



**Safety
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**ANNUAL
REPORT
2018-2019**

BOARD OF DIRECTORS

Sri. Ashok Gopal Rao Kalmankar	Chairman & Independent Director	-	Joined w.e.f. 12.08.18
CATV S N Raju	Independent Director		
Sri. P Dinakara Rao	Independent Director	-	Joined w.e.f. 10.11.18
Dr. Anji Raju Manthena	Director		
Dr. Raju Narasa Mantena	Director	-	Resigned w.e.f. 04.07.19
Dr. Janardhana Reddy Vinta	Director		
Ms. Sree Lakshmi Manthena	Director		
Sri. M Badari Narayana Raju	Whole Time Director		
Sri. Arun Kumar Sanwalka	Independent Director	-	Resigned w.e.f. 18.07.18

CHIEF EXECUTIVE OFFICERS

Sri K Krishnam Raju	Chief Executive Officer	-	Resigned w.e.f. 10.11.18
Sri.K Satyanarayana Raju	Chief Executive Officer	-	Joined w.e.f. 10.01.19

COMPANY SECRETARY

CS. Prasada Rao Kalluri - Joined w.e.f. 05.07.18

CHIEF FINANCIAL OFFICER

CA Ramayya Vutukuri

BANKERS

STATE BANK OF INDIA,
SME Branch, 6-3-652,
Amrutha Estates, 'Kautilya',
Somajiguda, Hyderabad - 500 082.

AUDITORS

STATUTORY 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

THIRUPATHI & ASSOCIATES

303, Sai Brundavan Apts,
Dwarakapuri Colony,
Model House Lane
Punjagutta, Hyderabad
FRN:013000S

REGISTRAR AND TRANSFER AGENT

Karvy Fintech Pvt. Ltd.

Karvy Selenium Tower No.B, Plot No.31-32,
Gachibowli, Financial District,
Nanakramguda, Hyderabad - 500 032

REGISTERED OFFICE

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

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NOTICE

Notice is hereby given that the Twenty Seventh Annual General Meeting of the members of the Company will be held on Monday, the 30th September 2019 at 11.00 A.M at the registered office at Plot No 38 (part) to 41, Survey No 1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Ranga Reddy District, Hyderabad-501 510 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Standalone and Consolidated financial statements for the year ended on 31st March, 2019 together with the reports of the Director's and Auditors thereon.
2. To appoint a director in place of Ms. Sree Lakshmi Manthena (DIN: 07996443), who retires by rotation and being eligible offers herself for re-appointment as a director in the company.

SPECIAL BUSINESS

3. To consider and approve appointment of Mr. Dinakara Rao Pasupuleti (DIN: 00009801) as an Independent Director of the Company

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

“RESOLVED THAT Mr. Dinakara Rao Pasupuleti (DIN: 00009801), who was appointed as an Additional Director of the Company by the Board of Directors with effect from 10th November 2018 and who holds office up to the date of this Annual General Meeting under Section 161(1) of the Companies Act, 2013 ('the Act') and Article 116 of the Articles of Association of the Company, and he has given consent for appointment and in respect of whom the Company has received a notice in writing under Section 160(1) of the Act from a member proposing his candidature for the office of Director, be and is hereby approved.

“RESOLVED FURTHER THAT pursuant to the provisions of 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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, Mr. Dinakara Rao Pasupuleti (DIN: 00009801), who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, with effect from 10th November 2018 up to 09th November'2021.

“RESOLVED FURTHER THAT pursuant to Regulation 17(1A) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, approval of the Members be and is hereby accorded to the continuation of directorship of Mr. Dinakara Rao Pasupuleti (DIN: 00009801) after he attains the age of 75 years, as a Non-Executive, Independent Director of the Company”

4. To consider and approve appointment of Dr. Anji Raju Manthena (DIN: 01022368) as a Non-Executive 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 Pursuant to Regulation 17(1A) of the Securities and

Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, other applicable provisions, if any, of the Companies Act, 2013 and the applicable Rules made thereunder, including any amendment(s), statutory modification(s) and/or re-enactment thereof for the time being in force, and recommended by the Board of Directors and Nomination and Remuneration Committee of the Company, the consent of the members of the Company be and is hereby granted to the continuation of directorship of Dr. Anji Raju Manthana (DIN: 01022368) who would be attaining the age of seventy five (75) years to act as a Non-Executive Director of the Company, liable to retire by rotation.

5. To consider and approve appointment of Dr. Vinta Janardhana Reddy (DIN: 02414912) as a Non-Executive 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 Pursuant to Regulation 17(1A) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, other applicable provisions, if any, of the Companies Act, 2013 and the applicable Rules made thereunder, including any amendment(s), statutory modification(s) and/or re-enactment thereof for the time being in force, and recommended by the Board of Directors and Nomination and Remuneration Committee of the Company, the consent of the members of the Company be and is hereby granted to the continuation of directorship of Dr. Vinta Janardhan Reddy (DIN: 02414912) who would be attaining the age of seventy five (75) years to act as a Non-Executive Director of the Company, liable to retire by rotation.

By order of the Board
for KERNEX MICROSYSTEMS (INDIA) LIMITED

Sd/-

Manthana Badari Narayana Raju
Whole Time Director
DIN: 07993925

Palce : Hyderabad
Date : 31st August, 2019

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing the proxy should, however, be deposited at the registered office of the Company duly completed and signed not less than 48 hours before the commencement of the meeting. The proxies submitted on behalf of the Companies, societies etc., must be supported by an appropriate resolution/authority as applicable. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights.

A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
2. The explanatory statement in respect of item no's 3 to 5 of the notice in pursuance of section 102 (1) of the Companies Act, 2013 is annexed hereto.
3. Shareholders holding shares in physical form are requested immediately to inform change in address if any to the Company's Registrar and transfer agent, M/s. Karvy Fintech Private Limited. Shareholders holding shares in electronic form must send change in their address to their respective Depository participants and not to the Company.
4. Securities and Exchange Board of India [SEBI] vide PR No. 51/2018, except in case of transmission or transposition of securities; requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialized form with a depository. Hence, the Company is hereby requesting all the members who were held shares in the physical form are convert their shares into dematerialized mode.
5. The Register and Share transfer Books of the Company shall remain closed from 24th September, 2019 to 30th September, 2019 (both days inclusive).
6. Members seeking any information with regard to accounts are requested to write to the Company at least 10 days in advance of the meeting to enable the management to keep the information ready.
7. The Notice of the AGM along with the Annual Report 2018-19 is being sent by electronic mode to those members whose e-mail addresses are registered with the Company/Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode.
8. To support the "Green Initiative", the members who have not registered their e-mail addresses are requested to register the same with Depositories.
9. All documents referred to in this Notice will be available for inspection at the registered office of the Company during business hours on all working days up to the date of AGM.
10. Pursuant to provisions of the Act and other applicable rules, if any, of the Companies Act 2013, all unclaimed & remaining unclaimed / unpaid dividend for a period of seven years from the date they became due for payment, in relation to the Company have been transferred to the IEPF established by the Central Government. It may be noted that the unclaimed Dividend for the financial year 2011-12 declared by the Company can be claimed by the shareholders from IEPF.
11. As per Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), the Company is pleased to provide its members the facility to cast their vote by electronic means on all resolutions set forth in this Notice. Members desirous of voting through electronic mode may refer to the detailed procedure on e-

voting forming part of the Annexure to this Notice.

12. As per Regulation 44 of SEBI Listing Regulations, the Company will submit details of the voting results in respect of each of the resolutions proposed in this Notice to the stock exchanges within 48 hours of conclusion of its AGM.
13. The facility for voting through ballot / polling paper shall be made available at the AGM, to all the members attending the AGM, who have not

opted e-voting facility. Further, the members who have opted e-voting facility may also attend the AGM but shall not be entitled to cast their vote again at the AGM.

14. Details of Directors seeking appointment/re-appointment at this AGM are provided in the Annexure to this Notice
15. (a) E- voting instructions
(b) Proxy Form; and
(c) Attendance Slip are annexed to this Notice.

(A) PROCEDURE AND INSTRUCTIONS FOR E-VOTING:

E-voting Instructions

The instructions and other information relating to e-voting are as under:

1. The procedure for e- voting is as below:

- i. Launch internet browser by typing URL: <https://evoting.karvy.com>
- ii. Enter the login credentials (i.e. User ID and Password mentioned in the attendance slip). Your Folio No./DP ID-Client ID will be your User ID. However, if you are already registered with Karvy for e - voting, you can use your existing User ID and password for casting your vote.

User – ID	For Members holding shares in Demat Form:- a) For NSDL :- 8 Character DP ID followed by 8 Digits Client ID b) For CDSL :- 16 digits beneficiary ID For Members holding shares in Physical Form:- Event no. followed by Folio Number registered with the company
Password	Your Unique password is printed on the attendance slip/sent via email forwarded through the electronic notice
Captcha	Enter the Verification code i.e., please enter the alphabets and numbers in the exact way as they are displayed for security reasons.

- iii. After entering these details appropriately, click on “LOGIN”.
- iv. Members holding shares in Electronic/ Physical form will now reach Password Change menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A - Z), one lower case (a - z), one numeric value (0 - 9) and a special character. Kindly note that this password can be used by the Demat holders for voting for resolution of any other company on which they are eligible to vote,

provided that company opts for e- voting through Karvy Fintech Private Limited e- voting platform. System will prompt you to change your password and update any contact details like mobile, e-mail ID, etc. on 1st login. You may also enter the Secret Question and answer of your choice to retrieve your password, in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential..

- v. You need to login again with new credentials.

- vi. On successful login, the system will prompt you to select the 'EVEN' i.e., "**KERNEX MICROSYSTEMS.**"
 - vii. On the voting page, you will see Resolution Description and against the same the option 'FOR/AGAINST/ABSTAIN' for voting. Enter the number of shares (which represents number of votes) under 'FOR/AGAINST/ABSTAIN' or alternatively you may partially enter any number in 'FOR', partially in 'AGAINST' and partially in 'ABSTAIN', but the total number in 'FOR/AGAINST/ABSTAIN' taken together should not exceed your total shareholding. If you do not want to cast any vote, select 'ABSTAIN'.
 - viii. Members holding multiple folios /demat accounts shall choose the voting process separately for each folio/demat accounts.
 - ix. Voting has to be done for each item of the Notice separately. In case you do not desire to cast your vote on any specific item it will be treated as abstained.
 - x. After selecting the appropriate option for each of the resolution, click on 'SUBMIT'. A confirmation box will be displayed. If you wish to confirm your vote, click on 'OK', else to change your vote, click on 'CANCEL' and accordingly modify your vote.
 - xi. Upon confirming, you will not be allowed to modify your vote.
 - xii. During the voting period, members can login any number of times till they have voted on the Resolution(s). However, you may still attend the AGM and participate in the discussions.
 - xiii. Corporate/Institutional members (Corporate/FIs /FII's /Trust/Mutual Funds /Banks, etc.) are required to send scanned certified true copy (in PDF) of the Board Resolution/Authority Letter, etc. together with attested specimen signature(s) of the duly authorized representative(s) to the Scrutinizer through e-mail to **kernexscrutinizer@gmail.com** with a copy to evoting@karvy.com or send it to the registered office of the Company. The scanned file of the above mentioned documents should be in the naming format "**Kernex_EVEN**".
 - xiv. In case of any queries, you may refer to Frequently Asked Questions (FAQs) for shareholders and e- voting User Manual for shareholders available at the download section of <https://evoting.karvy.com> or contact the Registrar & Share Transfer Agent, Karvy Fintech Pvt. Ltd. at Toll Free No. 1-800-3454-001.
2. The e- voting period commences on Friday, 27th September, 2019 at 09:00 a.m. and ends on Sunday, 29th September, 2019 5.00 p.m. (both days inclusive). Please note that e- voting mode shall not be allowed beyond 5.00 p.m. on Sunday, 29th September, 2019. During this period, the Members of the Company holding shares in physical form or in electronic form, as on the cut-off date, being Monday, 23rd September, 2019, may cast their vote by electronic means in the manner and process set out hereinabove. The e- voting module shall be disabled for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently. Further, the members who have cast their vote electronically shall not vote by way of poll, at the AGM.
 3. Any person, who acquires shares of the Company and becomes member of the Company after dispatch of the Notice of AGM and holding shares as on the cut-off date i.e. Monday, 23rd September, 2019, may obtain the User ID and Password in the manner as mentioned below:
 - a. If the mobile number of the member is registered against Folio No./DP ID-Client ID, the member may send SMS : MYEPWD EVEN + Folio No. or DP ID Client ID to 9212993399

Example for NSDL : MYEPWD
In12345612345678

Example for CDSL : MYEPWD
1402345612345678

Example for Physical : MYEPWD
XXXX1234567

- b. If e-mail or mobile number of the member is registered against Folio No./DP ID-Client ID, then on the home page of <https://evoting.karvy.com>, the member may click “forgot password” and enter Folio No./DP ID-Client ID and PAN to generate a password.
4. The voting rights of the members shall be in proportion to their shares of the paid up equity share capital of the Company, subject to the provisions of the Companies Act, 2013, as amended, as on the cut-off date i.e. Monday, 23rd September, 2019.
 5. The Board of Directors have appointed Mrs. N Vanitha, Practicing Company Secretary as a Scrutinizer to scrutinize the e- voting / poll process in a fair and transparent manner.
 6. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e - voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and will make a Scrutinizer’s Report of the votes cast in favor or against, if any, forthwith to the Chairman/any other authorized person of the Company.
 7. The result on resolutions shall be declared on or after the AGM and the resolutions will be deemed to be passed on the AGM date subject to receipt of the requisite number of votes in favour of the Resolutions.
 8. The results declared along with the Scrutinizer’s Report(s) will be available on the website of the Company (www.kernex.in) and on Service Provider’s website (<https://evoting.karvy.com>) within two (2) days of passing of the resolutions and will also be communicated to BSE Limited and National Stock Exchange of India Limited.

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

Particulars	Mr. P Dinakara Rao	Dr. Anji Raju Manthana
Date of Birth	September 14, 1945	April 03, 1945
Date of Appointment	November 10, 2018	May 20, 2005
Qualifications	M.A.	M.S. (General Surgery) from Andhra University and M.D. (USA)
Expertise in specific Functional area	He has thirty seven years experience in the field of banking with specialization in Corporate Finance, Treasury Management. Specialization also in the fields of Training, Human Resources Development Corporate Cultural Transformation and Micro Finance. Strong belief in wealth creation in always win win mode and strong commitment to openness transparency and fairness in dealings.	M.S. (General Surgery) from Andhra University and M.D. (USA) He has been practicing for the last 41 years in the Space centre, NASA region of Houston, Texas and has been actively involved in software related activities in Corporate hospitals. He has served as a member of various committees in Clear Lake Regional Medical centre as well as managing partner of Anesthesia Associates and president professional corporation
Directorship held in other public companies (excluding foreign companies)	1. Spyn Financial Services Pvt Ltd 2. Versante Software Technologies Pvt Ltd	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	4,14,078

Particulars	Dr. Vinta Janardhana Reddy	Ms. Sree Lakshmi Manthana
Date of Birth	August 10, 1946	September 14, 1977
Date of Appointment	September 20, 2018	November 20, 2017
Qualifications	MBBS and MD (USA)	HOUSTON BAPTIST UNIVERSITY, (Houston, TX) Magna Cum Laude, Bachelors Degree with Triple Major in Biology, Chemistry, and Psychology, Minor in Business Administration (Project Mgmt Courses). UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER -SA (Medical School, San Antonio, TX)
Expertise in specific Functional area	He has 45 years' experience as Physician working in USA. He is a member of Texas Medical Association, USA. He worked as executive vice president TANA and convener for 7th TANA conference.	Business Development Manager with 5+ years of experience in Marketing, Strategy planning, Project procurement, Project coordination, Consulting.
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	1,99,655	6,40,398

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

Item No: 3

The Board of Directors have appointed Mr. P Dinakara Rao, (DIN: 00009801) as an Additional Director of the Company with effect from 10th November, 2018. His term of office expires at the forthcoming Annual General Meeting. The Nomination and Remuneration Committee and Board of Directors of the, proposing his candidature for the office of Director as per the provisions of the Section 160 of the Companies Act, 2013.

Mr. P Dinakara Rao has thirty seven years of experience in the field of banking with specialization in Corporate Finance, Treasury Management Specialization also in the fields of Training, Human Resources Development Corporate Cultural Transformation and Micro Finance. Strong belief in wealth creation in always win-win mode and strong commitment to openness transparency and fairness in dealings Loves to be always of help to youngsters who want to realize their dreams.

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. P Dinakara 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. P Dinakara Rao as an Independent Director was placed before the Nomination and Remuneration Committee, which commends his appointment as an Independent Director up to 3 years from the 10th November 2018 to 9th November 2021.

In the opinion of the Board, Mr. P Dinakara Rao 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. P Dinakara 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. P Dinakara 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: 4 & 5

As the Members are aware, pursuant to the Regulation 17(1A) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "the Listing Regulations"), effective from April 1, 2019, no listed entity shall appoint a person or continue the directorship of any person as a non-executive director who has attained the age of seventy five (75) years unless a special resolution is passed to that effect and the explanatory statement annexed to the notice proposing such appointment or continuation specifies the justification for such appointment or continuation, as the case may be.

Dr. Anji Raju Manthana (DIN: 01022368) and Dr. Vinta Janardhana Reddy (DIN: 02414912) would be attaining the age of 75 years, Pursuant to Regulation 17(1A) of the Listing Regulations, Resolution for continuation of their directorships will require by passing a special resolution by the members approval by passing special resolution. The appointee director having rich experience in their filed and having knowledge in the company matter. The Board of Directors, at its meeting held on 31st August, 2019, has unanimously decided the continuation of directorships of Dr. Anji Raju Manthana and Dr. Vinta Janardhana Reddy.

Dr. Anji Raju Manthana (DIN: 01022368) and Dr. Vinta Janardhana Reddy (DIN: 02414912) and their respective relatives are concerned or interested in the Resolution. is 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..

By order of the Board
for KERNEX MICROSYSTEMS (INDIA) LIMITED

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

Palce : Hyderabad
Date : 31st August, 2019

DIRECTORS REPORT

To
 The Members,
 Kernex Microsystems (India) Limited.

Your Directors have pleasure in presenting the Twenty Seventh Annual Report together with the audited statement of accounts of your company for the year ending 31st March, 2019.

Financial Results (Standalone)

Rs in Lakhs

	2018-19	2017-18
Sales and Other Income	876.92	1,402.41
Profit/Loss before Depreciation, Finance Cost and Tax	(1968.29)	(2,461.93)
Less:- Finance Cost	(228.78)	319.34
Less:- Depreciation	210.33	(214.57)
Less: Exceptional items	(210.33)	(224.62)
Add : Extra ordinary items	(561.38)	-
Profit/Loss after Depreciation, Interest and before tax	(2,091.86)	(1,498.70)
Tax expense	(24.59)	(24.59)
Profit / Loss after Tax	(2,067.26)	(1,442.29)
Add: Balance brought forward from previous year	(2,403.15)	(960.85)
Less: Adjustments consequent to revision of useful life of certain assets pursuant to Schedule II of Companies Act, 2013	-	-
Balance carried forward to Balance sheet	(4,470.41)	(2,403.15)
Profit available for appropriation		
Earnings Per Share (Rs.)		
- Basic	(16.54)	(11.54)
- Diluted	(16.54)	(11.54)
Appropriations:		
Transfer to General Reserve	-	-
Proposed Dividend	-	-
Income Tax on proposed Dividend	-	-
Balance carried to the Balance sheet	(4,470.41)	(2,403.15)

1. Economy, Industry and the Company's working during the year

Economy

After strong growth in 2017 and early 2018, global economic activity slowed notably in the second half of last year, reflecting a confluence

of factors affecting major economies. Global growth is now projected to marginal slowdown during the year. The Rise of Corporate Market Power and Its Macroeconomic Effects, The Price of Capital Goods, A Driver of Investment Under Threat and Drivers of Bilateral Trade and Spillovers from Tariffs.

