

33rd ANNUAL REPORT 2024-25

Train Collision Avoidance System



KERTEX

Delivering Railway Safety

KERTEX MICROSYSTEMS (INDIA) LIMITED



BOARD OF DIRECTORS

Mr. Adabala Seshagiri Rao	Chairman & Independent Director	DIN: 09608973
Mr. Pasupuleti Dinakara Rao	Independent Director	DIN: 00009801
Mr. Ayyagari Viswanadha Sarma	Independent Director	DIN: 00499468
Mr. Anji Raju Manthena	Director	DIN: 01022368
Mr. Janardhana Reddy Vinta	Director	DIN: 02414912
Ms. Sreelakshmi Manthena	Managing Director	DIN: 07996443
Mr. Manthena Badari Narayana Raju	Whole Time Director	DIN: 07993925
Mr. Sitarama Raju Manthena	Whole Time Director	DIN: 08576273

Chief Financial Officer

Mr. Pamidi Srikanth

Company Secretary & Compliance Officer

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

Auditors:

NSVR & Associates LLP
Chartered Accountants
2nd Floor, House No.1-89/1/42, Plot No.41 and 43,
Sri Ram Nagar Colony, Kavuri Hills, Guttala
Begumpet, Madhapur, Hyderabad-500081
FRN: 008801S/S200060

Internal Auditors:

M/s. Thirupathi & Associates
303, Sai Brundavan Apts, Dwarakapuri
Colony, Model House Lane, Punjagutta,
Hyderabad-500082.
FRN:013000S

Secretarial Auditors:

Mr. D S Rao
Practicing Company Secretary
Flat No. 10, 4th Floor, D.No. 6-3-347/22/2
Ishwarya Nilayam, Opp: Sai Baba Temple,
Dwarakapuri Colony, Punjagutta,
Hyderabad – 500 082, Telangana, India

Bankers:

1. State Bank of India
2. HDFC Bank Limited
3. ICICI Bank Limited
4. CSB Bank Limited
5. Union Bank of India

Board Committees

Audit Committee

Mr. Ayyagari Viswanadha Sarma	– Chairman
Mr. Adabala Seshagiri Rao	– Member
Ms. Sreelakshmi Manthena	– Member

Nomination and Remuneration Committee

Mr. Pasupuleti Dinakara Rao	– Chairman
Mr. Adabala Seshagiri Rao	– Member
Mr. Anji Raju Manthena	– Member

Corporate Social Responsibility Committee

Mr. Pasupuleti Dinakara Rao	– Chairman
Mr. Ayyagari Viswanadha Sarma	– Member
Mr. Sitarama Raju Manthena	– Member

Stakeholders Relationship Committee:

Mr. Pasupuleti Dinakara Rao	– Chairman
Mr. Ayyagari Viswanadha Sarma	– Member
Mr. Sitarama Raju Manthena	– Member

Risk Management Committee

Mr. Ayyagari Viswanadha Sarma	– Member
Mr. Pasupuleti Dinakara Rao	– Chairman
Mr. Janardhana Reddy Vinta	– Member

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NOTICE

Notice is hereby given that the 33rd Annual General Meeting of the Members of M/s. Kernex Microsystems (India) Limited will be held on Monday, 29th September 2025 at 11:00 A.M. IST through Video Conference ("VC")/ Other Audio Visual Means ("OAVM")/ to transact the following items of business:

ORDINARY BUSINESS

1. TO RECEIVE, CONSIDER AND ADOPT

(a) **THE AUDITED STANDALONE FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED MARCH 31, 2025 AND THE REPORT OF THE BOARD OF DIRECTORS AND AUDITORS THEREON; AND**

(b) **THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED MARCH 31, 2025 AND THE REPORT OF AUDITORS THEREON**

*To consider and if thought fit to pass with or without modification(s) the following resolution as **Ordinary Resolutions***

a) **"RESOLVED THAT** the audited standalone financial statements of the Company for the financial year ended March 31, 2025 and the reports of the Board of Directors and Auditors thereon, as circulated to the Members, be and are hereby received, considered and adopted."

b) **"RESOLVED THAT** the audited consolidated financial statements of the Company for the financial year ended March 31, 2025 and the report of Auditors thereon, as circulated to the Members, be and are hereby received, considered and adopted."

2. TO APPOINT A DIRECTOR IN PLACE OF MR. JANARDHANA REDDY VINTA (DIN: 02414912) NON-EXECUTIVE DIRECTOR, WHO RETIRES BY ROTATION AND BEING ELIGIBLE OFFERS HIMSELF FOR RE-APPOINTMENT AS A DIRECTOR IN THE COMPANY.

*To consider and if thought fit to pass with or without modification(s) the following resolution as an **Ordinary Resolution***

"RESOLVED THAT pursuant to the provisions of Section 152 (6) and other applicable provisions of the Companies Act, 2013, the approval of the members of the Company be and is hereby accorded to the re-appointment of Mr. Janardhana Reddy Vinta (DIN: 02414912) as a "Director", who shall be liable to retire by rotation."

3. TO APPOINT A DIRECTOR IN PLACE OF MR. MANTHENA BADARI NARAYANA RAJU (DIN: 07993925), WHO RETIRES BY ROTATION AND BEING ELIGIBLE OFFERS HIMSELF FOR RE-APPOINTMENT AS A DIRECTOR IN THE COMPANY.

*To consider and if thought fit to pass with or without modification(s) the following resolution as an **Ordinary Resolution***

"RESOLVED THAT pursuant to the provisions of Section 152 (6) and other applicable provisions of the Companies Act, 2013, the approval of the members of the Company be and is hereby accorded to the re-appointment of Mr. Manthena Badari Narayana Raju (DIN: 07993925), as a "Director", who shall be liable to retire by rotation."

SPECIAL BUSINESS

4. APPOINTMENT OF SECRETARIAL AUDITOR OF THE COMPANY

To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution

“RESOLVED THAT pursuant to the provisions of Section 204 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory amendment(s), modification(s) or re-enactment(s) thereto), and Regulation 24A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) including circulars issued there under, Mr. D S Rao (C.P.No.14487), Company Secretary in Practice be and is hereby appointed as Secretarial Auditor of the Company for a period of 5 (Five) consecutive financial years i.e., from the FY 2025-26 to FY 2029-30 to undertake Secretarial Audit for each of the said years at such remuneration as may be decided by the Board of Directors from time to time and on such terms and conditions as detailed in the Explanatory Statement hereto.”

“RESOLVED FURTHER THAT the Board of Directors, be and is hereby authorized to decide and finalize the terms and conditions of appointment, including remuneration, and to do all other acts, matters, deeds and things as may be deemed necessary or expedient to give effect to this resolution and for the matters connected therewith or incidental thereto.

5. TO RATIFY THE REMUNERATION PAYABLE TO M/S. M P R & ASSOCIATES., COST ACCOUNTANTS, HYDERABAD AS THE “COST AUDITORS” OF THE COMPANY FOR THE FINANCIAL YEAR 2025-26

To consider, and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the remuneration payable to M/s. M P R & Associates, Cost Accountants, (Registration No. 000413), Hyderabad, appointed as Cost Auditors by the Board of Directors of the Company to conduct the audit of the cost records maintained by the Company for the financial year ending March 31, 2026, amounting to Rs. 1.00 Lakh (Rupees One Lakh only) excluding taxes as may be applicable, in addition to reimbursement of all out of pocket expenses, be and is hereby ratified.”

“RESOLVED FURTHER THAT the Board of Directors, be and is hereby authorized to decide and finalize the terms and conditions of appointment, including remuneration, and to do all other acts, matters, deeds and things as may be deemed necessary or expedient to give effect to this resolution and for the matters connected therewith or incidental thereto.

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

Sd/-
Prasada Rao Kalluri
Company Secretary

Place: Hyderabad,
Date: 14th August 2025

NOTES:

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 (“Act”) setting out material facts relating to the business stated are annexed hereto.
2. The Ministry of Corporate Affairs (“MCA”) vide its General Circular dated May 5, 2020 read with Circulars dated April 8, 2020, April 13, 2020, January 13, 2021, December 14, 2021, May 5, 2022, December 28, 2022, September 25, 2023 and September 19, 2024 (collectively referred to as “MCA Circulars”) and SEBI vide its Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020, SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021, SEBI/HO/DDHS/P/CIR/2022/0063 dated May 13, 2022, SEBI/HO/DDHS/DDHSRACPOD1/P/CIR/2023/001 dated January 5, 2023, SEBI/HO/CFD/CFD-PoD-2/P/CIR/2023/167 dated October 7, 2023 and SEBI/HO/CFD/CFD-PoD-2/P/CIR/2024/133 Dated: October 3, 2024 (collectively referred to as “SEBI Circulars”) has permitted the holding of the Annual General Meeting (“AGM”) through Video Conference/Other Audio Visual Means, without the physical presence of the Members at a common venue. In accordance with the MCA Circulars and applicable provisions of the Companies Act, 2013 (“the Act”) read with Rules made there under and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), the AGM of the Company is being held through VC / OAVM. The deemed venue for the AGM shall be the Registered Office of the Company.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 23rd September 2025 to 29th September 2025 (both days inclusive) for the purpose of giving effect to the transmission and transposition requests lodged with the Company.
4. 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.
5. The Members can join the AGM in the VC/OAVM mode 15 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 for 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.
6. 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.
7. 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.

8. 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 Limited ("Kfin") for assistance in this regard.
9. 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.
10. 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.
11. 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.
12. 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.
13. 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.
14. 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.
15. 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 2025 through email on acs@kernex.in. The same will be replied by the Company suitably.
16. 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 2nd 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.
17. SEBI vide circular nos. SEBI/HO/OIAE/OIAE_IAD- 1/P/CIR/2023/131 dated July 31, 2023 and SEBI/HO/ OIAE/OIAE_IAD-1/P/CIR/2023/135 dated August 4, 2023 read with master circular no. SEBI/HO/

OIAE/OIAE_IAD-1/P/CIR/2023/145 dated August 11, 2023, had issued guidelines towards an additional mechanism for investors to resolve their grievances by way of Online Dispute Resolution ('ODR') through a common ODR portal. Pursuant to above-mentioned circulars, post exhausting the option to resolve their grievance with the Company/its Registrar and Share Transfer Agent directly and through existing SCORES platform, the investors can initiate dispute resolution through the ODR Portal (<https://smartodr.in/login>).

18. SEBI, vide its circular dated 3 November 2021 (subsequently amended by circulars dated 14 December 2021, 16 March 2023 and 17 November 2023) mandated that the security holders (holding securities in physical form), whose folio(s) do not have PAN or Choice of Nomination or Contact Details or Mobile Number or Bank Account Details or Specimen Signature updated, shall be eligible for any dividend payment in respect of such folios, only through electronic mode with effect from 1 April 2024, only upon furnishing the PAN, choice of nomination, contact details including mobile number, bank account details and specimen signature.

Further, relevant FAQs published by SEBI on its website can be viewed at the following link: https://www.sebi.gov.in/sebi_data/faqfiles/jan-2024/1704433843359.pdf

19. Members may please note that SEBI vide its Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/8 dated 25th January 2022 has mandated the Listed Companies to issue securities in demat form only while processing service requests viz. Issue of duplicate securities certificate; claim from Unclaimed Suspense Account; Renewal/Exchange of securities certificate; Endorsement; Sub-division/Splitting of securities certificate; Consolidation of securities certificates/folios; Transmission and Transposition. Accordingly, Shareholders are requested to make service requests by submitting a duly filled and signed Form ISR-4, the format of which is available on the Company's website under Investors Corner and on the website of the Company's RTA. Member may also send email to obtain format by sending an email to acs@kernex.in or the RTA. It may be noted that any service request can be processed only after the folio is KYC compliant.
20. The Notice calling the AGM along with the Annual Report has been uploaded on the website of the Company at www.kernex.in. The Notice and Annual Report can also be accessed from the websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively and the AGM Notice is also available on the website of NSDL (agency for providing the Remote e-Voting facility) i.e. www.evoting.nsdl.com. 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.
21. In compliance with the aforesaid MCA Circulars and SEBI Circular dated May 12, 2020 (collectively referred to as "MCA Circulars"), AGM Notice and Annual Report is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories as on 29th August 2025. 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.
22. In case any member is desirous of obtaining hard copy of the Annual Report for the financial year 2024-25 they may send a request from the registered e-mail address to the Company's e-mail address at acs@kernex.in mentioning their Folio no./ DP ID and Client ID.
23. Additionally, in accordance with Regulation 36(1)(b) of the Listing Regulations, the Company is also sending a letter to members whose e-mail address is not registered with Company/ Depository Participant

providing the exact web-link of Company's website from where the Annual Report for financial year 2024-25 can be accessed.

24. Since the AGM will be held through VC / OAVM, the Route Map is not annexed in this Notice.
25. Retirement of Directors by rotation: Mr. Janardhana Reddy Vinta, Non-Executive Director and Mr. M B Narayana Raju, Whole-Time Director of the Company, retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment. The Board of directors recommended their re-appointment.

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

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

1. The Ministry of Corporate Affairs ("MCA") vide its General Circular dated May 5, 2020 read with Circulars dated April 8, 2020, April 13, 2020, January 13, 2021, December 14, 2021, May 5, 2022, December 28, 2022, September 25, 2023 and September 19, 2024 (collectively referred to as "MCA Circulars") and SEBI vide its Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020, SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021, SEBI/HO/DDHS/P/CIR/2022/0063 dated May 13, 2022, SEBI/HO/DDHS/DDHSRACPOD1/P/CIR/2023/001 dated January 5, 2023, SEBI/HO/CFD/CFD-PoD-2/P/CIR/2023/167 dated October 7, 2023 and SEBI/HO/CFD/CFD-PoD-2/P/CIR/2024/133 Dated: October 3, 2024 (collectively referred to as "SEBI Circulars") has permitted the holding of the Annual General Meeting ("AGM") through Video Conference/Other Audio Visual Means, without the physical presence of the Members at a common venue. In accordance with the MCA Circulars and applicable provisions of the Companies Act, 2013 ("the Act") read with Rules made there under and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the AGM of the Company is being held through VC / OAVM. The deemed venue for the AGM shall be the Registered Office of the Company.
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, January 13, 2021, December 14, 2021, May 5, 2022, December 28, 2022 September 25, 2023 and September 19, 2024, 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 Depository Services (India) 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 and Annual Report has been uploaded on the website of the Company at www.kernex.in. The Notice of AGM and Annual Report can also be accessed from the websites of the Stock Exchanges i.e. BSE Limited at www.bseindia.com and NSE at 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

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

The remote e-voting period begins on Friday, 26th September 2025 (9:00 a.m. IST) and ends on Sunday, 28th September 2025 (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. 22nd September 2025, 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 22nd September 2025.

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.com. 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**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"> Existing IdeAS user can visit the e-Services website of NSDL Viz. https://eservices.nsd.com either on a Personal Computer or on a mobile. On the e-Services home page click on the “Beneficial Owner” icon under “Login” which is available under ‘IdeAS’ 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 “Access to e-Voting” under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider i.e., NSDL and you will be re-directed to e-Voting website of NSDL for casting your vote during the remote e-Voting period. If you are not registered for IdeAS e-Services, option to register is available at https://eservices.nsd.com. Select “Register Online for IdeAS Portal” or click at https://eservices.nsd.com/SecureWeb/IdeasDirectReg.jsp Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsd.com/ 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 ‘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 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. Shareholders/Members can also download NSDL Mobile App “NSDL Speede” facility by scanning the QR code mentioned below for seamless voting experience. <div style="text-align: center;"> <p>NSDL Mobile App is available on</p>    </div>
Individual Shareholders holding securities in demat mode with CDSL	<ol style="list-style-type: none"> 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 https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi. After successful login of Easi/Easiest the user will be also able to see the E Voting Menu. The Menu will have links of e-Voting service provider i.e. NSDL. Click on NSDL to cast your vote. If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. NSDL where the e-Voting is in progress.

Individual Shareholders (holding securities in demat mode) login through their depository participants	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
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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 evoting@nsdl.com 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 helpdesk.evoting@cdslindia.com or contact at 022- 23058738 or 022-23058542-43

B) Login Method for e-Voting and joining virtual meeting for 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.
 - b. **Physical User Reset Password?**" (If you are holding shares in physical mode) option available on 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.com 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 rao_ds7@yahoo.co.in with a copy marked to evoting@nsdl.com.
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 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 or call on toll free no.: 1800 1020 990 and 1800 22 44 30 or send a request to (Name of NSDL Official) at evoting@nsdl.com.

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.
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. 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.com 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.

THE INSTRUCTIONS FOR MEMBERS FOR e-VOTING ON THE DAY OF THE EGM/AGM ARE AS UNDER:-

1. The procedure for e-Voting on the day of the EGM/AGM is same as the instructions mentioned above for remote e-voting.
2. Only those Members/ shareholders, who will be present in the EGM/AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the EGM/AGM.
3. Members who have voted through Remote e-Voting will be eligible to attend the EGM/AGM. However, they will not be eligible to vote at the EGM/AGM.
4. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the EGM/AGM shall be the same person mentioned for Remote e-voting.

