



# KERNEX MICROSYSTEMS (INDIA) LTD.

(An ISO 9001 : 2008 Certified Company)

CIN : L30007TG1991PLC013211

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



**Registered Office :**

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

05<sup>th</sup> October'2017

KMIL: SE:124:2017-2018

National Stock Exchange of India Limited  
Exchange Plaza, Bandra Kurla Complex,  
Mumbai  
Kind Attn: Manager, Listing Department  
Email ID:- [neaps@nse.co.in](mailto:neaps@nse.co.in)  
Stock Code: KERNEX

BSE Limited  
P.J.Towers, Dalal Street  
Mumbai  
Kind Attn: Manager, Listing Department  
Email ID:- [listing.centre@bseindia.com](mailto:listing.centre@bseindia.com)  
Stock Code: 532686

Dear Sir/Madam,

**Sub:- Submission of Annual Report for the year 2016-17.**

Pursuant to Regulation 34 (1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby submit Annual Report of our company for the year 2016-17, duly approved and adopted by the Shareholders in their Annual General Meeting held on 29<sup>th</sup> September'2017.

Kindly take the same on record.

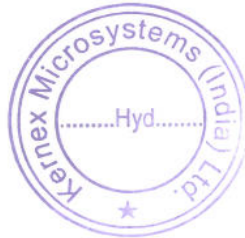
Thanking you,

Yours faithfully,

For **KERNEX MICROSYSTEMS (INDIA) LIMITED**

  
**P V SAMPATH KUMAR**  
**ASST.COMPANY SECRETARY**

Encl: as above







**Safety  
First**

**25<sup>th</sup>** ANNUAL REPORT  
2016-2017

## BOARD OF DIRECTORS

Col. L. V. Raju (Retd.)	Managing Director *
Sri B Murali Mohan	Director**
Sri K Krishnam Raju,	Director ***
Sri M. Gopalakrishna, IAS (Retd.)	Director
Sri Arun Kumar Sanwalka	Director
Sri Venkata Ratnam Anugolu	Director
Dr. Anji Raju Manthena	Director
Dr. Jyoti Raju	Director #
Dr. Raju Narasa Mantena	Director
Dr. Janardhana Reddy Vinta	Director

\* (resigned on 30th November, 2016)

# (resigned on 09th August, 2016)

\*\* (resigned on 31st March, 2017)

\*\*\* (Joined on 29th October, 2016)

## COMPANY SECRETARY

S. Srinivasa Kiran \*

\*(Resigned on 30th November'2016)

## CHIEF FINANCIAL OFFICER

Ramayya Vutukuri \*

\*(Joined on 14th April'2017)

## BANKERS

STATE BANK OF INDIA,  
Overseas Branch, 6-3-652,  
Near Medinova Hospital, Kautilya,  
Somajiguda, Hyderabad - 500 082.

## AUDITORS

GMK Associates, Chartered Accountants,  
607, Raghava Ratna Towers,  
Chirag Ali Lane, Abids, Hyderabad - 500 001

## REGISTRAR AND TRANSFER AGENT

**Karvy Computershare 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 – 500 005

## OVERSEAS SUBSIDIARY

Avant - Garde Infosystems Inc.,  
#1906, Rayshell CT, Seabrook,  
TX-ZIP 77586, USA

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## NOTICE

Notice is hereby given that the twenty fifth Annual General Meeting of the members of the Company will be held on Friday the 29th September 2017 at 3.00 P.M at the Registered office at Plot No 38 to 41, Survey No 1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Ranga Reddy District, Hyderabad-500005 to transact the following business.

## ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance sheet as at 31st March 2017 and the statement of Profit and loss for the year ended on that date together with the reports of the Director's and Auditors thereon.
2. To appoint a Director in place of Raju Narasa Mantena (DIN:02666074) who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution.

"RESOLVED THAT pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013, and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), M/s. PRSV&Co., LLP, Chartered Accountants (ICAI Registration No.:S200016), be and is hereby appointed as the Statutory Auditors of the Company, in place of M/s.GMK Associates, Chartered Accountants (ICAI Registration No.006945S the retiring Statutory Auditors, to hold office for a term of five years from the conclusion of this Annual General Meeting till the conclusion of thirtieth Annual General Meeting of the Company to be held in the year 2022, subject to ratification of their appointment by the Members at every Annual General Meeting, at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Statutory Auditors.

## SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution.

"RESOLVED THAT pursuant to sections 160 & 161 of the Companies Act, 2013 and any other applicable provisions if any ,Mr. K Krishnam Raju, who was appointed as an Additional Director on 29th October, 2016 be and is hereby appointed as a Director of the Company who is not liable to retire by rotation.

5. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution.

"RESOLVED THAT pursuant to the provisions of Sections 196,197 and other applicable provisions, if any, of the Companies Act,2013 as amended or re-enacted from time to time read with Schedule-V to the Act, the Company hereby approves the appointment of Sri.K Krishnam Raju, as a Whole Time Director of the Company for a period of 5 years with effect from 29th October'2016 on the following terms and conditions.

### 1. Remuneration:

- A) Salary: Rs. 2,50,000/- per month with authority to the Board of Directors and/or a Committee of the board, to vary the same from time to time
- B) Perquisites & Allowances: In addition to the salary payable, he shall also be entitled to the following perquisites and allowances
  - a) House Rent Allowance @ 40% of the salary.
  - b) Special Monthly allowance @ 60% of the salary.

- c) Reimbursement of Medical expenses incurred for self and his family not exceeding one month salary in a year or three months salary in a block of three years.
  - d) Leave travel assistance: Expenses incurred for self and family in accordance with company's rules.
  - e) Car: The Company shall provide a car for company's business.
  - f) Phone / cell phone: free except for personal long distance calls which shall be billed.
  - g) Club Fee: Subject to a maximum of two clubs. This will not include admission and life membership.
  - h) Group Medical Insurance and Personal Accident Insurance Premium as per the rules of the Company.
  - i) Reimbursement of entertainment expenditure actually and properly incurred for the business of the Company.
2. Minimum remuneration: Notwithstanding any thing to the contrary herein contained, if in any financial year during the currency of the tenure of Mr. K.Krishnam Raju, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowance as specified above, subject to the limits specified in Companies Act, 2013 including amendments made thereto.
3. The terms and conditions of the appointment and / or Agreement may be altered or varied from time to time by the Board of Directors and/or a Committee of the Board as it may, in its discretion, deem

fit, within the Maximum amount payable in accordance with the provisions contained in Companies Act' 2013, subject to amendments, if any, or any amendments made hereinafter in this regard.

6. To consider and if thought fit to pass with or without modification the following resolution as a Special resolution.

"RESOLVED THAT pursuant to the provisions of Section 14 and all other applicable provisions of the Companies Act, 2013 read with Companies (Incorporation) Rules 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the draft regulations contained in the Articles of Association of the Company in conformity with the Companies Act 2013 submitted to this meeting, be and are hereby approved and adopted in substitution, and to the entire exclusion, of the regulations contained in the existing Articles of Association of the Company.

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

**K. Krishnam Raju**  
Director Incharge

Palce : Hyderabad  
Date : 10th August, 2017

## 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 4,5 and 6 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, Karvy Computershare 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. The Register and Share transfer Books of the Company shall remain closed from 25th September 2017 to 29th September' 2017 (both days inclusive).
5. 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.
6. The Notice of the AGM along with the Annual Report 2016-17 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.
7. To support the "Green Initiative", the members who have not registered their e-mail addresses are requested to register the same with Depositories.
8. All documents referred to in this Notice will be available for inspection at the registered office of the Company during business hours on working days up to the date of AGM.
9. There is no Unclaimed/Unpaid dividend amounts to be transferred to IEPF (Investor Education and Protection Fund) as no dividend was declared for the financial year 2009-2010.
10. 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.
11. 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.
12. 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.
13. Details of Directors seeking appointment/re-appointment at this AGM are provided in the

Annexure to this Notice.

14. (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:

<b>User – ID</b>	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
<b>Password</b>	Your Unique password is printed on the attendance slip/sent via email forwarded through the electronic notice
<b>Captcha</b>	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 Computershare 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.

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.

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](mailto: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 Computershare Pvt. Ltd. at Toll Free No. 1-800-3454-001.
2. The e- voting period commences on Tuesday September 26, 2017 at 9.30 a.m. and ends on Thursday, September 28, 2017 at 5.00 p.m. (both days inclusive). Please note that e- voting mode shall not be allowed beyond 5.00 p.m. on Thursday September 28, 2017. During this period, the Members of the Company holding shares in physical form or in electronic form, as on the cut-off date, being Friday, September 22, 2017, 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. Friday, September 22, 2017, 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, Friday, September 22, 2017.
  5. The Board of Directors have appointed Mr. A.J.Sharma, 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](http://www.kernex.in)) and on Service Provider's website (<https://evoting.karvy.com>) within three (3) 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	Dr Raju Narasa Mantena	Sri. Kanumuri Krishnam Raju
Date of Birth	July 4, 1944	April 24, 1976
Date of Appointment	September 20, 2008	October 29, 2017
Qualifications	MD in USA and MBBS from Andhra University	Post Graduate in Business Administration from Pittsburg State University; Pittsburg, KS, USA.
Expertise in specific Functional area	He is a Physician and has about 28 years experience in Anesthesiology in USA. He received fellowship from Washington University, USA. He worked as Assistant Professor of Anesthesiology in Washington University from 1978 to 1980 and worked as consultant Anesthesiologist as St.Lukes Hospital USA from 1980-2002. He is working as Secretary and Correspondent of NRI Academy of Sciences since 2003.	He has successfully executed several Infrastructure projects in and around Hyderabad. Business analyst in Cigna health care for around two years.
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	8,54,633	Nil

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

**Item No: 4 & 5**

The Board of Directors, on the recommendation of the Nomination and Remuneration Committee, appointed Mr. K. Krishnam Raju, (DIN: 01427121) as an Additional Director on the Board of the Company with effect from 29th October, 2016 to hold office up to the date of the Annual General Meeting. He was also appointed as the Whole Time Director with the Designation of Director In-charge of the Company with effect from 29th October, 2016, subject to the approval of the Members.

Mr. K.Krishnam Raju is a Post Graduate in Business Administration from Pittsburg State University; Pittsburg, USA. He has successfully executed several Infrastructure projects in and around Hyderabad besides his experience as Business analyst in Cigna health care. He has brought in strong execution rigor to his work, and has considerably strengthened both innovation and new products development. The Company has received a notice pursuant to Section 160 of the Companies Act, 2013 (the "Act") along with the amount of requisite deposit from a Member signifying his intention to propose the appointment of Mr. K.Krishnam Raju as a Director of the Company. The remuneration and other terms and conditions of Mr. K Krishnam Raju's appointment as whole time Director as set out in the resolution is subject to your approval.

None of the Directors, Key Managerial Personnel and their relatives other than Mr. K.Krishnam Raju are, in any way, concerned or interested in the said resolutions.

The resolutions as set out in item nos. 4 and 5 of this Notice are accordingly commended for your approval.

**Item No: 6**

With the coming into force of the Companies Act, 2013 several regulations of the existing AoA of the Company require alteration or deletions. It is therefore considered expedient to replace the existing AoA with an entirely new set of AoA. The substitution of the existing AoA with the new AoA is proposed to align the AoA of the Company with the provisions of the Companies Act, 2013. The proposed new draft AoA is being uploaded on the Company's website [www.kernex.in](http://www.kernex.in) for information of the shareholders and also kept available for inspection during office hours at the registered office of the Company up to the date of the meeting.

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

The resolutions as set out in item no. 6 of this Notice is accordingly commended for your approval.

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

**K Krishnam Raju**  
Director In-charge  
(DIN: 01427121)

Palce : Hyderabad  
Date : 10th August, 2017

## DIRECTORS REPORT

To  
 The Members,  
 Kernex Microsystems (India) Limited.

Your Directors have pleasure in presenting the Twenty Fifth Annual Report together with the audited statement of accounts of your company for the year ending 31st March, 2017.

### Financial Results (Standalone)

Rs in Lakhs

	2016-2017	2015-2016
Sales and Other Income	1,395.28	1,422.42
Profit/Loss before Depreciation, Finance Cost and Tax	(3,114.63)	(2,083.98)
Less:- Finance Cost	331.14	401.43
Less:- Depreciation	255.72	321.01
Less: Exceptional items	521.31	0
Add : Extra ordinary items	2,874.98	0
Profit/Loss after Depreciation, Interest and before tax	(174.10)	(1,361.55)
Tax expense	216.66	(32.61)
Profit / Loss after Tax	(390.77)	(1,328.94)
Add: Balance brought forward from previous year	(529.93)	799.01
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	(920.70)	(529.93)
Profit available for appropriation		
Earnings Per Share (Rs.)		
- Basic	(3.13)	(10.63)
- Diluted	(3.13)	(10.63)
Appropriations:		
Transfer to General Reserve	-	-
Proposed Dividend	-	-
Income Tax on proposed Dividend		
Balance carried to the Balance sheet	(920.70)	(529.93)

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

#### Economy

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

### 2. Future outlook

Your Company domestically having successfully executed the Design, Development, Manufacture, supply and maintenance of the Anti Collision Devices Project in Konkan Railways was chosen for Train Collision Avoidance System 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 and the outlook for the future appears promising in the years to come.

### Operations during the year

#### Domestic

The Design and Development of Train Collision Avoidance System, a development tender



awarded to Kernex is in the final stages of completion. The system designed and developed has completed several phases of lab testing as well as field testing. From August 2016, Field trials were conducted extensively to prove inter-operability of the system with other vendors along with passenger field trains to prove system working on Railway Operating Conditions. System has been upgraded to adhere to the updated specification released in Oct 2016 by RDSO. Further field trials on passenger trains were carried out from Dec 2016 with upgraded software to sort out logical issues as well as issues pertaining to inter-operability. The process of further field trials and approval of the product will be completed by end of Sep 2017.

As per the pink book issued by Railway for the year 2016-17, which details the works sanctioned for Indian Railway, new projects of around 1400 Km has already been approved and instructions were given to South Central Railway for early allocation of works.

TCAS being a safety system installed for passenger railway, requires certification by an external Independent Safety Assessor, which was entrusted to International agency Italcetifier, Milan, Italy. Based on the latest updated Specification released by RDSO, the project documentation has been updated and the certification process is expected to be completed by end of September, 2017.

## **International Operations**

### **RBCT, RYCAS - South Africa**

Your Company on a trial basis before awarding the contract was required to prove the concept of collision avoidance and execute the system over 10 locos and track equipment on the ground to prevent collision and avoid the delays and break down in coal unloading and dispatching. The first phase of demonstration of the concept was successfully completed during Apr-June'2016. The Project amounting to \$8,46,000 was successfully completed and systems were manufactured and installed and commissioned during Feb-Mar'2017

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

Your Company has supplied all the 136 gates and installed 96 gates and has provisionally handed over 68 gates for taking up for maintenance. The order for booms with technical modifications has been received and the same were identified in International markets and proto types were got approved. During the year under review 200 booms were installed and commissioned and further order is expected in the current year.

External Training to ENR officials was completed. The Company during the year is expecting an order for supply of spares and assemblies required for five years.

## **Research and Development**

Your company has been working, in the focused areas especially for Railways in design and supply of collision avoidance system Fog Pass' for helping locos to move in poor visibility, unmanned gate warning system, universal loco break Interface unit, development of online data and operational display units, Driver Machine Interface etc.

## **3. Subsidiary Details with consolidated financial statement**

Your Company has one 100% wholly owned subsidiary Avant Garde Infosystems Inc, In USA and there were no joint ventures or associate Companies as of 31st March 2017. 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 performance and financial position of the subsidiary forms part of the consolidated statement in Form AOC-I.

#### **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.

#### **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 Mr Raju Narasa Mantena, Director retire by rotation and being eligible offer himself for re-appointment.

Col L.V.Raju has resigned as Managing Director effective from 30th November' 2016. The Board has appointed Mr.K Krishnam Raju as additional director and Whole Time Director with the designation of Director In charge effective from 29th October'2016.

Mrs.Jyoti Raju women director has resigned due to personal reasons effective from 09th August' 2016. Mr. B Murali Mohan, Whole Time Director has resigned due to personal reasons effective from 31st March'2017.

During the year Mr. V Ramayya a Chartered Accountant was appointed as CFO and Mr.Srinivas Kiran, Company Secretary has resigned.

The brief profile 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 2016-17 the Board of Directors of the Company met 10 times on 30/04/2016, 28/05/2016, 09/08/2016, 24/08/2016, 29/10/2016, 08/11/2016, 17/01/2017, 28/01/2017, 28/02/2017 & 10/03/2017. Audit committee met 4 times on 28/05/2016, 08/08/2016, 08/11/2016 and 28/01/2017. A separate meeting of the Independent Directors of the Company was also held on 08/11/2016 to discuss items enumerated under Schedule IV to the Companies Act 2013 and Listing Regulations.

#### **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 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.

### 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

Your 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 are 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)

Your 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 2016-17 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. Since there have been no materially significant contracts / arrangements / transactions with related parties, disclosure under Form No.AOC-2 is not applicable.

## 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 behaviour. 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 Programme for Independent Directors

Your 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 Managing Director/ Director In charge 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, 2017 is annexed hereto as Annexure-A and forms part of 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 optimise 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 are no Unclaimed/Unpaid dividend amounts to be transferred to IEPF (Investor



Education and Protection Fund) as no dividend was declared for the financial year 2016-2017

## 26. Auditors

### Statutory Auditors

Your Company's Auditors, M/s GMK Associates, Chartered Accountants, Hyderabad (ICAI Firm Registration No. 006945S) were appointed at the last AGM to hold office until the conclusion of the forthcoming AGM and having completed their full stipulated term as Statutory Auditors are vacating the office.

Pursuant to the provisions of Section 139 of the Act and Rules framed there under, as amended, it is mandatory to rotate the Statutory Auditors on completion of maximum term as provided therein. The Board on August 10, 2017, has recommended appointment of M/s. PRSV&Co., LLP, Chartered Accountants (ICAI Registration No.: S200016) as Statutory Auditors of the Company to hold office for a period of 5 consecutive years from the conclusion of the 25th AGM till the conclusion of the 30th AGM, subject to ratification of their appointment by the shareholders at every AGM.

Your Company has obtained consent of M/s. PRSV&Co., LLP and a certificate in accordance with Section 139, 141 and other applicable provisions of the Act to the effect that their appointment, if made, shall be in accordance with the conditions prescribed and that they are eligible to hold office as Statutory Auditors of the Company, subject to approval of the members in the forthcoming AGM.

Necessary resolution has been provided in the AGM notice seeking approval of members.

### Reply to the Comments made in the Audit Report

Please refer to Note No.39 of the notes to accounts of Financial Statements regarding Trade Debtors.

Since cash system of accounting is followed by the 100% overseas Subsidiary company no

provision of interest of Rs.1.50 crores was made on the Loan taken by the subsidiary.

## 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 2016-17 and their report is annexed as **Annexure-D** to this report

### Reply to the Comments made in the Secretarial Audit Report

Your company was facing severe financial constraints since some time due to which Key Managerial Personnel could not be put in position to look after the compliances under various applicable legislations from time to time. As such there was delay in submission of returns and payment of statutory dues.

The Registered office of the Company during the year was shifted to new premises and there is delay in establishing the necessary communication network, Installation of systems and equipment. The same is being addressed now and focus is on appointment of Key Managerial Personnel and adhering to the compliances including updating of Company's website. The Registration under the Factories Act is completed during the current year. The CFO is designated under Regulation 30(5) of SEBI (LODR) Regulations 2015 for identifying material events and necessary disclosures.

## 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 in **Annexure-B** and forms part of 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 as **Annexure C**.

There were no employees drawing remuneration in excess of the limits contained in Rules 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014,

## 29. Other General Disclosures

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

- No equity shares with differential rights as to dividend, voting or otherwise were issued
- No sweat equity shares were issued
- No remuneration or commission was received by the Managing Director/Whole-time Director of the Company from subsidiary Company.
- 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 listing regulations, is given separately as an **Annexure - E**.

The requisite certificate from the Statutory

Auditors of the Company 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 Annual Report.

## 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 National Railways, Richard's Bay Coal Terminal of South Africa., 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.