The implementation of the Insolvency and Bankruptcy Code (IBC) has drastically cut down the time taken for insolvency resolution. To further hasten this process, RBI has been empowered to initiate the insolvency resolution process in case of a default. The PSU bank re-capitalization plan worth Rs 2.1trillion was a masterstroke.

The year gone by saw major developments, while it's still early days, we are already seeing benefits of GST with the expansion of the indirect tax base and removal of inter-state check posts resulting in faster movement of goods across state borders. GST should be the keystone on which Gol's aim of expanding the formal economy will be built-incentivizing all economic agents at every stage of the product chain, right from procurement of raw materials to the sale of finished product in order to be tax-compliant.

The year gone by saw major developments in the global landscape, with the United Kingdom's decision to leave the European Union, followed by the presidential elections in the United States. Geopolitical issues dominated the global discourse. With regard to the global economy, there was a moderation in growth in both developed and emerging markets. Global trade showed indications of revival. India stood out as a country taking major policy initiatives on several fronts including legislation on the Goods & Services Tax laying a strong foundation for the country's future growth

Industry

Your Company is operating in the Rail Safety equipment manufacturing and supply of Prevention of Rail Collision Devices, Train Protection warning systems, Electronic Inter Locking and providing necessary hard ware

and software. The Industry in India is a focused industry of the Government providing several incentives for Investments and large scale spending on infrastructure

Your Company's main business activity is related to Railways. The Indian Railways is among the world's largest rail networks with route length spread over 1,15,000 km, with 12,617 passenger trains and 7,421 freight trains each day from 7,349 stations plying 23 million travelers and 3 million tones (MT) of freight daily. The Government of India's focused area now is to improve infrastructure for freight and high speed trains. The Indian rail projects are attracting not only several domestic but also foreign Companies

Your Company is operating in the Rail Safety equipment manufacturing and supply of Prevention of Rail Collision Devices, Train Protection warning systems, Electronic Inter Locking and providing necessary hard ware and software.

2. Future outlook

The Indian government is undertaking several initiatives as to upgrading its aged railway infrastructure and enhance its quality of service. The Railway Ministry has announced plans to invest Rs. 905,000 crore (US\$131 billion) to upgrade the railways by 2020. Research Design and Standards Organization (RDSO) undertakes all research, designs and standardization work for modernization.

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 is now exploring new markets in Sri Lanka and the outlook for the future appears promising in the years to come.

It is very encouraging news for your company that railways of many countries in the world are upgrading their infrastructure by deploying or considering deploying, Train Control / Train Protection Solutions and Level Crossing Protection Systems both of which are the areas of strength for your company.

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

Operations during the year

International

Egyptian National Railways (ENR), Cairo

Having supplied all the 136 gates earlier, your company has completed installation of 112 gates and handed over 112 gates to the customer.

Domestic

During the year 2018-19 your company as per the specification of TCAS Version 3.2, System and Software were frozen and demonstrated to RDSO in Lab testing and field trials during April 2018 to Dec 2018. Independent Safety Assessment by Italcertifier has suggested changes to improve the safety of the equipment, which were implemented and demonstrated during Jan 2019. Safety Analysis and array of System Documentation is prepared and submitted to ISA for product safety certification in the month of February' 2019. Verification and Validation documentation was submitted to RDSO for product approval along with report of 1 month successful passenger field trials during February' 2019. After a thorough review and assessment of documentation and system, ISA awarded Kernex TCAS for SIL-4 Safety Certification by Apr 2019. RDSO after review of Verification and Validation Documentation and Passenger Field Trial Report, awarded the

type approval for Kernex TCAS on 18 April 2019. SCR has requested Project plan for 1000 Km route for TCAS for preparation of Tender and award of further works during April' 2019. Tender released by SCR for 1,200 Km in April' 2019 and Kernex submitted the bid during June 2019. Bid Review and Award is in progress.

During the year your company has manufactured and supplied 10.1 inch Rugged Panel PC for 2,900 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 and the Driver Machine Interface Unit

3. Subsidiary Details with consolidated financial statement

Your Company has one 100% wholly owned subsidiary Avant Garde Info systems Inc, In USA and there were no joint ventures or associate Companies as of 31st March 2019. 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.

4. 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.

5. Share Capital

There is no change in Share Capital of your Company during the year. The promoters and others to whom an offer of preferential issue of equity shares was made after seeking an approval of the shareholders on 16th February, 2018, have conveyed their unwillingness to subscribe the shares of the company.

Name of the Investor	Category	No. of Shares	Un subscribed portion
Dr. Anji Raju Manthena	Promoter	3,71,291	3,71,291
Dr. Raju Narasa Mantena	Promoter	2,94,118	2,94,118
Mr. K. Krishnam Raju	Non-Promoter	5,88,235	5,88,235
Ms. Swetha Kanumuri	Non-Promoter	3,92,157	3,92,157
Dr. Vinta Janardhan Reddy	Promoter	2,24,256	2,24,256

6. 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.

7. Directors and Key Managerial Personnel

In accordance with the provisions of Section 152 of the Companies Act, 2013 Ms. Sree Lakshmi Manthena, Director of the company retires by rotation and being eligible offers herself for re-appointment.

Mr. K Krishnam Raju, CEO of the Company has resigned with effective from 10th November 2018.

The Board on 10th January' 2019 has appointed Mr. K Satyanarayana Raju as Chief Executive Officer.

During the period Mr. K Prasada Rao has been appointed as Company Secretary and Compliance Officer on 5th July, 2018.

Further, Mr. P Dinakara Rao as an additional director in the category of Independent Director effective from 10th November 2018. The necessary resolution for ratifying the appointment is annexed in the notice.

Further, Dr. Narasa Raju Manthena who has attained the age of 75 years, has submitted his resignation on 05 July, 2019 pursuant to Regulation 17 (1A) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Further also Dr. Anji Raju Manthena and Dr. Vinta Janardhana Reddy would be attaining the age of 75 years. Hence the members are required to be passed the special resolutions for continuing their directorships. The necessary resolutions for the same are annexed in the notice for consideration of the same.

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

8. 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.

9. 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.

10. 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

11. Number of Meetings of the Board of Directors

During the financial year 2018-19 the Board of Directors of the Company met 9 times on 27/05/2018, 05/07/2018, 12/08/2018, 12/10/2018, 10/11/2018, 10/12/2018, 10/01/2019, 27/01/2019 and 29/03/2019. A separate meeting of the Independent Directors of the Company held during the year on 27/01/2019 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.

12. 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.

13. 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.

14. 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.

15. 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

16. 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.

17. 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.

18. 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

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.

19. Corporate Social Responsibility (CSR)

The Company having regard to the net profit/turnover/ net worth is not covered under the provisions of Section 135 of the Companies Act 2013 to constitute a committee and spend the amount towards CSR activities

20. Related Party Transactions

All the related party transactions by the Company during the year 2018-19 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.

21. 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.

22. Familiarization Programmes 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.

23. 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 year ending March 31, 2019 is annexed hereto as **Annexure –C** and forms part of the this report.

24. 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.

25. Transfer of unclaimed dividend

There is unclaimed dividend for the financial year 2011-12 to be transferred to IEPF (Investor Education and Protection Fund).

26. Auditors

Statutory Auditors

M/s PRSV & 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.

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 A. J. Sharma & Associates, Company Secretaries to conduct Secretarial Audit for the year 2018-19 and their report is annexed as **Annexure–D** to this report

Reply to the Comments made in the Secretarial Audit Report

During the financial year the Company paid the SOP fine amounts for submitting belatedly the quarterly returns under regulations 27,31,33 and 34 of SEBI (LODR) Regulations 2015 pertaining to some of the quarters in the years 2014-2016 to BSE/NSE.

These penalties are pertaining to earlier years which were paid and complied. There were no penalties imposed during the year 2018-19.

The Company has paid the fines imposed under Employees Provident Funds and Miscellaneous Provisions Act 1952 for delay in remittances/submission of returns in the previous years.

These penalties are pertaining to earlier years which were paid and complied. There were no penalties imposed during the year 2018-19.

The Company in the previous year has obtained approval of the shareholders for the preferential issue of shares and obtained in principle approval of NSE and no approval was sought from BSE as the Promoters and others to whom the preferential offer was made have conveyed their unwillingness to subscribe to the issue.

Reply:

Promoters and others to whom the preferential offer was made have conveyed their unwillingness to subscribe to the issue and the same was intimated to the stock exchanges.

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.

27. 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.

28. 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.

29. 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.

30. 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.

31. 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**.

32. Acknowledgements:

Your Directors would like to express their sincere appreciation for the guidance, assistance and co-operation received from the Indian Railways, RDSO, Egyptian 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/-
Dr. Manthana Anji Raju
Director
DIN: 01022368

Place: Hyderabad
Date: 31st August, 2019

Place: Houston, USA
Date: 31st August, 2019

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

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\$69.17
4.	Share Capital	251.52
5.	Reserves & Surplus	(942.88)
6.	Total Assets	331.71
7.	Total Liabilities	331.71
8.	Investments	Nil
9.	Turnover	112.47
10.	Profit before taxation	(0.10)
11.	Provision for Taxation	Nil
12.	Profit after taxation	(0.10)
13.	Proposed Dividend	Nil
14.	Percentage of shareholding	100

PART “B” : Associates and Joint Ventures

Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Companies and joint Ventures

Name of Associates / Joint Venture	NotApplicable
1. Latest audited Balance Sheet Date	NotApplicable
2. Shares of Associates / Joint Ventures held by the company at the year end	NotApplicable
3. Amount of Investment in Association / Joint Venture Extend of Holding %	NotApplicable
3. Description of how there is significant influence	NotApplicable
4. Reason why the associate/Joint venture is not consolidated	NotApplicable
5. Networth attribute to Shareholding as per latest audited Balance Sheet	NotApplicable
6. Profit / Loss for the year	
i. Considered in Consolidation	NotApplicable
ii. Not Considered in Consolidation	NotApplicable

**By Order of the Board
for KERNEX MICROSYSTEMS (INDIA) LIMITED**

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

Sd/-
Dr. Manthena Anji Raju
Director
DIN: 01022368

Place : Hyderabad
Date : 31stAugust, 2019

Place: Houston, USA
Date : 31stAugust, 2019

**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	Procurement of Bolts	8 to 12 weeks	US\$17,500/-	17/05/2018	Nil

**By Order of the Board
for KERNEX MICROSYSTEMS (INDIA) LIMITED**

Sd/-

M. Badari Narayana Raju
Whole-Time Director
DIN:07993925

Sd/-

Dr. Manthana Anji Raju
Director
DIN: 01022368

Place : Hyderabad
Date : 31st August, 2019

Place: Houston, USA
Date : 31st August, 2019

Annexure - C

FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN
As on financial year ended on 31.03.2019

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:

1 CIN	L30007TG1991PLC013211
2 Registration Date	16/09/1991
3 Name of the Company	Kenrex Microsystems (India) Limited
4 Category/Sub-category of the Company	Public Company / Limited by shares
5 Address of the Registered office & contact details	Plot No.38 (Part) to 41, Survey No.1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Hyderabad – 501 510 Telephone / Mobile No.9948488877 E-mail: acs@kernex.in
6 Whether listed company	Yes
7 Name, Address & contact details of the Registrar & Transfer Agent, if any.	Karvy Fintech Pvt. Ltd., Karvy Selenium Tower No.B, Plot No.31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad : 500 032 India, P : +91 040 67161591 www.karvy.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Installation and Maintenance of Lxcs Gates for Egyptian National Railways	43212	26.84%
2	Supply of DVRs and Bolts to Egyptian National Railways	63119	15.54%
3	Supply of Rugged Work Station	63119	22.81%
4	Supply of Rugged Panel PC	63119	30.70%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	“% of shareheld”	“Applicable Section”
1	Avant-Garde Infosystems, Inc., 1906, Ray Shell CT,Seabrook, TX 77586 USA	N.A.	Wholly Owned Subsidiary Company	100%	2(87)

IV. SHARE HOLDING PATTERN
(Equity share capital breakup as percentage of total equity)
(I) Category-wise Share Holding between 31.03.2018 and 31.03.2019

Category of Shareholders	"No. of Shares held at the beginning of the year [As on 31-March-2018]"				"No. of Shares held at the end of the year [As on 31-March-2019]"				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(A) Promoter And Promoter Group									
(1) INDIAN									
(a) Individual /HUF	225,863	-	225,863	1.81	863	-	863	0.01	-1.80
(b) Central Government/ State Government(s)	-	-	-	0.00	-	-	-	0.00	0.00
(c) Bodies Corporate	-	-	-	0.00	-	-	-	0.00	0.00
(d) Financial Institutions /Banks	-	-	-	0.00	-	-	-	0.00	0.00
(e) Others	31	498	529	0.00	31	498	529	0.00	0.00
Sub-Total A(1) :	225,894	498	226,392	1.81	894	498	1,392	0.01	-1.80
(2) FOREIGN									
(a) Individuals (NRIs/Foreign Individuals)	3,619,447	-	3,619,447	28.96	3,298,065	-	3,298,065	26.39	-2.57
(b) Bodies Corporate	-	-	-	0.00	-	-	-	0.00	0.00
(c) Institutions	-	-	-	0.00	-	-	-	0.00	0.00
(d) Qualified Foreign Investor	-	-	-	0	-	-	-	0	0
(e) Others	8,782	118,177	126,959	1.02	8,782	118,177	126,959	1.02	0.00
Sub-Total A(2) :	3,628,229	118,177	3,746,406	29.97	3,306,847	118,177	3,425,024	27.40	-2.57
Total A=A(1)+A(2)	3,854,123	118,675	3,972,798	31.78	3,307,741	118,675	3,426,416	27.41	-4.37
(B)Public Shareholding									
(1) Institutions									
(a) Mutual Funds /UTI	-	-	-	0.00	-	-	-	0.00	0.00
(b) Financial Institutions /Banks	-	-	-	0.00	-	-	-	0.00	0.00
(c) Central Government / State Government(s)	-	-	-	0.00	-	-	-	0.00	0.00
(d) Venture Capital Funds	-	-	-	0.00	-	-	-	0.00	0.00
(e) Insurance Companies	-	-	-	0.00	-	-	-	0.00	0.00
(f) Foreign Inst. Investors	-	-	-	0.00	-	-	-	0.00	0.00
(g) Foreign Venture Capital Investors	-	-	-	0.00	-	-	-	0.00	0.00
(h) Qualified Foreign Investor	-	-	-	0.00	-	-	-	0.00	0.00
(i) Others	-	-	-	0.00	-	-	-	0.00	0.00
Sub-Total B(1) :	-	-	-	0.00	-	-	-	0.00	0.00

Category-wise Share Holding (Contd.....)

Category of Shareholders	"No. of Shares held at the beginning of the year [As on 31-March-2018]"				"No. of Shares held at the end of the year [As on 31-March-2019]"				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
2. Non-Institutions									
(a) Bodies Corporate	824,381	-	824,381	6.60	872,513	-	872,513	6.98	0.39
(b) Individuals									
(i) Individuals holding nominal share capital upto Rs.2 lakh	4,562,634	611	4,563,245	36.51	4408732	592	4409324	35.28	-1.23
(ii) Individuals holding nominal share capital in excess of Rs.2 lakh	2,324,528	12,656	2,337,184	18.70	2992258	12656	3,004,914	24.04	5.34
(c) Others									
Clearing Members	4,377	-	4,377	0.04	11,347	-	11,347	0.09	0.06
Non Resident Indians	301,670	417,639	719,309	5.75	280,673	417,639	698,312	5.59	-0.17
Nri Non-repatriation	16,114	-	16,114	0.13	15,582	-	15,582	0.12	0.00
	16,114	-	16,114	0.13	15,582	-	15,582	0.12	0.00
Trusts	200	24,331	24,531	0.20	200	24,331	24,531	0.20	0.00
NBFC	37,716	-	37,716	0.30	36,716	-	36,716	0.29	-0.01
(d) Qualified Foreign Investor	-	-	-	0.00	-	-	-	0.00	0.00
Sub-Total B(2) :	8,071,620	455,237	8,526,857	68.22	8,618,021	455,218	9,073,239	72.59	4.37
Total B=B(1)+B(2) :	8,071,620	455,237	8,526,857	68.22	8,618,021	455,218	9,073,239	72.59	4.37
Total (A+B) :	11,925,743	573,912	12,499,655	100.00	11,925,762	573,893	12,499,655	100.00	0.00
C. Shares held by custodians, against which Depository Receipts have been issued									
(1) Promoter and Promoter Group									
(2) Public	-	-	-	0.00	-	-	-	0.00	0.00
Grand Total (A+B+C) :	11,925,743	573,912	12,499,655	100.00	11,925,762	573,893	12,499,655	100.00	-

(ii) Shareholding of Promoter

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year i.e,01.04..2018			Shareholding at the end of the year i.e, 31.03.2019			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Share Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	RAJU N MANTENA	854,633	6.84%	0	565,443	4.52%	0	-2.31%
2	SITARAMA RAJU MANTHENA	712,992	5.70%	0	712,992	5.70%	0	0.00%
3	SREELAKSHMI MANTHENA	640,398	5.12%	0	640,398	5.12%	0	0.00%
4	SRINIVARA RAJU MANTHENA	606,597	4.85%	0	606,597	4.85%	0	0.00%
5	ANJI RAJU MANTHENA	414,078	3.31%	0	414,078	3.31%	-	0.00%
6	MANTHENA PARAVATHI	268,469	2.15%	0	268,469	2.15%	0	0.00%
7	VENKATESWARA RAJU LAKKAMRAJU	225,863	1.81%	0	863	0.01%	0	-1.80%
8	JYOTHI RAJU	65,000	0.52%	0	65,000	0.52%	0	0.00%
9	KISHORE BABU GOTTIMUKKALA	57,280	0.46%	0	25,088	0.20%	0	-0.26%
10	MADHAV MANTENA	110,260	0.88%	0	110,260	0.88%	0	0.00%
11	NAMRATA KAPOOR	7,917	0.06%	0	7,917	0.06%	0	0.00%
12	MADHUVALLI LAKAMRAJU	5,480	0.04%	0	5,480	0.04%	0	0.00%
13	VENKATARAMAMURTHY RAJU LAKAMRAJU	2,883	0.02%	0	2,883	0.02%	0	0.00%
14	SUBBARAJU VENKATA LAKAMRAJU	498	0.00%	0	498	0.00%	0	0.00%
15	JAGANNADHA L RAJU	419	0.00%	0	419	0.00%	0	0.00%
16	LAKKAMRAJU SUSILAMMA	31	0.00%	0	31	0.00%	0	0.00%

