



KERNEX MICROSYSTEMS (INDIA) LIMITED

CIN: L30007TG1991PLC013211

Regd.off: Plot No 38 (part) -41, Survey No 1/1, Kancha Imarat, Raviryal Village,
Maheswaram Mandal, Ranga Reddy District, Hyderabad-500 005
Phone: 9030017502, 9948488877, E-mail: acs@kernex.in, Web site: <http://kernex.in>

POSTAL BALLOT NOTICE

(Pursuant to Section 110 of the Companies Act, 2013)

To
The Members,

Notice pursuant to section 110 of the Companies Act, 2013 and other applicable provisions if any read with Rule 22 of the Companies (Management & Administration) Rules 2014 including any statutory modification or re-enactment thereof for the time being in force and Regulation 44 of Securities & Exchange Board of India (Listing Obligations & Disclosure Requirements), Regulations, 2015 and other applicable laws and regulations that the resolution set out below is proposed to be passed as special resolution by Postal Ballot

Accordingly, your consent is sought for the proposal as contained in the resolution attached along with an explanatory statement pertaining to the resolution setting out all material facts and the reasons thereof. Postal Ballot Form is also enclosed.

The Board of Directors has appointed Mr. A J Sharma, Practicing Company Secretary to act as the scrutinizer, for conducting the postal ballot process, in a fair and transparent manner.

The members are requested to carefully read the instructions printed on the Postal Ballot Form and return the Form in original duly completed in all respects in the enclosed self-addressed postage pre-paid envelope, so as to reach the scrutinizer at the Company's Registrar and Transfer Agents M/s. Karvy Computershare Pvt. Ltd office address at Karvy Selenium Tower B, Plot No 31 & 32, Gachibowli, Financial District, Nanakramguda, Hyderabad- 500 032 on or before the close of working hours on 29th April 2017. The Company offers e-voting option to the members as an alternative through e-voting services provided by M/s.Karvy Computershare Private Limited, to enable members to vote electronically instead of dispatching the Postal Ballot form. Members may choose to vote using the e-voting facility, the details whereof are also specified under instructions for e-voting as contained under 'Notes'.

RESOLUTION:

ITEM No 1: Sale of Hardware Technology Park situated at Plot No 38 (part) -41, Survey No 1/1, Kancha Imarat, Raviryal Village, Maheswaram Mandal, Ranga Reddy District, Hyderabad-500 005

To consider and, if thought fit, to accord assent/dissent to the following resolution as a **Special Resolution:**

"**RESOLVED THAT** in continuation of the earlier resolution passed vide notice dated 24th March 2005 pursuant to the provisions of Section 180 (1) (a) of the Companies Act 2013 read with rules framed there under (Including any amendment thereto or re-enactment thereof for the time being in force) and subject to such other applicable statutes and regulations and subject to such other requisite approvals, consents and clearances from the Company's Bankers, Financial institutions or bodies if and wherever necessary and as may be required the consent of the shareholders of the Company be and is hereby accorded, , to the Board of Directors for sale/hive off and/or disposal of the Company's Hardware Technology Park including 10 acres of land , buildings situated at Plot No 38 (part) -41, Survey No 1/1, Kancha Imarat, Raviryal Village, Maheswaram Mandal, Ranga Reddy District, Hyderabad-500 005 together with movable properties attached thereto and all related assets for such consideration not being lower than the Book Value or such other higher amount as may be decided by the Board of Directors of the Company based on the report of an independent valuer on such terms and conditions and with such modifications as may be required by the concerned authorities or as the Board of Directors (which shall include a committee of the Board of Directors that may be empowered or constituted for this purpose) of the Company as deemed fit and appropriate in the interest of the Company and that the Board of Directors be and is hereby authorized to do all acts, deeds, matters and things as may be deemed necessary, incidental or consequential to give effect to this resolution

Resolved Further That for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to finalize the manner and method of Sale/disposal/transfer and to execute all necessary agreements (including such representations, warranties, indemnities and covenants as may be customary in such transactions), deeds and documents and subsequent modifications thereto, and to do all such acts and things as may be deemed necessary and/or expedient in the interest of the Company including without limitation, to settle any questions,

difficulties, doubts that may arise in this regard, as it may in its absolute discretion deem fit, and also to further delegate from time to time, all or any of the powers conferred herein to the empowered Committee of the Board without being required to seek any further consent or approval of the members or otherwise to the end and intent that they shall be deemed to have been given approval thereto expressly by the authority of this resolution."