For and on behalf of the Board  
**for KERNEX MICROSYSTEMS (INDIA)  
LIMITED**

**K Krishnam Raju**  
Director In-charge  
(DIN: 01427121)

**Raju Narasa Mantena**  
Director  
(DIN 02666074)

Palce : Hyderabad  
Date : 10th August, 2017

**Annexure - A to the Director's Report**

**FORM NO. MGT 9**  
**EXTRACT OF ANNUAL RETURN**  
**As on financial year ended on 31.03.2017**

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 – 500 005 Telephone / Mobile No.9948488877 E-mail:-md@kernex.in, acs@kernex.in 6
6 Whether listed company	Yes
7 Name, Address & contact details of the Registrar & Transfer Agent, if any.	"Karvy Computershare Pvt. Ltd., Karvy Selenium Tower No.B, Plot No.31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad : 500 032   India, P : +91 040 67161591

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Manufacturing and Supply of Rail Yard Collision Avoidance Systems	30205	36.10%
2	Installation of Lxcs Gates for Egyptian National Railways	3320	8.80%
3	Supply of Control Panels to Egyptian National Railways	30205	28.15%
4	Supply of Booms to Egyptian National Railways	30205	26.95%

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

S. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	""% of sharehold"	"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**

Category of Shareholders	"No. of Shares held at the beginning of the year [As on 31-March-2016]"				"No. of Shares held at the end of the year [As on 31-March-2017]"				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/ HUF	225,863	-	225,863	1.81	225,863	-	225,863	1.81	-
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	115,887	498	116,385	0.93	31	498	529	0.00	(1)
<b>Sub Total (A) (1)</b>	<b>341,750</b>	<b>498</b>	<b>342,248</b>	<b>2.74</b>	<b>225,894</b>	<b>498</b>	<b>226,392</b>	<b>1.81</b>	<b>(1)</b>
<b>(2) Foreign</b>									
a) NRI Individuals	4,153,482	-	4,153,482	33.23	3,942,108	-	3,942,108	31.54	(1.69)
b) Other Individuals	-	-	-	-	-	-	-	0.00	0.00
c) Bodies Corp.	-	-	-	-	-	-	-	0.00	0.00
d) Qualified Foreign Investor	-	-	-	-	-	-	-	0.00	0.00
e) Any other	348,916	118,177	467,093	3.74	-	-	-	0.00	(3.74)
<b>Sub Total (A) (2)</b>	<b>4,502,398</b>	<b>118,177</b>	<b>4,620,575</b>	<b>36.97</b>	<b>3,942,108</b>	<b>-</b>	<b>3,942,108</b>	<b>31.54</b>	<b>(5.43)</b>
<b>TOTAL (A)</b>	<b>4,844,148</b>	<b>118,675</b>	<b>4,962,823</b>	<b>39.70</b>	<b>4,168,002</b>	<b>498</b>	<b>4,168,500</b>	<b>33.35</b>	<b>(6.35)</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	-	-	-	-	-	-	-	0.00	0.00
b) Banks / FI	-	-	-	-	-	-	-	0.00	0.00
c) Central Govt	-	-	-	-	-	-	-	0.00	0.00
d) State Govt(s)	-	-	-	-	-	-	-	0.00	0.00
e) Venture Capital Funds	-	-	-	-	-	-	-	0.00	0.00
f) Insurance Companies	-	-	-	-	-	-	-	0.00	0.00
g) FIs	-	-	-	-	-	-	-	0.00	0.00
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	0.00	0.00
i) Others (specify)	-	-	-	-	-	-	-	0.00	0.00
<b>Sub-total (B)(1):</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



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

Category of Shareholders	"No. of Shares held at the beginning of the year [As on 31-March-2016]"				"No. of Shares held at the end of the year [As on 31-March-2017]"				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>2. Non-Institutions</b>									
a) Bodies Corp.	737,613	-	737,613	5.90	1,236,693	-	1,236,693	9.89	3.99
I) Indian									
ii) Overseas									
b) Individuals									
I) Individual shareholders holding nominal share capital upto Rs. 1 lakh	4,846,786	613	4,847,399	38.78	4,867,902	13,269	4,881,171	39.05	0.27
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	1,057,355	12,656	1,070,011	8.56	1,275,041	-	1,275,041	10.20	1.64
c) Others (specify)									
Non Resident	414,379	429,908	844,287	6.75	397,209	429,908	827,117	6.62	(0.14)
Indians Overseas									
Corporate Bodies									
Foreign Nationals									
Clearing Members	7,364	-	7,364	0.06	73,020	-	73,020	0.58	0.53
Trusts	200	24,331	24,531	0.20	200	24,331	24,531	0.20	0.00
NBFC	5,627		5,627	0.05	13,582	-	13,582	0.11	0.06
<b>Sub-total (B)(2):-</b>	<b>7,069,324</b>	<b>467,508</b>	<b>7,536,832</b>	<b>60.30</b>	<b>7,863,647</b>	<b>467,508</b>	<b>8,331,155</b>	<b>66.65</b>	<b>6.35</b>
<b>Total Public (B)</b>	<b>7,069,324</b>	<b>467,508</b>	<b>7,536,832</b>	<b>60.30</b>	<b>7,863,647</b>	<b>467,508</b>	<b>8,331,155</b>	<b>66.65</b>	<b>6.35</b>
<b>C. Shares held by</b>									
<b>Custodian for</b>									
<b>GDRs &amp; ADRs</b>									
<b>Grand Total (A+B+C)</b>	<b>11,913,472</b>	<b>586,183</b>	<b>12,499,655</b>	<b>100.00</b>	<b>12,031,649</b>	<b>468,006</b>	<b>12,499,655</b>	<b>100.00</b>	<b>-</b>

**(ii) Shareholding of Promoter**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year i.e, 01.04..2016			Shareholding at the end of the year i.e, 31.03.2017			% 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	854,633	6.84%	0	0.00%
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	SRINIVASA RAJU MANTHENA	606,597	4.85%	0	606,597	4.85%	0	0.00%
5	SHILPA LAKAM RAJU	340,134	2.72%	0	87,921	0.70%	0	-2.02%
6	JYOTSNA LAKAMRAJU	316,671	2.53%	0	41,565	0.33%	0	-2.20%
7	ANJI RAJU MANTHENA	277,078	2.22%	0	277,078	2.22%	-	0.00%
8	MANTHENA PARAVATHI	268,469	2.15%	0	268,469	2.15%	0	0.00%
9	VENKATESWARA RAJU LAKKAMRAJU	225,863	1.81%	0	225,863	1.81%	0	0.00%
10	JYOTHI RAJU	173,329	1.39%	0	173,329	1.39%	0	0.00%
11	SWATI RAJU	166,035	1.33%	0	14,887	0.12%	0	-1.21%
12	KISHORE BABU GOTTIMUKKALA	137,280	1.10%	0	137,280	1.10%	0	0.00%
13	MADHAV MANTENA	110,260	0.88%	0	110,260	0.88%	0	0.00%
14	LAKAMRAJU JHANSI LAXMIBAI	115,856	0.93%	0	-	0.00%	0	-0.93%
15	NAMRATA KAPOOR	7,917	0.06%	0	7,917	0.06%	0	0.00%
16	MADHUVALLI LAKAMRAJU	5,480	0.04%	0	5,480	0.04%	0	0.00%
17	VENKATARAMAMURTHY RAJU LAKAMRAJU	2,883	0.02%	0	2,883	0.02%	0	0.00%
18	SUBBARAJU VENKATA LAKAMRAJU	498	0.00%	0	498	0.00%	0	0.00%
19	JAGANNADHA L RAJU	419	0.00%	0	419	0.00%	0	0.00%
20	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, 01.04.2016		Cumulative Shareholding during the year i.e, 31.03.2017		% change in shareholding during the year
		No. of shares	% of total	No. of shares	% of total shares	
1	SHILPA LAKAMRAJU	340,134	2.72%	87,921	0.70%	-2.02%
2	JYOTSNA LAKAMRAJU	316,671	2.53%	41,565	0.33%	-2.20%
3	SWATI RAJU	166,035	1.33%	14,887	0.12%	-1.21%
4	LAKAMRAJU JHANSI LAXMIBAI	115,856	0.93%	-	0.00%	-0.93%

**(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, 01.04.2016		Cumulative shareholding at the end of the year i.e, 31.03.2017	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1	HITEN ANANTRAI SHETH	275,000	2.20%	-	0.00%
2	JANARDHANA REDDY VINTA	198,655	1.59%	198,655	1.59%
3	CHALLA SUBRAHMANYA SARMA	186,212	1.49%	186,212	1.49%
4	BANDARU MURALI MOHAN	150,071	1.20%	150,071	1.20%
5	GUINNESS SECURITIES LIMITED	130,168	1.04%	117,710	0.94%
6	KARVY STOCK BROKING LTD	61,335	0.49%	99,499	0.80%
7	ADROIT FIN SER PVT LTD	51,405	0.41%	23,512	0.19%
8	NIKHIL JAISINH MERCHANT	42,900	0.34%	42,900	0.34%
9	DEV AUTO SALES PRIVATE LTD	40,000	0.32%	40,000	0.32%
10	LALITHASREE PONNRU	79,699	0.64%	79,699	0.64%

**(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	<b>BANDARU MURALI MONHAN</b>				
	At the beginning of the year	150,071	1.20%	150,071	1.20%
	Changes during the year	-	0.00%		
	At the end of the year	150,071	1.20%	150,071	1.20%
2	<b>JANARDHANA REDDY VINTA</b>				
	At the beginning of the year	198,655	1.59%	198,655	1.59%
	Changes during the year	-	0.00%		
	At the end of the year	198,655	1.59%	198,655	1.59%
3	<b>DR ANJI RAJU MANTHENA</b>				
	At the beginning of the year	277,078	2.22%	277,078	2.22%
	Changes during the year	-	0.00%		
	At the end of the year	277,078	2.22%	277,078	2.22%
4	<b>DR RAJU NARASA MANTENA</b>				
	At the beginning of the year	854,633	6.84%	854,633	6.84%
	Changes during the year	-	0.00%		
	At the end of the year	854,633	6.84%	854,633	6.84%

## 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
<b>Indebtedness at the beginning of the financial year i.e, 01.04.2016</b>				
I) Principal Amount	1,417.34	1,203.06	-	2,620.40
ii) Interest due but not paid	-	67.24	-	67.24
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>1,417.34</b>	<b>1,270.30</b>	<b>-</b>	<b>2,687.64</b>
<b>Change in Indebtedness during the financial year</b>				
* Addition	-	37.03	-	37.03
* Reduction	(935.56)	-	-	(935.56)
<b>Net Change</b>	<b>(935.56)</b>	<b>37.03</b>	<b>-</b>	<b>(898.53)</b>
<b>Indebtedness at the end of the financial year i.e.,31.03.2017</b>				
i) Principal Amount	481.78	1,178.94	-	1,660.72
ii) Interest due but not paid	-	128.39	-	128.39
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>481.78</b>	<b>1,307.33</b>	<b>-</b>	<b>1,789.11</b>

## 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 (Rs/Lac)
		* Col.L.V.Raju (Retd.) Managing Director	** B.Murali Mohan Director (Technical)	*** K Krishnam Raju Director In-charge	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	25.00	25.20	24.19	74.39
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	3.78	2.76	-	6.54
	(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	-	-	-	-
	<b>Total (A)</b>	<b>28.78</b>	<b>27.96</b>	<b>24.19</b>	<b>80.93</b>
	<b>Ceiling as per the Act</b>				

\* Resigned on 30.11.2016

\*\* Resigned on 31.03.2017

\*\*\* Appointed on 29.10.2016

### B. Remuneration to other Directors

S. No.	Particulars of Remuneration	Name of Directors							Total Amount (Rs/Lac)
		M Gopala Krishna	Arun Kumar Sanwalka	Venkata Ratnam Anugolu	Anji Raju Manthana	Jyoti Raju	Raju Narasa Mantena	Janardhana Reddy Mantena	
1	Independent Directors								
	Fee for attending board committee meetings	3.60	2.60	3.40	-	-	-	-	9.60
	Commission	-	-	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-	-	-
	<b>Total (1)</b>	<b>3.60</b>	<b>2.60</b>	<b>3.40</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9.60</b>
2	Other Non-Executive Directors								
	Fee for attending board committee meetings	-	-	-	0.40	0.20	1.40	0.40	2.40
	Commission	-	-	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-	-	-
	<b>Total (2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.40</b>	<b>0.20</b>	<b>1.40</b>	<b>0.40</b>	<b>2.40</b>
	<b>Total (B)=(1+2)</b>	<b>3.60</b>	<b>2.60</b>	<b>3.40</b>	<b>0.40</b>	<b>0.20</b>	<b>1.40</b>	<b>0.40</b>	<b>12.00</b>
	<b>Total Managerial Remuneration</b>								<b>92.93</b>
Overall Ceiling as per the Act - The remuneration is well within the limits prescribed under the Companies Act,2013									



**C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD**

S. No.	Particulars of Remuneration	Name of Key Managerial Personnel			Total Amount
		CEO	S Srinivas Kiran CS	G A V N Murty Incharge CFO	(Rs/Lac)
1	Gross salary		4.11	9.55	13.66
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	Not Appointed			-
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		0.09	0.04	0.13
	(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				-
	<b>Total</b>	-	<b>4.20</b>	<b>9.59</b>	<b>13.79</b>

**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)
<b>A. COMPANY</b>					
Penalty Punishment Compounding			NONE		
<b>B. DIRECTORS</b>					
Penalty Punishment Compounding			NONE		
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty Punishment Compounding			NONE		

## Annexure – B to the Director’s Report

Statement in accordance with Section 134 (3) (m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 and forming part of the Boards' Report for the year ended 31st March, 2017.

### 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	Previous year
Foreign Exchange Used	291.94	94.00
Foreign Exchange earned	581.94	54.47

For and on behalf of the Board

**K KRISHNAM RAJU**  
Director In-charge  
(DIN: 01427121)

Place: Hyderabad  
Date: 10th August, 2017

## Annexure – C to Director’s Report

### 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, Chief Financial Officer and Company Secretary during the financial year 2016-17 and ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2016-17 are as under:-

Name of Director / KMP and Designation	Remuneration of Director / KMP for financial year 2016-17 (Rs. in lakhs)	% increase in remuneration in the financial year 2016-17	Ratio of remuneration of each Director /to median remuneration of employees
Col.L.V.Raju(Retd.), Managing Director	25.00	0	9.42:1
Mr. B. Murali Mohan, Whole Time Director	25.20	0	9.49:1
K Krishnam Raju, Director In-charge	24.19	N.A	9.11:1
Mr.G.A.V.N.Murty, Incharge CFO	9.55	0	3.60:1
Mr.S.Srinivasa Kiran, Company Secretary	4.11	0	1.55:1

**Note:** No other Director other than the Managing Director and Whole Time Directors received any remuneration other than sitting fees during the financial year 2016-17.

- ii) In the financial year, there was no increase in the median remuneration of employees.
- iii) There were 83 permanent employees on the rolls of Company as on March 31, 2017.
- iv) The average remuneration of management employees in the last financial year has declined over the previous year in view of losses incurred.
- v) The remuneration of the Key Managerial Personnel put together is Rs. 88.06 lacs which was Rs. 74.26 lacs in the previous year. This increase is due to appointment of KMPs.
- 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 2016-17.
- vii) No variable component of remuneration availed by the directors / KMPs.
- viii) The Director In charge is the highest paid Director. No employee received remuneration higher than the Director in charge.
- ix) It is hereby affirmed that the remuneration paid during the Financial Year ended 31st March, 2017 is as per the Remuneration Policy of the Company.

For and on behalf of the Board  
**For Kernex Microsystems (India) Limited**

**K KRISHNAM RAJU**  
DIRECTOR IN-CHARGE  
(DIN: 01427121)

Hyderabad  
10th August, 2017

## Annexure-D to the Director's Report

**Form No. MR-3**  
**SECRETARIAL AUDIT REPORT**  
FOR THE FINANCIAL YEAR ENDED March 31, 2017

[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,

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, 2017 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, 2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings **(Not applicable during the audit period)**
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') viz :
  - (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
  - (d) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') to the extent applicable during the Audit Period;
  - (e) The Securities Exchange Board of India (share based Employee benefits) Regulations 2014: **(Not applicable during the audit period)**
  - (f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **(Not applicable during the audit period)**

- (g) 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
- (h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009- **Not applicable during the audit period**
- (i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 - **Not applicable to the Company during the audit period**
- 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 of the following

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with National Stock Exchange and Bombay Stock Exchange

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:

- 1. The Company has filed belatedly the Annual returns for the years ended 2015 and 2016 in 2017-18 with the Ministry of Corporate affairs. There was delay in filing of other forms as well
- 2. The Company filed some of the quarterly disclosure forms with the stock exchanges belatedly attracting penalties
- 3. The Company is required to authorize one or more KMP in terms of Regulation 30(5) of LODR Regulations 2015 for determining materiality of any event or information for disclosure to stock exchanges and on Company's website
- 4. The Company was required to seek approval under the Factories Act 1948
- 5. The Company is required to appoint a Company Secretary and a woman director



6. Website: The Company is required to update the Website of the company to disseminate the information as required under regulation 46 of SEBI (LODR) Regulations'2015.
7. There was delay in some months during the year in making the payments and submission of returns under PF/ESI

**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. The changes in the composition of the Board of Directors that took place 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 Company has preferred Arbitration claiming an amount of Rs.348.91 crores from Konkan Railway Corporation Limited and the same is admitted.

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

**A.J. Sharma**

FCS-2120, CP-2176

Place: Hyderabad

Date: August 10, 2017

**Annexure-A**

To,  
The Members,  
Kernex Microsystems (India) Limited,

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

1. 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.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on 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.
3. I have not verified the correctness and appropriateness of financial records and Books of Account of the Company
4. Wherever required I have obtained the Management representation about the compliances of laws, rules and regulations and happening of events etc.,
5. 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.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company

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

Company Secretaries

**A.J.Sharma**

FCS-2120, CP-2176

Place: Hyderabad

Date: August 10, 2017

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### ECONOMY

Global economic growth remained stagnant at 3.1% and the emerging and developing economies were slightly better. Economic activity in India is expected to recover past the slowdown due to demonetization. After witnessing demonetization in FY2017, the Indian economy is going to see another major reform in the form of implementation of GST in FY2018. India's GVA growth, which is expected to expand by 6.7% in FY2017, is set to increase in the range of 7.4% in FY2018 (RBI estimates) due to accelerated pace of demonetization, stepping up of capital expenditure, boosting of the rural economy, demand for affordable housing, a normal monsoon and roll-out of GST by July 2017.

### Industry structure and developments

Growth rate of industrial sector is estimated to be around 5.2 per cent in 2016-17 against 7.4 per cent during 2015-16. A modest growth of 0.4 per cent has been observed in the Index of Industrial Production (IIP) due to strong growth in electricity generation offset by moderation in mining and manufacturing. Many new initiatives taken by the Government in the form of Make-in-India, Invest India, Start Up India and e-biz Mission Mode Project under the national e-governance plan are facilitating investment and ease of doing business in the country.

### Railways

The marginal revenue growth of Railways during 2016-17 was mainly due to increase in non fare revenues. The revenues from passenger and freight fares is abysmally low with cross subsidy of passenger fares resulting in increase of freight rates and loss of business to road

The Government has proposed a special safety fund of Rs one lakh crores in the budget for up gradation of tracks, signaling improvements and elimination of unmanned level crossings and deployment of Train Collision Avoidance System after trials.

Your 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 having invested considerable amounts in the project and successfully conducted series of trials with changing technical specifications of Railways is now geared up for the full implementation as and when the project is commissioned for deployment by Indian Railways

### Opportunities

Your Company with its expertise in designing, development and deployment of Anti collision devices 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

The Global defense spending is about 1.5 trillion USD and India is the fourth largest country in defense spending. The FDI limits in defense sector have been raised to 49% and in advance transfer technology areas to the extent of 100%. The priority under "Buy Indian" to the indigenously designed, developed and manufactured defense equipment firms throws several opportunities to large Indian technologically superior and financially strong Companies. The implementation of Defense offset policy to counter balance Nations huge defense imports is also a big boon.

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

Your 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 Railway Budget was merged with the union budget for the first time facilitating multimodal transport planning and better allocation of resources to Railways. The functional autonomy of Ministry of railways will be retained so as to function as a commercial undertaking. A rail safety fund called Rashtriya Rail sankraksha kosh with a copus of one lakh crores will be created over a period of next five years and an amount of Rs 1.31 lakh crores was allocated for capital expenditure. The increased investments in the Rail Sector through public-private partnership and the thrust to increase the capital investment in the Rail infrastructure, Permitting 100% Foreign Investment, introduction of semi high speed trains and new Metro Rail Policy is likely to benefit Companies in the Rail Sector.

## Risks and areas of concern

There is a risk of competition both domestically and internationally and need for up gradation to new technologies and training the man power to adapt to new skills and retaining the existing talent. The Company should plan for raising the necessary financial resources for diversifying into related new lines of business. The Company should immediately identify new products leveraging the expertise and experience having market demand and also explore new International markets for marketing the fully developed existing products

## Discussion on financial performance with respect to operational performance

To sustain the operations of the ongoing projects, Funding of TCAS, reduction of high cost borrowings and reduction of statutory and other liabilities, the Company sold some of the surplus assets during the year. The South African Project has been successfully completed and the ENR project is nearing completion. The Revenues and financial performance is detiled else where in the Directors Report.

## Internal control systems and their adequacy

Your 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.

Your 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, interalia, 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:

During the year the Senior Management team has been strengthened with the appointment of CFO, Vice President (Technical), Senior Marketing Manager .The total number of employees as on March 2017 is 83 as against 85 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



**Annexure-E to the Director's Report**
**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 Chairman. The Board of Directors of the Company consists of eminent persons with professional expertise. The Board comprises of one Executive Director and Six Non-executive Directors, of whom three are independent Directors as on March 31, 2017. Accordingly, the Composition of the Board is in conformity with SEBI (LODR) Regulations, 2015.
- 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.

