

# 29<sup>th</sup> Annual Report 2020-21



## BOARD OF DIRECTORS

Sri. Sreenivasa Rao Ravinuthala  
Sri. Koganti Somasekhara Rao  
Sri. Krishna Mohan A V S  
Dr. Anji Raju Manthena  
Dr. Janardhana Reddy Vinta  
Ms. Sree Lakshmi Manthena  
Sri. Sitarama Raju Manthena  
Sri. Manthena Badari Narayana Raju

Chairman & Independent Director  
Independent Director  
Independent Director  
Director  
Director  
Director  
Whole Time Director  
Whole Time Director

### Chief Executive Officer

Sri. Satyanarayana Raju Kalidindi

### Chief Financial Officer

Sri. CA Ramayya Vutukuri

### Company Secretary & Compliance Officer

Sri. CS. Prasada Rao Kalluri

### Registered Office:

CIN: L30007TG1991PLC013211  
Plot No.38 (part) to 41, Survey No.1/1,  
Hardware Park, Raviryal Village,  
Maheswaram Mandal, Hyderabad – 501 510

### Overseas Subsidiary

Avant - Garde Infosystems Inc.,  
#1906, Rayshell CT, Seabrook,  
TX-ZIP77586, USA

### Registrars & Share Transfer Agents:

M/s. KFin Technologies Pvt.Ltd  
Selenium Tower B, Plot 31-32,  
Gachibowli, Financial District,  
Nanakramguda, Hyderabad - 500 032  
Phones: 040 - 6716 1565  
Email: einward.ris@kfintech.com

### Auditors:

PRSV & Co., LLP  
Chartered Accountants  
Flat No.202, Saptagiri Residency  
1-10-98/A, Chikoti Gardens, Begumpet  
Hyderabad – 500 016  
FRN:S200016

### Internal Auditors:

M/s. Thirupathi & Associates 303,  
Sai Brundavan Apts, Dwarakapuri Colony,  
Model House Lane Punjagutta,  
Hyderabad FRN:013000S

### Secretarial Auditors:

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

### Bankers:

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

## Board Committees

### Audit Committee

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

### Nomination and Remuneration Committee

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

### Corporate Social Responsibility Committee

Sri. Krishna Mohan A V S – Chairman  
Sri. Koganti Somasekhara Rao – Member  
Sri. Sita Ramaraju Manthena – Member

### Stakeholders Relationship Committee:

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

### Risk Management Committee

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

## **CONTENTS**

Board of Directors	03
Notice	05
Directors' Report	16
Auditors' Report	62
Balance Sheet	70
Statement of Profit & Loss	72
Cash Flow Statement	73
Notes to Accounts	74

## **CONSOLIDATED FINANCIALS**

Auditors' Report	101
Balance Sheet	108
Statement of Profit & Loss	110
Cash Flow Statement	111
Notes to Accounts	112



**NOTICE**

Notice is hereby given that the 29<sup>th</sup> Annual General Meeting of the Members of M/s. Kernex Microsystems (India) Limited will be held on Wednesday, the 29<sup>th</sup> day of September 2021 at 02:30 P.M. IST through Video Conference ("VC")/ Other Audio Visual Means ("OAVM") facility to transact the following items of business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Standalone and Consolidated financial statements for the year ended on 31<sup>st</sup> March, 2021 together with the reports of the Board of Director's and Auditors thereon.
2. To appoint a director in place of Sri. Sitarama Raju Manthena (DIN: 08576273), Director, who retires by rotation and being eligible offers himself for re-appointment as a director in the company.
3. To appoint a director in place of Ms. Sreelakshmi Manthena (DIN: 07996443), Director, who retires by rotation and being eligible offers herself for re-appointment as a director in the company.

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

Place: Hyderabad  
Date: 02<sup>nd</sup> September' 2021

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

**NOTES:**

1. In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs ("MCA") has vide its circular dated January 13, 2021 and May 5, 2020 read with circulars dated April 8, 2020 and April 13, 2020 (collectively referred to as "MCA Circulars") and Circular No. SEBI/H/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 and SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021 issued by Securities and Exchange Board of India ("SEBI Circular") permitted the holding of the Annual General Meeting ("AGM") through Video Conferencing ("VC") / Other Audio- Visual Means ("OAVM"), without the physical presence of the Members at a common venue. In compliance with the provisions of the Companies Act, 2013 ("Act"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations") and MCA Circulars, the AGM of the Company is being held through VC / OAVM.
2. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), and the MCA Circulars, the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with National Securities Depository Limited (NSDL) for facilitating voting through electronic means, as the authorized agency. The facility of casting votes by a member using remote e-voting system as well as voting during the AGM will be provided by NSDL.
3. The relevant details, pursuant to Regulations 26(4) and 36(3) of the SEBI Listing Regulations and Secretarial Standard on General Meetings issued by the Institute of Company Secretaries of India, in respect of Director seeking re- appointment at this AGM is annexed.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 23<sup>rd</sup> September, 2021 to 29<sup>th</sup> September, 2021 (both days inclusive) for the purpose of giving effect to the transmission and transposition requests lodged with the Company.
5. Pursuant to the provisions of the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since this AGM is being held pursuant to the MCA Circulars through VC / OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
6. As per Regulation 40 of SEBI Listing Regulations, as amended, securities of listed companies can be transferred only in dematerialized form with effect from, April 1, 2019, except in case of request received for transmission or transposition of securities. In view of this and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holdings to dematerialized form. Members can contact the Company or Company's Registrars and Transfer Agents, KFin Technologies Private Limited ("KFin") for assistance in this regard.
7. Members holding shares in the same name under different Ledger Folios are requested to apply for consolidation of such Folios and send the relevant share certificates to the RTA/Company.
8. To promote green initiative, Members who have not registered their email addresses are requested to register the same with their Depository Participants in case the shares are held by them in electronic form and with KFin, in case the shares are held in physical form.
9. Members are requested to intimate changes, if any, pertaining to their name, postal address, email address, telephone/ mobile numbers, Permanent Account Number (PAN), mandates, nominations, power of attorney, bank details such as, name of the bank and branch details, bank account number, MICR code, IFSC code, etc., to their DPs in case the shares are held by them in electronic form and to KFin in case the shares are held by them in physical form.

10. Members who have not yet registered their nomination are requested to register the same by submitting Form No. SH-13. The said form can be downloaded from the Company's website <https://www.kernex.in>. Members are requested to submit the said details to their DP in case the shares are held by them in electronic form and to KFin in case the shares are held in physical form.
11. Members holding shares in physical form, in identical order of names, in more than one folio are requested to send to the Company or KFin, the details of such folios together with the share certificates for consolidating their holdings in one folio. A consolidated share certificate will be issued to such Members after making requisite changes.
12. In case of joint holders, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the AGM.
13. Members seeking any information with regard to the accounts or any matter to be placed at the AGM, are requested to write to the Company on or before 20th September, 2021 through email on [acs@kernex.in](mailto:acs@kernex.in). The same will be replied by the Company suitably.
14. Pursuant to the directions/notifications of Securities and Exchange Board of India (SEBI) and Depositories, the demat account holders can operate their accounts if they had already provided Income Tax Permanent Account Number either at the time of opening of the account or at any time subsequently. In case they have not furnished the Income Tax Permanent Account Number to the Depository Participants, such demat account holders are requested to contact their DPs with a photocopy of the PAN Card (with original PAN Card for verification), so that the frozen demat accounts would be available for operation and further consequences of non-compliance with the aforesaid directives would be obviated. SEBI, vide Circular ref.no. MRD/Dop/Cir-05/2009 dated May 20, 2009 made it mandatory to have PAN particulars for registration of physical share transfer requests. Based on the directive contained in the said circulars, all share transfer requests are therefore to be accompanied with PAN details. Members holding shares in physical form can submit their PAN details to the Company / RTA.
15. Members may also note that the Notice of the 29th Annual General Meeting is available on the Company's website: [www.kernex.in](http://www.kernex.in). All documents referred to in the accompanying Notice shall be open for inspection by the Members by writing an e-mail to the Company [acs@kernex.in](mailto:acs@kernex.in).  
  
In compliance with the aforesaid MCA Circulars and SEBI Circular dated May 12, 2020 (collectively referred to as "MCA Circulars"), Notice of the AGM along with the Annual Report 2020-21 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories as on 20<sup>th</sup> August 2021. Members may note that the Notice and Annual Report 2020-21 will also be available on the Company's website [www.kernex.in](http://www.kernex.in), websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com) respectively and NSDL at <https://www.evoting.nsdl.com/>. Members whose email IDs are not registered with the Company/Depositories are requested to follow the process provided further for registration of email IDs with the depositories for procuring user ID & password and registration of email IDs for e-voting for the resolutions set out in this notice.
16. At the Twenty-Fifth AGM held on September 29, 2017 the Members approved appointment of PRSV & Co LLP, Chartered Accountants (Firm Registration No. S200016) as Statutory Auditors of the Company to hold office for a period of five years from the conclusion of that AGM till the conclusion of the Thirtieth AGM. The requirement to place the matter relating to appointment of auditors for ratification by Members at every AGM has been done away by the Companies (Amendment) Act, 2017 with effect from May 7, 2018. Accordingly, no resolution is being proposed for ratification of appointment of statutory auditors at the twenty ninth AGM.
17. Since the AGM will be held through VC / OAVM, the Route Map is not annexed in this Notice.

**Instructions for e-voting and joining the AGM are as follows:**

**The instructions for Members for Remote E-Voting are as under:-**

1. As you are aware, in view of the situation arising due to COVID-19 global pandemic, the general meetings of the companies shall be conducted as per the guidelines issued by the Ministry of Corporate Affairs (MCA) vide Circular No. 14/2020 dated April 8, 2020, Circular No.17/2020 dated April 13, 2020, Circular No. 20/2020 dated May 05, 2020 and Circular No. 02/2021 dated January 13, 2021. The forthcoming AGM will thus be held through video conferencing (VC) or other audio visual means (OAVM). Hence, Members can attend and participate in the ensuing AGM through VC/OAVM.
2. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), and MCA Circulars dated April 08, 2020, April 13, 2020, May 05, 2020 and January 13, 2021 the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with National Securities Depository Limited (NSDL) for facilitating voting through electronic means, as the authorized e-Voting's agency. The facility of casting votes by a member using remote e-voting as well as the e-voting system on the date of the AGM will be provided by NSDL.
3. The Members can join the AGM in the VC/OAVM mode 30 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to at-least 1000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.
4. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of ascertaining the quorum under Section 103 of the Companies Act, 2013.
5. Pursuant to MCA Circular No. 14/2020 dated April 08, 2020, the facility to appoint proxy to attend and cast vote for the members is not available for this AGM. However, in pursuance of Section 112 and Section 113 of the Companies Act, 2013, representatives of the members such as the President of India or the Governor of a State or body corporate can attend the AGM through VC/OAVM and cast their votes through e-voting.
6. In line with the Ministry of Corporate Affairs (MCA) Circular No. 17/2020 dated April 13, 2020, the Notice calling the AGM has been uploaded on the website of the Company at [www.kernex.in](http://www.kernex.in). The Notice can also be accessed from the websites of the Stock Exchanges i.e. BSE Limited at [www.bseindia.com](http://www.bseindia.com) and NSE at [www.nse.com](http://www.nse.com). The AGM Notice is also disseminated on the website of NSDL (agency for providing the Remote e-Voting facility and e-voting system during the AGM) i.e. [www.evoting.nsdl.com](http://www.evoting.nsdl.com)

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

The remote e-voting period begins on Sunday, 26<sup>th</sup> September, 2021 (9:00 a.m. IST) and ends on Tuesday, 28<sup>th</sup> September, 2021 (5:00 p.m. IST). The remote e-voting module shall be disabled by NSDL for voting thereafter.

The Members, whose names appear in the Register of Members / Beneficial Owners as on the record date (cut-off date) i.e. 22<sup>nd</sup> September 2021, may cast their vote electronically. The voting right of shareholders shall be in proportion to their shares in the paid-up equity share capital of the Company as on the cut-off date, being 22<sup>nd</sup> September, 2021.

Any person, who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the Cut-off date, may obtain the login ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in). However, if he/she is already registered with NSDL for remote e-voting then he/she can use his/her existing User ID and password for casting the vote.

### How do I vote electronically using NSDL e-Voting system?

The way to vote electronically on NSDL e-Voting system consists of “Two Steps” which are mentioned below:

#### **Step 1: Access to NSDL e-Voting system**





##### **A) Login method for e-Voting for Individual shareholders holding securities in demat mode**

In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Login method for Individual shareholders holding securities in demat mode is given below:

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with NSDL.	<ol style="list-style-type: none"> <li>Existing <b>IDeAS</b> user can visit the e-Services website of NSDL Viz. <a href="https://eservices.nsdl.com">https://eservices.nsdl.com</a> either on a Personal Computer or on a mobile. On the e-Services home page click on the “<b>Beneficial Owner</b>” icon under “<b>Login</b>” which is available under ‘<b>IDeAS</b>’ section, this will prompt you to enter your existing User ID and Password. After successful authentication, you will be able to see e-Voting services under Value added services. Click on “<b>Access to e-Voting</b>” under e-Voting services and you will be able to see e-Voting page. Click on company name or <b>e-Voting service provider i.e. NSDL</b> and you will be re-directed to e-Voting website of NSDL for casting your vote during the remote e-Voting period.</li> <li>If you are not registered for IDeAS e-Services, option to register is available at <a href="https://eservices.nsdl.com">https://eservices.nsdl.com</a>. Select “<b>Register Online for IDeAS Portal</b>” or click at <a href="https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp">https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp</a></li> <li>Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <a href="https://www.evoting.nsdl.com/">https://www.evoting.nsdl.com/</a> either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under</li> </ol>



Type of shareholders	Login Method
	<p>'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or <b>e-Voting service provider i.e. NSDL</b> and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period.</p> <p>4. Shareholders/Members can also download NSDL Mobile App "<b>NSDL Speede</b>" facility by scanning the QR code mentioned below for seamless voting experience.</p> <p><b>NSDL Mobile App is available on</b></p> <p> <b>App Store</b>  <b>Google Play</b></p> <p> </p>
Individual Shareholders holding securities in demat mode with CDSL	<ol style="list-style-type: none"> <li>Existing users who have opted for Easi / Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are <a href="https://web.cdslindia.com/myeasi/home/login">https://web.cdslindia.com/myeasi/home/login</a> or <a href="http://www.cdslindia.com">www.cdslindia.com</a> and click on New System Myeasi.</li> <li>After successful login of Easi/Easiest the user will be also able to see the E Voting Menu. The Menu will have links of <b>e-Voting service provider i.e. NSDL</b>. Click on <b>NSDL</b> to cast your vote.</li> <li>If the user is not registered for Easi/Easiest, option to register is available at <a href="https://web.cdslindia.com/myeasi/Registration/EasiRegistration">https://web.cdslindia.com/myeasi/Registration/EasiRegistration</a></li> </ol> <p>Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in <a href="http://www.cdslindia.com">www.cdslindia.com</a> home page. The system will authenticate the user by sending OTP on registered Mobile &amp; Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. <b>NSDL</b> where the e-Voting is in progress.</p>
Individual Shareholders (holding securities in demat mode) login through their depository participants	<p>You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. upon logging in, you will be able to see e-Voting option. Click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider i.e. NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period.</p>

**Important note:** Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

**Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.**

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at <a href="mailto:evoting@nsdl.co.in">evoting@nsdl.co.in</a> or call at toll free no.: 1800 1020 990 and 1800 22 44 30
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at <a href="mailto:helpdesk.evoting@cdslindia.com">helpdesk.evoting@cdslindia.com</a> or contact at 022-23058738 or 022-23058542-43

**B) Login Method for e-Voting shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.**

**How to Log-in to NSDL e-Voting website?**

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a Personal Computer or on a mobile.
2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section.
3. A new screen will open. You will have to enter your User ID, your Password/OTP and a Verification Code as shown on the screen.

*Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.*

4. Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12***** then your user ID is 12*****.
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

5. Password details for shareholders other than Individual shareholders are given below:
  - a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
  - b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
  - c) How to retrieve your 'initial password'?
    - (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
    - (ii) If your email ID is not registered, please follow steps mentioned below in **process for those shareholders whose email ids are not registered**.
6. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:
  - a) Click on "Forgot User Details/Password?" (If you are holding shares in your demat account with NSDL or CDSL) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
  - b) Physical User Reset Password? (If you are holding shares in physical mode) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
  - c) If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) mentioning your demat account number/folio number, your PAN, your name and your registered address etc.
  - d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.
7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
8. Now, you will have to click on "Login" button.
9. After you click on the "Login" button, Home page of e-Voting will open.

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

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

1. After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle
2. Select "EVEN" of company for which you wish to cast your vote during the remote e-Voting period. Now you are ready for e-Voting as the Voting page opens.
3. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
4. Upon confirmation, the message "Vote cast successfully" will be displayed.
5. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
6. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

## **General Guidelines for shareholders**

1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to [csvanitha19@gmail.com](mailto:csvanitha19@gmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) to reset the password.
3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800 1020 990 and 1800 22 44 30 or send a request to NSDL at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)

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

1. In case shares are held in physical mode please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to [acs@kernex.in](mailto:acs@kernex.in).
2. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to [acs@kernex.in](mailto:acs@kernex.in). If you are an Individual shareholders holding securities in demat mode, you are requested to refer to the login method explained at **step 1 (A) i.e. Login method for e-Voting for Individual shareholders holding securities in demat mode.**
3. Alternatively shareholder/members may send a request to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) for procuring user id and password for e-voting by providing above mentioned documents.
4. In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are required to update their mobile number and email ID correctly in their demat account in order to access e-Voting facility.

## **INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:**

1. Members will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access the same at <https://www.evoting.nsdl.com> under shareholders/members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/members login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush. Further members can also use the OTP based login for logging into the e-Voting system of NSDL.
2. The Members can join the AGM in the VC/OAVM mode 30 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice.
3. Members who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered email address mentioning their

name, DP ID and Client ID/folio number, PAN, mobile number at [acs@kernex.in](mailto:acs@kernex.in) from Thursday, 23<sup>rd</sup> September, 2021 (9:00 a.m. IST) to Monday, 27<sup>th</sup> September, 2021 (5:00 p.m. IST). Those Members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.

4. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.
5. Members are encouraged to join the Meeting through Laptops for better experience.
6. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
7. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
8. Shareholders who would like to express their views/have questions may send their questions in advance mentioning their names, demat account number/folio number, email id, mobile number at [acs@kernex.in](mailto:acs@kernex.in). The same will be replied by the company suitably.
9. The voting rights of Members shall be in proportion to their shares of the paid-up equity share capital of the Company as on 22<sup>nd</sup> September 2021. A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the Depositories as on the Cut- off date only shall be entitled to avail the facility of remote e-voting or voting at the AGM.
10. The Company has appointed Mrs. N Vanitha, P S Rao & Associates, Practicing Company Secretaries, Hyderabad, as the Scrutinizer to the e-voting process and voting at the AGM in a fair and transparent manner and he has communicated his willingness to be appointed and will be available for same purpose.
11. The Chairman shall, at the general meeting, at the end of discussion on the resolutions on which voting is to be held, allow voting, with the assistance of scrutinizer, by using an electronic voting system for all those members who are present at the general meeting but have not cast their votes by availing the remote e-voting facility.

A member can opt for only one mode of voting, i.e., either through remote e-voting or by Ballot. If a member casts votes by both modes, then voting done through remote e-voting shall prevail and Ballot shall be treated as invalid.

12. The scrutinizer shall, immediately after the conclusion of voting at the general meeting, first count the votes cast at the AGM, thereafter unlock the votes through e-voting in the presence of at least two witnesses, not in the employment of the Company and make, not later than three days from the conclusion of the meeting, a consolidated scrutinizer's report of the total votes cast in favor or against, if any, to the Chairman or a person authorised by him in writing who shall countersign the same and declare the results of voting forthwith.

The results declared along with the scrutinizer's report shall be placed on the Company's website: [www.kernex.in](http://www.kernex.in) and shall also be communicated to the stock exchanges. Subject to receipt of requisite number of votes, the Resolutions shall be deemed to be passed at the AGM of the Company scheduled to be held on 29<sup>th</sup> September, 2021.

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

**Sd/-**

**M B Narayana Raju**  
Whole-Time Director  
DIN: 07993925

Place: Hyderabad  
Date: 02<sup>nd</sup> September' 2021



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

<b>Particulars</b>	<b>Sri. Sitarama Raju Manthena</b>	<b>Ms. Sreelakshmi Manthena</b>
Date of Birth	June 24, 1973	September 14, 1977
Date of Appointment	September 30, 2019	November 20, 2017
Qualifications	BS Computer Science with Business Administration	HOUSTON BAPTIST UNIVERSITY, (Houston, TX) Magna Cum Laude, Bachelors Degree with Triple Major in Biology, Chemistry, and Psychology, Minor in Business Administration (Project Mgmt Courses). UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER -SA (Medical School, San Antonio, TX)
Expertise in specific Functional area	He has Two Decades of experience and expertise in International Business development, Project Management, Strategic planning/ Operational planning, and financial acumen. Specialization in International Marketing	Business Development Manager with 8+years of experience in Marketing, Strategy planning, Project procurement, Project co-ordination, Consulting.
Directorship held in other public companies (excluding foreign companies)	Nil	Nil
Memberships / Chairmanships of committees of other Public companies (includes only Audit and Shareholders/ Investors Grievance Committee)	Nil	Nil
Number of shares held in the company	7,12,992	6,40,398

**DIRECTORS REPORT**

To  
The Members,  
Kernex Microsystems (India) Limited.

Your Directors have pleasure in presenting the Twenty Ninth Annual Report together with the audited financial statements of your company for the year ended 31<sup>st</sup> March 2021.

**(Rs. in Lakhs)**

<b>Particulars</b>	<b>2020-21</b>	<b>2019-20</b>
Sales and Other Income	<b>1,740.95</b>	3,288.45
Profit/Loss before Depreciation, Finance Cost and Tax	<b>289.35</b>	1103.48
Less:- Finance Cost	<b>91.44</b>	127.72
Less:- Depreciation	<b>155.46</b>	173.08
Less: Exceptional items	-	-
Profit/Loss after Depreciation, Interest and before tax	<b>42.45</b>	802.68
Tax expense	<b>5.27</b>	(3.39)
Profit / Loss after Tax	<b>37.18</b>	806.07
Add: Balance brought forward from previous year	<b>(3,703.25)</b>	(4,470.41)
Adjustment consequent to revision of useful life of certain assets pursuant to Schedule II of Companies Act, 2013	-	-
Balance carried forward to Balance sheet	<b>(3,662.13)</b>	(3,664.34)
Profit available for appropriation	-	-
Earnings Per Share (Rs.)		
- Basic	<b>0.30</b>	6.45
- Diluted	<b>0.30</b>	6.45
<b>Appropriations:</b>		
Transfer to General Reserve	-	-
Proposed Dividend	-	-
Income Tax on proposed Dividend	-	-
Balance carried to the Balance sheet	<b>(3,662.13)</b>	(3,664.34)

### 2. **Subsidiary and Joint Venture details with consolidated financial statement**

Your Company has one 100% wholly owned subsidiary Avant Garde Infos ystems Inc, In USA and one Joint Venture named KERNEX TCAS – JV in India and there were no associate Companies as of 31<sup>st</sup> March 2021. There has been no change in the nature of business of subsidiary and JV during the year under review. In accordance with section 129 (3) of the Companies Act, 2013, the Company has prepared Consolidated financial statements of the Company and the JV & subsidiary in the form and manner as that of its own in compliance with the accounting standards and the listing regulations of the stock exchanges which forms part of the Annual Report for laying before the Annual General Meeting.