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 from 24th September 2025 (9:00 a.m. IST) to 25th September 2025 (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. 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 22nd September 2025. 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 Mr. D S Rao, Practicing Company Secretary, 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 venue voting. If a member casts votes by both modes, then voting done through remote e-voting shall prevail and venue voting 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 venue voting, thereafter unlock the votes through remote e-voting in the presence of at least two witnesses, not in the employment of the Company and make, not later than two working 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 authorized 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 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 29th September 2025.

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

Sd/-
Prasada Rao Kalluri
Company Secretary

Place: Hyderabad,
Date: 14th August 2025

EXPLANATORY STATEMENT

(PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013)

As required by Section 102 of the Companies Act, 2013 (Act), the following explanatory statement sets out all the material facts relating to the business mentioned under Item Nos. 4 to 5 of the accompanying Notice.

Item No. 4

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, every listed Company and other specified class of companies, are required to attach with its Board's report made in terms of section 134(3) of the Companies Act, 2013, a report on Secretarial Audit given by Company Secretary in practice. Further, Regulation 24A of the Listing Regulations requires listed Companies and material unlisted subsidiaries incorporated in India to undertake secretarial audit by a secretarial auditor who shall be a peer reviewed company secretary and annex the secretarial audit report in such form as specified, with its Annual report. The aforementioned regulation apart from listing down the eligibility criteria for appointment of secretarial auditor, further stipulates that the appointment/reappointment of an individual as a secretarial auditor cannot be more than one term of 5(Five) consecutive years and in case the secretarial auditor is secretarial audit firm, it cannot be for more than two terms of 5 (Five) consecutive years and such an appointment/reappointment is required to be approved by the members of the Company at its annual general meeting, basis recommendation of the Board of Directors.

In view of the aforesaid, on basis the recommendation of the Audit committee, the Board at its meeting held on Thursday, 14th August 2025 recommended the appointment of Mr. D S Rao (C.P.No.14487), Practicing Company Secretary as Secretarial auditor, after evaluating and considering various factors such as industry experience, competency, efficiency in conduct of audit, independence, etc., for a period of 5 (Five) years i.e., from the FY 2025-26 to FY 2029-30, to undertake secretarial audit at a remuneration of Rs. 1.50 lakhs (plus applicable taxes) for the FY 2025-26 and at such remuneration as may be decided by the Board of Directors of the Company in mutual consent with the Secretarial Auditors, for subsequent years. The proposed fee is based on Knowledge, expertise, Industry experience, time and efforts required to be put in by the secretarial auditors for the said audit.

Mr. D S Rao is having more than 15 years of experience with specialization across secretarial audits, corporate laws, securities laws including corporate governance, capital markets etc. Mr. D S Rao is a peer reviewed practicing company secretary (PR No.1817/2022) in terms of the Listing Regulations and guidelines issued by the Institute of Company Secretaries of India (ICSI) and also meets the eligibility criteria as enumerated under Regulation 24A (1A) of the Listing Regulations.

He has given his consent to act as the Secretarial Auditor of the Company and has confirmed that the said appointment, if made, will be in accordance with the conditions prescribed under the Act, Listing Regulations and guidelines issued by the Institute of Company Secretaries of India. The appointment of Secretarial Auditors shall be in terms of the amended Regulation 24A of the Listing Regulations vide SEBI Notification dated December 12, 2024, and provisions of Section 204 of the Act and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

In view of the aforesaid, the Board recommends the ordinary resolution set out at Item No. 4 for approval of the Members. None of the Directors, Key Managerial Personnel, or their respective relatives is, in any way, concerned or interested, whether financially or otherwise, in the said resolution.

Item No. 5

M/s. M P R & ASSOCIATES (FRN: 000413), founded in 2012, is a Hyderabad-based firm of Cost Accountants specializing in Costing, Taxation, and Cost Advisory Services. The firm consisting of qualified cost accountants has undertaken many assignments in various industries. The clients list includes leading Companies with multiple locations and diversified product Portfolio. They have expertise in the areas which include: Cost Audit, Product Costing, Cost System Designing and Implementation, Cost of Production Certifications Under CAS-4, Internal Audit, Stock Audits & Valuation, and Local Content Certification.

Pursuant to the recommendation of the Audit Committee, the Board of Directors at its meeting held on 14th August 2025 appointed M/s. M P R & Associates, Cost Accountants, (Registration No. 000413) to the office of Cost Auditors of the Company for the FY 2025-26 at a remuneration of Rs. 1.00 Lakh subject to the approval of members of the Company.

In accordance with Rule 14 of Companies (Audit and Auditors) Rules 2014, the remuneration payable to the Cost Auditors requires ratification by the Shareholders and hence the resolution at No. 5 in the Notice attached herewith is put up for the consideration of the shareholders.

The resolution is recommended for your consideration and approval.

None of the Directors, Key Managerial Personnel, or their respective relatives is, in any way, concerned or interested, whether financially or otherwise, in the said resolution.

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

Sd/-
Prasada Rao Kalluri
Company Secretary

Place: Hyderabad

Date: 14th August 2025

DETAILS OF THE DIRECTORS RETIRING BY ROTATION/SEEKING RE-APPOINTMENT IN THE FORTHCOMING ANNUAL GENERAL MEETING:

[Pursuant of the Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard (SS-2) on General Meeting]

Name of the Director	Mr. Janardhana Reddy Vinta	Mr. M B Narayana Raju
Director Identification No	02414912	07993925
Date of Birth	August 10, 1946	August 01, 1954
Date of First Appointment on the Board	20.09.2008	20.11.2017
Educational Qualifications	MBBS and MD (USA)	Bachelor Degree in Commerce from Andhra University
Date of Appointment including terms and conditions of appointment	Non-Executive, Non- Independent Director, liable to retire by rotation	Executive Director, liable to retire by rotation
Relationship between Directors Inter-Se	There is no inter se relationship with the directors	There is no inter se relationship with the directors
Nature of Expertise in Specific Functional Area	He has 51 years' experience as Physician working in USA. He is a member of Texas Medical Association, USA. He worked as executive vice president TANA and convener for 7 th TANA conference.	Mr. M B Narayana Raju is in the employment of the company for the past 24 years at a senior level with the designation of Chief Administrative and Commercial Officer and as a Whole Time Director from 20 th November'2017 and is looking after the General and Personnel Administration, liaison with all Government Agencies and Compliances with GST, PF,ESI, etc.,
Directorship in other Listed Entities as on March 31, 2025	Nil	Nil
Listed entities from which the appointee director has resigned in the past three years	Nil	Nil
Membership in Committees of other Listed Companies (includes only Audit Committee and Stakeholders Relationship Committee)	Nil	Nil
Details of Remuneration sought to be paid and the remuneration last drawn by such person	Sitting fees as disclosed in report on Corporate Governance forming part of the Annual Report	Remuneration as disclosed in report on Corporate Governance forming part of the Annual Report

Name of the Director	Mr. Janardhana Reddy Vinta	Mr. M B Narayana Raju
Shareholding in the Company as on March 31, 2025	3,27,523	2,087
Number of Meetings of the Board attended during the year	7	8
The skills and capabilities required for the role and the manner in which the proposed person meets such requirements	The educational qualifications, expertise and vast experience of Mr. Janardhana Reddy Vinta enables him to fulfil the role and discharge responsibilities as a Director	The educational qualifications, expertise and vast experience of Mr. Manthena Badari Narayana Raju enables him to fulfil the role and discharge responsibilities as a Director

DIRECTORS REPORT

To
 The Members,
 Kernex Microsystems (India) Limited.

Your Directors take pleasure in presenting the Thirty-Third Annual Report, along with the audited financial statements of your Company for the year ended 31st March 2025.

1. Financial Results (Standalone)

During the year under review, the Company registered a Profit before tax of Rs. 3,337.43 lakhs for the year ended March 31, 2025, on a standalone basis. A summary of the financial performance of the Company on a standalone and consolidated basis for the financial year ended March 31, 2025, is given below:

(Rs. In Lakhs)

Particulars	Standalone		Consolidated	
	2024-25 Current Year	2023-24 Previous Year	2024-25 Current Year	2023-24 Previous Year
Revenue from Operations	18,965.11	1,929.83	18,977.39	1,959.80
Other Income	218.02	201.66	144.71	130.63
Total Revenue	19,183.13	2,131.49	19,122.10	2,090.43
Total Expenditure Before Interest, Depreciation and Exceptional Item	14,885.91	3672.10	14,896.77	4,247.09
Profit/(Loss) before Interest, Depreciation and Exceptional Items, Prior Period Items & tax	4,297.22	(1540.61)	4,225.33	(2,156.66)
Less: Prior period Items	-	-		
Profit/(Loss) Before Interest, Depreciation and Exceptional Item	4,297.22	(1,540.61)	4,225.33	(2,156.66)
Finance Charges	677.01	274.56	691.94	288.97
Gross Profit/(Loss) before Depreciation and Exceptional Item	3,620.21	(1,815.17)	3,533.39	(2,445.63)
Depreciation	282.78	234.04	282.79	234.04
Net Profit(Loss) Before Tax and Exceptional Item	3,337.43	(2,049.21)	3,250.60	(2,679.67)
Exceptional Item	-	-		
Provision for Tax	(1,754.28)	(8.69)	(1,754.28)	(8.69)
Net Profit/(Loss) After Tax	5,091.71	(2,040.53)	5,004.88	(2,670.98)

EPS				
Basic	30.381	(12.830)	29.9753	(16.6072)
Diluted	30.353	(12.830)	29.9474	(16.6072)
Proposed Dividend on Equity Shares	-	-	-	-
Tax on proposed Dividend	-	-	-	-

The Standalone and Consolidated Financial Statements of the Company for the financial year ended March 31, 2025 have been prepared in accordance with the Indian Accounting Standard (Ind AS) as notified by the Ministry of Corporate Affairs and as amended from time to time.

Standalone

During the year under review, on standalone basis, the total Income from the operations increased by 882%. The same was Rs.18,965.11/- Lakhs for the current FY 2024-25 as compared to Rs.1,929.83/- Lakhs for the previous FY 2023-24. Total Net Profit increased by 348 %, the same was Rs.5,091.71/- Lakhs for the current FY 2024-25 as compared to Rs. (2,040.50)/- Lakhs for the previous FY 2023-24.

Consolidated

During the year under review, on consolidated basis, the total Income from the operations increased by 868.33%. The same was Rs.18,977.39 Lakhs for the current FY 2024-25 as compared to Rs.1,959.80 Lakhs for the previous FY 2023-24. Total Net Profit increased by 294 %, the same was Rs.5,004.88 Lakhs for the current FY 2024-25 as compared to Rs.(2,670.98) Lakhs for the previous FY 2023-24.

2. Amount, if any, which the Board proposes to, carry to any reserves

The Directors of the Company have not proposed to transfer any amount to reserves for the year under review.

3. Dividends

During the period under review, the Directors of the Company have not declared any dividend for the financial year.

4. State of Company's Affairs

Your Company recorded a turnover of Rs. 18,965.11 Lakhs for the financial year 2024-25. The Company has reported a profit before tax of Rs. 3,337.43 Lakhs, compared to a loss of Rs. (2,049.21) Lakhs in the previous financial year.

Domestic

- South Central Railways (SCR)**

We are pleased to inform that the inspection by the Principal Chief Signal & Telecommunication Engineer (PCSTE) has been successfully completed. The inspection covered all technical, operational, and safety parameters as per the prescribed norms and has met the satisfaction of the inspecting authority.

Following the inspection, the handing-over process is currently in progress. This involves: Final documentation and submission of inspection reports, Resolution of any minor observations or comments, if any, Transfer of control and responsibility to the designated Railway authorities, Training and familiarization of the operational staff (if required), Signing of necessary hand-over certificates and records

This marks a critical step towards the formal commissioning of the system and commencement of regular operations. The project's nearing completion underscores the collaborative efforts and technical expertise involved, promising to enhance the region's railway network upon its conclusion.

The TCAS System – Generic Application Version 1.1 has been assessed and certified by Italcertifer S.P.A., Italy. As part of the assessment process, Italcertifer conducted a comprehensive evaluation of both the system design and the manufacturing phase, ensuring full compliance with applicable international standards and safety requirements.

This certification marks a significant milestone, reinforcing the reliability and conformity of the TCAS System Version 1.1 for operational use across south central railway zone.

KERNEX-VRRM JV has bagged order for Upgradation of Kavach Version 3.2 to 4.0 in Sadashivpet Road (Excluding) - Bidar - Parli Vaijnath - Parbhani(Excluding) Section of South Central Railway for an amount of Rs. 21.03 crores. Raw material procurement for the project is currently in progress, and purchase orders have already been placed to ensure timely execution of the work. The first batch of units are getting manufactured internally.

- **North Central Railways (NCR) - A&B**

Kernex Microsystems and KEC International have formed a consortium and successfully secured two significant contracts with a combined value of approximately Rs.536 crores. These orders pertain to the North Central Railway section, covering a total distance of 751.22 RKM. This collaboration marks a substantial achievement for both companies, highlighting their capabilities in the railway infrastructure sector.

Project 1 – NCR A (Section between Chipyana Buzurg (Excl) – Kanpur (Excl) in the North Central Railway)

- The first and second milestones of the project were completed successfully. The installation works for the balance Milestones is complete, testing & other activities are in progress
- Supply of units for the entire project is complete and the supply of spares is planned
- The loco installation is complete for all planned 139 locos
- The required documentation for the phase wise ISA activity is in progress.

Project 2 – NCR B (Section between Kanpur (Incl) – DDU (Excl) in the North Central Railway)

- The first and second milestones of the project were completed successfully. The installation works for the balance Milestones is complete, testing & other activities are in progress.
- Supply of units for the entire project is complete and the supply of spares is planned
- The loco installation is complete for all planned 153 locos
- The required documentation for the phase wise ISA activity is in progress.

Project 3 –ICF (Integral Coach Factory, Chennai)

- A total of 55 TCAS units have been supplied, out of which 25 units have been successfully installed and commissioned at designated locations, in compliance with all functional and technical specifications. The installation of the remaining units is currently in progress and is being carried out as per the planned schedule by ICF.

Project - 4 - SCR Project - Automatic block signaling system in Vemulapadu - Muddanuru section (ABS)

- Kernex Microsystems has formed a Joint Venture under name VRRK-KERNEX-CE-RVR JV, for comprehensive signaling and telecommunication works for provision of automatic block signaling system in Vemulapadu - Muddanuru section of Guntakal division in South Central Railway with a combined value of approximately Rs.109.45 crores covering a total distance of 70.73 RKM kilometers.

The entire project has been strategically divided into four milestones for phased execution and delivery. The current status of each milestone is as follows:

- Milestone 1 & Milestone 2:
Covering a total length of 18.69 Kms, the work under these two milestones has been successfully completed and commissioned.
- Milestone 3:
Spanning 20.11 Kms, the physical work has been fully completed. The milestone is currently awaiting final approval and clearance from the concerned Railway authorities.
- Milestone 4:
Encompassing 31.93 Kms, this milestone is presently under active execution, with installation and related works in progress as per schedule.

Project - 5 - Chittaranjan Locomotive Works (CLW) - Supply and Installation of Loco TCAS

- Your company has bagged order for Supply, Installation, Testing and commissioning and defect liability and long term annual maintenance of On-Board KAVACH equipment along with supply and installation of CAB roof antenna including complete wiring, harnessing, cabling and connection with Loco KAVACH System from Chittaranjan Locomotive Works. Total no. of units to be supplied is for 2,500 with a value of approximately Rs.2041.40 crores. Raw material procurement for the project is currently in progress, and purchase orders have already been placed to ensure timely execution of the work. The first batch of units are getting manufactured internally.

Project – 6 South Eastern Railways (SER) - (GD & GQ Routes)

- Kernex Microsystems (India) Limited, in consortium with MRT Signals Limited, has successfully secured a major contract valued at approximately ₹325.33 crores. This prestigious order involves the Supply, Installation, Testing, and Commissioning of Kavach across GO & GO routes covering 688 RKM in the Kharagpur and Chakradharpur Divisions of South Eastern Railway.
- This significant win underscores the technical expertise and execution capabilities of both consortium partners in the field of advanced railway signaling and safety systems. It also marks a key milestone in their contribution to the Indian Railways' modernization and safety enhancement initiatives.

- The survey of stations in the Chakradharpur section is complete and work is in progress at Kharagpur section. The other survey activities like RSSI survey is in progress for the entire section to meet the Milestone1 requirements. Material procurement is in progress for the units planned for Milestone 2 requirements. Appointment of assessor for the ISA activity is in progress.

Project - 7 - North Central Railways (NCR) - (BHUTESHWAR (INCL) - DHOLPUR (INCL) Section in NCR)

- KERNEX-KEC Consortium has bagged order for provision of KAVACH (Train Collision Avoidance System), along with Tower and 4X48 fibre OFC as a backbone on BHUTESHWAR (INCL) - DHOLPUR (INCL) Section in NCR valued at approximately ₹85.14 crores. Raw material procurement for the project is currently in progress, and purchase orders have already been placed to ensure timely execution of the work.
- The survey of stations in the entire section is complete. The other survey activities like RSSI survey is in progress for the entire section to meet the Milestone1 requirements. Material procurement is in progress for the units planned for Milestone 2 requirements. Appointment of assessor for the ISA activity is in progress.

