manthena as whole-Time Directors effective from 02<sup>nd</sup> September' 2020. The necessary resolutions for ratifying the appointments are annexed in the notice.

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

During the period under review, Mr. T V S N Raju, Mr. Ashok Gopal Rao Kalmankar and Mr. P Dinakara Rao has resigned as directors from the Board of the Company.

**7. Declaration by Independent Directors**

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

**8. 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.

**9. 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

**10. Number of Meetings of the Board of Directors**

During the financial year 2019-20 the Board of Directors of the Company met 7 times on 16/04/2019, 20/05/2019, 13/08/2019, 31/08/2019, 30/09/2019, 12/10/2019 and 08/02/2020. A separate meeting of the Independent Directors of the Company held during the year on 11/02/2020 as required under 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.

**11. Public 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.

**12. 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.

**13. 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.

**14. Directors' Responsibility Statement**

**Pursuant to section 134 (3) (c) of the Companies Act, 2013 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

**15. 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.

**16. 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.

**17. Committees of the Board**

The Board of Directors has the following Committees:

- 1. Audit Committee
- 2. Nomination and Remuneration Committee
- 3. Stakeholders' Relationship Committee
- 4. Risk Management Committee
- 5. 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.

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

As the net profits of the company as on 31st March, 2020 stands more than Rs. 5 crores, the company is required to comply with the provisions of Section 135 of the Companies Act, 2013. The Company is taking adequate steps to comply with the said compliances.

The Company has adopted Corporate Social Responsibility Policy containing the activities to be undertaken by the Company as part of its CSR programs. The CSR Policy is disclosed on the website of the Company [www.kernex.in](http://www.kernex.in)

The Board of Directors constituted Corporate Social Responsibility Committee at their meeting held on 02nd September' 2020 comprising the following members

- Sri. AV S Krishna Mohan - Chairman
- Sri. K Soma Sekhara Rao - Member
- Sri. Sita Ramaraju Manthana - Member

## Annual Report 2019-20

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### 19. Related Party Transactions

All the related party transactions by the Company during the year 2019-20 were on an arms length basis and were in the ordinary course of business and as such the provisions of section 188 are not attracted. There are no materially significant Related Party Transactions with Promoters, Directors, Key Managerial Persons or other designated persons during the year. The details of the related party transactions entered 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-B** to this report.

### 20. 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.

### 21. 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 Directors also were given detailed presentations giving the organizational set up of the Company, 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.

### 22. Extract of Annual Return

The extract of the Annual Return in Form No MGT-9 as required under section 92 of the companies Act, 2013 for the financial your ending March 31, 2020 is annexed hereto as **Annexure -C** and forms part of the this report.

### 23. 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

**24. Transfer of unclaimed dividend**

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

**25. Auditors**

**Statutory Auditors**

M/s P.R.S.V & Co., LLP, Chartered Accountants, are the statutory auditors of your Company and they hold office until the conclusion of the thirtieth AGM to be held in the year 2022.

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

1. Other financial assets amounting to Rs. 6.00 crores which has been outstanding for more than 3 years has been subject to balance confirmation from the respective party/(s).

The management of Company is confident of recovering these amounts.

**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 M/s. P S Rao & Associates, Company Secretaries to conduct Secretarial Audit for the year 2019-20 and their report is annexed as **Annexure-D** to this report.

**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.

**26. 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.

**27. 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-F** 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.

The Company does not have any employee who is employed throughout financial year or part thereof, who was in receipt of remuneration in financial year under review which in aggregate, or as the case may be, at a rate which in the aggregate is in excess of that drawn by the Managing Director or Whole time director and holds by himself or along with his spouse and dependent children not less than 2% of the equity shares of the Company.



## Annual Report 2019-20

### 28. Other General Disclosures

No disclosure or reporting is required of the following as:-

- a. No equity shares with differential rights as to dividend, voting or otherwise were issued
- b. No sweat equity shares were issued
- c. No remuneration or commission was received by the Managing Director/Whole-time Director of the Company from subsidiary Company.
- d. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.

### 29. 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.

### 30. 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-H**.

### 31. 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, 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/-  
Sita Ramaraju Manthena  
Director  
DIN: 08576273**

**Place: Hyderabad  
Date: 02.09.2020**

**Place: Hyderabad  
Date: 02.09.2020**

**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\$75.41
4.	Share Capital	1,201.52
5.	Reserves & Surplus	(956.59)
6.	Total Assets	327.94
7.	Total Liabilities	327.94
8.	Investments	Nil
9.	Turnover	37.51
10.	Profit before taxation	(13.70)
11.	Provision for Taxation	Nil
12.	Profit after taxation	(13.70)
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	<b>KERNEX TCAS JV</b>
1. Latest audited Balance Sheet Date	<b>31.03.2020</b>
2. Shares of Associates / Joint Ventures held by the company at the year end Not	<b>Not Applicable</b>
3. Amount of Investment in Association / Joint Venture Extend of Holding %	<b>Rs. 3,01,43,398/- (80%)</b>
4. Description of how there is significant influence	<b>Profit sharing ratio and control</b>
5. Reason why the associate/Joint venture is not consolidated	<b>- Consolidated</b>
6. Net worth attribute to Shareholding as per latest audited Balance Sheet	<b>Not Applicable</b>
7. Profit / Loss for the year	
i. Considered in Consolidation	<b>Rs. 1,21,696/-</b>
ii. Not Considered in Consolidation	<b>Not Applicable</b>

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

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

**Sd/-  
Sita Ramaraju Manthena  
Director  
DIN: 08576273**

**Place: Hyderabad  
Date: 02.09.2020**

**Place: Hyderabad  
Date: 02.09.2020**

**Annexure-B**

**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	Commission on RBCT Project amounting to USD 36,392.60	One Time	US\$36,392	27.01.2019	Nil

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

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

**Sd/-  
Sita Ramaraju Manthena  
Director  
DIN: 08576273**

**Place: Hyderabad  
Date: 02.09.2020**

**Place: Hyderabad  
Date: 02.09.2020**

**ANNEXURE-D**

**Form No. MR-3**

**SECRETARIAL AUDIT REPORT**

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

To

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

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that, in our opinion, the Company has, during the audit period covering the financial year ended **March 31, 2020**, 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 there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the regulations and bye-laws framed by the Securities and Exchange Board of India ('SEBI') there under;
- (iv) The following Regulations 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;
- (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 Debt Securities) Regulations, 2008;
  - (b) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
  - (c) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
  - (e) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(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
- (c) The Indian Copyrights Act, 1957
- (d) The Patents Act, 1970

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

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

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

**We further report that**

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

Sl. No.	Name of the Director	Appointment/ Reappointment/ Change in designation/ Cessation	Our Comments
1.	Mr. Raju Narasa Mantena	Cessation	Resigned from the office of Non-Executive Director of the Company w.e.f. July 05, 2019
2.	Mr. Dinakara Rao Pasupuleti	Cessation	Resigned w.e.f. October 12, 2019 subsequent to appointment at the 27th AGM as Independent Director for a term of Three (03) years w.e.f. November 10, 2018
3.	Mr. Srinivasa Rao Ravinuthula	Appointment	Co-opted as an Additional Director in the Independent category by the Board of Directors w.e.f. September 30, 2019
4.	Mr. Somasekhara Rao Koganti	Appointment	Co-opted as an Additional Director in the Independent category by the Board of Directors w.e.f. September 30, 2019
5.	Mr. Sitarama Raju Manthena	Appointment	"Co-opted as an Additional Director in Non-Independent Non-Executive category by the Board of Directors w.e.f. September 30, 2019"
6.	Mr. Addanki Venkata Sai Krishnamohan	Appointment	Co-opted as an Additional Director in the Independent category by the Board of Directors w.e.f. February 08, 2020

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Sl. No.	Name of the Director	Appointment/ Reappointment/ Change in designation/ Cessation	Our Comments
7.	Mr. Ashok Gopalrao Kalmankar	Cessation	Resigned from the office of Independent Director of the Company w.e.f. February 08, 2020
8.	Venkata Satyanarayana RajuTotakura	Cessation	Resigned from the office of Independent Director of the Company w.e.f. February 08, 2020

Based on our verifications and the declarations received from the respective directors, we further report that, the directors are not disqualified to act as such under the provisions of the Companies Act, Orders/ Circulars/ Regulations issued by SEBI or such other acts, for the time being enforceable.

Adequate notice was given to all the directors to schedule the Board Meetings. Agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. As a general practice of the Board, decisions were taken on unanimous consent.

**We further report that** during the year under review, in accordance with the provisions of Section 180 read with Section 110 of the Companies Act, 2013 and the Rules made thereunder, the Company sold/ disposed-off its undertaking(s) (or part thereof) as detailed below after obtaining approval of the shareholders by way of Special Resolution through Postal Ballot:

Name of the Village	No. of Acres of Land
Amangal Village	Acre 205.087 Guntas
Cherkur Village	Acre 10.60 Guntas
Polepalli Village	Acre 25.00 Guntas

**We 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.

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

For **P.S. Rao & Associates**  
 Company Secretaries

Sd/-

**D.S. Rao**

Company Secretary

ACS No.: 12394

C.P. No.: 14487

UDIN: A012394B000648106

Date :02.09. 2020  
 Place: Hyderabad

**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**

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

1. Maintenance of Secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these Secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in the Secretarial records. We believe that the processes and practices we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of Financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained Management representation about 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, standards is the responsibility of the management. Our examination was limited to the verification of procedures on test basis.

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.

Owing to the lockdown measure imposed by the Government in the wake of the Covid-19 pandemic, for certain verifications and cross checks, we have relied on the information/ documents and assurances received from the respective officials of the Company for forming our opinion and for eventual reporting thereof.

**For P.S. Rao & Associates**  
Company Secretaries

**Sd/-**

**D.S. Rao**

Company Secretary

ACS No.: 12394

C.P. No.: 14487

UDIN: A012394B000648106

Date :02.09. 2020

Place: Hyderabad



**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**

The Company is, further, in the process of R&D projects like Train Collision Avoidance System (TCAS-Ver 2.0), etc., these efforts are likely to become import substitutes at economical prices and suitable to Indian Railways and other railways working in developing countries.

**c) Foreign Exchange Earnings and Outgo:**
**(Rs. in Lakhs)**

	Current Year 2019-20	Previous year 2018-19
Foreign Exchange Used	5.05	31.74
Foreign Exchange earned	423.89	459.02

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

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

**Sd/-  
Sita Ramaraju Manthena  
Director  
DIN: 08576273**

**Place: Hyderabad  
Date: 02.09.2020**

**Place: Hyderabad  
Date: 02.09.2020**

**ANNEXURE – F**

**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, In-charge, CEO & Chief Financial Officer during the financial year 2019-20 and ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2019-20 are as under:-

<b>Name of Director / KMP and Designation</b>	<b>Remuneration of Director / KMP for financial year 2019-20 (Rs. in lakhs)</b>	<b>% increase in remuneration in the financial year 2019-20</b>	<b>Ratio of remuneration of each Director /to median remuneration of employees</b>
M Badari Narayana Raju, Whole Time Director	18.00	0%	6.42:1
K Satyanarayana Raju, CEO	30.00	0%	10.70:1
Ramayya Vutukuri, CFO	17.78	0%	6.34:1
K Prasada Rao, CS	3.00	0%	1.07:1

Note: No other Director other than Whole Time Director received any remuneration other than sitting fees during the financial year 2019-20.

- ii) In the financial year, there was no increase in the median remuneration of employees.
- iii) There were 81 permanent employees on the rolls of Company as on March 31, 2020.
- iv) In the financial year, there was an increase of 8.02% in the median remuneration of employees.
- v) The remuneration of the Key Managerial Personnel put together is Rs. 68.78 lacs which was Rs. 76.70 lacs in the previous year.
- vi) There was no average percentile increase either in the salaries of employees (other than the managerial personnel) or the managerial remuneration in the financial year 2019-20.
- vii) No variable component of remuneration availed by the directors / KMPs.
- viii) The Whole-time Director / CEO are the highest paid Director. No employee received remuneration higher than the Whole-time Director /CEO.
- ix) It is hereby affirmed that the remuneration paid during the Financial Year ended 31<sup>st</sup> March, 2020 is as per the Remuneration Policy of the Company.

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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
I Mastan Rao	65	B. Tech ECE / 16 years	Vice President	11.08.04	Permanent	12.09	TATA Steel	-	-
B Sampath Kumar	48	MCA/PGCHRM, XLRI/ 7 Years	General Manager	22.11.13	Permanent	13.05	Malcon Global Limited	-	-
Nunna Venkateswara Rao	45	B Tech, (CSE) / 3.5 years	Manager S/W Development	06.02.17	Permanent	15.04	HBLPower Systems Ltd, Hyderabad	-	-
C S Nagaraj	62	BE (E&C) / 3 Years	Sr. Vice President	06.04.17	Permanent	18.00	United Telecom Bangalore	-	-
K Shankar Prasad	60	BE (ECE) / 1 year	GM Projects	03.09.19	Permanent	10.37	Texmaco Limited	-	0.005%
G Malla Reddy	44	B.Tech (CSE) / 12 Years	Deputy General Manager	18.02.08	Permanent	19.29	Silver Software, Bangalore	-	-
Joseph Chakravarthi	48	MS (Comp) / 18 Years	General Manager S/W Services	01.04.02	Permanent	23.85	Open Mangenot S/W Inc, USA	-	0.015%
M Rama Krishna	43	M.Tech./ 20 years	Manager R&D	15.03.04	Permanent	9.21	S.V. Associates, Hyderabad	-	-
P V Sampath Kumar	48	B.Com / 21 years	Asst. Company Secretary	16.09.99	Permanent	8.85	Rajvebh Electronics Ltd	-	-
S Jitender Vijay	52	B.Tech / 17 Years	Asst. Manager S/W Validation	26.02.04	Permanent	8.83	ROC India Limited	-	-
H Ramesh Rao	46	DECE / 18 years	Manager Engineering	10.05.00	Permanent	8.25	MIC Electronics, Hyd	-	0.036%

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

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

**Sd/-  
 Sita Ramaraju Manthena  
 Director  
 DIN: 08576273**

**Place: Hyderabad  
 Date: 02.09.2020**

**Place: Hyderabad  
 Date: 02.09.2020**

**ANNEXURE - G**

**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 3 Promoter Directors in which all are Non- Executive Directors, One Executive Director, 1 Non-Executive Non-Independent and 3 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
Dr. Anji Raju Manthena	Non-Executive	Non-Independent Director	3.31%	Nil
Dr. Vinta Janardhana Reddy	Non-Executive	Non-Independent Director	1.60%	Nil
Dr. Mantena Raju Narasa (resigned w.e.f. 05.07.2019)	Non-Executive	Non-Independent Director	0.016%	Nil

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Sri. Manthena Badari Narayana Raju	Executive	Whole Time Director	0.016%	Nil
Ms.Sree Lakshmi Manthena	Non-Executive	Non-Independent Director	5.12%	Nil
Sri. Sreenivasa Rao Ravinuthala (w.e.f 30.09.2019)	Non-Executive	Independent Director	-	Nil
Sri.Koganti Soma Sekhara Rao (w.e.f 30.09.2019)	Non-Executive	Independent Director	-	Nil
Sri. Sita Rama Raju Manthena (w.e.f 30.09.2019)	Non-Executive	Non-Independent Director	5.70%	Nil
Sri. AV S Krishna Mohan (w.e.f 08-02-2020)	Non-Executive	Independent Director	-	Nil
CATVSN Raju (resigned w.e.f. 08.02.2020)	Non-Executive	Independent Director	-	Nil
Ashok Gopalarao Kalmankar (resigned w.e.f. 08.02.2020)	Non-Executive	Independent Director	-	Nil
P Dinakara Rao (resigned w.e.f. 12.10.2019)	Non-Executive	Independent Director	-	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
Anji Raju Manthena	Business Management and expertise in software related activities
Vinta Janardhana Reddy	Business Management and expertise in software related activities
Mantena Raju Narasa	Business Management and expertise in software related activities
Manthena Badari Narayana Raju	Organization and Business Management
Ms.Sree Lakshmi Manthena	Business Development Management, Marketing, Strategy Planning, Project Procurement, Project Coordination, Consulting
Sri. Sreenivasa Rao Ravinuthala (w.e.f. 30.09.19)	Project and Working Capital Finance, Strategic Management, Insolvency, Financial Expert to the IEC (independent Evaluation Committee)
Sri.Koganti Soma Sekhara Rao (w.e.f. 30.09.19)	Business Development Management, Marketing, Strategy Planning, Project Procurement, Project Coordination, Consulting
Sri. Sita Rama Raju Manthena (w.e.f. 30.09.19)	Business Development Management, Marketing, Strategy Planning, Project Procurement, Project Coordination, Consulting
Sri. AV S Krishna Mohan (w.e.f. 08.02.2020)	Finance, Banking, Industrial Finance, Restructuring, Credit Monitoring, Legal procedures and processes of SARFAESIA, DRT and BIFR
CATVSN Raju (resigned w.e.f. 08.02.2020)	Leadership, Organization and Business Management
Ashok Gopalarao Kalmankar (resigned w.e.f. 08.02.2020)	Finance, Banking and Foreign Exchange Markets
P Dinakara Rao (resigned w.e.f. 12.10.2019)	Finance, Banking and Foreign Exchange Markets

**Relationship among Directors**

Dr. Anji Raju Manthena, Dr. Raju Narasa Mantena, Ms. Sree Lakshmi Manthena and Mr. Sita Rama Raju Manthena are related to each other. Further, none of the other directors are related to each other.