A report on the information about the subsidiary and Joint Venture is annexed as **Annexure–A** to this report.

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

There have been no material changes and commitments affecting the financial position of your Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the Report.

### 4. **Share Capital**

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

### 5. **Dividend and Reserves**

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

### 6. **Directors and Key Managerial Personnel**

In accordance with the provisions of Section 152 of the Companies Act, 2013 Sri. Sitarama Raju Manthena and Ms. Sreelakshmi Manthena, Directors of the company retires by rotation and being eligible offers themselves for re-appointment.

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

Members are aware that during the year under review Sri. Sitarama Raju Manthena has been appointed as Whole-Time Director of the Company on 02.09.2020 and the same was approved by the shareholders of the Company at their 28th Annual General Meeting held on 30th September 2020.

### 7. **Declaration by Independent Directors**

All the Independent Directors have submitted their disclosures to the Board that they fulfill all the requirements as stipulated in Section 149 (6) of the Companies Act 2013 so as to qualify themselves to be appointed as Independent Directors under the provisions of the Companies Act, 2013 and the rules framed there under. In terms of Section 150 of the Act read with Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014, as amended, Independent Directors of the Company have enrolled their names in the data bank of Independent Directors maintained with the Indian Institute of Corporate Affairs.

**8. Nomination and Remuneration Policy of Directors, Key Managerial Personnel and other Employees**

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

**9. Board Evaluation**

Pursuant to the provisions contained in the Companies Act 2013 and listing regulations the Board has carried out annual performance evaluation of its own members, The chairman of the Board, individual directors as well as the evaluation of the working of the Audit, Nomination and Remuneration committee and other committees. The evaluation was based on the attendance, contribution, independence of judgment and preparedness for the meetings

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

During the financial year 2020-21 the Board of Directors of the Company met 4 times on 30/07/2020, 02/09/2020, 13/11/2020 and 13/02/2021. A separate meeting of the Independent Directors of the Company held during the year on 30/01/2021 as required under Section 149 (8) read with the Schedule IV (VII) of the Companies Act 2013 and clause 25 (3) of Securities Exchange Board of India (Listing obligations and disclosure requirements) Regulations 2015. Further, due to covid 19 pandemic, the statutory authorities have given a relaxation for the time gap between two meetings. The Company has complied with the relaxations given by the statutory authorities

**11. Deposits**

During the year, your Company has not accepted any deposits, within the meaning of Section 73 of the Companies Act, 2013 read with Companies (Acceptance of Deposits) Rules, 2014. No amount on account of principal or interest on deposits from public was outstanding as on Balance Sheet date. Further, the Company has availed an amount of Rs. 5.19 crores as an unsecured loan from Sri. Anji Raju Manthena, Director of the Company which is exempted from the definition of Deposit. The outstanding unsecured loan balances which were exempted from the definition of Deposit as on 31st March 2021 is Rs. 10.60 crores.

**12. Regulatory / Court Orders**

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

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

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

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

### 14. Director's Responsibility Statement

**Pursuant to section 134 (3) (c) of the Companies Act, 2013 the Directors to the best of their knowledge hereby state and confirm that**

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

### 15. Internal Financial Controls

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

### 16. Particulars of Loans, Guarantees and Investments.

The details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in notes forming part of the financial statements.

### 17. Committees of the Board

The Board of Directors has the following Committees:

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

The details of the Committees along with their composition, number of meetings and attendance at the meetings are provided in the Corporate Governance section of this Report.

### 18. Corporate Social Responsibility (CSR)

The Company had adopted a Corporate Social Responsibility Policy and constituted a CSR Committee as per the provisions of Section 135 of the Companies Act 2013. Further the Company was not required to spend any amount towards CSR as the average three years net profits of the Company is in negative. Hence, the requirement of disclosure under the said provisions and rules are not applicable to the Company.



**19. Related Party Transactions**

All the related party transactions by the Company during the year 2020-21 were on an arms length basis and were in the ordinary course of business and as such the provisions of section 188 are not attracted. There are no materially significant Related Party Transactions with Promoters, Directors, Key Managerial Persons or other designated persons during the year. The details of the related party transactions entered by the company during the year under the provisions of section 188 of the Companies Act, 2013 in Form AOC-2 is annexed as **Annexure-B** to this report.

**20. Vigil Mechanism**

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

**21. Familiarization Programs for Independent Directors,**

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

**22. Annual Return**

The Annual Return of the Company as on 31<sup>st</sup> March, 2021 is available on the Company's website and can be accessed at [www.kernex.in](http://www.kernex.in)

**23. Risk Management**

Your Company has in place a mechanism to identify, assess, monitor and mitigate various risks to key business objectives. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. These are also discussed at the meetings of the Audit Committee and the Board, Your Company has put in place internal control systems and processes to optimize the risk mitigation measures for review by the audit Committee and approval by the Board. The executive management is guided from time to time by the Board to improve the risk mitigation measures and initiate timely action

**24. Transfer of unclaimed dividend**

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

### 25. Auditors

#### Statutory Auditors

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

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

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

The management of Company is confident of recovering these amounts.

#### Secretarial Audit

In terms of section 204 of the Companies Act'2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 the Company has appointed M/s. P S Rao & Associates, Company Secretaries to conduct Secretarial Audit for the year 2020-21 and their report is annexed as **Annexure–C** to this report.

#### Reply to the Comments made in the Secretarial Auditors' Report

1. in terms of SEBI Circular No.Cir/ISD/3/2011 the entire shareholding of Promoters/ Persons Acting in-Concert (PACs) has not been dematerialized. Therefore, the stock exchanges have kept the trading in the shares of the Company under trade-to-trade.

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

#### INTERNAL AUDITORS:

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

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

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

### 27. Particulars Relating to Remuneration of Directors/Key Managerial Personnel and Employees.

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided separately and annexed as **Annexure–E** to this report.

In terms of Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company does not have any employee who is employed throughout the financial year and in receipt of remuneration of Rs.102 Lakhs or more, or employees who are employed for part of the year and in receipt of Rs. 8.50 Lakhs or more per month.

The Company does not have any employee who is employed throughout financial year or part thereof,

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

**28. Other General Disclosures**

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

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

**29. Corporate Governance Report**

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

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

**30. Management Discussion & Analysis (MDA)**

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

**31. Acknowledgements:**

Your Directors would like to express their sincere appreciation for the guidance, assistance and co-operation received from the Indian Railways, South Central Railways, RDSO, Egyptian Railways, Sri Lanka Railways, State Bank of India, Government authorities and members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the commendable and dedicated contribution of all employees.

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

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

**Place: Hyderabad  
Date: 01.08.2021**

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

**Place: Hyderabad  
Date: 01.08.2021**

## ANNEXURE-A

### FORM AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries / associate companies / joint ventures as per the Companies Act, 2013.

#### PART "A" – Subsidiaries

(Amount in US\$ '000s)

1.	Name of the Subsidiary	Avant-Garde Infosystems Inc.
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period.	No
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	US\$73.50
4.	Share Capital	1,201.52
5.	Reserves & Surplus	774.34
6.	Total Assets	627.54
7.	Total Liabilities	627.54
8.	Investments	Nil
9.	Turnover	419.39
10.	Profit before taxation	182.16
11.	Provision for Taxation	Nil
12.	Profit after taxation	182.16
13.	Proposed Dividend	Nil
14.	Percentage of shareholding	100

**PART “B”: Associates and Joint Ventures please enter the details**  
**Statement pursuant to Section 129(3) of**  
**the Companies Act, 2013 related to Associate Companies and joint Ventures**

Name of Associates / Joint Venture	<b>KERNEX TCAS JV</b>
1. Latest audited Balance Sheet Date	<b>31.03.2021</b>
2. Shares of Associates / Joint Ventures held by the company at the year end Not	<b>Not Applicable</b>
3. Amount of Investment in Association / Joint Venture Extend of Holding %	<b>Rs. 8,00,000/- (80%)</b>
4. Description of how there is significant influence	<b>Profit sharing ratio and control</b>
5. Reason why the associate/Joint venture is not consolidated	<b>Consolidated</b>
6. Net worth attribute to Shareholding as per latest audited Balance Sheet	<b>Not Applicable</b>
7. Profit / Loss for the year	
i. Considered in Consolidation	<b>Rs. 40,23,222/-</b>
ii. Not Considered in Consolidation	<b>Not Applicable</b>

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

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

**Place: Hyderabad**  
**Date: 01.08.2021**

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

**Place: Hyderabad**  
**Date: 01.08.2021**



## Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

**Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto**

- There are no contracts or arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 which are not at arm's length basis.
- Contracts or arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 which are at arm's length basis:**

S.No	(a) Name(s) of the related party and nature of relationship	(b) Nature of contracts/ arrangements/ transactions	(c) Duration of the contracts / arrangements/ transactions	(d) Salient terms of the contracts or arrangements or transactions including the value, if any	(e) Date(s) of approval by the Board, if any	(f) Amount paid as advances, if any
1.	Avant-Garde Info systems Inc., USA 100% Wholly Owned Subsidiary	Procurement of Materials	One Time	US\$2,22,539	19.06.2021	Nil

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

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

**Place: Hyderabad  
Date: 01.08.2021**

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

**Place: Hyderabad  
Date: 01.08.2021**

**Form No. MR-3**

**SECRETARIAL AUDIT REPORT**

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

To

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

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that, in our opinion, the Company has, during the audit period covering the financial year ended **March 31, 2021**, complied with the statutory provisions listed hereunder and also that the Company has proper board-processes and compliance-mechanisms in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company according to the provisions of:

- (i) The Companies Act, 2013 (the Act) (applicable Sections as on date) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the regulations and bye-laws framed by the Securities and Exchange Board of India ('SEBI') there under;
- (iv) The following Regulations prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
  - (d) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018;
- (v) Provisions of the following Regulations prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') were not applicable to the Company during the financial year under review:-
  - (a) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (b) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
  - (c) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
  - (e) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(vi) The industry specific laws that are applicable to the Company are as follows:

- (a) Contract Labour (Regulation & Abolition) Act, 1970
- (b) E-Waste (management and Handling) Rules, 2010

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

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

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

## We further report that

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

Sl. No.	Name of the Director	Appointment/ Reappointment/ Change in designation/ Cessation	Our Comments
1.	Mr. Sreenivasa Rao Ravinuthala	Appointment	Co-opted as Additional Director under Independent category on 30th September, 2019 and the said appointment has been approved by the Members at the 28th AGM held on September 30, 2020 to act as an Independent Director for a period 5 years w.e.f. 30th September, 2019.
2.	Mr. Somasekhara Rao Koganti	Appointment	Co-opted as Additional Director under Independent category on 30th September, 2019 and the said appointment has been approved by the Members at the 28th AGM held on September 30, 2020 to act as an Independent Director for a period 5 years w.e.f. 30th September, 2019.
3.	Mr. Sitarama Raju Manthena	Change in Designation	Appointed as a Whole-time Director w.e.f. 2nd September, 2020 and the same has been approved by the Members at the 28th AGM held on September 30, 2020.
4.	Mr. Addanki Venkata Sai Krishnamohan	Appointment	Co-opted as Additional Director under Independent category on February 13, 2020 and the said appointment has been approved by the Members at the 28th AGM held on September 30, 2020 to act as an Independent Director for a period 5 years w.e.f. 13th February, 2020.
5.	Mr. Badri Manthena Narayana Raju	Re-appointed	Appointed as a Whole-time Director w.e.f. 2nd September, 2020 and the same has been approved by the Members at the 28th AGM held on September 30, 2020

Based on our verifications and the declarations received from the respective directors, we further report that, the directors are not disqualified to act as such under the provisions of the Companies Act, Orders/ Circulars/ Regulations issued by SEBI or such other acts, for the time being enforceable. Adequate notice was given to all the directors to schedule the Board Meetings. Agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. As a general practice of the Board, decisions were taken on unanimous consent.

**We further report that** *in terms of SEBI Circular No.Cir/ISD/3/2011 the entire shareholding of Promoters/ Persons Acting in-Concert (PACs) has not been dematerialized. Therefore, the stock exchanges have kept the trading in the shares of the Company under trade-to-trade.*

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

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

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

**Sd/-**

**D.S. Rao**

Company Secretary

ACS No.: 12394

C.P. No.: 14487

UDIN: A012394C000719694

Date : 01.08.2021

Place: Hyderabad

**Note:** This report is to be read with our letter of even date which is annexed as '**Annexure A**' and forms an integral part of this report.

To,

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

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

1. Maintenance of Secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these Secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in the Secretarial records. We believe that the processes and practices we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of Financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained Management representation about the compliance of laws, rules and regulations and happening of events, etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination was limited to the verification of procedures on test basis.
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.
7. Owing to the lockdown measure imposed by the Government in the wake of the Covid-19 pandemic, for certain verifications and cross checks, we have relied on the information/ documents and assurances received from the respective officials of the Company for forming our opinion and for eventual reporting thereof.

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

**Sd/-**

**D.S. Rao**

Company Secretary

ACS No.: 12394

C.P. No.: 14487

UDIN: A012394C000719694

Date : 01.08.2021

Place: Hyderabad

**ANNEXURE-D**

**PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS REQUIRED UNDER SECTION 134 (3) (M) READ WITH RULE 8 (3) OF THE COMPANIES (ACCOUNTS) RULES, 2014**

**A. CONSERVATION OF ENERGY**

The activities of the company do not result in significant consumption of energy. However the company takes all the necessary steps to conserve energy at the offices and work places on an ongoing basis.

**B. PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY & RESEARCH AND DEVELOPMENT (R&D) CARRIED OUT BY THE COMPANY:**

**a) Technology Absorption Adaptation and Innovation:**

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

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

- Burn-In chamber for products endurance testing
- Up-gradation of Vibration test facility
- Environmental test facility (ESS)
- Digital Projection Microscope for visual inspection with video recording facility
- Test Equipments like Spectrum Analyzer, Signal Generators, Oscilloscopes, Function Generators, High Power Attenuators, Radio Communication test equipment and LCR meter to enhance the testing capability.

**b) Research and Development**

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

**c) Foreign Exchange Earnings and Outgo:**

**(Rs. in Lakhs)**

	<b>Current Year 2020-21</b>	<b>Previous year 2019-20</b>
Foreign Exchange Used	-	5.05
Foreign Exchange earned	187.55	423.89

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

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

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

**Place: Hyderabad  
Date: 01.08.2021**

**Place: Hyderabad  
Date: 01.08.2021**

**ANNEXURE – E**

**DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014.**

- i) The percentage increase in remuneration of each Director, In-charge, CEO & Chief Financial Officer during the financial year 2020-21 and ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2020-21 are as under:-

<b>Name of Director / KMP and Designation</b>	<b>Remuneration of Director / KMP for financial year 2020-21 (Rs. in lakhs)</b>	<b>% increase in remuneration in the financial year 2020-21</b>	<b>Ratio of remuneration of each Director /to median remuneration of employees</b>
M Badari Narayana Raju, WTD	20.09	11.61	7.28:1
M Sitarama Raju, WTD	12.54	NA	4.54:1
K Satyanarayana Raju, CEO	33.48	11.60	12.13:1
Ramayya Vutukuri, CFO	20.00	12.48	7.25:1
K Prasada Rao, CS	5.02	67.33	1.81:1

Note: No other Director other than Whole Time Directors received any remuneration other than sitting fees during the financial year 2020-21.

- ii) In the financial year, there was no increase in the median remuneration of employees.
- iii) There were 95 permanent employees on the rolls of Company as on March 31, 2021.
- iv) In the financial year, there was an increase of 8.02% in the median remuneration of employees.
- v) The remuneration of the Key Managerial Personnel put together is Rs. 91.13 lacs which was Rs. 68.78 lacs in the previous year.
- vi) There was no average percentile increase either in the salaries of employees (other than the managerial personnel) in the financial year 2020-21.
- vii) No variable component of remuneration availed by the directors / KMPs.
- viii) The Whole-time Director / CEO are the highest paid Director. No employee received remuneration higher than the Whole-time Director /CEO.
- ix) It is hereby affirmed that the remuneration paid during the Financial Year ended 31<sup>st</sup> March, 2021 is as per the Remuneration Policy of the Company.



**Details pertaining to Employees as required under Section 197(12) of the Companies Act, 2013  
Statement of Particulars of Employees Pursuant to provisions of Section 197(12) of the Companies Act  
2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel)  
Rules, 2014**

Name	Age	Qualification And Experience of employee in Kernex	Designation	Date of commencement of employment	Nature of Employment	Remuneration in (Rs. In Lacs) Per Annum	Previous Employment	Relative of Director If any	% of Share Holding
Joseph Chakravarthi	49	MS (Comp) / 18 Years	General Manager S/W Services	01.04.02	Permanent	24.30	Open Manganot S/W Inc, USA	-	0.015%
G Malla Reddy	45	B.Tech (CSE) / 12 Years	Deputy General Manager	18.02.08	Permanent	19.74	Silver Software, Bangalore	-	-
Nunna Venkateswara Rao	46	B Tech, (CSE) / 3.5 years	Manager S/W Development	06.02.17	Permanent	15.92	HBLPower Systems Ltd, Hyderabad	-	-
K Shankar Prasad	64	BE (ECE) / 1 year	GM Projects	03.09.19	Permanent	14.74	Texmaco Limited	-	0.005%
B Sampath Kumar	49	MCA/PGCHRM, XLRI/ 7 Years	General Manager	22.11.13	Permanent	13.50	Malcon Global Limited	-	-
I Mastan Rao	66	B. Tech ECE / 16 years	Vice President	11.08.04	Permanent	12.54	TATA Steel	-	-
M Rama Krishna	44	M.Tech./ 20 years	Manager R&D	15.03.04	Permanent	11.46	S.V. Associates, Hyderabad	-	-
S Jitender Vijay	53	B.Tech / 17 Years	Asst. Manager S/W Validation	26.02.04	Permanent	9.43	ROC India Limited	-	-
P V Sampath Kumar	49	B.Com / 21 years	Asst. Company Secretary	16.09.99	Permanent	9.30	Rajvebh Electronics Ltd	-	-
H Ramesh Rao	47	DECE / 18 years	Manager Engineering	10.05.00	Permanent	8.70	MIC Electronics, Hyd	-	0.036%
C S Nagaraj	63	BE (E&C) / 3 Years	Sr. Vice President	06.04.17	Permanent	7.50	United Telecom Bangalore	-	-

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

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

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

**Place: Hyderabad  
Date: 01.08.2021**

**Place: Hyderabad  
Date: 01.08.2021**

**CORPORATE GOVERNANCE REPORT****1. Company's philosophy on Code of Governance.**

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

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

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

**2. Board of Directors:**

- i) The Company has a Non-Executive Independent Director as Chairman. The Board of Directors of the Company consists of eminent persons with professional expertise. The Board comprises of 3 Promoter Directors in which two are Non- Executive Directors and one Whole-Time Director, one Whole-Time Director, one Non-Executive Non-Independent and three Independent Directors.
- ii) None of the Directors on the Board is a member on more than 10 committees or Chairman of more than 5 committees as specified in SEBI (LODR) Regulations, 2015, across all the Companies in which he is a Director. Necessary disclosures regarding Committee positions have been made by the Directors.
- iii) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee memberships held by them in other companies is given below. Other directorships do not include alternate directorships, directorships of private limited Companies and companies incorporated outside India. Chairmanship/membership of Board committees includes membership of Audit and Shareholders/Investor Grievance Committee.

**Composition and Category of Directors**

Name of the Director	Category	Designation	No. of shares held in the Company (%)	Names of the Listed companies holding directorship & category of such directorship held
Sri. Sreenivasa Rao Ravinuthala	Non-Executive	Independent Director	-	Nil
Sri.Koganti Somasekhara Rao	Non-Executive	Independent Director	-	Nil
Sri. AV S Krishna Mohan	Non-Executive	Independent Director	-	Nil

Dr. Anji Raju Manthena	Non-Executive	Non-Independent Director	4,14,078	Nil
Dr. Vinta Janardhana Reddy	Non-Executive	Non-Independent Director	1,99,655	Nil
Ms. Sree Lakshmi Manthena	Non-Executive	Non-Independent Director	6,40,398	Nil
Sri. Manthena Badari Narayana Raju	Executive	Whole Time Director	2,087	Nil
Sri. Sitarama Raju Manthena	Executive	Whole Time Director	7,12,992	Nil

**The Board has identified the following skill set with reference to its business and industry which are available with the Board:**

<b>Name of Director</b>	<b>Expertise in specific functional area</b>
Sri. Sreenivasa Rao Ravinuthala	Project and Working Capital Finance, Strategic Management, Insolvency, Financial Expert to the IEC (Independent Evaluation Committee)
Sri. Koganti Somasekhara Rao	Business Development Management, Marketing, Strategy Planning, Project Procurement, Project Coordination, Consulting
Sri. A V S Krishna Mohan	Finance, Banking, Industrial Finance, Restructuring, Credit Monitoring, Legal procedures and processes of SARFAESIA, DRT and BIFR
Dr. Anji Raju Manthena	Clinical operation, medical affairs and business development (MABD).
Dr. Vinta Janardhana Reddy	Clinical operation, medical affairs and business development (MABD).
Ms. Sree Lakshmi Manthena	Business Development Management, Marketing, Strategy Planning, Project Procurement, Project Coordination, Consulting
Sri. Manthena Badari Narayana Raju	Organization and Business Management
Sri. Sitarama Raju Manthena	Business Development Management, Marketing, Strategy Planning, Project Procurement, Project Coordination, Consulting

### **Relationship among Directors**

Dr. Anji Raju Manthena, Ms. Sree Lakshmi Manthena and Sri. Sitarama Raju Manthena are related to each other. Further, none of the other directors are related to each other.

## Annual Report 2020-21

Details of attendance of Directors at the AGM, Board Meetings with particulars of their Directorship and Chairmanship /Membership of Board /Committees in other Companies are as under:

Name of the Director	Category	No. of Board Meetings during the year 2020-21		Whether Attended AGM on 30.09.20	No. of Directorships in other public companies	No. of committee positions held in other public companies				% of Share Holding
		Held	Attended			Chairman	Member	Chairman	Member	
Dr. Anji Raju Manthena	Non-Independent Non-Executive	4	4	Yes	-	-	-	-	-	414078
Dr. Vinta Janardhana Reddy	Non-Independent Non-Executive	4	4	No	-	-	-	-	-	199655
Sri. Manthena Badari Narayana Raju	Executive Director	4	4	Yes	-	-	-	-	-	2087
Ms. Sree Lakshmi Manthena	Non-Independent Non-Executive	4	4	Yes	-	-	-	-	-	640398
Sri. R Sreenivasa Rao	Independent Non-Executive	4	4	Yes	-	-	-	-	-	-
Sri. K Soma sekhar Rao	Independent Non-Executive	4	4	Yes	-	-	-	-	-	-
Sri. AVS Krishna Mohan	Independent Non-Executive	4	4	Yes	-	-	-	-	-	-
Sri. Sitarama Raju Manthena	Executive Director	4	4	Yes	-	-	-	-	-	712992

The Directorships held by Directors in other Companies, as mentioned above do not include Directorships in Foreign Companies, Companies registered under Section 8 of the Companies Act, 2013 and Private Limited Companies.