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

S. No.	Particulars	Shareholding at the beginning of the year i.e, 01.04.2018		Cumulative Shareholding during the year i.e, 31.03.2019		% change in shareholding during the year
		No. of shares	% of total	No. of shares	% of total shares	
1	RAJU N MANTENA	854,633	6.84%	565,443	4.52%	-2.31%
2	VENKATESWARA RAJU LAKKAMRAJU	225,863	1.81%	863	0.01%	-1.80%
3	KISHORE BABU GOTTIMUKKALA	57,280	0.46%	25,088	0.20%	-0.26%

**(iv) Shareholding Pattern of top ten Shareholders
(Other than Directors, Promoters and Holders of GDRs and ADRs):**

Sl. No.	For each of the Top 10 shareholders	Shareholding at the beginning of the year i.e, 01.04.2018		Cumulative shareholding at the end of the year i.e, 31.03.2019	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1	Vijaya Lakshmi Alluri	500	0.00%	310,568	2.48%
2	K Satyanarayana Raju	-	0.00%	288,190	2.31%
3	Gagandeep Credit Capital Pvt Ltd	275,000	2.20%	275,000	2.20%
4	Challa Subrahmanya Sarma	186,212	1.49%	186,212	1.49%
5	Dheeraj Kumar Lohia	169,017	1.35%	202,357	1.62%
6	Manju Singhi	141,000	1.13%	176,000	1.41%
7	Manishkumar Sumatilal Mehta	110,352	0.88%	110,352	0.88%
8	Erp Infrastructures Projects Private Limited	0.00%	110,074	0.88%	
9	Abhishek Singhvi	60,500	0.48%	102,510	0.82%
10	Ramji Bhimshi Nagda	100,000	0.80%	100,000	0.80%

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares	No. of Shares	% of total Shares
1	JANARDHANA REDDY VINTA				
	At the beginning of the year	198,655	1.59%	198,655	1.59%
	Changes during the year	-	0.00%	1,000	0.01%
	At the end of the year	198,655	1.59%	199,655	1.60%
2.	DR ANJI RAJU MANTHENA				
	At the beginning of the year	414,078	3.31%	414,078	3.31%
	Changes during the year	-	0.00%	-	0.00%
	At the end of the year	414,078	3.31%	414,078	3.31%
3.	DR RAJU NARSA MANTENA				
	At the beginning of the year	854,633	6.84%	854,633	6.84%
	Changes during the year	(289,190)	-2.31%	(289,190)	-2.31%
	At the end of the year	565,443	4.52%	565,443	4.52%
4.	MS. SREE LAKSHMI MANTHENA				
	At the beginning of the year	640,398	5.12%	640,398	5.12%
	Changes during the year	-	0.00%	-	0.00%
	At the end of the year	640,398	5.12%	640,398	5.12%
5.	BADARI NARAYANA RAJU M				
	At the beginning of the year	2,087	0.00%	2,087	0.00%
	Changes during the year	-	0.00%	-	0.00%
	At the end of the year	2,087	0.00%	2,087	0.00%

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment.

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year i.e, 01.04.2018				
i) Principal Amount	488.58	1,078.94	-	1,567.52
ii) Interest due but not paid	-	321.99	-	321.99
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	488.58	1,400.93	-	1,889.51
Change in Indebtedness during the financial year				
* Addition	-	(63.02)	-	(63.02)
* Reduction	(488.58)	(63.02)	-	(63.02)
Net Change	-	(126.04)	-	(126.04)
Indebtedness at the end of the financial year i.e.,31.03.2019				
i) Principal Amount	-	1,064.94	-	1,064.94
ii) Interest due but not paid	-	272.97	-	272.97
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	(488.58)	1,337.91	-	1,337.91

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

S. No.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount
		* K Krishnam Raju Director In-charge	M B Narayana Raju Whole Time Director	(Rs/Lac)
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	31.94	18.00	49.94
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	2.76	2.76
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
5	Others, please specify	-	-	-
	Total (A)	31.94	20.76	52.70
	Ceiling as per the Act			

* Resigned as CEO on 10.11.2018

B. Remuneration to other Directors

S. No.	Particulars of Remuneration	Name of Directors							Total Amount (Rs/Lac)	
		Sri. T V S N Raju	Sri. Ashok Gopalrao Kalmankar	Sri.P Dinakara Rao	Dr.Anji Raju Manthena	Dr. Raju Narasa Mantena	Dr. Janardhana Reddy Mantena	Ms Sree Lakshmi Manthena		*Sri.Arun Kumar Sanwalka
1	Independent Directors Fee for attending board committee meetings	6.80	5.60	3.00	-	-	-	-	0.6	16.00
	Commission	-	-	-	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-	-	-	-
	Total (1)	6.80	5.60	3.00	-	-	-	-	0.60	16.00
2	Other Non-Executive Directors Fee for attending board committee meetings	-	-	-	-	-	-	-	-	-
	Commission	-	-	-	2.80	2.40	1.60	1.80	-	8.60
	Others, please specify	-	-	-	-	-	-	-	-	-
	Total (2)	-	-	-	2.80	2.40	1.60	1.80	-	8.60
	Total (B)=(1+2)	6.80	5.60	3.00	2.80	2.40	1.60	1.80	0.60	24.60
	Total Managerial Remuneration									61.30

Overall Ceiling as per the Act - The remuneration is well within the limits prescribed under the Companies Act,2013

* Resigned w.e.f. 18.07.2018

C. Remuneration to Key Managerial Personnel other than MD/Manager/WT D

S. No.	Particulars of Remuneration	Name of Key Managerial Personnel			Total Amount (Rs/Lac)
		*K Satyanarayana Raju CEO	Ramayya Vutukuri CFO	** K Prasada Rao CS	
1	Gross salary	-	-	-	0.00
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	6.77	17.78	2.20	26.75
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	0.00
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961				0.00
2	Stock Option				0.00
3	Sweat Equity				0.00
4	Commission				0.00
	- as % of profit				0.00
	- others, specify				0.00
5	Others, please specify				0.00
	Total	6.77	17.78	2.20	26.75

* Appointed as CEO w.e.f. 10.01.2019

** Appointed as CS w.e.f. 05.07.2018

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty Punishment Compounding			NONE		
B. DIRECTORS					
Penalty Punishment Compounding			NONE		
C. OTHER OFFICERS IN DEFAULT					
Penalty Punishment Compounding			NONE		

**By Order of the Board
for KERNEX MICROSYSTEMS (INDIA) LIMITED**

Sd/-

M. Badari Narayana Raju
Whole-Time Director
DIN:07993925

Sd/-

Dr. Manthena Anji Raju
Director
DIN: 01022368

Place : Hyderabad
Date : 31st August, 2019

Place: Houston, USA
Date : 31st August, 2019

Annexure-D

Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED March 31, 2019

[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,
Plot No 38 to 41, Survey No 1/1,
Hardware Technology Park, Raviryal Village
Maheswaram Mandal, Hyderabad-501 510.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Kernex Microsystems (India) Limited (hereinafter called the company) bearing CIN L30007TG1991PLC013211 Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2019 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder.
- II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- III. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- IV. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and Overseas Direct Investment.
- V. The following Regulations and Guidelines 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 (Issue of Capital and Disclosure Requirements) Regulations, 2009/2018. (Not applicable to the Company during the audit period);
 - d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. (Not applicable to the Company during the audit period);
 - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008/2018; (Not applicable to the Company during the audit period)

- f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during the audit period)
- h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998/2018;(Not applicable to the Company during the audit period)
- i) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- vi) Other applicable laws including the following
 1. Factories Act, 1948
 2. Industrial Disputes Act 1947
 3. Payment of wages Act 1936
 4. The Minimum wages Act 1948
 5. Employees state insurance Act 1948
 6. Employees Provident Funds and Miscellaneous Provisions Act 1952
 7. Payment of Bonus Act 1965
 8. Payment of gratuity Act 1972
 9. Contract Labour (Regulation & Abolition) Act, 1970
 10. Maternity Benefit Act 1961
 11. Environment (Protection) Act, 1986; Water (Prevention & Control of Pollution) Act, 1974; Air (Prevention & Control of Pollution) Act 1981; e-Waste (Management and Handling) Rules, 2010
 12. Legal Metrology Act 2009
 13. Income Tax Act 1961, central excise Act 1944 and VAT Act
 14. Air (Prevention & control of pollution) Act 1981 and water (Prevention & control of Pollution) Act 1974
 15. The Indian Copyright Act, 1957, The Trade Marks Act, 1999, The Patents Act, 1970;

I have also examined compliance with the applicable clauses Secretarial Standards issued by the institute of Company Secretaries of India.

During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

The Company has appointed a whole time Company Secretary in terms of Section 203 (1) of the Companies Act, 2013 during the current year

During the financial year the Company paid the SOP fine amounts for submitting belatedly the quarterly returns under regulations 27,31,33 and 34 of SEBI (LODR) Regulations 2015 pertaining to some of the quarters in the years 2014-2016 to BSE/NSE.

The Company has paid the fines imposed under Employees Provident Funds and Miscellaneous Provisions Act 1952 for delay in remittances/submission of returns in the previous years.

The Company in the previous year has obtained approval of the shareholders for the preferential issue of

shares and obtained in principle approval of NSE and no approval was sought from BSE as the Promoters and others to whom the preferential offer was made have conveyed their unwillingness to subscribe to the issue

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There were no changes in the composition of the Board of Directors during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all 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 per the minutes of the Board and Board committees I noticed that all the decisions were carried through unanimously.

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

I further report that during the Audit period the arbitration hearings commenced on the admitted claims of the Company amounting to Rs.348.91 crores against Konkan Railway Corporation Limited. However KRCL filed a petition in High Court for suspension of the Arbitration Tribunal for the delay and procedure of the arbitral proceedings.

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

For **A.J. Sharma & Associates**
Company Secretaries

Sd/-

A.J. Sharma
Company Secretary
FCS-2120, CP-2176

Place: Hyderabad
Date: 31st August, 2019

To,
The Members,
Kernex Microsystems(India)Limited,
Plot No 38 to 41, Survey No 1/1,
Hardware Technology Park, Raviryal Village
Maheswaram Mandal, Hyderabad-501 510.

Annexure - A

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

Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.

I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.

I have not verified the correctness and appropriateness of financial records and Books of Account of the Company

Wherever required I have obtained the Management representation about the compliances of laws, rules and regulations and happening of events etc.,

The compliance of the provisions of Corporate and other applicable laws, rules and regulations, standards is the responsibility of management. My 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

For **A.J.Sharma & Associates**

Company Secretaries

Sd/-

A.J.Sharma

Company Secretary

FCS-2120, CP-2176

Place: Hyderabad

Date: 31st August, 2019

Annexure – E

Statement in accordance with Section 134 (3) (m) of the Companies Act, 2013 read with Rule 8 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. 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 is, further, in the process of R&D projects like Train Collision Avoidance System (TCAS) 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 2018-19	Previous year 2017-18
Foreign Exchange Used	31.74	167.13
Foreign Exchange earned	459.02	1,204.00

By Order of the Board
for KERNEX MICROSYSTEMS (INDIA) LIMITED

Sd/-

M. Badari Narayana Raju
Whole-Time Director
DIN:07993925

Sd/-

Dr. Manthana Anji Raju
Director
DIN: 01022368

Place : Hyderabad
Date : 31st August, 2019

Place: Houston, USA
Date : 31st August, 2019

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 2018-19 and ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2018-19 are as under:-

Name of Director / KMP and Designation	Remuneration of Director / KMP for financial year 2018-19 (Rs. in lakhs)	% increase in remuneration in the financial year 2018-19	Ratio of remuneration of each Director /to median remuneration of employees
*K Krishnam Raju, CEO	31.94	0	12.38:1
M Badari Narayana Raju, Whole Time Director	18.00	50%	6.98:1
Ramayya Vutukuri, CFO	17.78	0	6.89:1
**K Satyanarayana Raju, CEO	6.77	0	2.63:1
K Prasada Rao, CS	2.20	0	0.86:1

* Resigned as CEO on 10.11.2018

** Appointed as CEO w.e.f. 10.01.2019

*** Appointed as CS w.e.f. 05.07.2018

Note: No other Director other than the Director In charge and Whole Time Director received any remuneration other than sitting fees during the financial year 2018-19.

- ii) In the financial year, there was no increase in the median remuneration of employees.
- iii) There were 80 permanent employees on the rolls of Company as on March 31, 2019.
- iv) There is no change in the average remuneration of employees compare to the previous financial year.
- v) The remuneration of the Key Managerial Personnel put together is Rs. 76.70 lacs which was Rs. 81.09 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 2018-19.
- vii) No variable component of remuneration availed by the directors / KMPs.
- viii) The Director In charge / CEO are the highest paid Director. No employee received remuneration higher than the Director in charge/CEO.
- ix) It is hereby affirmed that the remuneration paid during the Financial Year ended 31st March, 2019 is as per the Remuneration Policy of the Company.

Name	Age	Qualification And Experience of employee in Kernex	Designation	Date of commencement of employment	Nature of Employment	in (Rs. In Lacs) Per Annum	Previous Employment	Relative of Director If any	% of Share Holding
I Mastan Rao	64	B.Tech ECE /15 years	Vice President	11.08.2004	Permanent	11.64	TATA Steel	-	-
B Sampath Kumar	47	MCA/PGCHRM,XLRI/ 6 Years	General Manager	22.11.2013	Permanent	12.60	Malcon Global Limited	-	-
Nunna Venkateswara Rao	44	B Tech,(CSE) /2.5years	Manager S/W Development	06.02.2017	Permanent	15.02	HBL Power Systems Ltd, Hyd.	-	-
C S Nagaraj	61	BE(E&C) / 02 Year	Sr.Vice President	06.04.2017	Permanent	16.15	United Telecom, Bangalore	-	-
G Malla Reddy	43	B.Tech (CSE) / 11 Years	Deputy General Manager	18.02.2008	Permanent	18.84	Silver Software, Bangalore	-	-
A V R Murthy	54	BE(Mech) / 2.5 Years	General Manager, Marketing	26.12.2016	Permanent	16.09	HBL Power Systems Ltd, Hyd.	-	-
Joseph Chakravarthi	47	MS (Comp)/ 17 Years	General Manager S/W Services	01.04.2002	Permanent	23.40	Open Manganot S/W Inc,USA	-	0.015%
M Rama Krishna	42	M.Tech./ 19 years	Manager R&D	15.03.2004	Permanent	8.76	S.V.Associates, Hyderabad	-	-
P V Sampath Kumar	47	B.Com / 20 years	Asst. Company Secretary	16.09.1999	Permanent	8.40	Rajvebh Electronics Ltd.	-	-
S Jitender Vijay	51	B.Tech / 16 Years	Asst. Manager S/W Validation	26.02.2004	Permanent	8.23	ROC India Limited	-	-
H Ramesh Rao	45	DECE / 17 years	Manager Engineering	10.05.2000	Permanent	7.80	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

Place : Hyderabad
Date : 31st August, 2019

Sd/-

Dr. Manthana Anji Raju
Director
DIN: 01022368

Place: Houston, USA
Date : 31st August, 2019

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

Composition and Category of Directors

Name of the Director	Category	Designation	No. of shares held in the Company	Names of the Listed companies holding directorship & category of such directorship held
Anji Raju Manthena	Non-Executive	Non-Independent Director	4,14,078	Nil
Vinta Janardhana Reddy	Non-Executive	Non-Independent Director	1,99,655	Nil
Mantena Raju Narasa	Non-Executive	Non-Independent Director	5,65,443	Nil
Manthena Badari Narayana Raju	Executive	Whole Time Director	2,087	Nil
Ms.Sree Lakshmi Manthena	Non-Executive	Non-Independent Director	6,40,398	Nil
CA TVSN Raju	Non-Executive	Independent Director	-	Nil
Ashok Gopalarao Kalmankar	Non-Executive	Independent Director	-	Nil
P Dinakara Rao	Non-Executive	Independent Director	-	Nil
Arun Kumar Sanwalka	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
CATVSN Raju	Leadership, Organization and Business Management
Ashok Gopalarao Kalmankar	Finance, Banking and Foreign Exchange Markets
P Dinakara Rao	Finance, Banking and Foreign Exchange Markets

Relationship among Directors

Dr. Anji Raju Manthena, Dr. Raju Narasa Mantena and Ms. Sree Lakshmi 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 2018-19		Whether Attended AGM on 28.09.18	No. of Directorships in other public companies	No. of committee positions held in other public companies				No of shares
		Held	Attended			Chairman	Member	Chairman	Member	
Anji Raju Manthena	Non-Independent Non-Executive	9	9	Yes	-	-	-	-	-	4,14,078
Vinta Janardhana Reddy	Non-Independent Non-Executive	9	8	Yes	-	-	-	-	-	1,99,655
Mantena Raju Narasa	Non-Independent Non-Executive	9	7	Yes	-	-	-	-	-	5,65,443
Manthena Badari Narayana Raju	Executive Director	9	9	Yes	-	-	-	-	-	2,087
Ms.Sree Lakshmi Manthena	Non-Independent Non-Executive	9	9	Yes	-	-	-	-	-	6,40,398
CA TVSN Raju	Independent Non-Executive	9	9	Yes	-	-	-	-	-	-
Ashok Gopalarao Kalmankar	Independent Non-Executive	9	7	Yes	-	-	-	-	-	-
P. Dinakara Rao	Independent Non-Executive	9	5	NA	-	-	-	-	-	-
Arun Kumar Sanwalka	Independent Non-Executive	9	1	No	-	-	-	-	-	-

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:

Date	Board Strength	No. of Directors Present
27.05.2018	8	8
05.07.2018	8	6
12.08.2018	7	7
12.10.2018	7	6
10.11.2018	8	7
10.12.2018	8	7
10.01.2019	8	8
27.01.2019	8	8
29.03.2019	8	8

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

3. Audit Committee and composition :

- I. The Audit Committee of the Company as at 31st March'2019 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 28th September, 2018.

The Terms of Audit committee includes the following:-

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

the internal control systems.

- I. Reviewing the adequacy of internal audit function and frequency of internal audit.
- J. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- K. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
 - i. The Audit Committee Meetings are usually held at the registered office of the Company and are also attended by CFO, Statutory Auditors and Internal Auditors.
 - ii. The last Annual General Meeting of the Company was held on September 28, 2018.
 - iii. The composition of the Audit Committee as on March 31, 2019 and particulars of meetings attended by the members are as follows:

Name	Category	Number of meetings during the year 2018-19	
		Held	Attended
CA T V S N Raju	Non-Executive Independent	4	4
Sri. Ashok Gopalrao Kalmankar	Non-Executive Independent	4	3
Sri. Raju Narasa Mantena	Non-Executive Non Independent	4	2

Meetings of Audit Committee:

The Audit Committee met 4 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
27.05.2018	3	3
12.08.2018	3	2
10.11.2018	3	3
27.01.2019	3	3

The necessary quorum was present at all meetings

4. Nomination and Remuneration Committee:

1. The Nomination and Remuneration Committee was constituted in conformity with SEBI (LODR) Regulations, 2015 and the terms of reference are in conformity with Section 178 of the Companies Act'2013.
2. The Nomination and Remuneration Committee of the Company as on 31st March'2019 consists of four directors, who are all Non Executive Directors, out of whom two are independent directors.
3. The broad terms of reference of the remuneration Committee includes:-
 - a. Identifying persons to become qualified Directors and Senior Management personnel as also to determine the qualifications positive attributes and independence of Directors and frame a policy relating to the remuneration of Directors/KMP and other employees.