**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 2019-20		Whether Attended AGM on 30.09.19	No. of Directorships in other public companies	No. of committee positions held in other public companies				% of Share Holding
		Held	Attended			Chairman	Member	Chairman	Member	
Sr. Anji Raju Manthena	Non-Independent Non-Executive	7	7	Yes	-	-	-	-	-	3.31%
Dr. Vinta Janardhana Reddy	Non-Independent Non-Executive	7	7	Yes	-	-	-	-	-	1.61%
Dr. Mantena Raju Narasa (resigned w.e.f.05.7.2019)	Non-Independent Non-Executive	7	2	Yes	-	-	-	-	-	0.0016%
Sri. Manthena Badari Narayana Raju	Executive Director	7	7	Yes	-	-	-	-	-	0.0016%
Ms. Sree Lakshmi Manthena	Non-Independent Non-Executive	7	7	Yes	-	-	-	-	-	5.12%
Sri. CA TVSN Raju (resigned w.e.f.08.02.20)	Independent Non-Executive	7	3	Yes	-	-	-	-	-	-
Sri. Ashok Gopalarao Kalmankar (resigned w.e.f.08.02.20)	Independent Non-Executive	7	4	Yes	-	-	-	-	-	-
Sri. P Dinakara Rao (resigned w.e.f.12.10.19)	Independent Non-Executive	7	4	Yes	-	-	-	-	-	-
Sri. R Sreenivasa Rao (w.e.f. 30.09.19)	Independent Non-Executive	7	3	NA	-	-	-	-	-	-
Sri. K Soma Sekhara Rao (w.e.f. 30.09.19)	Independent Non-Executive	7	3	NA	-	-	-	-	-	-
Sri. AVS Krishna Mohan (w.e.f. 08.02.20)	Independent Non-Executive	7	1	NA	-	-	-	-	-	-
Sri. Sita Rama Raju Manthena (w.e.f. 30.09.19)	Non-Independent Non-Executive	7	3	Yes	-	-	-	-	-	5.70%

## Annual Report 2019-20

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 7 times in the financial year 2019-20 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
16.04.2019	8	7
20.05.2019	8	8
13.08.2019	7	7
31.08.2019	7	7
30.09.2019	10	7
12.10.2019	10	7
08.02.2020	10	8

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

### 1. Audit Committee and composition:

- The Audit Committee of the Company as at 31<sup>st</sup> March'2020 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 and 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 30<sup>th</sup> September, 2019.

The Terms of Audit committee includes the following:-

- Overview of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement reflects a true and fair position and that sufficient and credible information are disclosed.
- Monitoring and reviewing risk management assessment and minimization procedures, implementing and monitoring the risk management plan and identifying, reviewing and mitigating all elements of risks which the Company may be exposed to.
- In compliance with provisions of Section 177(9) of the Companies Act, 2013 and Regulation 22 of SEBI (LODR) Regulations, 2015, the Company has framed a Whistle Blower Policy / Vigil Mechanism to report concerns about the Company's working or about any violation of its policies.

- 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:
- Matters required to be included in the Director's Responsibility statement to be incorporated Pursuant to section 134 (3) (c) of the Companies Act, 2013
  - Any changes in accounting policies and practices
  - Major accounting entries based on the exercise of judgment by management
  - Significant adjustments arising out of audit;
  - Compliance with listing and other legal requirements relating to financial statements Disclosure of any related party transactions
  - Qualifications in the draft audit report.
  - Compliance with accounting standards
  - Management discussion and analysis of financial condition and result of operations.
- 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.
- 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.
  - The last Annual General Meeting of the Company was held on September 30, 2019.
  - The composition of the Audit Committee as on March 31, 2020 and particulars of meetings attended by the members are as follows:

Name	Category	Number of meetings during the year 2019-20	
		Held	Attended
Sri. Sreenivasa Rao Ravinuthala	Non-Executive Independent	2	2
Sri. Koganti Soma Sekhara Rao	Non-Executive Independent	2	2
Ms. Sree Lakshmi Manthena	Non-Executive Non Independent	2	2



## Annual Report 2019-20

### Meetings of Audit Committee:

The Audit Committee met 5 times during the previous year, with a gap not exceeding one hundred and twenty days between any two meetings. 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
16.04.2019	3	3
20.05.2019	3	2
13.08.2019	3	3
12.10.2019	3	3
08.02.2020	3	3

The necessary quorum was present at all meetings.

### 1. **Nomination and Remuneration Committee:**

- The Nomination and Remuneration Committee was constituted in conformity with SEBI (LODR) Regulations, 2015 and the terms of reference are in conformity with Section 178 of the Companies Act'2013.
- The Nomination and Remuneration Committee of the Company as on 31<sup>st</sup> March'2020 consists of 3 directors, out of whom two are independent directors.
- The main object of this Committee is to identify persons who are qualified to become directors and who may be appointed in senior management of the Company, recommend to the Board their appointment and removal and shall carry out evaluation of every Director's performance, recommend the remuneration package of both the Executive and the Non-Executive Directors on the Board and also the remuneration of Senior Management, one level below the Board. The Committee reviews the remuneration package payable to Executive Director(s) and recommends to the Board the same and acts in terms of reference of the Board from time to time.
- The composition of the Nomination and Remuneration Committee as on March 31, 2020 and four meetings were held on 20.05.2019, 31.08.2019, 30.09.2019 and 08.02.2020 the details of the members attended are as follows:-

### Composition of the Nomination and Remuneration Committee

Name	Category	Number of meetings during the year 2019-20	
		Held	Attended
Sri. T V S N Raju (Resigned w.e.f. 08.02.2020)	Non-Executive Independent	4	2
Sri. Ashok Gopalrao Kalmankar (Resigned w.e.f. 08.02.2020)	Non-Executive Independent	4	3
Sri. Raju Narasa Mantena (Resigned w.e.f. 05.07.2019)	Non-Executive Non Independent	4	0
Dr. Anji Raju Manthana	Non-Executive Non Independent	4	2
Sri. Sreenivasa Rao Ravinuthala (w.e.f 30.09.2019)	Non-Executive Independent	4	1
Sri.Koganti Soma Sekhara Rao (w.e.f 30.09.2019)	Non-Executive Independent	4	1

**Meetings of Nomination and Remuneration Committee**

<b>Date</b>	<b>Board Strength</b>	<b>No. of Directors Present</b>
20.05.2019	4	2
31.08.2019	3	3
30.09.2019	3	2
08.02.2020	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 as 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.avantel.in](http://www.avantel.in). The Company has paid Remuneration, Profit related Commission and Sitting Fee during the Financial Year 2019-20.
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.

## Annual Report 2019-20

### 8 Remuneration paid to Whole time Director during the financial year 2019-20 is follows:-

Name	Designation	REMUNERATION (Rs.Lacs)		
		Salary & Benefits	Commis-ssion	Total
Manthana Badari Narayana Raju	Whole Time Director	25.12	0.00	25.12

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.

### **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 2019-20, is as follows:-

Name	Sitting fee (Amount in Rs.)
Sri. T V S N Raju	4,00,000
Sri. Ashok Gopalrao Kalmankar	4,50,000
Sri.P Dinakara Rao	2,50,000
Dr.Anji Raju Manthana	5,20,000
Dr.Raju Narasa Mantena	1,90,000
Dr.Janardhana Reddy Vinta	3,20,000
Ms.Sree Lakshmi Manthana	4,20,000
Sri.Sreenivasa Rao Ravinuthala	4,00,000
Sri.Koganti Soma Sekhara Rao	4,00,000
Sri. Sita Rama Raju Manthana	2,00,000
Sri.AVS Krishna Mohan	1,00,000

### **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 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.

- I. The Stakeholders Relationship Committee of Company consists of three directors, who are all Non Executive Directors.

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

Name	Category
Sri.Sreenivasa Rao Ravinuthala	Independent Non-Executive
Sri.Koganti Soma Sekhara Rao	Independent Non-Executive
Sri. Sita Rama Raju Manthena	Non Independent Non-Executive

- 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 01.04.2019 to 31.03.2020	Resolved during the period 01.04.2019 to 31.03.2020	Closing Balance
Nil	Nil	Nil	Nil

The Committee reviews the security transfers/transmissions, process of dematerialization and the Investor's grievances and the systems dealing with these issues. Mr. Prasada Rao Kalluri, Company Secretary is appointed as the Compliance Officer of the Company. The Board has authorized the Company Secretary, who is also the Compliance Officer, to approve share transfers/ 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 31<sup>st</sup> March, 2020.

**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. KFintech 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.

## Annual Report 2019-20

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 Soma Sekhara Rao	Independent Non-Executive
Dr.Janardhan Reddy Vinta	Non Independent Non-Executive

### MEETING OF INDEPENDENT DIRECTORS

During the year under review, the Independent Directors met on 11<sup>th</sup> February, 2020, 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 during every quarterly meeting.

### 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.

## **7. 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. During the year under review, the requirement to seek shareholders' approval for RPT did not arise.

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

The Company does not have a domestic subsidiary.

## **9. 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 11.02.2020.

**10. 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.

## 11. 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
2018-19	27th AGM held on Monday the 30th September' 2019 11:00 A.M.	Registered office of the company situated at Plot No 38 to 41, Survey No 1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Ranga Reddy District, Hyderabad-501 510	<ol style="list-style-type: none"> <li>1. To consider and approve appointment of Mr. Dinakara Rao Pasupuleti (DIN: 00009801) as an Independent Director of the Company</li> <li>2. To consider and approve appointment of Dr. Anji Raju Manthana (DIN: 01022368) as a Non-Executive Director of the Company</li> <li>3. To consider and approve appointment of Dr. Vinta Janardhana Reddy (DIN: 02414912) as a Non-Executive Director of the Company</li> </ol>
2017-18	26th AGM held on Friday the 28th September'2018 11:00 A.M.	Registered office of the company situated at Plot No 38 to 41, Survey No 1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Ranga Reddy District, Hyderabad-501 510	<ol style="list-style-type: none"> <li>1. To consider and approve appointment of Mr. Ashok Gopal Rao Kalmankar (DIN: 01557687) as an Independent Director of the Company</li> </ol>
2016-17	25th AGM held on Friday the 29th September'2017 03:00 P.M.	Registered office of the company situated at Plot No 38 to 41, Survey No 1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Ranga Reddy District, Hyderabad-501 510	<ol style="list-style-type: none"> <li>1. To alter the Articles of Association of the Company</li> </ol>

Mrs. N Vanitha, Company Secretary in Practice (M/s. P. S. Rao & Associates), conducted the e-voting process and the Poll during the previous Annual General Meeting.

### Postal ballots conducted during the year 2018-19:

As per Section 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014, during the year 2019-20, the following special resolutions were passed by members through postal ballot conducted on May 28, 2019 and Details of the postal ballot process followed in these regard are as under:

1. Results of Postal Ballot announced on May 29, 2019 (Notice dated April 16, 2019) Approval of members was sought for Sell/ Dispose-off the Immovable Property in the name of Company Pursuant to Section 180(1)(a) of the Companies Act, 2013 as a Special Resolution.



## Annual Report 2019-20

### Voting Pattern and Procedure for Postal Ballot including e-voting:

1. The Board of Directors of the Company had appointed Mr. D S Rao, Practicing Company Secretary as a Scrutinizer for conducting the voting through Postal Ballot including e-voting.
2. All postal ballot forms and e-votes received upto May 28, 2019, i.e. the last date for receiving the postal ballot forms from shareholders were considered for scrutiny. Envelopes/e- votes received after this date was not considered for scrutiny.
3. The results of the Postal Ballot were announced on May 29, 2019 at the Registered Office of the Company. The details of voting are as follows:

### The particulars of the Voting Pattern in the Postal Ballot are as follows:

Particulars	No. of Shares held	No. of votes polled	% of votes polled on outstanding shares	No. of votes in favour	No. of votes against	% of votes in favour on votes polled	% of votes against on votes polled
Resolution 1	12499655	3441234	27.53	3439933	13.02	99.96	0.0378

Special Resolutions are proposing to be conducted in the ensuing 28<sup>th</sup> AGM are annexed with the notice

### Extraordinary General Meeting:

No Extraordinary General Meeting of the Members was held during the year 2019-20.

## 12. 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](http://www.kernex.in)
- ii. There were some delays in submitting the quarterly disclosures to the Stock Exchanges. No penalties and strictures were imposed on the Company by SEBI or any authority on any matter related to capital markets during the last three years. The Stock exchanges have levied penalties for the delay in submissions of quarterly disclosures.
- 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](http://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](http://www.kernex.in).
- v. The Chief Executive Officer and the Chief Financial Officer have certified to the Board in accordance with Regulation 33(2) (a) of SEBI Listing Regulations pertaining to CEO/CFO certification for the Financial Year ended 31<sup>st</sup> March, 2020.
- 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. Company's practices and procedures meet the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.
- ix. Total fees for all services paid by the listed entity to the statutory auditor FY 2019-20 is Rs. 4,21,416.
- x. 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
- xi. 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. 18 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.

### **13. Means of Communication:**

- The quarterly, half yearly and annual results are generally published in widely circulating national and local dailies such as Financial Express and Nava Telangana from time to time within 48 Hours from time of Board Meeting. These are not sent individually to the shareholders.
- The financial results are displayed on the website of the Company - [www.kernex.in](http://www.kernex.in) and 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

## Annual Report 2019-20

### 14. General Shareholder's information:

The 28<sup>th</sup> Annual General Meeting of the company will be held on Wednesday, the 30<sup>th</sup> September, 2020 at 04.00 P.M through Video Conference/ Other Audio Visual Means (e-AGM)

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

Results for the quarter ending:

30th June 2020	:	On or before 15th September, 2020.
30th Sep, 2020	:	On or before 14th November, 2020.
31st Dec, 2020	:	On or before 14th February, 2021.
31st Mar, 2021	:	On or before 30th May, 2021.
Date of Book closure	:	Thursday, the 24th day of September 2020 to Wednesday, the 30th day of September 2020 (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	:	<b>532686</b>
National Stock Exchange of India Limited	:	<b>KERNEX</b>
ISIN	:	<b>INE202H01019</b>

The Annual Listing fee for the year 2020-21 has been paid to the Stock Exchange.

### 14. 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 Bombay Stock Exchange, Mumbai:-

Month	Bombay Stock Exchange Limited			National Stock Exchange Limited		
	High (Rs.)	Low (Rs.)	Total No. of Shares Traded	High (Rs.)	Low (Rs.)	Total No. of Shares Traded
Apr-19	27.35	22.10	44,803	27.90	22.00	1,08,374
May-19	25.75	22.50	1,57,194	26.75	22.20	2,21,385
Jun-19	28.35	24.60	37,966	28.15	24.40	74,616
July-19	27.30	20.40	16,776	27.85	20.80	97,291
Aug-19	22.15	18.60	12,531	27.85	20.80	97,291
Sep-19	27.85	18.55	39,164	22.00	18.45	19,274
Oct-19	29.20	23.55	26,500	28.70	17.75	49,663
Nov-19	24.35	19.90	21,926	28.65	23.55	96,157
Dec-19	23.80	18.80	25,483	24.80	19.75	1,10,620
Jan -20	22.50	18.10	39,868	24.00	18.30	1,79,734
Feb -20	20.00	17.15	31,714	22.95	18.00	2,17,281
Mar-20	19.10	11.50	31,153	21.00	16.10	2,68,930

The securities of the Company are not suspended from trading during the financial year ended March 31, 2020

**Share Price Performance:**

**Comparison with NSE Nifty**



**Comparison with BSE Sensex**



**Distribution of Shareholding (as on March 31, 2020):**

Sl No	Category No. of Shares	No. of shareholders	% To Holders	No. of Shares	% To Equity
1	1 - 5000	15,327	98.60	35,20,951	28.17
2	5001 - 10000	106	0.68	7,99,315	6.39
3	10001 - 20000	52	0.33	7,60,385	6.08
4	20001 - 30000	18	0.12	4,49,007	3.59
5	30001 - 40000	9	0.06	3,27,978	2.62
6	40001 - 50000	4	0.03	1,76,252	1.41
7	50001 - 100000	10	0.06	8,10,797	6.49
8	100001 and above	18	0.12	56,54,970	45.24
	<b>TOTAL</b>	<b>15,544</b>	<b>100.00</b>	<b>1,24,99,655</b>	<b>100.00</b>

## Annual Report 2019-20

### Shareholding pattern as on March 31, 2020

Sl No	Category	No of share holders	No of Shares	Percentage of Holding
<b>(A)</b>	<b>PROMOTER AND PROMOTER GROUP</b>			
(1)	<b>INDIAN</b>			
(a)	Individual /HUF	3	1,963	0.01
(b)	Others			
(2)	<b>FOREIGN</b>			
(a)	Individuals (NRIs/Foreign Individuals)	12	27,89,853	22.31
(b)	Others			
	<b>Total</b>	<b>15</b>	<b>27,91,816</b>	<b>22.32</b>
<b>(B)</b>	<b>PUBLIC SHAREHOLDING</b>			
(1)	<b>INSTITUTIONS</b>			
(a)	Financial Institutions /Banks			
(2)	<b>NON-INSTITUTIONS</b>			
(a)	Bodies Corporate	123	6,82,432	5.46
(b)	Individuals			
	(i) Individuals holding nominal share capital upto Rs.1 lakh	14,625	42,44,289	33.96
	(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	32	33,34,321	26.68
(c)	Others (NBFCs)			
	CLEARING MEMBERS	15	17,699	0.14
	NON RESIDENT INDIANS	85	6,71,070	5.37
	<b>NON RESIDENT INDIAN NON REPATRIABLE</b>	59	2,06,268	1.65
	TRUSTS	3	24,531	0.20
	HUF	587	5,27,229	4.22
	<b>Total</b>	<b>15,529</b>	<b>97,07,8397</b>	<b>7.68</b>
	<b>Grand Total</b>	<b>15,544</b>	<b>1,24,99,655</b>	<b>100.00</b>

### Dematerialization of shares and liquidity:

The company's shares are compulsorily traded in dematerialization form. Equity shares of the Company representing 95.41% of the company's share capital are dematerialized as on March 31, 2020.

The Company's shares are regularly traded on The National Stock Exchange of India Limited and The BSE Limited 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, 2020 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**

Kfintech Private 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 28th Annual Report.

**Secretarial Audit:**

1. M/s. P.S.Rao & Associates, Practising Company Secretaries have conducted Secretarial Audit of the Company for the year 2019-20. 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 M/s. P. S. Rao & Associates, Practising Company Secretaries, certifying due compliance of share transfer formalities by the Company.
3. M/s. P. S. Rao & Associates, Practising Company Secretaries 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).
4. Compliance under SEBI Listing Regulations pertaining to mandatory requirements and Practising Company Secretaries Certificate on Corporate Governance is attached herewith.