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

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

### DATES OF BOARD MEETINGS:

The Board met 4 times in the financial year 2020-21 on the following dates, in compliance with the circulars and notifications issued by statutory authorities between two meetings

Date	Board Strength	No. of Directors Present
30.07.2020	8	8
02.09.2020	8	8
13.11.2020	8	8
13.02.2021	8	8

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

**3. Audit Committee and composition:**

- The Audit Committee of the Company as at 31<sup>st</sup> March' 2021 consisted of Two Independent Directors and One Non-Executive Director. The Chairman of the Audit Committee was an Independent Director who was present at the Board Meeting where Annual accounts have been approved. All the members of the committee are financially literate. Accordingly the composition of the Audit committee is in conformity with Regulation 18 and Part C of Schedule II of the SEBI Listing Regulations, 2015 as well as in Section 177 of the Companies Act, 2013. The Chief Financial Officer, Internal Auditor and Statutory Auditors are also invited to attend and participate at meetings of the Committee. The Chairman of the Audit Committee has been presented at the Annual General Meeting held on 30<sup>th</sup> September, 2020.

The Terms of Audit committee includes the following:-

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

## Annual Report 2020-21

- H. Reviewing, with the management, the performance of external and internal auditors and adequacy of the internal control systems.
- I. Reviewing the adequacy of internal audit function and frequency of internal audit.
- J. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- K. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- The Audit Committee Meetings are usually held at the registered office of the Company and are also attended by CFO, Statutory Auditors and Internal Auditors.
  - The last Annual General Meeting of the Company was held on September 30, 2020.
  - The composition of the Audit Committee as on March 31, 2021 and particulars of meetings attended by the members are as follows:

Name	Category	Number of meetings during the year 2020-21	
		Held	Attended
Sri. Sreenivasa Rao Ravinuthala	Non-Executive Independent	4	4
Sri. Koganti Somasekhara Rao	Non-Executive Independent	4	4
Ms. Sree Lakshmi Manthena	Non-Executive Non Independent	4	4

### Meetings of Audit Committee:

The Audit Committee met 4 times during the previous year, in compliance with the circulars and notifications issued by statutory authorities between two meetings. All members were present at the meetings of Audit Committees. The said committee met at the following dates.

Date	Board Strength	No. of Directors Present
30.07.2020	3	3
02.09.2020	3	2
13.11.2020	3	3
13.02.2021	3	3

The necessary quorum was present at all meetings.

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

- The Nomination and Remuneration Committee was constituted in conformity with SEBI (LODR) Regulations, 2015 and the terms of reference are in conformity with Section 178 of the Companies Act'2013.
- The Nomination and Remuneration Committee of the Company as on 31<sup>st</sup> March'2021 consists of 3 directors, out of whom two are independent directors.
- The main object of this Committee is to identify persons who are qualified to become directors and who may be appointed in senior management of the Company, recommend to the Board their appointment and removal and shall carry out evaluation of every Director's performance, recommend the remuneration package of both the Executive and the Non-Executive Directors on the Board and

also the remuneration of Senior Management, one level below the Board. The Committee reviews the remuneration package payable to Executive Director(s) and recommends to the Board the same and acts in terms of reference of the Board from time to time.

4. The composition of the Nomination and Remuneration Committee as on March 31, 2021 is mentioned below and one meeting was held on 02.09.2020 and the details of the members attended are as follows:-

**Composition of the Nomination and Remuneration Committee**

Name	Category	Number of meetings during the year 2020-21	
		Held	Attended
Sri.Koganti Somasekhara Rao	Non-Executive Independent	1	1
Sri. Sreenivasa Rao Ravinuthala	Non-Executive Independent	1	1
Dr. Anji Raju Manthena	Non-Executive Non Independent	1	1

**Meetings of Nomination and Remuneration Committee**

Date	Board Strength	No. of Directors Present
02.09.2020	3	3

**5. The broad terms of reference of the remuneration Committee includes:-**

The terms of reference of the Nomination and Remuneration Committee are as under:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key Managerial Personnel and other employees.
2. Formulation of criteria for evaluation of Independent Directors and the Board.
3. Devising a policy on Board diversity.
4. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.
5. To recommend/review remuneration of Key Managerial Personnel based on their performance and defined assessment criteria.
6. To decide on the elements of remuneration package of all the Key Managerial Personnel i.e. salary, benefits, bonus, stock options, pensions etc.
7. Recommendation of fee / compensation if any, to be paid to Non-Executive Directors, including Independent Directors of the Board.
8. Payment / revision of remuneration payable to Managerial Personnel.
9. While approving the remuneration, the committee shall take into account financial position of the Company, trend in the industry, qualification, experience and past performance of the appointee.
10. The Committee shall be in a position to bring about objectivity in determining the remuneration package while striking the balance between the interest of the Company and shareholders.



## Annual Report 2020-21

11. Any other functions / powers / duties as may be entrusted by the Board from time to time. The Company has adopted a policy relating to the remuneration for Directors, Key Managerial Personnel and other employees of the Company which is disclosed on the website of the Company [www.avantel.in](http://www.avantel.in). The Company has paid Remuneration, Profit related Commission and Sitting Fee during the Financial Year 2020-21.

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

7. Remuneration Policy:

The Company's remuneration policy is driven by the success and performance of the individual employees. The Company follows a compensation policy of fixed pay, allowances & perquisites. Performance of the individuals is measured through the annual appraisal process.

### A. Remuneration paid to Whole time Director during the financial year 2020-21 is follows:-

Name	Designation	REMUNERATION (Rs.Lacs)		
		Salary & Benefits	Commission	Total
Manthena Badari Narayana Raju	Whole Time Director	28.30	0.00	28.30
Sitarama Raju Manthnea	Whole Time Director	13.44	0.00	13.44

Besides above, the Whole Time Directors of the Company is also entitled to Company's contribution to provident Fund and Superannuation Fund or Annuity Fund to the extent, not taxable under the Income Tax Act 1961, Gratuity as per the Gratuity Act, 1972.

### B. Non-Executive Directors:

The Non-Executive Directors are paid sitting fee at the rate of Rs.50,000/- for each meeting of the Board and committee meetings. The Company also reimburses the out of pocket expenses incurred by the Directors for attending meetings.

Sitting fee paid to non-executive Directors during Financial Year 2020-21, is as follows:-

Name	Sitting fee (Amount in Rs.)
Dr. Anji Raju Manthena	2,50,000
Dr. Janardhana Reddy Vinta	2,00,000
Ms. Sreelakshmi Manthena	4,00,000
Sri. Sreenivasa Rao Ravinuthala	5,50,000
Sri. Koganti Somasekhara Rao	5,50,000
Sri. Sitarama Raju Manthena (till 02.09.2020)	50,000
Sri. AVS Krishna Mohan	2,90,000

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

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

## 5. Stakeholders Relationship Committee:

The Company has a Stakeholders Relationship Committee constituted as per Section 178 of the Companies Act, 2013 to look into the redressal of complaints of investors such as transfer or credit of shares, non-receipt of dividend/notices/annual reports, etc. The Committee has met one time in the financial year on 13.02.2021. All the members of the Committee were presented in the meeting.

- I. The Stakeholders Relationship Committee of Company consists of three directors, who are all Non Executive Directors.
- ii. The Composition of the shareholder/ investors Grievance Committee is given below:-

Name	Category
Sri.Sreenivasa Rao Ravinuthala	Non-Executive Independent
Sri.Koganti Somasekhara Rao	Non-Executive Independent
Sri. Sita Rama Raju Manthena	Whole-Time Director

### iii. Name, designation and address of Compliance Officer:

CS Prasada Rao Kalluri, Company Secretary & Compliance Officer  
Plot No.38 to 41, Survey no.1/1, Hardware Park, Maheswaram Mandal, Raviryal Village, Ranga Reddy, Hyderabad – 501 510

### iv. Details of complaints received and redressed:

Opening Balance	Received during the period 01.04.2020 to 31.03.2021	Resolved during the period 01.04.2020 to 31.03.2021	Closing Balance
Nil	Nil	Nil	Nil

The Committee reviews the security transfers/transmissions, process of dematerialization and the Investor's grievances and the systems dealing with these issues. Mr. Prasada Rao Kalluri, Company Secretary is appointed as the Compliance Officer of the Company. The Board has authorized the Company Secretary, who is also the Compliance Officer, to approve share transfers/ transmission and comply with other formalities in relation thereto. All investor complaints, which cannot be settled at the level of the Compliance Officer, will be placed before the Committee for final settlement. There were no pending complaints and transfers as on 31<sup>st</sup> March, 2021.

### Terms of reference:

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

- a. Redressal of grievances of shareholders, debenture holders and other security holders.
- b. Transfer and transmission of securities.
- c. Dealing with complaints related to transfer of shares, non-receipt of declared dividend, non-receipt of Balance Sheet etc.
- d. Issuance of duplicate shares certificates.
- e. Review of dematerialization of shares and related matters.

- f. Performing various functions relating to the interests of shareholders/investors of the Company as may be required under the provisions of the Companies Act, 2013, SEBI (LODR) Regulations, 2015 with the Stock Exchanges and regulations/guidelines issued by the SEBI or any other regulatory authority. In order to expedite the process and for effective resolution of grievances/complaints, the Committee has delegated powers to the Registrar and Share Transfer Agents i.e., M/s. KFintech Private Limited., to redress all complaints/grievances/enquiries of the shareholders/investors. It redresses the grievances/ complaints of shareholders/investors under the supervision of Company Secretary & Compliance Officer of the Company.

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

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

## 6. Risk Management Committee

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

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

Name	Category
Sri.Sreenivasa Rao Ravinuthala	Independent Non-Executive
Sri.Koganti Somasekhara Rao	Independent Non-Executive
Dr.Janardhan Reddy Vinta	Non Independent Non-Executive

## 7. Corporate Social Responsibility Committee

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

Name	Category
Sri. AVS Krishna Mohan	Independent Non-Executive
Sri. Koganti Somasekhara Rao	Independent Non-Executive
Sri. Sitarama Raju Manthena	Whole-Time Director

## MEETING OF INDEPENDENT DIRECTORS

During the year under review, the Independent Directors met on 30<sup>th</sup> January, 2021, inter alia, to discuss:

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

**Compliance officer:**

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

**Compliance Reports**

The Board of Directors review the compliance reports on applicable laws to the Company during every quarterly meeting.

**Succession Plans**

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

**Code of Conduct**

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

**Information and Compliance Certificate to the Board**

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

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

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

**Prevention of Insider Trading**

The Company has framed the Code of Conduct to regulate, monitor and report trading by employees and other connected persons and the Code of Practices and Procedures for fair disclosure of unpublished price sensitive information for Prevention of Insider Trading based on SEBI (Prohibition of Insider Trading) Regulations, 2015. The Code of Conduct to regulate, monitor and report trading by employees and other connected persons is applicable to all the Board members / officers / designated persons. The Code ensures the prevention of dealing in shares by persons having access to unpublished price sensitive information.

**8. Related Party Transactions**

The Company has formulated Related Party Transactions Policy. All related party transactions are carried out in line with Related Party Transaction (RPT) Policy and as per the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. All RPTs are placed before the Audit Committee for their approval. During the year under review, the requirement to seek shareholders' approval for RPT did not arise.

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

The Company does not have a domestic subsidiary.

### **10. Independent Directors and compliance of their obligations**

All the independent directors have fulfilled their obligations as specified under Regulation 25 of the SEBI Listing Regulations, 2015.

As stipulated by the Code of Independent Directors under the provisions of Section 149 (8) Schedule IV (VII) of the Companies Act 2013 and clause 25 (3) of Securities Exchange Board of India (Listing obligations and disclosure requirements) Regulations 2015, a separate meeting of the Independent Directors of the Company was held during the year on 30.01.2021.

### **11. Obligations with respect to employees including senior management, key managerial persons, directors and promoters**

Directors and Senior management have complied with the obligations specified under Regulation 26 of the SEBI Listing Regulations, 2015 relating to the limit of the committees on which a Director may serve in all public limited companies, affirmation of compliance with the code of conduct, disclosures relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the company at large.

#### **Familiarization Programme for Board Members:**

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

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

The details of such familiarization programs for Independent Directors are posted on the website of the Company <http://www.kernex.in>.

#### **Performance evaluation:**

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out the annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Audit and other Committees.

A structured questionnaire was prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgment, safeguarding the interest of the Company and its minority shareholders etc. The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Chairman and the Non-Independent Directors was carried out by the Independent Directors who also reviewed the performance of the Secretarial Department. The Directors expressed their satisfaction with the evaluation process.

## 12. General Meetings

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

Year	Day, Date and Time of the Meeting	Venue	Special Resolutions passed at the AGM by the Shareholders
2019-20	28 <sup>th</sup> AGM held on Wednesday, the 30 <sup>th</sup> September'2020 04:00 P.M.	VC/OAVM	<ol style="list-style-type: none"> <li>1. To consider and approve appointment of Mr. Sitarama Raju Manthena (DIN: 08576273) as a Whole-Time Director of the company</li> <li>2. To consider and approve appointment of Mr. Badari Narayana Raju Manthena (DIN: 07993925) as a Whole-Time Director of the company</li> <li>3. Increase in aggregate limit of investment and holding by Non-Resident Indians (NRIs) / Overseas Citizens of India (OCI) in the Equity Share Capital of the Company</li> </ol>
2018-19	27 <sup>th</sup> AGM held on Monday the 30 <sup>th</sup> September'2019 11:00 A.M	Registered office of the company situated at Plot No 38 to 41, Survey No 1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Ranga Reddy District, Hyderabad-501 510	<ol style="list-style-type: none"> <li>1. To consider and approve appointment of Mr. Dinakara Rao Pasupuleti (DIN: 00009801) as an Independent Director of the Company</li> <li>2. To consider and approve appointment of Dr. Anji Raju Manthena (DIN: 01022368) as a Non-Executive Director of the Company</li> <li>3. To consider and approve appointment of Dr. Vinta Janardhana Reddy (DIN: 02414912) as a Non-Executive Director of the Company</li> </ol>
2017-18	26 <sup>th</sup> AGM held on Friday the 28 <sup>th</sup> September'2018 11:00 A.M.	Registered office of the company situated at Plot No 38 to 41, Survey No 1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Ranga Reddy District, Hyderabad-501 510	<ol style="list-style-type: none"> <li>1. To consider and approve appointment of Mr. Ashok Gopal Rao Kalmankar (DIN: 01557687) as an Independent Director of the Company</li> </ol>

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

The Company had not conducted any postal ballot during the previous financial year.

There are no Special Resolutions proposing to be conducted in the ensuing 29<sup>th</sup> AGM

### Extraordinary General Meeting:

No Extraordinary General Meeting of the Members was held during the year 2020-21.

## 13. OTHER DISCLOSURES

- i. There were no materially significant related party transactions made by the Company with its Promoters, their subsidiaries, Directors or Management or relatives etc. that may have potential conflict with the interests of the Company at large. All the related party transactions are at arm's length basis and in the ordinary course of business. The particulars of transactions between the Company and its related parties are set out at Notes to financial statements. However, these transactions are not likely to have any conflict with the Company's interest. The Policy on Related Party Transactions as approved by the Board is uploaded on the website of the Company [www.kernex.in](http://www.kernex.in)
- ii. There were no delays in submitting the quarterly disclosures to the Stock Exchanges during the last three years. No penalties and strictures were imposed on the Company by SEBI or any authority on any matter related to capital markets during the last three years. The Stock exchanges have levied penalty for the non composition of Stakeholders Relationship Committee. The Company has given reply to the stock exchanges that the Company has complied with the composition of the committee and request for waive off the same.
- iii. The Company has a Vigil Mechanism through a Whistle Blower Policy. The policy enables stakeholders, including individual employees and their representative bodies, to freely communicate their concerns about illegal or unethical practices, if any. It also enables reporting of concerns by directors and employees about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy or any other genuine concerns or grievances. The policy provides for adequate safeguards against victimization of employees and directors who avail of the vigil mechanism and also provide for direct access to the Chairperson of the Audit Committee. No personnel have approached the Audit Committee till date.  
  
The Policy covers malpractices and events which have taken place / suspected to have taken place, misuse or abuse of authority, fraud or suspected fraud, violation of Company rules, manipulations, negligence causing danger to public health and safety, misappropriation of monies, and other matters or activity on account of which the interest of the Company is affected and formally reported by whistle blowers concerning its employees. The Whistle Blower Policy of the Company is also posted on the website of the Company [www.kernex.in](http://www.kernex.in).
- iv. The Company does not have any Material Subsidiary. The Policy on Material Subsidiaries as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as approved by the Board is uploaded on the website of the Company [www.kernex.in](http://www.kernex.in).
- v. The Chief Executive Officer and the Chief Financial Officer have certified to the Board in accordance with Regulation 33(2) (a) of SEBI Listing Regulations pertaining to CEO/CFO certification for the Financial Year ended 31<sup>st</sup> March, 2021.
- vi. The Company has complied with the mandatory requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Company has complied with the Discretionary Requirements as specified by Regulation 27(1) of SEBI Listing Regulations which are as under:  
  
\* Reporting of the Internal Auditor: The internal auditor of the company reports directly to the audit committee.
- vii. There are no Shares lying in Demat Suspense Account.
- viii. Company's practices and procedures meet the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.
- ix. Total fees for all services paid by the listed entity to the statutory auditor FY 2020-21 is set out in Note No. 25 of the Standalone Financial Statements, forming part of the Annual Report.
- x. Disclosures in relation to the Sexual Harassment of Women at Workplace Prevention, Prohibition and Redressal) Act, 2013:



- a) number of complaints filed during the financial year : Zero
  - b) number of complaints disposed of during the financial year : Zero
  - c) number of complaints pending as on end of the financial year : Nil
- xi. The Company also complies with the following non-mandatory requirements Regulation 27 of the SEBI Listing Regulations, 2015.
- There are no audit qualifications during the year under review except mentioned in the Auditors Report
  - The Internal auditors report to the Audit Committee every quarter

The Company has complied with all mandatory requirements. Adoption of non-mandatory requirements is provided under Item No.19 of this report.

Disclosure on Commodity price risks and commodity hedging activities

The Company does not import any commodity except few electronic components as and when required.

#### **14. Means of Communication:**

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

#### **15. General Shareholder's information:**

The 29<sup>th</sup> Annual General Meeting of the company will be held on Wednesday, the 29<sup>th</sup> September, 2021 at 02.30 P.M through Video Conference/ Other Audio Visual Means (e- AGM)

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

Results for the quarter ending:

30th June 2021	:	On or before 14th August, 2021
30th Sep, 2021	:	On or before 14th November, 2021
31st Dec, 2021	:	On or before 14th February, 2022
31st Mar, 2022	:	On or before 30th May, 2022.
Date of Book closure	:	Thursday, the 23rd day of September 2021 to Wednesday, the 29th day of September'2021 (both days inclusive).
Dividend Payment Date	:	Not Applicable
Listing on Stock Exchanges	:	The BSE Limited and National Stock Exchange of India Limited

## Annual Report 2020-21

### Stock Code:

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

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

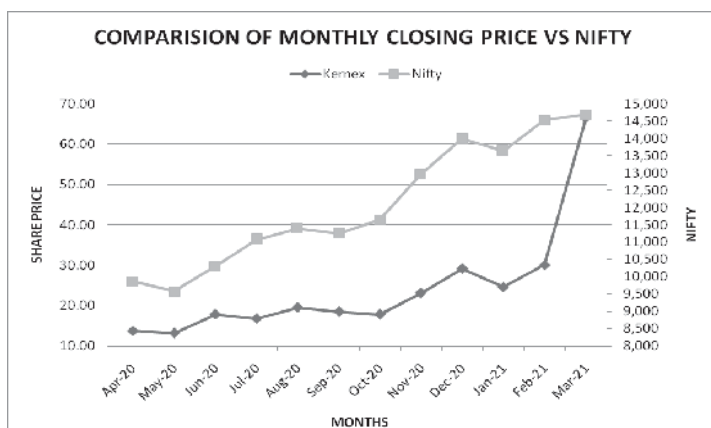
- 16. Market Price Data:** High, Low (Based on the closing prices) and number of shares traded during each month in the last financial year on the National Stock Exchange of India Limited and the Bombay Stock Exchange, Mumbai:-

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-20	12.58	11.06	5,351	14.40	12.30	5,351
May-20	13.18	11.03	5,898	14.35	11.40	13,186
Jun-20	19.82	12.01	25,748	19.85	12.75	8,005
Jul-20	22.50	16.25	1,02,833	22.20	16.6	55,472
Aug-20	21.30	15.75	43,907	20.60	16.30	6,236
Sep-20	19.95	17.30	8,283	19.60	17.20	3,522
Oct-20	19.95	16.30	26,616	19.95	16.45	4,018
Nov-20	26.15	16.80	46,831	27.50	16.80	16,858
Dec-20	27.90	22.15	40,173	29.10	21.85	12,357
Jan -21	33.00	24.90	51,166	33.65	24.55	10,340
Feb -21	31.20	23.30	52,063	31.05	23.10	11,113
Mar-21	66.40	28.05	1,27,520	66.45	20.60	57,520

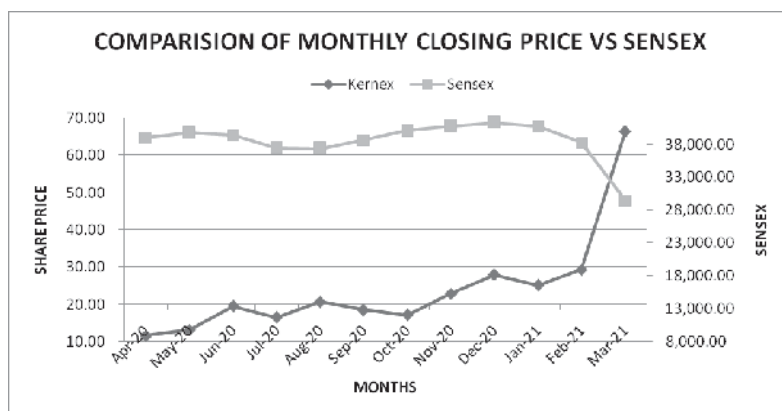
The securities of the Company are not suspended from trading during the financial year ended March 31, 2021

**Share Price Performance:**

**Comparison with NSE Nifty**



**Comparison with BSE Sensex**



**Distribution of Shareholding (as on March 31, 2021):**

SI No	Category No. of Shares	No. of shareholders	% To Holders	No. of Shares	% To Equity
1	1 - 5000	14,290	98.69	30,08,476	24.07
2	5001 - 10000	92	0.64	6,97,077	5.58
3	10001 - 20000	35	0.24	5,22,984	4.18
4	20001 - 30000	14	0.10	3,43,812	2.75
5	30001 - 40000	8	0.06	2,90,939	2.33
6	40001 - 50000	6	0.04	2,66,572	2.13
7	50001 - 100000	12	0.08	8,90,026	7.12
8	100001 and above	23	0.16	64,79,769	51.84
	<b>TOTAL</b>	<b>14,480</b>	<b>100.00</b>	<b>1,24,99,655</b>	<b>100.00</b>

## Annual Report 2020-21

### Shareholding pattern as on March 31, 2021

SI No	Category	No of share holders	No of Shares	Percentage of Holding
<b>(A)</b>	<b>PROMOTER AND PROMOTER GROUP</b>			
(1)	<b>INDIAN</b>			
(a)	Individual /HUF	3	2,392	0.02
(b)	Others			
(2)	<b>FOREIGN</b>			
(a)	Individuals (NRIs/Foreign Individuals)	12	27,89,853	22.32
(b)	Others			
	<b>Total</b>	<b>15</b>	<b>27,92,245</b>	<b>22.34</b>
<b>(B)</b>	<b>PUBLIC SHAREHOLDING</b>			
(1)	<b>INSTITUTIONS</b>			
(a)	Financial Institutions /Banks			
(2)	<b>NON-INSTITUTIONS</b>			
(a)	Bodies Corporate	102	6,60,315	5.28
(b)	Individuals			
	(i) Individuals holding nominal share capital upto Rs.1 lakh	13,595	35,67,975	28.54
	(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	38	42,90,592	33.24
(c)	Others (NBFCs)			
	CLEARING MEMBERS	72	1,20,245	0.96
	NON RESIDENT INDIANS	78	6,64,778	5.32
	<b>NON RESIDENT INDIAN NON REPATRIABLE</b>	55	20,187	0.16
	TRUSTS	3	24,531	0.20
	HUF	522	3,58,787	2.87
	<b>Total</b>	<b>14,465</b>	<b>97,07,410</b>	<b>77.66</b>
	<b>Grand Total</b>	<b>14,480</b>	<b>1,24,99,655</b>	<b>100.00</b>

### Dematerialization of shares and liquidity:

The company's shares are compulsorily traded in dematerialization form. Equity shares of the Company representing 95.41% of the company's share capital are dematerialized as on March 31, 2021.