Project – 8 - MAS-GDR, MAS-AJJ, AJJ-RU SR Section of Chennai Division in Southern Railways - (SR)

- KERNEX- VRRC CONSORTIUM has bagged order for Provision Of Kavach (Train Collision Avoidance System), In MAS-GDR, MAS-AJJ, AJJ-RU Sections (271km) Of Chennai Division in SR valued at approximately ₹173.11 crores. Raw material procurement for the project is currently in progress, and purchase orders have already been placed to ensure timely execution of the work.
- The survey of stations in the entire section is complete. The other survey activities like RSSI survey is in progress for the entire section to meet the Milestone1 requirements. Material procurement is in progress for the units planned for Milestone 2 requirements. Appointment of assessor for the ISA activity is in progress.

Project - 9 Arakkonam (AJJ Jn)-Jolarpettai(JTJ Jn) Section of Chennai Division in Southern Railways - (SR)

- KERNEX- VRRC CONSORTIUM has bagged order for Provision of KAVACH (Train Collision Avoidance System) along with Tower and 48 Fiber OFC as backbone Network in Arakkonam (AJJ Jn)-Jolarpettai(JTJ Jn) Section of Chennai Division in SR valued at approximately ₹135 crores. Raw material procurement for the project is currently in progress, and purchase orders have already been placed to ensure timely execution of the work.
- The survey of stations in the entire section is complete. The other survey activities like RSSI survey is in progress for the entire section to meet the Milestone1 requirements. Material procurement is in progress for the units planned for Milestone 2 requirements. Appointment of assessor for the ISA activity is in progress.

Project – 10 Palanpur - Samakhiali – Gandhidham Section (300.71 Km) On Ahmedabad Division of Western Railway

- KERNEX-KEC Consortium has bagged order for Provision of KAVACH Version 4.0 or latest (formerly known as Train Collision Avoidance System-TCAS), including provision of communication backbone based on UHF and OFC on Palanpur – Samakhiali – Gandhidham Section on Ahmedabad Division of Western Railway valued at approximately ₹182.81 crores. Raw material procurement for the project is currently in progress, and purchase orders have already been placed to ensure timely execution of the work.

- The survey of stations is planned in the entire section and the PO's were released. Material procurement is in progress for the units planned for Milestone 2 requirements. Appointment of assessor for the ISA activity is in progress.

International

EGYPTIAN NATIONAL RAILWAYS (ENR), CAIRO

Project Overview:

- Total Gates Supplied: 136
- Total Gates Installed and Commissioned: 124
- Final Handover Status: In Progress

Material Supply and Adjustments:

- 100% Material Supply Completed.
- The project was mutually agreed to be shortened from 136 Lx gates to 124 Lx gates.
- 2 Lx gates were repaired and rebuilt.
- Remaining material related to the 10 Lx gates that were not installed is currently being handed over to ENR. So far, 102 wheel sensors have been handed over.

Warranty Maintenance:

- Warranty maintenance for three groups (totaling 102 Lx gates) has been completed.
- Warranty maintenance for the fourth group (22 Lx gates) has also been completed.

Final Handover (FHO):

- FHO of Lx sites is ongoing.
- FHO has been completed for 81 out of 85 Lx sites that are currently operational.
- ENR has dismantled and removed 39 Lx sites out of the 124 Lx gates that were commissioned.

Remaining Deliverables:

- 100 Booms were delivered to ENR for use as spares.

5. Change in Nature of business

Your Company primarily operates in the business of manufacturing safety systems for railways. During the period under review, there has been no change in the business activities of the Company.

6. Transfer of unclaimed dividend

There is no unclaimed dividend requiring transfer to the Investor Education and Protection Fund (IEPF) in the FY 2025-26.

7. Annual Return

The Annual Return of the Company as on March 31, 2025, in the Form MGT-7 in accordance with Section 92(3) and 134(3)(9) of the Act as amended from time to time and the Companies (Management and Administration) Rules, 2014 is available on the website of the Company at www.kernex.in.

8. Material changes and commitments, if any, affecting the financial position of the company, having occurred since the end of the Year and till the date of the Report

During the period under review, on 26th June 2025, the Company has received approval from both the stock exchanges (i.e. BSE Limited and National Stock Exchange of India Limited) for Re-Classification of some of the Promoters/Promoters Group Shareholders to Public Category under Regulation 31A of SEBI (LODR) Regulations, 2015.

Except the mentioned above, there have been no material changes or commitments affecting the financial position of your Company that occurred between the end of the financial year to which the financial statements relate and the date of this Report.

9. Subsidiary and Joint Venture details with consolidated financial statement

Your Company has one 100% wholly owned subsidiary, Avant-Garde Infosystems Inc., in the USA, and Two Joint Ventures (KERNEX TCAS – JV & VRRC-KERNEX-CE-RVR-JV). There were no associate companies as of 31st March 2025. There has been no change in the business activities of the subsidiary and the Joint Ventures during the year under review.

In accordance with Section 129(3) of the Companies Act, 2013, the Company has prepared consolidated financial statements, including the financials of the Company, the subsidiary, and the Joint Ventures, in the same form and manner as its own, in compliance with the Accounting Standards and the listing regulations of the stock exchanges. These consolidated financial statements are forming part of the Annual Report and will be laid before the Annual General Meeting.

A report containing detailed information about the subsidiary is annexed to this report as **Annexure–A**.

Companies which have become or ceased to be subsidiaries, associates, and joint ventures.

During the period under review, no company has become or ceased to be a subsidiary, associate, or joint venture of the Company.

10. Directors and Key Managerial Personnel

The following are the Key Managerial Personnel (KMP) of the Company pursuant to the provisions of Section 203 of the Companies Act, 2013, as on 31st March, 2025:-

- | | |
|------------------------------|--|
| 1. Ms. Sreelakshmi Manthena, | Managing Director |
| 2. Mr. M B Narayana Raju, | Whole-Time Director |
| 3. Mr. Sitarama Raju M, | Whole-Time Director |
| 4. Mr. Pamidi Srikanth, | Chief Financial Officer |
| 5. Mr. Prasada Rao K, | Company Secretary & Compliance Officer |

The following are the Directors of the Company as on 31st March 2025 apart from Key Managerial Personnel mentioned above:

1. Mr. Adabala Seshagiri Rao
2. Mr. Pasupuleti Dinakara Rao
3. Mr. Ayyagari Viswanadha Sarma
4. Mr. Anji Raju Manthena
5. Mr. Janardhana Reddy Vinta

Independent Director Declaration:

All the Independent Directors of your Company, viz., Mr. A Seshagiri Rao, Mr. P Dinakara Rao and Mr. A

V Sarma have registered themselves with the databank maintained by the Indian Institute of Corporate Affairs, in terms of the provisions of amended Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2019 and the Companies (Creation and Maintenance of Databank of Independent Directors) Rules, 2019. Additionally, these Directors have successfully completed/exempted the test conducted by the Indian Institute of Corporate Affairs.

The Company has received the necessary declaration from each Independent Director in accordance with Section 149(7) of the Companies Act, 2013, read with Regulations 16 and 25(8) of the Listing Regulations that they met the criteria of independence as laid out in Section 149(6) of the Companies Act, 2013 and Regulations 16(1)(b) and 25(8) of the Listing Regulations (LODR), 2015 and the same have been taken on record by the Board after undertaking due assessment of the veracity of the same.

The criteria for determining qualifications, positive attributes and independence of Directors is provided in the Nomination and Remuneration Policy of the Company is available on the website, viz., www.kernex.in at the web link <https://www.kernex.in/company/investor-relations/#1664360427519-a34ca597-61d7>

All the Independent Directors of the Company have complied with the Code for Independent Directors prescribed in Schedule IV to the Companies Act, 2013.

Appointments/Re- Appointments:

In accordance with the provisions of Section 152 of the Companies Act, 2013, Mr. Vinta Janardhan Reddy and Mr. M B Narayana Raju, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

Members are aware that Mr. Adabala Seshagiri Rao and Mr. Ayyagari Viswanadha Sarma appointed as an Additional Directors under Independent category of the company on 6th September 2024. The above appointments were approved by the members at the 32nd Annual General Meeting.

Further also, the nomination and remuneration committee and board of Directors had recommended to the members for the appointment of Mr. Pasupuleti Dinakara Rao as an Independent Director of the Company w.e.f. 30th September 2024 and the appointment of Mr. Pasupuleti Dinakara Rao was approved by the members at the 32nd Annual General Meeting.

Further also, based on the recommended of Nomination and Remuneration Committee and remuneration approved by Audit Committee, the Board appointed Ms. Sreelakshmi Manthena as a Managing Director of the Company for a period of three years, effective from 23rd May 2025. This appointment was subsequently approved by the members through postal ballot conducted on 9th August 2025 (i.e. Last date of receipt of Postal Ballot).

The brief profiles of the Directors who are to be appointed or re-appointed and necessary resolutions have been included in the notice convening the Annual General Meeting (AGM).

Further, during the year under review, Mr. Sreenivasa Rao R and Mr. Somasekhara Rao K were ceased from the office of the directors on 29th September 2024 as their term of office of 5 years completed.

Further, during the year under review, Mr. Narender Kumar Ceased to be a non-executive director w.e.f. 30th September 2024

Furthermore, during the year under review, Mr. A V S K Mohan ceased from the office of the director on 7th February 2025 as his term of office of 5 years completed.

Familiarization Programs for Independent Director's

The Company undertakes a comprehensive familiarization program for all Independent Directors, ensuring they are well-acquainted with their roles, rights, and responsibilities within the Company. This program includes detailed briefings on various aspects such as the nature of the industry, risk management, board evaluation processes, financial controls, management, board effectiveness, and strategic direction.

Directors are thoroughly informed about the regulatory compliances required under the Companies Act, SEBI (LODR) Regulations, 2015, and other relevant regulations, with their affirmation obtained for the same. To provide a deeper understanding of the Company's operations, Directors are given insights into the functioning of various divisions and departments, the Company's market share, the markets it operates in, as well as governance and internal control processes.

The Whole-Time Directors engage in personal discussions with Independent Directors from time to time, further enhancing their understanding of the Company's business and the regulatory framework in which it operates. These initiatives are designed to equip Independent Directors with the knowledge and context needed to effectively fulfill their roles, contributing to informed decision-making and robust governance within the Company.

11. Compliance with Secretarial Standards

The Company is adhering to the applicable Secretarial Standards as prescribed by the Institute of Company Secretaries of India (ICSI).

12. Meetings

During the year, eight meetings of the Board of Directors were held on 30th May 2024, 13th July 2024, 31st July 2024, 17th August 2024, 6th September 2024, 14th November 2024, 27th January 2025 and 13th February 2025 and the details are mentioned in the attached Report on Corporate Governance. The intervening gap between the two consecutive Board Meetings was within the prescribed period of 120 days as specified under the provisions of Section 173 of the Act and the Listing Regulations.

The number and dates of meetings held by the Board and its Committees, the attendance of Directors, and details of remuneration paid to them are provided separately in the Corporate Governance Report, in accordance with Section 134(3)(b) of the Companies Act, 2013.

None of the Directors are disqualified under Section 164(2) of the Companies Act, 2013. A certificate confirming non-disqualification of Directors, as required under Regulation 34 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, is annexed to this Annual Report.

13. Committees of the Board

The Board of Directors has established the following Committees:

- a. Audit Committee
- b. Nomination and Remuneration Committee
- c. Stakeholders' Relationship Committee

- d. Risk Management Committee
- e. Corporate Social Responsibility Committee

Details of these Committees, including their composition, number of meetings held, and attendance at the meetings, are provided in the Corporate Governance section of this Report.

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

In accordance with Section 178(1) of the Companies Act, 2013, the Board, on the recommendation of the Nomination and Remuneration Committee, has approved the criteria and policy for the selection and appointment of Directors, Key Managerial Personnel (KMPs), and their remuneration. The Remuneration Policy is detailed in the Report on Corporate Governance.

15. Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and the Listing Regulations, the Board has conducted an annual performance evaluation of its own members, including the Chairman of the Board, individual Directors, as well as the Audit Committee, Nomination and Remuneration Committee, and other Committees. The evaluation was based on various factors such as attendance, contribution, independence of judgment, and preparedness for meetings.

16. 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 Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are provided separately and annexed as **Annexure-B** to this Report.

In accordance with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company does not have any employees who were employed throughout the financial year and received remuneration of Rs.1.02 Crores or more, nor does it have employees employed for part of the year who received Rs.8.50 Lakhs or more per month.

Furthermore, the Company does not have any employee who, during the financial year under review, received remuneration which, in aggregate or at a rate in excess of that drawn by the Managing Director or Whole-Time Director, and holds, either individually or along with his spouse and dependent children, not less than 2% of the equity shares of the Company.

Remuneration received by Managing/Whole time Director from holding or subsidiary company.

The Whole-Time Directors have not received any remuneration from the subsidiary company. Details regarding this are provided in the Report on Corporate Governance.

17. Directors' Responsibility Statement

The Directors, to the best of their knowledge and belief, hereby state and confirm that:

- a. In the preparation of the annual accounts, the applicable accounting standards have been followed, with proper explanations provided for material departures.

- b. The Directors have selected appropriate accounting policies and applied them consistently. They have made reasonable and prudent judgments and estimates to provide a true and fair view of the Company's financial position at the end of the financial year and the loss incurred during that period.
- c. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act, to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.
- d. The annual accounts have been prepared on a going concern basis.
- e. Internal financial controls have been established and are adequate, and such controls are operating effectively.
- f. Proper systems have been devised to ensure compliance with all applicable laws, and these systems are adequate and operating effectively.

18. Share Capital

During the year under review, there was no change in the Authorized, Issued, Subscribed and Paid-up Capital of the Company.

As on 31st March 2025, the Authorized, Issued, Subscribed and Paid-up Capital of the Company is stands at Rs. 1675.94 Lakhs

Issue of equity shares with differential rights:

During the period under review, the Company did not issue any equity shares with differential rights.

Issue of Sweat Equity Shares

During the period under review, the Company did not issue any sweat equity shares.

Details of Employee Stock Options

During the Year, the Company has introduced the "Kernex Microsystems (India) Limited Employees Stock Option Scheme- 2023" ("KMIL ESOS 2023/ or Scheme). The scheme has been approved by the Board of Directors at their meeting held on 14th November 2023, and the Shareholders of the Company on 23rd August 2024.

The objective of the Scheme is to motivate the Employees to contribute to the growth and profitability of the Company, retain the Employees and reduce the attrition rate of the Company, achieve sustained growth and the creation of Shareholder value by aligning the interests of the Employees with the long-term interests of the company, create a sense of ownership and participation amongst the Employees to share the value they create for the Company in the years to come and provide additional deferred rewards to Employees.

The Scheme would result in grant of options not exceeding 1,50,000 equity shares of the Company. Each option, when exercised, would be converted into one equity share of Rs. 10/- each (Rupees Ten Only) fully paidup. The quantum of benefits underlying the stock options issued to an eligible employee shall depend upon the number of stock options held by the employee and the market price of the equity shares as on the date of sale.

During the year under review, on 14th November 2024, the Company had granted 43,000 stock options to its employees under Kernex Microsystems (India) Limited Employee Stock Option Scheme 2023 (KMIL ESOS 2023/ESOS 2023) after taking necessary approvals.

Following are the particulars of ESOP required to be disclosed as per Rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014: -

Details required to be disclosed	Particulars
Description of the scheme	KMIL ESOS 2023
Date of shareholders' approval	23.08.2024
Total options approved	1,50,000
Options Granted during the year	43,000
Option Vested during the year	Nil
Option Exercised during the year	Not Applicable as time is there for exercising
Option Lapsed during the year	Nil
Total number of Option in force at the end of the year	Nil
The exercise price	Rs. 25/-
The Total Number of shares arising as a Result of Exercise of Option	Not Applicable as time is there for exercising
Variation of terms of Option	There is no variation of terms of options
Money realized by exercise of Option	Not Applicable as time is there for exercising
Employee wise Details of Options Granted to (During FY 2024-25)	
i) To Key Managerial Personnel	16,500
ii) Any other employee who receives a grant of options in anyone year of the Option amounting to 5% or more of Options granted during the year.	No employee was granted options amounting to 5% or more of options granted during the year
iii) Identified employees who were granted Option, during any one year, equal to or exceeding 1% of the issued capital (excluding warrants and conversions) of the Company at the time of grant.	No employee was granted options equal to or exceeding 1% or more of issued capital (excluding warrants and conversions) of the Company

Further after closure of the Financial Year 2024-25, on 23.05.2025 the Company has granted 1,200 options to the employees.

During the year, a reserve was made towards the outstanding of Employee Stock Options (ESOPs) and Employee Compensation Expenses (Share based payment expenses) for the year ended March 31, 2025, of Rs.1,456.63 lakhs, which includes Employee Benefit expenses detailed in Note No.30 in standalone financial statements and Note No.28 in consolidated financial statements.