Name of the Director	Category	No. of Board Meetings during the year 2016-17		Whether Attended AGM on 18.10.16	Directorships in other public companies	No. of committee positions held in other public companies				No of shares
		Held	Attended			Chairman	Member	Chairman	Member	
*Venkateswara Raju Lakamraju	Non-Independent Executive	10	6	Yes	-	-	-	-	-	2,25,863
#Murali Mohan Bandaru	Non-Independent Executive	10	8	Yes	-	-	-	-	-	1,50,071
Gopalakrishna Muddusetty	Independent Non-Executive	10	10	Yes	-	8	-	-	-	-
\$ Jyoti Raju	Non-Independent Non-Executive	10	1	No	-	-	-	-	-	1,73,329
Anji Raju Manthena	Non-Independent Non-Executive	10	3	No	-	-	-	-	-	2,77,078
Venkata Ratnam Anugolu	Independent Non-Executive	10	10	Yes	-	-	-	-	-	-
Arun Kumar Sanwalka	Independent Non-Executive	10	7	Yes	-	-	-	-	-	-
Vinta Janardhana Reddy	Non-Independent Non-Executive	10	4	No	-	-	-	-	-	1,98,655
Raju Narasa Mantena	Non-Independent Non-Executive	10	5	No	-	-	-	-	-	854633
K Krishnam Raju	Non-Independent Executive	10	6	Yes	-	-	-	-	-	-

- iv) Ten (10) Board Meetings were held during the year ended 31st March, 2017 and the gap between any two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows

**30/04/2016, 28/05/2016, 09/08/2016, 24/08/2016, 29/10/2016, 08/11/2016, 17/01/2017, 28/01/2017, 28/02/2017 & 10/03/2017.**

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

### **3. Audit Committee and composition :**

- i. The Audit Committee of the Company during the year under review consisted of Four (4) Directors, including three (3) independent Directors and One (1) Managing Director / Director In charge and the Chairman of the Audit Committee 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 are also invited to attend and participate at meetings of the Committee. The Statutory Auditors are invited to attend and participate at the meetings of the Committee. The Chairman of the Audit Committee was present at the Annual General Meeting held on 18th October, 2016.

The terms of reference of audit committee include 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 usually attended by the Managing Director/Director In charge, Finance head, Statutory Auditors and representatives of the internal auditors.
  - ii. The last Annual General Meeting of the Company was held on October 18, 2016.
  - iii. The composition of the Audit Committee as on March 31, 2017 and particulars of meetings attended by the members are as follows:

Name	Category	Number of meetings during the year 2016-17	
		Held	Attended
Venkata Ratnam Anugolu	Independent Non-Executive	4	4
Gopalakrishna Muddusetty	Independent Non-Executive	4	4
Arun Kumar Sanwalka	Independent Non-Executive	4	3
* Venkateswara Raju Lakamraju	Non-Independent-Executive	4	3
K Krishnam Raju	Non-Independent-Executive	4	1

\* Resigned with effect from 30.11.2016

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 consists of 6 directors, out of whom 3 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. Three meetings of Nomination and Remuneration were held on 08-08-2016, 08-11-2016 and 28-02-2017 the details of the members attended are as follows:-

Name	Category	Number of meetings during the year 2016-17	
		Held	Attended
Venkata Ratnam Anugolu	Independent Non-Executive	3	3
Gopalakrishna Muddusetty	Independent Non-Executive	3	3
Arun Kumar Sanwalka	Independent Non-Executive	3	2
Dr. Raju Narasa Mantena	Non-Independent-Non-Executive	3	1
* Dr.Anji Raju Mantena	Non-Independent-Non-Executive	3	1
K. Krishnam Raju	Non-Independent Executive	3	3

\* Appointed on 29th January'2017.

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 Managing Director and Whole time Director during the financial year 2016-17 is follows.

Name	Designation	REMUNERATION (Rs.Lacs)		
		Salary & Benefits	Commission	Total
*. Col. L. V. Raju (Retd.)	Managing Director	25.00	3.78	28.78
** Mr. B. Murali Mohan	Whole time Director	25.20	2.76	27.96
#Mr.K.Krishnam Raju	Whole time Director	24.19	-	24.19

\* Resigned on 30.11.2016

\*\* Resigned on 31.03.2017

# Appointed as Whole Time Director w.e.f.29.10.2016

Besides above, the Managing and 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/- 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 2016-17, is as follows.

Name	Sitting fee (Amount in Rs.)*
Sri. Gopalakrishna Muddusetty	3,60,000
Sri. Venkata Ratnam Anugolu	3,40,000
Sri. Arun Kumar Sanwalka	2,60,000
Dr. Jyoti Raju	20,000
Dr. Anji Raju Manthana	40,000
Dr. Vinta Janardhana Reddy	40,000
Dr. Raju Narasa Mantena	40,000

## 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 four directors, who are all independent Directors.
- ii. The Composition of the shareholder/ investors Grievance Committee is given below:-

Name	Category
Sri. M. Gopalakrishna, IAS (Retd)	Independent Non-Executive
Sri. Arun Kumar Sanwalka	Independent Non-Executive
Dr. Raju Narasa Mantena	Promoter - Non-Executive
Sri.K Krishnam Raju*	Non-Independent-Executive

\* Inducted on 28th January, 2017

During the year one meeting was held on 8th August, 2016.

- iii. Name, designation and address of Compliance Officer:  
P V Sampath Kumar, Asst. Company Secretary  
Plot No.38 to 41, Survey no. 1/1, Hardware Park,  
Maheswaram Mandal, Raviryal Village, Ranga Reddy, Hyderabad – 500 005

- iv. Details of complaints received and redressed:

Opening Balance	Received during the period 01.04.2016 to 31.03.2017	Resolved during the period 01.04.2016 to 31.03.2017	Closing Balance
Nil	Nil	Nil	Nil

## 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
Venkata Ratnam Anugolu	Independent Non-Executive
Arun Kumar Sanwalka	Independent Non-Executive
Dr. Raju Narasa Mantena	Non-Independent-Non-Executive
* Dr.Anji Raju Mantena	Non-Independent-Non-Executive
K. Krishnam Raju	Non-Independent 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:-

10th August'2017

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**

I, K Krishnam Raju, Director in charge, 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, 2017.

K Krishnam Raju,  
Director in charge

### 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 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 Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate meeting of the Independent Directors of the Company was held on 8th November 2016, to review the performance of Non-independent Directors (including the promoters and Managing Director) and the Board as whole, taking into account the views of executive and non-executive directors. The Independent Directors also reviewed the quality, content and timeliness of the flow of information between the Management and the Board and its Committees, which is necessary to effectively and reasonably perform and discharge their duties.

**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

**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
2015-2016	24th AGM	Saturday the 18th October'2016 at 3.00 PM	Hotel Minerva Grand, Sarojini Devi Road, Secunderabad- 500 003.
2014-2015	23rd AGM	Monday the 28th September 2015 at 3.00 P.M	Hotel Minerva Grand, Sarojini Devi Road, Secunderabad- 500 003.
2013-2014	22nd AGM	Saturday, September'27,2014 at 3.00 P.M.	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. Borrowing money up to Rs. 100 Crores under Section 180(1) (c) of the Companies Act, 2013 (the Act).-AGM held on 27th September 2014
2. To sell, mortgage and / or create charge under Section 180(1)(a) of the Act- AGM held on 27th September 2014
3. 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
4. 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.

### Postal Ballot:

The details of Special Resolutions which were passed through postal ballot during the last financial year ended 31.03.2016 and voting pattern thereon is as follows:-

Postal Ballot No.	Particulars of Special Resolution	Date of Passing of the Resolution	Voting Pattern	
			Votes cast in favour	Votes cast against
1	Resolution according consent to the Board of Directors under Section 180(1)(a) of the Companies Act, 2013 for creation of charge/mortgage in respect of borrowings and to sell, lease or otherwise dispose of the whole or substantially the whole of an undertaking of the Company	22-05-2015	44,37,620 & 99.998%	104 & 0.002%

One resolution was proposed during the year under review on 10th March 2017 the voting of which ended during the current year on 29th April 2017 and voting pattern thereon is as follows:-

Postal Ballot No.	Particulars of Special Resolution	Date of Passing of the Resolution	Voting Pattern	
			Votes cast in favour	Votes cast against
1	Special resolution for Sale of Hardware Technology Park situated at Plot No 38 (part) to 41, Survey No 1/1, Kancha Imarat, Raviryal Village, Maheswaram Mandal, Ranga Reddy District, Hyderabad-501 359.	May 1,2017	44,33,123 & 99.98%	629 & 0.014%

The postal ballot was conducted by M/s. A.J.Sharma & Associates, Company Secretaries

Procedure for Postal Ballot : The Postal Ballot has been carried out as per the procedure stipulated under the Companies (Management and Administration) Rules, 2014. During the process of Postal Ballot, shareholders are provided the remote e-voting facility pursuant to Regulation 44 of the SEBI Listing Regulations, 2015 and the said rules.

### Extraordinary General Meeting:

No Extraordinary General Meeting of the Members was held during the year 2016-17.

### 12. 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](http://www.kernex.in) and also in the websites of BSE Limited and National Stock Exchange of India Limited. The Company's website also displays official press releases and other disclosures submitted to stock exchanges.
- The Company has not made any presentation to institutional investors or to analysts

### 13. General Shareholder's information:

#### i) Annual General Meeting

Date	: 29th, September 2017
Time	: 3.00 P.M
Venue	: Plot No.38 to 41, Survey no.1/1, Hardware Park, Maheswaram Mandal, Raviryal Village, Ranga Reddy, Hyderabad – 500 005

#### ii) Financial Calendar

Year ending	: March 31, 2017
AGM	: September 29, 2017

#### iii) Date of Book Closure : 25th September, 2017 to 29th September, 2017

#### iv) Listing on Stock Exchange : Bombay Stock Exchange Limited The National Stock Exchange of India Limited

**Stock Code / Symbol** : Bombay Stock Exchange Limited 532686  
(Physical & Demat) The National Stock Exchange : Kernex

International Securities Identification  
Number (ISIN) : INE202H01019

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

Month	Bombay Stock Exchange Limited			National Stock Exchange Limited		
	High (Rs.)	Low (Rs.)	Total No. of Shares Traded	High (Rs.)	Low (Rs.)	Total No. of Shares Traded
Apr-16	36.35	31.20	63,030	36.45	31.40	1,95,182
May-16	34.75	31.15	42,238	34.75	30.05	1,51,058
June-16	36.95	31.00	98,771	37.15	31.10	1,47,680
July-16	38.40	34.30	71,005	38.65	34.30	1,34,222
Aug-16	44.00	34.70	1,82,195	44.00	34.85	3,13,963
Sep-16	43.55	37.30	1,25,811	44.20	37.55	1,64,909
Oct-16	42.80	38.15	69,388	42.00	38.20	1,02,095
Nov-16	41.55	34.50	60,026	41.50	34.60	1,54,192
Dec-16	42.00	36.55	73,808	42.50	36.25	1,82,457
Jan -17	43.30	34.50	3,39,840	43.00	34.60	6,59,250
Feb -17	44.75	36.05	3,84,812	44.90	35.40	10,11,946
March-17	43.00	36.00	8,65,630	42.70	36.05	9,06,438

Disclosure on suspension of trading - Not applicable

**Registrar and Transfer Agents:**

Karvy Computershare 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  
 Contact Person: Mr. K S Reddy (Asst. General Manager)

**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, 2017):**

Category No. of Shares	Holding in Rs.	% to Capital	No. of Accounts	% of Total Accounts
1-5000	17553	89.66	18024240	14.42
5001- 10000	1034	5.28	8280960	6.62
10001- 20000	483	2.47	7292780	5.83
20001- 30000	167	0.85	4279030	3.42
30001- 40000	69	0.35	2465410	1.97
40001- 50000	54	0.28	2534010	2.03
50001- 100000	97	0.50	7000220	5.60
100001& Above	121	0.62	75119200	60.10
<b>GRAND TOTAL</b>	<b>19578</b>	<b>100</b>	<b>12499655</b>	<b>100</b>

**Shareholding pattern as on March 31, 2017**

S.No.	Catetory	No. of Share Holders	No. of Shares	Percentage of Holding
<b>(A)</b>	<b>PROMOTER AND PROMOTER GROUP</b>			
(1)	INDIAN			
(a)	Individual /HUF	1	2,25,863	1.81
(b)	Others	2	529	0.00
(2)	FOREIGN			
(a)	Individuals (NRIs/Foreign Individuals)	17	39,42,108	31.54
(b)	Others			
	<b>Total</b>	<b>20</b>	<b>41,68,500</b>	<b>33.35</b>
<b>(B)</b>	<b>PUBLIC SHAREHOLDING</b>			
(1)	INSTITUTIONS			
(a)	Financial Institutions /Banks			
(2)	NON-INSTITUTIONS			
(a)	Bodies Corporate	285	12,36,693	9.89
(b)	Individuals			
	(i) Individuals holding nominal share capital upto Rs.1 lakh	19,034	48,81,171	39.05
	(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	24	12,75,041	10.20
(c)	Others (NBFCs)	2	13,582	0.11
	CLEARING MEMBERS	29	73,020	0.58
	NON RESIDENT INDIANS	181	8,27,117	6.62
	TRUSTS	3	24,531	0.20
	<b>Total</b>	<b>19,558</b>	<b>83,31,435</b>	<b>66.65</b>
	<b>Grand Total</b>	<b>19,578</b>	<b>1,24,99,655</b>	<b>100.00</b>

**Dematerialization of shares and liquidity:**

The Company's shares are compulsorily traded in dematerialization form. Equity shares of the Company representing 95.31% of the Company's share capital are dematerialized as on March 31, 2017.

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

As on March 31, 2017 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- 500 005

**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-500 005



## 15. OTHER DISCLOSURES

Materially significant related party transactions during the year ended 31st March 2017:

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.

Details of non-compliances during last three years

There were some delays in submitting the quarterly disclosures to the Stock Exchanges. No penalties and strictures were imposed on the Company by SEBI or any authority on any matter related to capital markets during the last three years. The Stock exchanges have levied penalties for the delay in submissions of quarterly disclosures.

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 behaviour, 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 victimisation 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 has approached the Audit

Committee till date.

## 16. COMPLIANCE OF CORPORATE GOVERNANCE CONDITIONS

The Company has 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 the quarter except for one quarter due to technical reasons during the financial year 2016-2017.

## 17. WEBSITE DISCLOSURES

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

## 18. DISCLOSURE ON NON-MANDATORY REQUIREMENTS

The Board

The Chairman of the Company is an Independent Director.

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.

Audit qualifications:

Company's financial statements are unqualified

Separate Posts of Chairman and CEO

The Chairman of the Company is an Independent Director, the post of Whole Time Director is held by a non promoter director.

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.

## AUDITOR'S CERTIFICATE REGARDING CORPORATE GOVERNANCE

To  
The Members of Kernex Microsystems (India) Limited,

We have examined the compliance of conditions of Corporate Governance by Kernex Microsystems (India) Limited, (the Company') for the year ended 31 March 2017, as per regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'Listing Regulations').

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

We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) issued by the Institute of Chartered Accountants of India (the 'ICAI'). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI. We have complied with the relevant applicable requirements of the Standard on Quality Control ('SQC') 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as specified in regulations 17 to 27, clauses (b) to (i) of sub regulation (2) of regulation 46 and paragraphs C, D and E of Schedule V of the Listing Regulations, as applicable.

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

Restrictions on use This certificate is issued solely for the purpose of complying with the aforesaid Regulations and may not be suitable for any other purpose.

For **GMK ASSOCIATES**  
Chartered Accountants  
Firm Regn Np. 006945S

**G Satyanarayana Murty**  
Partner  
Membership No. 29919

Place: Hyderabad  
Date: 10th August, 2017

## INDEPENDENT AUDITOR'S REPORT

To  
The Members  
Kernex Microsystems (India) Limited

### 1. Report on the Financial Statements

We have audited the accompanying financial statements of KERNEX MICROSYSTEMS (INDIA) LIMITED, ("The Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### 2. Management's Responsibility for the 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 and in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### 3. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

### 4. Basis for Qualified Opinion

We draw your attention to Note No. 39 of the standalone financial statements - Out of the total debtors outstanding for more than six months of Rs.35.24 Crores, which are unsecured and considered good. The above debtors are slow moving, as partly received or non-moving, and subject to confirmations and

subsequent reconciliation. In some cases invoices raised by the company on railways are yet to be recognized by the customer.

In view of non availability of confirmations and reconciliation and ongoing arbitration proceedings in the case of dues from KRCL we are unable to comment of the effect of the same on financial statements.

## 5. Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion, the standalone financial statements give the information required by 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 31st March, 2017 and its loss and its cash flows for the year ended on that date.

## 6. Other Matters

We did not audit the financial statements/information of Egypt Branch included in the standalone financial statements of the Company whose financial statements/information reflect total assets of Rs.6,27,13,581 as at 31st March, 2017 and total revenues of Rs.66,19,350 for the year ended on that date, as considered in the standalone financial statements. The financial statements/information of this foreign branch have been audited by the branch auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of this branch, is based solely on the report of such branch auditors and the returns submitted at the branch.

Our opinion is not modified in respect of this matter.

## 7. 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 Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order.

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 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 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 written representations received from the directors as on 31st March, 2017 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed to act 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 the "Annexure B" and
- (g) With respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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- Refer Note No.

29 to the standalone financial statements;

- ii. the company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any on long-term contracts including derivative contracts- Refer Note 29 to the standalone financial statements;
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
- iv. The company has provided requisite disclosures in standalone financial statements as to holdings as well as dealings in Specified Bank Notes during the period 8 November 2016 to 30 December 2016. Based on audit procedures and relying on management representation, we report that the disclosures are in accordance with books of account maintained by the Company and produced to us by the Management - Refer Note 40 to the standalone financial statements.

For **GMK Associates**  
Chartered Accountants  
FRN-006945S

**(G Satyanarayana Murty)**  
PARTNER  
Membership No.029919

PLACE : Hyderabad  
DATE : 09th May, 2017.

## ANNEXURE-A TO THE INDEPENDENT AUDITOR'S REPORT

1. a) The Company has maintained requisite records showing required particulars including quantitative details and situation of its fixed assets.
- b) According to the information and explanation given to us by the management, most of the fixed assets of the company have been physically verified by the management during the year and the intervals of such verification had also been reasonable.
- 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.
2. As explained to us by the management and as observed by us, the inventory of raw material, finished goods stores and spares etc. has been physically verified during the year and specifically at the year-end by the management and no material discrepancies were observed in the inventories.
3. Based on our scrutiny and as per information and explanations provided to us by the management, the company has not granted any loans during the period under review covered in the registers maintained under section 189 of the Companies Act, 2013. Since there are no loans granted sub-clauses b, c and d are not applicable.
4. Based on our scrutiny and as per the information provided by the management, the company does not have any transactions in respect of loans, investments, guarantees and securities granted, to be complied with the

provisions of Sections 185 and 186 of the Companies Act, 2013.