**16. 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 fifteen days from the end of each quarter during the financial year 2017-18.

**17. WEBSITE DISCLOSURES**

The website contents of the company as required under Regulation 62 of SEBI (LODR) Regulation 2015 is being updated.

**18. 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 Mana 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.

02<sup>nd</sup> September'2020

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, Whole Time Director and K Satyanarayana Raju, Chief Executive Officer 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 31<sup>st</sup> March, 2020.

**Sd/-  
M Badari Narayana Raju  
Whole Time Director**

**Sd/-  
K Satyanarana Raju  
Chief Executive Officer**



**AUDITORS' CERTIFICATE REGARDING CORPORATE GOVERNANCE**

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

We have examined the compliance of the conditions of Corporate Governance by **Kernex Microsystems (India) Limited** (hereinafter referred to as "the Company") for the year ended March 31, 2020, as stipulated in Chapter IV of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

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

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

Based on the procedures performed by us as mentioned above and according to the information and explanations provided to us, we are of the opinion that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations as applicable for the year ended March 31, 2020.

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

**For P.S. Rao & Associates**  
**Company Secretaries**

**Sd/-**  
**D.S. Rao**  
Company Secretary  
ACS No.: 12394  
C.P. No.: 14487  
UDIN: A012394B000648117

Date :02.09. 2020  
Place: Hyderabad

**CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION**

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

We, K Satyanarayana Raju, Chief Executive Officer and V Ramayya, 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 31<sup>st</sup> March, 2020 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. significant changes in the internal control over financial reporting during the year;
  - ii. significant changes in the accounting policies during the year and that the same have been disclosed in the notes to the financial statements; 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/-**  
**K Satyanarayana Raju**  
Chief Executive Officer

**Sd/-**  
**CA Ramayya V**  
Chief Financial Officer

Place: Hyderabad  
Date: 30<sup>th</sup> July 2020

**CERTIFICATE ON NON-DISQUALIFICATION OF DIRECTORS**

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

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

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

In our opinion and to the best of our information and according to the verifications (including Director Identification Number (DIN) status at the portal [www.mca.gov.in](http://www.mca.gov.in)) as considered necessary and the explanations furnished to us by the Company & its officers, we hereby certify that none of the directors on the Board of the Company for the financial year ended March 31, 2020 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	Ashok Gopal Rao Kalmankar*	Chairman & Independent Director	01557687
2	BadariNarayanaRajuManthena	Whole-time Director	07993925
3	Venkata Satyanarayana Raju Totakura <sup>~</sup>	Independent Director	02254926
4	Dinakara Rao Pasupuleti <sup>§</sup>	Independent Director	00009801
5	Anji Raju Manthena	Non-Executive Director	01022368
6	Raju Narasa Manthena <sup>#</sup>	Non-Executive Director	02666074
7	Janardhana Reddy Vinta	Non-Executive Director	02414912
8	Sree Lakshmi Manthena	Non-Executive Director	07996443
9	Srinivasa Rao Ravinthula <sup>@</sup>	Chairman & Independent Director	03271625
10	Somasekhara Rao Koganti <sup>^</sup>	Independent Director	08576216
11	Sitarama Raju Manthena <sup>^</sup>	Non-Executive Director	08576273
12	Addanki Venkata Sai Krishnamohan <sup>^</sup>	Independent Director	07967460

*\*Resigned w.e.f. February 08, 2020*

*>Resigned w.e.f. February 08, 2020*

*\$Appointed as Independent Director w.e.f. November 10, 2018 at the 27th AGM and subsequently resigned w.e.f. October 12, 2019*

*#Resigned w.e.f. July 05, 2020*

*@Co-opted as Additional Director by the Board w.e.f. September 30, 2019*

*^ Co-opted as Additional Director by the Board w.e.f. September 30, 2019*

*& Co-opted as Additional Director by the Board w.e.f. September 30, 2019*

*< Co-opted as Additional Director by the Board w.e.f. February 08, 2020*

*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.*

**For P.S. Rao & Associates  
Company Secretaries**

**Sd/-**

**D.S. Rao**

Company Secretary

ACS No.: 12394

C.P. No.: 14487

UDIN: A012394B000648095

Date :02.09. 2020

Place: Hyderabad

ANNEXURE - H

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

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

**Review of Operations**

Your company has recorded turnover of Rs. 32.88 Crores in the financial year FY 2019-20. Your company has received order from “South Central Railway” for Rs. 40.37 Cr to a Joint Venture of the Company i.e. Kernex TCAS JV, for design, supply, installation, testing and commissioning of TCAS equipment's in locomotives and trackside TCAS equipment at station/LC/IB locations along with associated works for Train Collision Avoidance System (TCAS) in BIDR (excl.) – Parbhani (excl) section (241 KM) and 17 locomotives of SC Railway. The Company is 80% partner of the said Joint Venture. The company has recorded a Profit (before tax) of Rs.8.02 Crores as against a loss of Rs.20.91 Crores in the previous year with an increase in profit by 138.35% compared to last fiscal.

**International**

**Egyptian National Railways (ENR), Cairo**

Having supplied all the 136 gates earlier, your company has completed installation of 122 gates and handed over to the customer. 2 more gates to be installed and commissioned and the work is in progress. As per a meeting with Chairman ENR it is decided to truncate the project after finishing 124 Lx gates.

**Sri Lanka Railways**

Your Company has bagged an order for an Amount of US\$8,175,225/- from Sri Lanka Railways for Supply, Installation, Testing, Commissioning and Maintenance of 200 Nos. of Bell and Light Level Crossing Protection Systems. The agreement was signed during March'2020.

**Domestic**

During the Year 2019-2020, new section in SCR for 250 Km is awarded based on the bid and works for installation and commissioning of the new Section began from Dec' 2020. Based on the vision of Railway Board to make TCAS equivalent to world class product, several features were envisaged by RDSO and taken up for further development. As part of this, TCAS is tested for 160 Km/h in Mathura Section of Northern Railway and approval for the same is in the final stage. Also, a new feature of Remote Interfacing of Signaling inputs to make TCAS fit for Automatic Signaling Section was proposed by RDSO and work for the same is in progress. Remote Interface Unit is designed and is submitted to RDSO for type approval. A Section of 6 Km including Hafizpet Station, Secunderabad Division, is made functional with one Station TCAS and 5 RIUs to provide the platform for field trials and approval. Field trials are in progress from September 2019 till date. ISA Certification of Auto Section is also in progress. Final approval for Auto Section is expected in Oct 2020.

Based on the Auto Section approval, Kernex will have the capability to bid for the upcoming tenders of around 4000 Kms in several Zonal Railway.

In a view to upgrade and make TCAS a world class product, TCAS Design and Development will further continue with introduction of new features to include:-

- Interfacing of TCAS with Electronic Interlocking
- Temporary Speed Restrictions
- Integration with Centralized Train Control,
- Integration of communication with LTE.

During the year your company has manufactured and supplied 10.1 inch Rugged Panel PC for 2,500 numbers to BEL, Punchukola for an order received on back-to-back basis. These units were used in Rail Transport information System (RTIS) to display real time data. It is a Display Processing Engine (DPE).

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

Development activity has commenced on the Universal Brake Interface Unit (UBIU) and the Driver Machine Interface Unit. The electronics portion of Universal BIU and Pneumatic part development activity is completed. These UBIU is developed integrated and tested with software.

As part of TCAS for 160 Kmph testing and integration with CCB (Computer Control Braking) and E70 braking system interface development activity is in progress.

#### **B) Future outlook**

The Union Budget presented by the Hon'ble Finance Minister had no specific announcements with regard to the railway sector. The Budget has outlined the government's attempt to ease investments and boost infrastructure growth, focusing on enhancing its road and rail network, increasing the number of airports and improving port connectivity. This is a critical step in bringing a much-needed boost to the Indian market, as it would increase investments, lead to job creation and have a multiplier effect across sectors. The INR1.7 lakh crore allocations for transport infrastructure, 100 new airports under the Udan scheme and INR103 lakh crore national infrastructure pipeline investment should help generate demand in core economic sectors and enhance ease of living.

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 replicate similar growth trajectory as observed over 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) Industry structure and developments**

##### **Railways**

Indian Railways is among the world's largest rail network. Indian Railways route length network is spread over 1,23,236 kms, with 13,452 passenger trains and 9,141 freight trains plying 23 million travelers and 3 million tones (MT) of freight daily from 7,349 stations. India's railway network is recognized as one of the largest railway systems in the world under single management.

The railway network is also ideal for long-distance travel and movement of bulk commodities, apart from being an energy efficient and economic mode of conveyance and transport. Indian Railways is the preferred carrier of automobiles in the country.

Government of India has focused on investing in railway infrastructure by making investor-friendly policies. It has moved quickly to enable Foreign Direct Investment (FDI) in railways to improve

infrastructure for freight and high-speed trains. At present, several domestic and foreign companies are also looking to invest in Indian rail projects.

Indian Railway network is growing at a healthy rate. In the next five years, Indian railway market will be the third largest, accounting for 10 per cent of the global market. Indian Railways, which is one of the country's biggest employers, can generate one million jobs for Railways and Coal.

**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.

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 in the strategic sector which has limited to Railway Sector. Though sustenance of the current levels of Business operations is not an issue, for posting a healthy growth year on year, there is a requirement to look for newer opportunities. 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 under 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. It was suggested by the Railway Board to enhance the features of TCAS for improving the line capacity and efficient use of Signalling Systems. These observations are being considered by RDSO and New Specifications are under formulation stage which may further need Research and Development expenditure from the company.

**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 improved its internal processes and implemented fast control systems during the period under review. Also the company has constituted various committees including Technical Committee, Purchase Committee for effective utilization of resources and standardizing the company's process and systems.

The Company has appointed 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 the 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**

- (ii) During the year under review the company has achieved the highest standard of SIL4 certification for TCAS product and also has initiated to upgrade the Level Crossing Solutions from SIL3 to SIL4. The company has also acquired the knowledge base to undertake future quality certifications base to undertake future quality certifications for various other products also.

**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 on March 2020 is 81 as against 80 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 has to constantly upgrade itself, it has been building competence through training, cross training and skills up-gradation. The Industrial relations remained cordial throughout the year.

**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 considered to 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**

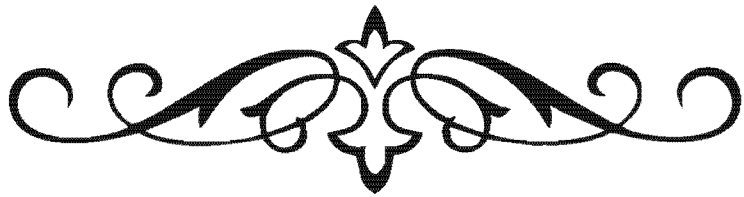
**Sd/-  
M Badari Narayana Raju  
Whole-Time Director  
DIN: 07993925**

**Sd/-  
Sita Ramaraju Manthena  
Director  
DIN: 08576273**

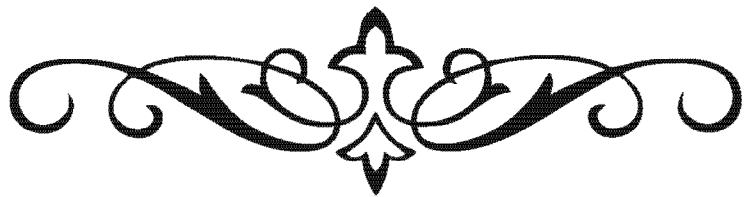
**Place: Hyderabad  
Date: 02.09.2020**

**Place: Hyderabad  
Date: 02.09.2020**





**STANDALONE  
FINANCIAL STATEMENTS  
2019-20**



## 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 standalone Financial statements of Kernex Microsystems (India) Limited ("the Company"), which comprise the balance sheet as at 31 March 2020, 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, except for the effects of the matter described in the **Basis for Qualified Opinion** section of our report, 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, 2020, and its profit, and its cash flows for the year ended on that date.

#### Basis for Qualified Opinion

*As detailed in note 7 to the financial results, other financial assets amounting to Rs. 6.00 crores which has been outstanding for more than 3 years has been subject to balance confirmation from the respective party/(s). According to the information and explanations given to us, the company is taking steps for obtaining balance confirmation and in the opinion of the management, the amount is recoverable. In the absence of sufficient appropriate evidence, we are unable to comment upon the carrying value of the aforesaid receivable as at 31st March 2020 or any adjustments/impairment required to and the consequent impact if any, on the financial results.*

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 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 we have obtained is sufficient and appropriate to provide a basis for our opinion on the standalone Financial statements.

#### 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 based on the terms and conditions of purchase orders / contracts received from different customers. For recognising revenue in case of sale of goods, it is essential to ensure that the control of the goods have been transferred to the customers. As revenue recognition is subject to management's judgement on whether the control of the goods has been transferred, we consider ensuring transfer of control and cut-off of revenue as a key audit matter.</p> <p>2. The Company recognizes revenue on completion of installation of level crossing gates and their provisional handing over to the customer based on the terms of contract entered into with the customers. Obtaining evidence regarding completion of these services which are being executed outside India is a key audit matter.</p>	<p>1. We have obtained an understanding of the revenue recognition process considering the terms and conditions of purchase orders and verified respective delivery documents to ensure that the control of the goods have been transferred in case of revenue recognized for sale of goods.</p> <p>2. We have obtained an understanding of the Company's processes and controls for revenue recognition process, evaluating the key controls around such process. Obtain the relevant documents evidential the completion of services including customer acknowledgments/acceptance letters.</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 Statutory reports, corporate governance reports and Boards Report included in the annual report but does not include the standalone Financial statements and our auditor's report thereon, which we obtain prior to the date of auditor's report.

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

In connection with our audit of the standalone Financial statements, our responsibility is to read the other information identified above 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)(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.
- 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, 2016 ("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 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, and the Cash Flow Statement 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, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2020 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) 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 has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

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

**Sd/-**  
**Y. Venkateswarlu**  
Partner  
Membership No. 222068  
UDIN: 20222068AAAACA870S

Place: Hyderabad  
Date: July 30, 2020

## **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 2020 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

## Annual Report 2019-20

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- (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, 2020, 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/-**  
**Y. Venkateswarlu**  
Partner  
Membership No. 222068  
UDIN: 20222068AAAACA870S

Place: Hyderabad  
Date: July 30, 2020

**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)

- 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 fixed assets.
  - (b) 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.
  - (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the company.
- ii. As explained to us, the management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were observed in the inventories.
- iii. According to the information and explanations given to us, the Company has not granted any unsecured loans to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013, Accordingly, the provisions of clause 3 (iii) (b), (c) and (d) are not applicable to the Company
- iv. In our opinion and according to the information and explanations given to us, the Company has not advanced loans to director/ to a Company in which the Director is interested to which provisions of section 185 of the Companies Act, 2013 apply. In our opinion and according to the information and explanations given to us, the Company has made investments and given guarantees/provided security which is in compliance with the provisions of Sections 186 of the Companies Act, 2013.
- v. The Company has not accepted deposits during the year within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Therefore, the provisions of the clause 3 (v) of the Order are 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 is regular in depositing with appropriate authorities, undisputed statutory dues including provident fund, employees' state insurance, income-tax, duty of custom, goods and service tax, cess and other statutory dues applicable to it except minor delays in a very few instances.
  - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Value Added Tax, Goods and Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues were outstanding at the year end, for a period of more than six months from the day they became payable except the following.

Name of statutory dues	Amount (Rs. in Lakhs)
CST against 'C' Forms	22.07
<b>Total</b>	<b>91.80</b>



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- (c) According to the information and explanations given to us, disputed amounts payable in respect of income-tax that were outstanding as at March 31, 2020 as follows

Nature of the statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount ₹ in Lakhs
The Income Tax Act, 1961	Income Tax	Commissioner (Appeals)	A.Y. 2014-15	43.86

- viii. In our Opinion and according to the information and explanations given by the management, the company has not defaulted in repayment of loans or borrowings to banks or government. There are no dues which are payable to financial institutions. The Company did not have any debenture holders during the year.
- ix. According to information and explanation given by management, the Company has not raised any moneys by way of initial public offer/further public offer/ debt instruments and term loans and hence reporting under clause 3(ix) of the Order is not applicable to the Company.
- x. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- xi. In our opinion and according to the information and explanations given to us, the Company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- xii. The Company is not a Nidhi Company and hence reporting under clause 3 (xii) of the Order is not applicable to the Company.
- xiii. In our opinion and according to the information and explanations given to us, 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. During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly paid convertible debentures and hence reporting under clause 3 (xiv) of the Order is not applicable to the Company.
- xv. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its Directors or persons connected to its directors and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the Company.
- xiv. 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. Hence, the provisions of the clause 3(xvi) of the order are not applicable to the Company.