Further, information pursuant to Section 62 of the Companies Act, 2013 read with Rules made there under and details of the Scheme as specified in Part F of Schedule – I of SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 are available on Company's website and may be accessed at www.kernex.in

Further, it is confirmed that the Scheme is in compliance with SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, and during the year under review there were no material changes in the Scheme.

Certificate from Mr. D S Rao, Practicing Company Secretary, Secretarial Auditors of your Company confirming that the scheme has been implemented in accordance with the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, forms part of the Corporate Governance Report and is also placed on the website of your Company at www.kernex.in

19. Particulars of Loans, Guarantees and Investments.

During the period under review, the company has not provided Loans, Guarantees, and Investments covered under the provisions of Section 186 of the Companies Act, 2013. Further, the details of Loans, Guarantees and Investments are provided in the notes forming part of the financial statements.

20. Related Party Transactions

During the financial year 2024-25, all related party transactions entered by the Company were on an arm's length basis and in the ordinary course of business. There were no materially significant related party transactions involving Promoters, Directors, Key Managerial Personnel, or other designated persons during the year. Details of related party transactions under Section 188 of the Companies Act, 2013 are provided in Form AOC-2, annexed as **Annexure-C** to this report.

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

As required under Section 134(3)(m) of the Companies Act, 2013 and Rule 8(3) of the Companies (Accounts) Rules, 2014, the information related to conservation of energy, technology absorption, and foreign exchange earnings and outgo is provided and annexed as **Annexure-D** to this report.

22. Risk Management

Your Company has established a comprehensive risk management framework to identify, assess, monitor, and mitigate various risks to its key business objectives. The major risks identified by the business and functional units are systematically addressed through ongoing mitigating actions. These risk management activities are discussed regularly at the meetings of the Audit Committee and the Board.

The Company has implemented robust internal control systems and processes to optimize risk mitigation measures. These systems are reviewed by the Audit Committee and approved by the Board.

The executive management receives periodic guidance from the Board to enhance risk mitigation strategies and take timely action as needed.

23. Corporate Social Responsibility (CSR)

During the financial year 2024-25, the provisions of Section 135 of the Companies Act, 2013 were not applicable to the Company. However, the Company has established a Corporate Social Responsibility (CSR) Policy and constituted a CSR Committee in accordance with Section 135 of the Companies Act, 2013. The details of the CSR Policy and Committee are available on the Company's website at www.kernex.in.

As per the provisions of Section 135 of the Companies Act, 2013 and the rules made thereunder, the Company is not required to spend any amount towards CSR for the financial year 2025-26, since the Company has incurred losses in the computation of average net profits of the three immediately preceding financial years

24. Details of Significant Material Orders passed by the Regulators / Courts / Tribunal impacting the going concern status and company's operation in future:

No significant or material orders were passed by regulators, courts, or tribunals that would impact the going concern status of the Company or its future operations. However, during the financial year 2024-25, the stock exchanges imposed penalties for the non-submission of financial results for the quarters ended 31st December 2023 and 31st March 2024.

Further, on 26th June 2025, the Company has received approval from both the stock exchanges (i.e. BSE Limited and National Stock Exchange of India Limited) for Re-Classification of some of the Promoters/Promoters Group Shareholders to Public Category under Regulation 31A of SEBI (LODR) Regulations, 2015

25. Whistle Blower Policy / Vigil Mechanism

In compliance with Section 177(9) of the Companies Act, 2013, your Company has established a Whistle Blower Policy/Vigil Mechanism to facilitate the reporting of illegal or unethical behavior. Employees are encouraged to report violations of applicable laws, regulations, and the Company's Code of Conduct. The Audit Committee oversees and reviews reports received through this mechanism. Employees have the option to report directly to the Chairman of the Audit Committee. Throughout the year under review, no employee was denied access to the Audit Committee. The Directors and senior management are committed to maintaining the confidentiality of the reporting process and ensuring that whistleblowers are protected from any form of discrimination.

26. Deposits

During the year under review, your Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013, read with the Companies (Acceptance of Deposits) Rules, 2014. As such, no amount on account of principal or interest on deposits from the public was outstanding as of the Balance Sheet date.

Additionally, the Company has availed an amount of Rs. 995.00 lakhs as Inter Corporate Deposits, during the period 2024-25. These amounts were exempted from the definition of deposit. The

outstanding balances exempt from the definition of deposits, including Inter-Corporate Deposits (ICDs) and Secured and Unsecured loans, as on 31st March 2025, amount to Rs.4,341.10 Lakhs

27. Registrar and Share Transfer agent:

During the year under review, Kfin Technologies Limited is the Registrar and Transfer Agent of the Company.

28. Auditors

Statutory Auditors

Members are aware that in terms of Section 139, 141 and 142 of the Companies Act, 2013 (“the Act”), and the Companies (Audit and Auditors) Rules, 2014 made there under, appointed M/s. N S V R & Associates LLP (FRN:008801S/S200060), Chartered Accountants as Statutory Auditors of the Company to fill the casual vacancy caused by the M/s. P R S V & Co LLP (FRN: S200016), Chartered Accountants.

Further members of the Company at their 32nd Annual General Meeting appointed M/s. N S V R & Associates LLP (FRN:008801S/S200060) , Chartered Accountants as Statutory Auditors of the Company to hold office for a period of 5years from conclusion of the 32nd Annual General Meeting of the Company.

M/s. N S V R & Associates LLP (FRN:008801S/S200060), Chartered Accountants, Hyderabad, have confirmed that they are eligible to conduct and within the prescribed limits under Section 141 of the Companies Act, 2013.

The financial statements have been audited by M/s. N S V R & Associates LLP, Chartered Accountants, Statutory Auditors of the Company. The following qualifications/comments have been made by the Auditors:-

Comments/Qualifications reported by the Auditor.

- a. The Company has a Wholly owned subsidiary namely Avant-Garde Infosystems Inc in USA which is presently supporting the business of the Company by identifying the sources, negotiating for and procuring electronic components from outside India. The subsidiary in the past, was involved in the trading of goods.
- b. As per the latest unaudited financials of the subsidiary available as on 31st March 2025, the accumulated loss of the subsidiary company for the period ended 31st March 2025 is USD 1.894 million (the equivalent Indian Rupees being Rs. 1,617.84 lakhs as per prevailing exchange rate), Which is exceeding the cost of investment made USD 1.822 million (1,275.97 lakhs (at Cost)). As a result, the carrying amount of the investment in the equity of subsidiary in the books of account of the Company amounting to Rs. 1,275.97 lakhs (at Cost) stand's impaired fully. Ind AS 36, requires the company to provide for impairment in respect of diminution in the value of investments by charging the amount of impairment to the Profit & Loss Account.
- c. The Company made an investment of Rs. 8.00 lakhs in KERNEX TCAS JV - a controlled entity (subsidiary) formed to execute a railway safety project, in which the Company has 80% share in the profits and losses. In addition, the Company has also provided the long-term advance of Rs.

575.89 lakhs (Including interest amount). As per the latest audited financials of KERNEX TCAS JV as on 31st March 2025, the JV has total assets of Rs 718.55 lakhs and outside liabilities (other than the advance due to the company) is Rs. 442.94 lakhs. Thus, the net assets available amounting to Rs 275.61 lakhs are not sufficient to recover the advance given to KERNEX TCAS JV which is Rs. 575.89 lakhs (Including interest amount) as on 31st March 2025. Accordingly in our opinion the same investments and the advance are subject to impairment in standalone financial statements to the extent of Rs 308.28 lakhs.

Since the Company has not impaired the cost of investments in the equity of subsidiary and the advance granted to KERNEX TCAS JV to an extent of Rs. 1,584.25 lakhs (Rs. 1,275.97 lakhs on account of diminution in the value of the investment in equity of the wholly owned subsidiary & Rs. 308.28 lakhs on account of insufficient funds available in KERNEX TCAS JV), the profit and other Comprehensive Income for the year ended are overstated by the said amount. The Other Equity in the balance sheet for the year ended is overstated by Rs.1,584.25 lakhs.

Reply to the Comments made in the Statutory Auditors' Report

The management is of the view that AGI functions as a strategic cost centre contributing to procurement efficiencies and overall operational synergies to the group as a whole, and therefore, its recoverable value cannot be assessed independently and it shall be assessed at group level cash generating unit (CGU). The group's cashflows have been significantly improved during the year 2024-25. Therefore, the management is of the view that the value in use of the CGU at group level exceeds the total net assets of the CGU at group level. Hence no provision in respect of impairment under Ind AS 36 is required to be provided.

Regarding the Kernex TCAS JV, the management believes that the reported losses are temporary and attributable to project execution cycles. The ongoing projects under the JV are expected to generate sufficient future economic benefits and recover the invested amounts. Accordingly, no provision for impairment has been considered necessary at this stage.

Secretarial Auditor

In accordance with Section 204 of the Companies Act, 2013, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr. D. S. Rao, Practising Company Secretary, to conduct the Secretarial Audit for the financial year 2024-25.

The Secretarial Audit Report is annexed as **Annexure–E** to this report.

Reply to the Comments made in the Secretarial Auditors' Report

1. *In accordance with SEBI Circular No. Cir/ISD/3/2011, the entire shareholding of Promoters/Persons Acting in Concert (PACs) has not been dematerialized. Consequently, the stock exchanges have placed the trading of the Company's shares under the trade-to-trade category.*

The Company is actively pursuing compliance with SEBI Circular No. Cir/ISD/3/2011 by working towards the dematerialization of the entire shareholding of Promoters/Persons Acting in Concert (PACs). However, despite ongoing efforts, the Company has been unable to fulfill this condition due to a lack of response from the promoters regarding the dematerialization process.

As a result, the stock exchanges have continued to place the trading of the Company's shares under the trade-to-trade category until the required dematerialization is completed.

- 2. The delay in the submission of financials occurred due to pending account reconciliations with vendors.*

Pursuant to the amended provisions of Regulation 24A of the SEBI (LODR) Regulations and Section 204 of the Act read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors have approved and recommended the appointment of Mr. D S Rao, Peer Reviewed Company Secretary in Practice as Secretarial Auditor of the Company for a term of up to 5 (Five) consecutive years to hold office from the conclusion of ensuing AGM till the conclusion of 38th AGM of the Company to be held in the Year 2030, for approval of the Members at ensuing AGM of the Company. Brief resume and other details of Mr. D S Rao, Practicing Company Secretary, are separately disclosed in the Notice of ensuing AGM.

Mr. D S Rao has given his consent to act as Secretarial Auditor of the Company and confirmed that his aforesaid appointment (if made) would be within the prescribed limits under the Companies Act, 2013 & Rules made there under and SEBI (LODR) Regulations, 2015. He also confirmed that he is not disqualified to be appointed as Secretarial Auditor in terms of provisions of the Companies Act, 2013 & Rules made thereunder and SEBI (LODR) Regulations, 2015.

Internal Auditors:

On the recommendation of the Audit Committee, the Board of Directors appointed M/s. Thirupathi and Associates, Chartered Accountants, Hyderabad, as the Internal Auditors of the Company. The Internal Auditors submit their reports on a quarterly basis to the Audit Committee.

At the beginning of each financial year, an audit plan is rolled out with approval of the Company's Audit Committee. The plan is aimed at evaluation of the efficacy and adequacy of internal control systems and compliance thereof, robustness of internal processes, policies and accounting procedures and compliance with laws and regulations. Based on the reports of internal audit, process owners undertake corrective action in their respective areas. Significant audit observations and corrective actions are periodically presented to the Audit Committee of the Board.

Maintenance of Cost Records

The Company is not required to maintain Cost Records as specified by the Central Government under Section 148 (1) of the Act. Further based on the turnover of the Company for the FY 2024-25, the Company is required to maintain Cost Records and cost audit also applicable to the Company. The Company is adhering to compliance the same from the FY 2025-26.

In accordance with Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, the Board of Directors pursuant to the recommendation of the Audit Committee, had appointed M/s. MPR & Associates, Cost Accountants (Firm Registration No. 000413), Hyderabad, as Cost Auditors of the Company, to carry out the audit of the cost records of the products manufactured by the Company for the financial year ending March 31, 2026 at a remuneration of Rs.1,00,000/-.

The remuneration payable to the cost auditor is required to be placed before the Members in the general meeting for their ratification. Accordingly, a resolution seeking Members ratification for the remuneration payable to M/s. MPR & Associates, Cost Accountants, is included in the Notice convening the Annual General Meeting.

A Certificate from M/s. MPR & Associates, Cost Accountants, has been received to the effect that their appointment as Cost Auditor of the Company, if made, would be in accordance with the limits specified under Section 141 of the Companies Act, 2013 and the Rules framed there under.

Reporting of Frauds:

During the year under review, there have been no frauds reported by the Statutory Auditors/Secretarial Auditors and Internal Auditors of the Company under sub-section (12) of Section 143 of the Act.

29. Internal Financial Controls

The Company has established policies and procedures to ensure the orderly and efficient conduct of its business. These measures include adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records, and timely preparation of reliable financial information. The adequacy of internal controls is reviewed by an independent Audit Committee of the Board.

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

Your Company has implemented a Policy for the Prevention of Sexual Harassment of Women at the Workplace, in accordance with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. An Internal Complaints Committee (ICC) has been established to address and resolve any complaints related to sexual harassment. During the period under review, the Company has not received any complaints in this regard.

31. Compliance with the Maternity Benefit Act, 1961

The Company has complied with the provisions of the Maternity Benefit Act, 1961, including all applicable amendments and rules framed there under. The Company is committed to ensuring a safe, inclusive, and supportive workplace for women employees. All eligible women employees are provided with maternity benefits as prescribed under the Maternity Benefit Act, 1961, including paid maternity leave, nursing breaks, and protection from dismissal during maternity leave.

The Company also ensures that no discrimination is made in recruitment or service conditions on the grounds of maternity. Necessary internal systems and HR policies are in place to uphold the spirit and letter of the legislation.

32. Gender-Wise Composition of Employees

In alignment with the principles of diversity, equity, and inclusion (DEI), the Company discloses below the gender composition of its workforce as on the March 31, 2025.

Male Employees	:	312
Female Employees	:	51
Transgender Employees	:	Nil

This disclosure reinforces the Company's efforts to promote an inclusive work place culture and equal opportunity for all individuals, regardless of gender.

33. Downstream Investment

During the period under review, the Company neither has any Foreign Direct Investment (FDI) nor invested as any Downstream Investment in any other Company in India.

34. Details of revision of financial statement or the Report

During the period under review, there was no revision of the financial statement or the Report.

35. Corporate Insolvency Resolution process initiated under the Insolvency and Bankruptcy Code, 2016 (IBC)

During the period under review, no Corporate Insolvency Resolution Process (CIRP) under the Insolvency and Bankruptcy Code, 2016 (IBC) was initiated against the Company.

36. Failure to implement any Corporate Action

There were no instances of Corporate Insolvency Resolution Process (CIRP) initiated against the Company during the period under review.

37. Other General Disclosures

a. Consolidated Financial Statements

The Company is presenting Consolidated Financial Statements in addition to the Standalone Financial Statements for the financial year ended 31st March 2025. This inclusion aligns with the applicable accounting standards and regulatory requirements, providing a comprehensive view of the financial performance of the Company, its subsidiary, and its joint ventures. The consolidated statements offer shareholders a broader perspective on the overall financial health and operational results of the entire group.

b. Timely Holding of the Annual General Meeting

The Company has adhered to the statutory requirements by holding its Annual General Meeting (AGM) for the financial year 2024-25 within the prescribed timeframe. There was no delay in convening the AGM, demonstrating the Company's commitment to compliance with regulatory obligations and its efforts to maintain transparency and timely communication with its shareholders.

c. Cost Records Maintenance

As per the provisions of the Companies Act, 2013, the Company is not required to maintain cost records for the financial year 2024-25.

d. There were no instances where Your Company required the valuation for onetime settlement or while taking the loan from the Banks or Financial institutions

38. Statement of deviation or variation

During the year, the Company has not raised any funds from the public through private placement and preferential issue basis.

39. Management Discussion & Analysis (MDA)

The Management's Discussion and Analysis Report for the year under review, as stipulated under Regulation 34(2)(e) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is presented in a separate section forming part of this Annual Report. This report provides a detailed analysis of the Company's performance, industry trends, opportunities, risks, and outlook for the future. The Management's Discussion and Analysis Report is annexed as **Annexure-E** to this report for the shareholders' reference.

40. Corporate Governance Report

Your Company is committed to adhering to corporate governance requirements and maintaining the highest standards of integrity and transparency. In line with this commitment, the report on Corporate Governance, as stipulated under Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is provided separately in this Annual Report. The detailed Corporate Governance Report outlines the Company's governance structure, board composition, committee functions, and other governance practices, and is annexed as **Annexure-F** to this report.

Additionally, the requisite certificate from the Practicing Company Secretary, confirming compliance with the conditions of corporate governance as prescribed under the SEBI (LODR) Regulations, 2015 is attached to this report. This certificate serves as an affirmation of the Company's adherence to the prescribed governance norms

41. Suspension of Trading

The shares of the Company are listed and actively traded on both BSE Limited ("BSE") and the National Stock Exchange of India ("NSE"). During the period under review, there has been no suspension of trading of the Company's securities on either of these stock exchanges.