5. Based on our scrutiny and as per the information provided by the management, the company has not accepted any deposits during the year under review attracting the sections 73 to 76 of the Companies Act, 2013 and rules made there under.
6. According to the information and explanations given, the maintenance of cost records as specified under sub-section (1) of Section 148 of the Companies Act, 2013 are not applicable for the year under review.
7. a) According to the books and records as produced and examined by us 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, service tax, sales tax, value added tax, excise duty, cess and other material statutory dues have not been regularly deposited by the company during the year with appropriate authorities and the outstanding statutory dues as at the end of the financial year outstanding for more than 6 months are as follows:

Nature of Statutory Dues	Amount (Rs. In Lakhs)
Service Tax	69.07
CST Payable	22.07
Works Contract Tax	9.90
<b>TOTAL</b>	<b>101.04</b>

- b) According to information and explanations given to us, disputed amounts payable in respect of Income Tax and Sales Tax were outstanding as on 31st March, 2017 are as follows:

Name of the Statute	Amount (Rs. In lakhs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	8.00	F.Y. 1997-98	A.Y. 1998-99 High Court of Judicature at Hyderabad for the state of Telangana and state of Andhra Pradesh Income Tax Commissioner (Appeals)
	257.47	F.Y. 2013-14 A.Y. 2014-15	
APGST Act, 1957	4.13	F.Y. 2002-03	Sales Tax Appellate Tribunal



8. As observed by us and as per the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to its financial institution or bank during the year under audit.
9. As observed by us, the company has not availed any Term Loans from Banks during the year. The company has not raised any monies by way of IPO or FPO during the year under review.
10. Based upon the audit procedures performed and information and explanations given by the management, we report that no material fraud on or by the company by its officers or employees has been noticed or reported during the course of our audit.
11. According to the information and explanations given to us and based on our examination of the records of the company, the managerial remuneration paid/provided during the year by the company is as per the provisions of section 197 read with Schedule V of the Companies Act, 2013.
12. In our opinion and according to the information and explanations given to us, the company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
13. According to the information and explanations given to us and based on our examination of the records of the company, transactions with related parties are in compliance with section 177 and 188 of the Act wherever applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
14. According to the information and explanations given to us and based on our examination of the records of the company, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
15. As observed by us and as per the information and explanations given by the management, the company has not entered into any non-cash transactions with the directors or persons connected with him, during the period under review.
16. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

**For GMK Associates**  
Chartered Accountants  
Firm Regn. No. 006945S

**G Satyanarayana Murty**  
Partner  
Membership No. 029919

Place: Hyderabad

Date: 09.05.2017

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

### **Report on the Internal Financial Controls 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 2017 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 company's management is responsible for establishing and maintaining internal financial controls based on the internal controls 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 Control over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business including adherence to company's policies 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the company's internal financial controls over financial reporting 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") and the standards on Auditing, issued by ICAI and deemed to be prescribed under section 143 (10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 judgment, 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 transaction 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 principle, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance

regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal financial Controls over Financial Reporting**

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

**Opinion**

In our opinion, 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 2017, 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 GMK Associates**  
Chartered Accountants  
Firm Regn. No. 006945S

**G Satyanarayana Murty**  
Partner  
Membership No. 029919

Place: Hyderabad  
Date: 09.05.2017

**BALANCE SHEET AS AT 31ST MARCH, 2017**

(Amount in Rupees)

S. No.	PARTICULARS	Note No.	As at 31.03.2017	As at 31.03.2016
<b>I</b>	<b>EQUITY AND LIABILITIES</b>			
1	SHAREHOLDERS' FUND			
a	Share Capital	2	124,996,550	124,996,550
b	Reserves and Surplus	3	842,599,034	919,499,135
			<u>967,595,584</u>	<u>1,044,495,685</u>
2	SHARE APPLICATION MONEY PENDING ALLOTMENT		-	-
3	NON-CURRENT LIABILITIES			
a	Long Term Borrowings	4	106,128	359,717
b	Deferred Tax Liability(Net)		14,900,571	-
c	Long Term Liabilities	5	53,199,999	39,999,999
d	Long Term Provisions		-	-
			<u>68,206,698</u>	<u>40,359,716</u>
4	CURRENT LIABILITIES			
a	Short Term Borrowings	6	178,911,145	268,764,260
b	Trade Payables	7	83,852,997	134,065,939
c	Other Current Liabilities	8	29,635,098	68,048,595
d	Short Term Provisions	9	-	2,027,757
			<u>292,399,240</u>	<u>472,906,551</u>
	<b>TOTAL</b>		<u>1,328,201,523</u>	<u>1,557,761,953</u>
<b>II</b>	<b>ASSETS</b>			
1	NON - CURRENT ASSETS			
a	Fixed Assets			
	Tangible Assets	10	554,271,919	496,626,038
	Intangible Assets		200,079	200,079
	Capital Work in Progress		-	97,440,499
b	Non-Current Investments	11	11,830,950	11,830,950
c	Deferred tax asset(net)	28	-	6,765,863
d	Long term loans and advances	12	121,068,851	71,941,972
e	Other Non-Current Asset		-	-
			<u>687,371,799</u>	<u>684,805,401</u>
2	CURRENT ASSETS			
a	Inventories	13	102,232,684	248,070,496
b	Trade Receivables	14	420,555,955	518,886,483
c	Cash and Bank Balances	15	56,283,354	52,392,530
d	Short term loans and advances	16	59,771,343	47,018,294
e	Other current assets	17	1,986,388	6,588,749
			<u>640,829,724</u>	<u>872,956,552</u>
	<b>TOTAL</b>		<u>1,328,201,523</u>	<u>1,557,761,953</u>
	Significant Accounting Policies	1		

See Accompanying notes forming part of the financial statements

In Terms of our report attached

For **GMK ASSOCIATES**

Chartered Accountants

Firm Regn No. 006945S

For and on behalf of The Board of Directors

**G. SATYANARAYANA MURTY**

Partner

Membership No. 29919

Place: Hyderabad

Date: 9-May-2017

**RAJU NARASA MANTENA**

Director

**K KRISHNAM RAJU**

Director In-charge

**RAMAYYA VUTUKURI**

Chief Financial Officer

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH , 2017**

(Amount in Rupees)

S. No.	PARTICULARS	Note No.	As at 31.03.2017	As at 31.03.2016
1	REVENUE FROM OPERATIONS	18	<b>123,016,446</b>	121,419,658
	Less: Excise Duty		-	-
	Net Revenue		<b>123,016,446</b>	121,419,658
2	OTHER INCOME	19	<b>16,511,650</b>	20,821,945
	Total Revenue (1+2)		<b>139,528,096</b>	142,241,603
3	EXPENSES			
	Cost of Materials Consumed	20.1	<b>54,549,642</b>	49,415,291
	Purchase of Stock in Trade	20.2	<b>10,510,514</b>	-
	Changes in Inventories of Finished goods, Stock-in-Process and stock in trade	20.3	<b>62,260,136</b>	1,487,920
	Employee Benefit Expenses	21	<b>53,093,454</b>	72,721,659
	Finance Cost	22	<b>33,114,138</b>	40,142,632
	Depreciation and Amortisation Expenses	10	<b>25,571,846</b>	32,100,797
	Other Expenses	23	<b>153,205,305</b>	82,528,369
	Total Expenses		<b>392,305,035</b>	278,396,668
4	PROFIT/(LOSS) BEFORE EXCEPTIONAL AND EXTRA-ORDINARY ITEMS AND TAX		<b>(252,776,939)</b>	(136,155,065)
5	Exceptional Items	24	<b>(52,130,987)</b>	-
6	PROFIT/(LOSS) BEFORE EXTRA-ORDINARY ITEMS AND TAX		<b>(304,907,926)</b>	(136,155,065)
7	Extra-Ordinary Items	25	<b>287,497,584</b>	-
8	PROFIT/(LOSS) BEFORE TAX		<b>(17,410,342)</b>	(136,155,065)
9	TAX EXPENSE			
	a Current Tax		-	-
	b Deferred tax	28	<b>21,666,434</b>	(3,260,961)
	c MAT Credit		-	-
	d Current tax expense relating to prior years		-	-
10	PROFIT/(LOSS) FOR THE PERIOD		<b>(39,076,776)</b>	(132,894,104)
11	Earnings per equity share: (Equity shares of par value of Rs.10/- each)			
	a Basic	27	<b>(3.13)</b>	(10.63)
	b Diluted	27	<b>(3.13)</b>	(10.63)
	Significant Accounting Policies	1		

See Accompanying notes forming part of the financial statements

In Terms of our report attached

For **GMK ASSOCIATES**

Chartered Accountants

Firm Regn No. 006945S

For and on behalf of The Board of Directors

**G. SATYANARAYANA MURTY**

Partner

Membership No. 29919

Place: Hyderabad

Date: 9-May-2017

**RAJU NARASA MANTENA**

Director

**K KRISHNAM RAJU**

Director In-charge

**RAMAYYA VUTUKURI**

Chief Financial Officer

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017**

(Amount in Rupees)

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the year ended 31.03.2016</b>
<b>A. Cash Flow from Operating Activities</b>		
<b>Net Profit/(Loss) before Extra-ordinary Items &amp; Tax</b>	<b>(17,410,342)</b>	<b>(136,155,065)</b>
<u>Adjustments for:</u>		
Depreciation and Amortisation	25,571,846	32,100,797
Impairment of Fixed Assets	9,878,824	-
(Profit) / Loss on Sale / Write off of Assets	(287,497,584)	-
Finance Costs	33,114,138	40,142,632
Interest Income	(4,515,529)	(4,819,145)
	<b>(223,448,305)</b>	<b>67,424,284</b>
<b>Operating Profit/(Loss) before Working Capital changes</b>	<b>(240,858,647)</b>	<b>(68,730,781)</b>
<u>Changes in Working Capital:</u>		
Adjustments for (increase) / decrease in operating assets:		
Inventories	145,837,812	12,646,321
Trade Receivables	98,330,528	5,416,025
Short Term Loans and Advances	(12,753,049)	1,101,149
Long Term Loans and Advances	(49,126,879)	(897,520)
Other Current Assets	4,602,361	(982,683)
Foreign Currency Reserve	(37,823,325)	(7,445,535)
Adjustments for increase / (decrease) in operating liabilities:		
Trade Payables	(50,212,942)	1,060,414
Other Current Liabilities	(38,413,497)	(623,246)
Short Term Provisions	-	-
Long Term Provisions	-	-
	<b>60,441,010</b>	<b>10,274,926</b>
Cash Generated from Operations	<b>(180,417,637)</b>	<b>(58,455,855)</b>
<b>Net Cash Flow from / (used in) operating activities (A)</b>	<b>(180,417,637)</b>	<b>(58,455,855)</b>
<b>B. Cash Flow from Investing Activities</b>		
Capital expenditure on fixed assets including capital advances	(18,158,471)	(1,155,282)
Proceeds from sale of fixed assets	310,000,000	-
Inter-corporate deposits	3,302,630	-
(Purchase)/Sale of Investments	-	-
Bank balances not considered cash or cash equivalents		
- Placed	-	-
Interest Received	4,515,529	299,659,688
Net Income Tax (paid) / refunds	(2,027,757)	4,819,145
<b>Net Cash Flow from / (used in) Investing activities (B)</b>	<b>297,631,931</b>	<b>3,663,863</b>



**CASH FLOW STATEMENT (Cond.)**

	<b>(Amount in Rupees)</b>	
<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the year ended 31.03.2016</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from issue of equity shares	-	-
Proceeds from long term borrowings	(253,589)	581,917
Proceeds towards sale of fixed assets	13,200,000	39,999,999
Repayment of long term borrowings	-	-
Net increase / (decrease) in working capital borrowings	(93,155,745)	50,773,162
Finance Costs	(33,114,138)	(40,142,632)
<b>Net Cash Flow from / (used in) Financing activities (C)</b>	<b>(113,323,472)</b>	<b>51,212,446</b>
<b>Net Increase / decrease in Cash or Cash Equivalents (A+B+C)</b>	<b>3,890,822</b>	<b>(3,579,546)</b>
Cash and cash equivalents in the beginning of the year	52,392,530	55,972,076
Effect of exchange difference on restatement of foreign currency	-	-
<b>Cash and cash equivalents in the end of the year</b>	<b>56,283,352</b>	<b>52,392,530</b>
<b>Reconciliation of cash and cash equivalents with Balance Sheet</b>		
<b>Cash and cash equivalents at the end of the year*</b>	<b>56,283,354</b>	<b>52,392,530</b>
* comprises:		
(a) Cash	673,975	489,343
(b) Balances with Bank	-	-
- In current accounts	1,273,017	6,855,303
- In EEFC accounts	25,000	-
- In Deposit accounts	912,939	16,796,294
- In earmarked accounts	53,398,423	28,251,590
	<b>56,283,354</b>	<b>52,392,530</b>

In Terms of our report attached  
For **GMK ASSOCIATES**  
Chartered Accountants  
Firm Regn No. 006945S

For and on behalf of The Board of Directors

**G. SATYANARAYANA MURTY**  
Partner  
Membership No. 29919

**RAJU NARASA MANTENA**  
Director

**K KRISHNAM RAJU**  
Director In-charge

Place: Hyderabad  
Date: 9-May-2017

**RAMAYYA VUTUKURI**  
Chief Financial Officer

## **KERNEX MICROSYSTEMS (INDIA) LIMITED**

### **Notes forming part of the financial statements**

#### **NOTE**

#### **CORPORATE INFORMATION**

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

#### **1 SIGNIFICANT ACCOUNTING POLICIES**

##### **1.1 Basis of accounting and preparation of financial statements**

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2014 (as amended) and the relevant provisions of the Companies Act, 2013. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year unless otherwise stated.

##### **1.2 Use of estimates**

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

##### **1.3 Inventories**

Inventories of components are valued at cost or realisable value whichever is less. Work in Progress is valued at cost of materials and services used.

##### **1.4 Cash and cash equivalents**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

##### **1.5 Cash flow statement**

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

##### **1.6 Depreciation**

Depreciation has been provided on the fixed assets on WDV method as per the rates prescribed in Schedule II to the Companies Act, 2013.

## **1.7 Revenue recognition**

Revenue from contracts

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

### **Revenue from services**

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

### **Sale of goods**

Revenue from the product sales is exclusive of returns, and applicable trade discounts but inclusive of duties and taxes collected on the same.

## **1.8 Other income**

### **Initial recognition**

Transactions in foreign currencies entered into by the Company and its integral foreign operations are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

### **Measurement of foreign currency monetary items at the Balance Sheet date**

Foreign currency monetary items of the Company and its net investment in non-integral foreign operations outstanding at the Balance Sheet date are restated at the year-end rates.

### **Treatment of exchange differences**

"Exchange differences arising on settlement / restatement of short-term foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss."

## **1.9 Investments**

Long-term investments in Subsidiary (100% wholly owned Subsidiary) are carried at cost.

## **1.10 Employee benefits**

### **Defined contribution plans**

In respect of retirement benefits in the form of provident fund, the contribution payable by the company for a year is charged to the Profit and Loss account.

### **Defined benefit plans**

Gratuity: Gratuity benefit is applicable to all the permanent and full time employees of the company. Gratuity paid out is based on last drawn basic salary and DA at the time of termination or retirement. The scheme takes into account each completed year of service or part there of in excess of 6 months. Annual Contribution to the employee's Gratuity fund, Established with LIC of India(LIC) are determined based on an actuarial valuation made by the LIC as at the year end.

### **Short-term employee benefits**

The Company does not have any scheme for Leave encashment in place.

### 1.11 Segment reporting

Since the Company has no Reportable segment to report, "Segment Reporting" under "Accounting Standard - 17" Issued by "Institute of Chartered Accountants of India (ICAI)" is not applicable.

### 1.12 Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

### 1.13 Taxes on income

"Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961. Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company. Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability. "

### 1.14 Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**
**NOTE No.: 2 - SHARE CAPITAL**

NOTE No.: 2 - SHARE CAPITAL			Amount in Rupees	
PARTICULARS	As at 31.03.2017 Number		As at 31.03.2016 Number	
<b>AUTHORISED</b>				
Equity Shares of Rs.10/- each with voting rights	15,000,000	150,000,000	15,000,000	150,000,000
<b>ISSUED, SUBSCRIBED AND PAID UP</b>				
Equity Shares of Rs.10/- each with voting rights	12,499,655	124,996,550	12,499,655	124,996,550
Company has only one class of shares i.e., Equity Shares with Voting Rights				
<b>Total</b>	<b>12,499,655</b>	<b>124,996,550</b>	<b>12,499,655</b>	<b>124,996,550</b>

**NOTE NO.:2.1**
**RECONCILIATION OF NUMBER OF SHARES OUTSTANDING AT THE BEGINNING AND AT THE END OF THE REPROTING PERIOD**

PARTICULARS	Opening Balance	Fresh Issue	Closing Balance
Equity Shares with Voting Rights			
Year Ended 31st March, 2017			
- Number of Shares	12,499,655	-	12,499,655
- Amount	124,996,550	-	124,996,550
Year Ended 31 March, 2016			
- Number of Shares	12,499,655	-	12,499,655
- Amount ( )	124,996,550	-	124,996,550

**NOTE NO.:2.2**

**Details of Shares held by shareholders holding more than 5% of the aggregate shares of the company:**

PARTICULARS	As at 31.03.2017		As at 31.03.2016	
	Number	% of holding	Number	% of holding
Equity Shares with Voting Rights				
Dr. Raju Narasa Mantena	854,633	6.84%	854,633	6.84%
Seetharamaraju Manthena	712,995	5.70%	721,992	5.78%
Sreelakshmi Manthena	640,398	5.12%	640,398	5.12%

**NOTE No.: 3 - RESERVES AND SURPLUS**

**Amount in Rupees**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
<b>GENERAL RESERVE</b>		
Opening Balance	61,213,631	61,213,631
(+) Addition during the year	-	-
Closing Balance	61,213,631	61,213,631
<b>SECURITIES PREMIUM ACCOUNT</b>		
Opening Balance	917,219,545	917,219,545
(+) Premium on shares issued during the year		
(-) Utilised during the year:		
Issuing bonus shares		
Writing off preliminary expenses		
Writing off shares / debentures issue expenses		
Premium on redemption of redeemable preference shares / debentures		
Buy back of shares		
Closing Balance	917,219,545	917,219,545
<b>FOREIGN CURRENCY TRANSLATION RESERVE</b>		
Opening Balance	(5,940,558)	1,504,977
(+) / (-): Effect of foreign exchange rate variations during the year	(37,823,325)	(7,445,535)
(+) / (-): Transferred to Statement of Profit and Loss on disposal of the net investment in non-integral foreign operations	-	-
Closing Balance	(43,763,883)	(5,940,558)
Surplus/(Deficit) in statement of Profit and Loss		
Opening Balance	(52,993,483)	79,900,621
(+) Net Profit/(Loss) for the current year	(39,076,776)	(132,894,104)
Amounts transferred from:		
General Reserve	-	-
Adjustment for transitional provision of depreciation as per Companies Act, 2013	-	-
Closing Balance	(92,070,259)	(52,993,483)
<b>Total</b>	<b>842,599,034</b>	<b>919,499,135</b>

**NOTE No.: 4 - LONG TERM BORROWINGS**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
Secured	106,128	359,717
Unsecured	-	-
<b>Total</b>	<b>106,128</b>	<b>359,717</b>

\* The Loan is secured by hypothecation of vehicle



**NOTE No.: 5 - LONG TERM LIABILITIES**

**Amount in Rupees**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
Advance received against sale of land	53,199,999	39,999,999
<b>Total</b>	<b>53,199,999</b>	<b>39,999,999</b>

**NOTE No.: 6 - SHORT TERM BORROWINGS**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
(a) Loans repayable on demand (Working Capital)		
Secured		
Cash Credit from State Bank of Hyderabad	48,177,969	141,733,714
(b) Other Loans and Advances		
Unsecured Loans from Directors	59,014,207	58,614,207
Inter Corporate Deposits	71,718,969	68,416,339
<b>Total</b>	<b>178,911,145</b>	<b>268,764,260</b>

**NOTE NO.: 6.1**

**DETAILS OF SECURITY FOR SHORT TERM BORROWINGS**

<b>PARTICULARS</b>	<b>NATURE OF SECURITY</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
Cash Credit from State Bank of Hyderabad	Working Capital Loans are secured by pari passu hypothecation of all current assets present and future and collaterally secured by first charge over company's fixed assets and equitable mortgage of Land & Buildings situated at TSIIC Hardware Park and lands situated at Basanthpur (Nalgonda Dist and Amangal (Mahaboobnagar Dist)	48,177,969	141,733,714
<b>Total</b>		<b>48,177,969</b>	<b>141,733,714</b>

**NOTE NO.: 6.2**

**DETAILS OF SHORT TERM BORROWINGS**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
Loans repayable on demand from banks - Personal guarantee of Promoter	48,177,969	141,733,714
Inter Corporate Deposits	71,718,969	65,724,292
Inter Corporate Deposits are secured by pledge of Directors shares in the Company	-	2,692,047
<b>Total</b>	<b>119,896,938</b>	<b>210,150,053</b>

**NOTE No.: 7 - TRADE PAYABLES**

**Amount in Rupees**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
Trade Payables		
Acceptances		
Other than acceptances	83,852,997	134,065,939
<b>Total</b>	<b>83,852,997</b>	<b>134,065,939</b>

**NOTE No.: 8 - OTHER CURRENT LIABILITIES**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
(a) Current maturities of finance lease obligations	246,713	222,200
(b) Interest accrued and due on borrowings	-	-
(c) Unclaimed Dividends	259,815	308,694
(d) Application money received for allotment of securities and due for refund	26,300	26,300
(e) Statutory remittances:		
Contribution to ESI	91,575	434,008
Contribution to PF	744,241	6,157,581
Professional Tax Payable	35,150	148,164
Excise Duty Payable	-	-
CST Payable	2,207,480	2,207,480
Service tax Payable	6,869,295	19,938,622
TDS Payable	1,016,465	5,154,558
Works Contract Tax	990,334	968,886
(f) Payables on purchase of fixed assets	219,240	1,541,132
(g) Interest accrued on others	121,665	486,476
(h) Advances from customers	16,806,825	30,454,494
<b>Total</b>	<b>29,635,098</b>	<b>68,048,595</b>

**NOTE No.: 9 - SHORT TERM PROVISIONS**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
(a) Provision - Others:		
Proposed Dividends	-	-
Provision for Tax on dividends	-	2,027,757
Provision for Income Tax	-	-
<b>Total</b>	<b>-</b>	<b>2,027,757</b>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### NOTE No.: 10 - FIXED ASSETS

Amount in Rupees

Particulars	Gross Block				Depreciation					Net Block	
	As at 01.04.2016	Additions during the year	Deletions/ Adjustments during the year	As at 31.03.2017	Upto 01.04.2016	For the year	Impairment losses recognised in Statement of Profit and Loss	Deletions/ Transitional provision adjustment	Upto 31.03.2017	AS AT 31.03.2017	AS AT 31.03.2016
<b>TANGIBLE ASSETS</b>											
Land and Land Development	255,028,857	18,158,471	10,632,300	262,555,028	-	-	-	-	-	262,555,028	255,028,857
Building - Own Use	343,486,963	87,429,668	43,671,920	387,244,711	122,038,463	20,483,680	-	31,989,138	110,533,005	276,711,706	221,448,500
Plant and Equipment-Owned	138,162,267	132,007	1,352,000	136,942,274	121,460,957	4,200,863	-	1,192,085	124,469,735	12,472,539	16,701,310
Furniture and Fixtures-Owned	12,025,718	-	229,288	11,796,430	9,775,978	538,049	-	201,866	10,112,161	1,684,269	2,249,740
Vehicles - Owned	8,674,361	-	-	8,674,361	7,638,517	261,187	-	-	7,899,704	774,657	1,035,844
Office Equipment - Owned	9,531,002	-	-	9,531,002	9,369,215	88,067	-	-	9,457,282	73,720	161,787
<b>Total</b>	<b>766,909,168</b>	<b>105,720,146</b>	<b>55,885,508</b>	<b>816,743,806</b>	<b>270,283,130</b>	<b>25,571,846</b>	<b>-</b>	<b>33,383,089</b>	<b>262,471,887</b>	<b>554,271,919</b>	<b>496,626,038</b>
Previous Year	765,753,886	1,155,282	-	766,909,168	238,222,146	32,060,984	-	-	270,283,130	496,626,038	527,531,740
Capital Work in Progress	97,440,499	-	97,440,499	-	-	-	-	-	-	-	97,440,499
Particulars	Gross Block				Depreciation					Net Block	
	As at 01.04.2016	Additions during the year	Deletions/ Adjustments during the year	As at 31.03.2017	Upto 01.04.2016	For the year	Impairment losses recognised in Statement of Profit and Loss	Deletions/ Transitional provision adjustment	Upto 31.03.2017	AS AT 31.03.2017	AS AT 31.03.2016
<b>INTANGIBLE ASSETS</b>											
Computer Software	3,753,742	9,878,824	-	13,632,566	3,553,663	-	9,878,824	-	13,432,487	200,079	200,082
<b>Total</b>	<b>3,753,742</b>	<b>9,878,824</b>	<b>-</b>	<b>13,632,566</b>	<b>3,553,663</b>	<b>-</b>	<b>9,878,824</b>	<b>-</b>	<b>13,432,487</b>	<b>200,079</b>	<b>200,082</b>
Previous Year	3,753,742	-	-	3,753,742	3,513,850	39,813	-	-	3,553,663	200,079	239,895
<b>Note 1:</b> Depreciation includes Rs.98,78,824/- on account of impairment of Computer Software.											
<b>Note 2:</b> Depreciation on Additions to Building capitalised during the year is not provided since not put to use.											
<b>Note 3:</b> Capital Work in Progress includes Rs.98,78,824/- relating to Computer Software.											