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

**Sd/-**  
**Y. Venkateswarlu**  
 Partner  
 Membership No. 222068  
 UDIN: 20222068AAAACA870S

Place: Hyderabad  
 Date: July 30, 2020

**Balance Sheet as at 31-Mar-20**

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

Particulars	Note	As at 31-Mar-20	As at 31-Mar-19
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, Plant and Equipment	2	325,732,414	426,469,900
Capital work-in-progress	2	250,634	-
Intangible assets	2	304,354	145,278
<b>Financial assets</b>			
Investments	3	109,721,223	11,830,950
Other financial assets	4	90,577,078	61,729,006
Other Non-current assets	5	23,482,947	20,630,650
<b>Total non-current assets</b>		<b>550,068,650</b>	<b>520,805,784</b>
<b>Current assets</b>			
Inventories	6	12,821,823	24,949,999
<b>Financial assets</b>			
Trade receivables	7	128,700,215	152,388,587
Cash and cash equivalents	8	4,601,955	4,971,138
Other bank balances	9	123,631,130	69,179,462
Other financial assets	10	1,676,266	2,546,352
Other current assets	11	22,376,743	56,828,863
<b>Total current assets</b>		<b>293,808,131</b>	<b>310,864,404</b>
<b>TOTAL ASSETS</b>		<b>843,876,781</b>	<b>831,670,188</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity Share capital	12	124,996,550	124,996,550
Other equity	13	571,250,355	490,682,192
<b>Total Equity</b>		<b>696,246,905</b>	<b>615,678,742</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	14	-	193,681
Deferred tax liabilities		3,541,524	3,880,780
Other Non-current liabilities	15	29,946,507	18,851
<b>Total Non-current liabilities</b>		<b>33,488,031</b>	<b>4,093,312</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	16	54,700,055	133,790,753
Trade Payables	17	5,568,771	2,394,675
Other financial liabilities	18	439,222	1,036,988
Other current liabilities	19	53,433,797	74,675,718
<b>Total current liabilities</b>		<b>114,141,845</b>	<b>211,898,134</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>843,876,781</b>	<b>831,670,188</b>

See accompanying notes to the financial statements 1-38

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/-  
**SITARAMARAJU MANTHENA**  
Director  
DIN 08576273

Sd/-  
**Y VENKATESWARLU**  
Partner  
Membership No: 222068

Sd/-  
**SATYANARAYANA RAJU KALIDINDI**  
Chief Executive Officer

Sd/-  
**RAMAYYA VUTUKURI**  
Chief Financial Officer

Hyderabad  
30-Jul-20

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

**Statement of Profit & Loss for the year ended 31-Mar-20**
*(All amounts in Indian Rupees, except share data and where otherwise stated)*

Particulars	Note	Year ended 31-Mar-20	Year ended 31-Mar-19
<b>Income</b>			
Revenue from operations	20	146,203,684	74,737,993
Other Income	21	182,641,078	207,281,075
<b>Total income</b>		<b>328,844,762</b>	<b>282,019,067</b>
<b>Expenses</b>			
Cost of materials consumed	22	88,165,720	52,367,740
Purchases of stock in trade	23	-	1,225,000
Changes in inventories of finished goods, work in progress and stock in trade	24	12,165,564	(9,025,913)
Employee benefit expense	25	44,047,051	45,002,812
Finance cost	26	12,771,581	22,878,222
Depreciation and amortization expense	2	17,308,015	21,032,846
Other expenses	27	74,118,670	107,259,530
<b>Total expenses</b>		<b>248,576,601</b>	<b>240,740,237</b>
<b>Profit/(loss) before extraordinary, exceptional items and tax</b>		<b>80,268,161</b>	<b>41,278,830</b>
<b>Exceptional items</b>	28	-	(250,464,465)
<b>Profit/(loss) before tax</b>		<b>80,268,161</b>	<b>(209,185,635)</b>
Tax expense			
(I) Current tax		-	-
- (ii) Previous years tax		-	2,919,699
- (iii) Deferred tax		(339,256)	(5,378,641)
<b>Net profit/(loss) for the year</b>		<b>80,607,417</b>	<b>(206,726,692)</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to Statement of Profit and loss			
(i) Remeasurement gains/(losses) of the defined benefit plans		(27,053)	(152,330)
(ii) Income tax effect on the above		-	-
<b>- Total comprehensive income for the year</b>		<b>80,580,364</b>	<b>(206,879,022)</b>
<b>Earnings per equity share of face value of Rs 10/- each</b>			
Basic and Diluted Rs		<b>6.45</b>	<b>(16.54)</b>

See accompanying notes to the financial statements 1-38

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/-**  
**SITARAMARAJU MANTHENA**  
 Director  
 DIN 08576273

**Sd/-**  
**Y VENKATESWARLU**  
 Partner  
 Membership No: 222068

**Sd/-**  
**SATYANARAYANA RAJU KALIDINDI**  
 Chief Executive Officer

**Sd/-**  
**RAMAYYA VUTUKURI**  
 Chief Financial Officer

 Hyderabad  
 30-Jul-20

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

**Statement of Cash Flows for the year ended 31-Mar-20**

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

Particulars	Year ended 31-Mar-20	Year ended 31-Mar-19
<b>Cash flows from operating activities</b>		
Profit / (loss) before tax	80,268,161	(209,185,634)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortisation	17,308,015	21,032,840
Foreign currency translation gain / (loss)	793,674	(5,121,724)
Written off / provision for obsolete stock	-	44,364,135
Sundry balances written off	-	2,409,930
Provision for doubtful advances	3,489,533	5,996,062
Provision for expected credit loss	739,308	200,584,298
Provision for slow/non moving stocks	-	24,880,166
Liabilities no longer required written off	(8,646,280)	(2,215,467)
(Profit) on disposal of property, plant and equipment	(154,141,629)	(194,326,700)
Finance costs	12,771,581	22,878,222
Interest income	(7,881,375)	(4,740,022)
Changes in assets and liabilities		
Trade receivables	23,634,006	12,289,437
Inventories	12,128,176	(8,604,012)
Other assets	7,111,370	(16,189,116)
Trade payables	3,174,096	(5,953,584)
Other liabilities	(72,332,001)	(138,077,229)
<b>Net cash flow from operating activities</b>	<b>A</b>	<b>(81,583,366)</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	238,289,375	282,662,500
Purchase of property, plant and equipment	(1,127,982)	(538,108)
Investment in 100% WOS	(67,746,875)	-
Investment in JV	(30,143,398)	-
Interest income	7,881,375	4,740,022
<b>Net cash flow used in investing activities</b>	<b>B</b>	<b>147,152,495</b>
<b>Cash flow from financing activities</b>		
Repayment of long term borrowings	(193,681)	(396,931)
Finance costs	(12,771,581)	(22,878,222)
<b>Net cash flow (used in)/from financing activities</b>	<b>C</b>	<b>(12,965,262)</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>52,603,867</b>	<b>13,610,864</b>
Cash and bank balances at the beginning of the year	74,150,599	60,539,736
<b>Cash and cash equivalents at the end of the year</b>	<b>126,754,466</b>	<b>74,150,600</b>

See accompanying notes to the financial statements

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/-  
**SITARAMARAJU MANTHENA**  
Director  
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Chief Executive Officer

Sd/-  
**RAMAYYA VUTUKURI**  
Chief Financial Officer

Hyderabad  
30-Jul-20

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.



**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-20

Particulars	Gross Block				Depreciation					Net Block	
	As at 01.04.2019	Additions during the year	Deletions during the year	As at 31.03.2020	Upto 01.04.2019	For the year	Impairment losses recognised in statement of Profit & Loss	Deletions/ Transitional provision adjustment	Upto 31.03.2020	As at 31.03.2020	As at 31.03.2019
<b>Tangible Assets</b>											
Land and Land Development	174,219,228		84,147,746	<b>90,071,482</b>						<b>90,071,482</b>	174,219,228
Building Own Use	386,745,338			<b>386,745,338</b>	144,458,681	14,711,332	-	-	<b>159,170,013</b>	<b>227,575,325</b>	242,286,655
Plant and Equipment Owned	137,358,545	373,302		<b>137,731,847</b>	129,964,878	1,551,606	-	-	<b>131,516,484</b>	<b>6,215,363</b>	7,393,660
Furniture and Fixtures Owned	11,796,431			<b>11,796,431</b>	10,899,633	277,686	-	-	<b>11,177,319</b>	<b>619,112</b>	896,797
Vehicles Owned	11,220,093	80,243		<b>11,300,336</b>	9,708,538	492,344	-	-	<b>10,200,882</b>	<b>1,099,454</b>	1,511,558
Office Equipment Owned	9,916,288	77,703		<b>9,993,991</b>	9,754,288	88,025	-	-	<b>9,842,313</b>	<b>151,678</b>	162,002
<b>Total</b>	<b>731,255,923</b>	<b>531,248</b>	<b>84,147,746</b>	<b>647,639,425</b>	<b>304,786,018</b>	<b>17,120,993</b>	-	-	<b>321,907,011</b>	<b>325,732,414</b>	<b>426,469,900</b>
Previous year	819,053,610	538,108	88,335,800	731,255,918	284,202,815	20,583,203	-	-	304,786,018	426,469,900	534,850,796
<b>Capital Work in Progress</b>	-	250,634	-	<b>250,634</b>	-	-	-	-	-	<b>250,634</b>	-
<b>Intangible Assets</b>											
Computer Software	14,534,026	346,100	-	<b>14,880,126</b>	14,388,750	187,022	-	-	<b>14,575,772</b>	<b>304,354</b>	145,278
<b>Total</b>	<b>14,534,026</b>	<b>346,100</b>	-	<b>14,880,126</b>	<b>14,388,750</b>	<b>187,022</b>	-	-	<b>14,575,772</b>	<b>304,354</b>	<b>145,278</b>
Previous year	14,534,028	-	-	14,534,028	13,939,113	449,643	-	-	14,388,750	145,278	594,915

Note 1: Depreciation on Buildings to the extent of ₹ 8,74,29,668/- capitalised during FY 16-17 is not provided since not put to use.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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

Note	Particulars	As at 31-Mar-20	As at 31-Mar-19
<b>3</b>	<b>INVESTMENTS</b>		
	Investments carried at cost		
	Unquoted equity shares (fully paid up)		
	In 100% subsidiary - Avant Garde Infosystems Inc USA	79,577,825	11,830,950
	35,80,000 Equity shares of US \$ 0.02 each		
	17,99,240 Equity shares of US \$ 0.10 each		
	38,00,000 Equity shares of US \$ 0.25 each		
	<b>In Joint Venture - Kernex TCAS JV</b>	<b>30,143,398</b>	-
		<b>109,721,223</b>	11,830,950
<b>4</b>	<b>OTHER FINANCIAL ASSETS</b>		
	Unsecured and considered good		
	Security deposits	577,078	1,729,006
	Receivable on sale of fixed assets	90,000,000	60,000,000
		<b>90,577,078</b>	61,729,006
<b>5</b>	<b>OTHER NON CURRENT ASSETS</b>		
	Advance income tax (net)	11,226,010	8,373,713
	Mat credit entitlement	12,256,937	12,256,937
		<b>23,482,947</b>	20,630,650
<b>6</b>	<b>INVENTORIES</b>		
	Raw material	25,301,438	84,616,060
	Less: Obsolete stock written off	-	(59,352,010)
	Less: Provision for slow / non moving stock	(24,880,166)	(24,880,166)
		<b>421,272</b>	383,884
	Work-in-progress	12,400,551	24,566,115
		<b>12,821,823</b>	24,949,999
	Work-in-progress represent work completed in respect of projects yet to be billed to the customers.		
	<b>TRADE RECEIVABLES</b>		
	Unsecured		
	Considered good	128,700,215	152,997,497
	Considered doubtful	208,811,543	206,651,894
		<b>337,511,758</b>	359,649,391
	Less: Allowances for credit losses	(208,811,543)	(207,260,804)
		<b>128,700,215</b>	152,388,587

Out of the above Trade Receivables, an amount of Rs 6.74 crores (PY Rs 9.47 crores) due from Egyptian National Railways (ENR) is outstanding pending mile stones of the contract to be achieved.

Further an amount Rs 20.36 crores (PY Rs 20.36 crores) receivable from Konkan Railways Corporation Ltd (KRCL) is under arbitration / in the process of filing arbitration

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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

Note	Particulars	As at 31-Mar-20	As at 31-Mar-19
<b>8</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Balances with banks		
	In Current accounts	4,173,834	2,942,034
	Cash on hand	428,121	2,029,103
		<b>4,601,955</b>	<b>4,971,138</b>
<b>9</b>	<b>OTHER BANK BALANCES</b>		
	In Deposit accounts	89,913	85,778
	Unclaimed dividend accounts	-	275,360
	Margin money for bank guarantees	<b>123,541,217</b>	<b>68,818,324</b>
		<b>123,631,130</b>	<b>69,179,462</b>
<b>10</b>	<b>OTHER FINANCIAL ASSETS</b>		
	Interest accrued but not due on term deposits	1,676,266	2,546,352
		<b>1,676,266</b>	<b>2,546,352</b>
<b>11</b>	<b>OTHER CURRENT ASSETS</b>		
	<b>Unsecured and considered good</b>		
	Advance to vendors - Considered good	5,915,156	34,199,613
	Considered doubtful	7,195,549	5,996,063
		<b>13,110,705</b>	<b>40,195,676</b>
	Less: <i>Provision for Advances</i>	<b>(7,195,549)</b>	<b>(5,996,063)</b>
		<b>5,915,156</b>	<b>34,199,613</b>
	Advances to customers	-	3,934,926
	Balances with statutory/government authorities	<b>12,205,133</b>	<b>16,600,850</b>
	Advance for expenses	720,188	1,391,118
	Prepaid expenses	<b>3,536,267</b>	<b>702,356</b>
		<b>22,376,743</b>	<b>56,828,863</b>

Balances with statutory/government authorities represent input credit on goods and services purchased/received and VAT claims receivable for earlier years.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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

Note	Particulars	As at 31-Mar-20	As at 31-Mar-19
<b>12</b>	<b>SHARE CAPITAL</b>		
	<b>Authorised share capital</b>		
	1,50,00,000 Equity shares of Rs.10/- each	<b>150,000,000</b>	150,000,000
	<b>Issued, subscribed and fully paid-up</b>		
	1,24.99,655 Equity Shares of Rs.10/- each with voting rights	<b>124,996,550</b>	124,996,550
		<b>124,996,550</b>	124,996,550

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

Particulars	31-Mar-20		31-Mar-19	
	No of Shares	Amount	No of Shares	Amount
At the beginning of the year	<b>12,499,655</b>	<b>124,996,550</b>	12,499,655	124,996,550
Issued during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>12,499,655</b>	<b>124,996,550</b>	12,499,655	124,996,550

**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-20		31-Mar-19	
	No of Shares	% of holding	No of Shares	% of holding
Seetharamaraju Manthena	<b>712995</b>	<b>5.70%</b>	712995	5.70%
Sreelakshmi Manthena	<b>640398</b>	<b>5.12%</b>	640398	5.12%
Raju Narasa Mantena			854633	6.84%

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**
**Note No 13: Statement of changes in equity and other equity**

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

Particulars	Equity share capital	Reserves & Surplus			Other Comprehensive Income		Total Other Equity
		Securities premium	General Reserve	Profit and loss	Foreign currency translation reserve	Actual Gains / (Losses)	
Balance as at 31-Mar-18	124,996,550	917,219,545	61,213,631	(240,314,714)	(41,328,931)	(3,700,196)	693,089,334
Loss for the year				(206,726,691)			(206,726,691)
Other Comprehensive Income for the year						(152,330)	(152,330)
Foreign exchange rate variations for the year					4,471,878		4,471,878
<b>Balance as at 31-Mar-19</b>	<b>124,996,550</b>	<b>917,219,545</b>	<b>61,213,631</b>	<b>(447,041,406)</b>	<b>(36,857,053)</b>	<b>(3,852,526)</b>	<b>490,682,192</b>
Profit for the year				80,607,417			80,607,417
Other Comprehensive Income for the year						(27,053)	(27,053)
Adjustments		-	-		-	-	(12,200)
<b>Balance as at 31-Mar-20</b>	<b>124,996,550</b>	<b>917,219,545</b>	<b>61,213,631</b>	<b>(366,433,989)</b>	<b>(36,857,053)</b>	<b>(3,879,579)</b>	<b>571,250,355</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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

Note	Particulars	As at 31-Mar-20	As at 31-Mar-19
<b>14</b>	<b>BORROWINGS</b>		
	Secured		
	Vehicle loans	-	193,681
		-	193,681
<b>15</b>	<b>OTHER NON CURRENT LIABILITIES</b>		
	Advance received against sale of land	<b>29,946,507</b>	18,851
		<b>29,946,507</b>	18,851
	Advance has been received against sale of land and documentation is under process.		
<b>16</b>	<b>BORROWINGS</b>		
	Loans repayable on demand (Unsecured)		
	From banks		
	Cash credit facilities	<b>22,779,437</b>	-
	Others		
	Unsecured loans from directors	<b>19,945,085</b>	57,614,207
	Inter corporate deposits	<b>11,975,533</b>	76,176,546
		<b>54,700,055</b>	133,790,753
	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 TSIIIC Hardware park.		
	Unsecured loans from directors are interest free.		
	Inter corporate deposit is repayable on demand and carrying interest rate of 15% .		
<b>17</b>	<b>TRADE PAYABLES</b>		
	Due to micro, small and medium enterprises	-	-
	Others	<b>5,568,771</b>	2,394,675
		<b>5,568,771</b>	2,394,675
<b>18</b>	<b>OTHER FINANCIAL LIABILITIES</b>		
	Current maturity of vehicle loans	<b>193,681</b>	531,632
	Due to capital creditors	<b>219,241</b>	219,241
	Unclaimed dividends	-	259,815
	Share application money due for refund	<b>26,300</b>	26,300
		<b>439,222</b>	1,036,988
<b>19</b>	<b>OTHER CURRENT LIABILITIES</b>		
	Advance from customers	<b>3,335,270</b>	11,863,849
	Expenses Payables	<b>45,793,025</b>	51,988,418
	Statutory remittances	<b>4,305,502</b>	10,823,451
		<b>53,433,797</b>	74,675,718