42. Acknowledgements:

Your Directors would like to express their sincere appreciation for the valuable guidance, assistance, and cooperation received from the Indian Railways, South Central Railways, NCR SER, SR, RDSO, Egyptian Railways, State Bank of India, HDFC Bank, ICICI Bank, CSB Bank Limited, Union Bank of India Government authorities, and our esteemed 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, whose hard work and commitment have been integral to the Company's success.

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

**Sd/-
A Seshagiri Rao
Chairperson of the Company**

**Place: Hyderabad
Date: 14th August 2025**

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\$ '000)

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.	USD and Rs. 85.436
4.	Share Capital	1,821.52
5.	Reserves & Surplus	(1,893.63)
6.	Total Assets	394.58
7.	Total Liabilities	466.69
8.	Investments	Nil
9.	Turnover	151.55
10.	Profit before taxation	23.53
11.	Provision for Taxation	Nil
12.	Profit after taxation	23.53
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	KERNEX TCAS JV	VRRC-KERNEX-CE-RVR JV
1. Latest audited Balance Sheet Date	31.03.2025	31.03.2025
2. Shares of Associates / Joint Ventures held by the company at the yearend	Not Applicable	Not Applicable
3. Amount of Investment in Association / Joint Venture Extend of Holding %	Rs. 8.00 Lakhs (80%)	35%
4. Description of how there is significant influence	Profit Sharing ratio and control	Profit Sharing ratio
5. Reason why the associate/Joint venture is not consolidated	Consolidated	Consolidated
6. Net worth attribute to Shareholding as per latest audited Balance Sheet	Not Applicable	Not Applicable
7. Profit / Loss for the year i. Considered in Consolidation ii. Not Considered in Consolidation	Rs.349.96 lakhs	Rs. Nil

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

**Sd/-
A Seshagiri Rao
Chairperson of the Company**

**Place: Hyderabad
Date: 14th August 2025**

ANNEXURE– B

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, Chief Financial Officer and Company Secretary during the financial year 2024-25 and ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2024-25 are as under: -

Name of Director / KMP and Designation	Remuneration of Director / KMP for financial year 2024-25 (Rs. in lakhs)	% increase in remuneration in the financial year 2024-25	Ratio of remuneration of each Director /to median remuneration of employees
M Badari Narayana Raju, Whole Time Director	46.99	44.77	18.13
M Sitarama Raju, Whole Time Director	46.99	44.77	18.13
Pamidi Srikanth, CFO	36.09	9.40	-
K Prasada Rao, CS	21.10	100.95	-

Note: No other Director other than the Whole Time Directors received any remuneration other than sitting fees during the financial year 2024-25. Ms. Sreelakshmi Manthena is receiving remuneration of Rs.5.00 lakhs per month from the subsidiary.

- ii) In the financial year, there was a decrease of 4.53% in the median remuneration of employees.
- iii) There were 363 permanent employees on the rolls of Company as on March 31, 2025.
- iv) The remuneration of the Key Managerial Personnel put together is Rs. 151.17 lakhs which was Rs. 112.28 lakhs in the previous year.
- v) There was average 40 percentile increase either in the salaries of employees and managerial personnel in the financial year 2024-25. The increments are in comparison with the industries.
- vi) No variable component of remuneration availed by the directors / KMPs.
- vii) COO is the highest paid employee and COO received remuneration higher than the Whole Time Directors.
- viii) It is hereby affirmed that the remuneration paid during the Financial Year ended 31stMarch 2025 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
Ennam Bhogeeswara Rao	59	B.E (ECE) / 2 Years	COO	06-09-23	Permanent	65.87	TYPSA	-	-
Pamidi Srikanth	47	CA / 2 Years	CFO	09.09.23	Permanent	36.09	Tierra Agrotech Ltd	-	-
B Vishnu Vardhana Varma	47	M.Sc Electronics/ 2 Years	CTO	15.05.23	Permanent	42.34	FCA Engineering India Pvt.Ltd.	-	-
G Malla Reddy	49	B.Tech (CSE) / 17 Years	Deputy General Manager	18.02.08	Permanent	46.96	Silver Software, Bangalore	-	-
B Sampath Kumar	53	MTech/PG-CHRM, XLR/ 12 Years	AVP Projects	22.11.13	Permanent	29.70	Mascon Global Limited	-	-
Y Tarun	34	B. Tech, PG Diploma / 12 years	Asst Manager Software Development	24.10.13	Permanent	25.02	Nil	-	-
Prasada Rao K	38	CS / 7 years	Company Secretary & Compliance Officer	05.07.18	Permanent	21.10	AIG Hospitals P Ltd	-	-
H Ramesh Rao	53	DECE / 24 years	Sr. Manager Production Engineering	10.05.00	Permanent	21.31	MIC Electronics, Hyd	-	-
K Jaihind Kumar	54	B.SC (Ele)/ 24 years	Sr. Manager Production	10.05.00	Permanent	21.31	Nucleonix Systems P Ltd	-	-
Jitendra Vijay	58	B Tech ECE 21 years	Manager S/W Validation	26.02.04	Permanent	18.33	Rendevious Onclip India Ltd	-	-
MA Sitarama Raju	45	M SC Biotech/ 12 years	General Manager (Operations)	22.11.13	Permanent	17.87	Metaway Technologies Private Limited	He is son of Mr. M B Narayana Raju, Whole Time Director	-

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
D Pavan Kumar	40	B. Tech (Mech) LLB P in Tool Design / 8.5 years	Manager - Purchase	19.01.23	Permanent	19.28	Windhoff Bahn Unlagen Techni (GMH Group)	-	-
TVLN Pavan Phani Kumar	45	M tech ES B Tech ECE / 1 year	R&D Manager	04.04.24	Permanent	17.78	TATA Advanced Systems	-	-

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

**Sd/-
A Seshagiri Rao
Chairperson of the Company**

Place: Hyderabad

Date: 14th August 2025

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 by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

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

(Rupees in lakhs)

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	Purchase of Materials/ Services	Multiple times	361.19	30.05.2024	Nil
2	Avant-Garde Info Systems Inc., USA 100% Wholly Owned Subsidiary	Sale of Materials	One time	1.82	30.05.2024	Nil
3	Kernex TCAS JV	Sales	Multiple times	420.03	NA	Nil
4	Venkata Ramireddy Constructions (VRRC) *	Project Execution	Multiple times	295.00	NA	104.27
5	Likhil Infra Private Limited #	Unsecured Loan	Multiple times	995.00	NA	Nil

* The transactions with Venkata Ramireddy Constructions (VRRC) were undertaken in connection with contracts awarded to Kernex in August and September 2022. At that time, Venkata Ramireddy Constructions was not a related party. The payments made were against purchase orders issued when the entity did not fall under the definition of a related party. Venkata Ramireddy Constructions became a related party only upon the formation of VRRC-KERNEX-CE-RVR JV on January 6, 2024, where it became a partner.

The company entered into a loan agreement (Inter-Corporate Deposit) with Likhil Infra Private Limited on June 15, 2023, after obtaining all necessary approvals. At the time of execution of the agreement and disbursement of the loan, Likhil Infra Private Limited was not a related party. It became a related party only upon the formation of VRRC-KERNEX-CE-RVR JV on January 6, 2024, as its directors are related to Venkata Ramireddy Constructions.

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

**Sd/-
A Seshagiri Rao
Chairperson of the Company**

**Place: Hyderabad
Date: 14th August 2025**

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 remains committed to energy conservation and take all necessary steps to ensure efficient energy usage at its offices and workplaces. This includes implementing energy-saving measures and regularly reviewing energy consumption to identify opportunities for further conservation 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:

The Company does not involve any imported technology in its operations. It focuses on keeping pace with rapid technological advancements in its field by continuously training its personnel to enhance productivity. The Company uses indigenous technologies and has developed a training methodology to assess the adaptation of its staff to these technologies. Training needs are regularly evaluated and addressed to ensure that employees remain proficient and capable of utilizing the latest advancements effectively.

The Company develops products using its in-house technology and has established the following facilities to support this development:

Research and Development (R&D) Lab: Equipped with state-of-the-art instruments and tools to innovate and enhance product design and performance.

Technology Development Center: Dedicated to advancing and refining proprietary technologies and solutions.

Testing and Quality Assurance Unit: Ensures that products meet stringent quality standards and regulatory requirements through rigorous testing processes.

Training and Skill Development Facility: Provides ongoing training for employees to keep them updated on new technologies and methods.

Prototyping Workshop: Allows for the creation and evaluation of prototypes to validate design concepts and functionality before full-scale production.

These facilities enable the Company to maintain its competitive edge by fostering innovation and ensuring high-quality product development.

- 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 Equipment's like Spectrum Analyzer, Signal Generators, Oscilloscopes, Function Generators, High Power Attenuators, Radio Communication test equipment and LCR meter to enhance the testing capability.

Research and Development

The South Central Railway Specific Application Safety Case (SASC) has been approved by the Independent Safety Assessor for both Diesel and Electric Locomotives.

Type tests have been successfully completed for the newly developed MIE cards. These microcontroller-based intelligent modules are crucial components, serving as the primary controllers responsible for all logic and control operations of the Kavach system.

The hardware development and software implementation for Kavach 4.0 have been completed. Currently, internal verification and validation, RDSO functional tests, and locomotive trials are in progress to ensure the system's functionality and readiness for deployment.

Implementing Kavach 4.0 enables us to interface seamlessly with various types of electronic interlocking used across Indian Railways. It also supports station-to-station communication via fiber optics and allows the implementation of temporary speed restrictions, enhancing the system's flexibility and operational safety.

Passenger locomotive trials, and the GASC (Generic Application Safety Assessment) by Independent Safety Assessment (ISA) are scheduled for completion by the second quarter of FY2025-26.

Sub module of KAVACH, MSOC (Multi Serial To OFC Converter) development scheduled to complete third quarter of FY2025-26 (In sourcing).

NMS (Network Monitoring System) for KAVACH development will be completed by third quarter of FY2025-26 (In sourcing)

To support large quantity Kavach systems manufacturing, card level and system level testing automation works are in progress. Scheduled to complete by FY2025-26 Q2.

New generation of MIE 3.0 cards has been initiated, centered around Microchip / Xilinx FPGAs. This FPGA-based platform will enable us to develop the foundational components for Moving Blocks and Communications-Based Train Control (CBTC) systems, paving the way for more advanced and efficient railway signaling solutions.

The prototype platform is expected to be ready by the third quarter of FY2025-26, with the first Loco Kavach hardware utilizing the new platform anticipated to be ready by the third quarter of FY2025-26.

Due to the prioritization of Kavach 4.0 development the LTE integration with Kavach is scheduled for completion in first quarter of FY2026-27.

C. Foreign Exchange Earnings and Outgo:

Details of earnings in foreign exchange:

(Rupees In Lakhs)

Particulars	Current Year April 01, 2024 to March 31, 2025	Previous Year April 01, 2023 to March 31, 2024
Export of Goods calculated on FOB Basis	208.35	155.54
Interest and dividend	-	-
Royalty	-	-
Know-how	-	-
Professional and Consultancy fees	-	-
Other Income	-	-
Total earning in foreign exchange	208.35	155.54

Details of expenditure in foreign exchange:

Particulars	Current Year April 01, 2024 to March 31, 2025	Previous Year April 01, 2023 to March 31, 2024
Import of Capital Goods calculated on CIF Basis		
(i) raw material	-	18.84
(ii) component and spare parts	-	-
(iii) capital goods - Software Purchase	-	-
Expenditure on account of:		
Royalty	-	-
Know-how	205.18	-
Professional and Consultancy fees	69.19	-
Interest	-	-
Other matters	224.07	949.92
Dividend paid	-	-
Total expenditure in foreign exchange	498.45	968.76

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

**Sd/-
A Seshagiri Rao
Chairperson of the Company**

**Place: Hyderabad
Date: 14th August 2025**

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

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

Based on my verification of the Company’s books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that, in my opinion, the Company has, during the audit period covering the financial year ended **March 31, 2025**, 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:

I 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 thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 (‘SCRA’) and the rules made thereunder;
- (iii) Foreign Exchange Management Act, 1999, (FEMA) and the rules/ policies made thereunder and Circulars issued by RBI thereto;
- (iv) The Depositories Act, 1996 and the regulations and byelaws framed by the Securities and Exchange Board of India (‘SEBI’) thereunder;
- (v) The following Regulations are 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.

- (e) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with clients.
 - (g) The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.
- (vi) 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 Non-Convertible Securities) Regulations, 2021.
 - (b) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021.
 - (c) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018.
- (vii) The industry-specific laws that are applicable to the Company are as follows:
- (a) Contract Labor (Regulation & Abolition) Act, 1970
 - (b) E-Waste (Management and Handling) Rules, 2010

I 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.

I 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 except the following:

- a. *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.*
- b. *There was a delay in submission of the consolidated financial results for the quarter ended on 31st December 2023 and for the quarter ended 31st March 2024 to the stock exchanges in terms of the Regulation of 33 of SEBI (LODR) Regulations, 2015.*

I 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/KMP	Appointment/ Re-appointment/ Cessation	Our Comments
1	Mr. Anji Raju Manthena	Re-appointment	Reappointed as a director at 32nd AGM held on September 30, 2024 upon the retirement by rotation in accordance with the provisions of section 152 of the Act.
2	Mr. Adabala Seshagiri Rao	Appointment	Appointed as an independent director for a period of 2 (Two) years w.e.f. September 06, 2024 and the same has been approved by the shareholders at 32nd AGM held on September 30, 2024.
3	Mr. Ayyagari Viswanadha Sarma	Appointment	Appointed as an independent director for a period of 2 (Two) years w.e.f. September 06, 2024 and the same has been approved by the shareholders at 32nd AGM held on September 30, 2024.
4	Mr. Pasupuleti Dinakara Rao	Appointment	Appointed as an independent director for a period of 2 (Two) years w.e.f. September 30, 2024 and the same has been approved by the shareholders at 32nd AGM held on September 30, 2024.
5	Mr. Sreenivasa Rao Ravinuthala	Cessation	Ceased to be an Independent Director w.e.f. September 29, 2024 upon completion of his term.
6	Mr. Somasekhara Rao Koganti	Cessation	Ceased to be an Independent Director w.e.f. September 29, 2024 upon completion of his term.
7	Mr. A V S Krishna Mohan	Cessation	Ceased to be an Independent Director w.e.f. February 07, 2025 upon completion of his term.
8	Mr. Narender Kumar	Cessation	Ceased to be a non-executive director w.e.f. September 30, 2024

Based on my verifications and the declarations received from the respective directors, I 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.

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

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

Sd/-
CS D.S. RAO; PCS
ACS No.: 12394
C.P.NO.:14487
UDIN: A012394G001006662
PEER REVIEW NO.: 1817/2022

Date:14-08-2025

Place: Hyderabad

Note: This report is to be read with my 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

my 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. my responsibility is to express an opinion on these Secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on a test basis to ensure that the correct fact is reflected in the Secretarial records. I believe that the processes and practices i followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of the financial records and Books of Accounts of the Company.
4. Wherever required, I have obtained Management representation regarding 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, and standards is the responsibility of the management. My examination was limited to the verification of procedures on a 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.

Sd/-
CS D.S. RAO; PCS
ACS No.: 12394
C.P.NO.:14487
UDIN: A012394G001006662
PEER REVIEW NO.: 1817/2022

Date:14-08-2025
Place: Hyderabad

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(A) Industry and Business Overview:

Review of Operations

Your Company recorded a turnover of Rs. 18,965.11 Lakhs for the financial year 2024-25. The Company has reported a profit before tax of Rs. 3,337.43 Lakhs, compared to a loss of Rs. (2,049.21) Lakhs in the previous financial year.

Domestic

• **South Central Railways - (SCR)**

We are pleased to inform that the inspection by the Principal Chief Signal & Telecommunication Engineer (PCSTE) has been successfully completed. The inspection covered all technical, operational, and safety parameters as per the prescribed norms and has met the satisfaction of the inspecting authority.

Following the inspection, the handing-over process is currently in progress. This involves: Final documentation and submission of inspection reports, Resolution of any minor observations or comments, if any, Transfer of control and responsibility to the designated Railway authorities, Training and familiarization of the operational staff (if required), Signing of necessary hand-over certificates and records

This marks a critical step towards the formal commissioning of the system and commencement of regular operations. The project's nearing completion underscores the collaborative efforts and technical expertise involved, promising to enhance the region's railway network upon its conclusion.

The TCAS System – Generic Application Version 1.1 has been assessed and certified by Italcertifier S.p.A., Italy. As part of the assessment process, Italcertifier conducted a comprehensive evaluation of both the system design and the manufacturing phase, ensuring full compliance with applicable international standards and safety requirements.

This certification marks a significant milestone, reinforcing the reliability and conformity of the TCAS System Version 1.1 for operational use across south central railway zone.