**NOTE No.: 11 - NON CURRENT INVESTMENTS**

PARTICULARS	Amount in Rupees			
	As at 31.03.2017		As at 31.03.2016	
	Unquoted	Total	Unquoted	Total
(OTHER INVESTMENTS)				
(AT COST)				
(a) Investment in Equity Shares of Subsidiaries				
Avant-Garde Infosystems Inc USA (100% Subsidiary)	11,830,950	11,830,950	11,830,950	11,830,950
35,80,000 Equity shares of US \$ 0.02 each				
17,99,240 Equity shares of US \$ 0.10 each				
(Common Shares at no Par Value)				
<b>Total</b>		<b>11,830,950</b>		<b>11,830,950</b>

**NOTE No.: 12 - LONG TERM LOANS AND ADVANCES**

PARTICULARS	As at 31.03.2017	As at 31.03.2016
(a) Capital Advances	35,340,535	48,552,390
Unsecured, Considered good		
(b) Security Deposits	2,994,944	3,037,991
Unsecured, Considered good		
(c) Receivable on Sale of Fixed Assets	60,000,000	-
Unsecured, Considered good		
(d) Advance Income Tax (Net)	10,973,270	8,591,489
Unsecured, Considered good		
(e) MAT Credit entitlement	11,760,102	11,760,102
Unsecured, Considered good		
<b>Total</b>	<b>121,068,851</b>	<b>71,941,972</b>

**NOTE No.: 13 - INVENTORIES**

PARTICULARS	As at 31.03.2017	As at 31.03.2016
(At Lower of Cost and net realisable value)		
Raw Material	85,427,849	116,874,538
Work in Process (refer note (13.1) below)	16,804,835	131,195,958
Finished Goods	-	-
<b>Total</b>	<b>102,232,684</b>	<b>248,070,496</b>

**NOTE No.: 13.1 - DETAILS OF WORK IN PROGRESS**

**Amount in Rupees**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
Work in Progress comprises of:		
TCAS, ECM'S, ACDs and RYCAS	16,804,835	105,575,805
ENR-Contracts	-	25,620,153
<b>Total</b>	<b>16,804,835</b>	<b>131,195,958</b>

**NOTE No.: 14 - TRADE RECEIVABLES\***

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
Trade Receivables outstanding for more than six months from the date they were due for payment		
Unsecured and considered good	352,405,390	510,385,160
Doubtful debts	298,928	-
Other Trade Receivables		
Unsecured and considered good	67,851,637	8,501,323
<b>Total</b>	<b>420,555,955</b>	<b>518,886,483</b>

\* Refer to Note 39 of the Standalone Financial Statements

**NOTE No.: 15 - CASH AND BANK BALANCES**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
(a) Cash on Hand	673,975	489,343
(b) Balances with Banks		
(i) In Current Accounts	1,273,017	6,855,303
(ii) In EEFC Accounts	25,000	
(iii) In Deposit Accounts (Refer Note (i) below)	912,939	16,796,294
(iv) In Earmarked Accounts		
Unclaimed Dividend Accounts	275,360	324,439
Share Application money received for allotment of securities and due for refund	-	12,750
Balances held as margin money or security against borrowings, guarantees and other commitments (Refer Note (i) below)	52,089,102	26,880,140
Escrow Accounts (Refer Note (ii) below)	1,033,961	1,034,261
<b>Total</b>	<b>56,283,354</b>	<b>52,392,530</b>

Of the above, the balances that meet the definition of Cash and cash equivalents as per AS 3 Cash Flow Statement is:

56,283,354      52,392,530

**Notes:** (i) Balances with banks include deposits amounting to Rs. NIL (As at 31 March, 2016 Rs. NIL) and margin monies amounting to Rs. NIL (As at 31 March, 2016 Rs. NIL) which have an original maturity of more than 12 months.

(ii) Balances with banks - Other earmarked accounts (Escrow A/c) include Rs. NIL (As at 31 March, 2016 Rs. NIL) which have restriction on repatriation

**NOTE No.: 16 - SHORT TERM LOANS AND ADVANCES**

**Amount in Rupees**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
(a) Security Deposits	211,452	1,271,561
Unsecured, considered good		
(b) Loans and Advances to employees	-	-
Unsecured, considered good		
(c) Prepaid Expenses	1,892,156	2,231,699
Unsecured, considered good		
(d) Balances with Government Authorities	11,234,841	9,329,590
Unsecured, considered good		
(e) Advances to Suppliers and Services	46,432,894	34,185,444
Unsecured, considered good		
<b>Total</b>	<b>59,771,343</b>	<b>47,018,294</b>

**NOTE No.: 17 - OTHER CURRENT ASSETS**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
(a) Accruals		
Interest accrued on Deposits	1,986,388	1,864,433
(b) Others		
Rent Receivable	-	4,724,316
<b>Total</b>	<b>1,986,388</b>	<b>6,588,749</b>

**NOTE No.: 18 - REVENUE FROM OPERATIONS**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
(a) Sale of Products (Refer Note 18.1 below)	98,419,553	42,064,336
(b) Sale of Services (Refer Note 18.2 below)	24,596,893	79,355,322
Less:		
(c) Excise Duty	-	-
<b>Total</b>	<b>123,016,446</b>	<b>121,419,658</b>



**NOTE NO.: 18.1**

**SALE OF PRODUCTS COMPRISES**

**Amount in Rupees**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
<b>SALE OF PRODUCT COMPRISES:</b>		
Mechanical Fuses - Export	33,150,174	-
RYCA Systems - Export	30,646,316	-
TCAS	-	42,064,336
<b>TRADED GOODS</b>		
Booms - Export	34,623,063	-
<b>Total</b>	<b>98,419,553</b>	<b>42,064,336</b>

**NOTE NO.: 18.2**

**SALE OF SERVICES COMPRISES**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
<b>SALE OF SERVICES COMPRISES:</b>		
Project Demonstration Services - Export	13,761,518	-
Maintenance Contracts	-	41,722,858
Service Contracts - Export	10,835,375	37,632,464
<b>Total</b>	<b>24,596,893</b>	<b>79,355,322</b>

**NOTE No.: 19 - OTHER INCOME**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
(a) Interest Income (Refer Note 19.1 below)	4,515,529	4,819,145
(b) Net gain on foreign currency transactions (other than considered as finance cost)	7,959,859	7,640,825
(c) Other non-operating income (net of expenses directly attributable to such income) (Refer Note 19.2 below)	4,036,262	8,361,975
<b>Total</b>	<b>16,511,650</b>	<b>20,821,945</b>

**NOTE NO.: 19.1**

**DETAILS OF INTEREST INCOME**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
(i) Interest Income comprises:		
Interest from banks on:		
Deposits	3,893,994	3,532,007
Others	-	-
Interest on Income Tax Refund	500,000	1,287,138
Interest on Electricity Deposit	121,535	-
<b>Total</b>	<b>4,515,529</b>	<b>4,819,145</b>

**NOTE NO.: 19.2**
**DETAILS OF OTHER NON-OPERATING INCOME**
**Amount in Rupees**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
(i) Profit on Sale of Asset	-	110,000
(ii) Other Non-operating Income comprises:		
Rental Income (Inclusive of Service Tax collected)	3,085,012	7,224,264
Other Misc. Income	951,250	649,559
Liabilities no longer needed written back	-	378,152
<b>Total</b>	<b>4,036,262</b>	<b>8,361,975</b>

**NOTE No.: 20.1 - COST OF MATERIALS CONSUMED**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
Opening Stock	116,874,538	128,032,939
(+) Purchases	23,102,953	38,256,890
	139,977,491	166,289,829
(-) Closing Stock	85,427,849	116,874,538
Cost of Materials Consumed	54,549,642	49,415,291
Material consumed comprises of Electronic Components	54,549,642	49,415,291
<b>Total</b>	<b>54,549,642</b>	<b>49,415,291</b>

**NOTE No.: 20.2 - PURCHASE OF TRADED GOODS**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
Others - Booms	10,510,514	-
<b>Total</b>	<b>10,510,514</b>	<b>-</b>

**NOTE NO.: 20.3**
**CHANGES IN INVENTORIES OF FINISHED GOODS, STOCK IN PROCESS AND STOCK IN TRADE**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
<b>Inventories at the end of the year</b>	<b>68,935,822</b>	<b>131,195,958</b>
Work In Progress	<b>68,935,822</b>	<b>131,195,958</b>
<b>Inventories at the beginning of the year</b>	<b>131,195,958</b>	<b>132,683,878</b>
Work In Progress	<b>131,195,958</b>	<b>132,683,878</b>
<b>Net (increase)/decrease</b>	<b>62,260,136</b>	<b>1,487,920</b>

**Note:** The Work in Progress at the end of the year includes Rs.5,21,30,987/- which has been written off and shown as exceptional item.

**NOTE No.: 21 - EMPLOYEE BENEFIT EXPENSES**

**Amount in Rupees**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
Salaries and Wages	41,538,864	62,529,140
Contribution to Provident and other Funds	1,695,221	2,990,414
Directors Remuneration	8,890,938	6,232,500
Staff Welfare Expenses	968,431	969,605
<b>Total</b>	<b>53,093,454</b>	<b>72,721,659</b>

**NOTE No.: 22- FINANCE COSTS**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
(a) Interest Expense on:		
(i) Borrowings	25,407,367	30,918,346
(b) Other Borrowing Costs	7,616,702	9,011,536
(c) Net (gain) / loss on foreign currency transactions and translation (considered as finance cost)	90,069	212,750
<b>Total</b>	<b>33,114,138</b>	<b>40,142,632</b>

**NOTE No.: 23 - OTHER EXPENSES**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
Project Execution Expenses	66,527,181	43,927,969
Sales Tax Paid	296,345	1,879,341
Service Tax Paid	-	4,196,021
Excise Duty Paid	-	2,415,365
Repairs and Maintenance	4,304,365	3,524,774
Insurance	414,373	553,525
Rates and Taxes	3,019,735	4,669,093
Postage, Telephone and Courier	647,402	820,112
Travelling and Conveyance	1,714,961	2,236,020
Directors Sitting Fees	1,200,000	820,000
Printing and Stationery	137,213	328,030
Business Promotion	686,579	1,972,182
Professional & Consultancy Fees	5,178,046	6,933,049
Payment to Auditors (Refer Note 23.1 below)	608,100	605,580
Prior period items (net) (Refer Note 23.2 below)	5,645,099	233,664
Books & Periodicals	9,440	17,210
Security Charges	1,953,642	2,020,505
Electricity Charges	3,520,202	3,821,580
Rental Expenses	665,674	-
Impairment on Computer Software	9,878,824	-
Sundry Balances Written Off	44,043,849	-
General Expenses	2,754,276	1,554,349
<b>Total</b>	<b>153,205,305</b>	<b>82,528,369</b>

**NOTE NO.: 23.1**

**DETAILS OF PAYMENT TO AUDITORS**

PARTICULARS	Amount in Rupees	
	For the period ended 31.03.2017	For the period ended 31.03.2016
<b>Payment to Auditors</b>		
As Auditors - Statutory Audit & Tax Audit	600,000	600,000
Re-imbursement of expenses	8,100	5,580
For Other Services	-	-
<b>Total</b>	<b>608,100</b>	<b>605,580</b>

**NOTE NO.: 23.2**

**DETAILS OF PRIOR PERIOD EXPENSES**

PARTICULARS	For the period ended 31.03.2017	For the period ended 31.03.2016
<b>Details of Prior period items (net)</b>		
Prior period expenses (details)	5,645,099	233,664
Expenditure Omitted in Previous years	5,645,099	233,664
<b>Total</b>	<b>5,645,099</b>	<b>233,664</b>

**NOTE NO.: 24**

**EXCEPTIONAL ITEMS**

PARTICULARS	For the period ended 31.03.2017	For the period ended 31.03.2016
<b>Details of Exceptional Items</b>		
Work in Progress Written Off due to termination of project	52,130,987	-
<b>Total</b>	<b>52,130,987</b>	<b>-</b>

**NOTE NO.: 25**

**EXTRA-ORDINARY ITEMS**

PARTICULARS	For the period ended 31.03.2017	For the period ended 31.03.2016
<b>Details of Extra - Ordinary Items</b>		
Profit on Sale of Fixed Assets	287,497,584	-
<b>Total</b>	<b>287,497,584</b>	<b>-</b>

**KERNEX MICROSYSTEMS (INDIA) LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**NOTE NO.: 26**  
**RELATED PARTY DISCLOSURES**

**DETAILS OF RELATED PARTIES:**

DESCRIPTION OF RELATIONSHIP	NAMES OF RELATED PARTIES
Subsidiaries	Avant - Garde Info Systems Inc, USA (100% Wholly Owned Subsidiary)
Key Management Personnel	1) Col. L.V.Raju (Retd.) - Managing Director - Upto 30th Nov, 2016
	2) B Murali Mohan - Whole Time Director - Upto 31 March, 2017
	3) K Krishnam Raju - Director-in-charge

**DETAILS OF RELATED PARTY TRANSACTIONS DURING THE YEAR ENDED 31 MARCH, 2017 AND OUTSTANDING BALANCES AS AT 31 March, 2017**  
**(Rupees in Lakhs)**

PARTICULARS	HOLDING COMPANY	SUBSIDIARIES	ASSOCIATES	KEY MANAGEMENT PERSONNEL	RELATIVES OF KEY MANAGEMENT PERSONNEL	ENTITIES IN WHICH KMP/ RELATIVE OF KMP HAVE SIGNIFICANT INFLUENCE	TOTAL
Receiving of Services-Remuneration (Previous Year Figures)	- -	- -	- -	88.91 (62.32)	- -	- -	88.91 (62.32)
Purchase of Goods (Previous Year Figures)	- -	105.11 -	- -	- -	- -	- -	105.11 -
Finance - USL Taken (Previous Year Figures)	- -	- -	- -	14.00 -	- -	- -	14.00 -
Balances outstanding at the end of the year							
Borrowings (Previous Year Figures)	- -	- -	- -	23.45 (9.45)	- -	- -	23.45 (9.45)
Payables (Previous Year Figures)	- -	57.68 -	- -	- -	- -	- -	57.68 -

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**
**NOTE NO.: 27**
**DISCLOSURES UNDER ACCOUNTING STANDARD - 20**

PARTICULARS	Amount in Rupees	
	For the period ended 31.03.2017	For the period ended 31.03.2016
<b>Earnings per share</b>		
<b>Basic</b>		
<b>Continuing Operations</b>		
Net Profit / Loss for the year from the continuing operations	(39,076,776)	(132,894,104)
(-) Preference dividend and tax thereon	-	-
Net Profit / Loss for the year from the continuing operations attributable to equity share holders	(39,076,776)	(132,894,104)
Weighted average number of equity shares	12,499,655	12,499,655
Par value per share	10.00	10.00
Earnings per share from continuing operations - Basic	(3.13)	(10.63)
<b>Continuing Operations (excluding extra-ordinary items)</b>		
Net Profit / Loss for the year from the continuing operations	(39,076,776)	-
(Add)/Less: Extra Ordinary Items (net of taxes) relating to continuing operations	(287,497,584)	-
(-) Preference dividend and tax thereon	-	-
Net Profit / Loss for the year from the continuing operations attributable to equity share holders	(326,574,360)	-
Weighted average number of equity shares	12,499,655	12,499,655
Par value per share	10.00	10.00
Earnings per share from continuing operations-Basic	(26.13)	-
<b>Diluted</b>		
The diluted earnings per share has been computed by dividing the Net Profit After Tax available for Equity Shareholders by the weighted average number of equity shares, after giving dilutive effect of the outstanding Warrants, Stock Options and Convertible bonds for the respective periods. Since, the effect of the conversion of Preference shares was anti-dilutive, it has been ignored.		
<b>Continuing Operations</b>		
Net Profit / Loss for the year from the continuing operations	(39,076,776)	(132,894,104)
(-) Preference dividend and tax thereon	-	-
Net Profit / Loss for the year from the continuing operations attributable to equity share holders	(39,076,776)	(132,894,104)
(+) Interest expense and exchange fluctuations on convertible bonds (net)	-	-
Net Profit / Loss for the year from the continuing operations attributable to equity share holders (dilution)	(39,076,776)	(132,894,104)
Weighted average number of equity shares for basic EPS	12,499,655	12,499,655
(+) Effects of warrants, ESOPs and Convertible bonds which are dilutive.	-	-
Weighted average number of equity shares for diluted EPS	12,499,655	12,499,655
Par value per share	10.00	10.00
Earnings per share from continuing operations - Diluted	(3.13)	(10.63)



**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.....)**

PARTICULARS	Amount in Rupees	
	For the period ended 31.03.2017	For the period ended 31.03.2016
<b><u>Continuing Operations (excluding extra-ordinary items)</u></b>		
Net Profit / Loss for the year from the continuing operations	(326,574,360)	(132,894,104)
(Add)/Less: Extra Ordinary Items (net of taxes) relating to continuing operations	287,497,584	-
(-) Preference dividend and tax thereon	-	-
Net Profit / Loss for the year from the continuing operations attributable to equity share holders	(39,076,776)	(132,894,104)
(+) Interest expense and exchange fluctuations on convertible bonds (net)	-	-
Net Profit / Loss for the year from the continuing operations attributable to equity share holders (dilution)	(39,076,776)	(132,894,104)
Weighted average number of equity shares for basic EPS	12,499,655	12,499,655
(+) Effects of warrants, ESOPs and Convertible bonds which are dilutive.	-	-
Weighted average number of equity shares for diluted EPS	12,499,655	12,499,655
Par value per share	10.00	10.00
Earnings per share from continuing operations - Diluted	(3.13)	(10.63)

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**
**NOTE NO.: 28**
**DISCLOSURES UNDER ACCOUNTING STANDARD - 22**

PARTICULARS	Amount in Rupees	
	As at March 31, 2017	As at March 31, 2016
<b>Differed Tax (liability) / asset</b>		
<b><u>Tax effect of items constituting deferred tax liability</u></b>		
On difference between book balance and tax balance of fixed assets	139,852,949	-
On expenditure deferred in the books but allowable for tax purposes	-	-
On items included in Reserves and Surplus and pending amortisation into the statement of Profit and Loss	-	-
Others		
Tax effect of items constituting deferred tax liability	<u>43,214,561</u>	<u>-</u>
<b><u>Tax effect of items constituting deferred tax asset</u></b>		
Provision for compensated absences, gratuity and other employee benefits	-	-
Provision for doubtful debts and advances	-	-
Disallowance U/s 40(a)(i), 43B of Income Tax Act, 1961	6,869,295	19,938,622
On difference between book balance and tax balance of fixed assets		914,709
Unabsorbed depreciation carried forward	84,761,741	-
Brought forward business losses	-	-
On items included in Reserves and Surplus and pending amortisation into the statement of Profit and Loss	-	-
Others	-	-
Tax effect of items constituting deferred tax asset	<u>28,313,990</u>	<u>6,765,863</u>
<b>Net Deferred Tax (liability) / asset</b>	<b>(14,900,571)</b>	<b>6,765,863</b>
Credited to Statement of Profit and loss	(21,666,434)	3,260,961

The Company has recognised deferred tax asset on unabsorbed depreciation to the extent of the corresponding deferred tax liability on the difference between the book balance and the written down value of fixed assets under Income Tax.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### NOTE NO.: 29

Rupees in Lakhs

PARTICULARS	As at March 31, 2017	As at March 31, 2016
<b>CONTINGENT LIABILITY</b>		
(a) Claims against the Company not acknowledged as a debt, in respect of Sales Tax for the year 2002-03 for which the Company appeal is pending before STAT	4.13	4.13
(b) Bank Guarantee Outstanding	1,652.58	1,484.38
(c) Income Tax (before High Court of A.P.)	8.00	8.00
(d) Income Tax (before Commissioner - Appeals)	257.47	-

### COMMITMENTS

Estimated amount of contracts remaining to be executed on capital account and not provided for

Tangible Assets	-	41.10
Intangible Assets		

### NOTE NO.: 30

#### DISCLOSURES REQUIRED UNDER SECTION 22 OF MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

PARTICULARS	As at March 31, 2017	As at March 31, 2016
Principal amount remaining unpaid to suppliers as at the end of the accounting year	-	0.23

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management.