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

### **Dematerialization mandatory for effecting share transfers**

SEBI has vide proviso to Regulation 40(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, mandated that requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialized form with a depository. In view of the same, the Company shall not process any requests for transfer of shares in physical mode. Shareholders who desire to demat their shares can get in touch with any Depository Participant having registration with SEBI to open a demat account and follow the procedure for share transfers.

### **Bank Details**

Shareholders holding shares in the physical form are requested to advise the Registrar Transfer Agent of change in their address / mandate / bank details to facilitate better servicing. Shareholders are advised that their bank details, or where such details are not available, their addresses, as furnished by them to the Company or to the Depository participant, will be printed on the dividend warrants as required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as a measure of protection against fraudulent encashment.

### **Permanent Account Number (PAN)**

Shareholders holding shares in the physical form are mandatorily required to furnish copy of PAN Card in the following transactions:

- i. Transfer of shares – Transferee and Transferor
- ii. Transmission of shares - Legal heirs' or Nominees'
- iii. Transposition of shares - Joint holders' and
- iv. In case of decease of shareholder - Surviving joint holders'

As on March 31, 2021 the company did not have any outstanding GDRs / ADRs / Warrants or any convertible instruments.

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

Address of Correspondence: : Kernex Microsystems (India) Ltd.  
Plot No.38 to 41, Survey no.1/1,  
Hardware Park, Maheswaram Mandal,  
Raviryal Village, Ranga Reddy,  
Hyderabad – 501 510

### **Registrar and Transfer Agents**

Kfin Technologies Private Limited : Karvy Selenium Tower No .B, Plot No.31-32,  
Gachibowli, Financial District, Nanakramguda  
Hyderabad : 500 032 | India  
P : +91 040 67161591  
E-mail: ganesh.patro@kfintech.com

Contact Person : Mr. Ganesh Chandra Patro  
(Sr. Manager)

### Share Transfer System

The Share transfers are affected within one month from the date of lodgment for transfer, transmission, Sub-division, consolidation, renewal etc. Such modified Share certificates are delivered to the shareholders immediately.

### Compliance Certificate

Certificate from P S Rao & Associates, Company Secretaries, confirming compliance with the conditions of Corporate Governance as stipulated Under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is attached to the Directors' Report and forms part of this 29th Annual Report.

### Secretarial Audit:

1. M/s. P.S. Rao & Associates, Practicing Company Secretaries have conducted Secretarial Audit of the Company for the year 2020-21. Their Audit Report confirms that the Company has complied with the applicable provisions of the Companies Act and the Rules made there under, SEBI Listing Regulations and other laws applicable to the Company. The Secretarial Audit Report forms part of the Director's Report.
2. Pursuant to Regulation 40(9) of the SEBI Listing Regulations, certificates have been issued on a half-yearly basis, by M/s. P. S. Rao & Associates, Practising Company Secretaries, certifying due compliance of share transfer formalities by the Company.
3. M/s. P. S. Rao & Associates, Practising Company Secretaries carry out a quarterly Reconciliation of Share Capital Audit, to reconcile the total admitted capital with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) and the total issued and listed capital. The audit confirms that the total issued/ paid-up capital is in agreement with the aggregate of the total number of shares in physical form and the total number of shares in dematerialized form (held with NSDL and CDSL).
4. Compliance under SEBI Listing Regulations pertaining to mandatory requirements and Practising Company Secretaries Certificate on Corporate Governance is attached herewith.

### 17. COMPLIANCE OF CORPORATE GOVERNANCE CONDITIONS

The Company has generally complied with the requirements of corporate governance report as specified in Schedule V of the SEBI Listing Regulations, 2015. The Company has submitted the quarterly compliance reports on corporate governance to the stock exchanges within fifteen days from the end of each quarter during the financial year 2020-21.

### 18. WEBSITE DISCLOSURES

The website contents of the company as required under Regulation 46 of SEBI (LODR) Regulation 2015 is being updated.

### 19. DISCLOSURE ON NON-MANDATORY REQUIREMENTS

#### *The Board*

The company has appointed Non-Executive Independent Director as full time Chairman of the Company so as to comply with Regulation 17 (1) of the Securities and Exchange Board of India (Listing Obligations and disclosure requirements) Regulations 2015 regarding number of Independent directors. Further, during the

year 2020-21 there were no changes in the Board of Directors except Sri. Sitarama Raju Manthena has been appointed as a Whole-Time Director of the Company.

***Shareholder Rights – Quarterly/Half yearly/Annual results***

The quarterly / half yearly/annual results, after they are approved by the Board of Directors, are forthwith sent to the Stock Exchanges with whom the Company has listing arrangements. The results, in prescribed proforma, are published in Financial Express and Mana Telangana.

***Separate Posts of Chairman and CEO***

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

***Reporting of Internal Auditors***

The Internal Auditor of the Company reports to the Audit Committee.

The Company has submitted quarterly compliance report on Corporate Governance with the Stock Exchanges, in accordance with the requirements of Regulation 27 (2)(a) of the Listing Regulations.

To  
The members of Kernex Microsystems (India) Limited

01<sup>st</sup> August'2021

**DECLARATION TO THE MEMBERS PURSUANT TO SCHEDULE V OF SEBI  
(LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS)  
REGULATIONS, 2015**

We, Badari Narayana Raju Manthena, Whole Time Director, Sitarama Raju Manthena, Whole Time Director and K Satyanarayana Raju, Chief Executive Officer of the Company, hereby declare that all Board members and senior management personnel have affirmed compliance with the Code of Business Conduct and Ethics formulated by the Company for the financial year ended 31<sup>st</sup> March, 2021.

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

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

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



**AUDITORS' CERTIFICATE REGARDING CORPORATE GOVERNANCE**

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

We have examined the compliance of the conditions of Corporate Governance by **Kernex Microsystems (India) Limited** (hereinafter referred to as "the Company") for the year ended March 31, 2021, as stipulated in Chapter IV of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

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

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

Based on the procedures performed by us as mentioned above and according to the information and explanations provided to us, we are of the opinion that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations as applicable for the year ended March 31, 2021.

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

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

**Sd/-**

**D.S. Rao**

Company Secretary

ACS No.: 12394

C.P. No.: 14487

UDIN: A012394C000719716

Date : 01.08.2021

Place: Hyderabad

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

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

We, K Satyanarayana Raju, Chief Executive Officer and Ramayya V, Chief Financial Officer of the Company, to the best of our knowledge and belief, certify that:

- a. We have reviewed the financial statements including cash flow statement (standalone and consolidated) for the financial year ended 31<sup>st</sup> March, 2021 and to the best of our knowledge and belief:
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violate of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to address these deficiencies.
- d. We have indicated to the auditors and the Audit Committee:
  - i. that there are no significant changes in the internal control over financial reporting during the year;
  - ii. that there are no significant changes in the accounting policies during the year; and
  - iii. that there are no instances of significant fraud of which they have become aware of and involvement therein of the management or an employee having a significant role in the Company's internal control system over financial reporting.

**For Kernex Microsystems (India) Limited**

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

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

Place: Hyderabad  
Date: 19.06.2021

### CERTIFICATE ON NON-DISQUALIFICATION OF DIRECTORS

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

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

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

In our opinion and to the best of our information and according to the verifications (including Director Identification Number (DIN) status at the portal [www.mca.gov.in](http://www.mca.gov.in)) as considered necessary and the explanations furnished to us by the Company & its officers, we hereby certify that none of the directors on the Board of the Company for the financial year ended March 31, 2021 have been debarred or disqualified from being appointed or continuing as directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any other statutory authority.

Sr. No.	Name of Director	Nature/ Category of Directorship	DIN
1	Sreenivasa Rao Ravinthula	Chairman & Independent Director	03271625
2	Somasekhara Rao Koganti	Independent Director	08576216
3	Addanki Venkata Sai Krishnamohan	Independent Director	07967460
4	Anji Raju Manthena	Non-Executive Director	01022368
5	Janardhana Reddy Vinta	Non-Executive Director	02414912
6	Sree Lakshmi Manthena	Non-Executive Director	07996443
7	Badari Narayana Raju Manthena	Whole-time Director	07993925
8	Sitarama Raju Manthena	Whole-time Director	08576273

*Ensuring eligibility for the appointment/ continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.*

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

Date : 01.08.2021  
 Place: Hyderabad

**Sd/-**  
**D.S. Rao**  
 Company Secretary  
 ACS No.: 12394  
 C.P. No.: 14487  
 UDIN: A012394C000719705

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

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

**Review of Operations**

Your company has recorded turnover of Rs. 17.40 Crores in the financial year FY 2020-21. The company has recorded a Profit (before tax) of Rs. 0.42 crores as against a profit of Rs. 8.02 Crores in the previous year.

**International**

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

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

**Sri Lanka Railways**

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

**Domestic**

During the Year 2020-21, new section in SCR for 250 Km which was awarded based on the bid and works for installation and commissioning of the new Section began from Dec' 2020.

Having supplied Loco TCAS – 19 Nos, LC TCAS - 4 Nos & Station TCAS - 18 Nos and has completed installation of 13 Station TCAS Units & 2 LC TCAS units together with its accessories

**A) Research & Development and Addition of New Products**

Safety Integrity Level 4 (SIL4) certification by M/s. Ital Certifier (Independent Safety Assessor) for Auto Section for TCAS RDSO project has been taken up and obtained the SIL4 Certificate for TCAS Auto section. Specific Application Safety Assessment (SASC) for SCR TCAS is in progress.

In Richards Bay Coal Terminal (RBCT), South Africa, Kernex have implemented a project "Rail Yard Collision Avoidance System (RYCAS) with M/s. Teledesign Radios which were compliant to US Radio communication specifications. As per RBCT, the Radio Modems are required to have EU compliance to Radio communications. For this, a project "Radio Modem replacement" has been taken up and identified M/s. CalAmp Radios as suitable replacement as they comply with EU regulations. These modems were used in-house integration and testing with the Loco Collision Avoidance Device (Loco CAD) and Central CAD and successfully completed the exercise. Kernex team is ready with the solution for onsite implementation of these modems with the new radios.

Long Term Evaluation (LTE/4G) Modem was designed and developed to replace/integrate with the existing Global System for Mobile communications (GSM) Modem in Train Collision Avoidance System (TCAS) project. Prototype is ready and will be integrated with existing Loco and stationary TCAS for the future TCAS orders.

An upgraded version of Microcontroller Intelligent Module (MIE V2.0) development has been taken up and the design is under progress. This is the vital controller module which is responsible for all logic and control operations. This is going to be the basic building block for all future M/s. kernex projects. For the next version of TCAS, this module shall be ready for implementation.

Safety Integrity Level 4 (SIL4) certification by M/s. Ital Certifier (Independent Safety Assessor) for Level Crossing Control Systems (LxCS) has been taken up and shall be completed in next 3 to 4 months. This certification will enable us to submit our proposals to OEMs like Alstom, Revenga etc who are participating in ENR modernization projects.

### **B) Future outlook**

Right from the British Era, Railways has been considered as the backbone of the Indian Economy. In current times, The Indian Government is taking every step to account for the growth in passenger traffic and to increase the freight movement. The entire world has been taken aback by the COVID 19 pandemic, but the Indian Government has continued its focus on developing and modifying Infrastructure to foster sustainable growth. In the Union Budget 2021, Hon'ble Finance Minister announced A "National Monetization Pipeline" of potential brown field infrastructure assets. To support this initiative, an Asset Monetization dashboard will be developed for tracking the progress and to provide visibility to investors.

The Finance Minister made the massive announcement in today's Union budget by accounting INR 1,10,055 crores, for Railways out of which INR 1,07,100 crores is for capital expenditure. It was also announced that the Indian Railways have prepared a National Rail Plan for India – 2030. The Plan will emphasize on creating a 'future ready' Railway system by 2030. The Finance Minister also announced for the Railways sector to monetise Dedicated Freight Corridor assets for operations and maintenance, after commissioning.

Logistics forms a big component of a product's cost. The Government understands the importance of building a strong and all-round logistics network across the nation to provide state of the art services at efficient prices not only to foreign players entering the economy but also to the domestic industries, thereby giving massive boost to the Make in India Initiative. The Government expects that Western Dedicated Freight Corridor (DFC) and Eastern DFC to be commissioned by June 2022.

The safety measures taken in last few years have borne results. To further strengthen this effort high density network and highly utilized network routes will be provided with indigenously designed automatic train collision system that eliminates train collision due to human error.

Your company's business mainly emanates from the strategic sector and as such the capital / revenue allocations in the railway business segment have direct bearing on Kernex operations. Post Budget announcements, Kernex is expected to maintain a healthy order book from strategic sector and replicate similar growth trajectory as observed over previous years.

Your Company domestically having successfully executed the Design, Development, Manufacture, supply and trials of the Train Collision Avoidance System in South Central Railways a Project of the Indian Railways. The Company has a strong R & D base for the development of new products. The Government of India's thrust now being in Modernizing Railways with large infrastructure spending and Rail safety, the Company is in a strong position to grab the opportunities that are expected to be available. Your Company with its experience and expertise gained domestically has made a successful foray into the International Markets in the Rail Sector in Egypt and South Africa and in Sri Lanka and the outlook for the future appears promising in the years to come.

## **C) Industry structure and developments**

### **Railways**

Indian Railways operates at a massive scale in every imaginable dimension and is among the world's largest rail network, spread over 1,23,236 kms, with 13,523 passenger trains and 9,146 freight trains, carrying 23 million travelers and 3.5 MT of freight daily from 7,349 stations. A dedicate 1.2 Million plus Manpower works round the clock to keep the wheels moving. Such a large-scale operation provides ample opportunities for Innovations in various facets of its working. Be it Technology, Operations, Commercial, IT or Human resources, the possibilities of introducing new ideas & Innovations to improve and increase efficiency are immense.

Indian Railways provides an effective Innovation Ecosystem involving free flow of technology and information among people, enterprises and institutions, which is the key to an innovative process. It allows interactions between the actors needed in order to turn an idea into a process, product, or service to achieve the ultimate objective of the organization. Being the Lifeline of nation, IR has been continually making innovations in its Technology, Service, Operations and Overall System to lead the nation on path to a modern and ever progressing future. A few innovative improvements are the State of the Art SMART Coaches having special diagnostic systems and sensors connected to integrated computer systems for increased passenger comfort, SMART Locomotives having new features as Asset Performance Monitor (APM), Locotrol, Loco Vision, Rail Integrity Monitor (RIM) etc, SMART Yards with ICT systems, sensors and data analytics to automatically gather information on rolling stock conditions, Automated Train Examination System (ATES), new technology Signaling Systems with new features being added as indigenous Automatic Train Protection (ATP) system, Centralized Traffic Control (CTC), Train Management System (TMS) etc.

Indian Railway has developed its own Indigenous Automatic Train Protection (ATP) Systems for enhancing safety of running trains. The System is known as Train Collision Avoidance System (TCAS). TCAS will not only aid Loco Pilot to avoid Signal Passing At Danger (SPAD) and over speeding but also help in train running during inclement weather such as dense fog. TCAS is adopted as our National Automatic Train Protection (ATP) System. This shall also fulfill Hon' ble PM's vision of "Atamnr Bharat". Successful trials of TCAS have been completed on 250 Route Km in Absolute Block section of Lingampalli – Vikarabad – Wadi, Vikarabad - Bidar section (250 km) of SCR with 40 On Board Equipments (20 each diesel & electrical) for speed up to 110 KMPH on South Central Railway. First passenger train with TCAS on trial started in Feb'2016. Regular works on 1,200 Route km on Bidar-Parli Vajjnath-Parbhani (241 Route km) and Manmad Parbhani-Nanded-Secunderabad-Gadwal-Dhone-Guntakal (959 Route km) sections of South Central Railway have been sanctioned. Contracts for the work have been awarded on 13.11.2019. Commissioning of TCAS at 300 Route km is targeted in this financial year i.e. March'21. TCAS is being provided on speed raising works of 160kmph at New Delhi-Mumbai and New Delhi Howrah Routes. Also TCAS has been approved on HDN/HUN and feeder routes in Works Programme 2020-21. Further, TCAS has been approved on balance 4,099 Route Km of HDN routes in Works Programme 2021-22.

In total, 37,278 Route Km on High Density Network (HDN)/Highly Utilized Network (HUN) and feeder Routes have been covered/approved for TCAS works.

## **D) Opportunities**

The Company with its expertise in designing, development and deployment of Train Collision Avoidance Systems in Indian Railways, and successfully completing the installation of automatic and semi-automatic Railway Gates in Egypt and Rail Safety project in South Africa is better poised to grab new opportunities both domestically and Internationally.

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

### **E) Threats**

The company is presently limited to operations in the strategic sector which has limited to Railway Sector. Though sustenance of the current levels of Business operations is not an issue, for posting a healthy growth year on year, there is a requirement to look for newer opportunities. Your company has initiated various proactive steps i.e. planning newer offerings in the existing portfolio and diversification of its product offerings. The rapid technological changes, competition from multi-national Companies and unfair domestic competition, change in Government policies are the threats.

### **F) Segment wise or product wise performance**

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

### **G) Risks and areas of concern**

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

### **I) Discussion on financial performance with respect to operational performance**

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

### **J) Internal control systems and their adequacy**

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

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

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

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

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



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

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

There are no materially significant changes in the HR front during the year. The total number of employees as on March 2021 is 95 as against 81 in the previous year. The company has a good work environment that encourages innovation and meritocracy with a vibrant work ethic that provides its employees an opportunity to work on new technologies, and enables it to leverage talents. As an organization which has to constantly upgrade itself, it has been building competence through training, cross training and skills up-gradation. The Industrial relations remained cordial throughout the year.

**L) Cautionary Statement**

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

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

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

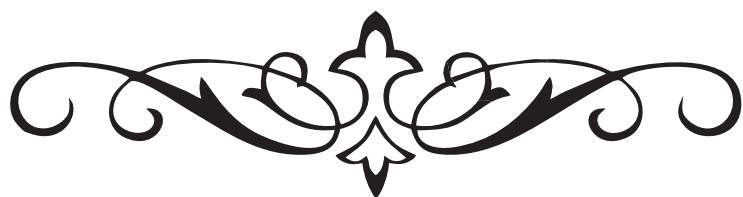
**Sd/-  
Sitarama Raju Manthana  
Whole-Time Director  
DIN: 08576273**

**Place: Hyderabad  
Date: 01.08.2021**

**Place: Hyderabad  
Date: 01.08.2021**



**STANDALONE  
FINANCIAL STATEMENTS  
2020-21**



## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Audit of the Standalone Financial Statements**

#### **Qualified Opinion**

We have audited the standalone Financial statements of Kernex Microsystems (India) Limited ("the Company"), which comprise the balance sheet as at 31 March 2021, and the statement of Profit and Loss, including the Statement of Other Comprehensive Income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the **Basis for Qualified Opinion** section of our report, the aforesaid standalone Financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

#### **Basis for Qualified Opinion**

*As detailed in note 4 to the standalone Financial statements, other financial assets amounting to Rs. 6.00 crores which has been outstanding for more than 4 years has been subject to balance confirmation from the respective party/(s). According to the information and explanations given to us, the company is taking steps for obtaining balance confirmation and in the opinion of the management, the amount is recoverable. In the absence of sufficient appropriate evidence, we are unable to comment upon the carrying value of the aforesaid receivable as at 31st March 2021 or any adjustments//impairment required to and the consequent impact if any, on the financial results.*

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

#### **Key Audit Matter**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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

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

The Company's Board of Directors is responsible for the other information. The other information comprises Statutory reports, corporate governance reports and Boards Report included in the annual report but does not include the standalone Financial statements and our auditor's report thereon, which we obtain prior to the date of auditor's report.

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

In connection with our audit of the standalone Financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether such other information is materially inconsistent with the standalone Financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in the equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for

ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Standalone Financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Standalone Financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone Financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(l) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books
  - c) The Balance Sheet, the Statement of Profit and Loss, including the statement of other comprehensive income, statement of changes in equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - e) On the basis of the written representations received from the directors as on 31st March, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2021 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure A**".
  - g) In our opinion, the managerial remuneration for the year ended March 31, 2021 has been paid /provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
  - h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements.
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

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

**Sd/-**  
**Y. Venkateswarlu**  
Partner  
Membership No. 222068  
UDIN: 21222068AAAABU2689

Place: Hyderabad  
Date: June 19, 2021

## **ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT**

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of **Kernex Microsystems (India) Limited** of even date)

### **Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub- section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of **Kernex Microsystems (India) Limited** (“the Company”) as of 31 March 2021 in conjunction with our audit of the standalone Financial statements of the Company for the year ended on that date.