- b. Such other matters as the Board may from time to time request the Remuneration Committee to examine and recommend/approve.
- c. The composition of the Nomination and Remuneration Committee as on March 31, 2019 and five meetings were held on 27/05/2018, 05/07/2018, 12/08/2018, 10/11/2018 and 10/01/2019 the details of the members attended are as follows:-

Name	Category	Number of meetings during the year 2018-19	
		Held	Attended
CA T V S N Raju	Independent Non-Executive	5	5
Sri.Ashok Gopalrao Kalmankar	Independent Non-Executive	5	2
Sri.Raju Narasa Mantena	Non Independent Non-Executive	5	3
Dr.Anji Raju Manthena	Non Independent Non-Executive	5	5

Name	Category	Number of meetings during the year 2018-19	
		Held	Attended
* Sri.Arun Kumar Sanwalka	Independent Non-Executive	5	1

* Resigned w.e.f. 18.07.2018

Date	Board Strength	No. of Directors Present
27.05.2018	5	4
05.07.2018	5	3
12.08.2018	3	3
10.11.2018	4	3
10.01.2019	4	3

4. The Company does not have any Employee Stock Option Scheme.
5. 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.

6. Remuneration paid to Whole time Director during the financial year 2018-19 is follows:-

Name	Designation	REMUNERATION (Rs.Lacs)		
		Salary & Benefits	Commission	Total
Manthena Badari Narayana Raju	Whole Time Director	20.76	0.00	20.76

Besides above, the Whole Time Directors of the Company are 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.20,000/- & Rs.50,000/- (w.e.f 12.11.2018) 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 2018-19, is as follows:-

Name	Sitting fee (Amount in Rs.)
CA T V S N Raju	6,80,000
Sri. Ashok Gopalrao Kalmankar	5,60,000
Sri.P Dinakara Rao	3,00,000
Dr.Anji Raju Manthana	2,80,000
Dr.Raju Narasa Mantena	2,40,000
Dr.Janardhana Reddy Vinta	1,60,000
Ms.Sree Lakshmi Manthana	1,80,000
Sri.Arun Kumar Sanwalka	60,000

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
CA T V S N Raju	Independent Non-Executive
Sri.P Dinakara Rao	Independent Non-Executive
Dr. Raju Narasa Mantena	Non Independent Non-Executive
Sri.Arun Kumar Sanwalka	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 01.04.2018 to 31.03.2019	Resolved during the period 01.04.2018 to 31.03.2019	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 31st March, 2019.

Terms of reference:

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

- a. Redressal of grievances of shareholders, debenture holders and other security holders.
- b. Transfer and transmission of securities.
- c. Dealing with complaints related to transfer of shares, non-receipt of declared dividend, non-receipt of Balance Sheet etc.
- d. Issuance of duplicate shares certificates.
- e. Review of dematerialization of shares and related matters.
- f. 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. Karvy Fintech Private Limited., to redress all complaints/grievances/enquiries of the shareholders/investors. It redresses the grievances/ complaints of shareholders/investors under the supervision of Company Secretary & Compliance Officer of the Company.

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

As mandated by SEBI, the Quarterly Reconciliation of Share Capital Audit, highlighting the reconciliation of total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) vis-à-vis the total issued and listed capital is being carried out by a Practicing Company Secretary. This Audit confirms that the total issued and paid up capital is in agreement with the total number of shares held in physical and dematerialized form with NSDL and CDSL.

6. Risk Management Committee

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

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

Name	Category
CA T V S N Raju	Independent Non-Executive
Dr.Anji Raju Manthana	Non Independent Non-Executive
Dr.Raju Narasa Mantena	Non Independent Non-Executive

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 27.01.2019.

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	Meeting	Day, Date and Time of the Meeting	Venue
2017-18	26th AGM	Friday the 28th September'2018 at 11.00 AM	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
2016-17	25th AGM	Friday the 29th September'2017 at 3.00 PM	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
2015-16	24th AGM	Saturday the 18th October'2016 at 3.00 PM	Hotel Minerva Grand, Sarojini Devi Road, Secunderabad- 500 003.

Special Resolutions

During the above mentioned 3 years the following Special Resolutions were passed in the AGM held

1. Appointment of Managing Director pursuant to Section 196,197,203 read with Schedule V to the Companies Act, 2013 –AGM held on 28th September 2015.
2. Re-Appointment of whole time Director pursuant to Section 196,197,203 read with Schedule V to the Companies Act, 2013 –AGM held on 28th September 2015.

During the financial year the Company had not conducted any postal ballot.

1. Three Special Resolutions are proposing to be conducted in the ensuing 27th AGM.

Extraordinary General Meeting:

No Extraordinary General Meeting of the Members was held during the year 2018-19.

12. OTHER DISCLOSURES

Materially significant related party transactions during the year ended 31st March 2019:

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

Details of non-compliances during last three years

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 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.

Whistle Blower Policy / Vigil Mechanism

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.

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.

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 31st March, 2019.

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.

There are no Shares lying in Demat Suspense Account.

During the financial year the Company had not received any complaint pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

13. Means of Communication:

- The quarterly, half yearly and annual results are published in widely circulating national and local dailies such as Financial Express and Mana Telangana .These are not sent individually to the shareholders.
- The financial results are displayed on the website of the Company - www.kernex.in and also in the websites of BSE Limited and National Stock Exchange of India Limited. The Company's website also displays official press releases and other disclosures submitted to stock exchanges.
- The Company has not made any presentation to institutional investors or to analysts

14. General Shareholder's information:

i) 27th Annual General Meeting

- Date : 30th, September 2019
Time : 11.00 A.M
Venue : Plot No.38 to 41, Survey no. 1/1,
Hardware Park, Maheswaram Mandal,
Raviryal Village, Ranga Reddy, Hyderabad – 501 510

ii) Financial Calendar : April to March as its financial year.

Results for the quarter ending:

30th June 2019: On or before 14th August, 2019.

30th Sep, 2019: On or before 14th November, 2019.

31st Dec, 2019: On or before 14th February, 2020.

31st Mar, 2020: On or before 30th May, 2020.

iii) Date of Book Closure : 24-09-2019 to 30-09-2019 (both days inclusive)

Dividend Payment Date : Not Applicable

iv) Listing on Stock Exchange : Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal St, Kala Ghoda, Fort, Mumbai, Maharashtra-400001. : The National Stock Exchange of India Limited Exchange Plaza Block G, C 1, Bandra Kurla Complex, G Block BKC, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra-400051

Stock Code / Symbol : BSE Limited : 532406
(Physical & Demat) The National Stock Exchange : KERNEX

International Securities Identification
Number (ISIN) : INE202H01019

The Annual Listing fee for the year 2019-20 has been paid to the Stock Exchange.

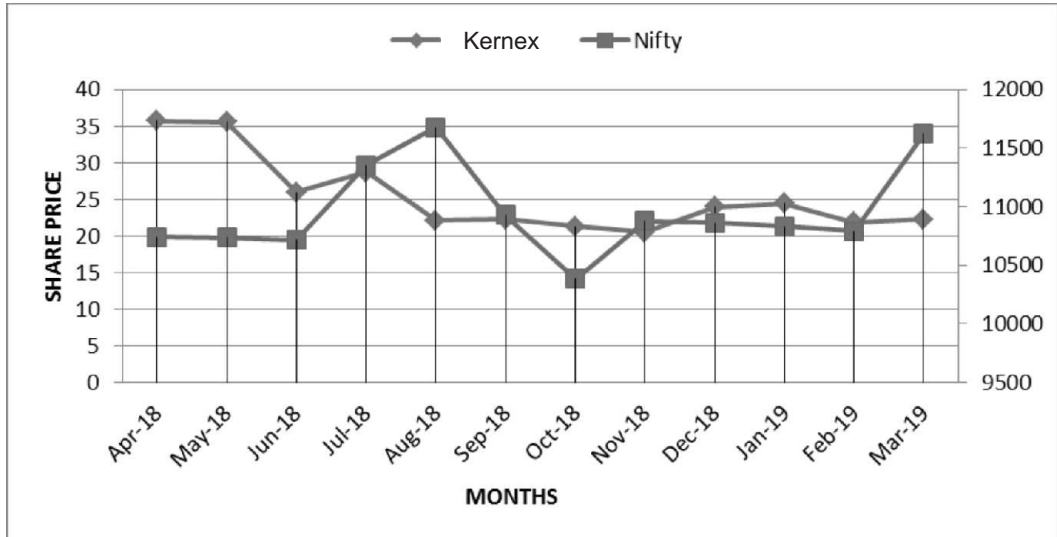
15. Market Price Data: High, Low (Based on the closing prices) and number of shares traded during each month in the last financial year on the National Stock Exchange of India Limited and the Bombay Stock Exchange, Mumbai:

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-18	42.00	34.70	91,232	42.60	41.40	88,196
May-18	30.50	32.75	86,002	39.00	37.41	68,478
June-18	35.75	25.00	1,05,998	34.50	33.85	2,59,109
July-18	30.15	24.10	52,811	30.10	28.50	93,938
Aug-18	29.95	21.80	63,998	30.65	28.30	1,98,699
Sep-18	25.85	20.75	42,770	25.95	24.50	97,369
Oct-18	23.50	19.20	31,046	22.50	21.70	85,011
Nov-18	22.50	18.80	68,417	22.80	22.05	50,011
Dec-18	25.15	19.30	48,155	25.00	23.40	83,118
Jan -19	28.15	22.15	1,51,835	29.20	27.15	2,02,342
Feb -19	24.75	21.00	32,015	25.30	23.80	72,566
March-19	23.55	21.20	29,017	23.05	23.75	57,331

Disclosure on suspension of trading - Not applicable

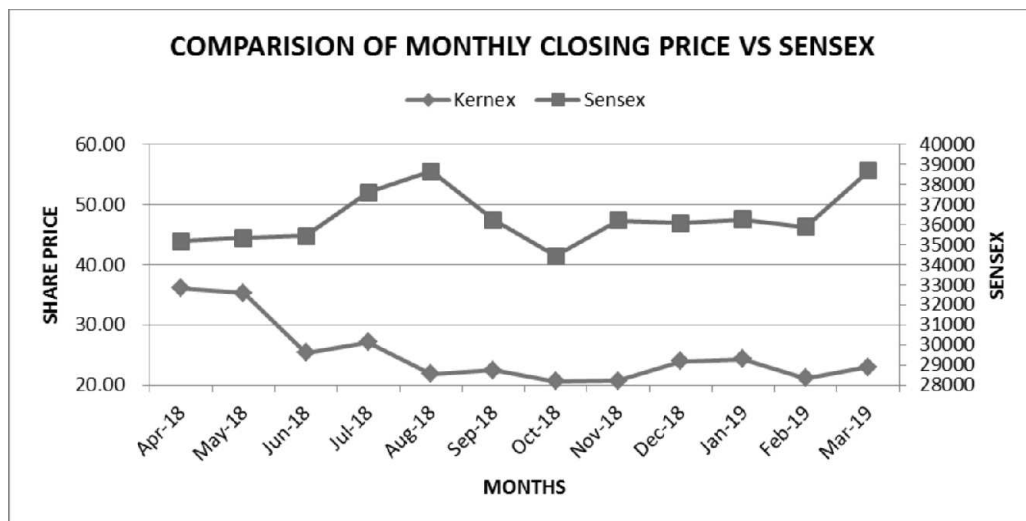
KERNEX SHARE PRICE VS NIFTY

Month	Price	Nifty
Apr-18	35.70	10,739.35
May-18	35.60	10,736.15
Jun-18	26.00	10,714.30
Jul-18	28.75	11,356.50
Aug-18	22.15	11,680.50
Sep-18	22.25	10,930.45
Oct-18	21.30	10,386.60
Nov-18	20.50	10,876.75
Dec-18	23.95	10,862.55
Jan -19	24.45	10,830.95
Feb -19	21.85	10,792.50
Mar-19	22.30	11,623.90



KERNEX SHARE PRICE VS SENSEX

Month	Price	Nifty
Apr-18	36.05	35160.36
May-18	35.30	35322.38
Jun-18	25.35	35423.48
Jul-18	27.10	37606.58
Aug-18	21.80	38645.07
Sep-18	22.40	36227.14
Oct-18	20.55	34442.05
Nov-18	20.70	36194.30
Dec-18	23.90	36068.33
Jan-19	24.30	36256.69
Feb-19	21.10	35867.44
Mar-19	23.00	38672.91



Share Transfer System

The Company's shares are traded in the stock exchanges compulsorily in Demat form. The Company's Registrar and Transfer agent is the common agency to look after physical and demat share work. The shares lodged for transfer at the registrar are processed and returned to shareholders within the stipulated time.

Distribution of Shareholding (as on March 31, 2019):

Sl. No.	Category No. of Shares	Holding in No.s.	% to Capital	No. of Accounts	% of Total Accounts
1.	1 - 5000	16,199	98.61	37,87,432	30.30
2.	5001 - 10000	114	0.69	8,52,364	6.82
3.	10001 - 20000	52	0.32	7,49,842	6.00
4.	20001 - 30000	21	0.13	5,18,502	4.15
5.	30001 - 40000	12	0.07	4,34,077	3.47
6.	40001 - 50000	3	0.02	1,33,254	1.07
7.	50001 - 100000	10	0.06	7,47,061	5.98
8.	100001 and above	17	0.10	52,77,123	42.22
TOTAL		16,428	100.00	1,24,99,655	100.00

Shareholding pattern as on March 31, 2019

S.No.	Catetory	No. of Share Holders	No. of Shares	Percentage of Holding
(A)	PROMOTER AND PROMOTER GROUP			
(1)	INDIAN			
(a)	Individual /HUF	3	1,392	0.01
(b)	Others			
(2)	FOREIGN			
(a)	Individuals (NRIs/Foreign Individuals)	14	34,25,024	27.40
(b)	Others			
	Total	17	3426416	27.41
(B)	PUBLIC SHAREHOLDING			
(1)	INSTITUTIONS			
(a)	Financial Institutions /Banks			
(2)	NON-INSTITUTIONS			
(a)	Bodies Corporate	165	8,72,513	6.98
(b)	Individuals			
	(i) Individuals holding nominal share capital upto Rs.1 lakh	15451	45,50,229	36.40
	(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	32	23,66,644	18.93
(c)	Others (NBFCs)	2	36,716	0.29
	CLEARING MEMBERS	12	11,347	0.09
	NON RESIDENT INDIANS	146	7,13,894	5.71
	TRUSTS	3	24,531	0.20
	HUF	600	4,97,365	3.99
	Total	16411	9073239	72.59
	Grand Total	16,428	1,24,99,655	100.00

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, 2019.

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

As on March 31, 2019 the company did not have any outstanding GDRs /ADRs / Warrants or any convertible instruments.

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

Registrar and Transfer Agents:

Karvy Fintech 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: ksreddy@karvy.com
Mr. K S Reddy
(Asst. General Manager)

Contact Person

Secretarial Audit:

1. M/s. A J Sharma & Associates, Practising Company Secretaries have conducted Secretarial Audit of the Company for the year 2018-19. 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 46 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.

31st August'2019

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 31st March, 2019.

Sd/-
M Badari Narayana Raju
Whole Time Director

Sd/-
K Satyanarana Raju
Chief Executive Officer

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of Kernex Microsystems (India) Limited,

We have examined the compliance of conditions of Corporate Governance by Kernex Micro Systems (India) Limited, for the year ended 31st March 2019, as per Regulation 17 to 27 clauses (b) to (i) of sub regulation (2) of Regulation 46 and Paragraphs C, D, E of Schedule V of the Securities and Exchange Board of India (Listing obligations and disclosure requirements) Regulations 2015 stipulated in the Listing Agreement of the said Company with stock exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examinations has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Regulations. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and representations made by the directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in SEBI (LODR) Regulations 2015.

We were informed by the officers of the Company that they have not received from their Registrar and share transfer agent of any shareholder complaint remaining unattended/ pending for more than 30 days during the year.

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

For **A.J.Sharma & Associates**
Company Secretaries

Sd/-

A.J.Sharma
Company Secretary
FCS-2120, CP-2176

Place: Hyderabad
Date: 31st August, 2019

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 31st March, 2019 and to the best of our knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violate of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to address these deficiencies.
- d. We have indicated to the auditors and the Audit Committee:
 - i. that there are no significant changes in the internal control over financial reporting during the year;
 - ii. that there are no significant changes in the accounting policies during the year; and
 - iii. that there are no instances of significant fraud of which we have become aware of and which involve management or other employees who have 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: 31st August, 2019.

To,
The Members,
Kernex Microsystems(India)Limited,
Plot No 38 to 41, Survey No 1/1,
Hardware Technology Park, Raviryal Village
Maheswaram Mandal, Hyderabad-501 510

Certificate under Schedule V (C)(10)(I) of SEBI (Listing Obligations and Disclosure Requirements), 2015

We A.J.Sharma & Associates, Practicing Company Secretaries, have examined the records, books and papers of Kernex Microsystems(India)Limited (CIN:L30007TG1991PLC013211) having its registered office at Plot No 38 to 41, Survey No 1/1, Hardware Technology Park, Raviryal Village, Maheswaram Mandal, Hyderabad-501 510 (the Company) as required to be maintained under the Companies Act, 2013, SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 and other applicable rules and regulations made there under for the Financial year ending 31st March 2019.

In our opinion and to the best of our information and according to the examinations carried out by us and explanations and representation furnished to us by the company, its officers and agents, we certify that none of the following Directors of the Company have been debarred or disqualified from being appointed or continuing as Director of Companies by the SEBI/ Ministry of Corporate Affairs or any such statutory authority as on 31st March 2019.

S.No.	Name of the Director	Designation	DIN
1.	Dinakara Rao Pasupuleti	Independent Director	00009801
2.	Ashok Gopalrao Kalmankar	Independent Director	01557687
3.	Venkata Satyanarayana Raju Totakura	Independent Director	02254926
4.	Anji Raju Manthena	Director	01022368
5.	Vinta Janardhana Reddy	Director	02414912
6.	Mantena Raju Narasa	Director	02666074
7.	Badari Manthena Narayana Raju	Wholetime Director	07993925
8.	Sreelakshmi Manthena	Director	07996443

For A.J.Sharma & Associates
Company Secretaries

Sd/-

A.J.Sharma
FCS-2120, CP-2176

Place: Hyderabad
Date: 31st August, 2019.

ANNEXURE - H

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ECONOMY

The Indian economy reported continuous decline in GDP growth rate over the quarters as fiscal 2018-19 progressed, government data showed. The GDP growth rate has constantly declined from 8.0 per cent in the April-June quarter of FY19, to 7.0 per cent in the July-September quarter, and 6.6 per cent in the October-December quarter. As per government data, the Indian economy is estimated to grow at a rate of 6.8 per cent during the financial year 2018-19 after a downward revision from government estimate of 7.0 per cent in February. The Indian economy had grown at 7.2 per cent in the previous financial year. An industry analysis showed all sectors except manufacturing, construction, and financial, real estate and professional services to experience slowdown during the fiscal. Agriculture, forestry and fishing sector has shown a growth rate of 2.9 percent as against previous year's growth rate of 5.0 per cent. The mining and quarrying sector on the other hand has shown a growth rate of 1.3 percent as against previous year's growth rate of 5.1 per cent.