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

Place: Hyderabad
Date: 10.03.2017

K.Krishnam Raju
Director in charge

NOTES:

1. Explanatory Statement and reasons for the proposed Special Resolution at Items Nos. 1 above, pursuant to Section 102(1) read with Section 110 of the Companies Act, 2013 is given hereunder.
2. The Postal Ballot Notice is being sent to all the Members, whose names would appear in the Register of Members / Record of Depositories as on 10th March 2017. A person who is not a member as on the cut-off date is not entitled to avail remote e-voting facility or voting by Postal Ballot. The Voting commences on 30.03.2017. the members are requested to note that
 - a) Duly completed Postal Ballot form should reach the Scrutinizer before 5.00 P.M. on 29.04.2017
 - b) The remote e-voting needs to be exercised before 5.00 P.m. on 29.04.2017 as the e-voting module will be disabled for voting after the said time and date.
3. As per Section 110 of the Act, read with Rule 22 of the Companies (Management and Administration) Rules, 2014, Notice of Postal Ballot is being sent by electronic mode to those Members whose e-mail address are registered with the Company/depositories, unless any member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by permitted mode.
4. The voting rights of members shall be in proportion to their share of the paid up equity share capital of the Company.
5. In compliance with provisions of Regulation 44 of the Securities & Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as well as section 108 and 110 of Companies Act, 2013 read with Companies (Management and Administration) Rules, 2014, the Company has also extended e-voting facility through e-voting services provided by M/s.Karvy Computershare Private Limited (KARVY), for its Members to enable them to cast their votes electronically instead of dispatching Postal Ballot Form/s.
6. The Board of Directors of the Company has appointed Mr. A J Sharma, Practicing Company Secretary, as scrutinizer for conducting the Postal Ballot process in a fair and transparent manner and to receive and scrutinize the completed ballot papers from the Members. After completion of his scrutiny, the Scrutinizer will submit his report to the Director in charge.
7. The Resolution will be taken as passed effectively on the date of announcement of the result by the Chairman/Director in charge, if the result of the Postal Ballots indicates that the requisite majority of the Shareholders had assented to the Resolutions. The result of the Postal Ballot will be declared on 1st May 2017 at 11.00 A.M. at the Registered Office of the Company. After declaration, the result of the Postal Ballot shall also be posted on the Company's website www.kernex.in besides communicating the same to the Bombay Stock Exchange Limited and National Stock Exchange Limited where the shares of the Company are listed.
8. A copy of each of the documents referred to in the accompanying Explanatory Statement is open for inspection at the Registered Office of the Company between 10.30 A.M. to 04.00 P.M on any working day excluding Saturday and Sunday till the last date for receiving Postal Ballot Forms by scrutinizer i.e. 29th April, 2017.
9. The Postal Ballot form and the self-addressed business reply envelope are enclosed for use of members. Shareholders are requested to carefully read the instructions printed on the backside of the Postal Ballot Form before exercising their vote.
10. The Company is extending its offer of **e-voting facility**, for its Members to enable them to cast their vote electronically instead of dispatching Postal Ballot and members are informed that e-voting is optional and that they can opt for only one mode of voting i.e. either by physical postal ballot forms or e-voting.

THE PROCEDURE AND INSTRUCTIONS FOR E-VOTING ARE AS FOLLOWS:

- i) Open your web browser during the voting period and navigate to 'https://evoting.karvy.com'
- ii) Enter the login credentials (i.e., user-id & password) mentioned on the enclosed Form. Your folio/DP Client ID will be your User-ID.

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

Please contact toll free no. : 1-800-34-54-001 for any further clarifications.

- iii. Cut-off date for determining voting rights of members entitled to participate in e-voting: **10th March 2017.**
- iv. Commencement of e-voting: 30th March 2017 at 09.00 A.M
End of e-voting: 29th April 2017 at 5.00 P.M
- v. After entering these details appropriately, click on "LOGIN".
- vi. Members holding shares in Demat/Physical form will now reach Password Change menu wherein they are required to mandatory change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. Kindly note that this password can be used by the Demat holders for voting for resolution of any other Company on which they are eligible to vote, provided that Company opts for e voting through Karvy Computershare Private Limited e-Voting platform. System will prompt you to change your password and update any contact details like mobile #, email ID etc on 1st login. You may also enter the Secret Question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- vii. You need to login again with the new credentials.
- viii. On successful login, system will prompt to select the 'Event' i.e., 'KERNEX MICROSYSTEMS (INDIA) LIMITED'
- ix. If you are holding shares in Demat form and had logged on to "https://evoting.karvy.com" and cast your vote earlier for any company, then your existing login id and password are to be used.
- x. On the voting page, you will see Resolution Description and against the same the option 'FOR/AGAINST/ABSTAIN' for voting. Enter the number of shares (which represents number of votes) under 'FOR/AGAINST/ABSTAIN' or alternatively you may partially enter any number in 'FOR' and partially in 'AGAINST', but the total number in 'FOR/AGAINST' taken together should not exceed your total shareholding. If the shareholder do not wants to cast, select 'ABSTAIN'
- xi. After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed .If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- xii. Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote.
- Xiii. Corporate/Institutional Members (corporate/FIs/Flls/Trust/Mutual Funds/Banks, etc) are required to send scan (PDF format) of the relevant Board resolution to the Scrutinizer through e-mail to kernexscrutinizer@gmail.com with copy to evoting@karvy.com. The file scanned image of the Board Resolution should be in the naming format "Corporate Name_ Event no."