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

The Board of Directors of the Company is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

#### **Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

### Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

**Sd/-**  
**Y. Venkateswarlu**  
Partner  
Membership No. 222068  
UDIN: 21222068AAAABU2689

Place: Hyderabad  
Date: June 19, 2021



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

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of **Kernex Microsystems (India) Limited** of even date)

- i. In respect of the Company's fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) The Company has a regular program of verification to cover all the items of fixed assets in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No physical verification of assets has been carried out during the year under Audit.
  - (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the company.
- ii. As explained to us, the management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were observed in the inventories.
- iii. According to the information and explanations given to us, the Company has not granted any unsecured loans to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3 (iii) (b), (c) and (d) are not applicable to the Company
- iv. In our opinion and according to the information and explanations given to us, the Company has not advanced loans to director/ to a Company in which the Director is interested to which provisions of section 185 of the Companies Act, 2013 apply. In our opinion and according to the information and explanations given to us, the Company has made investments and given guarantees/provided security which is in compliance with the provisions of Sections 186 of the Companies Act, 2013.
- v. The Company has not accepted deposits during the year within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Therefore, the provisions of the clause 3 (v) of the Order are not applicable to the Company.
- vi. The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013 for the business activities carried out by the Company. Thus, reporting under clause 3(vi) of the order is not applicable to the Company.
- vii. (a) The Company is regular in depositing with appropriate authorities, undisputed statutory dues including provident fund, employees' state insurance, income-tax, duty of custom, goods and service tax, cess and other statutory dues applicable to it except minor delays in a very few instances.  
 (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Value Added Tax, Goods and Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues were outstanding at the year end, for a period of more than six months from the day they became payable except the following.

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

- (c) According to the information and explanations given to us, disputed amounts payable in respect of income-tax that were outstanding as at March 31, 2021 as follows

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

- viii. In our Opinion and according to the information and explanations given by the management, the company has not defaulted in repayment of loans or borrowings to banks or government. There are no dues which are payable to financial institutions. The Company did not have any debenture holders during the year.
- ix. According to information and explanation given by management, the Company has not raised any moneys by way of initial public offer/further public offer/ debt instruments and term loans and hence reporting under clause 3(ix) of the Order is not applicable to the Company.
- x. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- xi. In our opinion and according to the information and explanations given to us, the Company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- xii. The Company is not a Nidhi Company and hence reporting under clause 3 (xii) of the Order is not applicable to the Company.
- xiii. In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013 where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly paid convertible debentures and hence reporting under clause 3 (xiv) of the Order is not applicable to the Company.
- xv. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its Directors or persons connected to its directors and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the Company.
- xiv. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 as the company is not engaged in the business of financing. Hence, the provisions of the clause 3(xvi) of the order are not applicable to the Company.

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

**Sd/-**  
**Y. Venkateswarlu**  
Partner  
Membership No. 222068  
UDIN: 21222068AAAABU2689

Place: Hyderabad  
Date: June 19, 2021

**Balance Sheet as at 31-Mar-21**

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

Particulars	Note	As at 31-Mar-21	As at 31-Mar-20
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, Plant and Equipment	2	315,357,854	325,732,414
Capital work-in-progress	2	-	250,634
Intangible assets	2	174,851	304,354
Financial assets			
Investments	3	80,377,825	109,721,223
Other financial assets	4	87,073,020	90,577,078
Other Non-current assets	5	24,484,328	23,482,947
<b>Total non-current assets</b>		<b>507,467,878</b>	<b>550,068,650</b>
Current assets			
Inventories	6	83,465,956	12,821,823
Financial assets			
Trade receivables	7	128,113,329	128,700,215
Cash and cash equivalents	8	41,847,952	4,601,955
Other bank balances	9	125,545,734	123,631,130
Other financial assets	10	3,222,713	1,676,266
Other current assets	11	78,584,033	22,376,743
<b>Total current assets</b>		<b>460,779,716</b>	<b>293,808,131</b>
<b>TOTAL ASSETS</b>		<b>968,247,594</b>	<b>843,876,781</b>
<b>EQUITY AND LIABILITIES</b>			
Equity			
Equity Share capital	12	124,996,550	124,996,550
Other equity	13	575,764,608	571,250,355
<b>Total Equity</b>		<b>700,761,158</b>	<b>696,246,905</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities			
Deferred tax liabilities		4,068,911	3,541,524
Other Non-current liabilities	14	29,927,656	29,946,507
<b>Total Non-current liabilities</b>		<b>33,996,567</b>	<b>33,488,031</b>
<b>Current liabilities</b>			
Financial liabilities			
Borrowings	15	138,135,572	54,700,055
Trade Payables	16	34,003,523	5,568,771
Other financial liabilities	17	245,541	439,222
Other current liabilities	18	61,105,232	53,433,797
<b>Total current liabilities</b>		<b>233,489,869</b>	<b>114,141,845</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>968,247,594</b>	<b>843,876,781</b>

See accompanying notes to the financial statements 1-36

As per our report of even date attached

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

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

Hyderabad  
19-Jun-21

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

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

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

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

**Sd/-**  
**SITARAMA RAJU MANTHENA**  
Whole Time Director  
DIN 08576273

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

## Statement of changes in equity and other equity

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

Particulars	Equity share capital	Reserves & Surplus			Other Comprehensive Income		Total Other Equity
		Securities premium	General Reserve	Profit and loss	Foreign currency translation reserve	Actual Gains / (Losses)	
Balance as at 31-Mar-20	124,996,550	917,219,545	61,213,631	(366,446,189)	(36,857,053)	(3,879,579)	571,250,355
Profit for the period	-	-	-	3,718,006	-	-	3,718,006
Other Comprehensive Income for the year	-	-	-	393,895	402,353	-	796,248
Balance as at 31-Mar-21	124,996,550	917,219,545	61,213,631	(362,334,288)	(36,454,700)	(3,879,579)	575,764,608

As per our report of even date attached

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

**Sd/-**  
**Y VENKATESWARLU**  
 Partner  
 Membership No: 222068  
 Hyderabad  
 19-Jun-21

## FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

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

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

**Sd/-**  
**SITARAMA RAJU MANTHENA**  
 Whole Time Director  
 DIN 08576273

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

**Statement of Profit & Loss for the year ended 31-Mar-21**

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

Particulars	Note	Year ended 31-Mar-21	Year ended 31-Mar-20
<b>Income</b>			
Revenue from operations	19	155,755,071	146,203,684
Other Income	20	18,340,110	182,641,078
<b>Total income</b>		<b>174,095,182</b>	<b>328,844,762</b>
<b>Expenses</b>			
Cost of materials consumed	21	93,667,842	88,165,720
Purchases of stock in trade		-	-
Changes in inventories of finished goods, work in progress and stock in trade	22	(53,254,663)	12,165,564
Employee benefit expense	23	48,889,642	44,047,051
Finance cost	24	9,144,097	12,771,581
Depreciation and amortization expense	2	15,545,723	17,308,015
Other expenses	25	55,857,149	74,118,670
<b>Total expenses</b>		<b>169,849,789</b>	<b>248,576,601</b>
<b>Profit/(loss) before extraordinary, exceptional items and tax</b>		<b>4,245,393</b>	<b>80,268,161</b>
<b>Exceptional items</b>			-
<b>Profit/(loss) before tax</b>		<b>4,245,393</b>	<b>80,268,161</b>
<b>Tax expense</b>			
- (i) Current tax		-	-
- (ii) Previous years tax		-	-
- (iii) Deferred tax		527,387	(339,256)
<b>Net profit/(loss) for the year</b>		<b>3,718,006</b>	<b>80,607,417</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to Statement of Profit and loss			
(i) Remeasurement gains/(losses) of the defined benefit plans		393,895	(27,053)
(ii) Income tax effect on the above		-	-
<b>- Total comprehensive Income for the year</b>		<b>4,111,901</b>	<b>80,580,364</b>
<b>Earnings per equity share (EPS)</b>			
Paid up Equity Share Capital (Face value of Rs.10/- each per equity share)		124,996,550	124,996,550
Basic and Diluted Rs		0.30	6.45

See accompanying notes to the financial statements 1-36

As per our report of even date attached

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

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

Hyderabad  
19-Jun-21

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

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

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

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

**Sd/-**  
**SITARAMA RAJU MANTHENA**  
Whole Time Director  
DIN 08576273

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

## Statement of Cash Flows for the year ended 31-Mar-21

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

Particulars	Year ended 31-Mar-21	Year ended 31-Mar-20
<b>Cash flows from operating activities</b>		
Profit / (loss) before tax	4,245,393	80,268,161
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortisation	15,545,723	17,308,015
Foreign currency translation gain / (loss)	1,039,866	793,674
Written off / provision for obsolete stock	-	-
Sundry balances written off	294,731	-
Provision for doubtful advances	937,351	3,489,533
Provision for expected credit loss	-	-
Provision for slow/non moving stocks	-	-
Liabilities no longer required written off	(3,204,772)	(7,906,972)
(Profit) on disposal of property, plant and equipment	(1,551,620)	(154,141,629)
Finance costs	9,144,097	12,771,581
Interest income	(13,324,475)	(7,881,375)
<b>Changes in assets and liabilities</b>		
Trade receivables	586,886	22,894,698
Inventories	(70,644,133)	12,128,176
Other assets	(55,251,059)	7,111,370
Trade payables	28,434,753	3,174,096
Other liabilities	92,874,125	(70,681,878)
<b>Net cash flow from operating activities</b>	<b>A 9,126,866</b>	<b>(80,672,551)</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	3,463,568	238,289,375
Purchase of property, plant and equipment	(6,953,608)	(1,127,982)
Investment in 100% WOS	-	(67,746,875)
Investment in JV	29,343,398	(30,143,398)
Interest income	13,324,475	7,881,375
<b>Net cash flow used in investing activities</b>	<b>B 39,177,833</b>	<b>147,152,495</b>
Cash flow from financing activities		
Repayment of long term borrowings	-	(193,681)
Finance costs	(9,144,097)	(12,771,581)
<b>Net cash flow (used in)/from financing activities</b>	<b>C (9,144,097)</b>	<b>(12,965,262)</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>39,160,602</b>	<b>53,514,682</b>
Cash and bank balances at the beginning of the year	128,233,085	74,718,403
<b>Cash and cash equivalents at the end of the year</b>	<b>167,393,686</b>	<b>128,233,085</b>

See accompanying notes to the financial statements 1-36

As per our report of even date attached

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

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

Hyderabad  
 19-Jun-21

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

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

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

**Sd/-**  
**SITARAMA RAJU MANTHENA**  
 Whole Time Director  
 DIN 08576273

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

**Note 1: NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**1. Corporate information**

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

**2. Significant accounting policies**

The significant accounting policies applied by the Company in the preparation of its financial statements are listed below. Such accounting policies have been applied consistently to all the periods presented in these financial statements, unless otherwise indicated.

**2.1. Basis of Preparation and Presentation**

The financial statements have been prepared on the historical cost basis and on accrual basis, except for the following assets and liabilities which have been measured at fair value amount:

- i) Certain financial assets and liabilities
- ii) employee defined benefit assets/(liability)

The financial statements have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

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

**2.2. Use of estimates and judgments**

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

**2.3. Property, plant and equipment**

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.

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

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

Depreciation on property, plant and equipment is provided using written down value method. Depreciation is provided based on useful life of the assets as prescribed in schedule II to the companies Act, 2013.

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

### 2.4. Intangible assets

Intangible assets that are acquired by the company are stated at cost of acquisition net of recoverable taxes, trade discount and rebates less accumulated amortization/depletion and impairment loss, if any. Such cost includes purchase price, and any cost directly attributable to bringing the asset to its working condition for the intended use.

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

Gains and Losses arising from de-recognition of an intangible assets are recorded in the statement of profit and loss, and are measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as on the date of de-recognition.

### 2.5. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Financial Assets

*Initial recognition and measurement* All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchase and sale of financial assets are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### *Subsequent measurement*

##### i. Financial assets carried at amortised cost (AC)

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

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

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

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

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

#### Investment in subsidiaries

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

#### Impairment of financial assets

In accordance with Ind AS 109, the Company uses 'Expected Credit Loss' (ECL) model, for evaluating impairment of financial assets other than those measured at fair value through profit and loss (FVTPL).

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



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

### **Financial Liabilities**

#### *Initial recognition and measurement*

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

#### *Subsequent measurement*

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

### **Derecognition of financial instruments**

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

## **2.6. Cash and cash equivalents**

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

## **2.7. Inventories**

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

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

## **2.8. Impairment of non-financial assets**

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

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

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

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

## **2.9. Provisions, Contingent Liabilities and Contingent Assets Provisions**

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

### **Contingent liabilities**

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

### **Contingent assets**

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

## **2.10. Revenue recognitioni. Revenue from contracts**

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

### **i. Revenue from contracts**

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

### **ii. Revenue from services**

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

### **iii. Sale of goods**

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

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

### **iv. Interest Income**

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

**2.11. Employee Benefits Expense**

**i. Short Term Employee Benefits**

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

**ii. Post-Employment Benefits**

**Defined Contribution Plans**

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

**Defined Benefit Plans**

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

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

**2.12. Finance cost**

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

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

**2.13. Foreign currencies transactions and translation**

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

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

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

**2.14. Tax Expenses**

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

**Current tax**

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

### Deferred tax

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

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

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

### 2.15. Earnings per share

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

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

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**
**Note No 2: Property, Plant and Equipment as on 31-Mar-21**
*(All amounts in Indian Rupees, except share data and where otherwise stated)*

Particulars	Gross Block			Depreciation				Net Block	
	As at 01.04.2020	Additions during the year	Deletions during the year	As at 31.03.2021	Depreciation Upto 01.04.2020	Depreciation For the year	Impairment losses recognised in statement of Profit & Loss	Upto 31.03.2021	As at 31.03.2021
<b>Tangible Assets</b>									
Land and Land Development	90,071,482	4,802,782	1,911,948	92,962,316	-	-	-	-	92,962,316
Building Own Use	386,745,338	792,634	-	387,537,972	159,170,013	13,277,304	-	172,447,317	215,090,655
Plant and Equipment Owned	137,731,847	719,773	-	138,451,620	131,516,484	1,436,360	-	132,952,844	5,498,776
Furniture and Fixtures Owned	11,796,431	611,300	-	12,407,731	11,177,319	260,509	-	11,437,828	969,903
Vehicles Owned	11,300,336	-	-	11,300,336	10,200,882	376,527	-	10,577,409	722,927
Office Equipment Owned	9,993,991	27,119	-	10,021,110	9,842,313	65,520	-	9,907,833	113,277
<b>Total</b>	<b>647,639,425</b>	<b>6,953,608</b>	<b>1,911,948</b>	<b>652,681,085</b>	<b>321,907,011</b>	<b>15,416,220</b>	<b>-</b>	<b>337,323,231</b>	<b>315,357,854</b>
Previous year	731,255,923	531,248	84,147,746	647,639,425	304,786,018	17,120,993	-	321,907,011	325,732,414
<b>Capital Work in Progress</b>	<b>250,634</b>	<b>450,000</b>	<b>700,634</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Previous year	-	250,634	-	250,634	-	-	-	-	250,634
<b>Intangible Assets</b>									
Computer Software	14,880,126	-	-	14,880,126	14,575,772	129,503	-	14,705,275	174,851
<b>Total</b>	<b>14,880,126</b>	<b>-</b>	<b>-</b>	<b>14,880,126</b>	<b>14,575,772</b>	<b>129,503</b>	<b>-</b>	<b>14,705,275</b>	<b>174,851</b>
Previous year	14,534,026	346,100	-	14,880,126	14,388,750	187,022	-	14,575,772	304,354

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

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS***(All amounts in Indian Rupees, except share data and where otherwise stated)*

Note	Particulars	As at 31-Mar-21	As at 31-Mar-20
<b>3 INVESTMENTS</b>			
	<b>Investments carried at cost</b>		
	<b>Unquoted equity shares (fully paid up)</b>		
	<b>In 100% subsidiary - Avant Garde Infosystems Inc USA</b>	<b>79,577,825</b>	<b>79,577,825</b>
	35,80,000 Equity shares of US \$ 0.02 each		
	17,99,240 Equity shares of US \$ 0.10 each		
	38,00,000 Equity shares of US \$ 0.25 each		
	<b>In Joint Venture - Kernex TCAS JV</b>	<b>800,000</b>	<b>30,143,398</b>
		<b>80,377,825</b>	<b>109,721,223</b>
<b>4 OTHER FINANCIAL ASSETS</b>			
	<b>Unsecured and considered good</b>		
	Security deposits	<b>573,020</b>	<b>577,078</b>
	Receivable on sale of fixed assets	<b>86,500,000</b>	<b>90,000,000</b>
		<b>87,073,020</b>	<b>90,577,078</b>
<b>5 OTHER NON CURRENT ASSETS</b>			
	Advance income tax (net)	<b>12,227,391</b>	<b>11,226,010</b>
	Mat credit entitlement	<b>12,256,937</b>	<b>12,256,937</b>
		<b>24,484,328</b>	<b>23,482,947</b>
<b>6 INVENTORIES</b>			
	Raw material	<b>42,690,908</b>	<b>25,301,438</b>
	Less: Provision for slow / non moving stock	<b>(24,880,166)</b>	<b>(24,880,166)</b>
		<b>17,810,742</b>	<b>421,272</b>
	Work-in-progress	<b>65,655,214</b>	<b>12,400,551</b>
		<b>83,465,956</b>	<b>12,821,823</b>
	Work-in-progress represent work completed in respect of projects yet to be billed to the customers.		
<b>7 TRADE RECEIVABLES</b>			
	<b>Unsecured</b>		
	Considered good - less than 6 months	<b>86,065,718</b>	<b>78,584,024</b>
	Considered good - greater than 6 months	<b>42,047,611</b>	<b>50,116,191</b>
	Considered good	<b>128,113,329</b>	<b>128,700,215</b>
	Considered doubtful	<b>205,606,771</b>	<b>208,811,543</b>
		<b>333,720,100</b>	<b>337,511,758</b>
	Less: Allowances for credit losses	<b>(205,606,771)</b>	<b>(208,811,543)</b>
		<b>128,113,329</b>	<b>128,700,215</b>

Out of the above Trade Receivables, an amount of Rs 6.44 crores (PY Rs 6.74 crores) due from Egyptian National Railways (ENR) is outstanding pending mile stones of the contract to be achieved.

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

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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

Note	Particulars	As at 31-Mar-21	As at 31-Mar-20
<b>8 CASH AND CASH EQUIVALENTS</b>			
	Balances with banks		
	In Current accounts	<b>41,409,861</b>	4,173,834
	Cash on hand	<b>438,091</b>	428,121
		<b>41,847,952</b>	4,601,955
<b>9 OTHER BANK BALANCES</b>			
	In Deposit accounts	<b>89,913</b>	89,913
	Margin money for bank guarantees	<b>125,455,821</b>	123,541,217
		<b>125,545,734</b>	123,631,130
<b>10 OTHER FINANCIAL ASSETS</b>			
	Interest accrued but not due on term deposits	<b>3,222,713</b>	1,676,266
		<b>3,222,713</b>	1,676,266
<b>11 OTHER CURRENT ASSETS</b>			
	<b>Unsecured and considered good</b>		
	Advance to vendors - Considered good	<b>50,488,871</b>	5,915,156
	Considered doubtful	<b>7,195,549</b>	7,195,549
		<b>57,684,420</b>	13,110,705
	Less: <i>Provision for Doubtful Advances</i>	<b>(7,195,549)</b>	(7,195,549)
		<b>50,488,871</b>	5,915,156
	Balances with statutory/government authorities	<b>25,093,786</b>	12,205,133
	Advance for expenses	<b>1,616,374</b>	720,188
	Prepaid expenses	<b>1,385,002</b>	3,536,267
		<b>78,584,033</b>	22,376,743

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

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS***(All amounts in Indian Rupees, except share data and where otherwise stated)*

Note	Particulars	As at 31-Mar-21	As at 31-Mar-20
<b>12</b>	<b>SHARE CAPITAL</b>		
	<b>Authorised share capital</b>		
	1,50,00,000 Equity shares of Rs.10/- each	<b>150,000,000</b>	150,000,000
	<b>Issued, subscribed and fully paid-up</b>		
	1,24.99,655 Equity Shares of Rs.10/- each with voting rights	<b>124,996,550</b>	124,996,550
		<b>124,996,550</b>	124,996,550

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

Particulars	31-Mar-21		31-Mar-20	
	No of Shares	Amount	No of Shares	Amount
At the beginning of the year	<b>12,499,655</b>	<b>124,996,550</b>	12,499,655	124,996,550
Issued during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>12,499,655</b>	<b>124,996,550</b>	12,499,655	124,996,550

**b. Rights attached to the equity shares**

The company has only one class of shares having a face value of Rs. 10/- per share. All equity shareholders rank pari-passu in respect of dividend and voting rights. Each holder of equity shares is entitled to one vote per share. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of preferential amounts, in proportion to their shareholding.