Electricity, gas, water supply and other utility services is estimated to grow at 7.0 percent as against previous year's growth rate of 8.6 percent. Trade, hotels, transport, communication and services related to broadcasting sector is estimated at 6.9 percent as against previous year's growth rate of 7.8 percent. The public administration, defence and other services sector has shown a growth rate of 8.6 percent as against previous year's growth rate of 11.9 per cent.

On the other hand, the growth in the manufacturing sector is estimated at 6.9 percent as against previous year's growth rate of 5.9 percent. GVA at basic prices for 2018-19 from 'construction' sector is estimated at 8.7 percent as against previous year's growth rate of 5.6 percent. The 'financial, real estate and professional services' sector has shown a growth rate of 7.4 percent as against previous year's growth rate of 6.2 percent. Meanwhile, the fiscal deficit for financial year 2018-19 came in at 3.39 per cent of GDP. It was marginally lower than 3.4 per cent estimated in the revised estimates of the Budget, mainly due to

increase in non-tax revenue and lower expenditure. In absolute terms, fiscal deficit at the end of March 31, 2019, stood at Rs 6.45 lakh crore as against Rs 6.34 lakh crore in the revised estimates of Budget. Although in absolute terms the fiscal deficit has gone up, but as a percentage of GDP the deficit figure has come down marginally, mainly on account of GDP expansion in 2018-19.

Industry structure and developments

The Indian Railway network is growing at a healthy rate. In the next five years, the Indian railway market will be the third largest, accounting for 10 per cent of the global market. As of December 2018, the Government of India is considering a High Speed Rail Corridor project between Mumbai and Nagpur.. As of November 2018, Indian Railways is planning to come out with a new export policy for railways. The Government of India is going to come up with a 'National Rail Plan' which will enable the country to integrate its rail network with other modes of transport and develop a multi-modal transportation network. A 'New Online Vendor Registration System' has been launched by the Research Designs & Standards Organisation (RDSO), which is the research arm of Indian Railways, in order to have digital and transparent systems and procedures. The Government of India has signed an agreement with the Government of Japan under which Japan will help India in the implementation of the Mumbai-Ahmedabad high speed rail corridor along with a financial assistance that would cover 81 per cent of the total project cost.

Railways

Indian Railways posted record revenue in 2018-19 and the highest revenue growth in three years with introduction of new trains and attracting more passengers.

The Company is one of the three involved in the TCAS trials for maiden installation, suitability and operability in South Central Railway auto signaling sections and full-fledged extended trials at Vikarabad, Wadi and Bidar. The Company has invested considerable amounts in the project and

successfully conducted series of trials with changing technical specifications of Railways. Tender released by SCR for 1,200 Km in April' 2019 and Kernex submitted the bid during June 2019. Bid Review and Award is in progress.

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

Threats

The rapid technological changes, competition from multi-national Companies and unfair domestic competition, change in Government policies are the threats

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.

Outlook

The Indian Railway network is growing at a healthy rate. In the next five years, the 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. Besides development of three new arms of Dedicated Freight Corridor (DFC) in the various regions of the country, Indian government is planning to invest Rs 3,30,000 crores and is planning to invest for adopting to European Train Control Systems (ETCS) which will help in the development of the infrastructural facilities. The Company operating in the Rail sector is looking forward to reap the benefits of massive investments in the sector

Risks and areas of concern

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

Discussion on financial performance with respect to operational performance

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

Internal control systems and their adequacy

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.

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 2019 is 80 as against 77 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.

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 the Order of the Board

for KERNEX MICROSYSTEMS (INDIA) LIMITED

Sd/-

M. Badari Narayana Raju
Whole-Time Director
DIN:07993925

Place : Hyderabad
Date : 31st August, 2019

Sd/-

Dr. Manthena Anji Raju
Director
DIN: 01022368

Place: Houston, USA
Date : 31st August, 2019

INDEPENDENT AUDITORS' REPORT

To
The Members
Kernex Microsystems (India) Limited

Opinion

We have audited the standalone Financial statements of Kernex Microsystems (India) Limited ("the Company"), which comprise the balance sheet as at 31 March 2019, and the statement of Profit and Loss, including the Statement of Other Comprehensive Income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and its loss, and its cash flows for the year ended on that date.

Basis for Opinion

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

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 31March, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31March, 2019 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 Registration No: S-200016

Sd/-
Y. Venkateswarlu
Partner
Membership No: 222068

PLACE : Hyderabad
DATE : 20th May, 2019

ANNEXURE “A” TO THE INDEPENDENT AUDITORS’ 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 2019 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 we re operating effectively for ensuring the orderly and efficient conduct of its business, the safe guarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section

143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls Over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance

with authorizations of management and directors of the company; and (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may be come 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, 2019, 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 Registration No: S-200016

Sd/-
Y. Venkateswarlu
Partner
Membership No: 222068

Place: Hyderabad
Date: 20th May, 2019

ANNEXURE 'B' TO THE INDEPENDENT AUDITORS' 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 eventdate)

- 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) According to the books and records as produced and examined by management in accordance with Generally Accepted Auditing Practices in India and also based on management representations, undisputed statutory dues 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 other material statutory dues applicable to it with the appropriate authorities.

Nature of Statutory Dues	Amount (Rs. In Lakhs)
Service tax	69.72
CST against 'C' Forms	22.07
Total	91.80

(b) According to the information and explanations given to us, disputed amounts payable in respect of income-tax, were outstanding as at March 31, 2019 as follows :

Name of the Statute			Period to which the amount relates	Amount ₹ in Lakhs
The Income Tax Act, 1961	Income Tax	High Court of judicature at Hyderabad for the state of Telangana and state of Andhra Pradesh	A.Y. 1998-99	8.00

- 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.
- xvi. 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 Registration No: S-200016

Sd/-
Y. Venkateswarlu
Partner
Membership No: 222068

Place: Hyderabad
Date: 20th May, 2019

Balance Sheet As At 31st March, 2019

Amount in Rupees

Particulars	Note	As at 31st Mar 2019	As at 31st Mar 2018
ASSETS			
Non-current assets			
Property, Plant and Equipment	2	426,469,900	534,850,796
Capital work-in-progress	2		
Intangible assets	2	145,278	594,914
Financial assets			
Investments	3	11,830,950	11,830,950
Other financial assets	4	61,729,006	61,527,499
Deffered tax assets (net)		-	-
Other Non-current assets	5	20,630,650	23,080,217
Total non-current assets		520,805,784	631,884,376
Current assets			
Inventories	6	24,949,999	85,590,288
Financial assets			
Trade receivables	7	152,388,588	365,262,322
Cash and cash equivalents	8	4,971,138	5,224,824
Other bank balances	9	69,179,463	55,314,912
Other financial assets	10	2,546,352	1,542,491
Other current assets	11	56,828,864	44,881,841
Total current assets		310,864,404	557,816,678
TOTAL ASSETS		831,670,188	1,189,701,054
EQUITY AND LIABILITIES			
Equity			
Equity Share capital	12	124,996,550	124,996,550
Other equity	13	490,682,192	693,089,334
Total Equity		615,678,742	818,085,884
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	14	193,681	590,612
Deferred tax liabilities		3,880,780	9,259,421
Other Non-current liabilities	15	18,851	79,800,000
Total Non-current liabilities		4,093,312	89,650,033
Current liabilities			
Financial liabilities			
Borrowings	16	133,790,753	188,950,917
Trade Payables	17	54,383,092	66,154,016
Other financial liabilities	18	1,036,988	1,197,756
Other current liabilities	19	22,687,300	25,662,448
Provisions			
Total current liabilities		211,898,134	281,965,137
TOTAL EQUITY AND LIABILITIES		831,670,188	1,189,701,054

See Accompanying notes to the financial statements 1 to 37

As per our report of even date attached

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

For PRSV & Co. LLP	Sd/- BADARI NARAYANA RAJU MANTHENA	Sd/- DR. RAJU NARASA MANTENA
Chartered Accountants	Whole Time Director	Director
Firm Regn No. S200016	DIN : 07993925	DIN: 0266074
Sd/-	Sd/-	Sd/-
Y VENKATESWARLU	SATYANARAYANA RAJU KALIDINDI	RAMAYYA VUTUKURI
Partner	Chief Executive Officer	Chief Financial Officer
Membership No. 222068	Sd/-	
Place: Hyderabad	PRASADA RAO KALLURI	
Date: 20-May-2019	Company Secretary	

Statement Of Profit And Loss For The Year Ended 31st March , 2019
Amount in Rupees

Particulars	Note	As at 31st Mar 2019	As at 31st Mar 2018
Revenue from operations	20	74,737,993	133,055,787
Other Income	21	12,954,375	7,185,671
Total income		87,692,367	140,241,457
Expenses			
Cost of materials consumed	22	52,367,740	6,596,350
Purchases of stock in trade	23	1,225,000	13,964,371
Changes in inventories of finished goods, work in progress and stock in trade	24	(9,025,913)	1,264,633
Employee benefit expense	25	45,002,812	48,597,456
Finance cost	26	22,878,222	21,457,420
Depreciation and amortization expense	2	21,032,846	22,462,207
Other expenses	27	107,259,529	175,769,784
Total expenses		240,740,236	290,112,222
Profit/(loss) before extraordinary, exceptional items and tax		(153,047,868)	(149,870,764)
Extraordinary items		-	-
Exceptional items	28	(56,137,765)	-
Profit/(loss) before tax		(209,185,634)	(149,870,764)
Tax expense			
(i) Current tax		-	-
(ii) Previous years tax		2,919,699	
(ii) Deferred tax		(5,378,641)	(5,641,149)
Net profit/(loss) for the period/year		(206,726,691)	(144,229,615)
Other comprehensive income			
A (i) Items that will not be reclassified to Statement of Profit and loss		(152,330)	(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		(206,879,021)	(144,959,463)
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
Basic and Diluted Earnings per share of Rs.10/- each (not annualised) Rs.		(16.54)	(11.54)

See Accompanying notes to the financial statements 1 to 37

As per our report of even date attached

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

For PRSV & Co. LLP	Sd/-	Sd/-
Chartered Accountants	BADARI NARAYANA RAJU MANTHENA	DR. RAJU NARASA MANTENA
Firm Regn No. S200016	Whole Time Director	Director
	DIN : 07993925	DIN: 0266074
Sd/-	Sd/-	Sd/-
Y VENKATESWARLU	SATYANARAYANA RAJU KALIDINDI	RAMAYYA VUTUKURI
Partner	Chief Executive Officer	Chief Financial Officer
Membership No. 222068	Sd/-	
Place: Hyderabad	PRASADA RAO KALLURI	
Date: 20-May-2019	Company Secretary	

Statement Of Cash Flows For The Year Ended 31st March, 2019
Amount in Rupees

Particulars	Year ended 31st Mar 2019	Year ended 31st Mar 2018
Cash flow from operating activities		
Profit / (Loss) before tax	(209,185,634)	(149,870,764)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortisation	21,032,840	22,462,207
Foreign Currency translation gain / (loss)	(5,121,724)	11,632,614
Written off / Provision for obsolete stock	44,364,135	14,565,974
Sundry balances written off	2,409,930	11,022,358
Provision for Doubtful Advances	5,996,062	56,318,609
Provision for expected credit loss	200,584,298	(863,138)
Provision for slow/non moving stocks	24,880,166	-
Liabilities no longer required written back	(2,215,467)	(993,526)
(Profit) / Loss on sale of Fixed assets	(194,326,700)	74,722
Court settlements	25,000,001	-
Finance costs	22,878,222	22,736,929
Interest income	(4,740,022)	(3,227,833)
Other non operating income	(678,333)	(2,101,174)
Changes in assets and liabilities		
Trade receivables	12,289,437	33,908,935
Inventories	(8,604,012)	2,076,422
Other assets	(16,189,116)	(9,568,364)
Trade payables	(5,953,584)	(16,392,613)
Other liabilities	(138,077,229)	32,909,104
Net cash flow from operating activities (A)	(225,656,729)	24,690,462
Cash flows from investing activities		
Sale of Fixed Assets	282,662,500	200,000
Purchase of property, plant and equipment	(538,108)	(3,710,642)
Court settlements	(25,000,001)	-
Interest income	4,740,022	3,227,833
Net cash flow used in investing activities (B)	261,864,413	(282,809)
Cash flow from financing activities		
Other non-current liabilities	(396,931)	484,484
Other non operating income	678,333	2,101,174
Finance costs	(22,878,222)	(22,736,929)
Net cash flow (used in)/from financing activities (C)	(22,596,821)	(20,151,271)
Net increase in cash and cash equivalents (A+B+C)	13,610,864	4,256,382
Cash and Bank Balances at the beginning of the year	60,539,736	56,283,354
Cash and cash equivalents at the end of the year	74,150,600	60,539,736

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/-
Y VENKATESWARLU
 Partner

 Membership No. 222068
 Place: Hyderabad
 Date: 20-May-2019

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

 Sd/-
SATYANARAYANA RAJU KALIDINDI
 Chief Executive Officer

 Sd/-
PRASADA RAO KALLURI
 Company Secretary

 Sd/-
DR. RAJU NARASA MANTENA
 Director
 DIN: 0266074

 Sd/-
RAMAYYA VUTUKURI
 Chief Financial Officer

KERNEX MICROSYSTEMS (INDIA) LIMITED

Notes forming part of the financial statements

NOTE

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

Financial Liabilities

Initial recognition and measurement

All financial liabilities are recognized at fair value and in case of loans, net of directly attributable transaction costs. Fees of recurring nature are directly recognised in the Statement of Profit and Loss as finance cost.

Subsequent measurement

Financial liabilities are carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Derecognition of financial instruments

A financial asset (or a part of the financial asset) is derecognized from the Company's balance sheet when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability (or a part of the financial liability) is derecognized from the Company's balance sheet when the obligation under the liability is discharged or cancelled or expires.

2.6. Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and on hand, demand deposits and other short term deposits that are readily convertible into known amounts of cash, are subject to insignificant risk of changes in value and have a maturity of three months or less.

2.7. Inventories

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods are measured at the lower of cost and net realisable value after providing for obsolescence. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity.

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

2.8. Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent of impairment if any.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating

unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

An impairment loss is recognised in the statement of profit and loss to the extent, the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount.

The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

2.9. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities

A contingent liability is disclosed when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets

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

2.10. Revenue recognition

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

i. Revenue from contracts

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

ii. Revenue from services

Service income is recognised as per the terms of contracts with the customer, when the related services are performed.

iii. Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing effective control or management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms and excluding taxes or duties collected on behalf of the government.

iv. Interest Income

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

2.11. Employee Benefits Expense

i. Short Term Employee Benefits

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees are recognised as an expense during the period when the employees render the services.

ii. Post-Employment Benefits

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which the Company pays specified contributions to a separate entity. The Company's contributions to defined contribution plans are recognised as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

Defined Benefit Plans

The liability in respect of gratuity benefit is determined using the Projected Unit Credit Method based on actuarial valuation, performed by an independent qualified actuary.

Re-measurement of defined benefit plans in respect of post-employment are charged to the Other Comprehensive Income.

2.12. Finance cost

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are capitalized as part of the cost of such assets.

All other borrowing costs are charged to the statement of profit and loss for which they are incurred.

2.13. Foreign currencies transactions and translation

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date.

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

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

2.14. Tax Expenses

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

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or

substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised using the balance sheet method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding amounts used in the computation of taxable profit.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.15. Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
NOTE No. : 2 - PROPERTY, PLANT AND EQUIPMENT

Amount in Rupees

Particulars	Gross Block				Depreciation					Net Block	
	As at 31st Mar, 2018	Additions during the year	Deletions during the year	" As at 31.03.2019 "	" Upto 01.04.2018 "	For The Year	Impairment losses recognised in statement of Profit&Loss	Deletions/ Transitional provision adjustment	Upto 31st Mar, 2019	AS AT 31st Mar, 2019	AS AT 31st Mar, 2018
Tangible Assets											
Land and Land Development	262,555,028	-	88,335,800	174,219,228	-	-	-	-	-	174,219,228	262,555,028
Building Own Use	386,745,336	-	-	386,745,336	128,252,138	16,206,543	-	-	144,458,681	242,286,655	258,493,198
Plant and Equipment Owned	137,205,718	152,820	-	137,358,538	127,230,216	2,734,662	-	-	129,964,878	7,393,660	9,975,503
Furniture and Fixtures Owned	11,796,430	-	-	11,796,430	10,498,989	400,644	-	-	10,899,633	896,797	1,297,441
Vehicles Owned	11,220,096	-	-	11,220,096	8,725,443	983,095	-	-	9,708,538	1,511,558	2,494,653
Office Equipment Owned	9,531,002	385,288	-	9,916,290	9,496,029	258,259	-	-	9,754,288	162,002	34,973
Total	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
Previous Year	816,743,805	2,809,180	499,375	819,053,610	262,471,887	21,955,581	-	224,653	284,202,815	534,850,796	554,271,919
Capital Work in Progress	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets											
Computer Software	14,534,028	-	-	14,534,028	13,939,113	449,643	-	-	14,388,750	145,278	594,915
Total	14,534,028	-	-	14,534,028	13,939,113	449,643	-	-	14,388,750	145,278	594,915
Previous Year	13,632,566	901,462	-	14,534,028	13,432,487	506,626	-	-	13,939,113	594,915	200,079

Note : Note: Depreciation on Buildings to the extent of Rs 8,74,29,668/- capitalised during FY 2016-17 is not provided since not put to use.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

		Amount in Rupees	
Note	Particulars	As at 31st Mar 2019	As at 31st Mar 2018
3	INVESTMENTS		
	Investments carried at cost		
	Unquoted equity shares (fully paid up)		
	In 100% subsidiary- Avant Garde Info systems Inc USA		
	35,80,000 Equity shares of US \$ 0.02 each and		
	17,99,240 Equity shares of US \$ 0.10 each	11,830,950	11,830,950
		11,830,950	11,830,950
4	OTHER FINANCIAL ASSETS		
	Unsecured and considered good		
	Security deposits	1,729,006	1,527,499
	Receivable on sale of fixed assets	60,000,000	60,000,000
		61,729,006	61,527,499
5	OTHER NON CURRENT ASSETS		
	Advance income tax (net)	8,373,713	10,823,280
	Mat credit entitlement	12,256,937	12,256,937
		20,630,650	23,080,217
6	INVENTORIES		
	Raw material	84,616,060	84,616,060
	Less: Obsolete stock written off	(59,352,010)	-
	Less: Provision for slow / non moving stock	(24,880,166)	(14,565,974)
		383,884	70,050,086
	Work-in-progress	24,566,115	15,540,202
		24,949,999	85,590,288

Obsolete stock procured for abonded ACD project of Rs. 5,93,52,010/- (Provision was made in previous year for Rs. 1,45,65,974) is written off and a provision of Rs. 2,48,80,166 has been made for slow/non moving stocks during the year.

