



KERNEX MICROSYSTEMS (INDIA) LTD.

(An ISO 9001 : 2008 Certified Company)

CIN : L30007TG1991PLC013211

Tel : +91 90300 17501
+91 90300 17502
e-mail : kernex@kernex.in
website : www.kernex.in



Registered Office :

'TECHNOPOLIS', Plot No. 38(Part) to 41,
Hardware Technology Park,
TSIC Layout, Imarath Kanch, Raviryal (V),
Maheswaram (M), R.R. (Dist.),
Hyderabad - 500 005. Telangana. India.

KMIL:OC:Q2:2018-19:134

10th November'18.

To The Listing / Compliance Department Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001 BSE Scrip Code: 532686	To The Listing / Compliance Department National Stock Exchange of India Ltd Plot No.C/1, G Block,Exchange Plaza Bandra – Kurla Complex, Bandra (E) Mumbai – 400 051 NSE Symbol: KERNEX
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Sub: Outcome of Board Meeting held on 10.11.2018.

Ref: Regulation 33 read with Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;

With reference to the subjected cited above, please find enclosed herewith the following documents in terms of Regulation 33 of SEBI (LODR) Regulations, 2015:

1. Un-Audited financial statements of the Company together with Balance Sheet for the Second Quarter and Half Year ended on 30th September, 2018.
2. Certified copy of Limited Review Report on the Un-Audited financial statements for the Second Quarter and Half Year ended on 30th September, 2018 by the Statutory Auditors.

The meeting of the Board of Directors commenced at 09.00 A. M. and ended on 01:00 P. M.

Kindly take the above information on record and acknowledge.

Thanking you,

Yours faithfully,
For KERNEX MICROSYSTEMS (INDIA) LIMITED


Badari Narayana Raju Manthana
Whole Time Director
DIN: 07993925




Prasada Rao Kalluri
Company Secretary



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Unaudited Financial Results for the quarter and halfyear ended 30th Sep 2018

in Rs

Particulars	Quarter ended			Half year ended		Year ended
	30-Sep-18	30-Jun-18	30-Sep-17	30-Sep-18	30-Sep-17	31 Mar 18
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Revenue from operations	28,546,553	6,398,405	18,826,993	34,944,958	51,049,662	133,055,787
Other Income	6,997,743	2,876,870	2,154,467	9,874,613	3,391,657	7,185,671
Total income	35,544,296	9,275,275	20,981,460	44,819,571	54,441,319	140,241,458
Expenses						
Cost of materials consumed	13,653,311	427,733	1,275,042	14,081,044	2,637,946	6,596,350
Purchases of stock in trade			-	-	-	13,964,371
Changes in inventories of finished goods, work in progress and stock in trade	4,181,267	(1,043,052)	-	3,138,215	-	1,264,633
Employee benefit expense	12,191,805	11,550,326	11,948,649	23,742,131	24,336,620	48,597,456
Finance cost	7,010,018	5,546,724	4,318,841	12,556,742	10,453,974	21,457,420
Depreciation and amortization expense	5,079,160	4,974,674	5,569,836	10,053,834	11,145,327	22,462,207
Other expenses	13,739,399	19,748,375	27,782,187	33,487,774	58,829,760	175,769,784
Total expenses	55,854,960	41,204,780	50,894,555	97,059,740	107,403,627	290,112,221
Profit/(loss) before extraordinary, exceptional items and tax	(20,310,664)	(31,929,505)	(29,913,095)	(52,240,169)	(52,962,308)	(149,870,763)
Extraordinary items	-	-	-	-	-	-
Exceptional items	(25,000,001)	-	-	(25,000,001)	-	-
Profit/(loss) before tax	(45,310,665)	(31,929,505)	(29,913,095)	(77,240,170)	(52,962,308)	(149,870,763)
Tax expense						
(i) Current tax	-	-	-	-	-	-
(ii) Deferred tax	(777,438)	(660,374)	(1,021,652)	(1,437,812)	(1,828,793)	(5,641,149)
Net profit/(loss) for the period/year	(44,533,227)	(31,269,131)	(28,891,443)	(75,802,358)	(51,133,515)	(144,229,614)
Other comprehensive income						
A (i) Items that will not be reclassified to Statement of Profit and loss	-	-	-	-	-	(729,848)
(ii) Income tax relating to items that will not be reclassified to Statement of Profit and loss						-
B (i) Items that will be reclassified to Statement of Profit and loss						-
(ii) Income tax relating to items that will be reclassified to Statement of Profit and loss						-
Total comprehensive income	(44,533,227)	(31,269,131)	(28,891,443)	(75,802,358)	(51,133,515)	(144,959,462)
Earnings per equity share (EPS)						
Paid up Equity Share Capital (Face value of Rs.10/- each per equity share)	124,996,550	124,996,550	124,996,550	124,996,550	124,996,550	124,996,550
Basic and Diluted Earnings per share of Rs.10/- each (not annualised) Rs.	(3.56)	(2.50)	(2.31)	(6.06)	(4.09)	(11.54)