### NOTE NO.: 31

#### DISCLOSURE AS PER CLAUSE 32 OF THE LISTING AGREEMENTS WITH THE STOCK EXCHANGES

Loans and Advances in the nature of Advances given to Subsidiaries, Associates and Others

Name of the Party	Relationship	As at March 31, 2017	As at March 31, 2016
Avant-Garde Info Systems	Subsidiary	-	-
(Previous Year)		-	-

### NOTE NO.: 32

#### VALUE OF IMPORTS CALCULATED ON CIF BASIS:

PARTICULARS	As at March 31, 2017	As at March 31, 2016
Raw Materials	92.22	24.20
Spare Parts	-	-
Capital Goods	-	-

**NOTE NO.: 33**

**EXPENDITURE IN FOREIGN CURRENCY:**

**Rupees in Lakhs**

<b>PARTICULARS</b>	<b>As at March 31, 2017</b>	<b>As at March 31, 2016</b>
Travelling & Other Expenses	71.34	14.17
Egypt Branch	30.58	55.63

**NOTE NO.: 34**

**DETAILS OF CONSUMPTION OF IMPORTED AND INDIGENOUS ITEMS**

<b>PARTICULARS</b>	<b>As at March 31, 2017</b>	
	<b>Rs.</b>	<b>%</b>
<b>IMPORTED</b>		
Raw Materials	45.58	8%
(Previous Year)	78.48	16%
Sub Total - Imported	45.58	8%
(Previous Year)	78.48	16%
<b>INDIGENOUS</b>		
Raw Materials	499.92	92%
(Previous Year)	415.67	84%
Sub Total - Indigeneous	499.92	92%
(Previous Year)	415.67	84%
<b>GRAND TOTAL</b>	<b>545.50</b>	<b>100%</b>
<b>(PREVIOUS YEAR)</b>	<b>494.15</b>	<b>100%</b>

**NOTE NO.: 35**

**EARNINGS IN FOREIGN EXCHANGE:**

<b>PARTICULARS</b>	<b>As at March 31, 2017</b>	<b>As at March 31, 2016</b>
Export of Goods calculated on FOB basis and service income	1,230.16	376.32
Interest Earned on Advance given to subsidiary	-	-

**NOTE NO.: 36**

**AMOUNT REMITTED IN FOREIGN CURRENCY DURING THE YEAR ON ACCOUNT OF DIVIDEND:**

<b>PARTICULARS</b>	<b>As at March 31, 2017</b>	<b>As at March 31, 2016</b>
Amount of Dividend remitted in Foreign Currency	-	-
Total number of Non-resident shareholders (To whom the dividend were remitted in foreign currency)	-	-
Total number of shares held by them on which dividend was due	-	-
Financial Year to which the dividend relates	-	-

**NOTE NO.: 37**

**DISCLOSURES UNDER ACCOUNTING STANDARD - 15**

**Employee Benefit Plans**

**Defined Contribution Plans**

The Company makes Provident Fund contributions to defined contribution plans for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognized Rs. 15.35 Lakhs (Year ended 31 March, 2016 Rs.25.72 Lakhs) for Provident Fund contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

**Defined Benefit Plans**

**(i) Leave Encashment:** The company does not have any scheme for leave encashment. In case of any payment, made under special circumstances, will be debited to the Statement of Profit and Loss Account in the year of payment.

**(ii) Gratuity:** Gratuity benefit is applicable to all the permanent and full time employees of the company. Gratuity paid out is based on last drawn basic salary and DA at the time of termination or retirement. The scheme takes into account each completed year of service or part there of in excess of 6 months. Annual contribution to the Employee's Gratuity Fund, established under LIC of India (LIC) are determined based on an actuarial valuation made by the LIC as at the year end.

<b>PARTICULARS</b>	<b>As at March 31, 2017</b>	<b>As at March 31, 2016</b>
Components of employer expense:		
Current Service Cost	14.27	45.00
Total Expenses recognised in statement of Profit and Loss	14.27	45.00
Actual contribution and benefit payments for the year	-	
Actual Benefit Payments	42.71	41.65
Actual Contributions	-	-

**NOTE NO.: 38**

**DISCLOSURES UNDER ACCOUNTING STANDARD - 17**

**Segment Information**

Since the Company has no reportable Segment to report, "Segment Reporting" under "Accounting Standard - 17" Issued by "Institute of Chartered Accountants of India (ICAI)" is not applicable.

## NOTE NO.39

### TRADE DEBTORS

The company's major customers are Indian Railways and Egyptian National Railways, which recognise the invoices on payment basis. The company could not obtain the confirmation and reconciliation of balances from both the parties.

The above receivables are slow moving, as partly received or non-moving as no movement due to delay in obtaining confirmations and subsequent reconciliation. In some cases invoices raised by the company on railways are yet to be recognised by the customer.

In view of dispute with Konkan Railway Corporation Limited (KRCL), the company has filed arbitration in respect of dues amounting to Rs.16.79 Crores and has been following up on the case. The company has not made any provision in the books of accounts which may dilute the chances of recovery of these receivables. Provision in the books of accounts will be provided at the time of finalisation of matters.

## NOTE NO.: 40

### DISCLOSURES ON SPECIFIED BANK NOTES

	<b>SBNs</b>	<b>Other Denomination Notes</b>	<b>Total</b>
Closing Cash in Hand as on 08/11/2016	18,000	16,679	34,679
Add: Permitted Receipts - Refund of Tour Advance			
by Employee	85,000	-	85,000
Less: Permitted Payments	-	-	-
Less: Amount Deposited in Banks	103,000	-	103,000
<b>Closing Cash in Hand as on 30/12/2016</b>	<b>-</b>	<b>16,679</b>	<b>16,679</b>

### PREVIOUS YEARS FIGURES

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure. Disclosures are made in respect of items that are applicable to your company.

In terms of our report attached

For **GMK ASSOCIATES**  
Chartered Accountants  
Firm Regn No. 006945S

For and on behalf of The Board of Directors

**G. SATYANARAYANA MURTY**  
Partner  
Membership No. 29919

**RAJU NARASA MANTENA**  
DIRECTOR

**K KRISHNAM RAJU**  
DIRECTOR IN-CHARGE

Place: Hyderabad  
Date: 09/05/2017

**RAMAYYA VUTUKURI**  
CHIEF FINANCIAL OFFICER



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# **CONSOLIDATED FINANCIAL STATEMENT**

## **2016-17**

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## **AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

To the Members of  
**Kernex Micro Systems (India) Limited**

### **Report on the consolidated Financial Statements**

We have audited the accompanying Consolidated Financial statements of Kernex Micro Systems (India) Limited ("the Holding Company"), and its 100% subsidiary Avant-garde Info Systems inc. USA (Collectively referred to as "the company" or "the group"), comprising of the Consolidated Balance Sheet as at March 31, 2017, and the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Companies Act, 2013 ("the Act"), read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and

completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### Basis for Qualified Opinion

Out of the total debtors of holding company outstanding for more than six months of Rs. 35.24 Crores, which are unsecured and considered good and are subject to confirmation and reconciliation as on 31st March, 2017

The above debtors are slow moving, as partly received or non-moving as no movement due to delay in obtaining confirmations and subsequent reconciliation. In some cases invoices raised by the company on railways are yet to be recognized by the customer.

Non-provision of interest to the tune of Rs.1.50 crores for the financial year ending 31st March, 2017, on a loan raised by the 100% subsidiary on account of cash system of accounting followed by the subsidiary. In case of non-provision of interest the loss of subsidiary is short reported by Rs.1.50 crores and liabilities are understated by Rs.1.50 crores.

### Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion, the consolidated financial statements give the information required by 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 Group as at 31st March, 2017 and its loss and its cash flows for the year ended on that date.

### Other Matter

We did not audit the financial statements of its 100% subsidiary Avant-garde Info Systems inc. USA, whose financial statements reflect total assets of Rs. 2,40,10,177 as at 31st March, 2017 and total revenues of Rs. (54,27,150) for the year ended on that date, as considered in the consolidated financial statements. These financial statements, unaudited and reviewed by the independent accountant have been furnished to us by the Management, and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in

respect of these subsidiary, and our report in terms of sub-section (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, is based solely on the report of such unaudited financial statements.

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

### Report on Other Legal and Regulatory Requirements

1. Annexure for Statement on the matters specified in the paragraph 3 and 4 of the Order 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 Act, on the consolidated balance sheet is not applicable.
2. As required by Section 143 (3) of the Act, we report, to the extent applicable, that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
  - b. In our opinion, proper books of accounts as required by law relating to preparation of the aforesaid consolidated financial statements have been kept by the Company so far as it appears from our examination of those books;
  - c. The Consolidated balance sheet, the Consolidated statement of profit and loss and the Consolidated cash flow statement dealt with by this Report are in agreement with the books of accounts;
  - d. in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

- e. on the basis of the written representations received from the directors as on 31 March 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act; and
- f. 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, 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 Consolidated financial statements - Refer Note 29 to the consolidated financial statements;
  - ii. the Holding Company and subsidiary did not have any material foreseeable losses on long term contracts including derivative contracts;
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

**For GMK Associates**  
Chartered Accountants  
Firm Regn No. 006945S

**(G. Satyanarayana Murty)**  
Partner  
Membership No. 029919

Place: Hyderabad  
Date: 09.05.2017

**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2017**

(Amount in Rupees)

S. No.	PARTICULARS	Note No.	As at 31.03.2017	As at 31.03.2016
<b>I</b>	<b>EQUITY AND LIABILITIES</b>			
1.	SHAREHOLDERS' FUND			
a	Share Capital	2	124,996,550	124,996,550
b	Reserves and Surplus	3	758,545,945	840,873,196
			<u>883,542,495</u>	<u>965,869,746</u>
2.	SHARE APPLICATION MONEY PENDING ALLOTMENT		-	-
3.	NON-CURRENT LIABILITIES			
a	Long Term Borrowings	4	106,128	359,717
b	Deferred Tax Liability(Net)	28	14,900,571	-
c	Long Term Liabilities	5	53,199,999	39,999,999
d	Long Term Provisions		-	-
			<u>68,206,698</u>	<u>40,359,716</u>
4.	CURRENT LIABILITIES			
a	Short Term Borrowings	6	178,911,145	268,764,260
b	Trade Payables	7	86,951,603	134,065,939
c	Other Current Liabilities	8	119,359,424	155,993,219
d	Short Term Provisions	9	-	2,027,757
			<u>385,222,172</u>	<u>560,851,175</u>
	<b>TOTAL</b>		<u>1,336,971,366</u>	<u>1,567,080,637</u>
<b>II</b>	<b>ASSETS</b>			
1.	NON - CURRENT ASSETS			
a	Fixed Assets			
	Tangible Assets	10	554,271,919	496,626,038
	Intangible Assets		200,079	200,079
	Capital Work in Progress		-	97,440,499
b	Non-Current Investments	11	-	-
c	Deferred tax asset(net)	28	-	6,765,863
d	Long term loans and advances	12	121,068,851	71,941,972
e	Other Non-Current Asset		-	-
			<u>675,540,849</u>	<u>672,974,451</u>
2.	CURRENT ASSETS			
a	Inventories	13	102,232,684	248,070,496
b	Trade Receivables	14	420,555,955	518,886,484
c	Cash and Bank Balances	15	56,319,473	52,496,999
d	Short term loans and advances	16	59,771,343	47,018,294
e	Other current assets	17	22,551,062	27,633,913
			<u>661,430,517</u>	<u>894,106,186</u>
	<b>TOTAL</b>		<u>1,336,971,366</u>	<u>1,567,080,637</u>
	Significant Accounting Policies	1		

See Accompanying notes forming part of the financial statements

In Terms of our report attached

For **GMK ASSOCIATES**

Chartered Accountants

Firm Regn No. 006945S

**G. SATYANARAYANA MURTY**

Partner

Membership No. 29919

Place: Hyderabad

Date: 9-May-2017

For and on behalf of The Board of Directors

**RAJU NARASA MANTENA**

Director

**K KRISHNAM RAJU**

Director In-charge

**RAMAYYA VUTUKURI**

Chief Financial Officer

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2017**  
(Amount in Rupees)

S. No.	PARTICULARS	Note No.	As at 31.03.2017	As at 31.03.2016
1	REVENUE FROM OPERATIONS	18	123,016,446	121,419,658
	Less: Excise Duty		-	-
	<b>Net Revenue</b>		<b>123,016,446</b>	<b>121,419,658</b>
2	OTHER INCOME	19	16,511,667	20,822,048
	<b>Total Revenue (1+2)</b>		<b>139,528,113</b>	<b>142,241,706</b>
3	<b>EXPENSES</b>			
	Cost of Materials Consumed	20.1	55,499,142	49,415,292
	Purchase of Stock in Trade	20.2	10,105,126	-
	Changes in Inventories of Finished goods, Stock-in-Process and stock in trade	20.3	62,260,136	1,487,920
	Employee Benefit Expenses	21	53,879,934	72,721,659
	Finance Costs	22	33,121,085	63,848,059
	Depreciation and Amortisation Expenses	10	25,579,318	32,105,891
	Other Expenses	23	157,287,466	85,260,354
	<b>Total Expenses</b>		<b>397,732,207</b>	<b>304,839,175</b>
4	<b>PROFIT/(LOSS) BEFORE EXCEPTIONAL AND EXTRA-ORDINARY ITEMS AND TAX</b>		<b>(258,204,094)</b>	<b>(162,597,469)</b>
5	Exceptional Items	24	(52,130,987)	-
6	<b>PROFIT/(LOSS) BEFORE EXTRA-ORDINARY ITEMS AND TAX</b>		<b>(310,335,081)</b>	<b>(162,597,469)</b>
7	Extra-Ordinary Items	25	287,497,584	-
8	<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>(22,837,497)</b>	<b>(162,597,469)</b>
9	<b>TAX EXPENSE</b>			
	a Current Tax		-	-
	b Deferred tax	28	21,666,434	(3,260,961)
	c MAT Credit		-	-
	d Current tax expense relating to prior years		-	-
10	<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>(44,503,931)</b>	<b>(159,336,508)</b>
11	Earnings per equity share: (Equity shares of par value of `10/- each)			
	a Basic	27	(3.56)	(12.75)
	b Diluted	27	(3.56)	(12.75)
	Significant Accounting Policies	1		

See Accompanying notes forming part of the financial statements

In Terms of our report attached

For **GMK ASSOCIATES**

Chartered Accountants

Firm Regn No. 006945S

For and on behalf of The Board of Directors

**(G. SATYANARAYANA MURTY)**

Partner

Membership No. 29919

Place: Hyderabad

Date: 9-May-2017

**RAJU NARASA MANTENA**

Director

**K KRISHNAM RAJU**

Director In-charge

**RAMAYYA VUTUKURI**

Chief Financial Officer



**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017**  
(Amount in Rupees)

PARTICULARS	For the period ended 31.03.2017	For the year ended 31.03.2016
<b>A. Cash Flow from Operating Activities</b>		
Net Profit/(Loss) before Extra-ordinary Items & Tax	(22,837,497)	(162,597,469)
<b>Adjustments for:</b>		
Depreciation and Amortisation	25,571,848	32,105,891
Impairment of Fixed Assets	9,878,824	
(Profit) / Loss on Sale / Write off of Assets	(287,497,584)	-
Finance Costs	33,121,085	63,848,059
Interest Income	(4,515,546)	(4,819,248)
	<u>(223,441,373)</u>	<u>91,134,702</u>
<b>Operating Profit/(Loss) before Working Capital changes</b>	<b>(246,278,870)</b>	<b>(71,462,767)</b>
<u>Changes in Working Capital:</u>		
Adjustments for (increase) / decrease in operating assets:		
Inventories	145,837,812	12,646,321
Trade Receivables	98,330,529	5,416,024
Short Term Loans and Advances	(12,753,049)	1,101,149
Long Term Loans and Advances	(49,126,879)	(897,520)
Other Current Assets	5,082,851	(2,167,496)
Foreign Currency Reserve	(37,823,320)	(7,445,535)
Adjustments for increase / (decrease) in operating liabilities:		
Trade Payables	(47,114,336)	1,060,415
Other Current Liabilities	(36,633,795)	26,423,578
Short Term Provisions	-	-
Long Term Provisions	-	-
	<u>65,799,814</u>	<u>36,136,936</u>
Cash Generated from Operations	(180,479,056)	(35,325,831)
<b>Net Cash Flow from / (used in) operating activities (A)</b>	<b><u>(180,479,056)</u></b>	<b><u>(35,325,831)</u></b>
<b>B. Cash Flow from Investing Activities</b>		
Capital expenditure on fixed assets including capital advances	(18,158,471)	(1,155,282)
Proceeds from sale of fixed assets	310,000,000	-
Inter-corporate deposits	3,302,630	-
(Purchase)/Sale of Investments	-	-
Bank balances not considered cash or cash equivalents		
- Placed -	-	-
Interest Received	4,515,546	299,659,705
Net Income Tax (paid) / refunds	<u>(2,027,757)</u>	<u>4,819,248</u>
<b>Net Cash Flow from / (used in) Investing activities (B)</b>	<b><u>297,631,948</u></b>	<b><u>3,663,966</u></b>

**CASH FLOW STATEMENT (Cond.)**

	<b>(Amount in Rupees)</b>	
<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the year ended 31.03.2016</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from issue of equity shares	-	-
Proceeds from long term borrowings	(253,589)	39,999,999
Proceeds towards sale of fixed assets	13,200,000	359,717
Repayment of long term borrowings	-	-
Net increase / (decrease) in working capital borrowings	(93,155,745)	50,773,162
Finance Costs	(33,121,085)	(113,330,419)
	(63,848,059)	27,284,820
<b>Net Cash Flow from / (used in) Financing activities (C)</b>	<b>(113,330,419)</b>	<b>27,284,820</b>
Net Increase / decrease in Cash or Cash Equivalents (A+B+C)	<b>3,822,473</b>	<b>(4,377,045)</b>
Cash and cash equivalents in the beginning of the year	52,496,999	56,874,043
Effect of exchange difference on restatement of foreign currency	-	-
<b>Cash and cash equivalents in the end of the year</b>	<b>56,319,472</b>	<b>52,496,998</b>
<b>Reconciliation of cash and cash equivalents with Balance Sheet</b>		
Cash and cash equivalents at the end of the year*	56,319,473	52,496,999
* comprises:		
(a) Cash	673,975	489,343
(b) Balances with Bank	-	-
- In current accounts	1,309,136	6,959,772
- In EEFC accounts	25,000	-
- In Deposit accounts	912,939	16,796,294
- In earmarked accounts	53,398,423	28,251,590
	56,319,473	52,496,999

In terms of our report attached.

For **GMK ASSOCIATES**  
Chartered Accountants  
Firm Regn No. 006945S

**G. SATYANARAYANA MURTY**  
Partner  
Membership No. 29919

For and on behalf of The Board of Directors

**RAJU NARASA MANTENA**  
Director

**K KRISHNAM RAJU**  
Director In-charge

Place: Hyderabad  
Date: 9-May-2017

**RAMAYYA VUTUKURI**  
Chief Financial Officer

## **KERNEX MICROSYSTEMS (INDIA) LIMITED**

### **Notes forming part of the financial statements**

#### **NOTE**

#### **CORPORATE INFORMATION**

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

#### **1 SIGNIFICANT ACCOUNTING POLICIES**

##### **1.1 Basis of accounting and preparation of financial statements**

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2014 (as amended) and the relevant provisions of the Companies Act, 2013. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year unless otherwise stated.

- a. The Consolidated Financial Statements have been prepared on the following basis: The financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the accounting standards on consolidated financial statements. The financial statements of the Parent Company Kernex Microsystems(India) Limited, have been combined with 100% WOS Avant-Garde Infosystems Inc, USA on a line-by-line basis by adding together book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting un-realised gain / loss.
- b. The Excess/deficit of cost to the parent company of its investment in the subsidiary over its portion of equity in the subsidiary at the respective dates on which investment in such subsidiary was made is recognised in the financial statements as goodwill/ capital reserve.
- c. The Parent Company's portion of equity in such subsidiary is determined on the basis of the investment made as on the date of transaction as per the financial statements of the subsidiary
- d. The Consolidated Financial statements are presented, to the extent possible, in the same format as that adopted by the parent company for its separate financial statements
- e. The Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in the similar circumstances

##### **1.2 Use of estimates**

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

##### **1.3 Inventories**

Inventories of components are valued at cost or realisable value whichever is less. Work in Progress is valued at cost of materials and services used.