**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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

Note	Particulars	Year ended 31-Mar-20	Year ended 31-Mar-19
<b>20</b>	<b>REVENUE FROM OPERATIONS</b>		
	Sale of Products	121,079,350	53,404,330
	Sale of Services	25,124,334	21,333,663
		<b>146,203,684</b>	<b>74,737,993</b>
<b>21</b>	<b>OTHER INCOME</b>		
	Interest Income		
	On fixed deposits	7,853,631	4,512,238
	Interest on income tax refund	27,744	212,580
	Interest on electricity deposit	-	15,204
	Profit on sale of asset	154,141,629	194,326,700
	Net gain on foreign currency transactions	11,679,400	5,320,554
	Other non-operating income		
	Rental income	254,398	160,000
	Miscellaneous income	37,997	518,333
	Liabilities no longer required written off	8,646,280	2,215,467
		<b>182,641,078</b>	<b>207,281,075</b>
<b>22</b>	<b>COST OF MATERIALS CONSUMED</b>		
	Opening stock	383,884	84,616,060
	Add: Purchases	88,203,108	51,945,839
	Less: Closing stock	421,272	84,194,159
		<b>88,165,720</b>	<b>52,367,740</b>
<b>23</b>	<b>PURCHASE OF TRADED GOODS</b>		
	Purchase of booms	-	1,225,000
		-	1,225,000
<b>24</b>	<b>CHANGES IN INVENTORIES OF WORK-IN-PROCESS</b>		
	<b>Inventories at the end of the year</b>		
	Work-in- process	12,400,551	24,566,115
	<b>Inventories at the beginning of the year</b>		
	Work-in- process	24,566,115	15,540,202
	<b>Net (increase)/decrease</b>	<b>12,165,564</b>	<b>(9,025,913)</b>
<b>25</b>	<b>EMPLOYEE BENEFIT EXPENSE</b>		
	Salaries and wages	38,976,583	39,590,996
	Contribution to provident and other funds	1,556,653	1,607,079
	Directors remuneration	1,800,000	1,700,000
	Staff welfare expenses	1,713,815	2,104,737
		<b>44,047,051</b>	<b>45,002,812</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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

Note	Particulars	Year ended 31-Mar-20	Year ended 31-Mar-19
<b>26</b>	<b>FINANCE COSTS</b>		
	Interest on borrowings	8,499,456	18,850,399
	Other borrowing costs	4,272,125	4,027,823
		<b>12,771,581</b>	<b>22,878,222</b>
<b>27</b>	<b>OTHER EXPENSES</b>		
	Project execution expenses	32,522,251	27,050,590
	Electricity charges	2,822,592	2,804,497
	Security charges	1,069,807	1,497,593
	Rates and taxes	1,269,158	7,995,783
	Printing and stationery	257,382	238,284
	Insurance	263,003	312,264
	Repairs and maintenance	2,980,285	2,837,201
	Postage, telephone and courier	735,289	333,991
	Travelling and conveyance	2,009,767	1,731,742
	Professional & consultancy fees	4,090,780	3,101,026
	Directors sitting Fees	3,700,000	2,460,000
	Business promotion	1,034,637	460,676
	Payment to auditors		
	Statutory audit	421,416	400,000
	Tax audit	305,000	200,000
	Others	-	1,588
	Loss on foreign currency transactions and translation (net)	793,674	198,829
	Miscellaneous expenses	16,354,094	2,865,336
	Sundry balances written off	-	2,409,930
	Provision for doubtful advances	3,489,533	5,996,062
	Provision for obsolete stock	-	44,364,135
		<b>74,118,670</b>	<b>107,259,529</b>
<b>28</b>	<b>EXCEPTIONAL ITEMS</b>		
	Provision for expected credit loss	-	(200,584,298)
	Provision for slow/non moving inventories	-	(24,880,166)
	Court Settlement	-	(25,000,001)
		-	<b>(250,464,465)</b>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

### 29 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 Rs 13,60,431/- (Previous year Rs 13,41,579/-) towards provident fund plan during the years ended 31-Mar-20

#### 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-20	31-Mar-19
Present value of obligation as at beginning of the year	5,094,746	4,254,535
Current service cost	494,446	692,676
Interest expense or cost	389,748	328,876
Re-measurement (or Actuarial) (gain) / loss	(42,935)	(142,110)
Benefits Paid	-	(39,231)
<b>Present Value of Obligation as at the end of the year</b>	<b>5,936,005</b>	<b>5,094,746</b>

#### ii. Changes in fair value of plan assets

Particulars	31-Mar-20	31-Mar-19
Fair Value of Plan Assets as at the beginning of the year	5,492,644	5,154,364
OB difference	-	-
Investment Income	420,187	398,432
Employer's Contribution	-	-
Expenses	(33,329)	(31,141)
Benefits Paid	-	(39,231)
Return on plan assets , excluding amount recognised in net interest expense	17,447	10,220
<b>Fair Value of Plan Assets as at the end of the year</b>	<b>5,896,949</b>	<b>5,492,644</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**iii. Fair value of Assets and Obligations**

Particulars	31-Mar-20	31-Mar-19
Fair value of plan assets	<b>5,896,949</b>	5,492,644
Present value of obligation	<b>5,936,005</b>	5,094,746
Amount recognized in balance sheet	<b>(39,056)</b>	397,898

**iv. Expenses recognised during the year**

Particulars	31-Mar-20	31-Mar-19
<b>In Income Statement</b>		
Current Service Cost	<b>494,446</b>	692,676
Net Interest Cost / (Income) on the Net Defined Benefit Liability / (Asset)	<b>(30,439)</b>	(69,556)
<b>Expenses Recognised in the Income Statement</b>	<b>464,007</b>	623,120
<b>In Other Comprehensive Income</b>		
Actuarial (gains) / losses		
Opening balance difference	-	-
Others	<b>(9,606)</b>	(110,969)
Return on plan assets, excluding amount recognized in net interest expense	<b>(17,447)</b>	(10,220)
<b>Components of defined benefit costs recognised in other comprehensive income</b>	<b>(27,053)</b>	(121,189)

**v. Actuarial assumptions**

Particulars	31-Mar-20	31-Mar-19
Discount rate (per annum)	<b>6.80%</b>	7.73%
Salary growth rate (per annum)	<b>2.00%</b>	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-20		31-Mar-19	
	Decrease	Increase	Decrease	Increase
Change in discounting rate	6,501,355	5,456,844	5,461,649	4,771,435
Change in salary growth rate	5,156,954	6,883,186	4,639,301	5,616,988
Change in attrition rate	5,442,987	6,379,218	4,843,194	5,326,734
Change in mortality rate	5,914,911	5,956,953	5,086,042	5,103,420

### 30 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 (appointed wef 30.09.19)	Director
		R Sreenivasa Rao (appointed wef 30.09.19)	Independent Director
		K Soma Sekhara Rao (appointed wef 30.09.19)	Independent Director
		A V S Krishna Mohan (appointed wef 08.02.20)	Independent Director
3	Key Managerial Personnel	Badari Narayana Raju Manthena	Whole Time Director
		Satyanarayana Raju Kalidindi	Chief Executive Officer
		Ramayya Vutukuri	Chief Financial Officer
		Prasada Rao Kalluri	Company Secretary
		T V Satyanarayana Raju (resigned wef 02.02.20)	Independent Director
		Ashok Gopalrao Kalmankar (resigned wef 02.02.20)	Independent Director
		P Dinakara Rao (resigned wef 12.10.19)	Independent Director
		Mantena Raju Narasa (resigned wef 05.07.19)	Director
4	Relatives of Key Managerial Personnel	Chenna Krishna Mantena	Son of Director
		Alluri Sita Rama Raju Manthena	Son of Director

**b. Transactions with Related parties during the year 2019-20**

S.No.	Nature of Transaction	Name of the related party	2019-20	2018-19
1	Managerial Remuneration	Badari Narayana Raju Manthena	<b>2,512,000</b>	2,076,532
		Satyanarayana Raju Kalidindi	<b>3,128,000</b>	750,000
		K. Krishnam Raju	-	3,888,161
		Ramayya Vutukuri	<b>1,778,400</b>	1,778,400
		Prasada Rao Kalluri	<b>300,000</b>	225,000
2	Investments - Wholly owned subsidiary - Joint Venture	Avant-Garde Info Systems Inc, USA	<b>67,746,875</b>	-
		Kernex TCAS JV	<b>30,143,398</b>	-
3	Purchases	Avant-Garde Info Systems Inc, USA	-	1,339,556
4	Commission	Avant-Garde Info Systems Inc, USA	<b>2,753,644</b>	-
5	Directors' sitting fees & reimbursements	Anji Raju Manthena	<b>860,188</b>	280,000
		Janardhana Reddy Vinta	<b>320,000</b>	160,000
		Sreelakshmi Manthena	<b>760,188</b>	180,000
		Sitarama Raju Manthena	<b>200,000</b>	-
		Mantena Raju Narasa	<b>190,000</b>	240,000
		R Sreenivasa Rao	<b>400,000</b>	-
		K Soma Sekhara Rao	<b>417,000</b>	-
		A V S Krishna Mohan	<b>100,000</b>	-
		T V Satyanarayana Raju	<b>400,000</b>	680,000
		Ashok Gopalrao Kalmankar	<b>500,000</b>	560,000
		P Dinakara Rao	<b>250,000</b>	300,000
		Arun Kumar Sanwalka	-	80,000
6	Unsecured Loans - Repayment	Anji Raju Manthena	<b>23,935,842</b>	-
		Janardhana Reddy Vinta	<b>10,417,080</b>	-
		Mantena Raju Narasa	<b>23,000,000</b>	-
		Chenna Krishna Mantena	<b>4,316,000</b>	-
7	Unsecured Loans - Received	Anji Raju Manthena	<b>24,000,000</b>	-

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### c. Balances as at 31-Mar-20

S.No.	Nature of Transaction	Name of the related party	31-Mar-20	31-Mar-19
1	Loan taken from KMP	Anji Raju Manthena	19,000,000	18,935,842
		Vinta Janardhana Reddy	-	10,417,080
		Mantena Raju Narasa	-	23,000,000
		B Murali Mohan	945,085	945,085
2	Loan taken from relative of KMP	Chenna Krishna Mantena	-	4,316,200
3	Trade payable	Avant-Garde Info Systems Inc, USA	4,943,265	2,001,835
4	Investments - Wholly owned subsidiary - Joint Venture	Avant-Garde Info Systems Inc, USA	79,577,825	
		Kernex TCAS JV	30,143,398	-

### 31 EARNINGS PER SHARE

S.No.	Particulars	31-Mar-20	31-Mar-19
1	Profit after tax attributable to equity shareholders	80,607,417	(206,726,692)
2	Weighted average number of equity shares for Basic EPS	12,499,655	12,499,655
3	Weighted average number of equity shares for Diluted EPS	12,499,655	12,499,655
4	Basic earnings per Share	6.45	(16.54)
5	Diluted earnings per Share	6.45	(16.54)

### 32 INCOME TAXES

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

S.No.	Particulars	31-Mar-20	31-Mar-19
1	Current tax	-	-
2	Previous years tax	-	2,919,699
3	Deferred tax	(339,256)	(5,378,641)
	<b>Total income tax expense recognised in the statement of profit &amp; loss</b>	<b>(339,256)</b>	<b>(2,458,942)</b>

#### Reconciliation of effective tax rate

Particulars	31-Mar-20	31-Mar-19
Profit/(Loss) before Income Tax	80,268,161	(209,185,635)
Tax Rate	26.00%	26.00%
Tax expense	20,869,722	(54,388,265)
Effect of:		
Unrecognised deferred tax assets	(907,279)	59,296,621
Others	292,515	16,898,803
Profit on sale of asset	(20,594,215)	(24,266,102)
<b>Income tax expense</b>	<b>(339,256)</b>	<b>(2,458,942)</b>

**Unrecognised deferred tax Asset**

Particulars	31-Mar-20	31-Mar-19
Profit/(Loss) as per IT Act	-	-
Provision for disallowances	-	2,599,464
Provision for obsolete stock	-	24,880,166
Provision for expected credit losses/Advances	<b>3,489,533</b>	200,584,298
<b>Total unrecognised deferred tax asset</b>	<b>3,489,533</b>	228,063,928

**Deferred tax assets and liabilities**

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

Particulars	31-Mar-20	31-Mar-19
<b>Deferred tax (assets)/liabilities:</b>		
Property, plant and equipment	<b>27,057,742</b>	29,926,809
Current liabilities & provisions	<b>(1,812,838)</b>	(1,812,838)
Unabsorbed depreciation	<b>(28,786,428)</b>	(26,963,933)
<b>Net deferred tax Liabilities</b>	<b>(3,541,524)</b>	1,150,038

**Movement in deferred tax assets and liabilities during the years ended 31-Mar-20 and 31-Mar-19**

Particulars	31-Mar-19	Charge/(credit) to profit or loss	31-Mar-20
<b>Deferred tax (assets)/liabilities:</b>			
Property, plant and equipment	29,926,809	(2,869,067)	<b>27,057,742</b>
Current liabilities & provisions	(1,812,838)	-	<b>(1,812,838)</b>
Unabsorbed depreciation	(26,963,933)	(1,822,495)	<b>(28,786,428)</b>
<b>Net Deferred tax Liabilities</b>	1,150,038	(4,691,562)	<b>(3,541,524)</b>

**Movement in deferred tax assets and liabilities during the years ended 31-Mar-19 and 31-Mar-18**

Particulars	31-Mar-18	Charge/(credit) to profit or loss	31-Mar-19
<b>Deferred tax (assets)/liabilities:</b>			
Property, plant and equipment	32,880,976	(2,954,167)	<b>29,926,809</b>
Current liabilities & provisions	(1,795,407)	(17,431)	<b>(1,812,838)</b>
Unabsorbed depreciation	(21,826,148)	(5,137,785)	<b>(26,963,933)</b>
<b>Net Deferred tax Liabilities</b>	9,259,421	(8,109,383)	<b>1,150,038</b>

**33 CONTINGENT LIABILITIES AND COMMITMENTS**

Particulars	31-Mar-20	31-Mar-19
a. Claims against the Company not acknowledged as a debt (See note c to f below)	<b>42,810,575</b>	22,618,270
b. Bank guarantee outstanding	<b>169,832,932</b>	108,874,798



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### c. Income tax

- i. The deputy commissioner of Income tax filed an appeal before the tribunal against the favourable order passed by the Commissioner of Income tax (Appeals-III) involving an amount of Rs. 8,00,000/-. The tribunal has decided the appeal against the Company, for which the Company has preferred an appeal before the honourable High Court-AP. The Honourable High Court has dismissed the case of the Income Tax Department during 2019-20 as such there is no financial impact on the Company.
- ii. The AO has raised a demand of Rs. 43,86,412/- for Assessment year 2014-15 with regard to an adhoc disallowance of the Project Expenses incurred during 2013-14. In respect of the same, Appeal was filed with the Commissioner (Appeals) and the Company is confident of getting a favourable order.
- iii. A Show-cause notice was received u/s 279(1) of the Income Tax Act, 1961, initiating prosecution proceedings u/s 276B r.w.s 278B of the Income Tax Act, 1961 for failure to deposit the deducted TDS within the due date in Central Government Account for financial year(s) 2013-14 to 2016-17. The company has represented the case before the CIT (TDS) and is expecting a favourable order.

### d. Service tax

- i. Summons issued by the Director General of GST intelligence vide letter No: INT/DGGSTI/HZU/ ST/125/2017/18 dated 18.01.2018 with net demand of Rs. 1,46,79,858/-. The Company opted for Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019 and the Department closed the case during the year 2019-20 wherein there is no financial impact on the Company.

### e. Commercial taxes

- i. The Company received vide final assessment order no: 41077 dated 28.05.2014 with a demand of Rs. 22,07,000/-. Due to differential tax amount due to non issue of Form C by KRCL for the financial year 2010-11. The Company is in the process of filing Arbitration with KRCL and is under final stage.
- ii. The Company received show-cause notice dated 16.11.2017 for Rs. 54,50,000/- due to differential tax on 9.5% supplies made to RDSO, Lucknow, for the financial year 2015-16. The Department has set aside the show cause notice and passed an order accepting the claim of the Company during 2019-20. As such no demand has arisen on the Company.

### 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 342,166 and Egyptian Pounds 497,827 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.

## 34 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 Rs 15.18 crores. The Arbitration proceedings are under progress.

Further the company has failed in the conciliation proceedings against KRCL for outstanding dues of Rs 5.18 crores and is in process of filing Arbitration petition.

In view of the above, the company has made a provision of Rs 20.36 crores in the books of accounts.

### 35 CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes issued capital and other equity reserves. 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 long term and short term strategic investment and expansion plans 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-20	31-Mar-19
Non Current borrowings	-	193,681
Current borrowings	<b>54,700,055</b>	133,790,753
<b>Total Debts</b>	<b>54,700,055</b>	133,984,434
Less: Cash & Cash equivalents	<b>(128,233,085)</b>	(74,150,600)
Adjusted net debts	<b>(73,533,029)</b>	59,833,834
Equity	<b>124,996,550</b>	124,996,550
Other Equity	<b>571,250,355</b>	490,682,192
<b>Total Equity</b>	<b>696,246,905</b>	615,678,742
Adjusted net debt to equity ratio	<b>-0.11</b>	0.10

### 36 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. Summary of the Company's exposure to credit risk by age of the outstanding from various customers is as follows:

Particulars	31-Mar-20	31-Mar-19
Not due	67,425,285	94,684,675
0-180 days	11,158,739	53,387,977
181-365 days	50,116,191	4,315,934
More than 365 days	-	-
<b>Total</b>	<b>128,700,215</b>	<b>152,388,587</b>

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 46,01,955/- at 31-Mar-20 (Previous year 49,71,138/-). 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/20	Upto 1 year	1 to 3 years	3 to 5 years	> 5 years	Total carrying amount
Other non current liabilities	29,946,507	-	-	-	29,946,507
Current borrowings	54,700,055	-	-	-	54,700,055
Trade payables	5,568,771	-	-	-	5,568,771
Other financial liabilities	439,222	-	-	-	439,222
Other current liabilities	53,433,797	-	-	-	53,433,797
	<b>144,088,352</b>	-	-	-	<b>144,088,352</b>

Particulars 31/Mar/19	Upto 1 year	1 to 3 years	3 to 5 years	> 5 years	Total carrying amount
Non Current Borrowings (Including current maturities)	212,532	-	-	-	212,532
Current Borrowings	133,790,753	-	-	-	133,790,753
Trade Payables	2,394,675	-	-	-	2,394,675
Other financial liabilities	1,036,988	-	-	-	1,036,988
Other Payables	74,675,718	-	-	-	74,675,718
	212,110,666	-	-	-	212,110,666

### 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-20	31-Mar-19
<b>Floating rate instruments</b>		
<b>Financial Liabilities - measured at amortised cost</b>		
Working capital facilities from bank	22,779,437	-
<b>Fixed rate instruments</b>		
Vehicle loans	-	193,681
Inter corporate deposits	11,975,533	76,176,546
<b>Total</b>	<b>34,754,970</b>	<b>76,370,227</b>

#### Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

#### Cash flow sensitivity analysis for variable-rate instruments

The risk estimates provided assume a change of 25 basis points interest rate for the interest rate benchmark as applicable to the borrowings summarised above. This calculation assumes that the change occurs at the balance sheet date and has been calculated based on risk exposures outstanding as at that date assuming that all other variables, in particular foreign currency exchange rates, remain constant. The period end balances are not necessarily representative of the average debt outstanding during the period.