Notes:

1. The above Financial Results were reviewed and recommended by the Audit Committee and taken on record by the Board of Directors in their meeting held on 10th November 2018. These results are as per Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as modified by Circular No.CIR/CFD/FAC/62/2016 dated 05th Jul 16.
2. Number of Investor complaints left unresolved at the beginning of the quarter Nil, received during the quarter Nil, disposed off during the quarter NA and pending Nil.
3. The Company operates in one reportable segment i.e. Safety systems for Railways and hence segment reporting as per Ind AS-108 is not applicable.
4. These results have been prepared in accordance with the Indian Accounting Standards ("Ind AS") notified under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules 2015 as amended.
5. As per Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the company has opted to publish quarterly unaudited standalone results and to publish consolidated results at the year end.
6. An amount of Rs 15.08 crores receivable from Konkan Railway Corporation Limited (KRCL) is under arbitration. Further the Company has failed in the conciliation proceedings against KRCL for an amount of Rs 5.18 cores and the Company is in the process of filing Arbitration petition. The company has not made any provision in the books of accounts which may dilute the chances of recovery of these receivables. Provision in the books of accounts will be provided at the time of finalization of matters.
7. Other financial assets amounting to Rs. 6.00 crores which is outstanding for more than 1 year is subject to balance confirmation from the respective party/(s). The Company is in the process of obtaining balance confirmation.
8. As approved by the Board, a suitable provision has been made in the books for the obsolete stock. Further the Company's inventory as on 30 September 2018 includes a significant portion of slow/non moving stocks and no provision has been made for the same as the management is in the process of reconciliation/getting valuation of stock.
9. Exceptional Items represents a compensation paid to the party in connection with cancellation of agreement for sale of land.
10. Post the applicability of Goods and Service Tax (GST) with effect from 01st July 2017, Revenue from Operations is disclosed net of GST. Accordingly, the revenue from operations for the half year ended 30th September 2018 and year ended 31st March 2018 are not comparable with those of the previous periods presented in the results.
11. Ind AS, 115 Revenue from Contracts with Customers, mandatory for reporting periods beginning on or after 1 April 2018, replaces existing revenue recognition requirements. The application of Ind AS 115 did not have any material impact on recognition and measurement of revenue and related items in the financial results of the Company.
12. Figures for the previous periods have been regrouped/rearranged, wherever considered necessary.

Place **Hyderabad**

Date **10th November 2018**

By order of the Board of
Directors

For **KERNEX MICROSYSTEMS (INDIA) LTD**



M. B. Narayana Raju
M.B.NARAYANA RAJU
DIRECTOR
DIN - 07993925



Unaudited Statement of Assets and Liabilities as at 30th Sep 2018

Particulars	in Rs	
	As at 30th Sep 18	As at 31st Mar 18
ASSETS		
Non-current assets		
Property, Plant and Equipment	525,184,916	534,850,796
Capital work-in-progress		
Intangible assets	571,250	594,914
Financial assets		
Investments	11,830,950	11,830,950
Other financial assets	61,533,017	61,527,499
Deffered tax assets (net)	-	-
Other Non-current assets	20,312,237	23,080,217
Total non-current assets	619,432,370	631,884,376
Current assets		
Inventories	76,330,198	85,590,288
Financial assets		
Trade receivables	353,678,463	365,262,322
Cash and cash equivalents	1,053,777	5,224,824
Other bank balances	66,604,697	55,314,912
Other financial assets	2,584,772	1,542,491
Other current assets	43,331,626	44,881,841
Total current assets	543,583,533	557,816,678
TOTAL ASSETS	1,163,015,903	1,189,701,054
EQUITY AND LIABILITIES		
Equity		
Equity Share capital	124,996,550	124,996,550
Other equity	622,410,041	693,089,334
Total Equity	747,406,591	818,085,884
Liabilities		
Non-current liabilities		
Financial liabilities		
Borrowings	468,418	590,612
Provisions	-	-
Deferred tax liabilities	7,821,609	9,259,421
Other Non-current liabilities	115,000,000	79,800,000
Total Non-current liabilities	123,290,027	89,650,033
Current liabilities		
Financial liabilities		
Borrowings	196,688,935	188,950,917
Trade Payables	68,807,160	66,154,016
Other financial liabilities	1,002,464	1,197,756
Other current liabilities	25,820,725	25,662,448
Provisions		
Total current liabilities	292,319,284	281,965,137
TOTAL EQUITY AND LIABILITIES	1,163,015,903	1,189,701,054