Work-in-progress represent work completed in respect of projects yet to be billed to the customers.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note	Particulars	Amount in Rupees	
		As at 31st Mar 2019	As at 31st Mar 2018
7 TRADE RECEIVABLES			
	Unsecured		
	Considered good	152,997,497	365,262,322
	Considered doubtful	206,651,894	7,548,963
		359,649,391	372,811,285
	Less: Allowances for credit losses	(207,260,804)	(7,548,963)
		152,388,587	365,262,322
	Out of the above Trade Receivables, an amount of Rs 11.87 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 receivable from Konkan Railways Coporation Ltd (KRCL) is under arbitration / in the process of filing arbitration (Refer Note No 35).		
	Allowance for credit losses made during the year is in continuation to the above notes.		
8 CASH AND CASH EQUIVALENTS			
	Balances with banks		
	In Current accounts	2,942,034	3,530,968
	Cash on hand	2,029,103	1,693,856
		4,971,138	5,224,824
9 OTHER BANK BALANCES			
	In Deposit accounts	85,778	85,778
	Unclaimed dividend accounts	275,360	275,360
	Margin money for bank guarantees	68,818,324	54,953,774
		69,179,462	55,314,912
10 OTHER FINANCIAL ASSETS			
	Interest accrued but not due on term deposits	2,546,352	1,455,091
	EMD	-	87,400
		2,546,352	1,542,491

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note	Particulars	Amount in Rupees	
		As at 31st Mar 2019	As at 31st Mar 2018
11 OTHER CURRENT ASSETS			
	Unsecured and considered good		
	Advance to vendors for supply of goods & services - Considered Good	34,199,613	11,926,993
	Considered Doubtful	5,996,063	
		40,195,676	11,926,993
	Less: Provision for Advances	(5,996,063)	-
		34,199,613	11,926,993
	Advances to Customers	3,934,926	-
	Balances with statutory/government authorities	16,600,850	15,655,445
	Advance for expenses	1,391,118	1,658,351
	Prepaid expenses	702,356	641,051
	Other advances	-	15,000,001
		56,828,863	44,881,841

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

Other advances represent compensation paid to the party in connection with cancellation of agreement for sale of land and the amount is shown as advance pending final documentation.

12 SHARE CAPITAL

Authorised share capital

1,50,00,000 Equity shares of Rs. 10/- each **150,000,000** 150,000,000

Issued, subscribed and fully paid-up

1,24.99,655 Equity Shares of Rs. 10/- each with voting rights **124,996,550** 124,996,550

124,996,550 124,996,550

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

Particulars	31-Mar-19		31-Mar-18	
	No of Shares	Amount	No of Shares	Amount
At the beginning of the year	12,499,655	124,996,550	12,499,655	124,996,550
Issued during the year	-	-	-	-
Outstanding at the end of the year	12,499,655	124,996,550	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

Particulars	31-Mar-19		31-Mar-18	
	No of Shares	% of holding	No of Shares	% of holding
Raju Narasa Manthana			854,633	6.84%
Seetharamaraju Manthana	712,992	5.70%	712,992	5.70%
Sreelakshmi Manthana	640,398	5.12%	640,398	5.12%

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note 13: STATEMENT OF CHANGES IN EQUITY and OTHER EQUITY as at 31st Mar 2019

Amount in Rupees

Particulars	Equity share capital	Reserves & Surplus				Other Comprehensive Income	Total Other Equity
		Securities premium	General Reserve	Foreign currency translation reserve	Profit and loss		
Balance as at 31st Mar 17	124,996,550	917,219,545	61,213,631	(43,763,883)	(96,085,099)	(2,970,348)	835,613,846
Loss for the year					(144,229,615)		(144,229,615)
Total Comprehensive Income for the year						(729,848)	(729,848)
Foreign exchange rate variations for the year				2,434,952			2,434,952
Balance as at 31st Mar 18	124,996,550	917,219,545	61,213,631	(41,328,931)	(240,314,714)	(3,700,196)	693,089,334
Loss for the year					(206,726,691)		(206,726,691)
Total 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 31st Mar 19	124,996,550	917,219,545	61,213,631	(36,857,053)	(447,041,406)	(3,852,526)	490,682,192

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note	Particulars	Amount in Rupees	
		As at 31st Mar 2019	As at 31st Mar 2018
14 BORROWINGS			
	Secured		
	Vehicle loans	193,681	590,612
		193,681	590,612
	Vehicle loans are repayable in 36 instalments carrying interest rate of 13.5%. The loans are secured by hypothecation of vehicles.		
15 OTHER NON CURRENT LIABILITIES			
	Advance received against sale of land	18,851	79,800,000
		18,851	79,800,000
	During 2017-18 advance received against sale of land. The required documentation including execution of sale is completed during 2018-19.		
16 BORROWINGS			
	Loans repayable on demand (Unsecured)		
	From banks		
	Cash credit facilities	-	48,858,351
	Others		
	Unsecured loans from directors	57,614,207	57,614,207
	Inter corporate deposits	76,176,546	82,478,359
		133,790,753	188,950,917
	Unsecured loans from directors are interest free.		
	Inter corporate deposits outstanding as on 31st Mar, 2019 are received from M/s MRT Signals Limited and PNR Agro Farms Pvt Ltd and carrying interest rate ranging from 15% to 16%.		
17 TRADE PAYABLES			
	Due to micro, small and medium enterprises	-	-
	Others	54,383,092	66,154,016
		54,383,092	66,154,016
18 OTHER FINANCIAL LIABILITIES			
	Current maturity of vehicle loans	531,632	692,400
	Due to capital creditors	219,241	219,241
	Unclaimed dividends	259,815	259,815
	Share application money due for refund	26,300	26,300
		1,036,988	1,197,756

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

		Amount in Rupees	
Note	Particulars	As at 31st Mar 2019	As at 31st Mar 2018
19	OTHER FINANCIAL LIABILITIES		
	Advance from customers	11,863,849	10,287,425
	Statutory remittances	10,823,451	15,375,023
		<u>22,687,300</u>	<u>25,662,448</u>
20	REVENUE FROM OPERATIONS		
	Sale of Products	53,404,330	60,488,391
	Sale of Services	21,333,663	72,567,396
		<u>74,737,993</u>	<u>133,055,787</u>
21	OTHER INCOME		
	Interest Income		
	On fixed deposits	4,512,238	3,126,595
	Interest on income tax refund	212,580	-
	Interest on electricity deposit	15,204	101,238
	Net gain on foreign currency transactions	5,320,554	-
	Other non-operating income		
	Rental income	160,000	-
	Miscellaneous income	518,333	2,101,174
	Liabilities no longer required written back	2,215,467	993,526
	Reversal of provision for expected credit losses	-	863,138
		<u>12,954,375</u>	<u>7,185,671</u>
22	COST OF MATERIALS CONSUMED		
	Material consumed	52,367,740	6,596,350
		<u>52,367,740</u>	<u>6,596,350</u>
23	PURCHASE OF TRADED GOODS		
	Purchase of booms etc	1,225,000	13,964,371
		<u>1,225,000</u>	<u>13,964,371</u>
24	CHANGES IN INVENTORIES OF WORK-IN-PROCESS		
	Inventories at the end of the year		
	Work-in- process	24,566,115	15,540,202
	Inventories at the beginning of the year		
	Work-in- process	15,540,202	16,804,835
	Net (increase)/decrease	<u>(9,025,913)</u>	<u>1,264,633</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Amount in Rupees

Note	Particulars	As at 31st Mar 2019	As at 31st Mar 2018
25 EMPLOYEE BENEFIT EXPENSE			
	Salaries and wages	39,590,996	41,953,792
	Contribution to provident and other funds	1,607,079	1,644,604
	Directors remuneration	1,700,000	3,500,000
	Staff welfare expenses	2,104,737	1,499,060
		45,002,812	48,597,456
26 FINANCE COSTS			
	Interest on borrowings	18,850,399	18,648,954
	Other borrowing costs	4,027,823	2,808,466
		22,878,222	21,457,420
27 OTHER EXPENSES			
	Project execution expenses	27,050,590	59,789,399
	Electricity charges	2,804,497	2,285,207
	Security charges	1,497,593	1,319,162
	Rates and taxes	7,995,783	4,035,223
	Printing and stationery	238,284	165,159
	Insurance	312,264	636,472
	Repairs and maintenance	2,837,201	3,504,303
	Postage, telephone and courier	333,991	392,973
	Travelling and conveyance	1,731,742	2,720,121
	Professional & consultancy fees	3,101,026	3,736,182
	Directors sitting Fees	2,460,000	1,200,000
	Business promotion	460,676	707,440
	Payment to auditors		
	Statutory audit	400,000	400,000
	Tax audit	200,000	200,000
	Others	1,588	61,461
	Miscellaneous expenses	2,865,336	3,437,358
	Net (gain) / loss on foreign currency transactions and translation	198,829	9,197,661
	Sundry balances written off	2,409,930	67,340,967
	Provision for Doubtful Advances	5,996,062	-
	Written off / Provision for obsolete stock	44,364,135	14,565,974
	Loss on sale of asset	-	74,722
		107,259,529	175,769,784
28 EXCEPTIONAL ITEMS			
	Profit on sale of asset	194,326,700	-
	Provision for expected credit loss	(200,584,298)	-
	Provision for slow/non moving stocks	(24,880,166)	-
	Court settlements	(25,000,001)	-
		(56,137,765)	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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. 13,41,579/- (Previous year Rs. 13,67,441/-) towards provident fund plan during the years ended 31 March 2019.

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	Amount in Rupees	
	As at 31st Mar 2019	As at 31st Mar 2018
Present value of obligation as at beginning of the year	4,254,535	4,758,870
Current service cost	692,676	648,266
Interest expense or cost	328,876	352,632
Re-measurement (or Actuarial) (gain) / loss	(142,110)	717,793
Benefits Paid	(39,231)	(2,223,026)
Present Value of Obligation as at the end of the year	5,094,746	4,254,535

ii. Changes in fair value of plan assets

Particulars	Amount in Rupees	
	As at 31st Mar 2019	As at 31st Mar 2018
Fair Value of Plan Assets as at the beginning of the year	5,154,364	5,619,303
OB difference	-	-
Investment Income	398,432	416,390
Employer's Contribution	-	1,400,000
Expenses	(31,141)	(46,248)
Benefits Paid	(39,231)	(2,223,026)
Return on plan assets, excluding amount recognised in net interest expense	10,220	(12,055)
Fair Value of Plan Assets as at the end of the year	5,492,644	5,154,364

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

iii. Fair value of Assets and Obligations

Particulars	As at	As at
	31st Mar 2019	31st Mar 2018
Fair value of plan assets	5,492,644	5,154,364
Present value of obligation	5,094,746	4,254,535
Amount recognized in balance sheet	397,898	899,829

iv. Expenses recognised during the year

Particulars	Amount in Rupees	
	As at 31st Mar 2019	As at 31st Mar 2018
In Income Statement		
Current Service Cost	692,676	648,266
Net Interest Cost / (Income) on the Net Defined Benefit Liability / (Asset)	(69,556)	(63,758)
Expenses Recognised in the Income Statement	623,120	584,508
In Other Comprehensive Income		
Actuarial (gains)/ losses		
Opening balance difference	-	-
Others	(110,969)	764,041
Return on plan assets, excluding amount recognized in net interest expense	(10,220)	12,055
Components of defined benefit costs recognised in other comprehensive income	(121,189)	776,096

v. Actuarial assumptions

Particulars	As at	As at
	31st Mar 2019	31st Mar 2018
Discount rate (per annum)	7.73%	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	As at 31st Mar 2019		As at 31st Mar 2018	
	Decrease	Increase	Decrease	Increase
Change in discounting rate	5,461,649	4,771,435	4,588,134	3,961,908
Change in salary growth rate	4,639,301	5,616,988	3,836,094	4,736,426
Change in attrition rate	4,843,194	5,326,734	4,011,368	4,478,571
Change in mortality rate	5,086,042	5,103,420	4,246,346	4,262,697

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
30. RELATED PARTIES
a. List of the transacted Related Parties and description of relationship

Nature of Relationship	Name of the related party	
Wholly owned subsidiary	Avant-Garde Info Systems Inc, USA	100% WOS
	Anji Raju Manthena	Director
Key Managerial Personnel	Mantena Raju Narasa	Director
	Vinta Janardhana Reddy	Director
	Sreelakshmi Manthena	Director
	M.B.Narayana Raju	Whole Time Director
	T.V. Satyanarayana Raju	Independent Director
	Ashok Gopalrao Kalmankar	Independent Director
	P. Dinkara Rao	Independent Director
	K. Satyanarayana Raju	Chief Executive Officer
	Ramayya Vutukuri	Chief Financial Officer
	Prasada Rao Kalluri	Company Secretary
	K.Krishnam Raju	Chief Executive Officer
	Arun Kumar Sanwalka	Independent Director
Relatives of Key Managerial Personnel	Chenna Krishna Mantena	Son of Director
	M.A. Seetharama Raju	Son of Director

b. Transactions with Related parties during the year

Nature of Transaction	Name of the related party	As at	As at
		31st Mar 2019	31st Mar 2018
Managerial Remuneration	M.B.Narayana Raju	2,076,532	500,000
	K. Satyanarayana Raju	750,000	-
	K.Krishnam Raju	3,888,161	6,000,000
	Ramayya Vutukuri	1,778,400	1,009,006
	Prasada Rao Kalluri	225,000	-
Repayment of loan taken	K.Krishnam Raju	-	1,400,000
Purchases	Avant-Garde Info Systems Inc, USA	1,339,556	9,220,549

c. Balances as at 31st Mar 2019

Nature of Transaction	Name of the related party	As at	As at
		31st Mar 2019	31st Mar 2018
Loan taken from KMP	Anji Raju Manthena	18,935,842	18,935,842
	Raju Narasa Mantena	23,000,000	23,000,000
	Vinta Janardhana Reddy	10,417,080	10,417,080
	B Murali Mohan	945,085	945,085
Loan taken from relative of KMP	Chenna Krishna Mantena	4,316,200	4,316,200
Trade payable	Avant-Garde Info Systems Inc, USA	2,001,835	754,484

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
31. EARNINGS PER SHARE

Particulars	Amount in Rupees	
	Year ended 31st Mar 2019	Year ended 31st Mar 2018
Profit after tax attributable to equity shareholders	(206,726,691)	(144,229,615.24)
Weighted average number of equity shares for Basic EPS	12,499,655	12,499,655.00
Weighted average number of equity shares for Diluted EPS	12,499,655	12,499,655.00
Basic earnings per Share	(16.54)	(11.54)
Diluted earnings per Share	(16.54)	(11.54)

32. INCOME TAXES
Income tax expense/ (benefit) recognised in the statement of profit and loss

Particulars	Year ended 31st Mar 2019	Year ended 31st Mar 2018
Current tax expense	-	-
Deferred tax expense	(5,378,641)	(5,641,149.16)
Total income tax expense recognised in the statement of profit & loss	(5,378,641)	(5,641,149.16)

33. CONTINGENT LIABILITIES AND COMMITMENTS

Particulars	Amount in Rupees	
	Year ended 31st Mar 2019	Year ended 31st Mar 2018
a. Claims against the Company not acknowledged as a debt (See note c to f below)	17,686,858	13,622,000
b. Bank guarantee outstanding	108,874,798	134,474,168

c. Income tax

- i. The deputy commissioner of Income tax filed an appeal before the tribunal against the favorable 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.
- ii. Appeal filed with the Commissioner (Appeals) in respect of Assessment year 2014-15.
- 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 with in 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 favourable order.

d. Service tax

- i. The tribunal has given stay in favour of the Company for the appeal filed against the order passed by Commissioner (Appeals-II) on availment of credit on IPO Expenses. Against Tribunal order

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

department appealed in High court. In the month of August'2018, Department withdrawn the case due to appeal is below monetary limit of Rs.50/- lakhs in the light of circular instructions issued by the Central Board of Indirect Taxes and Customs dated 11.07.2018 I.A. No. 1 of 2018. A Judgment was passed by High Court that the appeal is dismissed as withdrawn. Miscellaneous petitions pending, if any, shall stand closed on 20.08.2018.”

- ii. 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 is in the process of representing the case and is confident of a favourable order.

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. Department has set aside the show cause notice and passed an order accepting the claim of the Company. As such no demand has arisen on the Company.

f. Provident fund

The Company received summons and orders for Interest for delay payments of Provident Fund for the period 16.06.2013 to 06.01.2018 vide order no: AP/HYD/0028156/000/Enf/518/Damages/981 dated 05.02.2018 for an amount of Rs. 51,65,000/-. The amount has been paid during 2018-19

34. OTHER SIGNIFICANT LITIGATIONS

- i. 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

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.

The Company monitors the capital structure on the basis of net debt to equity ratio on a periodical basis.

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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.

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.

c. 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.

d. Exchange rate risk

The company foreign exchange arised from its foreign operations, foreign currency revenues and expenses, (Primarily in US Dollars and Egyptian pounds). Consequently, the company is exposed to foreign exchange risk through its sales, services and purchases from overseas suppliers in various foreign currencies.

The foreign currency exposures as of 31st Mar 2019 were as follows. Amount in Rupees

Particulars	USD	Egyptian Pound	Total
Assets			
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	-	-	-
Total	73,709,815	47,950,542	121,660,356
Liabilities			
Trade payables	-	-	-
Other liabilities	2,001,835	-	2,001,835
Total	2,001,835	-	2,001,835

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

The foreign currency exposures as of 31st Mar 2018 were as follows.

Particulars	USD	Egyptian Pound	Total
Assets			
Cash and bank balances	65,325	3,504,010	3,569,335
Trade receivables	99,967,559	44,775,007	144,742,565
Other assets	-	-	-
Total	100,032,884	48,279,017	148,311,901
Liabilities			
Trade payables	-	-	-
Other liabilities	754,484	-	754,484
Total	754,484	-	754,484

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 31st Mar 19 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	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
Financial liabilities					
At Amortised Cost					
Borrowings	133,790,753	-	-	-	133,790,753
Trade payables	54,383,092	-	-	-	54,383,092
Other financial liabilities	1,036,988	-	-	-	1,036,988

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

The carrying value and fair value of financial instruments by categories as of 31st Mar 18 were 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	365,262,322	-	-	-	365,262,322
Cash and cash equivalents	5,224,824	-	-	-	5,224,824
Other bank balances	55,314,912	-	-	-	55,314,912
Other financial assets	1,542,491	-	-	-	1,542,491
Financial liabilities					
At Amortised Cost					
Borrowings	188,950,917	-	-	-	188,950,917
Trade payables	66,154,016	-	-	-	66,154,016
Other financial liabilities	1,197,756	-	-	-	1,197,756

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.

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/-
Y VENKATESWARLU
Partner

Membership No. 222068
Place: Hyderabad
Date: 20-May-2019

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

Sd/-
SATYANARAYANA RAJU KALIDINDI
Chief Executive Officer

Sd/-
PRASADA RAO KALLURI
Company Secretary

Sd/-
DR. RAJU NARASA MANTENA
Director
DIN: 0266074

Sd/-
RAMAYYA VUTUKURI
Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENT
2018-19

Independent Auditors' Report

To the Members of
Kernex Microsystems (India) Limited

Report on the Audit of the Consolidated Financial statements

Opinion

We have audited the accompanying Consolidated Financial statements of Kernex Microsystems (India) Limited (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 2019, 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, 2019, 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 Opinion

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 thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our Qualified opinion on the Consolidated Financial statements.

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. 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 results, whose financial statements/financial information reflects total assets of Rs.230.34 Lakhs as at 31 March,2019, total revenues of Rs.78.09 Lakhs for the year ended 31 March, 2019 and total loss after tax of Rs.7.23 lakhs, as considered in the consolidated financial results. This financial statements/financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the Statement, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, is based solely on the reports of the other auditors.