KERNEX-VRRC JV has bagged order for Upgradation of Kavach Version 3.2 to 4.0 in Sadashivpet Road (Excluding) - Bidar - Parli Vajinath - Parbhani(Excluding) Section of South Central Railway for an amount of Rs. 21.03 crores. Raw material procurement for the project is currently in progress, and purchase orders have already been placed to ensure timely execution of the work. The first batch of units are getting manufactured internally.

• **North Central Railways (NCR) - A&B Projets**

Kernex Microsystems and KEC International have formed a consortium and successfully secured two significant contracts with a combined value of approximately Rs.536 crores. These orders pertain to the North Central Railway section, covering a total distance of 751.22 RKM. This collaboration marks a substantial achievement for both companies, highlighting their capabilities in the railway infrastructure sector.

Project 1 – NCR A (Section between Chipyana Buzurg (Excl) – Kanpur (Excl) in the North Central Railway)

- The first and second milestones of the project were completed successfully. The installation works for the balance Milestones is complete, testing & other activities are in progress
- Supply of units for the entire project is complete and the supply of spares is planned
- The loco installation is complete for all planned 139 locos
- The required documentation for the phase wise ISA activity is in progress.

Project 2 – NCR B (Section between Kanpur (Incl) – DDU (Excl) in the North Central Railway)

- The first and second milestones of the project were completed successfully. The installation works for the balance Milestones is complete, testing & other activities are in progress.
- Supply of units for the entire project is complete and the supply of spares is planned
- The loco installation is complete for all planned 153 locos
- The required documentation for the phase wise ISA activity is in progress.

Project 3 –ICF (Integral Coach Factory, Chennai)

- A total of 55 TCAS units have been supplied, out of which 25 units have been successfully installed and commissioned at designated locations, in compliance with all functional and technical specifications. The installation of the remaining units is currently in progress and is being carried out as per the planned schedule by ICF.

Project - 4 - SCR Project - Automatic block signaling system in Vemulapadu - Muddanuru section - (ABS)

- Kernex Microsystems has formed a Joint Venture under name VRRC-KERNEX-CE-RVR JV, for comprehensive signaling and telecommunication works for provision of automatic block signaling system in Vemulapadu - Muddanuru section of Guntakal division in South Central Railway with a combined value of approximately Rs.109.45 crores covering a total distance of 70.73 RKM.

The entire project has been divided into **four milestones** for structured execution. The current status of each milestone is as follows:

- **Milestone 1 and Milestone 2** (covering a total of 18.69 Kms):
The work under these milestones has been successfully completed and commissioned.
- **Milestone 3** (20.11 Kms):
The execution work has been completed, and the milestone is currently pending final approval from the Railways.
- **Milestone 4** (31.93 Kms):
The work is **in progress**, and is being carried out as per the implementation schedule.

Project – 5 - Chittaranjan Locomotive Works (CLW) - Supply and Installation of Loco TCAS

- Your company has bagged order for Supply, Installation, Testing and commissioning and defect liability and long term annual maintenance of On-Board KAVACH equipment along with supply and

installation of CAB roof antenna including complete wiring, harnessing, cabling and connection with Loco KAVACH System from Chittaranjan Locomotive Works. Total no. of units to be supplied is for 2,500 with a value of approximately Rs.2041.40 crores. Raw material procurement for the project is currently in progress, and purchase orders have already been placed to ensure timely execution of the work. The first batch of units are getting manufactured internally.

Project – 6 South Eastern Railways (SER) - (GD & GQ Routes)

- Kernex Microsystems (India) Limited, in consortium with MRT Signals Limited, has successfully secured a major contract valued at approximately ₹325.33 crores. This prestigious order involves the Supply, Installation, Testing, and Commissioning of Kavach across GO & GO routes covering 688 RKM in the Kharagpur and Chakradharpur Divisions of South Eastern Railway.
- This significant win underscores the technical expertise and execution capabilities of both consortium partners in the field of advanced railway signaling and safety systems. It also marks a key milestone in their contribution to the Indian Railways' modernization and safety enhancement initiatives.
- The survey of stations in the Chakradharpur section is complete and work is in progress at Kharagpur section. The other survey activities like RSSI survey is in progress for the entire section to meet the Milestone 1 requirements. Material procurement is in progress for the units planned for Milestone 2 requirements. Appointment of assessor for the ISA activity is in progress.

Project – 7 - North Central Railways (NCR) - (BHUTESHWAR (INCL) - DHOLPUR (INCL) Section in NCR)

- KERNEX-KEC Consortium has bagged order for provision of KAVACH (Train Collision Avoidance System), along with Tower and 4X48 fibre OFC as a backbone on BHUTESHWAR (INCL) - DHOLPUR (INCL) Section in NCR valued at approximately ₹85.14 crores. Raw material procurement for the project is currently in progress, and purchase orders have already been placed to ensure timely execution of the work.
- The survey of stations in the entire section is complete. The other survey activities like RSSI survey is in progress for the entire section to meet the Milestone 1 requirements. Material procurement is in progress for the units planned for Milestone 2 requirements. Appointment of assessor for the ISA activity is in progress.

Project – 8 - MAS-GDR, MAS-AJJ, AJJ-RU SR Section of Chennai Division in Southern Railways - (SR)

- KERNEX- VRRC CONSORTIUM has bagged order for Provision Of Kavach (Train Collision Avoidance System), In MAS-GDR, MAS-AJJ, AJJ-RU Sections (271km) Of Chennai Division in SR valued at approximately ₹173.11 crores. Raw material procurement for the project is currently in progress, and purchase orders have already been placed to ensure timely execution of the work.
- The survey of stations in the entire section is complete. The other survey activities like RSSI survey is in progress for the entire section to meet the Milestone 1 requirements. Material procurement is in progress for the units planned for Milestone 2 requirements. Appointment of assessor for the ISA activity is in progress.

Project - 9 Arakkonam (AJJ Jn)-Jolarpettai(JTJ Jn) Section of Chennai Division in Southern Railways - (SR)

- KERNEX- VRRC CONSORTIUM has bagged order for Provision of KAVACH (Train Collision

Avoidance System) along with Tower and 48 Fiber OFC as backbone Network in Arakkonam (AJJ Jn)-Jolarpettai(JTJ Jn) Section of Chennai Division in SR valued at approximately ₹135 crores. Raw material procurement for the project is currently in progress, and purchase orders have already been placed to ensure timely execution of the work.

- The survey of stations in the entire section is complete. The other survey activities like RSSI survey is in progress for the entire section to meet the Milestone1 requirements. Material procurement is in progress for the units planned for Milestone 2 requirements. Appointment of assessor for the ISA activity is in progress.

Project – 10 Palanpur - Samakhiali – Gandhidham Section (300.71 Km) On Ahmedabad Division of Western Railway

- KERNEK-KEC Consortium has bagged order for Provision of KAVACH Version 4.0 or latest (formerly known as Train Collision Avoidance System-TCAS), including provision of communication backbone based on UHF and OFC on Palanpur – Samakhiali – Gandhidham Section on Ahmedabad Division of Western Railway valued at approximately ₹182.81 crores. Raw material procurement for the project is currently in progress, and purchase orders have already been placed to ensure timely execution of the work.
- The survey of stations is planned in the entire section and the PO's were released. Material procurement is in progress for the units planned for Milestone 2 requirements. Appointment of assessor for the ISA activity is in progress.

International

EGYPTIAN NATIONAL RAILWAYS (ENR), CAIRO

Project Overview:

- Total Gates Supplied: 136
- Total Gates Installed and Commissioned: 124
- Final Handover Status: In Progress

Material Supply and Adjustments:

- 100% Material Supply Completed.
- The project was mutually agreed to be shortened from 136 Lx gates to 124 Lx gates.
- 2 Lx gates were repaired and rebuilt.
- Remaining material related to the 10 Lx gates that were not installed is currently being handed over to ENR. So far, 102 wheel sensors have been handed over.

Warranty Maintenance:

- Warranty maintenance for three groups (totaling 102 Lx gates) has been completed.
- Warranty maintenance for the fourth group (22 Lx gates) has also been completed.

Final Handover (FHO):

- FHO of Lx sites is ongoing.
- FHO has been completed for 81 out of 85 Lx sites that are currently operational.
- ENR has dismantled and removed 39 Lx sites out of the 124 Lx gates that were commissioned.

Remaining Deliverables:

- 100 Booms were delivered to ENR for use as spares.

A) Research & Development and Addition of New Products

The South Central Railway Specific Application Safety Case (SASC) has been approved by the Independent Safety Assessor for both Diesel and Electric Locomotives.

Type tests have been successfully completed for the newly developed MIE cards. These microcontroller-based intelligent modules are crucial components, serving as the primary controllers responsible for all logic and control operations of the Kavach system.

The hardware development and software implementation for Kavach 4.0 have been completed. Currently, internal verification and validation, RDSO functional tests, and locomotive trials are in progress to ensure the system's functionality and readiness for deployment.

Implementing Kavach 4.0 enables us to interface seamlessly with various types of electronic interlocking used across Indian Railways. It also supports station-to-station communication via fiber optics and allows the implementation of temporary speed restrictions, enhancing the system's flexibility and operational safety.

Passenger locomotive trials, and the GASC (Generic Application Safety Assessment) by Independent Safety Assessment (ISA) are scheduled for completion by the second quarter of FY2025-26.

Sub module of KAVACH, MSOC (Multi Serial To OFC Converter) development scheduled to complete third quarter of FY2025-26 (In sourcing).

NMS (Network Monitoring System) for KAVACH development will be completed by third quarter of FY2025-26 (In sourcing)

To support large quantity Kavach systems manufacturing, card level and system level testing automation works are in progress. Scheduled to complete by FY2025-26 Q2.

New generation of MIE 3.0 cards has been initiated, centered around Microchip / Xilinx FPGAs. This FPGA-based platform will enable us to develop the foundational components for Moving Blocks and Communications-Based Train Control (CBTC) systems, paving the way for more advanced and efficient railway signaling solutions.

The prototype platform is expected to be ready by the third quarter of FY2025-26, with the first Loco Kavach hardware utilizing the new platform anticipated to be ready by the third quarter of FY2025-26.

Due to the prioritization of Kavach 4.0 development the LTE integration with Kavach is scheduled for completion in first quarter of FY2026-27.

B) Future outlook

The **Union Budget 2025–2026** has reaffirmed the Government of India's strong commitment towards the modernization and safety of Indian Railways, with a continued emphasis on **high capital expenditure (CAPEX)** and the deployment of advanced safety technologies.

Key Highlights & Impact Areas:

- **Increased CAPEX Allocation:**

The Railway Budget 2025–26 has allocated over **₹2.75 lakh crores** in capital expenditure, a significant portion of which is earmarked for infrastructure development, electrification, station modernization, and **safety enhancement measures**.

- **Focus on Kavach Deployment:**

Indian Railways has outlined a comprehensive plan to roll out the **Kavach – Train Collision Avoidance System (TCAS)** across **40,000+ RKM** in a phased manner. Budgetary allocations for safety have increased, with **Kavach implementation prioritized** in high-density and high-speed corridors.

- **Safety as Core Strategy:**

In light of past rail accidents and growing public demand for safer travel, the Railway Ministry is aggressively pursuing **zero-tolerance safety policies**. This includes wide deployment of Kavach, automated signaling, upgraded telecom systems, and AI-based surveillance.

- **Opportunities for Technology Providers:**

Companies like **Kernex Microsystems**, with proven expertise in TCAS/Kavach, are well-positioned to benefit from these policy priorities. The successful execution of ongoing Kavach contracts enhances credibility and opens avenues for participation in upcoming tenders.

- **Private Sector & PPP Collaboration:**

With increased push for **Make in India** and **public-private partnerships (PPP)**, the government is encouraging private participation in technology-driven safety solutions—creating favorable market dynamics for established players in the signaling and safety domain.

Strategic Direction:

Going forward, Kernex Microsystems will:

- **Strengthen manufacturing and supply chain infrastructure** to meet increased demand for Kavach systems.
- **Invest in product innovation and R&D** to remain aligned with Indian Railways' evolving technical specifications and global safety benchmarks.

- **Expand collaboration with consortium partners and OEMs** to execute large-scale, multi-zone projects.
- **Actively participate in upcoming tenders and long-term framework agreements** floated under the National Rail Plan.

In summary, with a robust policy push, increased budgetary support, and growing emphasis on indigenous safety solutions, the outlook for railway signalling and TCAS providers remains **highly promising**, and Kernex is well-placed to capitalize on this national priority.

Various Safety Measures Taken to Enhance Safety in Train Operations

Indian Railways, in collaboration with technology partners and under the directive of the Ministry of Railways, has undertaken a multi-pronged approach to enhance **operational safety** and ensure **zero-accident operations**. The key safety measures include:

1. Implementation of Train Collision Avoidance System (Kavach)

- Deployment of **Kavach**, an indigenously developed Automatic Train Protection (ATP) system, to prevent train collisions due to human error.
- Kavach automatically applies brakes in case of signal passing at danger (SPAD) or excessive speed, thereby enhancing loco pilot response and safety.

2. Track and Infrastructure Modernization

- **Replacement of worn-out rails**, track renewal, and mechanized maintenance using high-end track machines.
- Use of **Ultrasonic Flaw Detection** to identify internal defects in rails and welds.

3. Signal and Telecom Upgrades

- Implementation of **Electronic Interlocking Systems** to reduce human dependence and increase route safety.
- Upgrading of signals with **LED lighting** and **Automatic Block Signaling (ABS)** to manage dense rail traffic.

4. Safety of Level Crossings

- **Elimination of Unmanned Level Crossings (UMLCs)** by constructing road under bridges (RUBs) and over bridges (ROBs).
- Enhanced gate interlocking and monitoring systems at manned crossings.

5. Rolling Stock and Loco Safety

- Introduction of **LHB coaches** with superior crashworthiness and anti-telescopic features.
- Deployment of **Vigilance Control Devices (VCDs)** and **Train Protection and Warning Systems (TPWS)** in locomotives.

6. Real-Time Monitoring and AI-Based Tools

- Installation of **CCTV cameras, drone surveillance, and AI-powered analytics** to monitor infrastructure and detect anomalies.
- Use of **Remote Diagnostic Systems (RDS)** for predictive maintenance of locomotives and coaches.

7. Crew Training and Human Factor Management

- Regular training and psycho-analysis for loco pilots and safety staff.
- Real-time monitoring of crew alertness using **bio-metric and RFID-based systems**.

8. Fire and Disaster Management

- Installation of **fire detection and suppression systems** in coaches.
- Periodic mock drills and emergency preparedness plans in coordination with NDRF and state agencies.

9. Cyber security in Rail Systems

- Ensuring **robust IT and OT security** for signaling, telecom, and operational systems to prevent cyber threats that may impact safety.

These measures are part of a larger vision under the **National Rail Plan (NRP)** to transform Indian Railways into a **safe, modern, and high-capacity transport network**. With the combined focus on **technology, infrastructure, and human capital**, the goal of achieving **zero accidents** is being systematically pursued.

Modernization and Up gradation of Railway Infrastructure

Indian Railways is undergoing a transformative journey with a focus on **modernization and upgradation** of its infrastructure to enhance **capacity, efficiency, safety, and passenger comfort**. This initiative is aligned with the Government's vision under the **National Rail Plan (NRP) 2030** and '**Viksit Bharat**' objectives.

Key Focus Areas in Modernization and Up gradation:

1. Electrification of Railway Network

- Accelerated target of achieving **100% electrification** of broad-gauge routes to reduce dependence on fossil fuels and lower carbon emissions.
- Adoption of **energy-efficient technologies** for traction and station operations.

2. Track Infrastructure Up gradation

- Deployment of **modern track materials**, long welded rails, and high-capacity sleepers for improved speed and load-bearing.
- Use of **Track Monitoring Systems**, including drones, ultrasonic flaw detection, and GPS-based inspection trolleys.

3. High-Speed and Semi-High-Speed Corridors

- Development of **Dedicated Freight Corridors (DFCs)** and **High-Speed Rail (HSR)** projects such as the Mumbai-Ahmedabad Bullet Train.
- Introduction of **Vande Bharat Express** as India's indigenous semi-high-speed train with modern onboard features.

4. Signaling and Telecom Upgrades

- Transition from mechanical to **Electronic Interlocking (EI)** systems for efficient and safer train operations.
- Expansion of **Automatic Block Signaling (ABS)** and Centralized Traffic Control (CTC) systems for high-density routes.
- Implementation of **LTE/5G-based communication systems** for seamless and real-time connectivity.

5. Modernization of Stations and Terminals

- Redevelopment of over **1,000 railway stations** under the "Amrit Bharat Station Scheme" with world-class passenger amenities.
- Use of **modular construction, green building techniques, and smart signage systems** at stations.

6. Rolling Stock Upgrades

- Introduction of **modern LHB coaches** for enhanced safety and passenger comfort.
- Manufacturing of new-generation locomotives and EMUs with regenerative braking and IoT-based monitoring.

7. Implementation of Kavach and Other Safety Technologies

- Nationwide deployment of **Kavach (TCAS)** – an indigenously developed Automatic Train Protection System to prevent collisions.
- Use of **AI and data analytics** to predict maintenance needs and prevent operational failures.