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 102 OF THE COMPANIES ACT, 2013.

ITEM No. 1

In terms of the provisions of Section 110 of the Act read with Companies (Management and Administration) Rules, 2014 the approval of the Members was obtained, through Postal Ballot process by special resolution vide notice dated 24th March 2015 for creation of charge, mortgage/ hypothecation of the assets of the Company in favor of lenders and to authorize the Board of Directors to sell, lease or otherwise dispose of the whole or substantially the whole of an undertaking of the Company in terms of section 180(1)(a) of the Companies Act 2013.

The Company has out of the funds raised by IPO in the year 2005 created large infrastructure on 10 acres of land allotted by APIIC situated at Plot No 38 (part) -41, Survey No 1/1, Kancha Imarat, Raviryal Village, Maheswaram Mandal, Ranga Reddy District, Hyderabad-500 005 for taking up large scale manufacture of Anti collision devices to be supplied to Indian Railways. The buildings and the infrastructure remained un-utilized and could not be put to use since long time as the ACD project was shelved by Railways in favor of the Train Collision Avoidance System (TCAS). The Company requires substantial funds towards procurement of equipment, materials, installation and commissioning expenses for the ongoing projects in Egyptian National Railways, South African Project besides the expected TCAS Project of Indian Railways. With the shelving of ACD Project and maintenance contract by the Railways the cash flows were affected and the Debt burden is increasing.

After considering various options for funding the ongoing projects and in view of the difficult financial position, Your Board of Directors at their meeting held on 10th March 2017 approved to sell the unutilized non revenue generating Hardware Technology Park facility created mainly for the manufacture of anti Collision Devices together with land, buildings and related assets situated at Plot No 38 (part) -41, Survey No 1/1, Kancha Imarat, Raviryal Village, Maheswaram Mandal, Ranga Reddy District, Hyderabad-500 005 (Undertaking) in the best interest of the Company as the same is not required for the present and immediate future operations .

The Company is focusing on completion of the Egyptian Railways Project and is expecting further orders. The South African RBCT project is being executed as per schedule. The preliminary certification work for the advanced version of Indian Railway Safety system TCAS project is in progress. Tenders are expected to be floated shortly and your Company is one of the three short listed Companies for execution of the project. The Company is required to fund besides the above projects the new projects that are being identified.

Members of the Company are requested to note that Section 180 (1)(a) of the Companies Act, 2013 mandates that the Board of Directors of a company shall exercise the power to sell, lease or otherwise dispose of the whole or substantially the whole of any undertaking(s) of the company, only with the approval of the members of the Company by way of a special resolution. Explanation (i) to Section 180(1) (a) of the Companies Act, 2013 states that the meaning of an 'undertaking' for the purposes of Section 180(1) of the Companies Act, 2013 is an undertaking in which the investment of the company exceeds twenty percent of its net worth as per the audited balance sheet of the preceding financial year or an undertaking which generates twenty percent of the total income of the company during the previous financial year. Explanation (ii) to Section 180 (1)(a) of the Companies Act, 2013 states that the meaning of 'substantially the whole of the undertaking' for the purposes of Section 180(1) is in any financial year, twenty percent or more of the value of the undertaking as per the audited balance sheet of the preceding financial year. Accordingly, pursuant to Section 180(1)(a) of the Companies Act, 2013, members of the Company are further requested to note that their consent is being sought by way of a Special Resolution through postal ballot authorizing the Board to sell and transfer, the Fixed assets including land Building & other assets in full or part at Plot No 38 (part) -41, Survey No 1/1, Kancha Imarat, Raviryal Village, Maheswaram Mandal, Ranga Reddy District, Hyderabad-500 005 of the Company

The Management has obtained Valuation Report of identified assets not generating any revenue and will be transferred to a prospective buyer after seeking your approval in the best interest of the Company. A copy of the Valuation Report is open for inspection at the Registered Office of the company between 10.30 A.M. to 4.00 P.m on all working days excluding Saturdays and Sundays till the last date for receiving Postal Ballot Forms by Scrutinizer i.e.29th April 2017. The selling or otherwise disposing of the assets /Undertaking require the specific approval of shareholders by way of a special resolution through the process of Postal Ballot. Accordingly the Board recommends the resolution set out in the notice for your approval.

None of the Directors and Key Managerial Personnel of the Company and their relatives are in any way concerned or interested, financially or otherwise, in the resolution set out at Item No.1

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

Place: Hyderabad
Date: 10th March 2017.

K.Krishnam Raju
Director in Charge