Cash flow sensitivity (net)	Profit or loss	
	25 bp increase	25 bp decrease
<b>31-Mar-20</b>		
Variable rate loan instruments	<b>56,949</b>	<b>(56,949)</b>
<b>31-Mar-19</b>		
Variable rate loan instruments	-	-

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

The foreign currency exposures as of 31-Mar-20 were as follows

Particulars	USD	Egyptian Pound	Total
<b>Assets</b>			
Cash and bank balances	75,665	4,463,554	4,539,219
Trade receivables	42,197,014	36,387,010	78,584,024
Other assets	-	-	-
<b>Total</b>	<b>42,272,679</b>	<b>40,850,564</b>	<b>83,123,243</b>
<b>Liabilities</b>			
Trade payables	4,943,265	-	4,943,265
Other liabilities	-	5,239,743	5,239,743
<b>Total</b>	<b>4,943,265</b>	<b>5,239,743</b>	<b>10,183,008</b>

The foreign currency exposures as of 31-Mar-19 were as follows

Particulars	USD	Egyptian Pound	Total
<b>Assets</b>			
Cash and bank balances	69,663	2,386,186	2,455,849
Trade receivables	73,640,152	45,564,356	119,204,508
Other assets	-	-	-
<b>Total</b>	<b>73,709,815</b>	<b>47,950,542</b>	<b>121,660,356</b>
<b>Liabilities</b>			
Trade payables	2,001,835	-	2,001,835
Other liabilities	-	-	-
<b>Total</b>	<b>2,001,835</b>	<b>-</b>	<b>2,001,835</b>

### Sensitivity analysis

A reasonably possible strengthening (weakening) of the Indian Rupee against US dollars and Egyptian Pounds at March 31 would have affected the measurement of financial instruments denominated in US dollars and Egyptian Pounds and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant and ignores any impact of forecast sales and purchases.

Particulars 31-Mar-20	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
1% movement				
US Dollar	373,294	(373,294)	-	-
Egyptian Pounds	356,108	(356,108)	-	-
	729,402	(729,402)	-	-

Particulars 31-Mar-19	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
1% movement				
US Dollar	717,080	(717,080)	-	-
Egyptian Pounds	479,505	(479,505)	-	-
	1,196,585	(1,196,585)	-	-

### 37 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-20 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	128,700,215	-	-	-	128,700,215
Cash and cash equivalents	4,601,955	-	-	-	4,601,955
Other bank balances	123,631,130	-	-	-	123,631,130
Other financial assets	1,676,266	-	-	-	1,676,266
Financial liabilities					
At Amortised Cost					
Borrowings	54,700,055	-	-	-	54,700,055
Trade payables	5,568,771	-	-	-	5,568,771
Other financial liabilities	439,222	-	-	-	439,222

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The carrying value and fair value of financial instruments by categories as of 31st Mar 19 are as follows

Particulars	Carrying Value	Level of input used in			Fair Value
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
<b>At Amortised Cost</b>					
Investments*	-	-	-	-	-
Trade receivables	152,388,587	-	-	-	152,388,587
Cash and cash equivalents	4,971,138	-	-	-	4,971,138
Other bank balances	69,179,462	-	-	-	69,179,462
Other financial assets	2,546,352	-	-	-	2,546,352
<b>Financial liabilities</b>					
<b>At Amortised Cost</b>					
Borrowings	133,790,753	-	-	-	133,790,753
Trade payables	2,394,675	-	-	-	2,394,675
Other financial liabilities	1,036,988	-	-	-	1,036,988

\* 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.

38 Figures of the Previous year are regrouped / reclassified wherever considered necessary and rounded off to the nearest rupee.

As per our report of even date attached

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

**Sd/-**  
**Y VENKATESWARLU**  
 Partner  
 Membership No: 222068

Hyderabad  
 30-Jul-20

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

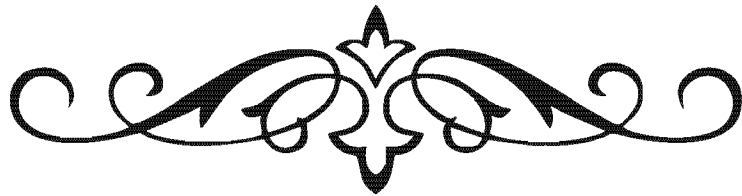
**Sd/-**  
**BADARI NARAYANA RAJU MANTHENA**  
 Whole Time Director  
 DIN 07993925

**Sd/-**  
**SATYANARAYANA RAJU KALIDINDI**  
 Chief Executive Officer

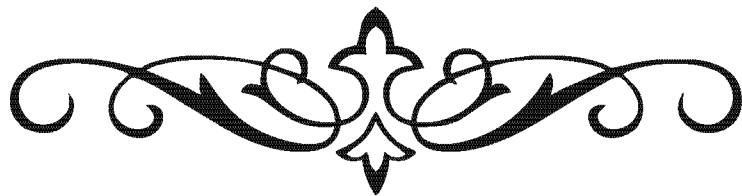
**Sd/-**  
**PRASADA RAO KALLURI**  
 Company Secretary

**Sd/-**  
**SITARAMARAJU MANTHENA**  
 Director  
 DIN 08576273

**Sd/-**  
**RAMAYYA VUTUKURI**  
 Chief Financial Officer



**CONSOLIDATED  
FINANCIAL STATEMENTS  
2019-20**





## INDEPENDENT AUDITOR'S REPORT

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

**Report on the Audit of the Consolidated Financial statements**

### Qualified Opinion

We have audited the accompanying Consolidated Financial statements of Kernex Microsystems (India) Limited (herein after referred to as "the Holding Company"), its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") comprising of the Consolidated balance sheet as at 31 March 2020, and the Consolidated statement of Profit and Loss, including other Comprehensive Income, the consolidated statement of cash flows and the consolidated statement of changes in equity 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, 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 consolidated state of affairs of the Group, as at March 31, 2020, and its consolidated loss including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

### Basis for Qualified Opinion

*As detailed in note 7 to the financial results, other financial assets amounting to Rs. 6.00 crores which has been outstanding for more than 3 years has been subject to balance confirmation from the respective party/(s). According to the information and explanations given to us, the company is taking steps for obtaining balance confirmation. In the absence of sufficient appropriate evidence, we are unable to comment upon the carrying value of the aforesaid receivable as at 31st March 2020 or any adjustments//impairment required to and the consequent impact if any, on the financial results.*

We conducted our audit of Consolidated 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 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 Act, 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 we have obtained is sufficient and appropriate to provide a basis for our Qualified opinion on the Consolidated Financial statements.

### 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 based on the terms and conditions of purchase orders / contracts received from different customers. For recognising revenue in case of sale of goods, it is essential to ensure that the control of the goods have been transferred to the customers. As revenue recognition is subject to management's judgement on whether the control of the goods has been transferred, we consider ensuring transfer of control and cut-off of revenue as a key audit matter.</p> <p>2. The Company recognizes revenue on completion of installation of level crossing gates and their provisional handing over to the customer based on the terms of contract entered into with the customers. Obtaining evidence regarding completion of these services which are being executed outside India is a key audit matter.</p>	<p>1. We have obtained an understanding of the revenue recognition process considering the terms and conditions of purchase orders and verified respective delivery documents to ensure that the control of the goods have been transferred in case of revenue recognized for sale of goods.</p> <p>2. We have obtained an understanding of the Company's processes and controls for revenue recognition process, evaluating the key controls around such process. Obtain the relevant documents evidential the completion of services including customer acknowledgments/acceptance letters.</p>

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

The Holding Company's Board of Directors is responsible for the other information. The other information comprises Statutory reports, corporate governance reports and Boards Report included in the annual report but does not include the Consolidated Financial statements and our auditor's report thereon, which we obtained prior to the date of auditor's report, and corporate overview and letter from chairman and co-chairman included in the annual report, which is expected to be made available to us after that date.

Our opinion on the Consolidated 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 Consolidated 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 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 Board of Directors is responsible for the preparation and presentation of these consolidated Financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in the equity of the Group 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.

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The respective Board of directors of the companies included in Group are responsible for 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 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 consolidated Financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the Consolidated 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 group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated 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 Consolidated 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)(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.
- 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.

#### **Other Matter**

We did not audit the financial statements/financial information of wholly owned subsidiary included in the consolidated financial statements, whose financial statements/financial information reflects total assets of Rs.2, 47,19,322/- as at 31st March 2020, total revenues of Rs.26,08,411/- for the year ended 31st March 2020 and total loss after tax and other comprehensive income of Rs. 4,55,92,321/-and Rs. 4,65,09,083/- respectively as considered in the consolidated financial statements. These financial statements/financial information have been compiled by Certified Public Accountant ("CPA) in USA whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, is based solely on the reports of the other auditors.

The wholly owned subsidiary is located outside India i.e USA whose financial results and other financial information have been compiled by a CPA in accordance with accounting principles generally accepted in USA. The Holding Company's management has converted the financial results of wholly owned subsidiary located in USA from accounting principles generally accepted in USA to accounting principles generally accepted in India. Our opinion in so far as it relates to the balances and affairs of such subsidiary located in USA is based on the report of the Certified Public Accountant and conversion adjustments prepared by the management of the Holding Company.

We did not audit the financial statements/financial information of Joint Venture included in the consolidated financial statements, whose unaudited financial statements/financial information reflects total assets of Rs.1, 52,120/- as at 31st March 2020, total revenues of Rs. 2, 41,640/- for the year ended 31st March 2020 and total profit after tax and other comprehensive income of Rs. 2, 02,054/- and Rs. 1, 52,120/- respectively as considered in the consolidated financial statements. These financial statements/financial 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 Joint Venture, is based solely on those unaudited financial statement/financial information furnished by the Management.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management.

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

1. As required by the Companies (Auditor's Report) Order, 2016 ("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 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 report of the other

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auditors on separate financial statements and the other financial information of subsidiary, as noted in the 'other matter' paragraph we report, to the extent applicable, that:

- a) We/the other auditors whose report we have relied upon 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 consolidation of financial statements have been kept so far as it appears from our examination of those books and reports of other auditors;
- c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the statement of other comprehensive income, the consolidated statement of cash flows and the Consolidated Statement of changes in equity dealt with by this Report are in agreement with the books of account for the purpose of preparation of the consolidated Financial statements;
- d) In our opinion, the aforesaid Consolidated 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, 2020 taken on record by the Board of Directors of the Holding Company and the report of statutory auditors who are appointed under section 139 of companies act, none of the directors of the Group's companies is disqualified as on 31 March, 2020 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) 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 has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

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

**Sd/-**  
**Y. Venkateswarlu**  
Partner  
Membership No. 222068  
UDIN: 20222068AAAACBI388

Place: Hyderabad  
Date: July 30, 2020

## **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** (“hereinafter referred to as “Holding Company”) and its subsidiary, as of 31 March 2020 in conjunction with our audit of the Consolidated Financial statements of the Company for the year ended on that date.

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

The respective 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 by other auditors in terms of their reports referred to in other matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls financial reporting with reference to these consolidated Financial statements .

#### **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

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- (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 Holding 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, 2020, based on the internal control over financial reporting criteria established by the Holding 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.

### **Other Matters**

Our report under section 143(3)(i) of the act on the adequacy and operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Financial statements of the Holding company, in so far as it relates to the subsidiary company, is based on the corresponding report of the auditor of such subsidiary.

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

Sd/-  
**Y. Venkateswarlu**  
Partner  
Membership No. 222068  
UDIN: 20222068AAAACBI388

Place: Hyderabad  
Date: July 30, 2020

**CONSOLIDATED Balance Sheet as at 31-Mar-20**

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

Particulars	Note	As at 31-Mar-20	As at 31-Mar-19
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, Plant and Equipment	2	325,732,414	426,469,900
Capital work-in-progress	2	250,634	-
Intangible assets	2	304,354	145,278
Financial assets			
Other financial assets	3	90,577,078	61,729,006
Other Non-current assets	4	23,482,947	20,630,650
<b>Total non-current assets</b>		<b>440,378,559</b>	<b>508,974,834</b>
<b>Current assets</b>			
Inventories	5	12,821,823	24,949,999
Financial assets			
Trade receivables	6	128,700,215	150,386,752
Cash and cash equivalents	7	4,966,814	5,538,942
Other bank balances	8	144,033,206	69,179,462
Other financial assets	9	1,676,266	2,546,352
Other current assets	10	56,593,517	79,295,342
<b>Total current assets</b>		<b>348,791,840</b>	<b>331,896,853</b>
<b>TOTAL ASSETS</b>		<b>789,170,402</b>	<b>840,871,687</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity Share capital	11	124,996,550	124,996,550
Other equity	12	464,743,322	431,056,286
<b>Equity attributable to Shareholders of the Company</b>		<b>589,739,872</b>	<b>556,052,836</b>
<b>Total Equity</b>		<b>30,424</b>	<b>-</b>
		<b>589,770,296</b>	<b>556,052,836</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities			
Borrowings	13	-	193,681
Deferred tax liabilities		3,541,524	3,880,780
Other Non-current liabilities	14	29,946,507	18,851
<b>Total Non-current liabilities</b>		<b>33,488,031</b>	<b>4,093,312</b>
<b>Current liabilities</b>			
Financial liabilities			
Borrowings	15	106,470,286	204,619,993
Trade Payables	16	5,568,771	2,394,675
Other financial liabilities	17	439,222	1,036,988
Other current liabilities	18	53,433,797	72,673,883
<b>Total current liabilities</b>		<b>165,912,076</b>	<b>280,725,539</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>789,170,402</b>	<b>840,871,687</b>

See accompanying notes to the financial statements

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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/-**  
**SITARAMARAJU MANTHENA**  
Director  
DIN 08576273

**Sd/-**  
**Y VENKATESWARLU**  
Partner  
Membership No: 222068

**Sd/-**  
**SATYANARAYANA RAJU KALIDINDI**  
Chief Executive Officer

**Sd/-**  
**RAMAYYA VUTUKURI**  
Chief Financial Officer

Hyderabad  
30-Jul-20

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



**CONSOLIDATED Statement of Profit and Loss Account for the year ended 31-Mar-20**
*(All amounts in Indian Rupees, except share data and where otherwise stated)*

Particulars	Note	Year ended 31-Mar-20	Year ended 31-Mar-19
<b>Income</b>			
Revenue from operations	19	148,812,096	81,361,446
Other Income	20	182,641,078	207,281,075
<b>Total income</b>		<b>331,695,854</b>	<b>288,642,570</b>
<b>Expenses</b>			
Cost of materials consumed	21	90,634,248	54,949,168
Purchases of stock in trade	22	-	1,225,000
Changes in inventories of finished goods, work in progress and stock in trade	23	12,165,564	(9,025,913)
Employee benefit expense	24	44,499,491	49,169,232
Finance cost	25	58,302,631	22,903,429
Depreciation and amortization expense	2	17,316,185	21,032,846
Other expenses 26		74,866,538	113,682,007
<b>Total expenses</b>		<b>297,784,656</b>	<b>253,935,768</b>
<b>Profit/(loss) before extraordinary, exceptional items and tax</b>		<b>33,911,198</b>	<b>34,706,801</b>
<b>Exceptional items</b>	27	-	(250,464,465)
<b>Profit/(loss) before tax</b>		<b>33,911,198</b>	<b>(215,757,664)</b>
Tax expense			
(i) Current tax		-	-
(ii) Previous years tax		-	2,919,699
(iii) Deferred tax		(339,256)	(5,378,641)
<b>Profit/(loss) for the year</b>		<b>34,250,454</b>	<b>(213,298,722)</b>
<b>Other comprehensive income</b>			
A (i) Items that will not be reclassified to Statement of Profit and loss		(27,053)	(152,330)
(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		(135,062)	-
(ii) Income tax relating to items that will not be reclassified to Statement of Profit and loss		-	-
<b>Total comprehensive income</b>		<b>34,088,339</b>	<b>(213,451,052)</b>
Total profit attributable to			
<b>Shareholders of the Company</b>		<b>34,220,030</b>	-
Non controlling interest		30,424	-
<b>Total comprehensive income attributable to Shareholders of the Company</b>		<b>34,057,915</b>	-
Non controlling interest		30,424	-
<b>Earnings per equity share (EPS)</b>			
Paid up Equity Share Capital (Face value of Rs.10/- each per equity share)		124,996,55	124,996,550
Basic and Diluted Earnings per share of Rs.10/- each (not annualised) Rs.		2.74	(17.06)
See accompanying notes to the financial statements	1-37		

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/-**  
**SITARAMARAJU MANTHENA**  
 Director  
 DIN 08576273