8. Integration of Renewable Energy

- Installation of **solar and wind energy systems** at stations and production units.
- Electrification integrated with **green energy corridors** to meet sustainability goals.

9. Digital and Smart Infrastructure

- Development of **digitally integrated control centers**, E-office systems, e-procurement platforms, and online passenger services.
- Use of **data analytics, GIS, IoT, and block chain** to enhance decision-making and operations.

Indian Railways' modernization and infrastructure upgradation are not only improving operational efficiency and safety but also acting as a catalyst for **economic growth, employment generation, and sustainable development**. With strategic investments and strong execution, the Indian Railways is evolving into a **world-class transportation ecosystem**.

C) **Mission Raftar: Indian Railways rolls out Train Collision Avoidance System**

As part of its ambitious **Mission Raftar**, Indian Railways is taking decisive steps to enhance both **speed and safety** in train operations. A key component of this initiative is the **rollout of Kavach**, India's indigenously developed **Train Collision Avoidance System (TCAS)**.

About Mission Raftar

Mission Raftar is a strategic initiative launched by Indian Railways with the goal of **increasing the average speed of passenger trains by 25 km/h** and enhancing the operational efficiency of the railway network. It focuses on the modernization of rolling stock, reduction of congestion, and upgrading of signalling and safety infrastructure.

Kavach – Safety Through Indigenous Innovation

Under Mission Raftar, the deployment of **Kavach** is a critical step in ensuring **safe high-speed train operations**. Developed in collaboration with RDSO and Indian industry players like Kernex Microsystems, Kavach offers:

- **Automatic braking** in case of signal passing at danger (SPAD)
- **Real-time speed monitoring** and auto-regulation
- **Loco-to-loco and loco-to-station communication**
- Protection during unsafe conditions such as fog or poor visibility

D) **Opportunities**

With the Indian Railways undergoing a historic transformation through large-scale modernization, electrification, and safety enhancement programs, significant **growth opportunities** are emerging for technology providers, OEMs, and system integrators.

1. Expansion of Kavach Deployment

- Indian Railways plans to roll out **Kavach (TCAS)** across **40,000+ Route Kilometers** in a phased manner.
- Increasing number of **zonal tenders and bundled packages** will offer long-term, multi-crore project opportunities for qualified vendors and consortiums.
- Successful implementation in pilot sections positions players like **Kernex Microsystems** to participate in upcoming high-value tenders.

Domestic and International Successes:

Pioneering Implementation of TCAS (Kavach):

Successfully executed pilot and commercial projects of **Train Collision Avoidance System (TCAS)** - now known as **Kavach**—in partnership with Indian Railways and RDSO. Kernex's role in the development and deployment of indigenous ATP systems has been central to India's rail safety modernization.

Ongoing Projects Across Multiple Railway Zones:

Executed and currently delivering large-scale supply, installation, testing, and commissioning contracts for Kavach across zones such as **South Central Railway, South Eastern Railway, and Konkan Railway**, spanning hundreds of Route Kilometers (RKMs).

Turnkey Project Execution:

International Successes

1. **Egypt National Railways (ENR) – Onboard Safety Systems:**
Supplied **Onboard Train Control Systems** to **Egypt National Railways**, marking the company's first major breakthrough in the global railway market.
2. **Compliance with International Safety Standards:**
Products and systems have been positively assessed by global certification agencies such as **Italcertifier (Italy)**, reinforcing their credibility and enabling export readiness to other regions.
3. **Global Partnerships and Integrations:**
Collaboration with international OEMs and integrators for system compatibility, export customizations, and technology transfer, establishing a strong foundation for future global bids.

Proven track record of managing complex projects, including **interlocking, signaling, and safety automation**, with in-house engineering, installation, and commissioning expertise.

Opportunities for Future Growth:

1. **Expanding Market Presence:**

Domestic Opportunities: Expansion of Kavach (Train Collision Avoidance System)

- Indian Railways has announced the rollout of **Kavach across 40,000+ Route Kilometers**, creating long-term opportunities for companies with proven TCAS technology and execution capability.
- Increasing participation from private players under Make in India offers a level playing field for indigenous OEMs like **Kernex Microsystems**.

International Ventures:

The **successful execution of projects in Egypt and South Africa** has significantly strengthened the Company's global footprint and validated its capabilities in delivering **advanced rail safety and signaling solutions** in international markets. These accomplishments establish the Company as a **credible and competitive player** in the global railway technology space.

- In **Egypt**, the Company delivered onboard safety and control systems tailored to local operational needs, ensuring compatibility with existing infrastructure.
- In **South Africa**, successful project execution showcased the Company's adaptability to diverse technical, regulatory, and environmental conditions.

These proven international credentials have not only enhanced the Company's brand reputation but also **opened avenues for participation in upcoming railway modernization programs in Asia, Africa, and the Middle East**, where there is a growing demand for **cost-effective, reliable, and indigenous rail safety technologies**.

With a focus on **scalability, localization, and compliance with global standards**, the Company is now strategically positioned to explore:

- **Partnerships with global OEMs**
- **Joint ventures for technology transfer**
- **Bidding in multilateral-funded rail infrastructure projects**

Overall, the Company's proven track record and ongoing innovations in rail safety systems equip it to seize new opportunities and further its growth in both domestic and international markets.

The Company is exploring the potential to diversify into new areas, specifically focusing on:

1. Defense-Related Work:

Opportunities: The convergence of defense modernization and indigenous manufacturing initiatives under **Make in India** and **Atmanirbhar Bharat** is creating substantial opportunities for private players in the **defense electronics and rail-integrated safety systems domain**.

2. Manufacture of Electronic Components:

Expansion Potential: The demand for **indigenous manufacturing of electronic components** has surged significantly, driven by national policies promoting self-reliance and global supply chain shifts. This creates a highly favorable environment for companies engaged in or entering the **manufacturing of railway, signaling, defense, and industrial-grade electronics**.

Market Demand:

The market demand for advanced railway signalling systems, safety electronics, and indigenous infrastructure technologies is witnessing robust growth—driven by **government investment, safety mandates, digital transformation**, and rising passenger/freight volumes. This trend offers sustained opportunities for companies operating in the railway, defense, and electronics manufacturing sectors.

3. Outsourced Assembly Work:

- **Business Model:** Offering outsourced assembly services involves assembling electronic components and systems for other companies. This can help the Company utilize its existing facilities and expertise to generate additional revenue.

- **Benefits:** Engaging in outsourced assembly work can also enhance operational efficiency and flexibility, as it provides a steady stream of work and helps in optimizing resource utilization.

Strategic Approach:

- **Feasibility Study:** Conduct a thorough market analysis and feasibility study to understand the demand, competition, and potential challenges in these new areas.
- **Capability Assessment:** Evaluate the current technological and operational capabilities to determine how they can be adapted or enhanced for defense and electronic component manufacturing.
- **Partnerships and Collaborations:** Explore potential partnerships or collaborations with established players in the defense and electronics sectors to leverage their expertise and market access.

By pursuing these diversification opportunities, the Company can enhance its market position, tap into new revenue streams, and leverage its existing strengths in technology and manufacturing.

E) Threats

The Company, primarily operating within the Railway sector, faces challenges related to high customer concentration. To mitigate these risks and ensure sustainable growth, the Company is undertaking several proactive measures:

1. Diversification into New Sectors:

- **Objective:** To reduce dependence on the Railway sector and spread the risk associated with customer concentration.
- **Approach:** Explore opportunities in other sectors such as defense, electronic components manufacturing, and outsourced assembly work.
- **Action Plan:** Conduct market research to identify viable sectors with growth potential and align product offerings with the needs of these sectors.

2. Expansion of Existing Portfolio:

- **Objective:** To enhance the range of products and services offered within the Railway sector and beyond.
- **Approach:** Develop new products or improve existing ones to meet evolving market demands and technological advancements.
- **Action Plan:** Invest in R&D to innovate and expand the product portfolio, focusing on both current and potential future needs.

3. Addressing Technological Changes:

- **Objective:** To stay competitive in a rapidly evolving technological landscape.
- **Approach:** Continuously monitor technological trends and invest in upgrading capabilities.
- **Action Plan:** Implement ongoing training programs for employees, adopt new technologies, and enhance product development processes.

4. Navigating Competition:

- **Objective:** To remain competitive against multinational and domestic players.
- **Approach:** Differentiate offerings through superior quality, innovation, and value-added services.
- **Action Plan:** Analyze competitors' strategies, identify unique selling propositions, and adapt business strategies to address competitive pressures.

5. Adapting to Government Policies:

- **Objective:** To mitigate the impact of changes in government policies on business operations.
- **Approach:** Stay informed about policy changes and adapt strategies accordingly.
- **Action Plan:** Engage with industry bodies, participate in policy discussions, and ensure compliance with new regulations.

6. Managing Threats:

- **Technological Advances:** Invest in technology to stay ahead of competitors and meet market demands.
- **Competition:** Focus on differentiating the Company's offerings through innovation and quality.
- **Policy Changes:** Develop flexible business strategies to quickly adapt to regulatory changes.

By proactively addressing these areas, the Company aims to reduce customer concentration risks, capitalize on new opportunities, and strengthen its position in both existing and new markets.

F) Segment wise or product wise performance

The Company operates exclusively in the Rail Safety equipment and services sector, which constitutes its single business segment. The details of the performance of this segment are comprehensively outlined in the Director's Report. This focused approach allows the Company to concentrate its resources and expertise on enhancing its offerings and delivering specialized solutions within this niche market.

G) Risks and areas of concern

While the outlook for the railway signaling, safety systems, and electronics manufacturing sectors remains strong, several **risks and areas of concern** must be considered to ensure sustainable growth and operational resilience. The key directives and implications are as follows:

1. Project Execution Delays

- Large-scale infrastructure and signaling projects are often subject to **delays due to site readiness**, dependency on third-party contractors (e.g., Civil/EI vendors), and clearance bottlenecks from Indian Railways.
- Any **lag in coordination** can lead to **cost escalations** and delay in milestone-based payments.

2. Regulatory and Compliance Risks

- Strict adherence to specifications laid down by **RDSO**, Indian Railways, and global safety standards (e.g., CENELEC, SIL levels) is mandatory.

- Delays in product approvals, changes in technical specifications, or evolving certification requirements may impact timelines and go-to-market plans.

3. Supply Chain and Component Dependency

- High dependency on imported **electronic components and semiconductors** exposes the business to global **supply chain disruptions**, currency fluctuations, and lead time uncertainties.
- Geopolitical factors can impact the availability and pricing of critical hardware.

4. Working Capital Pressure

- Railway and government contracts often have **long payment cycles**, with payments linked to inspections, commissioning, and verification by third-party authorities.
- Companies may face **cash flow strain** due to inventory holding, advance procurement, and delayed receivables.

5. Technological Obsolescence

- Rapid evolution in safety and automation technologies may **render existing systems outdated** unless R&D and upgrade investments are continuously made.
- Competitors offering more integrated or AI-driven systems could affect market share.

6. Policy and Tendering Risks

- Any **change in government policy**, tender eligibility criteria, or shift toward different technology frameworks (e.g., imported ATP vs. indigenous systems) may alter the business landscape.
- Increased competition and L1-based tendering sometimes lead to **price undercutting** and margin pressure.

7. Talent and Skilled Manpower

- Shortage of **trained engineers, software developers, and commissioning experts** poses a challenge in scaling up multiple projects simultaneously.
- Dependence on a small pool of domain experts increases operational risk.

8. Cyber security Threats

- As signaling and safety systems become more **connected and digitized**, the risk of **cyber attacks on critical infrastructure** increases.
- Lack of robust cyber security measures can lead to data breaches, system failures, or safety violations.

Conclusion

While the industry holds immense promise, **managing risks proactively** through robust project planning, compliance management, financial discipline, R&D investment, and cyber resilience will be crucial. Building strong partnerships with Railways, vendors, and regulatory authorities will also help navigate these challenges effectively.

H) Discussion on financial performance with respect to operational performance

The details of the Company's revenue and financial performance for the year under review are comprehensively covered in the Directors' Report. Please refer to the respective section of the Directors' Report for a detailed analysis and insights into the Company's financial results.

I) Internal control systems and their adequacy

The Company has appointed an external firm of chartered accountants to conduct Internal Audit, ensuring that our internal control systems are robust and appropriate for our size and operational nature. These systems are designed to:

- Provide reasonable assurance regarding the accuracy and reliability of financial and operational information.
- Ensure compliance with applicable statutes and regulations.
- Safeguard assets from unauthorized use or losses.
- Execute transactions with proper authorization.
- Ensure adherence to corporate policies.

The effectiveness of these internal controls is regularly reviewed to ensure they remain adequate and effective.

The Internal Audit process is meticulously designed to review the adequacy and effectiveness of the internal control systems across all significant areas of the Company's operations. This includes, but is not limited to:

- **Software and Hardware Delivery:** Ensuring the systems meet required standards and specifications.
- **Production:** Monitoring production processes to ensure efficiency and compliance.
- **Accounting and Finance:** Reviewing financial records and controls to ensure accuracy and adherence to policies.
- **Procurement:** Verifying that procurement processes are transparent and in line with company policies.
- **Employee Engagement:** Assessing processes related to employee management and engagement.
- **Travel and Insurance:** Evaluating travel policies and insurance coverage for adequacy and compliance.

The Company has established an Audit Committee, with details provided in the Corporate Governance Report. The Audit Committee plays a crucial role in overseeing the internal audit process. Its responsibilities include:

- **Reviewing Audit Reports:** The Committee meticulously reviews the reports submitted by the Internal Auditors to ensure that all findings and recommendations are addressed.

- **Systematic Improvements:** Suggestions for systematic improvements identified during audits are considered by the Committee. It monitors the implementation of corrective actions to enhance the effectiveness of internal controls.
- **Engagement with Auditors:** The Committee regularly meets with both the Company's statutory auditors and Internal Auditors to discuss the adequacy of internal control systems. These discussions help in assessing the effectiveness of controls and addressing any concerns.
- **Reporting to the Board:** The Audit Committee keeps the Board of Directors informed of its major observations and the status of corrective actions, ensuring that the Board is aware of key issues and improvements.

This proactive approach ensures that internal control systems are robust and continuously improved, maintaining the integrity and efficiency of the Company's operations.

Your Company has established well-defined internal control systems designed to ensure the integrity and efficiency of its operations. These systems are integral to maintaining reliable financial and operational information, safeguarding assets, and ensuring compliance with applicable laws and corporate policies.

Certifications Obtained:

- (i) **ISO 9001:2015:** This certification demonstrates the Company's commitment to quality management systems, ensuring that processes meet customer and regulatory requirements.

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

During the year, there have been no materially significant changes in the Human Resources (HR) domain. The total number of employees as of March 2025 stands at 363, compared to 228 in the previous year. This increase reflects the Company's expansion and its commitment to enhancing its workforce capabilities.

The Company prides itself on maintaining a positive work environment that fosters innovation and meritocracy. This vibrant work ethic provides employees with opportunities to engage with cutting-edge technologies and leverage their talents effectively. As an organization committed to constant upgrading, the Company has focused on building competence through training, cross-training, and skills up gradation. The aim is to ensure that employees are equipped with the latest knowledge and skills to meet evolving industry demands.

Details of Key Financial Ratios:

S No	Details	2024-25
1	Debtors Turnover	15.59
2	Inventory Turnover	2.34
3	Interest Coverage Ratio	5.93
4	Current Ratio	2.64
5	Debt Equity Ratio (Times)	0.23

6	Operating Profit Margin (%)	19.09%
7	Net Profit Margin (%)	27%

Details of significant changes in key financial ratios, along with detailed explanations therefor mentioned in Note No. 43 of Standalone Financial Statements forming part of 33rd Annual Report

K) Cautionary Statement

Statements in the Management's Discussion and Analysis Report that describe the Company's objectives, projections, estimates, expectations, or predictions may be considered "forward-looking statements" as required by applicable laws and regulations. These statements reflect the Company's current views and expectations and are based on certain assumptions.

Key Points:

- **Risk of Actual Results Differing:** Actual results may differ significantly from those projected or implied in forward-looking statements due to various factors.
- **Influencing Factors:** Factors such as global and domestic demand-supply conditions, raw material prices, technological advancements, changes in government regulations and policies, tax laws, and other statutory requirements may impact actual outcomes.

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

**Sd/-
A Seshagiri Rao
Chairperson of the Company**

Place: Hyderabad

Date: 14th August 2025

CORPORATE GOVERNANCE REPORT

1. Company's philosophy on Code of Governance.

The Company is committed to adhering to good corporate governance practices, which it believes are essential for effectively directing and controlling its operations. These practices are fundamental to achieving the Company's primary objective of maximizing value for all stakeholders. By fostering transparency, integrity, and accountability, the Company aims to maintain the trust and confidence of its shareholders, customers, employees, and the broader community.

The Board considers itself a trustee for its shareholders, fully acknowledging its responsibility to create and safeguard shareholder wealth. In all its endeavors, the Board is committed to upholding the core values of transparency, integrity, honesty, and accountability, ensuring that these principles guide its decision-making and corporate governance practices.