#### **1.4 Cash and cash equivalents**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

#### **1.5 Cash flow statement**

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

#### **1.6 Depreciation**

Depreciation has been provided on the fixed assets on WDV method as per the rates prescribed in Schedule II to the Companies Act, 2013.

Depreciation is calculated on the computer equipment. Office equipment and Furniture and fixtures over their estimated useful lives for the subsidiary.

Start-up and Organisational Costs and Computer Software are amortised over a period of its useful life.

#### **1.7 Revenue recognition**

##### **Revenue from contracts**

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

##### **Capital work-in-progress:**

Capital Expenditure incurred on expansion project at Hardware Technology Park (HTP) is under advanced stage of completion and shown under Capital Work in Progress

#### **1.8 Foreign currency transactions and translations**

##### **Initial recognition**

Transactions in foreign currencies entered into by the Company and its integral foreign operations are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

##### Measurement of foreign currency monetary items at the Balance Sheet date

Foreign currency monetary items of the Company and its net investment in non-integral foreign operations outstanding at the Balance Sheet date are restated at the year-end rates.

##### Treatment of exchange differences

"Exchange differences arising on settlement / restatement of short-term foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss."

#### **1.9 Employee benefits**

##### **Defined contribution plans**

In respect of retirement benefits in the form of provident fund, the contribution payable by the company for a year is charged to the Profit and Loss account.

##### **Defined benefit plans**

Gratuity: Gratuity benefit is applicable to all the permanent and full time employees of the company.

Gratuity paid out is based on last drawn basic salary and DA at the time of termination or retirement. The scheme takes into account each completed year of service or part there of in excess of 6 months. Annual Contribution to the employee's Gratuity fund, Established with LIC of India(LIC) are determined based on an actuarial valuation made by the LIC as at the year end.

**Short-term employee benefits**

The Company does not have any scheme for Leave encashment in place.

**1.10 Segment reporting**

Since the Company has no Reportable segment to report, "Segment Reporting" under "Accounting Standard - 17" Issued by "Institute of Chartered Accountants of India (ICAI)" is not applicable.

**1.11 Earnings per share**

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

**1.12 Taxes on income**

"Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961. Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company. Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability."

**1.13 Provisions and contingencies**

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes.

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**NOTE No.: 2 - SHARE CAPITAL**

NOTE No.: 2 - SHARE CAPITAL			Amount in Rupees	
PARTICULARS	As at 31.03.2017 Number		As at 31.03.2016 Number	
<b>AUTHORISED</b>				
Equity Shares of Rs.10/- each with voting rights	15,000,000	150,000,000	15,000,000	150,000,000
<b>ISSUED, SUBSCRIBED AND PAID UP</b>				
Equity Shares of Rs.10/- each with voting rights	12,499,655	124,996,550	12,499,655	124,996,550
Company has only one class of shares i.e., Equity Shares with Voting Rights				
<b>Total</b>	<b>12,499,655</b>	<b>124,996,550</b>	<b>12,499,655</b>	<b>124,996,550</b>

**NOTE NO.:2.1**
**RECONCILIATION OF NUMBER OF SHARES OUTSTANDING AT THE BEGINNING AND AT THE END OF THE REPROTING PERIOD**

PARTICULARS	Opening Balance	Fresh Issue	Closing Balance
Equity Shares with Voting Rights			
Year Ended 31st March, 2017			
- Number of Shares	12,499,655	-	12,499,655
- Amount ( )	124,996,550	-	124,996,550
Year Ended 31 March, 2016			
- Number of Shares	12,499,655	-	12,499,655
- Amount ( )	124,996,550	-	124,996,550

**NOTE NO.:2.2**
**Details of Shares held by shareholders holding more than 5% of the aggregate shares of the company:**

PARTICULARS	As at 31.03.2017		As at 31.03.2016	
	Number	% of holding	Number	% of holding
Equity Shares with Voting Rights				
Dr. Raju Narasa Mantena	854,633	6.84%	854,633	6.84%
Seetharamaraju Manthena	712,995	5.70%	721,992	5.78%
Sreelakshmi Manthena	640,398	5.12%	640,398	5.12%

**NOTE No.: 3 - RESERVES AND SURPLUS**

**Amount in Rupees**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
<b>GENERAL RESERVE</b>		
Opening Balance	61,213,631	61,213,631
(+) Addition during the year	-	-
Closing Balance	61,213,631	61,213,631
<b>SECURITIES PREMIUM ACCOUNT</b>		
Opening Balance	917,219,545	917,219,545
(+) Premium on shares issued during the year		
(-) Utilised during the year:		
Issuing bonus shares		
Writing off preliminary expenses		
Writing off shares / debentures issue expenses		
Premium on redemption of redeemable preference shares / debentures		
Buy back of shares		
Closing Balance	917,219,545	917,219,545
<b>FOREIGN CURRENCY TRANSLATION RESERVE</b>		
Opening Balance	(5,940,558)	1,504,977
(+) / (-): Effect of foreign exchange rate variations during the year	(37,823,320)	(7,445,535)
(+) / (-): Transferred to Statement of Profit and Loss on disposal of the net investment in non-integral foreign operations		-
Closing Balance	(43,763,878)	(5,940,558)
Surplus/(Deficit) in statement of Profit and Loss		
Opening Balance	(131,619,422)	27,717,086
(+) Net Profit/(Loss) for the current year	(44,503,931)	(159,336,508)
Amounts transferred from:		
General Reserve		
Adjustment for transitional provision of depreciation as per Companies Act, 2013	-	-
Closing Balance	(176,123,353)	(131,619,422)
<b>Total</b>	<b>758,545,945</b>	<b>840,873,196</b>

**NOTE No.: 4 - LONG TERM BORROWINGS**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
Secured	106,128	359,717
Unsecured	-	-
<b>Total</b>	<b>106,128</b>	<b>359,717</b>

\* The Loan is secured by hypothecation of vehicle



**NOTE No.: 5 - LONG TERM LIABILITIES**

**Amount in Rupees**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
Advance received against sale of land	53,199,999	39,999,999
<b>Total</b>	<b>53,199,999</b>	<b>39,999,999</b>

**NOTE No.: 6 - SHORT TERM BORROWINGS**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
(a) Loans repayable on demand (Working Capital)		
Secured		
Cash Credit from State Bank of Hyderabad	48,177,969	141,733,714
(b) Other Loans and Advances		
Unsecured Loans from Directors	59,014,207	58,614,207
Inter Corporate Deposits	71,718,969	68,416,339
<b>Total</b>	<b>178,911,145</b>	<b>268,764,260</b>

**NOTE NO.: 6.1**

**DETAILS OF SECURITY FOR SHORT TERM BORROWINGS**

<b>PARTICULARS</b>	<b>NATURE OF SECURITY</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
Cash Credit from State Bank of Hyderabad	Working Capital Loans are secured by paripassu hypothecation of all current assets present and future and collaterally secured by first charge over company's fixed assets and equitable mortgage of Land & Buildings situated at TSIIC Hardware Park and lands situated at Basanthpur (Nalgonda Dist) and Amangal (Mahaboobnagar Dist)	48,177,969	141,733,714
<b>Total</b>		<b>48,177,969</b>	<b>141,733,714</b>

**NOTE NO.: 6.2**

**DETAILS OF SHORT TERM BORROWINGS**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
Loans repayable on demand from banks - Personal guarantee of Promoter	48,177,969	141,733,714
Inter Corporate Deposits are secured by pledge of Directors shares in the Company	71,718,969	68,416,339
<b>Total</b>	<b>119,896,938</b>	<b>210,150,053</b>

**NOTE No.: 7 - TRADE PAYABLES**

**Amount in Rupees**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
Trade Payables		
Acceptances		
Other than acceptances	86,951,603	134,065,939
<b>Total</b>	<b>86,951,603</b>	<b>134,065,939</b>

**NOTE No.: 8 - OTHER CURRENT LIABILITIES**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
(a) Current maturities of finance lease obligations and Long Term Debts	65,786,713	64,462,200
(b) Interest accrued and due on borrowings	-	-
(c) Unclaimed Dividends	259,815	308,694
(d) Application money received for allotment of securities and due for refund	26,300	26,300
(e) Statutory remittances:		
Contribution to ESI	91,575	434,008
Contribution to PF	744,241	6,157,581
Professional Tax Payable	35,150	148,164
Excise Duty Payable	-	-
CST Payable	2,207,480	19,938,622
Service tax Payable	6,869,295	5,154,558
TDS Payable	1,016,465	968,886
Works Contract Tax	990,334	2,207,480
(f) Payables on purchase of fixed assets	219,240	1,541,132
(g) Interest accrued on others	24,305,991	486,476
(h) Advances from customers	16,806,825	54,159,118
<b>Total</b>	<b>119,359,424</b>	<b>155,993,219</b>

**NOTE No.: 9 - SHORT TERM PROVISIONS**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
(a) Provision - Others:		
Proposed Dividends	-	-
Provision for Tax on dividends	-	2,027,757
Provision for Income Tax	-	-
<b>Total</b>	<b>-</b>	<b>2,027,757</b>

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE No.: 10 - FIXED ASSETS

Amount in Rupees

Particulars	Gross Block				Depreciation					Net Block	
	As at 01.04.2016	Additions during the year	Deletions/ Adjustments during the year	As at 31.03.2017	Upto 01.04.2016	For the year	Impairment losses recognised in Statement of Profit and Loss	Deletions/ Transitional provision adjustment	Upto 31.03.2017	AS AT 31.03.2017	AS AT 31.03.2016
<b>TANGIBLE ASSETS</b>											
Land and Land Development	255,028,857	18,158,471	10,632,300	262,555,028	-	-	-	-	-	262,555,028	255,028,857
Building - Own Use	343,486,963	87,429,668	43,671,920	387,244,711	122,038,463	20,483,680	-	31,989,138	110,533,005	276,711,706	221,448,500
Plant and Equipment - Owned	138,162,267	132,007	1,352,000	136,942,274	121,460,957	4,200,863	-	1,192,085	124,469,735	12,472,539	16,701,310
Furniture and Fixtures - Owned	12,025,718	-	229,288	11,796,430	9,775,978	538,049	-	201,866	10,112,161	1,684,269	2,249,740
Vehicles - Owned	8,674,361	-	-	8,674,361	7,638,517	261,187	-	-	7,899,704	774,657	1,035,844
Office Equipment - Owned	9,531,002	-	-	9,531,002	9,369,215	88,067	-	-	9,457,282	73,720	161,787
<b>Total</b>	<b>766,909,168</b>	<b>105,720,146</b>	<b>55,885,508</b>	<b>816,743,806</b>	<b>270,283,130</b>	<b>25,571,846</b>	<b>-</b>	<b>33,383,089</b>	<b>262,471,887</b>	<b>554,271,919</b>	<b>496,626,038</b>
Previous Year	765,753,886	1,155,282	-	766,909,168	238,222,146	32,060,984	-	-	270,283,130	496,626,038	527,531,740
Capital Work in Progress	97,440,499	-	97,440,499	-	-	-	-	-	-	-	97,440,499
Particulars	Gross Block				Depreciation					Net Block	
	As at 01.04.2016	Additions during the year	Deletions/ Adjustments during the year	As at 31.03.2017	Upto 01.04.2016	For the year	Impairment losses recognised in Statement of Profit and Loss	Deletions/ Transitional provision adjustment	Upto 31.03.2017	AS AT 31.03.2017	AS AT 31.03.2016
<b>INTANGIBLE ASSETS</b>											
Computer Software	3,753,742	9,878,824	-	13,632,566	3,553,663	-	9,878,824	-	13,432,487	200,079	200,079
<b>Total</b>	<b>3,753,742</b>	<b>9,878,824</b>	<b>-</b>	<b>13,632,566</b>	<b>3,553,663</b>	<b>-</b>	<b>9,878,824</b>	<b>-</b>	<b>13,432,487</b>	<b>200,079</b>	<b>200,079</b>
Previous Year	3,753,742	-	-	3,753,742	3,513,850	39,813	-	-	3,553,663	200,079	239,895
<b>Note 1:</b> Depreciation includes Rs.98,78,824/- on account of impairment of Computer Software.											
<b>Note 2:</b> Depreciation on Additions to Building capitalised during the year is not provided since not put to use.											
<b>Note 3:</b> Capital Work in Progress includes Rs.98,78,824/- relating to Computer Software.											

**NOTE No.: 11 - NON CURRENT INVESTMENTS**

PARTICULARS	Amount in Rupees			
	As at 31.03.2017		As at 31.03.2016	
	Unquoted	Total	Unquoted	Total
(OTHER INVESTMENTS)				
(AT COST)				
(a) Investment in Equity Shares of Subsidiaries				
Avant-Garde Infosystems Inc USA (100% Subsidiary)	-	-	-	-
35,80,000 Equity shares of US \$ 0.02 each				
17,99,240 Equity shares of US \$ 0.10 each				
(Common Shares at no Par Value)				
<b>Total</b>		-		-

**NOTE No.: 12 - LONG TERM LOANS AND ADVANCES**

PARTICULARS	As at 31.03.2017	As at 31.03.2016
(a) Capital Advances	35,340,535	48,552,390
Unsecured, Considered good		
(b) Security Deposits	2,994,944	3,037,991
Unsecured, Considered good		
(c) Receivable on Sale of Fixed Assets	60,000,000	-
Unsecured, Considered good		
(d) Advance Income Tax (Net)	10,973,270	8,591,489
Unsecured, Considered good		
(e) MAT Credit entitlement	11,760,102	11,760,102
Unsecured, Considered good		
<b>Total</b>	<b>121,068,851</b>	<b>71,941,972</b>

**NOTE No.: 13 - INVENTORIES**

PARTICULARS	As at 31.03.2017	As at 31.03.2016
(At Lower of Cost and net realisable value)		
Raw Material	85,427,849	116,874,538
Work in Process (refer note(13.1) below)	16,804,835	131,195,958
Finished Goods	-	-
<b>Total</b>	<b>102,232,684</b>	<b>248,070,496</b>

**NOTE No.: 13.1 - DETAILS OF WORK IN PROGRESS**

**Amount in Rupees**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
Work in Progress comprises of:		
TCAS, ECM'S, ACDs and RYCAS	16,804,835	105,575,805
ENR-Contracts	-	25,620,153
<b>Total</b>	<b>16,804,835</b>	<b>131,195,958</b>

**NOTE No.: 14 - TRADE RECEIVABLES\***

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
Trade Receivables outstanding for more than six months from the date they were due for payment		
Unsecured and considered good	352,405,390	510,385,160
Doubtful debts	298,928	-
Other Trade Receivables		
Unsecured and considered good	67,851,637	8,501,324
<b>Total</b>	<b>420,555,955</b>	<b>518,886,484</b>

\* Refer to Note 39 of the Consolidated Financial Statements

**NOTE No.: 15 - CASH AND BANK BALANCES**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
(a) Cash on Hand	673,975	489,343
(b) Balances with Banks		
(i) In Current Accounts	1,309,136	6,959,772
(ii) In EEFC Accounts	25,000	
(iii) In Deposit Accounts (Refer Note (I) below)	912,939	16,796,294
(iv) In Earmarked Accounts		
Unclaimed Dividend Accounts	275,360	324,439
Share Application money received for allotment of securities and due for refund	-	12,750
Balances held as margin money or security against borrowings, guarantees and other commitments (Refer Note (I) below)	52,089,102	26,880,140
Escrow Accounts (Refer Note (ii) below)	1,033,961	1,034,261
<b>Total</b>	<b>56,319,473</b>	<b>52,496,999</b>

**of the above, the balances that meet the definition of Cash and cash equivalents as per AS 3 Cash Flow Statement is:**

**56,319,473                      52,496,999**

**Notes:** (i) Balances with banks include deposits amounting to Rs. NIL (As at 31 March, 2016 Rs. NIL) and margin monies amounting to Rs. NIL (As at 31 March, 2016 Rs. NIL) which have an original maturity of more than 12 months.

(ii) Balances with banks - Other earmarked accounts (Escrow A/c) include Rs. NIL (As at 31 March, 2016 Rs. NIL) which have restriction on repatriation.

**NOTE No.: 16 - SHORT TERM LOANS AND ADVANCES**

**Amount in Rupees**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
(a) Security Deposits	211,452	1,271,561
Unsecured, considered good		
(b) Loans and Advances to employees	-	-
Unsecured, considered good		
(c) Prepaid Expenses	1,892,156	2,231,699
Unsecured, considered good		
(d) Balances with Government Authorities	11,234,841	9,329,590
Unsecured, considered good		
(e) Advances to Suppliers and Services	46,432,894	34,185,444
Unsecured, considered good		
<b>Total</b>	<b>59,771,343</b>	<b>47,018,294</b>

**NOTE No.: 17 - OTHER CURRENT ASSETS**

<b>PARTICULARS</b>	<b>As at 31.03.2017</b>	<b>As at 31.03.2016</b>
(a) Unamortised expenses		
(i) Product Development Expenses	-	-
(ii) Organisational and Startup Costs	40,015	47,486
(iii) Computer software (W-I-P)	20,524,659	20,997,679
(b) Accruals		
Interest accrued on Deposits	1,986,388	1,864,433
(c) Others		
Rent Receivable	-	4,724,315
<b>Total</b>	<b>22,551,062</b>	<b>27,633,913</b>

**NOTE No.: 18 - REVENUE FROM OPERATIONS**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
(a) Sale of Products (Refer Note 18.1 below)	98,419,553	42,064,336
(b) Sale of Services (Refer Note 18.2 below)	24,596,893	79,355,322
Less:		
(c) Excise Duty	-	-
<b>Total</b>	<b>123,016,446</b>	<b>121,419,658</b>

**NOTE NO.: 18.1**

**SALE OF PRODUCTS COMPRISES**

**Amount in Rupees**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
<b>SALE OF PRODUCT COMPRISES:</b>		
Mechanical Fuses - Export	33,150,174	-
RYCA Systems - Export	30,646,316	-
TCAS	-	42,064,336
<b>TRADED GOODS</b>		
Booms - Export	34,623,063	-
<b>Total</b>	<b>98,419,553</b>	<b>42,064,336</b>

**NOTE NO.: 18.2**

**SALE OF SERVICES COMPRISES**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
<b>SALE OF SERVICES COMPRISES:</b>		
Project Demonstration Services - Export	13,761,518	-
Maintenance Contracts	-	41,722,858
Service Contracts - Export	10,835,375	37,632,464
<b>Total</b>	<b>24,596,893</b>	<b>79,355,322</b>

**NOTE No.: 19 - OTHER INCOME**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
(a) Interest Income (Refer Note 19.1 below)	4,515,546	4,819,248
(b) Net gain on foreign currency transactions (other than considered as finance cost)	7,959,859	7,640,825
(c) Other non-operating income (net of expenses directly attributable to such income) (Refer Note 19.2 below)	4,036,262	8,361,975
<b>Total</b>	<b>16,511,667</b>	<b>20,822,048</b>

**NOTE NO.: 19.1**

**DETAILS OF INTEREST INCOME**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
(i) Interest Income comprises:		
Interest from banks on:		
Deposits	3,893,994	3,532,007
Others	17	103
Interest on Income Tax Refund	500,000	1,287,138
Interest on Electricity Deposit	121,535	
<b>Total</b>	<b>4,515,546</b>	<b>4,819,248</b>



**NOTE NO.: 19.2**

**DETAILS OF OTHER NON-OPERATING INCOME**

**Amount in Rupees**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
(i) Profit on Sale of Asset	-	110,000
(ii) Other Non-operating Income comprises:		
Rental Income (Inclusive of Service Tax collected)	3,085,012	7,224,264
Other Misc. Income	951,250	649,559
Liabilities no longer needed written back	-	378,152
<b>Total</b>	<b>4,036,262</b>	<b>8,361,975</b>

**NOTE No.: 20.1 - COST OF MATERIALS CONSUMED**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
Opening Stock	116,874,538	128,032,939
(+) Purchases	24,052,453	38,256,891
	<b>140,926,991</b>	<b>166,289,830</b>
(-) Closing Stock	85,427,849	116,874,538
<b>Cost of Materials Consumed</b>	<b>55,499,142</b>	<b>49,415,292</b>
Material consumed comprises of Electronic Components	55,499,142	49,415,292
<b>Total</b>	<b>55,499,142</b>	<b>49,415,292</b>

**NOTE No.: 20.2 - PURCHASE OF TRADED GOODS**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
Others - Booms	10,105,126	-
<b>Total</b>	<b>10,105,126</b>	<b>-</b>

**NOTE NO.: 20.3**

**CHANGES IN INVENTORIES OF FINISHED GOODS, STOCK IN PROCESS AND STOCK IN TRADE**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
<b>Inventories at the end of the year</b>	<b>68,935,822</b>	<b>131,195,958</b>
Work In Progress	<b>68,935,822</b>	<b>131,195,958</b>
<b>Inventories at the beginning of the year</b>	<b>131,195,958</b>	<b>132,683,878</b>
Work In Progress	<b>131,195,958</b>	<b>132,683,878</b>
<b>Net (increase)/decrease</b>	<b>62,260,136</b>	<b>1,487,920</b>

**NOTE No.: 21 - EMPLOYEE BENEFIT EXPENSES**

Amount in Rupees

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
Salaries and Wages	42,325,344	62,529,140
Contribution to Provident and other Funds	1,695,221	2,990,414
Directors Remuneration	8,890,938	6,232,500
Staff Welfare Expenses	968,431	969,605
<b>Total</b>	<b>53,879,934</b>	<b>72,721,659</b>