**Sd/-**  
**Y VENKATESWARLU**  
 Partner  
 Membership No: 222068

**Sd/-**  
**SATYANARAYANA RAJU KALIDINDI**  
 Chief Executive Officer

**Sd/-**  
**RAMAYYA VUTUKURI**  
 Chief Financial Officer

 Hyderabad  
 30-Jul-20

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

**CONSOLIDATED Statement of Cash Flows for the year ended 31-Mar-20**

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

Particulars	31-Mar-20	31-Mar-19
<b>Cash flows from operating activities</b>		
Profit / (Loss) before tax	33,911,198	(215,757,664)
<b>Adjustments to reconcile net loss to net cash-provided by operating activities</b>		
Depreciation and amortisation	17,308,015	21,032,840
Foreign Currency translation reserve	793,674	5,198,602
Written off / Provision for obsolete stock	-	44,364,135
Sundry balances written off	-	2,409,930
Provision for Doubtful Advances	3,489,533	5,996,062
Provision for expected credit loss	-	200,584,298
Provision for slow/non moving stocks	-	24,880,166
Liabilities no longer required written off	(7,906,972)	(2,215,467)
(Profit) / Loss on sale of Fixed assets	(154,141,629)	(194,326,700)
Finance costs	58,302,631	22,903,429
Interest income	(8,124,054)	(4,740,071)
Other non operating income	-	(678,333)
<b>Changes in assets and liabilities</b>		
Trade receivables	22,480,211	12,197,232
Inventories	12,128,176	(8,604,012)
Other assets	(4,670,056)	(18,076,780)
Trade payables	3,174,096	(12,935,162)
Other liabilities	(89,252,343)	(133,721,389)
<b>Net cash flow from operating activities (A)</b>	<b>(112,507,520)</b>	<b>(251,488,883)</b>
<b>Cash flows from investing activities</b>		
Sale of Fixed Assets	238,289,375	282,662,500
Purchase of property, plant and equipment	(1,127,982)	(538,108)
Interest received	8,124,054	4,740,071
<b>Net cash flow used in investing activities (B)</b>	<b>245,285,447</b>	<b>286,864,463</b>
<b>Cash flow from financing activities</b>		
Other non-current liabilities	(193,681)	(396,931)
Other non operating income	-	678,333
Finance costs	(58,302,631)	(22,903,429)
<b>Net cash flow (used in)/from financing activities (C)</b>	<b>(58,496,312)</b>	<b>(22,622,028)</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>74,281,616</b>	<b>12,753,552</b>
Cash and Bank Balances at the beginning of the year	74,718,404	61,964,852
<b>Cash and cash equivalents at the end of the year</b>	<b>149,000,020</b>	<b>74,718,404</b>
See accompanying notes to the financial statements	1-37	

As per our report of even date attached

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

Sd/-  
**Y VENKATESWARLU**  
Partner  
Membership No: 222068

Hyderabad  
30-Jul-20

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

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

Sd/-  
**SATYANARAYANA RAJU KALIDINDI**  
Chief Executive Officer

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

Sd/-  
**SITARAMARAJU MANTHENA**  
Director  
DIN 08576273

Sd/-  
**RAMAYYA VUTUKURI**  
Chief Financial Officer

**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-20**

Particulars	Gross Block				Depreciation					Net Block	
	As at 01.04.2019	Additions during the year	Deletions during the year	As at 31.03.2020	Upto 01.04.2019	For the year	Impairment losses recognised in statement of Profit & Loss	Deletions/Transitional provision adjustment	Upto 31.03.2020	As at 31.03.2020	As at 31.03.2019
<b>Tangible Assets</b>											
Land and Land Development	174,219,228		84,147,746	<b>90,071,482</b>						<b>90,071,482</b>	174,219,228
Building Own Use	386,745,338			<b>386,745,338</b>	144,458,681	14,711,332	-	-	<b>159,170,013</b>	<b>227,575,325</b>	242,286,655
Plant and Equipment Owned	137,358,545	373,302		<b>137,731,847</b>	129,964,878	1,551,606	-	-	<b>131,516,484</b>	<b>6,215,363</b>	7,393,660
Furniture and Fixtures Owned	11,796,431			<b>11,796,431</b>	10,899,633	277,686	-	-	<b>11,177,319</b>	<b>619,112</b>	896,797
Vehicles Owned	11,220,093	80,243		<b>11,300,336</b>	9,708,538	492,344	-	-	<b>10,200,882</b>	<b>1,099,454</b>	1,511,558
Office Equipment Owned	9,916,288	77,703		<b>9,993,991</b>	9,754,288	88,025	-	-	<b>9,842,313</b>	<b>151,678</b>	162,002
<b>Total</b>	<b>731,255,923</b>	<b>531,248</b>	<b>84,147,746</b>	<b>647,639,425</b>	<b>304,786,018</b>	<b>17,120,993</b>	-	-	<b>321,907,011</b>	<b>325,732,414</b>	<b>426,469,900</b>
Previous year	819,053,610	538,108	88,335,800	731,255,918	284,202,815	20,583,203	-	-	304,786,018	426,469,900	534,850,796
<b>Capital Work in Progress</b>	-	250,634	-	<b>250,634</b>	-	-	-	-	-	<b>250,634</b>	-
<b>Intangible Assets</b>											
Computer Software	14,534,026	346,100	-	<b>14,880,126</b>	14,388,750	187,022	-	<b>14,575,772</b>	<b>304,354</b>	145,278	
<b>Tota</b>	<b>14,534,026</b>	<b>346,100</b>	<b>-</b>	<b>14,880,126</b>	<b>14,388,750</b>	<b>187,022</b>	<b>-</b>	<b>-</b>	<b>14,575,772</b>	<b>304,354</b>	145,278
Previous year	14,534,028	-	-	14,534,028	13,939,113	449,643	-	-	14,388,750	145,278	594,915
Note 1: Depreciation on Buildings to the extent of ₹ 8,74,29,668/- capitalised during FY 16-17 is not provided since not put to use.											

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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

Note	Particulars	As at 31-Mar-20	As at 31-Mar-19
<b>3</b>	<b>OTHER FINANCIAL ASSETS</b>		
	<b>Unsecured and considered good</b>		
	Security deposits	577,078	1,729,006
	Receivable on sale of fixed assets	90,000,000	60,000,000
		<b>90,577,078</b>	<b>61,729,006</b>
<b>4</b>	<b>OTHER NON CURRENT ASSETS</b>		
	Advance income tax (net)	11,226,010	8,373,713
	Mat credit entitlement	12,256,937	12,256,937
	Others	31,132	-
		<b>23,514,079</b>	<b>20,630,650</b>
<b>5</b>	<b>INVENTORIES</b>		
	Raw material	25,301,438	84,616,060
	<i>Less: Obsolete stock written off</i>	-	(59,352,010)
	<i>Less: Provision for slow / non moving stock</i>	(24,880,166)	(24,880,166)
		<b>421,272</b>	<b>383,884</b>
	Work-in-progress	12,400,551	24,566,115
		<b>12,821,823</b>	<b>24,949,999</b>
	Work-in-progress represent work completed in respect of projects yet to be billed to the customers.		
<b>6</b>	<b>TRADE RECEIVABLES</b>		
	<b>Unsecured</b>		
	Considered good	128,700,215	150,995,662
	Considered doubtful	208,811,543	206,651,894
		<b>337,511,758</b>	<b>357,647,556</b>
	<i>Less: Allowances for credit losses</i>	(208,811,543)	(207,260,804)
		<b>128,700,215</b>	<b>150,386,752</b>
	Out of the above Trade Receivables, an amount of Rs 6.74 crores (PY Rs 9.47 crores) due from Egyptian National Railways (ENR) is outstanding pending mile stones of the contract to be achieved.		
	Further an amount Rs 20.36 crores (PY Rs 20.36 crores) receivable from Konkan Railways Corporation Ltd (KRCL) is under arbitration / in the process of filing arbitration.		
<b>7</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Balances with banks		
	In Current accounts	4,538,693	3,509,839
	Cash on hand	428,121	2,029,103
		<b>4,966,814</b>	<b>5,538,942</b>
<b>8</b>	<b>OTHER BANK BALANCES</b>		
	In Deposit accounts	20,491,989	85,778
	Unclaimed dividend accounts	-	275,360
	Margin money for bank guarantees	123,541,217	68,818,324
		<b>144,033,206</b>	<b>69,179,462</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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

Note	Particulars	As at 31-Mar-20	As at 31-Mar-19
<b>9</b>	<b>OTHER FINANCIAL ASSETS</b>		
	Interest accrued but not due on term deposits	1,676,266	2,546,352
		<b>1,676,266</b>	<b>2,546,352</b>
<b>10</b>	<b>OTHER CURRENT ASSETS</b>		
	<b>Unsecured and considered good</b>		
	Advance to vendors - Considered good	5,915,156	34,199,613
	Considered doubtful	7,195,549	5,996,063
		<b>13,110,705</b>	<b>40,195,676</b>
	Less: <i>Provision for Advances</i>	<b>(7,195,549)</b>	<b>(5,996,063)</b>
		<b>5,915,156</b>	<b>34,199,613</b>
	Advances to customers	-	3,934,926
	Balances with statutory/government authorities	<b>12,205,133</b>	<b>16,742,856</b>
	Advance for expenses	<b>720,188</b>	<b>23,372,487</b>
	Prepaid expenses	<b>34,216,774</b>	<b>343,105</b>
		<b>56,593,517</b>	<b>79,295,342</b>

Balances with statutory/government authorities represent input credit on goods and services purchased/received and VAT claims receivable for earlier years.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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

Note	Particulars	As at	As at
		31-Mar-20	31-Mar-19
<b>11</b>	<b>SHARE CAPITAL</b>		
	<b>Authorised share capital</b>		
	1,50,00,000 Equity shares of Rs.10/- each	<b>150,000,000</b>	150,000,000
	<b>Issued, subscribed and fully paid-up</b>		
	1,24.99,655 Equity Shares of Rs.10/- each with voting rights	<b>124,996,550</b>	124,996,550
		<b>124,996,550</b>	124,996,550

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

Particulars	31-Mar-20		31-Mar-19	
	No of Shares	Amount	No of Shares	Amount
At the beginning of the year	<b>12,499,655</b>	<b>124,996,550</b>	12,499,655	124,996,550
Issued during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>12,499,655</b>	<b>124,996,550</b>	12,499,655	124,996,550

**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-20		31-Mar-19	
	No of Shares	% of holding	No of Shares	% of holding
Seetharamaraju Manthena	<b>712,995</b>	<b>5.70%</b>	712,995	5.70%
Sreelakshmi Manthena	<b>640,398</b>	<b>5.12%</b>	640,398	5.12%
Raju Narasa Manthena			565,443	4.52%

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### Note No 12: Statement of changes in equity and other equity

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

Particulars	Equity share capital	Reserves & Surplus			Other Comprehensive Income		Total Other Equity
		Securities premium	General Reserve	Profit and loss	Foreign currency translation reserve	Actual Gains / (Losses)	
Balance as at 31-Mar-18	124,996,550	917,219,545	61,213,631	(296,615,134)	(41,328,931)	(3,700,196)	636,788,915
Loss for the year				(213,298,722)			(213,298,722)
Transfers				3,246,545			3,246,545
Other Comprehensive Income for the year						(152,330)	(152,330)
Foreign exchange rate variations for the year					4,471,878		4,471,878
Balance as at 31-Mar-19	<b>124,996,550</b>	<b>917,219,545</b>	<b>61,213,631</b>	<b>(506,667,310)</b>	<b>(36,857,053)</b>	<b>(3,852,526)</b>	<b>431,056,286</b>
Profit for the year				<b>34,220,030</b>			<b>34,220,030</b>
Other Comprehensive Income for the year					<b>(135,062)</b>	<b>(27,053)</b>	<b>(162,115)</b>
Adjustments				<b>(12,200)</b>	<b>(328,255)</b>		<b>(340,455)</b>
Balance as at 31-Mar-20	<b>124,996,550</b>	<b>917,219,545</b>	<b>61,213,631</b>	<b>(472,459,480)</b>	<b>(37,320,370)</b>	<b>(3,879,579)</b>	<b>464,773,746</b>



**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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

Note	Particulars	As at 31-Mar-20	As at 31-Mar-19
<b>13</b>	<b>BORROWINGS</b>		
	Secured		
	Vehicle loans	-	193,681
		-	193,681
<b>14</b>	<b>OTHER NON CURRENT LIABILITIES</b>		
	Advance received against sale of land	<b>29,946,507</b>	18,851
		<b>29,946,507</b>	18,851
	Advance has been received against sale of land and documentation is under process.		
<b>15</b>	<b>BORROWINGS</b>		
	Loans repayable on demand (Unsecured)		
	From banks		
	Cash credit facilities	<b>22,779,437</b>	-
	Others		
	Unsecured loans from directors	<b>22,433,379</b>	57,614,207
	Inter corporate deposits	<b>61,257,469</b>	147,005,786
		<b>106,470,286</b>	204,619,993
	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.		
	Unsecured loans from directors are interest free.		
	Inter corporate deposit is repayable on demand and carrying interest rate ranging from 9.99% to 15% .		
<b>16</b>	<b>TRADE PAYABLES</b>		
	Due to micro, small and medium enterprises	-	-
	Others	<b>5,568,771</b>	2,394,675
		<b>5,568,771</b>	2,394,675
<b>17</b>	<b>OTHER FINANCIAL LIABILITIES</b>		
	Current maturity of vehicle loans	<b>193,681</b>	531,632
	Due to capital creditors	<b>219,241</b>	219,241
	Unclaimed dividends	-	259,815
	Share application money due for refund	<b>26,300</b>	26,300
		<b>439,222</b>	1,036,988
<b>18</b>	<b>OTHER CURRENT LIABILITIES</b>		
	Advance from customers	<b>3,335,270</b>	11,863,849
	Expenses Payables	<b>45,793,025</b>	49,986,583
	Statutory remittances	<b>4,305,502</b>	10,823,451
		<b>53,433,797</b>	72,673,883

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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

Note	Particulars	Year ended 31-Mar-20	Year ended 31-Mar-19
<b>19</b>	<b>REVENUE FROM OPERATIONS</b>		
	Sale of Products	121,079,350	60,027,784
	Sale of Services	27,732,746	21,333,663
		<b>148,812,096</b>	<b>81,361,446</b>
<b>20</b>	<b>OTHER INCOME</b>		
	Interest Income		
	On fixed deposits	8,096,310	4,512,287
	Interest on income tax refund	27,744	212,580
	Interest on electricity deposit	-	15,204
	Profit on sale of asset	154,141,629	194,326,700
	Net gain on foreign currency transactions	11,679,400	5,320,554
	Other non-operating income		
	Rental income	254,398	160,000
	Miscellaneous income	37,997	518,333
	Liabilities no longer required written off	8,646,280	2,215,467
		<b>182,883,758</b>	<b>207,281,123</b>
<b>21</b>	<b>COST OF MATERIALS CONSUMED</b>		
	Material consumed	90,634,248	54,949,168
		<b>91,440,348</b>	<b>54,949,168</b>
<b>22</b>	<b>PURCHASE OF TRADED GOODS</b>		
	Purchase of booms	-	1,225,000
		-	1,225,000
<b>23</b>	<b>CHANGES IN INVENTORIES OF WORK-IN-PROCESS</b>		
	<b>Inventories at the end of the year</b>		
	Work-in- process	12,400,551	24,566,115
	<b>Inventories at the beginning of the year</b>		
	Work-in- process	24,566,115	15,540,202
	<b>Net (increase)/decrease</b>	<b>12,165,564</b>	<b>(9,025,913)</b>
<b>24</b>	<b>EMPLOYEE BENEFIT EXPENSE</b>		
	Salaries and wages	39,429,023	43,757,416
	Contribution to provident and other funds	1,556,653	1,607,079
	Directors remuneration	1,800,000	1,700,000
	Staff welfare expenses	1,713,815	2,104,737
		<b>44,499,491</b>	<b>49,169,232</b>
<b>25</b>	<b>FINANCE COSTS</b>		
	Interest on borrowings	54,030,506	18,850,399
	Other borrowing costs	4,272,125	4,053,030
		<b>58,302,631</b>	<b>22,903,429</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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

Note	Particulars	Year ended 31-Mar-20	Year ended 31-Mar-19
<b>26</b>	<b>OTHER EXPENSES</b>		
	Project execution expenses	32,522,251	27,086,632
	Electricity charges	2,822,592	2,804,497
	Security charges	1,069,807	1,497,593
	Rates and taxes	1,407,169	8,380,191
	Printing and stationery	257,382	238,284
	Insurance	263,003	312,264
	Repairs and maintenance	2,988,041	2,837,201
	Postage, telephone and courier	875,077	333,991
	Travelling and conveyance	2,009,767	1,731,742
	Professional & consultancy fees	4,481,641	3,142,690
	Directors sitting Fees	3,700,000	2,460,000
	Business promotion	1,034,637	460,676
	Payment to auditors		
	Statutory audit	421,416	400,000
	Tax audit	305,000	200,000
	Others	-	1,588
	Loss on foreign currency transactions and translation (net)	793,674	6,047,277
	Miscellaneous expenses	16,425,546	2,977,253
	Sundry balances written off	-	2,409,930
	Provision for doubtful advances	3,489,533	5,996,062
	Provision for obsolete stock	-	44,364,135
		<b>74,866,538</b>	<b>113,682,007</b>
<b>27</b>	<b>EXCEPTIONAL ITEMS</b>		
	Provision for expected credit loss	-	(200,584,298)
	Provision for slow moving	-	(24,880,166)
	Court Settlement	-	(25,000,001)
		-	(250,464,465)
<b>28</b>	<b>EMPLOYEE BENEFITS</b>		
	<b>a. Defined contribution plan</b>		
	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 Rs 13,60,431/- (Previous year Rs 13,41,579/-) towards provident fund plan during the years ended 31-Mar-20		
	<b>b. Defined Benefit Plan</b>		
	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:		

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**I. Changes in the present value of obligation**

<b>Particulars</b>	<b>31-Mar-20</b>	<b>31-Mar-19</b>
Present value of obligation as at beginning of the year	<b>5,094,746</b>	4,254,535
Current service cost	<b>494,446</b>	692,676
Interest expense or cost	<b>389,748</b>	328,876
Re-measurement (or Actuarial) (gain) / loss	<b>(42,935)</b>	(142,110)
Benefits Paid	-	(39,231)
<b>Present Value of Obligation as at the end of the year</b>	<b>5,936,005</b>	5,094,746

**ii. Changes in fair value of plan assets**

<b>Particulars</b>	<b>31-Mar-20</b>	<b>31-Mar-19</b>
Fair Value of Plan Assets as at the beginning of the year	<b>5,492,644</b>	5,154,364
OB difference	-	-
Investment Income	<b>420,187</b>	398,432
Employer's Contribution	-	-
Expenses	<b>(33,329)</b>	(31,141)
Benefits Paid	-	(39,231)
Return on plan assets , excluding amount recognised in net interest expense	<b>17,447</b>	10,220
<b>Fair Value of Plan Assets as at the end of the year</b>	<b>5,896,949</b>	5,492,644