**c. Details of shareholders holding more than 5% shares in the Company**

Name of the shareholder	31-Mar-21		31-Mar-20	
	No of Shares	% of holding	No of Shares	% of holding
Seetharamaraju Manthena	<b>712,992</b>	<b>5.70%</b>	712,992	5.70%
Sreelakshmi Manthena	<b>640,398</b>	<b>5.12%</b>	640,398	5.12%



**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**Note No 13: Statement of changes in equity and other equity**

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

Particulars	Equity share capital	Reserves & Surplus			Other Comprehensive Income			Total Other Equity
		Securities premium	General Reserve	Profit and loss	Foreign currency translation reserve	Actual Gains / (Losses)		
Balance as at 31-Mar-20	124,996,550	917,219,545	61,213,631	(366,446,189)	(36,857,053)	(3,879,579)	571,250,355	
Profit for the period	-	-	-	3,718,006	-	-	3,718,006	
Other Comprehensive Income for the year	-	-	-	393,895	402,353	-	796,248	
Balance as at 31-Mar-21	124,996,550	917,219,545	61,213,631	(362,334,288)	(36,454,700)	(3,879,579)	575,764,608	

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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

Note	Particulars	As at 31-Mar-21	As at 31-Mar-20
<b>14 OTHER NON CURRENT LIABILITIES</b>			
	Advance received against sale of land	<b>29,927,656</b>	29,946,507
		<b>29,927,656</b>	29,946,507
	Advance has been received against sale of land and documentation is under process.		
<b>15 BORROWINGS</b>			
	<b>Loans repayable on demand (Unsecured)</b>		
	From banks		
	Cash credit facilities	<b>32,159,542</b>	22,779,437
	Others		
	Unsecured loans from directors	<b>71,845,085</b>	19,945,085
	Inter corporate deposits	<b>34,130,945</b>	11,975,533
		<b>138,135,572</b>	54,700,055
	Cash credit facilities from State Bank of India are secured by first charge of hypothecation on all current assets of the Company present and future and collaterally secured by extension of first charge on the fixed assets (movable and immovable) of the Company both present and future and extension of equitable mortgage of land and buildings situated at TSIC Hardware park.		
	Unsecured loans from directors are interest free.		
	Inter corporate deposit is repayable on demand and carrying interest rate of 15% .		
<b>16 TRADE PAYABLES</b>			
	Due to micro, small and medium enterprises	-	-
	Others	<b>34,003,523</b>	5,568,771
		<b>34,003,523</b>	5,568,771
<b>17 OTHER FINANCIAL LIABILITIES</b>			
	Current maturity of vehicle loans	-	193,681
	Due to capital creditors	<b>219,241</b>	219,241
	Share application money due for refund	<b>26,300</b>	26,300
		<b>245,541</b>	439,222
<b>18 OTHER CURRENT LIABILITIES</b>			
	Advance from customers	<b>3,184,021</b>	3,335,270
	Expenses Payables	<b>41,811,049</b>	45,793,025
	Statutory remittances	<b>16,110,162</b>	4,305,502
		<b>61,105,232</b>	53,433,797

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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

<b>Note</b>	<b>Particulars</b>	<b>Year ended 31-Mar-21</b>	<b>Year ended 31-Mar-20</b>
<b>19 REVENUE FROM OPERATIONS</b>			
	Sale of Products	139,271,429	121,079,350
	Sale of Services	16,483,643	25,124,334
		<b>155,755,071</b>	<b>146,203,684</b>
<b>20 OTHER INCOME</b>			
	Interest Income		
	On fixed deposits	7,524,930	7,853,630
	Interest on income tax refund	-	27,744
	Interest on electricity deposit	5,799,545	-
	Profit on sale of asset	1,551,620	154,141,629
	Net gain on foreign currency transactions	-	11,679,400
	Other non-operating income		
	Rental income	259,200	254,398
	Miscellaneous income	43	37,997
	Liabilities no longer required written off	3,204,772	7,906,972
		<b>18,340,110</b>	<b>181,901,770</b>
<b>21 COST OF MATERIALS CONSUMED</b>			
	Opening stock	421,272	383,884
	Add: Purchases	111,057,312	88,203,108
	Less: Closing stock	17,810,742	421,272
		<b>93,667,842</b>	<b>88,165,720</b>
<b>22 CHANGES IN INVENTORIES OF WORK-IN-PROCESS</b>			
	<b>Inventories at the end of the year</b>		
	Work-in- process	65,655,214	12,400,551
	<b>Inventories at the beginning of the year</b>		
	Work-in- process	12,400,551	24,566,115
	<b>Net (increase)/decrease</b>	<b>(53,254,663)</b>	<b>12,165,564</b>
<b>23 EMPLOYEE BENEFIT EXPENSE</b>			
	Salaries and wages	43,128,832	38,976,583
	Contribution to provident and other funds	1,756,432	1,556,653
	Directors remuneration	3,263,000	1,800,000
	Staff welfare expenses	741,378	1,713,815
		<b>48,889,642</b>	<b>44,047,051</b>
<b>24 FINANCE COSTS</b>			
	Interest on borrowings	6,148,210	8,499,456
	Other borrowing costs	2,995,887	4,272,125
		<b>9,144,097</b>	<b>12,771,581</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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

<b>Note</b>	<b>Particulars</b>	<b>Year ended 31-Mar-21</b>	<b>Year ended 31-Mar-20</b>
<b>25</b>	<b>OTHER EXPENSES</b>		
	Project execution expenses	30,411,691	32,522,251
	Electricity charges	2,447,668	2,822,592
	Security charges	1,447,689	1,069,807
	Rates and taxes	105,519	1,269,158
	Printing and stationery	166,045	257,382
	Insurance	369,340	263,003
	Repairs and maintenance	4,767,733	2,980,285
	Postage, telephone and courier	613,624	735,289
	Travelling and conveyance	813,778	2,009,767
	Professional & consultancy fees	4,777,808	4,090,780
	Directors sitting Fees	2,310,000	3,700,000
	Business promotion	613,104	1,034,637
	Payment to auditors		
	Statutory audit	432,000	421,416
	Tax audit	240,000	305,000
	Loss on foreign currency transactions and translation (net)	1,039,866	793,674
	Miscellaneous expenses	4,069,201	16,327,041
	Sundry balances written off	294,731	-
	Provision for doubtful advances	937,351	3,489,533
		<b>52,520,745</b>	<b>74,091,617</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**
*(All amounts in Indian Rupees, except share data and where otherwise stated)*
**26 EMPLOYEE BENEFITS**
**a. Defined contribution plan**

Eligible employees of the Company receive benefits from a provident fund, which is a defined contribution plan. Both the employee and Company make monthly contributions to the provident fund plan equal to a specified percentage of the eligible employee's qualifying salary. The Company has no further obligations under the plan beyond its monthly contributions. The Company contributed Rs 13,06,784/- (Previous year Rs 13,60,431/-) towards provident fund plan during the years ended 31-Mar-21.

**b. Defined Benefit Plan**

The Company provides for gratuity, a defined benefit plan ("Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum gratuity payment to eligible employees at retirement or termination of their employment. The amount of the payment is based on the respective employee's last drawn salary and the years of employment with the Company.

The following table sets out the amounts recognised in the financial statements in respect of retiring gratuity plan:

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

Particulars	31-Mar-21	31-Mar-20
Present value of obligation as at beginning of the year	5,936,005	5,094,746
Current service cost	506,107	494,446
Interest expense or cost	403,648	389,748
Re-measurement (or Actuarial) (gain) / loss	(392,841)	(42,935)
Benefits Paid	-	-
<b>Present Value of Obligation as at the end of the year</b>	<b>6,452,919</b>	<b>5,936,005</b>

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

Particulars	31-Mar-21	31-Mar-20
Fair Value of Plan Assets as at the beginning of the year	5,896,949	5,492,644
OB difference	-	-
Investment Income	400,993	420,187
Employer's Contribution	-	-
Expenses	(35,613)	(33,329)
Benefits Paid	-	-
Return on plan assets , excluding amount recognised in net interest expense	36,667	17,447
<b>Fair Value of Plan Assets as at the end of the year</b>	<b>6,298,996</b>	<b>5,896,949</b>

## iii. Fair value of Assets and Obligations

Particulars	31-Mar-21	31-Mar-20
Fair value of plan assets	<b>6,298,996</b>	5,896,949
Present value of obligation	<b>6,452,919</b>	5,936,005
Amount recognized in balance sheet	<b>(153,923)</b>	(39,056)

## iv. Expenses recognised during the year

Particulars	31-Mar-21	31-Mar-20
<b>In Income Statement</b>		
Current Service Cost	<b>506,107</b>	494,446
Net Interest Cost / (Income) on the Net Defined Benefit Liability / (Asset)	<b>2,655</b>	(30,439)
<b>Expenses Recognised in the Income Statement</b>	<b>508,762</b>	464,007
<b>In Other Comprehensive Income</b>		
Actuarial (gains) / losses		
Opening balance difference	-	-
Others	<b>(357,228)</b>	(9,606)
Return on plan assets, excluding amount recognized in net interest expense	<b>(36,667)</b>	(17,447)
<b>Components of defined benefit costs recognised in other comprehensive income</b>	<b>(393,895)</b>	(27,053)

## v. Actuarial assumptions

Particulars	31-Mar-21	31-Mar-20
Discount rate (per annum)	<b>6.80%</b>	6.80%
Salary growth rate (per annum)	<b>2.00%</b>	2.00%

## vi. Sensitivity Analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The result of sensitivity analysis is given below:

Particulars	31-Mar-21		31-Mar-20	
	Decrease	Increase	Decrease	Increase
Change in discounting rate	7,034,990	5,956,842	6,501,355	5,456,844
Change in salary growth rate	5,663,764	7,403,720	5,156,954	6,883,186
Change in attrition rate	5,972,659	6,886,180	5,442,987	6,379,218
Change in mortality rate	6,431,161	6,474,544	5,914,911	5,956,953

## 27 RELATED PARTIES

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

S.No.	Nature of Relationship	Name of the related party	Category
1	Wholly owned subsidiary	Avant-Garde Info Systems Inc, USA	100% WOS
2	Joint Venture	KernexTCAS JV	Investor in Joint Venture
		Anji Raju Manthena	Director
		Janardhana Reddy Vinta	Director
		Sreelakshmi Manthena	Director
		Sitarama Raju Manthena	Whole Time Director
		Badari Narayana Raju Manthena	Whole Time Director
3	Key Managerial Personnel	R Sreenivasa Rao	Independent Director
		K Soma Sekhara Rao	Independent Director
		A V S Krishna Mohan	Independent Director
		Satyanarayana Raju Kalidindi	Chief Executive Officer
		Ramayya Vutukuri	Chief Financial Officer
		Prasada Rao Kalluri	Company Secretary
4	Relatives of Key Managerial Personnel	Alluri Sita Rama Raju Manthena	Son of Director
5	Enterprises Controlled by Relatives of KMP	Hiliks Technologies Limited	Spouse of CEO is Director

## b. Transactions with Related parties during the year 2020-21

S.No.	Nature of Transaction	Name of the related party	2020-21	2019-20
1	Managerial Remuneration	Sitarama Raju Manthena	1,344,000	-
		Badari Narayana Raju Manthena	2,830,416	2,512,000
		Satyanarayana Raju Kalidindi	3,685,075	3,128,000
		Ramayya Vutukuri	2,000,000	1,778,400
		Prasada Rao Kalluri	502,033	300,000
2	Investments	100% WOS	Avant-Garde Info Systems Inc, USA	-
		Joint Venture	Kernex TCAS JV	(29,343,398)
3	Unsecured Loans	Repayment	Anji Raju Manthena	-
		Repayment	Janardhana Reddy Vinta	-
		Repayment	Mantena Raju Narasa	-
		Repayment	Chenna Krishna Mantena	-
		Received	Anji Raju Manthena	51,900,000
4	Others	Sales	Avant-Garde Info Systems Inc, USA	568,633
		Sales	Kernex TCAS JV	140,330,995
		Purchases	Avant-Garde Info Systems Inc, USA	16,678,721
		Commission	Avant-Garde Info Systems Inc, USA	6,443,926
		Advance	Kernex TCAS JV	18,467,977
		Interest	Kernex TCAS JV	5,364,579
		Advance	Hiliks Technologies Limited	2,922,290
5	Directors' sitting fees	Anji Raju Manthena	250,000	860,188
		Janardhana Reddy Vinta	200,000	320,000
		Sreelakshmi Manthena	400,000	760,188
		Sitarama Raju Manthena	50,000	200,000
		Mantena Raju Narasa	-	190,000
		R Sreenivasa Rao	550,000	400,000
		K Soma Sekhara Rao	550,000	417,000
		A V S Krishna Mohan	290,000	100,000
		T V Satyanarayana Raju	-	400,000
		Ashok Gopalrao Kalmankar	-	500,000
		P Dinakara Rao	-	250,000



**c. Balances as at 31-Mar-21**

S.No.	Nature of Transaction	Name of the related party	31-Mar-21	31-Mar-20
1	Loan taken from KMP	Anji Raju Manthena	<b>70,900,000</b>	19,000,000
		Vinta Janardhana Reddy	-	-
		Mantena Raju Narasa	-	-
		B Murali Mohan	<b>945,085</b>	945,085
2	Loan taken from relative of KMP	Chenna Krishna Mantena	-	-
3	Trade payable	Avant-Garde Info Systems Inc, USA	<b>27,033,783</b>	4,943,265
4	Trade Receivables	Kernex TCAS JV	<b>21,668,001</b>	-
5	Investments 100% WOS Joint Venture	Avant-Garde Info Systems Inc, USA	<b>79,577,825</b>	79,577,825
		Kernex TCAS JV	<b>800,000</b>	30,143,398
6	Advances to customers	Kernex TCAS JV	<b>18,467,977</b>	
		Hiliks Technologies Limited	<b>2,922,290</b>	-

**28 EARNINGS PER SHARE**

S.No.	Particulars	31-Mar-21	31-Mar-20
1	Profit after tax attributable to equity shareholders	<b>3,718,006</b>	80,607,417
2	Weighted average number of equity shares for Basic EPS	<b>12,499,655</b>	12,499,655
3	Weighted average number of equity shares for Diluted EPS	<b>12,499,655</b>	12,499,655
4	Basic earnings per Share	<b>0.30</b>	6.45
5	Diluted earnings per Share	<b>0.30</b>	6.45

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

S.No.	Particulars	31-Mar-21	31-Mar-20
1	Current tax	-	-
2	Previous years tax	-	-
3	Deferred tax	<b>527,387</b>	(339,256)
	<b>Total income tax expense recognised in the statement of profit &amp; loss</b>	<b>527,387</b>	(339,256)

**30 CONTINGENT LIABILITIES AND COMMITMENTS**

	Particulars	31-Mar-21	31-Mar-20
a.	Claims against the Company not acknowledged as a debt (See note c to e below)	<b>42,810,575</b>	42,810,575
b.	Bank guarantee outstanding	<b>169,446,860</b>	169,832,932

**c. Income tax**

- i. The AO has raised a demand of Rs. 43,86,412/- for Assessment year 2014-15 with regard to an adhoc disallowance of the Project Expenses incurred during 2013-14. In respect of the same, Appeal was filed with the Commissioner (Appeals) and the Company is confident of getting a favourable order.
- ii. A Show-cause notice was received u/s 279(1) of the Income Tax Act, 1961, initiating prosecution proceedings u/s 276B r.w.s 278B of the Income Tax Act, 1961 for failure to deposit the deducted TDS within the due date in Central Government Account for financial year(s) 2013-14 to 2016-17. The company has represented the case before the CIT (TDS) and is expecting a favourable order.

**d. Commercial taxes**

- i. The Company received vide final assessment order no: 41077 dated 28.05.2014 with a demand of Rs. 22,07,000/-. Due to differential tax amount due to non issue of Form C by KRCL for the financial year 2010-11. The Company is in the process of filing Arbitration with KRCL and is under final stage.

**e. Local Agent Commission**

- i. The Company received an Order dated 19/02/2020 from Cairo Economic Court, Egypt, directing the Company to pay an amount of USD 342,166 and Egyptian Pounds 497,827 along with an interest of 5% to M/s Alkan Consult, Cairo, towards the Local Agent commission in relation to Egyptian National Railways contract that has been executed by the Company in Cairo, Egypt. The commission payable to the Local Agent is being deducted by the contractor, Egyptian National Railways who in turn have to pay to the Local Agent. The current claim of the Local Agent is even for the works that are yet to be executed. The Company is in the process of filing a suitable case against the Local Agent wherein the Company is confident of getting a favourable order.

**31 OTHER SIGNIFICANT LITIGATIONS**

In view of dispute with Konkan Railway Corporation Limited (KRCL), the company has filed arbitration on 09.05.2016 in respect of dues amounting to Rs 15.18 crores. The Arbitration proceedings are under progress.

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

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

**32 CAPITAL MANAGEMENT**

The company manages its capital to ensure that it will be able to continue as going concern while creating value for share holders by facilitating the meeting of long term and short term goals of the Company.

The company determines the amount of capital required on the basis of annual business plan and five year's corporate plan coupled long term and short term strategic investment and expansion plans.

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

**33 Financial Risk Management**

In course of its business, the company is exposed to certain financial risk such as market risk, credit risk and liquidity risk that could have significant influence on the company's business and operational/financial performance. The Board of directors and the Audit Committee reviews and approves risk management framework and policies for managing these risks and monitor suitable mitigating actions taken by the management to minimize potential adverse effects and achieve greater predictability to earnings.

**a. Credit risk**

Credit Risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the company. The Company has a prudent and conservative process for managing its credit risk raising in the course of its business activities. Credit risk is managed through continuously monitoring the creditworthiness of customers and obtaining sufficient collateral, where appropriate, a means of mitigating the risk of financial loss from defaults.

The company makes an allowance for doubtful debts/advances using expected credit loss model.

**I. Trade Receivables:**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. Summary of the Company's exposure to credit risk by age of the outstanding from various customers is as follows:

Particulars	31-Mar-21	31-Mar-20
Not due	<b>64,397,718</b>	67,425,285
0-180 days	<b>21,668,000</b>	11,158,739
181-365 days	-	50,116,191
More than 365 days	<b>42,047,611</b>	-
<b>Total</b>	<b>128,113,329</b>	128,700,215

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of loss (e.g. timeliness of payments, available press information etc.) and applying experienced credit judgment. Exposures to customers outstanding at the end of each reporting period are reviewed by the Company to determine incurred and expected credit losses. Historical trends of impairment of trade receivables do not reflect any significant credit losses. Given that the macro economic indicators affecting customers of the Company have not undergone any substantial change, the Company expects the historical trend of minimal credit losses to continue.

**ii. Cash and Cash Equivalents**

The Company held cash and cash equivalents of Rs 4,18,47,952/- at 31-Mar-21 (Previous year 46,01,955/). This includes the cash and cash equivalents held with the bank and the cash on hand with the Company.

**b. Liquidity risk**

Liquidity Risk refers to the risk that the company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

The Company has obtained fund and non-fund based working capital loans from banks. The borrowed funds are generally applied for Company's own operational activities

## Annual Report 2020-21

### Exposure to liquidity risk:

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted :

Particulars 31-Mar-21	Upto 1 year	1 to 3 years	3 to 5 years	> 5 years	Total carrying amount
Other non current liabilities	29,927,656	-	-	-	29,927,656
Current borrowings	138,135,572	-	-	-	138,135,572
Trade payables	34,003,523	-	-	-	34,003,523
Other financial liabilities	245,541	-	-	-	245,541
Other current liabilities	61,105,232	-	-	-	61,105,232
	263,417,525	-	-	-	263,417,525

Particulars 31-Mar-20	Upto 1 year	1 to 3 years	3 to 5 years	> 5 years	Total carrying amount
Non Current Borrowings	29,946,507	-	-	-	29,946,507
Current Borrowings	54,700,055	-	-	-	54,700,055
Trade Payables	5,568,771	-	-	-	5,568,771
Other financial liabilities	439,222	-	-	-	439,222
Other Payables	53,433,797	-	-	-	53,433,797
	144,088,352	-	-	-	144,088,352

### **c. Interest Rate Risk**

Interest rate risk can be either fair value interest rate risk or cash flow interest rate risk. Fair value interest rate risk is the risk of changes in fair values of fixed interest bearing investments because of fluctuations in the interest rates. The company's exposure to the risk of changes in the market interest rate relates primarily to the company's long term debt obligations with floating interest rates. The company's interest rate exposure is mainly related to variable interest rates debt obligations. The Company manages the liquidity and fund requirements for its day to day operations like working capital, suppliers/buyers credit

### Exposure to interest rate risk:

Company's interest rate risk arises from borrowings. Borrowings issued at fixed rates exposes to fair value interest rate risk. The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows.

Particulars	31-Mar-21	31-Mar-20
<b>Floating rate instruments</b>		
<b>Financial Liabilities - measured at amortised cost</b>		
Working capital facilities from bank	32,159,542	22,779,437
<b>Fixed rate instruments</b>		
Vehicle loans	-	-
Inter corporate deposits	34,130,945	11,975,533
<b>Total</b>	<b>66,290,487</b>	<b>34,754,970</b>

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

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

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

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

Cash flow sensitivity (net)	Profit or loss	
	25 bp increase	25 bp decrease
<b>31-Mar-21</b>		
Variable rate loan instruments	<b>80,399</b>	<b>(80,399)</b>
<b>31-Mar-20</b>		
Variable rate loan instruments	56,949	(56,949)

**d. Market risk**

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices such as commodity prices, foreign currency exchange rates and other market changes.

**e. Exchange rate risk**

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

**The foreign currency exposures as of 31-Mar-21 were as follows**

Particulars	USD	Egyptian Pound	Total
<b>Assets</b>			
Cash and bank balances	73,596	4,049,749	4,123,345
Trade receivables	30,252,234	34,145,484	64,397,718
Other assets	-	-	-
<b>Total</b>	<b>30,325,830</b>	<b>38,195,233</b>	<b>68,521,063</b>
<b>Liabilities</b>			
Trade payables	27,033,783	-	27,033,783
Other liabilities	-	5,185,396	5,185,396
<b>Total</b>	<b>27,033,783</b>	<b>5,185,396</b>	<b>32,219,179</b>

## Annual Report 2020-21

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

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

### Sensitivity analysis

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

Particulars 31-Mar-21	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
<b>1% movement</b>				
<b>US Dollar</b>	<b>32,920</b>	<b>(32,920)</b>	-	-
<b>Egyptian Pounds</b>	<b>330,098</b>	<b>(330,098)</b>	-	-
	<b>363,019</b>	<b>(363,019)</b>	-	-

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

### 34 Financial Instruments valuation

All financial instruments are initially measured at cost and subsequently measured at fair value.

**The carrying value and fair value of financial instruments by categories as of 31-Mar-21 are as follows**

Particulars	Carrying Value	Level of input used in			Fair Value
		Level 1	Level 2	Level 3	
Financial assets					
At Amortised Cost					
Investments*	-	-	-	-	-
Trade receivables	128,113,329	-	-	-	128,113,329
Cash and cash equivalents	41,847,952	-	-	-	41,847,952
Other bank balances	125,545,734	-	-	-	125,545,734
Other financial assets	3,222,713	-	-	-	3,222,713
Financial liabilities					
At Amortised Cost					
Borrowings	138,135,572	-	-	-	138,135,572
Trade payables	34,003,523	-	-	-	34,003,523
Other financial liabilities	245,541	-	-	-	245,541

The carrying value and fair value of financial instruments by categories as of 31-Mar-20 are as follows

Particulars	Carrying Value	Level of input used in			Fair Value
		Level 1	Level 2	Level 3	
Financial assets					
At Amortised Cost					
Investments*	-	-	-	-	-
Trade receivables	128,700,215	-	-	-	128,700,215
Cash and cash equivalents	4,601,955	-	-	-	4,601,955
Other bank balances	123,631,130	-	-	-	123,631,130
Other financial assets	1,676,266	-	-	-	1,676,266
Financial liabilities					
At Amortised Cost					
Borrowings	54,700,055	-	-	-	54,700,055
Trade payables	5,568,771	-	-	-	5,568,771
Other financial liabilities	439,222	-	-	-	439,222

\* excludes Financial assets measured at cost

The financial instruments are categorized into three levels based on the inputs used to arrive at fair value measurements as described below:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable Inputs for the asset or liability.

## 35 CAPITAL RISK MANAGEMENT

For the purpose of the Company's capital management, capital includes issued capital and other equity reserves. The primary objective of the Company's Capital Management is to maximize shareholders value. The Company manages its capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants.

The Company monitors capital using adjusted net debt to equity ratio. For this purpose, adjusted net debt is defined as total debt less cash and bank balances.