INDEPENDENT AUDITORS' REVIEW REPORT ON REVIEW OF INTERIM FINANCIAL RESULTS

TO THE BOARD OF DIRECTORS OF KERNEX MICROSYSTEMS (INDIA) LIMITED

1. We have reviewed the accompanying Statement of Standalone Unaudited Financial Results of **KERNEX MICROSYSTEMS (INDIA) LIMITED** for the quarter and half year ended 30 September 2018 and the Standalone Unaudited Balance Sheet as at 30 September 2018 ("the statement"), being submitted by the company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 as modified by Circular No.CIR/CFD/FAC/62/2016 dated July 5, 2016.

This Statement, which is the responsibility of the Company's Management and approved by the Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued there under and other accounting principles generally accepted in India. Our responsibility is to issue a report on the Statement based on our review.

2. We conducted our review of the statement in accordance with the Standards on Review Engagements (SRE) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the statement is free from material misstatement. A review is Limited primarily to inquiries of the Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly we do not express an audit opinion.

Basis for Qualified Conclusion

- As detailed in note 6 to the financial results, an amount of Rs. 15.08 crores receivable from Konkan Railway Corporation Limited (KRCL) is under arbitration. Further, the Company has failed in the conciliation proceedings against KRCL for outstanding dues of Rs 5.18 crores and the Company is in the process of filing Arbitration petition. According to the information and explanations given to us, the company has not made any provision in the books of accounts as it may dilute the chances of recovery of these receivables. Further, the remaining trade receivables which are slow moving, as partly received or non moving have been subject to balance confirmations. Pending completion of arbitration proceedings and in the absence of sufficient appropriate evidence, we are unable to comment upon the carrying value of the aforesaid trade receivables as at 30 September 2018 or any adjustments/impairment required to the trade receivable and the consequent impact if any, on the financial results. Our audit opinion on the financial statements for the year ended 31 March 2018 was also qualified in this regard.
- As detailed in note 7 to the financial results, other financial assets amounting to Rs. 6.00 crores which is outstanding for more than 1 year 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 obtaining balance confirmation. In the absence of sufficient appropriate evidence, we are unable to comment upon the

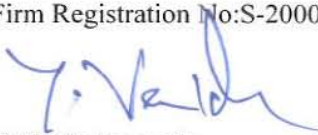


carrying value of the aforesaid receivable as at 30 September 2018 or any adjustments//impairment required to and the consequent impact if any, on the financial results. Our audit opinion on the financial statements for the year ended 31 March 2018 was also qualified in this regard.

- As detailed in note 8 to the financial results, the Company's inventory as on 30 September 2018 includes a significant portion of slow/non moving stocks. According to the information and explanations given to us, no provision has been made for the slow/non moving stocks lying as on 30 September 2018, pending stock reconciliation/getting valuation of stocks done by the management and hence not complying with the requirement of the valuing the inventory in accordance with the requirements of Ind AS 2, Inventories (i.e at the lower of cost and net realizable value). In the absence of sufficient appropriate evidence, we are unable to comment upon the carrying value of the aforesaid inventory as at 30 September 2018 or any adjustments required to and the consequent impact if any, on the financial results. Our audit opinion on the financial statements for the year ended 31 March 2018 was also qualified in this regard.
3. Based on our review conducted as stated above, except for the effects / possible effects of qualifications as described in the previous paragraphs nothing has come to our attention that causes us to believe that the accompanying statement, prepared in accordance with the aforesaid Indian Accounting Standards prescribed under section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014 and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as modified by Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016, including the manner in which it is to be disclosed, or that it contains any material misstatements.
 4. We draw your attention that the statement which indicates the preparation of financial results of the company on going concern basis for reasons stated therein. The appropriateness of assumption of going concern is dependent upon revival of market and consequently the Company's ability to generate sustainable cash flows in future to meet its obligations.

Our report is not modified in respect of this matter.

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


Y.Venkateswarlu
Partner
Membership No: 222068



Place: **Hyderabad**
Date: **10 November 2018**