Since the subsidiary is following Cash basis of accounting, no provision is made towards interest of Rs 2.09 crores on unsecured loan for the financial year 2018-19. The loss of the subsidiary is short reported by Rs 2.09 crores and the liabilities are understated by Rs 2.09 crores for the year 2018-19. Further we state that the loan liability as on 31st Mar 19 is understated by Rs 9.51 crores (including the current year interest stated above) on account of non-provision of interest since borrowal of the loan.

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 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 31March, 2019 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 31March, 2019 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 Regn No. S-200016

Sd/-
Y. Venkateswarlu
Partner
Membership No. 222068

Place: Hyderabad
Date: 20th May, 2019

ANNEXURE “A” TO THE INDEPENDENT AUDITORS’ 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 2019 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 we reoperating 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

- (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 be come in adequate 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, 2019, 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 Regn No. S-200016

Sd/-

Y. Venkateswarlu
Partner
Membership No. 222068

Place: Hyderabad
Date: 20th May, 2019

Consolidated Balance Sheet as at 31st March, 2019

(Amount in Rupees)

Particulars	Note No.	As at 31st Mar 2019	As at 31st Mar 2018
ASSETS			
Non-current assets			
Property, Plant and Equipment	2	426,469,900	534,850,795
Capital work-in-progress	2		
Intangible assets	2	145,278	594,915
Financial assets			
Other financial assets	3	61,729,006	61,527,499
Deffered tax assets (net)			
Other Non-current assets	4	20,630,650	23,080,218
Total non-current assets		508,974,834	620,053,427
Current assets			
Inventories	5	24,949,999	85,590,288
Financial assets			
Trade receivables	6	150,386,753	363,168,282
Cash and cash equivalents	7	5,538,942	6,649,940
Other bank balances	8	69,179,462	55,314,912
Other financial assets	9	2,546,354	1,542,491
Other current assets	10	79,295,343	65,460,656
Total current assets		331,896,853	577,726,569
TOTAL ASSETS		840,871,687	1,197,779,996
EQUITY AND LIABILITIES			
Equity			
Equity Share capital	11	124,996,550	124,996,550
Other equity	12	431,056,286	636,788,915
Total Equity		556,052,836	761,785,465
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	13	193,681	590,612
Deferred tax liabilities		3,880,780	9,259,421
Other Non-current liabilities	14	18,851	79,800,000
Total Non-current liabilities		4,093,312	89,650,033
Current liabilities			
Financial liabilities			
Borrowings	15	204,619,993	255,424,317
Trade Payables	16	52,381,257	64,059,976
Other financial liabilities	17	1,036,988	1,197,756
Other current liabilities	18	22,687,300	25,662,448
Total current liabilities		280,725,539	346,344,497
TOTAL EQUITY AND LIABILITIES		840,871,687	1,197,779,996

See Accompanying notes to the financial statements 1 to 36

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/-
DR. RAJU NARASA MANTENA
 Director
 DIN: 0266074

 Sd/-
Y VENKATESWARLU
 Partner

 Sd/-
SATYANARAYANA RAJU KALIDINDI
 Chief Executive Officer

 Sd/-
RAMAYYA VUTUKURI
 Chief Financial Officer

 Membership No. 222068
 Place: Hyderabad
 Date: 20-May-2019

 Sd/-
PRASADA RAO KALLURI
 Company Secretary

Consolidated Statement Of Profit And Loss For The Year Ended 31st March, 2019
(Amount in Rupees)

Particulars	Note No.	As at 31st Mar 2019	As at 31st Mar 2018
Revenue from operations	19	81,361,446	133,055,787
Other Income	20	12,954,423	7,185,693
Total income		94,315,870	140,241,480
Expenses			
Cost of materials consumed	21	54,949,168	6,596,350
Purchases of stock in trade	22	1,225,000	11,220,731
Changes in inventories of finished goods, work in progress and stock in trade	23	(9,025,913)	1,264,633
Employee benefit expense	24	49,169,232	48,984,286
Finance cost	25	22,903,429	21,469,266
Depreciation and amortization expense	2	21,032,846	22,462,207
Other expenses	26	113,682,007	181,040,362
Total expenses		253,935,768	293,037,837
Profit/(loss) before extraordinary, exceptional items and tax		(159,619,898)	(152,796,357)
Extraordinary items		-	-
Exceptional items	27	(56,137,765)	-
Profit/(loss) before tax		(215,757,664)	(152,796,357)
Tax expense			
(i) Current tax		-	-
(ii) Previous years tax		2,919,699	-
(ii) Deferred tax		(5,378,641)	(5,641,149)
Net profit/(loss) for the period/year		(213,298,721)	(147,155,207)
Other comprehensive income			
A (i) Items that will not be reclassified to Statement of Profit and loss		(152,330)	(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		(213,451,051)	(147,885,055)
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
Basic and Diluted Earnings per share of Rs.10/- each (not annualised) Rs.		(17.06)	(11.77)
See Accompanying notes to the financial statements			

See Accompanying notes to the financial statements 1 to 36

As per our report of even date attached

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

For PRSV & Co. LLP	Sd/-	Sd/-
Chartered Accountants	BADARI NARAYANA RAJU MANTHENA	DR. RAJU NARASA MANTENA
Firm Regn No. S200016	Whole Time Director	Director
	DIN : 07993925	DIN: 0266074
Sd/-	Sd/-	Sd/-
Y VENKATESWARLU	SATYANARAYANA RAJU KALIDINDI	RAMAYYA VUTUKURI
Partner	Chief Executive Officer	Chief Financial Officer
Membership No. 222068	Sd/-	
Place: Hyderabad	PRASADA RAO KALLURI	
Date: 20-May-2019	Company Secretary	

Consolidated Cash Flow Statement For The Year Ended 31st March, 2019
(Amount in Rupees)

Particulars	Year ended 31st Mar 2019	Year ended 31st Mar 2018
Cash Flows from Operating Activities		
Profit / (Loss) before tax	(215,757,664)	(152,796,357)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortisation	21,032,840	22,462,207
Foreign Currency translation reserve	5,198,602	42,310,874
Written off / Provision for obsolete stock	44,364,135	14,565,974
Sundry balances written off	2,409,930	11,022,358
Provision for Doubtful Advances	5,996,062	56,318,609
Provision for expected credit loss	200,584,298	(863,138)
Provision for slow/non moving stocks	24,880,166	-
Liabilities no longer required written back	(2,215,467)	(993,526)
(Profit) / Loss on sale of Fixed assets	(194,326,700)	74,722
Court settlements	25,000,001	-
Finance costs	22,903,429	27,232,235
Interest income	(4,740,071)	(3,227,856)
Other non operating income	(678,333)	(2,101,174)
Changes in assets and liabilities		
Trade receivables	12,197,232	37,318,319
Inventories	(8,604,012)	2,076,422
Other assets	(18,076,780)	(9,582,498)
Trade payables	(12,935,162)	(47,084,930)
Other liabilities	(133,721,389)	33,842,501
Net cash flow from operating activities (A)	(226,488,882)	30,574,743
Cash flows from investing activities		
Sale of Fixed Assets	282,662,500	200,000
Purchase of property, plant and equipment	(538,108)	(3,710,642)
Court settlements	(25,000,001)	-
Interest received	4,740,071	3,227,856
Net cash flow used in investing activities (B)	261,864,462	(282,786)
Cash flow from financing activities		
Other non-current liabilities	(396,931)	484,484
Other non operating income	678,333	2,101,174
Finance costs	(22,903,429)	(27,232,235)
Net cash flow (used in)/from financing activities (C)	(22,622,028)	(24,646,577)
Net increase in cash and cash equivalents (A+B+C)	12,753,553	5,645,380
Cash and Bank Balances at the beginning of the year	61,964,852	56,319,472
Cash and cash equivalents at the end of the year	74,718,404	61,964,852

As per our report of even date attached

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

For PRSV & Co. LLP	Sd/- BADARI NARAYANA RAJU MANTHENA	Sd/- DR. RAJU NARASA MANTENA
Chartered Accountants	Whole Time Director	Director
Firm Regn No. S200016	DIN : 07993925	DIN: 0266074
Sd/- Y VENKATESWARLU	Sd/- SATYANARAYANA RAJU KALIDINDI	Sd/- RAMAYYA VUTUKURI
Partner	Chief Executive Officer	Chief Financial Officer
Membership No. 222068	Sd/-	
Place: Hyderabad	PRASADA RAO KALLURI	
Date: 20-May-2019	Company Secretary	

KERNEX MICROSYSTEMS (INDIA) LIMITED

NOTES FORMING PART OF THE CONSOLIDATED 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

Amount in Rupees

Particulars	Gross Block				Depreciation					Net Block	
	As at 31st Mar, 2018	Additions during the year	Deletions during the year	" As at 31.03.2019 "	" Upto 01.04.2018 "	For The Year	Impairment losses recognised in statement of Profit&Loss	Deletions/ Transitional provision adjustment	Upto 31st Mar, 2019	AS AT 31st Mar, 2019	AS AT 31st Mar, 2018
Tangible Assets											
Land and Land Development	262,555,028	-	88,335,800	174,219,228	-	-	-	-	-	174,219,228	262,555,028
Building Own Use	386,745,336	-	-	386,745,336	128,252,138	16,206,543	-	-	144,458,681	242,286,655	258,493,198
Plant and Equipment Owned	137,205,718	152,820	-	137,358,538	127,230,216	2,734,662	-	-	129,964,878	7,393,660	9,975,503
Furniture and Fixtures Owned	11,796,430	-	-	11,796,430	10,498,989	400,644	-	-	10,899,633	896,797	1,297,441
Vehicles Owned	11,220,096	-	-	11,220,096	8,725,443	983,095	-	-	9,708,538	1,511,558	2,494,653
Office Equipment Owned	9,531,002	385,288	-	9,916,290	9,496,029	258,259	-	-	9,754,288	162,002	34,973
Total	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
Previous Year	816,743,805	2,809,180	499,375	819,053,610	262,471,887	21,955,581	-	224,653	284,202,815	534,850,796	554,271,919
Capital Work in Progress	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets											
Computer Software	14,534,028	-	-	14,534,028	13,939,113	449,643	-	-	14,388,750	145,278	594,915
Total	14,534,028	-	-	14,534,028	13,939,113	449,643	-	-	14,388,750	145,278	594,915
Previous Year	13,632,566	901,462	-	14,534,028	13,432,487	506,626	-	-	13,939,113	594,915	200,079
Note: Depreciation on Buildings to the extent of Rs 8,74,29,668/- capitalised during FY 2016-17 is not provided since not put to use.											

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Amount in Rupees

Note	Particulars	As at 31st Mar 2019	As at 31st Mar 2018
3	OTHER FINANCIAL ASSETS		
	Unsecured and considered good		
	Security deposits	1,729,006	1,527,499
	Receivable on sale of fixed assets	60,000,000	60,000,000
		61,729,006	61,527,499
4	OTHER NON CURRENT ASSETS		
	Advance income tax (net)	8,373,713	10,823,281
	Mat credit entitlement	12,256,937	12,256,937
		20,630,650	23,080,218
5	INVENTORIES		
	Raw material	84,616,060	84,616,060
	Less: Obsolete stock written off	(59,352,010)	-
	Less: Provision for obsolete/slow moving stock	(24,880,166)	(14,565,974)
		383,884	70,050,086
	Work-in-progress	24,566,115	15,540,202
		24,949,999	85,590,288

Obsolete stock procured for abandoned ACD project of Rs. 5,93,52,010/- (Provision was made in previous year for Rs. 1,45,65,974) is written off and a provision of Rs. 2,48,80,166 has been made for slow/non moving stocks during the year.

Work-in-progress represent work completed in respect of projects yet to be billed to the customers.

6 TRADE RECEIVABLES
Unsecured

Considered good	150,995,662	363,168,282
Considered doubtful	206,651,894	7,548,963
	357,647,556	370,717,245
Less: Allowances for credit losses	(207,260,804)	(7,548,963)
	150,386,752	363,168,282

Out of the above Trade Receivables, an amount of Rs 11.87 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 receivable from Konkan Railways Coporation Ltd (KRCL) is under arbitration / in the process of filing arbitration (Refer Note No 33).

Allowance for credit losses made during the year is in continuation to the above notes.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Amount in Rupees

Note	Particulars	As at 31st Mar 2019	As at 31st Mar 2018
7	CASH AND CASH EQUIVALENTS		
	Balances with banks		
	In Current accounts	3,509,839	4,956,084
	Cash on hand	2,029,103	1,693,856
		5,538,942	6,649,940
8	OTHER BANK BALANCES		
	In Deposit accounts	85,778	85,778
	Unclaimed dividend accounts	275,360	275,360
	Margin money for bank guarantees	68,818,324	54,953,774
		69,179,462	55,314,912
9	OTHER FINANCIAL ASSETS		
	Interest accrued but not due on term deposits	2,546,352	1,455,091
	EMD	-	87,400
		2,546,352	1,542,491
10	OTHER CURRENT ASSETS		
	Unsecured and considered good		
	Advance to vendors for supply of goods & services -		
	Considered Good	34,199,613	11,926,993
	Considered Doubtful	5,996,063	-
		40,195,676	11,926,993
	Less: Provision for Advances	(5,996,063)	-
		34,199,613	11,926,993
	Advances to Customers	3,934,926	-
	Balances with statutory/government authorities	16,742,856	15,655,445
	Advance for expenses	23,372,487	22,237,166
	Prepaid expenses	702,356	641,051
	Other advances	343,105	15,000,001
		79,295,342	65,460,656

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

Other advances represent compensation paid to the party in connection with cancellation of agreement for sale of land and the amount is shown as advance pending final documentation.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note	Particulars	Amount in Rupees	
		As at 31st Mar 2019	As at 31st Mar 2018
11 SHARE CAPITAL			
	Authorised share capital		
	1,50,00,000 Equity shares of Rs. 10/- each	150,000,000	150,000,000
	Issued, subscribed and fully paid-up		
	1,24.99,655 Equity Shares of Rs. 10/- each with voting rights	124,996,550	124,996,550
		124,996,550	124,996,550

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

Particulars	As at 31st Mar 2019		As at 31st Mar 2018	
	No of Shares	Amount	No of Shares	Amount
At the beginning of the year	12,499,655	124,996,550	12,499,655	124,996,550
Issued during the year	-	-	-	-
Outstanding at the end of the year	12,499,655	124,996,550	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

Particulars	As at 31st Mar 2019		As at 31st Mar 2018	
	No of Shares	% of holding	No of Shares	% of holding
Raju Narasa Manthena			854,633	6.84%
Seetharamaraju Manthena	712,992	5.70%	712,992	5.70%
Sreelakshmi Manthena	640,398	5.12%	640,398	5.12%

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
12 STATEMENT OF CHANGES IN EQUITY and OTHER EQUITY

Amount in Rupees

Particulars	Equity share capital	Reserves & Surplus				Other Comprehensive Income	Total Other Equity
		Securities premium	General Reserve	Foreign currency translation reserve	Profit and loss		
Balance as at 31st Mar 17	124,996,550	917,219,545	61,213,631	(43,763,883)	(180,138,188)	(2,970,348)	751,560,757
Loss for the year					(147,155,207)		(147,155,207)
Transfers					30,678,261		30,678,261
Total Comprehensive Income for the year						(729,848)	(729,848)
Foreign exchange rate variations for the year				2,434,952			2,434,952
Balance as at 31st Mar 18	124,996,550	917,219,545	61,213,631	(41,328,931)	(296,615,134)	(3,700,196)	636,788,915
Loss for the year					(213,298,721)		(213,298,721)
Transfers					3,246,545		3,246,545
Total 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 31st Mar 19	124,996,550	917,219,545	61,213,631	(36,857,053)	(506,667,311)	(3,852,526)	431,056,286

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note	Particulars	Amount in Rupees	
		As at 31st Mar 2019	As at 31st Mar 2018
13 BORROWINGS			
Secured			
Vehicle loans		193,681	590,612
		193,681	590,612
<p>Vehicle loans are repayable in 36 instalments carrying interest rate of 13.5%. The loans are secured by hypothecation of vehicles.</p>			
14 OTHER NON CURRENT LIABILITIES			
Advance received against sale of land		18,851	79,800,000
		18,851	79,800,000
<p>During 2017-18 advance received against sale of land. The required documentation including execution of sale is completed during 2018-19.</p>			
15 BORROWINGS			
Loans repayable on demand (Unsecured)			
From banks			
Cash credit facilities		-	48,858,351
Others			
Unsecured loans from directors		57,614,207	57,614,207
Inter corporate deposits		147,005,786	148,951,759
		204,619,993	255,424,317
<p>Unsecured loans from directors are interest free.</p> <p>Inter corporate deposits outstanding as on 31st Mar, 2019 are received from M/s MRT Signals Limited and PNR Agro Farms Pvt Ltd and Mellneium Strategic Group Inc (subsidiary) and carrying interest rate ranging from 15% to 18.5%.</p> <p>Since subsidiary is following cash basis of accounting no provision is made towards interest on ICD</p>			
16 TRADE PAYABLES			
Due to micro, small and medium enterprises		-	-
Others		52,381,257	64,059,976
		52,381,257	64,059,976
17 OTHER FINANCIAL LIABILITIES			
Current maturity of vehicle loans		531,632	692,400
Due to capital creditors		219,241	219,241
Unclaimed dividends		259,815	259,815
Share application money due for refund		26,300	26,300
		1,036,988	1,197,756

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note	Particulars	Amount in Rupees	
		As at 31st Mar 2019	As at 31st Mar 2018
18 OTHER NON CURRENT LIABILITIES			
	Advance from customers	11,863,849	10,287,425
	Statutory remittances	10,823,451	15,375,023
		22,687,300	25,662,448
19 REVENUE FROM OPERATIONS			
	Sale of Products	60,027,784	60,488,391
	Sale of Services	21,333,663	72,567,396
		81,361,446	133,055,787
20 OTHER INCOME			
	Interest Income		
	On fixed deposits	4,512,287	3,126,618
	Interest on income tax refund	212,580	-
	Interest on electricity deposit	15,204	101,238
	Net gain on foreign currency transactions	5,320,554	-
	Other non-operating income	-	-
	Rental income	160,000	-
	Miscellaneous income	518,333	2,101,174
	Liabilities no longer required written back	2,215,467	993,526
	Reversal of provision for expected credit losses	-	863,138
		12,954,423	7,185,693
21 COST OF MATERIALS CONSUMED			
	Material consumed	54,949,168	6,596,350
		54,949,168	6,596,350
22 PURCHASE OF TRADED GOODS			
	Purchase of booms etc	1,225,000	11,220,731
		1,225,000	11,220,731
23 CHANGES IN INVENTORIES OF WORK-IN-PROCESS			
	Inventories at the end of the year		
	Work-in- process	24,566,115	15,540,202
	Inventories at the beginning of the year		
	Work-in- process	15,540,202	16,804,835
	Net (increase)/decrease	(9,025,913)	1,264,633

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note	Particulars	Amount in Rupees	
		As at 31st Mar 2019	As at 31st Mar 2018
24 EMPLOYEE BENEFIT EXPENSES			
	Salaries and wages	43,757,416	42,340,622
	Contribution to provident and other funds	1,607,079	1,644,604
	Directors remuneration	1,700,000	3,500,000
	Staff welfare expenses	2,104,737	1,499,060
		49,169,232	48,984,286
25 FINANCE COSTS			
	Interest on borrowings	18,850,399	18,648,954
	Other borrowing costs	4,053,030	2,820,312
		22,903,429	21,469,266
26 OTHER EXPENSES			
	Project execution expenses	27,086,632	60,407,056
	Electricity charges	2,804,497	2,285,207
	Security charges	1,497,593	1,319,162
	Rates and taxes	8,380,191	4,122,576
	Printing and stationery	238,284	165,159
	Insurance	312,264	636,472
	Repairs and maintenance	2,837,201	3,504,303
	Postage, telephone and courier	333,991	392,973
	Travelling and conveyance	1,731,742	2,720,121
	Professional & consultancy fees	3,142,690	3,774,865
	Directors sitting Fees	2,460,000	1,200,000
	Business promotion	460,676	707,440
	Payment to auditors	-	-
	Statutory audit	400,000	400,000
	Tax audit	200,000	200,000
	Others	1,588	61,461
	Net (gain) / loss on foreign currency transactions and translation	6,047,277	13,681,121
	Miscellaneous expenses	2,977,253	3,480,783
	Sundry balances written off	2,409,930	67,340,967
	Provision for Doubtful Advances	5,996,062	-
	Written off / Provision for obsolete stock	44,364,135	14,565,974
	Loss on sale of asset	-	74,722
		113,682,007	181,040,362

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note	Particulars	Amount in Rupees	
		Year ended 31st Mar 2019	Year ended 31st Mar 2018
27 EXCEPTIONAL ITEMS			
	Profit on sale of asset	194,326,700	-
	Provision for expected credit loss	(200,584,298)	-
	Provision for slow/non moving stocks	(24,880,166)	-
	Court settlements	(25,000,001)	-
		(56,137,765)	-

28 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. 13,41,579/- (Previous year Rs. 13,67,441/-) towards provident fund plan during the years ended 31 March 2019.