**NOTE No.: 22- FINANCE COSTS**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
(a) Interest Expense on:		
(i) Borrowings	25,407,367	30,918,346
(b) Other Borrowing Costs	7,623,649	32,716,963
(c) Net (gain) / loss on foreign currency transactions and translation (considered as finance cost)	90,069	212,750
<b>Total</b>	<b>33,121,085</b>	<b>63,848,059</b>

**NOTE No.: 23 - OTHER EXPENSES**

<b>PARTICULARS</b>	<b>For the period ended 31.03.2017</b>	<b>For the period ended 31.03.2016</b>
Project Execution Expenses	66,527,181	43,927,969
Sales Tax Paid	296,345	1,879,341
Service Tax Paid	-	4,196,021
Excise Duty Paid	-	2,415,365
Repairs and Maintenance	4,304,365	3,524,774
Insurance	414,373	553,525
Rates and Taxes	3,187,976	4,778,156
Postage, Telephone and Courier	647,402	820,112
Travelling and Conveyance	1,714,961	2,236,020
Directors Sitting Fees	1,200,000	820,000
Printing and Stationery	137,213	328,030
Business Promotion	686,579	1,972,182
Professional & Consultancy Fees	5,233,755	6,933,049
Payment to Auditors (Refer Note 23.1 below)	608,100	605,580
Prior period items (net) (Refer Note 23.2 below)	5,645,099	233,664
Books & Periodicals	9,440	17,210
Security Charges	1,953,642	2,020,505
Electricity Charges	3,520,202	3,821,580
Rental Expenses	665,674	-
Net loss on foreign currency transactions and translation (other than considered as finance cost)	3,849,480	1,908,113
Impairment on Computer Software	9,878,824	-
Sundry Balances Written Off	44,043,849	-
General Expenses	2,763,007	2,269,158
<b>Total</b>	<b>157,287,466</b>	<b>85,260,354</b>

**NOTE NO.: 23.1**

**DETAILS OF PAYMENT TO AUDITORS**

PARTICULARS	Amount in Rupees	
	For the period ended 31.03.2017	For the period ended 31.03.2016
<b><u>Payment to Auditors</u></b>		
As Auditors - Statutory Audit & Tax Audit	600,000	600,000
Re-imbursement of expenses	8,100	5,580
For Other Services	-	-
<b>Total</b>	<b>608,100</b>	<b>605,580</b>

**NOTE NO.: 23.2**

**DETAILS OF PRIOR PERIOD EXPENSES**

PARTICULARS	For the period ended 31.03.2017	For the period ended 31.03.2016
<b><u>Details of Prior period items (net)</u></b>		
Prior period expenses (details)	5,645,099	233,664
Expenditure Omitted in Previous years	5,645,099	233,664
<b>Total</b>	<b>5,645,099</b>	<b>233,664</b>

**NOTE NO.: 24**

**EXCEPTIONAL ITEMS**

PARTICULARS	For the period ended 31.03.2017	For the period ended 31.03.2016
<b><u>Details of Exceptional Items</u></b>		
Work in Progress Written Off due to termination of project	52,130,987	-
<b>Total</b>	<b>52,130,987</b>	<b>-</b>

**NOTE NO.: 25**

**EXTRA-ORDINARY ITEMS**

PARTICULARS	For the period ended 31.03.2017	For the period ended 31.03.2016
<b><u>Details of Extra - Ordinary Items</u></b>		
Profit on Sale of Fixed Assets	287,497,584	-
<b>Total</b>	<b>287,497,584</b>	<b>-</b>

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**NOTE NO.: 26**
**RELATED PARTY DISCLOSURES**
**DETAILS OF RELATED PARTIES:**

DESCRIPTION OF RELATIONSHIP	NAMES OF RELATED PARTIES
Subsidiaries	Avant - Garde Info Systems Inc, USA (100% Wholly Owned Subsidiary)
Key Management Personnel	1) Col. L.V.Raju (Retd.) - Managing Director - Upto 30th Nov, 2016
	2) B Murali Mohan - Whole Time Director - Upto 31 March, 2017
	3) K Krishnam Raju - Director-in-charge

**DETAILS OF RELATED PARTY TRANSACTIONS DURING THE YEAR ENDED 31 MARCH, 2017 AND OUTSTANDING BALANCES AS AT 31 March, 2017**  
 (Rupees in Lakhs)

PARTICULARS	HOLDING COMPANY	SUBSIDIARIES	ASSOCIATES	KEY MANAGEMENT PERSONNEL	RELATIVES OF KEY MANAGEMENT PERSONNEL	ENTITIES IN WHICH KMP/ RELATIVE OF KMP HAVE SIGNIFICANT INFLUENCE	TOTAL
Receiving of Services-Remuneration	-	-	-	88.91	-	-	88.91
(Previous Year Figures)	-	-	-	(62.32)	-	-	(62.32)
Purchase of Goods	105.11	-	-	-	-	-	105.11
(Previous Year Figures)	-	-	-	-	-	-	-
Sale of Goods	-	105.11	-	-	-	-	105.11
(Previous Year Figures)	-	-	-	-	-	-	-
Finance - USL Taken	-	-	-	14.00	-	-	14.00
(Previous Year Figures)	-	-	-	-	-	-	-
Balances outstanding at the end of the year							
Borrowings	-	-	-	23.45	-	-	23.45
(Previous Year Figures)	-	-	-	(9.45)	-	-	(9.45)
Receivables	-	57.68	-	-	-	-	57.68
(Previous Year Figures)	-	-	-	-	-	-	-
Payables	57.68	-	-	-	-	-	57.68
(Previous Year Figures)	-	-	-	-	-	-	-

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**NOTE NO.: 27**
**DISCLOSURES UNDER ACCOUNTING STANDARD - 20**

PARTICULARS	Amount in Rupees	
	For the period ended 31.03.2017	For the period ended 31.03.2016
<b>Earnings per share</b>		
<b>Basic</b>		
<b>Continuing Operations</b>		
Net Profit / Loss for the year from the continuing operations	(44,503,931)	(159,336,508)
(-) Preference dividend and tax thereon	-	-
Net Profit / Loss for the year from the continuing operations attributable to equity share holders	(44,503,931)	(159,336,508)
Weighted average number of equity shares	12,499,655	12,499,655
Par value per share	10.00	10.00
Earnings per share from continuing operations - Basic	(3.56)	(12.75)
<b>Continuing Operations (excluding extra-ordinary items)</b>		
Net Profit / Loss for the year from the continuing operations	(44,503,931)	-
(Add)/Less: Extra Ordinary Items (net of taxes) relating to continuing operations	(287,497,584)	-
(-) Preference dividend and tax thereon	-	-
Net Profit / Loss for the year from the continuing operations attributable to equity share holders	(332,001,515)	-
Weighted average number of equity shares	12,499,655	12,499,655
Par value per share	10.00	10.00
Earnings per share from continuing operations - Basic	(26.56)	-
<b>Diluted</b>		
The diluted earnings per share has been computed by dividing the Net Profit After Tax available for Equity Shareholders by the weighted average number of equity shares, after giving dilutive effect of the outstanding Warrants, Stock Options and Convertible bonds for the respective periods. Since, the effect of the conversion of Preference shares was anti-dilutive, it has been ignored.		
<b>Continuing Operations</b>		
Net Profit / Loss for the year from the continuing operations	(44,503,931)	(159,336,508)
(-) Preference dividend and tax thereon	-	-
Net Profit / Loss for the year from the continuing operations attributable to equity share holders	(44,503,931)	(159,336,508)
(+) Interest expense and exchange fluctuations on convertible bonds (net)	-	-
Net Profit / Loss for the year from the continuing operations attributable to equity share holders (dilution)	(44,503,931)	(159,336,508)
Weighted average number of equity shares for basic EPS	12,499,655	12,499,655
(+) Effects of warrants, ESOPs and Convertible bonds which are dilutive.	-	-
Weighted average number of equity shares for diluted EPS	12,499,655	12,499,655
Par value per share	10.00	10.00
Earnings per share from continuing operations - Diluted	(3.56)	(12.75)

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.....)**

PARTICULARS	Amount in Rupees	
	For the period ended 31.03.2017	For the period ended 31.03.2016
<b><u>Continuing Operations (excluding extra-ordinary items)</u></b>		
Net Profit / Loss for the year from the continuing operations	(332,001,515)	(159,336,508)
(Add)/Less: Extra Ordinary Items (net of taxes) relating to continuing operations	287,497,584	
(-) Preference dividend and tax thereon	-	-
Net Profit / Loss for the year from the continuing operations attributable to equity share holders	(44,503,931)	(159,336,508)
(+) Interest expense and exchange fluctuations on convertible bonds (net)	-	-
Net Profit / Loss for the year from the continuing operations attributable to equity share holders (dilution)	(44,503,931)	(159,336,508)
Weighted average number of equity shares for basic EPS	12,499,655	12,499,655
(+) Effects of warrants, ESOPs and Convertible bonds which are dilutive.	-	-
Weighted average number of equity shares for diluted EPS	12,499,655	12,499,655
Par value per share	10.00	10.00
Earnings per share from continuing operations - Diluted	(3.56)	(12.75)

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**NOTE NO.: 28**
**DISCLOSURES UNDER ACCOUNTING STANDARD - 22**
**Amount in Rupees**

<b>PARTICULARS</b>	<b>As at March 31, 2017</b>	<b>As at March 31, 2016</b>
<b>Differed Tax (liability) / asset</b>		
<b><u>Tax effect of items constituting deferred tax liability</u></b>		
On difference between book balance and tax balance of fixed assets	139,852,949	-
On expenditure deferred in the books but allowable for tax purposes	-	-
On items included in Reserves and Surplus and pending amortisation into the statement of Profit and Loss	-	-
Others		
Tax effect of items constituting deferred tax liability	<u>43,214,561</u>	<u>-</u>
<b><u>Tax effect of items constituting deferred tax asset</u></b>		
Provision for compensated absences, gratuity and other employee benefits	-	-
Provision for doubtful debts and advances	-	-
Disallowance U/s 40(a)(i), 43B of Income Tax Act, 1961	6,869,295	19,938,622
On difference between book balance and tax balance of fixed assets		914,709
Unabsorbed depreciation carried forward	84,761,741	-
Brought forward business losses	-	-
On items included in Reserves and Surplus and pending amortisation into the statement of Profit and Loss	-	-
Others	-	-
Tax effect of items constituting deferred tax asset	<u>28,313,990</u>	<u>6,765,863</u>
<b>Net Deferred Tax (liability) / asset</b>	<b>(14,900,571)</b>	<b>6,765,863</b>
Credited to Statement of Profit and loss	(21,666,434)	3,260,961

The Company has recognised deferred tax asset on unabsorbed depreciation to the extent of the corresponding deferred tax liability on the difference between the book balance and the written down value of fixed assets under Income Tax.



## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE NO.: 29

Rupees in Lakhs

PARTICULARS	As at March 31, 2017	As at March 31, 2016
<b>CONTINGENT LIABILITY</b>		
(a) Claims against the Company not acknowledged as a debt, in respect of Sales Tax for the year 2002-03 for which the Company appeal is pending before STAT	4.13	4.13
b) Bank Guarantee Outstanding	1,652.58	1,484.38
(c) Income Tax (before High Court of A.P.)	8.00	8.00
(d) Income Tax (before Commissioner - Appeals)	257.47	-
<b>COMMITMENTS</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for		
Tangible Assets	-	41.10
Intangible Assets		

### NOTE NO.: 30

#### DISCLOSURES REQUIRED UNDER SECTION 22 OF MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

PARTICULARS	As at March 31, 2017	As at March 31, 2016
Principal amount remaining unpaid to suppliers as at the end of the accounting year	-	0.23
Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management.		

### NOTE NO.: 31

#### DISCLOSURE AS PER CLAUSE 32 OF THE LISTING AGREEMENTS WITH THE STOCK EXCHANGES

Loans and Advances in the nature of Advances given to Subsidiaries, Associates and Others

Name of the Party	Relationship	As at March 31, 2017	As at March 31, 2016
Avant-Garde Info Systems	Subsidiary	-	-
(Previous Year)		-	-

### NOTE NO.: 32

#### VALUE OF IMPORTS CALCULATED ON CIF BASIS:

PARTICULARS	As at March 31, 2017	As at March 31, 2016
Raw Materials	92.22	24.20

**NOTE NO.: 33**

**EXPENDITURE IN FOREIGN CURRENCY:**

**Rupees in Lakhs**

<b>PARTICULARS</b>	<b>As at March 31, 2017</b>	<b>As at March 31, 2016</b>
Travelling & Other Expenses	71.34	14.17
Egypt Branch	30.58	55.63

**NOTE NO.: 34**

**DETAILS OF CONSUMPTION OF IMPORTED AND INDIGENOUS ITEMS**

<b>PARTICULARS</b>	<b>As at March 31, 2017</b>	
	<b>Rs.</b>	<b>%</b>
<b>IMPORTED</b>		
Raw Materials	45.58	8%
(Previous Year)	78.48	16%
Sub Total - Imported	45.58	8%
(Previous Year)	78.48	16%
<b>INDIGENOUS</b>		
Raw Materials	499.92	92%
(Previous Year)	415.67	84%
Sub Total - Indigeneous	499.92	92%
(Previous Year)	415.67	84%
<b>GRAND TOTAL</b>	<b>545.50</b>	<b>100%</b>
<b>(PREVIOUS YEAR)</b>	<b>494.15</b>	<b>100%</b>

**NOTE NO.: 35**

**EARNINGS IN FOREIGN EXCHANGE:**

<b>PARTICULARS</b>	<b>As at March 31, 2017</b>	<b>As at March 31, 2016</b>
Export of Goods calculated on FOB basis and service income	1,230.16	376.32
Interest Earned on Advance given to subsidiary	-	-

**NOTE NO.: 36**

**AMOUNT REMITTED IN FOREIGN CURRENCY DURING THE YEAR ON ACCOUNT OF DIVIDEND:**

<b>PARTICULARS</b>	<b>As at March 31, 2017</b>	<b>As at March 31, 2016</b>
Amount of Dividend remitted in Foreign Currency	-	-
Total number of Non-resident shareholders (To whom the dividend were remitted in foreign currency)	-	-
Total number of shares held by them on which dividend was due	-	-
Financial Year to which the dividend relates	-	-

**NOTE NO.: 37**

**DISCLOSURES UNDER ACCOUNTING STANDARD - 15**

**Employee Benefit Plans**

**Defined Contribution Plans**

The Company makes Provident Fund contributions to defined contribution plans for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognized Rs. 15.35 Lakhs (Year ended 31 March, 2016 Rs.25.72 Lakhs) for Provident Fund contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

**Defined Benefit Plans**

(i) **Leave Encashment:** The company does not have any scheme for leave encashment. In case of any payment, made under special circumstances, will be debited to the Statement of Profit and Loss Account in the year of payment.

(ii) **Gratuity:** Gratuity benefit is applicable to all the permanent and full time employees of the company. Gratuity paid out is based on last drawn basic salary and DA at the time of termination or retirement. The scheme takes into account each completed year of service or part there of in excess of 6 months. Annual contribution to the Employee's Gratuity Fund, established under LIC of India (LIC) are determined based on an actuarial valuation made by the LIC as at the year end.

PARTICULARS	As at March 31, 2017	As at March 31, 2016
Components of employer expense:		
Current Service Cost	14.27	45.00
Total Expenses recognised in statement of Profit and Loss	14.27	45.00
Actual contribution and benefit payments for the year	-	
Actual Benefit Payments	42.71	41.65
Actual Contributions	-	-

**NOTE NO.: 38**

**ADDITIONAL DISCLOSURES**

Name of the Entity	Net Assets		Share in Profit or Loss	
	As % of Consolidated Net	Amount Rs.	As % of Consolidated Profit or Loss	Amount Rs.
<b>PARENT</b>				
Kernex Microsystems (India) Limited	90.49%	967,595,584	87.81%	(39,076,776)
<b>SUBSIDIARIES</b>				
<b>FOREIGN</b>				
1. Avant-Garde Infosystems Inc., USA	9.51%	(84,053,089)	12.19%	(5,427,155)
<b>Total</b>	<b>100.00%</b>	<b>883,542,495</b>	<b>100.00%</b>	<b>(44,503,931)</b>

**NOTE NO.39**

**TRADE DEBTORS**

The company's major customers are Indian Railways and Egyptian National Railways, which recognise the invoices on payment basis. The company could not obtain the confirmation and reconciliation of balances from both the parties.

The above receivables are slow moving, as partly received or non-moving as no movement due to delay in obtaining confirmations and subsequent reconciliation. In some cases invoices raised by the company on railways are yet to be recognised by the customer.

In view of dispute with Konkan Railway Corporation Limited (KRCL), the company has filed arbitration in respect of dues amounting to Rs.16.79 Crores and has been following up on the case. The company has not made any provision in the books of accounts which may dilute the chances of recovery of these receivables. Provision in the books of accounts will be provided at the time of finalisation of matters.

**NOTE NO.: 40**

**DISCLOSURES UNDER ACCOUNTING STANDARD - 17**

**Segment Information**

Since the Company has no reportable Segment to report, "Segment Reporting" under "Accounting Standard - 17" Issued by "Institute of Chartered Accountants of India (ICAI)" is not applicable.

**PREVIOUS YEARS FIGURES**

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure. Disclosures are made in respect of items that are applicable to your company.

In terms of our report attached

For **GMK ASSOCIATES**  
Chartered Accountants  
Firm Regn No. 006945S

For and on behalf of The Board of Directors

**G. SATYANARAYANA MURTY**  
Partner  
Membership No. 29919

**RAJU NARASA MANTENA**  
DIRECTOR

**K KRISHNAM RAJU**  
DIRECTOR IN-CHARGE

Place: Hyderabad  
Date: 09/05/2017

**RAMAYYA VUTUKURI**  
CHIEF FINANCIAL OFFICER

**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\$ 65.54
4.	Share Capital	118.30
5.	Reserves & Surplus	(840.53)
6.	Total Assets	(66.82)
7.	Total Liabilities	655.40
8.	Investments	Nil
9.	Turnover	0.01
10.	Profit before taxation	(54.27)
11.	Provision for Taxation	Nil
12.	Profit after taxation	(54.27)
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	N.A.
1. Latest audited Balance Sheet Date	-
2. Shares of Associates / Joint Ventures held by the company at the year end	
Amount of Investment in Association / Joint Venture Extend of Holding %	-
3. Description of how there is significant influence	-
4. Reason why the associate/Joint venture is not consolidated	-
5. Networth attribute to Shareholding as per latest audited Balance Sheet	-
6. Profit / Loss for the year	-
i. Considered in Consolidation	-
ii. Not Considered in Consolidation	-

**For GMK ASSOCIATES**

Chartered Accountants  
Firm Regn No. 006945S

For and on behalf of The Board of Directors

**G. SATYANARAYANA MURTY**

Partner  
Membership No. 29919

**RAJU NARASA MANTENA**

DIRECTOR  
(DIN: 02666074)

**K KRISHNAM RAJU**

DIRECTOR IN-CHARGE  
(DIN: 01427121)

Place: Hyderabad  
Date: 09/05/2017

**RAMAYYA VUTUKURI**  
CHIEF FINANCIAL OFFICER



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**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 – 500 005., Phone: +91-9948488877

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

**(C) ATTENDANCE SLIP**

25th Annual General Meeting on Friday the 29th September, 2017 at 3.00 P.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 – 500 005

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 25th Annual General Meeting of the Company at Plot No.38 (Part) to 41, Survey No.1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Hyderabad – 500 005 at 3.00 P.M. on Friday, the September 29, 2017.

\_\_\_\_\_  
\*\*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.



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**KERNEX MICROSYSTEMS (INDIA) LIMITED**

Corporate Identification No. (CIN) - L3000TG1991PLC013211

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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 Fifth Annual General Meeting of the Company to be held on Friday, 29th September, 2017 at 3.00 p.m. at Registered Office situated at Plot No.38 (Part) to 41, Survey No.1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Hyderabad – 500 005 and at any adjournment thereof in respect of such resolutions as are indicated below:



Resolution No.	Resolution	Optional	
		For	Against
1	Adoption of Statement of Profit and Loss, Balance Sheet, Report of Board of Directors and Auditors for the year ended March 31, 2017.		
2	Re-appointment of Dr. Raju Narasa Mantena, as a Director of the Company.		
3	Appointment of Auditors		
4	Appointment of Mr.K Krishnam Raju as a Director		
5	Appointment of Mr. K Krishnam Raju, as Whole time Director of the Company w.e.f: 29th October-2016 and approve his remuneration		
6	Alteration of Articles of Association in conformity with the provisions of Companies Act 2013		

Signed this ..... day of .....2017

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 – 500 005 , 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 25th 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.

[illegible]

## This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



## **Kernex Microsystems (India) Limited**

Office: Plot No.38 (Part) to 41, Survey No.1/1,  
Hardware Park, Raviryal Village, Maheswaram Mandal,  
Hyderabad - 500 005., Phone: +91-9948488877  
E-mail: [md@kernex.in](mailto:md@kernex.in)/[acs@kernex.in](mailto:acs@kernex.in) Web site: [www.kernex.in](http://www.kernex.in)