Particulars	31/Mar/21	31/Mar/20
Non Current borrowings	-	-
Current borrowings	138,135,572	54,700,055
<b>Total Debts</b>	<b>138,135,572</b>	<b>54,700,055</b>
Less: Cash & Cash equivalents	(41,847,952)	(4,601,955)
Adjusted net debts	96,287,620	50,098,101
Equity	124,996,550	124,996,550
Other Equity	575,764,608	571,250,355
<b>Total Equity</b>	<b>700,761,158</b>	<b>696,246,905</b>
Adjusted net debt to equity ratio	0.14	0.07

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

As per our report of even date attached

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

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

Hyderabad  
19-Jun-21

## FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

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

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

**Sd/-**  
**SITARAMA RAJU MANTHENA**  
Whole Time Director  
DIN 08576273

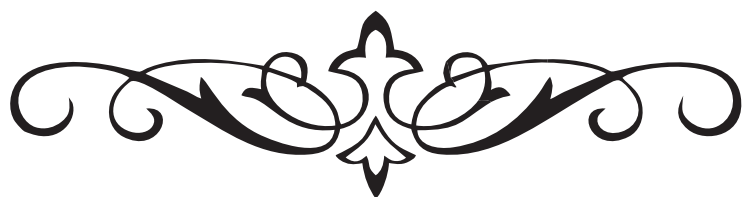
**Sd/-**  
**RAMAYYA VUTUKURI**  
Chief Financial Officer





**CONSOLIDATED  
FINANCIAL STATEMENTS**

**2020-21**



**INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying Consolidated Financial statements of Kernex Microsystems (India) Limited (herein after referred to as "the Holding Company"), its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") comprising of the Consolidated balance sheet as at 31 March 2021, and the Consolidated statement of Profit and Loss, including other Comprehensive Income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated Financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated Financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, as at March 31, 2021, and its consolidated loss including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

**Basis for Qualified Opinion**

*As detailed in note 3 to the Consolidated Financial Statements, other financial assets amounting to Rs. 6.00 crores which has been outstanding for more than 4 years has been subject to balance confirmation from the respective party/(s). According to the information and explanations given to us, the company is taking steps for obtaining balance confirmation. In the absence of sufficient appropriate evidence, we are unable to comment upon the carrying value of the aforesaid receivable as at 31st March 2021 or any adjustments//impairment required to and the consequent impact if any, on the financial results.*

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

**Key Audit Matter**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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

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

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

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

In connection with our audit of the Consolidated Financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether such other information is materially inconsistent with the Consolidated Financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial statements**

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in the equity of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the companies (Indian Accounting Standards) Rules, 2015, as amended.

The respective Board of directors of the companies included in Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of consolidated Financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the Consolidated Financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(l) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Other Matter**

We did not audit the financial statements/financial information of wholly owned subsidiary included in the consolidated financial statements, whose financial statements/financial information reflects total assets of Rs. 2,98,12,490/- as at 31st March 2021, total revenues of Rs. 2,10,50,648/- for the year ended 31st March 2021 and total profit after tax and other comprehensive income of Rs. 1,24,70,886/- and Rs. 2,68,78,185/- respectively as considered in the consolidated financial statements. This financial statements/financial information have been compiled by Certified Public Accountant ("CPA") in USA whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, is based solely on the reports of the other auditors.

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

We did not audit the financial statements/financial information of Joint Venture included in the consolidated financial statements, whose unaudited financial statements/financial information reflects total assets of Rs. 4,54,28,844/- as at 31st March 2021, total revenues of Rs. 1,28,72,650/- for the year ended 31st March 2021 and total profit after tax and other comprehensive income of Rs. 40,23,222/- and Rs. NIL/- respectively as considered in the consolidated financial statements. These financial statements/financial information are unaudited and have been furnished to us by the management and our opinion on the Statement, in so far as it relates to the amounts and disclosures included in respect of this Joint Venture, is based solely on those unaudited financial statement/financial information furnished by the Management.

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

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

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other

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

- a) We/the other auditors whose report we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Financial statements;
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of financial statements have been kept so far as it appears from our examination of those books and reports of other auditors;
- c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the statement of other comprehensive income, the consolidated statement of cash flows and the Consolidated Statement of changes in equity dealt with by this Report are in agreement with the books of account for the purpose of preparation of the consolidated Financial statements;
- d) In our opinion, the aforesaid Consolidated Financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- e) On the basis of the written representations received from the directors of the Holding Company as on 31 March, 2020 taken on record by the Board of Directors of the Holding Company and the report of statutory auditors who are appointed under section 139 of companies act, none of the directors of the Group's companies is disqualified as on 31 March, 2020 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid/provided by the Parent to its directors during the year is in accordance with the provisions of section 197 of the Act
- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

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

**Sd/-**  
**Y. Venkateswarlu**  
Partner  
Membership No. 222068  
UDIN: 21222068AAAAABV9786

Place: Hyderabad  
Date: June 19, 2021

## **ANNEXURE “A” TO THE INDEPENDENT AUDITOR'S REPORT**

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of **Kernex Microsystems (India) Limited** of even date)

### **Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub- section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of **Kernex Microsystems (India) LIMITED** (“hereinafter referred to as “Holding Company”) and its subsidiary, as of 31 March 2021 in conjunction with our audit of the Consolidated Financial statements of the Company for the year ended on that date.

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

The respective Board of Directors of the Company is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

#### **Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

### **Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Holding Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March, 2021, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

### **Other Matters**

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

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

**Sd/-**  
**Y. Venkateswarlu**  
Partner  
Membership No. 222068  
UDIN: 21222068AAAABV9786

Place: Hyderabad  
Date: June 19, 2021



**CONSOLIDATED Balance Sheet as at 31-Mar-21**

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

Particulars	Note	As at 31-Mar-21	As at 31-Mar-20
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, Plant and Equipment	2	315,357,854	325,732,414
Capital work-in-progress	2	-	250,634
Intangible assets	2	174,851	304,354
Financial assets			
Investments		-	-
Other financial assets	3	87,073,020	90,577,078
Other Non-current assets	4	24,608,044	23,514,079
<b>Total non-current assets</b>		<b>427,213,769</b>	<b>440,378,559</b>
<b>Current assets</b>			
Inventories	5	83,465,956	12,821,823
Financial assets			
Trade receivables	6	119,807,328	128,700,215
Cash and cash equivalents	7	48,450,957	4,966,814
Other bank balances	8	128,573,734	144,033,206
Other financial assets	9	23,407,313	1,676,266
Other current assets	10	92,056,069	56,593,517
<b>Total current assets</b>		<b>495,761,357</b>	<b>348,791,840</b>
<b>TOTAL ASSETS</b>		<b>922,975,126</b>	<b>789,170,402</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity Share capital	11	124,996,550	124,996,550
Other equity	12	501,527,235	464,743,322
<b>Equity attributable to Shareholders of the Company</b>		<b>626,523,785</b>	<b>589,739,872</b>
Non-controlling interests		1,035,068	30,424
<b>Total Equity</b>		<b>627,558,853</b>	<b>589,770,296</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities			
Borrowings		-	-
Provisions		-	-
Deferred tax liabilities		4,068,911	3,541,524
Other Non-current liabilities	13	29,927,656	29,946,507
<b>Total Non-current liabilities</b>		<b>33,996,567</b>	<b>33,488,031</b>
<b>Current liabilities</b>			
Financial liabilities			
Borrowings	14	202,463,000	106,470,286
Trade Payables	15	11,359,152	5,568,771
Other financial liabilities	16	245,541	439,222
Other current liabilities	17	47,352,013	53,433,797
<b>Total current liabilities</b>		<b>261,419,706</b>	<b>165,912,076</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>922,975,126</b>	<b>789,170,402</b>

See accompanying notes to the financial statements

1-34

As per our report of even date attached

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

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

Hyderabad  
19-Jun-21

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

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

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

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

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

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

## Statement of changes in equity and other equity

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

Particulars	Equity share capital	Reserves & Surplus			Other Comprehensive Income		Total Other Equity
		Securities premium	General Reserve	Profit and loss	Foreign currency translation reserve	Actual Gains / (Losses)	
Balance as at 31-Mar-20	124,996,550	917,219,545	61,213,631	(472,459,480)	(37,320,370)	(3,879,579)	464,773,747
Profit for the period	-	-	-	20,204,600	-	-	20,204,600
Other Comprehensive Income for the year	-	-	-	393,895	26,878,185	-	27,272,080
Adjustments	-	-	-	-	(10,723,192)	-	(10,723,192)
Balance as at 31-Mar-21	124,996,550	917,219,545	61,213,631	(451,860,985)	(21,165,378)	(3,879,579)	501,527,235

As per our report of even date attached

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

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

Hyderabad  
 19-Jun-21

## FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

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

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

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

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

**CONSOLIDATED Statement of Profit and Loss Account for the year ended 31-Mar-21**

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

Particulars	Note	Year ended 31-Mar-21	Year ended 31-Mar-20
<b>Income</b>			
Revenue from operations	18	183,234,444	148,812,096
Other Income	19	12,586,271	182,641,078
<b>Total income</b>		<b>195,820,715</b>	<b>331,695,854</b>
<b>Expenses</b>			
Cost of materials consumed	20	94,371,757	90,634,248
Purchases of stock in trade		-	-
Changes in inventories of finished goods, work in progress and stock in trade	21	(53,254,663)	12,165,564
Employee benefit expense	22	51,289,642	44,499,491
Finance cost	23	14,564,114	58,302,631
Depreciation and amortization expense	2	15,560,726	17,316,185
Other expenses	24	52,557,153	74,866,538
<b>Total expenses</b>		<b>175,088,728</b>	<b>297,784,656</b>
<b>Profit/(loss) before extraordinary, exceptional items and tax</b>		<b>20,731,987</b>	<b>33,911,198</b>
<b>Extraordinary items</b>		-	-
<b>Exceptional items</b>		-	-
<b>Profit/(loss) before tax</b>		<b>20,731,987</b>	<b>33,911,198</b>
Tax expense			
(i) Current tax		-	-
(ii) Previous years tax		-	-
(iii) Deferred tax		527,387	(339,256)
<b>Profit/(loss) for the year</b>		<b>20,204,600</b>	<b>34,250,454</b>
<b>Other comprehensive income</b>			
A (i) Items that will not be reclassified to Statement of Profit and loss		393,895	(27,053)
(ii) Income tax relating to items that will not be reclassified to Statement of Profit and loss		-	-
B (i) Items that will not be reclassified to Statement of Profit and loss		26,878,185	(135,062)
(ii) Income tax relating to items that will not be reclassified to Statement of Profit and loss		-	-
<b>Total comprehensive Income</b>		<b>47,476,680</b>	<b>34,088,339</b>
Total profit attributable to			
<b>Shareholders of the Company</b>		<b>46,441,612</b>	<b>34,057,915</b>
Non controlling interest		1,035,068	30,424
<b>Earnings per equity share (EPS)</b>			
Paid up Equity Share Capital (Face value of Rs.10/- each per equity share)		124,996,550	124,996,550
Basic and Diluted Earnings per share of Rs.10/- each (not annualised) Rs.		1.62	2.74
See accompanying notes to the financial statements	1-34		

As per our report of even date attached

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

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

Hyderabad  
19-Jun-21

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

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

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

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

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

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

## CONSOLIDATED Statement of Cash Flows for the year ended 31-Mar-21

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

Particulars	31-Mar-21	31-Mar-20
<b>Cash flows from operating activities</b>		
Profit / (Loss) before tax	20,731,987	33,911,198
<b>Adjustments to reconcile net loss to net cash-provided by operating activities</b>		
Depreciation and amortisation	15,545,723	17,308,015
Foreign Currency translation reserve	1,039,866	793,674
Written off / Provision for obsolete stock	-	-
Sundry balances written off	294,731	-
Provision for Doubtful Advances	937,351	3,489,533
Provision for expected credit loss	-	-
Provision for slow/non moving stocks	-	-
Liabilities no longer required written off	(3,204,772)	(7,906,972)
(Profit) / Loss on sale of Fixed assets	(1,551,620)	(154,141,629)
Finance costs	14,564,114	58,302,631
Interest income	(13,324,475)	(8,124,054)
Other non operating income	-	-
<b>Changes in assets and liabilities</b>		
Trade receivables	230,483,415	22,480,211
Inventories	12,008,992	12,128,176
Other assets	(54,783,506)	(4,670,056)
Trade payables	5,790,382	3,174,096
Other liabilities	(195,777,838)	(89,252,343)
<b>Net cash flow from operating activities (A)</b>	<b>32,754,350</b>	<b>(112,507,520)</b>
<b>Cash flows from investing activities</b>		
Sale of Fixed Assets	3,463,568	238,289,375
Purchase of property, plant and equipment	(6,953,608)	(1,127,982)
Interest received	13,324,475	8,124,054
<b>Net cash flow used in investing activities (B)</b>	<b>9,834,435</b>	<b>245,285,447</b>
<b>Cash flow from financing activities</b>		
Other non-current liabilities	-	(193,681)
Other non operating income	-	-
Finance costs	(14,564,114)	(58,302,631)
<b>Net cash flow (used in)/from financing activities (C)</b>	<b>(14,564,114)</b>	<b>58,496,312</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>28,024,671</b>	<b>74,281,615</b>
Cash and Bank Balances at the beginning of the year	149,000,020	74,718,404
<b>Cash and cash equivalents at the end of the year</b>	<b>177,024,691</b>	<b>149,000,020</b>

See accompanying notes to the financial statements

1-34

As per our report of even date attached

**For PRSV & Co. LLP**

Chartered Accountants  
Firm Regn No. S200016

**Sd/-**

**Y VENKATESWARLU**

Partner  
Membership No: 222068

Hyderabad  
19-Jun-21

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

**Sd/-**

**BADARI NARAYANA RAJU MANTHENA**

Whole Time Director  
DIN 07993925

**Sd/-**

**SATYANARAYANA RAJU KALIDINDI**

Chief Executive Officer

**Sd/-**

**PRASADA RAO KALLURI**

Company Secretary

**Sd/-**

**SITARAMARAJU MANTHENA**

Whole Time Director  
DIN 08576273

**Sd/-**

**RAMAYYA VUTUKURI**

Chief Financial Officer

**Note 1: NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**1. Corporate information**

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

**2. Basis of Preparation and Presentation**

The consolidated financial statements have been prepared on the historical cost basis and on accrual basis (except to the extent of subsidiary accounts which are being maintained on cash basis), except for the following assets and liabilities which have been measured at fair value amount:

- i) Certain financial assets and liabilities
- ii) employee defined benefit assets/(liability)

The financial statements have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

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

**2.1. Principles of Consolidation**

The consolidated financial statements relate to Kernex Microsystems (India) Limited ('the Company') and its subsidiary company Avant-Garde Info Systems Inc. The consolidated financial statements have been prepared on the following basis:

The financial statements of the Company and its subsidiaries are combined on a line by line basis by adding together like items of assets, liabilities, equity, incomes, expenses and cash flows, after fully eliminating intra-group balances and intra-group transactions.

Profits or losses resulting from intra-group transactions that are recognised in assets, such as inventory and property, plant & equipment, are eliminated in full.

Revenue items are consolidated at the average rate prevailing during the year. All monetary assets and liabilities are converted at rates prevailing at the end of the year.

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

**2.2. Other significant accounting policies**

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

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## Note No 2: Property, Plant and Equipment as on 31-Mar-21

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

Particulars	Gross Block				Depreciation				Net Block		
	As at 01.04.2020	Additions during the year	Deletions during the year	As at 31.03.2021	Depreciation Upto 01.04.2020	Depreciation For the year	Impairment losses recognised in statement of Profit & Loss	Deletions/ Transitional provision of adjustment	Upto 31.03.2021	As at 31.03.2021	As at 31.03.2020
<b>Tangible Assets</b>											
Land and Land Development	90,071,482	4,802,782	1,911,948	92,962,316	-	-	-	-	-	92,962,316	90,071,482
Building Own Use	386,745,338	792,634	-	387,537,972	159,170,013	13,277,304	-	-	172,447,317	215,090,655	227,575,325
Plant and Equipment Owned	137,731,847	719,773	-	138,451,620	131,516,484	1,436,360	-	-	132,952,844	5,498,776	6,215,363
Furniture and Fixtures Owned	11,796,431	611,300	-	12,407,731	11,177,319	260,509	-	-	11,437,828	969,903	619,112
Vehicles Owned	11,300,336	-	-	11,300,336	10,200,882	376,527	-	-	10,577,409	722,927	1,099,454
Office Equipment Owned	9,993,991	27,119	-	10,021,110	9,842,313	65,520	-	-	9,907,833	113,277	151,678
<b>Total</b>	<b>647,639,425</b>	<b>6,953,608</b>	<b>1,911,948</b>	<b>652,681,085</b>	<b>321,907,011</b>	<b>15,416,220</b>	-	-	<b>337,323,231</b>	<b>315,357,854</b>	<b>325,732,414</b>
Previous year	731,255,923	531,248	84,147,746	647,639,425	304,786,018	17,120,993	-	-	321,907,011	325,732,414	426,469,905
<b>Capital Work in Progress</b>	<b>250,634</b>	<b>450,000</b>	<b>700,634</b>	-	-	-	-	-	-	-	-
Previous year	-	250,634	-	250,634	-	-	-	-	-	250,634	-
<b>Intangible Assets</b>											
Computer Software	14,880,126	-	-	14,880,126	14,575,772	129,503	-	-	14,705,275	174,851	304,354
<b>Total</b>	<b>14,880,126</b>	<b>-</b>	<b>-</b>	<b>14,880,126</b>	<b>14,575,772</b>	<b>129,503</b>	-	-	<b>14,705,275</b>	<b>174,851</b>	<b>304,354</b>
Previous year	14,534,026	346,100	-	14,880,126	14,388,750	187,022	-	-	14,575,772	304,354	145,278

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

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

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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

Note	Particulars	As at 31-Mar-21	As at 31-Mar-20
<b>3</b>	<b>OTHER FINANCIAL ASSETS</b>		
	<b>Unsecured and considered good</b>		
	Security deposits	573,020	577,078
	Receivable on sale of fixed assets	86,500,000	90,000,000
		<b>87,073,020</b>	<b>90,577,078</b>
<b>4</b>	<b>OTHER NON CURRENT ASSETS</b>		
	Advance income tax (net)	12,351,107	11,226,010
	Others	-	31,132
	Mat credit entitlement	12,256,937	12,256,937
		<b>24,608,044</b>	<b>23,514,079</b>
<b>5</b>	<b>INVENTORIES</b>		
	Raw material	42,690,908	62,627,644
	Less: Provision for slow / non moving stock	(24,880,166)	(62,206,372)
		<b>17,810,742</b>	<b>421,272</b>
	Work-in-progress	65,655,214	12,400,551
		<b>83,465,956</b>	<b>12,821,823</b>
<b>Valuation:</b> Work-in-progress represent work completed in respect of projects yet to be billed to the customers.			
<b>6</b>	<b>TRADE RECEIVABLES</b>		
	<b>Unsecured</b>		
	Considered good	119,807,328	128,700,215
	Considered doubtful	205,606,771	208,811,543
		<b>325,414,099</b>	<b>337,511,758</b>
	Less: Allowances for credit losses	(205,606,771)	(208,811,543)
	<b>Total Receivables</b>	<b>119,807,328</b>	<b>128,700,215</b>
<b>7</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Balances with banks		
	In Current accounts	47,843,487	4,538,693
	Cash on hand	607,470	428,121
		<b>48,450,957</b>	<b>4,966,814</b>
<b>8</b>	<b>OTHER BANK BALANCES</b>		
	In Deposit accounts	3,117,913	89,913
	Margin money for bank guarantees	125,455,821	143,943,293
		<b>128,573,734</b>	<b>144,033,206</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS***(All amounts in Indian Rupees, except share data and where otherwise stated)*

Note	Particulars	As at 31-Mar-21	As at 31-Mar-20
<b>9</b>	<b>OTHER FINANCIAL ASSETS</b>		
	Interest accrued but not due on term deposits	3,222,713	1,676,266
	EMD	20,184,600	-
		<b>23,407,313</b>	1,676,266
<b>10</b>	<b>OTHER CURRENT ASSETS</b>		
	<b>Unsecured and considered good</b>		
	Advance to vendors - Considered good	32,020,894	5,915,156
	Considered doubtful	7,195,549	7,195,549
		<b>39,216,443</b>	13,110,705
	Less: <i>Provision for Advances</i>	<b>(7,195,549)</b>	(7,195,549)
		<b>32,020,894</b>	5,915,156
	Balances with statutory/government authorities	32,822,470	12,205,133
	Advance for expenses	1,616,374	720,188
	Prepaid expenses	1,913,874	3,536,267
	Others	23,682,457	34,216,774
		<b>92,056,069</b>	56,593,517

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



**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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

Note	Particulars	As at 31-Mar-21	As at 31-Mar-20
<b>11</b>	<b>SHARE CAPITAL</b>		
	<b>Authorised share capital</b>		
	1,50,00,000 Equity shares of Rs.10/- each	<b>150,000,000</b>	150,000,000
	<b>Issued, subscribed and fully paid-up</b>		
	1,24.99,655 Equity Shares of Rs.10/- each with voting rights	<b>124,996,550</b>	124,996,550
		<b>124,996,550</b>	124,996,550

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

Particulars	31-Mar-21		31-Mar-20	
	No of Shares	Amount	No of Shares	Amount
At the beginning of the year	<b>12,499,655</b>	<b>124,996,550</b>	12,499,655	124,996,550
Issued during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>12,499,655</b>	<b>124,996,550</b>	12,499,655	124,996,550

**b. Rights attached to the equity shares**

The company has only one class of shares having a face value of Rs. 10/- per share. All equity shareholders rank pari-passu in respect of dividend and voting rights. Each holder of equity shares is entitled to one vote per share. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of preferential amounts, in proportion to their shareholding.