**iii. Fair value of Assets and Obligations**

<b>Particulars</b>	<b>31-Mar-20</b>	<b>31-Mar-19</b>
Fair value of plan assets	<b>5,896,949</b>	5,492,644
Present value of obligation	<b>5,936,005</b>	5,094,746
Amount recognized in balance sheet	<b>(39,056)</b>	397,898

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**
**iv. Expenses recognised during the year**

Particulars	31-Mar-20	31-Mar-19
<b>In Income Statement</b>		
Current Service Cost	494,446	692,676
Net Interest Cost / (Income) on the Net Defined Benefit Liability / (Asset)	(30,439)	(69,556)
<b>Expenses Recognised in the Income Statement</b>	<b>464,007</b>	<b>623,120</b>
<b>In Other Comprehensive Income</b>		
Actuarial (gains) / losses		
Opening balance difference	-	-
Others	(9,606)	(110,969)
Return on plan assets, excluding amount recognized in net interest expense	(17,447)	(10,220)
<b>Components of defined benefit costs recognised in other comprehensive income</b>	<b>(27,053)</b>	<b>(121,189)</b>

**v. Actuarial assumptions**

Particulars	31-Mar-20	31-Mar-19
Discount rate (per annum)	6.80%	7.73%
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-20		31-Mar-19	
	Decrease	Increase	Decrease	Increase
Change in discounting rate	6,501,355	5,456,844	5,461,649	4,771,435
Change in salary growth rate	5,156,954	6,883,186	4,639,301	5,616,988
Change in attrition rate	5,442,987	6,379,218	4,843,194	5,326,734
Change in mortality rate	5,914,911	5,956,953	5,086,042	5,103,420

**29 RELATED PARTIES**

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

S.No.	Nature of Relationship	Name of the related party	Category
		Anji Raju Manthena	Director
1	Key Managerial Personnel	Janardhana Reddy Vinta	Director
		Sreelakshmi Manthena	Director
		Sitarama Raju Manthena (appointed wef 30.09.19)	Director
		R Sreenivasa Rao (appointed wef 30.09.19)	Independent Director
		K Soma Sekhara Rao (appointed wef 30.09.19)	Independent Director
		A V S Krishna Mohan (appointed wef 08.02.20)	Independent Director
		Badari Narayana Raju Manthena	Whole Time Director
		Satyanarayana Raju Kalidindi	Chief Executive Officer
		Ramayya Vutukuri	Chief Financial Officer
		Prasada Rao Kalluri	Company Secretary
		T V Satyanarayana Raju (resigned wef 02.02.20)	Independent Director
		Ashok Gopalrao Kalmankar (resigned wef 02.02.20)	Independent Director
		P Dinakara Rao (resigned wef 12.10.19)	Independent Director
		Mantena Raju Narasa (resigned wef 05.07.19)	Director
2	Relatives of Key Managerial Personnel	Chenna Krishna Mantena	Son of Director
		Alluri Sita Rama Raju Manthena	Son of Director

**b. Transactions with Related parties during the year 2019-20**

S.No.	Nature of Transaction	Name of the related party	2019-20	2018-19
1	Managerial Remuneration	Badari Narayana Raju Manthena	2,512,000	2,076,532
		Satyanarayana Raju Kalidindi	3,128,000	750,000
		K. Krishnam Raju	-	3,888,161
		Ramayya Vutukuri	1,778,400	1,778,400
		Prasada Rao Kalluri	300,000	225,000
2	Directors' sitting fees & reimbursments	Anji Raju Manthena	860,188	280,000
		Janardhana Reddy Vinta	320,000	160,000
		Sreelakshmi Manthena	760,188	180,000
		Sitarama Raju Manthena	200,000	-
		Mantena Raju Narasa	190,000	240,000
		R Sreenivasa Rao	400,000	-
		K Soma Sekhara Rao	417,000	-
		A V S Krishna Mohan	100,000	-
		T V Satyanarayana Raju	400,000	680,000
		Ashok Gopalrao Kalmankar	500,000	560,000
		P Dinakara Rao	250,000	300,000
		Arun Kumar Sanwalka	-	80,000
3	Unsecured Loans - Repayment	Anji Raju Manthena	23,935,842	-
		Janardhana Reddy Vinta	10,417,080	-
		Mantena Raju Narasa	23,000,000	-
		Chenna Krishna Mantena	4,316,000	-
4	Unsecured Loans - Received	Anji Raju Manthena	24,000,000	-

**c. Balances as at 31-Mar-20**

S.No.	Nature of Transaction	Name of the related party	31/Mar/20	31/Mar/19
1	Loan taken from KMP	Anji Raju Manthena	19,000,000	18,935,842
		Vinta Janardhana Reddy	-	10,417,080
		Mantena Raju Narasa	-	23,000,000
		B Murali Mohan	945,085	945,085
2	Loan taken from relative of KMP	Chenna Krishna Mantena	-	4,316,200

**30 EARNINGS PER SHARE**

Amount in Rupees

S.No.	Particulars	31/Mar/20	31/Mar/19
1	Profit after tax attributable to equity shareholders	34,250,454	(213,298,722)
2	Weighted average number of equity shares for Basic EPS	12,499,655	12,499,655
3	Weighted average number of equity shares for Diluted EPS	12,499,655	12,499,655
4	Basic earnings per Share	2.74	(17.06)
5	Diluted earnings per Share	2.74	(17.06)

**31 INCOME TAXES**

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

S.No.	Particulars	31/Mar/20	31/Mar/19
1	Current tax	-	-
2	Previous years tax	-	2,919,699
3	Deferred tax	(339,256)	(5,378,641)
	<b>Total income tax expense recognised in the statement of profit &amp; loss</b>	<b>(339,256)</b>	<b>(2,458,942)</b>

**Reconciliation of effective tax rate**

Particulars	31/Mar/20	31/Mar/19
Profit/(Loss) before Income Tax	34,250,454	(213,298,722)
Tax Rate	26.00%	26.00%
Tax expense	8,905,118	(55,457,668)
Effect of:		
Unrecognised deferred tax assets	(907,279)	59,296,621
Others	(8,356,336)	112,276,106
Profit on sale of asset	19,241	19,241
<b>Income tax expense</b>	<b>(339,256)</b>	<b>(2,458,942)</b>



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### Unrecognised deferred tax Asset

Particulars	31/Mar/20	31/Mar/19
Profit/(Loss) as per IT Act	-	-
Provision for disallowances	-	2,599,464
Provision for obsolete stock	-	24,880,166
Provision for expected credit losses/Advances	<b>3,489,533</b>	200,584,298
<b>Total unrecognised deferred tax asset</b>	<b>3,489,533</b>	<b>228,063,928</b>

### Deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

Particulars	31/Mar/20	31/Mar/19
<b>Deferred tax (assets)/liabilities:</b>		
Property, plant and equipment	<b>27,057,742</b>	29,926,809
Current liabilities & provisions	<b>(1,812,838)</b>	(1,812,838)
Unabsorbed depreciation	<b>(28,786,428)</b>	(26,963,933)
<b>Net deferred tax Liabilities</b>	<b>(3,541,524)</b>	1,150,038

### Movement in deferred tax assets and liabilities during the years ended 31-Mar-20 and 31-Mar-19

Particulars	31-Mar-19	Charge/(credit) to profit or loss	31-Mar-20
<b>Deferred tax (assets)/liabilities:</b>			
Property, plant and equipment	29,926,809	(2,869,067)	<b>27,057,742</b>
Current liabilities & provisions	(1,812,838)	-	<b>(1,812,838)</b>
Unabsorbed depreciation	(26,963,933)	(1,822,495)	<b>(28,786,428)</b>
<b>Net Deferred tax Liabilities</b>	1,150,038	(4,691,562)	<b>(3,541,524)</b>

### Movement in deferred tax assets and liabilities during the years ended 31-Mar-19 and 31-Mar-18

Particulars	31-Mar-18	Charge/(credit) to profit or loss	31-Mar-19
<b>Deferred tax (assets)/liabilities:</b>			
Property, plant and equipment	32,880,976	(2,954,167)	<b>29,926,809</b>
Current liabilities & provisions	(1,795,407)	(17,431)	<b>(1,812,838)</b>
Unabsorbed depreciation	(21,826,148)	(5,137,785)	<b>(26,963,933)</b>
<b>Net Deferred tax Liabilities</b>	9,259,421	(8,109,383)	<b>1,150,038</b>

## 32 CONTINGENT LIABILITIES AND COMMITMENTS

Particulars	31-Mar-20	31-Mar-19
a. Claims against the Company not acknowledged as a debt (See note c to f below)	<b>42,810,575</b>	22,618,270
b. Bank guarantee outstanding	<b>169,832,932</b>	108,874,798

**c. Income tax**

- i. The deputy commissioner of Income tax filed an appeal before the tribunal against the favourable order passed by the Commissioner of Income tax (Appeals-III) involving an amount of Rs. 8,00,000/-. The tribunal has decided the appeal against the Company, for which the Company has preferred an appeal before the honourable High Court-AP. The Honourable High Court has dismissed the case of the Income Tax Department during 2019-20 as such there is no financial impact on the Company.
- ii. The AO has raised a demand of Rs. 43,86,412/- for Assessment year 2014-15 with regard to an adhoc disallowance of the Project Expenses incurred during 2013-14. In respect of the same, Appeal was filed with the Commissioner (Appeals) and the Company is confident of getting a favourable order.
- iii. A Show-cause notice was received u/s 279(1) of the Income Tax Act, 1961, initiating prosecution proceedings u/s 276B r.w.s 278B of the Income Tax Act, 1961 for failure to deposit the deducted TDS within the due date in Central Government Account for financial year(s) 2013-14 to 2016-17. The company has represented the case before the CIT (TDS) and is expecting a favourable order.

**d. Service tax**

- i. Summons issued by the Director General of GST intelligence vide letter No: INT/DGGSTI/HZU/ ST/125/2017/18 dated 18.01.2018 with net demand of Rs. 1,46,79,858/-. The Company opted for Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019 and the Department closed the case during the year 2019-20 wherein there is no financial impact on the Company.

**e. Commercial taxes**

- i. The Company received vide final assessment order no: 41077 dated 28.05.2014 with a demand of Rs. 22,07,000/-. Due to differential tax amount due to non issue of Form C by KRCL for the financial year 2010-11. The Company is in the process of filing Arbitration with KRCL and is under final stage.
- ii. The Company received show-cause notice dated 16.11.2017 for Rs. 54,50,000/- due to differential tax on 9.5% supplies made to RDSO, Lucknow, for the financial year 2015-16. The Department has set aside the show cause notice and passed an order accepting the claim of the Company during 2019-20. As such no demand has arisen on the Company.

**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 342,166 and Egyptian Pounds 497,827 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.

**33 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 Rs 15.18 crores. The Arbitration proceedings are under progress.

Further the company has failed in the conciliation proceedings against KRCL for outstanding dues of Rs 5.18 crores and is in process of filing Arbitration petition.

In view of the above, the company has made a provision of Rs 20.36 crores in the books of accounts.

### 34 CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes issued capital and other equity reserves. 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 long term and short term strategic investment and expansion plans 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-20	31-Mar-19
Non Current borrowings	-	193,681
Current borrowings	<b>106,470,286</b>	204,619,993
<b>Total Debts</b>	<b>106,470,286</b>	204,813,674
Less: Cash & Cash equivalents	<b>(149,000,020)</b>	(74,718,404)
Adjusted net debts	<b>(42,529,734)</b>	130,095,270
Equity	<b>124,996,550</b>	124,996,550
Other Equity	<b>464,743,322</b>	431,056,286
<b>Total Equity</b>	<b>589,739,872</b>	556,052,836
Adjusted net debt to equity ratio	<b>-0.17</b>	0.23

### 35 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. Summary of the Company's exposure to credit risk by age of the outstanding from various customers is as follows:

Particulars	31-Mar-20	31-Mar-19
Not due	<b>67,425,285</b>	94,684,675
0-180 days	<b>11,158,739</b>	53,387,977
181-365 days	<b>50,116,191</b>	2,314,099
More than 365 days	-	-
<b>Total</b>	<b>128,700,215</b>	150,386,752

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 49,66,814/- at 31-Mar-20 (Previous year 55,38,942/-). 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/20	Upto 1 year	1 to 3 years	3 to 5 years	> 5 years	Total carrying amount
Other non current liabilities	<b>29,946,507</b>	-	-	-	<b>29,946,507</b>
Current borrowings	<b>106,470,286</b>	-	-	-	<b>106,470,286</b>
Trade payables	<b>5,568,771</b>	-	-	-	<b>5,568,771</b>
Other financial liabilities	<b>439,222</b>	-	-	-	<b>439,222</b>
Other current liabilities	<b>53,433,797</b>	-	-	-	<b>53,433,797</b>
	<b>195,858,583</b>	-	-	-	<b>195,858,583</b>

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Particulars 31/Mar/19	Upto 1 year	1 to 3 years	3 to 5 years	> 5 years	Total carrying amount
Non Current Borrowings (Including current maturities)	212,532	-	-	-	212,532
Current Borrowings	204,619,993	-	-	-	204,619,993
Trade Payables	2,394,675	-	-	-	2,394,675
Other financial liabilities	1,036,988	-	-	-	1,036,988
Other Payables	72,673,883	-	-	-	72,673,883
	280,938,071	-	-	-	280,938,071

### 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-20	31-Mar-19
<b>Floating rate instruments</b>		
<b>Financial Liabilities - measured at amortised cost</b>		
Working capital facilities from bank	22,779,437	-
<b>Fixed rate instruments</b>		
Vehicle loans	-	193,681
Inter corporate deposits	61,257,469	147,005,786
<b>Total</b>	<b>84,036,907</b>	<b>147,199,467</b>

#### Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

#### Cash flow sensitivity analysis for variable-rate instruments

The risk estimates provided assume a change of 25 basis points interest rate for the interest rate benchmark as applicable to the borrowings summarised above. This calculation assumes that the change occurs at the balance sheet date and has been calculated based on risk exposures outstanding as at that date assuming that all other variables, in particular foreign currency exchange rates, remain constant. The period end balances are not necessarily representative of the average debt outstanding during the period.

Cash flow sensitivity (net)	Profit or loss	
	25 bp increase	25 bp decrease
<b>31-Mar-20</b>		
Variable rate loan instruments	<b>56,949</b>	<b>(56,949)</b>
<b>31-Mar-19</b>		
Variable rate loan instruments	-	-

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

The foreign currency exposures as of 31-Mar-20 were as follows

Particulars	USD	Egyptian Pound	Total
<b>Assets</b>			
Cash and bank balances	80,187	4,459,032	4,539,219
Trade receivables	42,197,014	36,387,010	78,584,024
Other assets	6,459	-	-
<b>Total</b>	<b>42,283,660</b>	<b>40,846,042</b>	<b>83,123,243</b>
<b>Liabilities</b>			
Trade payables	4,943,265	-	4,943,265
Other liabilities	686,790	5,239,743	5,926,533
<b>Total</b>	<b>5,630,055</b>	<b>5,239,743</b>	<b>10,869,798</b>

The foreign currency exposures as of 31-Mar-19 were as follows

Particulars	USD	Egyptian Pound	Total
<b>Assets</b>			
Cash and bank balances	69,663	2,386,186	2,455,849
Trade receivables	73,640,152	45,564,356	119,204,508
Other assets	-	-	-
<b>Total</b>	<b>73,709,815</b>	<b>47,950,542</b>	<b>121,660,356</b>
<b>Liabilities</b>			
Trade payables	2,001,835	-	2,001,835
Other liabilities	1,553,692	-	1,553,692
<b>Total</b>	<b>3,555,527</b>	<b>-</b>	<b>3,555,527</b>

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### 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-20	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
1% movement				
US Dollar	366,536	(366,536 )	-	-
Egyptian Pounds	356,063	(356,063)	-	-
	722,599	(722,599)	-	-

Particulars 31-Mar-19	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
1% movement				
US Dollar	701,543	(701,543)	-	-
Egyptian Pounds	479,505	(479,505)	-	-
	1,181,048	(1,181,048)	-	-

### 36 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-20 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	128,700,215	-	-	-	128,700,215
Cash and cash equivalents	4,966,814	-	-	-	4,966,814
Other bank balances	144,033,206	-	-	-	144,033,206
Other financial assets	1,676,266	-	-	-	1,676,266
Financial liabilities					
At Amortised Cost					
Borrowings	106,470,286	-	-	-	106,470,286
Trade payables	5,568,771	-	-	-	5,568,771
Other financial liabilities	439,222	-	-	-	439,222

The carrying value and fair value of financial instruments by categories as of 31st Mar 19 are as follows

Particulars	Carrying Value	Level of input used in			Fair Value
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
At Amortised Cost					
Investments*	-	-	-	-	-
Trade receivables	150,386,752	-	-	-	150,386,752
Cash and cash equivalents	5,538,942	-	-	-	5,538,942
Other bank balances	69,179,462	-	-	-	69,179,462
Other financial assets	1,676,266	-	-	-	1,676,266
<b>Financial liabilities</b>					
At Amortised Cost					
Borrowings	204,619,993	-	-	-	204,619,993
Trade payables	2,394,675	-	-	-	2,394,675
Other financial liabilities	1,036,988	-	-	-	1,036,988

\* 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.

37 Figures of the Previous year are regrouped / reclassified wherever considered necessary and rounded off to the nearest rupee.

As per our report of even date attached

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

**Sd/-**  
**Y VENKATESWARLU**  
Partner  
Membership No: 222068

Hyderabad  
30-Jul-20

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

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

**Sd/-**  
**SATYANARAYANA RAJU KALIDINDI**  
Chief Executive Officer

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

**Sd/-**  
**SITARAMARAJU MANTHENA**  
Director  
DIN 08576273

**Sd/-**  
**RAMAYYA VUTUKURI**  
Chief Financial Officer





**Kernex Microsystems (India) Limited**

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