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:

Particulars	Amount in Rupees	
	As at 31st Mar 2019	As at 31st Mar 2018
Present value of obligation as at beginning of the year	4,254,535	4,758,870
Current service cost	692,676	648,266
Interest expense or cost	328,876	352,632
Re-measurement (or Actuarial) (gain) / loss	(142,110)	717,793
Benefits Paid	(39,231)	(2,223,026)
Present Value of Obligation as at the end of the year	5,094,746	4,254,535

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

ii. Changes in fair value of plan assets

Particulars	Amount in Rupees	
	As at 31st Mar 2019	As at 31st Mar 2018
Fair Value of Plan Assets as at the beginning of the year	5,154,364	5,619,303
OB difference	-	-
Investment Income	398,432	416,390
Employer's Contribution	-	1,400,000
Expenses	(31,141)	(46,248)
Benefits Paid	(39,231)	(2,223,026)
Return on plan assets , excluding amount recognised in net interest expense	10,220	(12,055)
Fair Value of Plan Assets as at the end of the year	5,492,644	5,154,364

iii. Fair value of Assets and Obligations

Particulars	As at 31st Mar 2019	As at 31st Mar 2018
Fair value of plan assets	5,492,644	5,154,364
Present value of obligation	5,094,746	4,254,535
Amount recognized in balance sheet	397,898	899,829

iv. Expenses recognised during the year

Particulars	Year ended 31st Mar 2019	Year ended 31st Mar 2018
In Income Statement		
Current Service Cost	692,676	648,266
Net Interest Cost / (Income) on the Net Defined Benefit Liability / (Asset)	(69,556)	(63,758)
Expenses Recognised in the Income Statement	623,120	584,508
In Other Comprehensive Income		
Actuarial (gains) / losses		
Opening balance difference	-	-
Others	(110,969)	764,041
Return on plan assets, excluding amount recognized in net interest expense	(10,220)	12,055
Components of defined benefit costs recognised in other comprehensive income	(121,189)	776,096

v. Actuarial assumptions

Particulars	As at 31st Mar 2019	As at 31st Mar 2018
Discount rate (per annum)	7.73%	7.73%
Salary growth rate (per annum)	2.00%	2.00%

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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	As at 31st Mar 2019		As at 31st Mar 2018	
	Decrease	Increase	Decrease	Increase
Change in discounting rate	5,461,649	4,771,435	4,588,134	3,961,908
Change in salary growth rate	4,639,301	5,616,988	3,836,094	4,736,426
Change in attrition rate	4,843,194	5,326,734	4,011,368	4,478,571
Change in mortality rate	5,086,042	5,103,420	4,246,346	4,262,697

29. RELATED PARTIES
a. List of the transacted Related Parties and description of relationship

Nature of Relationship	Name of the related party	
Key Managerial Personnel	Anji Raju Manthena	Director
	Mantena Raju Narasa	Director
	Vinta Janardhana Reddy	Director
	Sreelakshmi Manthena	Director
	M.B.Narayana Raju	Whole Time Director
	T.V. Satyanarayana Raju	Independent Director
	Ashok Gopalrao Kalmankar	Independent Director
	P. Dinkara Rao	Independent Director
	K. Satyanarayana Raju	Chief Executive Officer
	Ramayya Vutukuri	Chief Financial Officer
	Prasada Rao Kalluri	Company Secretary
	K.Krishnam Raju	Chief Executive Officer
Relatives of Key Managerial Personnel	Arun Kumar Sanwalka	Independent Director
	Chenna Krishna Mantena	Son of Director
	M.A. Seetharama Raju	Son of Director

b. Transactions with Related parties during the year

Nature of Transaction	Name of the related party	As at	As at
		31st Mar 2019	31st Mar 2018
Managerial Remuneration	M.B.Narayana Raju	2,076,532	500,000
	K. Satyanarayana Raju	750,000	-
	K.Krishnam Raju	3,888,161	6,000,000
	Ramayya Vutukuri	1,778,400	1,009,006
	Prasada Rao Kalluri	225,000	-
Repayment of loan taken	K.Krishnam Raju	-	1,400,000

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

c. Balances as at 31st Mar 2019

Nature of Transaction	Name of the related party	Amount in Rupees	
		As at 31st Mar 2019	As at 31st Mar 2018
Loan taken from KMP	Anji Raju Manthena	18,935,842	18,935,842
	Raju Narasa Mantena	23,000,000	23,000,000
	Vinta Janardhana Reddy	10,417,080	10,417,080
	B Murali Mohan	945,085	945,085
Loan taken from relative of KMP	Chenna Krishna Mantena	4,316,200	4,316,200

30. EARNINGS PER SHARE

Particulars	Year ended 31st Mar 2019	Year ended 31st Mar 2018
Profit after tax attributable to equity shareholders	(213,298,721)	(147,155,207.43)
Weighted average number of equity shares for Basic EPS	12,499,655	12,499,655.00
Weighted average number of equity shares for Diluted EPS	12,499,655	12,499,655.00
Basic earnings per Share	(17.06)	(11.77)
Diluted earnings per Share	(17.06)	(11.77)

31. INCOME TAXES

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

Particulars	Year ended 31st Mar 2019	Year ended 31st Mar 2018
Current tax expense	-	-
Deferred tax expense	(5,378,641)	(5,641,149.16)
Total income tax expense recognised in the statement of profit & loss	(5,378,641)	(5,641,149.16)

32. CONTINGENT LIABILITIES AND COMMITMENTS

Particulars	Year ended 31st Mar 2019	Year ended 31st Mar 2018
a. Claims against the Company not acknowledged as a debt (See note c to f below)	17,686,858	13,622,000
b. Bank guarantee outstanding	108,874,798	134,474,168

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

c. Income tax

- i. The deputy commissioner of Income tax filed an appeal before the tribunal against the favorable 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.
- ii. Appeal filed with the Commissioner (Appeals) in respect of Assessment year 2014-15.
- 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 with in 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 favourable order.

d. Service tax

- i. The tribunal has given stay in favour of the Company for the appeal filed against the order passed by Commissioner (Appeals-II) on availment of credit on IPO Expenses. Against Tribunal order department appealed in High court. In the month of August'2018, Department withdrawn the case due to appeal is below monetary limit of Rs.50/- lakhs in the light of circular instructions issued by the Central Board of Indirect Taxes and Customs dated 11.07.2018 I.A. No. 1 of 2018. A Judgment was passed by High Court that the appeal is dismissed as withdrawn. Miscellaneous petitions pending, if any, shall stand closed on 20.08.2018.
- ii. 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 is in the process of representing the case and is confident of a favourable order.

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. Department has set aside the show cause notice and passed an order accepting the claim of the Company. As such no demand has arisen on the Company.

f. Provident fund

The Company received summons and orders for Interest for delay payments of Provident Fund for the period 16.06.2013 to 06.01.2018 vide order no: AP/HYD/0028156/000/Enf/518/Damages/981 dated 05.02.2018 for an amount of Rs. 51,65,000/-. The amount has been paid during 2018-19

33 OTHER SIGNIFICANT LITIGATIONS

- i. 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

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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.

The Company monitors the capital structure on the basis of net debt to equity ratio on a periodical basis.

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 counter party 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.

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.

c. 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.

d. Exchange rate risk

The company foreign exchange arised from its foreign operations, foreign currency revenues and expenses, (Primarily in US Dollars and Egyptian pounds). Consequently, the company is exposed to foreign exchange risk through its sales, services and purchases from overseas suppliers in various foreign currencies.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

The foreign currency exposures as of 31st Mar 2019 were as follows.

Particulars	USD	Egyptian Pound	Total
Assets			
Cash and bank balances	637,468	2,386,186	3,023,653
Trade receivables	73,640,152	45,564,356	119,204,508
Other assets	22,429,884	-	22,429,884
Total	96,707,503	47,950,542	144,658,045
Liabilities			
Trade payables	-	-	-
Other liabilities	73,044,562	-	73,044,562
Total	73,044,562	-	73,044,562

The foreign currency exposures as of 31st Mar 2018 were as follows.

Particulars	USD	Egyptian Pound	Total
Assets			
Cash and bank balances	1,490,440	3,504,010	4,994,450
Trade receivables	99,967,559	44,775,007	144,742,565
Other assets	20,578,815	-	20,578,815
Total	122,036,814	48,279,017	170,315,831
Liabilities			
Trade payables	-	-	-
Other liabilities	67,227,884	-	67,227,884
Total	67,227,884	-	67,227,884

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 31st Mar 19 are as follows

Amount in Rupees

Particulars	Carrying Amount	Level of input used in			Fair Value
		Level 1	Level 2	Level 3	
Financial assets					
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	2,546,352	-	-	-	2,546,352
Financial liabilities					
At Amortised Cost					
Borrowings	204,619,993	-	-	-	204,619,993
Trade payables	52,381,257	-	-	-	52,381,257
Other financial liabilities	1,036,988	-	-	-	1,036,988

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

The carrying value and fair value of financial instruments by categories as of 31st Mar 18 were as follows

Particulars	Carrying Amount	Level of input used in			Fair Value
		Level 1	Level 2	Level 3	
Financial assets					
At Amortised Cost					
Investments*	-	-	-	-	-
Trade receivables	363,168,282	-	-	-	363,168,282
Cash and cash equivalents	6,649,940	-	-	-	6,649,940
Other bank balances	55,314,912	-	-	-	55,314,912
Other financial assets	1,542,491	-	-	-	1,542,491
Financial liabilities					
At Amortised Cost					
Borrowings	255,424,317	-	-	-	255,424,317
Trade payables	64,059,976	-	-	-	64,059,976
Other financial liabilities	1,197,756	-	-	-	1,197,756

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.

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/-
Y VENKATESWARLU
Partner

Membership No. 222068
Place: Hyderabad
Date: 20-May-2019

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

Sd/-
SATYANARAYANA RAJU KALIDINDI
Chief Executive Officer

Sd/-
PRASADA RAO KALLURI
Company Secretary

Sd/-
DR. RAJU NARASA MANTENA
Director
DIN: 0266074

Sd/-
RAMAYYA VUTUKURI
Chief Financial Officer


KERNEX MICROSYSTEMS (INDIA) LIMITED

Corporate Identification No. (CIN) - L3000TG1991PLC013211

 Office: Plot No.38 (Part) to 41, Survey No.1/1,
 Hardware Park, Raviryal Village, Maheswaram Mandal,
 Hyderabad – 501 510., Phone: +91-8414667601

E-mail: md@kernex.in/acs@kernex.in Web site: www.kernex.in

(C) ATTENDANCE SLIP

27th Annual General Meeting on Monday the 30th September, 2019 at 11.00 A.M. at the registered office of the company situated at Plot No.38 (Part) to 41, Survey No.1/1,Hardware Park, Raviryal Village,Maheswaram Mandal, Hyderabad – 501 510

DP Id*	
Client Id*	
Regd. Folio No.	

Name and Address of the Shareholder: _____

No. of Share(s) held: _____

I certify that I am a member/proxy for a member of the Company. I hereby record my presence at the 27th Annual General Meeting of the Company at Plot No.38 (Part) to 41, Survey No.1/1,Hardware Park, Raviryal Village,Maheswaram Mandal, Hyderabad – 501 510 at 11.00A.M. on Monday, the September 30, 2019.

 **Member's/Proxy's name in Block Letters

 **Member's/Proxy's Signature

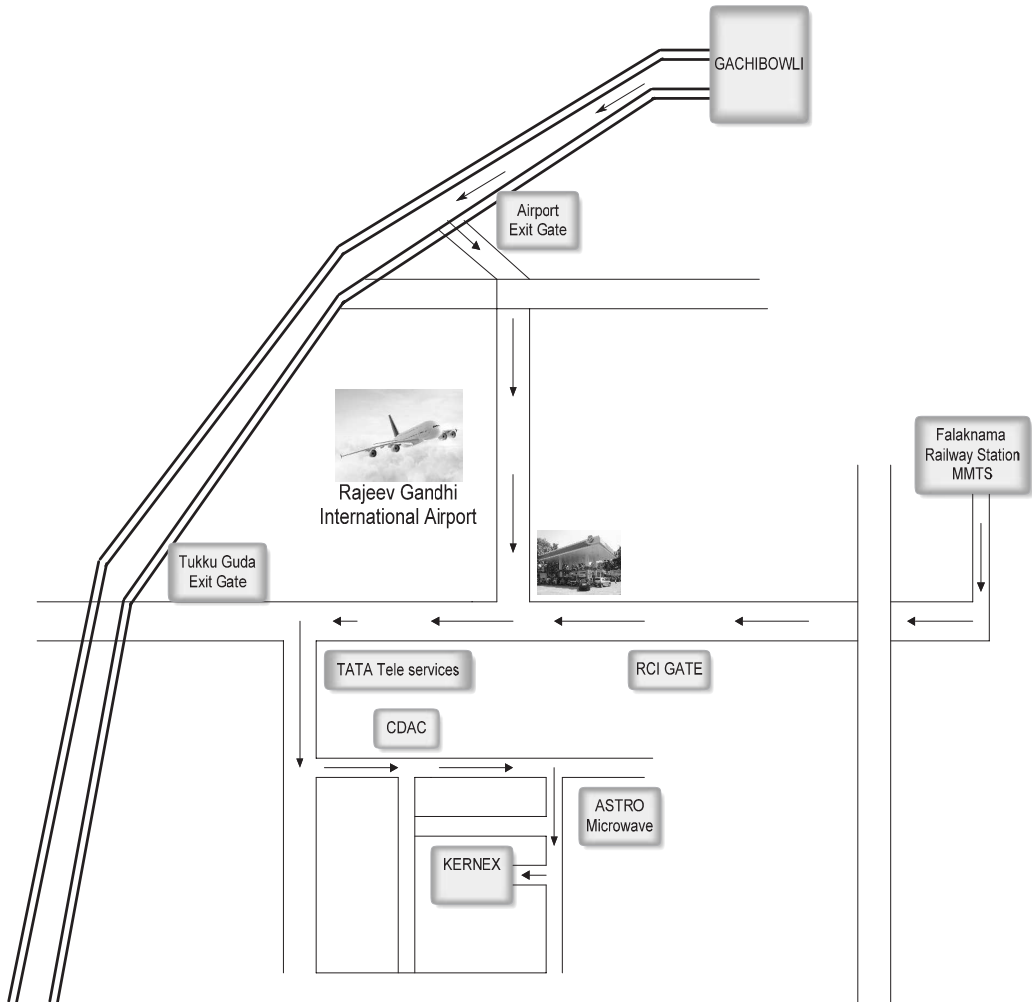
Note:

1. please sign this attendance slip and hand it over at the Attendance Verification Counter at the Entrance of the Meeting Hall.
2. This Attendance Slip is valid only in case shares are held on the date of the meeting.

** Applicable for Investors holding shares in electronic form.

** Strike out whichever is not applicable.

ROUTE MAP





KERNEX MICROSYSTEMS (INDIA) LIMITED

Corporate Identification No. (CIN) - L3000TG1991PLC013211

Office: Plot No.38 (Part) to 41, Survey No.1/1,

Hardware Park, Raviryal Village, Maheswaram Mandal,

Hyderabad – 501 510., Phone: +91-8414667601

E-mail: md@kernex.in/acs@kernex.in Web site: www.kernex.in

(B) PROXY FORM

(Form No. MGT-11)

Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014)

Name of the Member(s): _____
Registered address: _____
E-mail Id : _____
Folio No./Client ID No.: _____ DP ID No. _____

I / We, being the member(s) of Shares of Kernex Microsystems (India) Limited, hereby appoint

1. Name : E-mail Id:.....
 Address :
Signature:.....
 or failing him

2. Name : E-mail Id:.....
 Address :
Signature:.....
 or failing him

3. Name : E-mail Id:.....
 Address :
Signature:.....
 or failing him

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Twenty Seventh Annual General Meeting of the Company to be held on Monday, 30th September, 2019 at 11.00 a.m. at Registered Office situated at Plot No.38 (Part) to 41, Survey No.1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Hyderabad – 501 510 and at any adjournment thereof in respect of such resolutions as are indicated below:



Resolution No.	Resolution	Optional	
		For	Against
1	Adoption of Standalone and Consolidated Financial Statements for the financial year ended on March 31, 2019 together with Report of Board of Directors and Auditors thereon.		
2	Ms. Sree Lakshmi Manthena, Director who retires by rotation and being eligible offers herself for re-appointment as a director in the company		
3	Appointment of Mr. Dinakara Rao Pasupuleti, as an Independent Director		
4	Continuation of Dr. Anji Raju Manthena as Non-Executive Director pursuant to Regulation 17(1A) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015		
5	Continuation of Dr. Vinta Janardhana Reddy as Non-Executive Director pursuant to Regulation 17(1A) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015		

Signed this day of2019

Affix Re.1
Revenue
Stamp

Signature of shareholder

Signature of Proxy holder(s)

NOTES:

1. This Form in order to be effective should be duly completed and deposited at the Registered Office of the Company at Plot No.38 (Part) to 41, Survey No.1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Hyderabad – 501 510 , not less than 48 hours before the commencement of the Meeting.
Those Members who have multiple folios with different joint holders may use copies of this Attendance slip/Proxy.
2. A Proxy need not be a member of the Company
3. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
4. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the 27th Annual General Meeting.
- *5. It is optional to put an 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
6. Please complete all details including details of member(s) in above box before submission.



Kernex Microsystems (India) Limited

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E-mail: md@kernex.in/acs@kernex.in Web site: www.kernex.in