**c. Details of shareholders holding more than 5% shares in the Company**

Name of the shareholder	31-Mar-21		31-Mar-20	
	No of Shares	% of holding	No of Shares	% of holding
Sitarama Raju Manthena	<b>712,992</b>	<b>5.70%</b>	712,992	5.70%
Sreelakshmi Manthena	<b>640,398</b>	<b>5.12%</b>	640,398	5.12%

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

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

Particulars	Equity share capital	Reserves & Surplus			Other Comprehensive Income		Total Other Equity
		Securities premium	General Reserve	Profit and loss	Foreign currency translation reserve	Actual Gains / (Losses)	
Balance as at 31-Mar-20	124,996,550	917,219,545	61,213,631	(472,459,480)	(37,320,370)	(3,879,579)	464,773,747
Profit for the period	-	-	-	20,204,600	-	-	20,204,600
Other Comprehensive Income for the year	-	-	-	393,895	26,878,185	-	27,272,080
Adjustments	-	-	-	-	(10,723,192)	-	(10,723,192)
Balance as at 31-Mar-21	124,996,550	917,219,545	61,213,631	(451,860,985)	(21,165,378)	(3,879,579)	501,527,235

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**
*(All amounts in Indian Rupees, except share data and where otherwise stated)*

Note	Particulars	As at 31-Mar-21	As at 31-Mar-20
<b>13 OTHER NON CURRENT LIABILITIES</b>			
	Advance received against sale of land	<b>29,927,656</b>	29,946,507
		<b>29,927,656</b>	29,946,507
	Advance has been received against sale of land and documentation is under process.		
<b>14 BORROWINGS</b>			
	<b>Loans repayable on demand (Unsecured)</b>		
	From banks		
	Cash credit facilities	<b>32,159,542</b>	22,779,437
	Others		
	Unsecured loans from directors	<b>82,911,462</b>	22,433,379
	Inter corporate deposits	<b>87,391,996</b>	61,257,469
		<b>202,463,000</b>	106,470,286
	Cash credit facilities from State Bank of India are secured by first charge of hypothecation on all current assets of the Company present and future and collaterally secured by extension of first charge on the fixed assets (movable and immovable) of the Company both present and future and extension of equitable mortgage of land and buildings situated at TSIIIC Hardware park.		
	Unsecured loans from directors are interest free.		
	Inter corporate deposit is repayable on demand and carrying interest rate of 15% .		
<b>15 TRADE PAYABLES</b>			
	Due to micro, small and medium enterprises	-	-
	Others	<b>11,359,152</b>	5,568,771
		<b>11,359,152</b>	5,568,771
<b>16 OTHER FINANCIAL LIABILITIES</b>			
	Current maturity of vehicle loans	-	193,681
	Due to capital creditors	<b>219,241</b>	219,241
	Share application money due for refund	<b>26,300</b>	26,300
		<b>245,541</b>	439,222
<b>17 OTHER CURRENT LIABILITIES</b>			
	Advance from customers	<b>3,184,021</b>	3,335,270
	Expenses Payables	<b>28,057,830</b>	45,793,025
	Statutory remittances	<b>16,110,162</b>	4,305,502
		<b>47,352,013</b>	53,433,797

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

Note	Particulars	Year ended 31-Mar-21	Year ended 31-Mar-20
<b>18 REVENUE FROM OPERATIONS</b>			
	Sale of Products	162,448,058	121,079,350
	Sale of Services	20,786,385	27,732,746
		<b>183,234,444</b>	<b>148,812,096</b>
<b>19 OTHER INCOME</b>			
	Interest Income		
	On fixed deposits	7,652,745	8,096,310
	Interest on income tax refund	-	27,744
	Interest income	212,643	-
	Profit on sale of asset	1,551,620	154,141,629
	Net gain on foreign currency transactions	-	12,418,708
	Other non-operating income		
	Rental income	259,200	254,398
	Miscellaneous income	23	37,997
	Liabilities no longer required written off	2,910,041	7,906,972
		<b>12,586,271</b>	<b>182,883,758</b>
<b>20 COST OF MATERIALS CONSUMED</b>			
	Opening stock	421,272	383,884
	Add: Purchases	111,761,227	90,671,636
	Less: Closing stock	17,810,742	421,272
		<b>94,371,757</b>	<b>90,634,248</b>
<b>21 CHANGES IN INVENTORIES OF WORK-IN-PROCESS</b>			
	<b>Inventories at the end of the year</b>		
	Work-in- process	65,655,214	12,400,551
	<b>Inventories at the beginning of the year</b>		
	Work-in- process	12,400,551	24,566,115
	<b>Net (increase)/decrease</b>	<b>-53,254,663</b>	<b>12,165,564</b>
<b>22 EMPLOYEE BENEFIT EXPENSE</b>			
	Salaries and wages	45,528,832	39,429,023
	Contribution to provident and other funds	1,756,432	1,556,653
	Directors remuneration	3,263,000	1,800,000
	Staff welfare expenses	741,378	1,713,815
		<b>51,289,642</b>	<b>44,499,491</b>
<b>23 FINANCE COSTS</b>			
	Interest on borrowings	6,148,210	8,499,456
	Interest - Mellenium	5,099,334	45,531,050
	Other borrowing costs	3,316,569	4,272,125
		<b>14,564,114</b>	<b>58,302,631</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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

<b>Note</b>	<b>Particulars</b>	<b>Year ended 31-Mar-21</b>	<b>Year ended 31-Mar-20</b>
<b>24</b>	<b>OTHER EXPENSES</b>		
	Project execution expenses	25,293,386	32,522,251
	Electricity charges	2,447,668	2,822,592
	Security charges	1,447,689	1,069,807
	Rates and taxes	1,596,823	1,442,263
	Printing and stationery	201,245	257,382
	Insurance	637,907	263,003
	Repairs and maintenance	4,767,733	2,988,041
	Postage, telephone and courier	700,710	875,077
	Traveling and conveyance	813,778	2,009,767
	Professional & consultancy fees	4,953,901	4,481,641
	Directors sitting Fees	2,310,000	3,700,000
	Business promotion	613,104	1,034,637
	Payment to auditors		
	Statutory audit	432,000	421,416
	Tax audit	240,000	305,000
	Loss on foreign currency transactions and translation (net)	1,039,866	793,674
	License & Permits	17,552	-
	Miscellaneous expenses	4,086,533	16,382,914
	Dues	19,906	7,537
	Provision for doubtful advances	937,351	3,489,533
		<b>52,557,153</b>	<b>74,866,538</b>

**25 EMPLOYEE BENEFITS**

**a. Defined contribution plan**

Eligible employees of the Company receive benefits from a provident fund, which is a defined contribution plan. Both the employee and Company make monthly contributions to the provident fund plan equal to a specified percentage of the eligible employee's qualifying salary. The Company has no further obligations under the plan beyond its monthly contributions. The Company contributed Rs 13,06,784/- (Previous year Rs 13,60,431/-) towards provident fund plan during the years ended 31-Mar-21

**b. Defined Benefit Plan**

The Company provides for gratuity, a defined benefit plan ("Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum gratuity payment to eligible employees at retirement or termination of their employment. The amount of the payment is based on the respective employee's last drawn salary and the years of employment with the Company.

The following table sets out the amounts recognised in the financial statements in respect of retiring gratuity plan:

## I. Changes in the present value of obligation

Particulars	31-Mar-21	31-Mar-20
Present value of obligation as at beginning of the year	5,936,005	5,094,746
Current service cost	506,107	494,446
Interest expense or cost	403,648	389,748
Re-measurement (or Actuarial) (gain) / loss	(392,841)	(42,935)
Benefits Paid	-	-
<b>Present Value of Obligation as at the end of the year</b>	<b>6,452,919</b>	<b>5,936,005</b>

## ii. Changes in fair value of plan assets

Particulars	31-Mar-21	31-Mar-20
Fair Value of Plan Assets as at the beginning of the year	5,896,949	5,492,644
OB difference	-	-
Investment Income	400,993	420,187
Employer's Contribution	-	-
Expenses	(35,613)	(33,329)
Benefits Paid	-	-
Return on plan assets , excluding amount recognised in net interest expense	36,667	17,447
<b>Fair Value of Plan Assets as at the end of the year</b>	<b>6,298,996</b>	<b>5,896,949</b>

## iii. Fair value of Assets and Obligations

Particulars	31-Mar-21	31-Mar-20
Fair value of plan assets	6,298,996	5,896,949
Present value of obligation	6,452,919	5,936,005
Amount recognized in balance sheet	(153,923)	(39,056)

**iv. Expenses recognised during the year**

Particulars	31-Mar-21	31-Mar-20
<b>In Income Statement</b>		
Current Service Cost	<b>506,107</b>	494,446
Net Interest Cost / (Income) on the Net Defined Benefit Liability / (Asset)	<b>2,655</b>	(30,439)
<b>Expenses Recognised in the Income Statement</b>	<b>508,762</b>	464,007
<b>In Other Comprehensive Income</b>		
Actuarial (gains) / losses		
Opening balance difference	-	-
Others	<b>(357,228)</b>	(9,606)
Return on plan assets, excluding amount recognized in net interest expense	<b>(36,667)</b>	(17,447)
<b>Components of defined benefit costs recognised in other comprehensive income</b>	<b>(393,895)</b>	(27,053)

**v. Actuarial assumptions**

Particulars	31-Mar-21	31-Mar-20
Discount rate (per annum)	<b>6.80%</b>	6.80%
Salary growth rate (per annum)	<b>2.00%</b>	2.00%

**vi. Sensitivity Analysis**

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The result of sensitivity analysis is given below:

Particulars	31-Mar-21		31-Mar-20	
	Decrease	Increase	Decrease	Increase
Change in discounting rate	<b>7,034,990</b>	<b>5,956,842</b>	6,501,355	5,456,844
Change in salary growth rate	<b>5,663,764</b>	<b>7,403,720</b>	5,156,954	6,883,186
Change in attrition rate	<b>5,972,659</b>	<b>6,886,180</b>	5,442,987	6,379,218
Change in mortality rate	<b>6,431,161</b>	<b>6,474,544</b>	5,914,911	5,956,953

## 26 RELATED PARTIES

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

S.No.	Nature of Relationship	Name of the related party	Category
1	Wholly owned subsidiary	Avant-Garde Info Systems Inc, USA	100% WOS
2	Joint Venture	KernexTCAS JV	Investor in Joint Venture
3	Key Managerial Personnel	Anji Raju Manthena	Director
		Janardhana Reddy Vinta	Director
		Sreelakshmi Manthena	Director
		Sitarama Raju Manthena	Whole Time Director
		Badari Narayana Raju Manthena	Whole Time Director
		R Sreenivasa Rao	Independent Director
		K Soma Sekhara Rao	Independent Director
		A V S Krishna Mohan	Independent Director
		Satyanarayana Raju Kalidindi	Chief Executive Officer
		Ramayya Vutukuri	Chief Financial Officer
		Prasada Rao Kalluri	Company Secretary
4	Relatives of Key Managerial Personnel	Alluri Sita Rama Raju Manthena	Son of Director
5	Enterprises Controlled by Relatives of KMP	Hiliiks Technologies Limited	Spouse of CEO is Director



**b. Transactions with Related parties during the year 2020-21**

S.No.	Nature of Transaction	Name of the related party	2020-21	2019-20
1	Managerial Remuneration	Sitarama Raju Manthena	<b>1,344,000</b>	-
		Badari Narayana Raju Manthena	<b>2,830,416</b>	2,512,000
		Satyanarayana Raju Kalidindi	<b>3,685,075</b>	3,128,000
		Ramayya Vutukuri	<b>2,000,000</b>	1,778,400
		Prasada Rao Kalluri	<b>502,033</b>	300,000
2	Unsecured Loans	Repayment Anji Raju Manthena	-	23,935,842
		Repayment Janardhana Reddy Vinta	-	10,417,080
		Repayment Mantena Raju Narasa	-	23,000,000
		Repayment Chenna Krishna Mantena	-	4,316,000
		Received Anji Raju Manthena	<b>51,900,000</b>	24,000,000
3	Others	Work Advance Hiliks Technologies Limited	<b>2,922,290</b>	-
4	Directors' sitting fees & reimbursements	Anji Raju Manthena	<b>250,000</b>	860,188
		Janardhana Reddy Vinta	<b>200,000</b>	320,000
		Sreelakshmi Manthena	<b>400,000</b>	760,188
		Sitarama Raju Manthena	<b>50,000</b>	200,000
		Mantena Raju Narasa	-	190,000
		R Sreenivasa Rao	<b>550,000</b>	400,000
		K Soma Sekhara Rao	<b>550,000</b>	417,000
		A V S Krishna Mohan	<b>290,000</b>	100,000
		T V Satyanarayana Raju	-	400,000
		Ashok Gopalrao Kalmankar	-	500,000
		P Dinakara Rao	-	250,000

## Annual Report 2020-21

### c. Balances as at 31-Mar-21

S.No.	Nature of Transaction	Name of the related party	31-Mar-21	31-Mar-20
1	Loan taken from KMP	Anji Raju Manthena	70,900,000	19,000,000
		B Murali Mohan	945,085	945,085
2	Advances to customers	Hiliks Technologies Limited	2,922,290	-

### 27 EARNINGS PER SHARE

Amount in Rupees

S.No.	Particulars	31-Mar-21	31-Mar-20
1	Profit after tax attributable to equity shareholders	20,204,600	34,250,454
2	Weighted average number of equity shares for Basic EPS	12,499,655	12,499,655
3	Weighted average number of equity shares for Diluted EPS	12,499,655	12,499,655
4	Basic earnings per Share	1.62	2.74
5	Diluted earnings per Share	1.62	2.74

### 28 INCOME TAXES

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

S.No.	Particulars	31-Mar-21	31-Mar-20
1	Current tax	-	-
2	Previous years tax	-	-
3	Deferred tax	527,387	(339,256)
	<b>Total income tax expense recognised in the statement of profit &amp; loss</b>	<b>527,387</b>	<b>(339,256)</b>

### 29 CONTINGENT LIABILITIES AND COMMITMENTS

	Particulars	31-Mar-21	31-Mar-20
a.	Claims against the Company not acknowledged as a debt (See note c to e below)	42,810,575	42,810,575
b.	Bank guarantee outstanding	169,446,860	169,832,932

#### c. Income tax

- i. The AO has raised a demand of Rs. 43,86,412/- for Assessment year 2014-15 with regard to an adhoc disallowance of the Project Expenses incurred during 2013-14. In respect of the same, Appeal was filed with the Commissioner (Appeals) and the Company is confident of getting a favourable order.
- ii. A Show-cause notice was received u/s 279(1) of the Income Tax Act, 1961, initiating prosecution proceedings u/s 276B r.w.s 278B of the Income Tax Act, 1961 for failure to deposit the deducted TDS within the due date in Central Government Account for financial year(s) 2013-14 to 2016-17. The company has represented the case before the CIT (TDS) and is expecting a favourable order.

**d. Service tax**

- i. The Company received vide final assessment order no: 41077 dated 28.05.2014 with a demand of Rs. 22,07,000/-. Due to differential tax amount due to non issue of Form C by KRCL for the financial year 2010-11. The Company is in the process of filing Arbitration with KRCL and is under final stage.

**e. Commercial taxes**

- i. The Company received an Order dated 19/02/2020 from Cairo Economic Court, Egypt, directing the Company to pay an amount of USD 342,166 and Egyptian Pounds 497,827 along with an interest of 5% to M/s Alkan Consult, Cairo, towards the Local Agent commission in relation to Egyptian National Railways contract that has been executed by the Company in Cairo, Egypt. The commission payable to the Local Agent is being deducted by the contractor, Egyptian National Railways who in turn have to pay to the Local Agent. The current claim of the Local Agent is even for the works that are yet to be executed. The Company is in the process of filing a suitable case against the Local Agent wherein the Company is confident of getting a favourable order.

**30 OTHER SIGNIFICANT LITIGATIONS**

In view of dispute with Konkan Railway Corporation Limited (KRCL), the company has filed arbitration on 09.05.2016 in respect of dues amounting to Rs 15.18 crores. The Arbitration proceedings are under progress.

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

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

**31 CAPITAL MANAGEMENT**

The company manages its capital to ensure that it will be able to continue as going concern while creating value for share holders by facilitating the meeting of long term and short term goals of the Company.

The company determines the amount of capital required on the basis of annual business plan and five year's corporate plan coupled long term and short term strategic investment and expansion plans.

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

**32 Financial Risk Management**

In course of its business, the company is exposed to certain financial risk such as market risk , credit risk and liquidity risk that could have significant influence on the company's business and operational/financial performance. The Board of directors and the Audit Committee reviews and approves risk management framework and policies for managing these risks and monitor suitable mitigating actions taken by the management to minimize potential adverse effects and achieve greater predictability to earnings.

**a. Credit risk**

Credit Risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the company. The Company has a prudent and conservative process for managing its credit risk raising in the course of its business activities. Credit risk is managed through continuously monitoring the creditworthiness of customers and obtaining sufficient collateral, where appropriate, a means of mitigating the risk of financial loss from defaults.

The company makes an allowance for doubtful debts/advances using expected credit loss model.

## I. Trade Receivables:

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. Summary of the Company's exposure to credit risk by age of the outstanding from various customers is as follows:

Particulars	31-Mar-21	31-Mar-20
Not due	56,091,717	67,425,285
0-180 days	21,668,000	11,158,739
181-365 days	-	50,116,191
More than 365 days	42,047,611	-
<b>Total</b>	<b>119,807,328</b>	<b>128,700,215</b>

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of loss (e.g. timeliness of payments, available press information etc.) and applying experienced credit judgment. Exposures to customers outstanding at the end of each reporting period are reviewed by the Company to determine incurred and expected credit losses. Historical trends of impairment of trade receivables do not reflect any significant credit losses. Given that the macro economic indicators affecting customers of the Company have not undergone any substantial change, the Company expects the historical trend of minimal credit losses to continue.

## ii. Cash and Cash Equivalents

The Company held cash and cash equivalents of Rs 4,18,47,952/- at 31-Mar-21 (Previous year 46,01,955/). This includes the cash and cash equivalents held with the bank and the cash on hand with the Company.

## b. Liquidity risk

Liquidity Risk refers to the risk that the company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

The Company has obtained fund and non-fund based working capital loans from banks. The borrowed funds are generally applied for Company's own operational activities

### Exposure to liquidity risk:

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted :

Particulars 31-Mar-21	Upto 1 year	1 to 3 years	3 to 5 years	> 5 years	Total carrying amount
Other non current liabilities	29,927,656	-	-	-	29,927,656
Current borrowings	202,463,000	-	-	-	202,463,000
Trade payables	11,359,152	-	-	-	11,359,152
Other financial liabilities	245,541	-	-	-	245,541
Other current liabilities	47,352,013	-	-	-	47,352,013
	<b>291,347,362</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>291,347,362</b>

Particulars 31-Mar-20	Upto 1 year	1 to 3 years	3 to 5 years	> 5 years	Total carrying amount
Other non current liabilities	29,946,507	-	-	-	29,946,507
Current borrowings	106,470,286	-	-	-	106,470,286
Trade payables	5,568,771	-	-	-	5,568,771
Other financial liabilities	439,222	-	-	-	439,222
Other current liabilities	53,433,797	-	-	-	53,433,797
	195,858,583	-	-	-	195,858,583

### c. Interest Rate Risk

Interest rate risk can be either fair value interest rate risk or cash flow interest rate risk. Fair value interest rate risk is the risk of changes in fair values of fixed interest bearing investments because of fluctuations in the interest rates. The company's exposure to the risk of changes in the market interest rate relates primarily to the company's long term debt obligations with floating interest rates. The company's interest rate exposure is mainly related to variable interest rates debt obligations. The Company manages the liquidity and fund requirements for its day to day operations like working capital, suppliers/buyers credit

#### Exposure to interest rate risk:

Company's interest rate risk arises from borrowings. Borrowings issued at fixed rates exposes to fair value interest rate risk. The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows.

Particulars	31-Mar-21	31-Mar-20
<b>Floating rate instruments</b>		
<b>Financial Liabilities - measured at amortised cost</b>		
Working capital facilities from bank	32,159,542	22,779,437
<b>Fixed rate instruments</b>		
Vehicle loans	-	193,681
Inter corporate deposits	87,391,996	61,257,469
<b>Total</b>	<b>119,551,538</b>	<b>84,036,907</b>

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

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

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

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

Cash flow sensitivity (net)	Profit or loss	
	25 bp increase	25 bp decrease
<b>31-Mar-21</b>		
Variable rate loan instruments	80,399	80,399
<b>31-Mar-20</b>		
Variable rate loan instruments	56,949	(56,949)

## d. Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices such as commodity prices, foreign currency exchange rates and other market changes.

## e. Exchange rate risk

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

The foreign currency exposures as of 31-Mar-21 were as follows

Particulars	USD	Egyptian Pound	Total
<b>Assets</b>			
Cash and bank balances	6,203,629	4,049,749	10,253,378
Trade receivables	30,252,233	34,145,484	64,397,718
Other assets	23,682,457	-	-
<b>Total</b>	<b>60,138,320</b>	<b>38,195,233</b>	<b>74,651,096</b>
<b>Liabilities</b>			
Trade payables	-	-	-
Other liabilities	66,727,428	5,185,396	71,912,824
<b>Total</b>	<b>66,727,428</b>	<b>5,185,396</b>	<b>71,912,824</b>

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

Particulars	USD	Egyptian Pound	Total
<b>Assets</b>			
Cash and bank balances	80,187	4,459,032	4,539,219
Trade receivables	42,197,014	36,387,010	78,584,024
Other assets	6,459	-	6,459
<b>Total</b>	<b>42,283,660</b>	<b>40,846,042</b>	<b>83,129,702</b>
<b>Liabilities</b>			
Trade payables	4,943,265	-	4,943,265
Other liabilities	49,968,726	5,239,743	55,208,469
<b>Total</b>	<b>54,911,991</b>	<b>5,239,743</b>	<b>60,151,734</b>

**Sensitivity analysis**

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

Particulars 31-Mar-21	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
<b>1% movement</b>				
<b>US Dollar</b>	(65,891)	65,891	-	-
<b>Egyptian Pounds</b>	330,098	(330,098)	-	-
	<b>264,207</b>	<b>(264,207)</b>	-	-

Particulars 31-Mar-20	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
<b>1% movement</b>				
US Dollar	(126,283)	126,283	-	-
Egyptian Pounds	356,063	(356,063)	-	-
	229,780	(229,780)	-	-

**33 Financial Instruments valuation**

All financial instruments are initially measured at cost and subsequently measured at fair value.

**The carrying value and fair value of financial instruments by categories as of 31-Mar-21 are as follows**

Particulars	Carrying Value	Level of input used in			Fair Value
		Level 1	Level 2	Level 3	
Financial assets					
At Amortised Cost					
Investments*	-	-	-	-	-
Trade receivables	119,807,328	-	-	-	119,807,328
Cash and cash equivalents	48,450,957	-	-	-	48,450,957
Other bank balances	128,573,734	-	-	-	128,573,734
Other financial assets	23,407,313	-	-	-	23,407,313
Financial liabilities					
At Amortised Cost					
Borrowings	202,463,000	-	-	-	202,463,000
Trade payables	11,359,152	-	-	-	11,359,152
Other financial liabilities	245,541	-	-	-	245,541

## Annual Report 2020-21

The carrying value and fair value of financial instruments by categories as of 31-Mar-20 are as follows

Particulars	Carrying Value	Level of input used in			Fair Value
		Level 1	Level 2	Level 3	
Financial assets					
At Amortised Cost					
Investments*	-	-	-	-	-
Trade receivables	128,700,215	-	-	-	128,700,215
Cash and cash equivalents	4,966,814	-	-	-	4,966,814
Other bank balances	144,033,206	-	-	-	144,033,206
Other financial assets	1,676,266	-	-	-	1,676,266
Financial liabilities					
At Amortised Cost					
Borrowings	106,470,286	-	-	-	106,470,286
Trade payables	5,568,771	-	-	-	5,568,771
Other financial liabilities	439,222	-	-	-	439,222

\* excludes Financial assets measured at cost

The financial instruments are categorized into three levels based on the inputs used to arrive at fair value measurements as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable Inputs for the asset or liability.

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

As per our report of even date attached

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

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

Hyderabad  
19-Jun-21

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

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

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

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

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

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



## NOTE

[illegible]

## NOTE

[illegible]



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

Office: Plot No.38 (Part) to 41, Survey No.1/1,  
Hardware Park, Raviryal Village, Maheswaram Mandal,  
Hyderabad - 501 510., Phone: +91-9948488877  
E-mail: [acs@kernex.in](mailto:acs@kernex.in) Web site: [www.kernex.in](http://www.kernex.in)