The Company's Code of Conduct serves as a guiding framework for all employees, clearly outlining the values, ethics, and business principles that are expected to be upheld in their professional conduct. This code is integral to maintaining a culture of integrity and excellence within the organization.

2. Board of Directors:

- i. As on 31st March 2025, the Company has a Non-Executive Independent Director as Chairman. The Board of Directors of the Company consists of eminent people 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.

Further, after closure of the financial year 2024-25, the Company has appointed one of the promoter non-executive director as a Managing Director

- 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/she 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 as on 31st March 2025

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 other than this Company
Mr. Adabala Seshagiri Rao	Non-Executive	Independent Director	-	1. Balaji Amines Limited 2. Nova Agritech Limited 3. Manoj Vaibhav Gems 'N' Jewellers Limited
Mr. Pasupuleti Dinakara Rao	Non-Executive	Independent Director	-	Nil
Mr. Ayyagari Viswanadha Sarma	Non-Executive	Independent Director	-	Nil
Mr. Anji Raju Manthena	Non-Executive	Non-Independent Director	24,86,873	Nil
Mr. Vinta Janardhana Reddy	Non-Executive	Non-Independent Director	3,27,523	Nil
*Ms. Sreelakshmi Manthena	Non-Executive	Non-Independent Director	6,40,398	Nil
Mr. Manthena Badari Narayana Raju	Executive	Whole Time Director	2,087	Nil
Mr. Sitarama Raju Manthena	Executive	Whole Time Director	7,12,992	Nil

* on 23.05.2025 appointed as Managing Director

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

Name of Director	Expertise in specific functional area
Mr. Adabala Seshagiri Rao	Finance, Banking, Industrial Finance, Restructuring, Credit Monitoring, Legal procedures, and processes of SARFAESIA, DRT BIFR, and IBC.
Mr. Pasupuleti Dinakara Rao	Finance, Banking, Industrial Finance, Restructuring, Credit Monitoring, Legal procedures, and processes of SARFAESIA, DRT and BIFR
Mr. Ayyagari Viswanadha Sarma	Finance, Auditing Industrial Finance, Restructuring and processes of SARFAESIA, DRT, BIFR, and IBC.

Mr. Anji Raju Manthena	Clinical operation, medical affairs, and business development (MABD).
Mr. Vinta Janardhana Reddy	Clinical operation, medical affairs, and business development (MABD).
Ms. Sreelakshmi Manthena	Business Development Management, Marketing, Strategy Planning, Project Procurement, Project Coordination, Consulting
Mr. Manthena Badari Narayana Raju	Organization and Business Management
Mr. Sitarama Raju Manthena	Business Development Management, Marketing, Strategy Planning, Project Procurement, Project Coordination, Consulting

Relationship among Directors

Mr. Anji Raju Manthena, Ms. Sreelakshmi Manthena, and Mr. Sitarama Raju Manthena are related to each other. Specifically:

- Dr. Anji Raju Manthena
- Ms. Sreelakshmi Manthena
- Mr. Sitarama Raju Manthena

These three individuals are connected through familial ties. Aside from them, none of the other directors on the Board are related to each other. This disclosure ensures transparency and compliance with governance practices regarding relationships among Board members.

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 2024-25		Whether Attended AGM on 30.09.2024	No. of Directorships in other public companies	No. of committee positions held in other public companies		No. of shares
		Held	Attended			Chairman	Member	
*Mr. Adabala Seshagiri Rao	Non-Executive Independent	8	4	Yes	3	2	4	-
*Mr. Ayyagari Viswanadha Sarma	Non-Executive Independent	8	4	Yes	0	-	-	-
^ Mr. Pasupuleti Dinakara Rao	Non-Executive Independent	8	3	NA	0	-	-	-
Mr. Anji Raju Manthena	Non-Independent Non-Executive	8	8	Yes	-	-	-	24,86,873
Mr. Vinta Janardhana Reddy	Non-Independent Non-Executive	8	7	Yes	-	-	-	3,27,523

Ms. Sreelakshmi Manthena	Non-Independent Non-Executive	8	7	Yes	-	-	-	6,40,398
Mr. Manthena Badari Narayana Raju	Executive Director	8	8	Yes	-	-	-	2,087
Mr. Sitarama Raju Manthena	Executive Director	8	8	Yes	-	-	-	7,12,992
#Mr. Sreenivasa Rao Ravinuthala	Non-Executive Independent	8	5	NA	-	-	-	-
# Mr. Somasekhara Rao Koganti	Non-Executive Independent	8	5	NA	-	-	-	-
@Mr. A V S Krishna Mohan	Non-Executive Independent	8	5	Yes	-	-	-	-
\$Mr. Narender Kumar	Non-Executive Non-Independent	8	4	Yes	-	-	-	-

* appointed on 06.09.2024, ^ appointed on 30.09.2024, # ceased on 29.09.2024, @ ceased on 07.02.2025, \$ ceased on 30.09.2024

The Directorships held by the 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.

This clarification ensures that only relevant and reportable Directorships are considered, aligning with the disclosure requirements under applicable regulations and guidelines.

None of the Directors on the Board is a member of more than 10 committees and is the Chairman of more than 5 committees across all the companies in which they serve as directors. This practice aligns with regulatory requirements and helps ensure that the Directors can effectively contribute to the various committees they are part of.

None of the Directors serves as an Independent Director in more than seven listed companies. This ensures compliance with regulatory limits and helps maintain the Directors' ability to effectively contribute to each board on which they serve.

The Independent Directors, Mr. Sreenivasa Rao Ravinuthala, Mr. Somasekhara Rao Koganti, and Mr. A. V. S. Krishna Mohan, have ceased to hold office upon completion of their respective terms as Independent Directors. Further, Mr. Narender Kumar has ceased to be a Director pursuant to the resolution placed before the shareholders at the 32nd Annual General Meeting, which was not duly passed by the requisite majority.

DATES OF BOARD MEETINGS:

The Board met 8 times in the financial year 2024-25 on the following dates, with a gap not exceeding one hundred and twenty days between any two meetings:

Date	Board Strength	No. of Directors Present
30/05/2024	9	9
13/07/2024	9	8
31/07/2024	9	8
17/08/2024	9	9
06/09/2024	11	10
14/11/2024	9	7
27/01/2025	9	9
13/02/2025	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 of 31st March 2025 consisted of two Independent Directors and one Executive Director. The Chairman of the Audit Committee was an Independent Director who was present at the Board Meeting where the annual accounts were approved. All the members of the committee are financially literate.

The composition of the Audit Committee conforms to Regulation 18 and Part C of Schedule II of the SEBI Listing Regulations, 2015, as well as Section 177 of the Companies Act, 2013. The Chief Financial Officer, Internal Auditor, and Statutory Auditors are also invited to attend and participate in meetings of the Committee. Additionally, the Chairman of the Audit Committee was present at the Annual General Meeting held on 30th September 2024.

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 is 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 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:

- a) Matters required to be included in the Director's Responsibility statement to be incorporated Pursuant to section 134 (3) (c) of the Companies Act, 2013
 - b) Any changes in accounting policies and practices
 - c) Major accounting entries based on the exercise of judgment by management.
 - d) Significant adjustments arising out of audit.
 - e) Compliance with listing and other legal requirements relating to financial statements.
 - f) Disclosure of any related party transactions
 - g) Qualifications in the draft audit report.
 - h) Compliance with accounting standards
 - i) Management discussion and analysis of financial condition and result of operations.
- G. Reviewing the Quarterly Financial Results before submitting them to the Board's approval.
- H. Reviewing, with the management, the performance of external and internal auditors and adequacy of the internal control systems.
- I. Reviewing the adequacy of internal audit function and frequency of internal audit.
- J. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- K. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- i. The Audit Committee Meetings are usually held at the registered office of the Company and Audio/Video Conference, and are also attended by CFO, Statutory Auditors and Internal Auditors.
 - ii. The last Annual General Meeting of the Company was held on September 30, 2024.
 - iii. The composition of the Audit Committee as on March 31, 2025, and particulars of meetings attended by the members are as follows:

Name	Category	Number of meetings during the year 2024-25	
		Held	Attended
Mr. Ayyagari Viswanadha Sarma #	Chairman Non-Executive Independent	6	3
Mr. Adabala Seshagiri Rao #	Member Non-Executive Independent	6	3
Ms. Sreelakshmi Manthena #	Member Non-Executive Non-Independent	6	2
Mr. Sreenivasa Rao Ravinuthala *	Non-Executive Independent	6	3
Mr. Koganti Somasekhara Rao *	Non-Executive Independent	6	3
Sri. Sitarama Raju Manthena *	Executive	6	3

Appointed on 06.09.2024

* Ceased on 06.09.2024

Meetings of Audit Committee:

The Audit Committee met 6 times during the previous year, with a gap exceeding one hundred and twenty days between two meetings, as per the relaxations provided by the statutory authorities. All members were present at each meeting of the Audit Committee. The meetings were held on the following dates:

Date	Committee Strength	No. of Directors Present
30.05.2024	3	3
13.07.2024	3	3
31.07.2024	3	3
06.09.2024	3	2
14.11.2024	3	3
13.02.2025	3	3

The necessary quorum was present at all the meetings of the Audit Committee.

4 Nomination and Remuneration Committee:

1. The Nomination and Remuneration Committee was constituted in conformity with SEBI (LODR) Regulations, 2015 and the terms of reference are in conformity with Section 178 of the Companies Act'2013.
2. The Nomination and Remuneration Committee of the Company as on 31st March'2025 consists of 3 directors, out of whom two are independent directors.
3. 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, 2025 is mentioned below and two meetings were held on 06.09.2024 and 14.11.2024, 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 2024-25	
		Held	Attended
Mr. Pasupuleti Dinakara Rao #	Chairman & Non-Executive Independent	2	1
Mr. Adabala Seshagiri Rao @	Member & Non-Executive Independent	2	1
Mr. Anji Raju Manthena	Member & Non Executive Non-Independent	2	2
Mr. Ayyagari Viswanadha Sarma \$	Member & Non-Executive Independent	2	0
Mr. Sreenivasa Rao Ravinuthala *	Non-Executive Independent	2	1
Mr. KogantiSomasekhara Rao *	Non-Executive Independent	2	1

Appointed on 13.11.2024

@ Appointed on 29.09.2024

\$ Appointed on 29.09.2024 & Ceased on 13.11.2024

* Ceased on 29.09.2024

The Nomination and Remuneration Committee of the Company met 2 times during the financial year 2024-25, with meetings held on the following dates:

Date	Committee Strength	No. of Directors Present
06.09.2024	3	3
14.11.2024	3	3

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 people 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 the 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 consider the financial position of the Company, trend in the industry, qualifications, experience, and past performance of the appointee.
10. The Committee shall be able to bring about objectivity in determining the remuneration package while striking the balance between the interest of the Company and shareholders.
11. Any other functions / powers / duties 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.kernex.in. The Company has paid Remuneration and Sitting Fee during the Financial Year 2024-25.

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. The performance of the individuals is measured through the annual appraisal process.

Remuneration paid to Whole time Director during the financial year 2024-25 is follows: -

Name	Designation	REMUNERATION (Rs.Lakhs)		
		*Salary & Benefits	#Commission	Total
Mr. Manthena Badari Narayana Raju	Whole Time Director	46.99	-	46.99
Mr. Sitarama Raju Manthnea	Whole Time Director	46.99	-	46.99

*not included allowances and perquisites

They are eligible for 1% commission on the profits derived for the FY 24-25, which were not included.

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

B. Non- Executive Directors:

The Non-Executive Directors are paid a sitting fee at the rate of Rs.60,000/- 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 2024-25, is as follows: -

Name	Sitting fee (Amount in Rs. In Lakhs)
Mr. Anji Raju Manthena	6.00
Mr. Janardhana Reddy Vinta	4.20
Ms. Sreelakshmi Manthena	5.40
Mr. Narender Kumar	2.40
Mr. Sreenivasa Rao Ravinuthala	5.40
Mr. KogantiSomasekhara Rao	6.60
Mr. AVS Krishna Mohan	3.12
Mr. Adabala Seshagiri Rao	4.80
Mr. Pasupuleti Dinakara Rao	3.00
Mr. Ayyagari Viswanadha Sarma	4.80

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

The Company has not engaged in any pecuniary transactions with the Non-Executive Directors during the financial year. However, the Company has paid sitting fees together with re-imburement of travel expenditure to the Non-Executive Directors for attending Board and Committee meetings.

5. Stakeholders Relationship Committee:

The Company has constituted a Stakeholders Relationship Committee in accordance with Section 178 of the Companies Act, 2013. This Committee is responsible for addressing and resolving complaints from investors, including issues related to the transfer or credit of shares, non-receipt of dividends, notices, annual reports, etc.

- i. The Company's Stakeholders Relationship Committee is comprised of three directors, with a majority being Non-Executive Independent Directors. This composition ensures a balanced and independent approach to addressing and resolving investors' complaints.
- ii. The Committee met once during the financial year on February 13, 2025. All members of the Committee were present at the meeting.

The Shareholders/Investors Grievance Committee of the Company comprises the following directors:

Name	Category
Mr. Pasupuleti Dinakara Rao \$	Chairman and Non-Executive Independent
Mr. Ayyagari Viswanadha Sarma #	Member and Non-Executive Independent
Mr. Sitarama Raju Manthena	Whole-Time Director

Mr. Adabala Seshagiri Rao @	Member and Non-Executive Independent
Mr. A V S Krishna Mohan *	Member and Non-Executive Independent
Mr. Sreenivasa Rao Ravinuthala %	Non-Executive Independent
Mr. K Somasekhara Rao %	Non-Executive Independent

\$ Appointed on 13.11.2024

Appointed on 29.09.2024, Ceased on 13.11.2024 & re-appointed on 07.02.2025

@ Appointed on 29.09.2024 & Ceased on 13.11.2024

*** ceased on 07.02.2025**

% ceased on 29.09.2024

The Shareholders/Investors Grievance Committee of the Company met one time during the financial year 2024-25, with meeting held on the following date:

Date	Committee Strength	No. of Directors Present
13.02.2025	3	3

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 01.04.2024 to 31.03.2025	Resolved during the period 01.04.2024 to 31.03.2025	Closing Balance
Nil	Nil	Nil	Nil

The Committee reviews the security transfers/transmissions, processes of dematerialization, investor 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/transmissions and comply with other formalities related thereto. All investor complaints that cannot be settled at the level of the Compliance Officer will be placed before the Committee for final resolution. As of 31st March 2025, there were no pending complaints or transfers.

Terms of reference:

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

- Redressal of grievances of shareholders, debenture holders and other security holders.
- Transfer and transmission of securities.
- 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. KFin Technologies 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, in conjunction with the Registrars and Share Transfer Agents of the Company, follows a policy of addressing any complaints within seven days from the date of receipt.

As mandated by SEBI, the Quarterly Reconciliation of Share Capital Audit is conducted by a Practicing Company Secretary. This audit verifies the reconciliation of total admitted capital with the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) against the total issued and listed capital. The audit confirms that the total issued and paid-up capital aligns with the total number of shares held in both physical and dematerialized forms with NSDL and CDSL.

6. Risk Management Committee

The Company is not mandated to constitute a Risk Management Committee as per Regulation 21(5) of the SEBI Listing Regulations, 2015, due to its current scope and size.

However, in alignment with best practices, the Company has voluntarily established a Risk Management Committee to proactively identify and address potential risks. The Committee is responsible for assessing and implementing measures to mitigate risks. The members of the Risk Management Committee are as follows:

The Risk Management Committee of the Company comprises the following directors:

Name	Category
Mr. Ayyagari Viswanadha Sarma #	Chairman and Non-Executive Independent
Mr. Pasupuleti Dinakara Rao \$	Member and Non-Executive Independent
Mr. Janardhana Reddy Vinta	Member and Non-Executive Non-Independent
Mr. Sreenivasa Rao Ravinuthala @	Non-Executive Independent
Mr. Koganti Somasekhara Rao @	Non-Executive Independent

Appointed on 13.11.2024

\$ Appointed on 13.11.2024

@ ceased on 29.09.2024

7. Corporate Social Responsibility Committee

During the year under review, the provisions of Corporate Social Responsibility (CSR) were not applicable to the Company. However, in adherence to the best practices, the Company has constituted a CSR Committee and developed a CSR policy in line with the provisions of the Companies Act, 2013. The CSR Committee comprises the following members:

The Risk Management Committee of the Company comprises the following directors:

Name	Category
Mr. Pasupuleti Dinakara Rao \$	Chairman and Non-Executive Independent
Mr. Ayyagari Viswanadha Sarma #	Member and Non-Executive Independent
Mr. Sitarama Raju Manthena	Member and Whole-Time Director

\$ Appointed on 07.02.2025

Appointed on 13.11.2024

The CSR Committee is responsible for formulating and monitoring the CSR policy and activities of the Company.

MEETING OF INDEPENDENT DIRECTORS

- During the year under review, the Independent Directors met on 05th March 2025, inter alia, to discuss:
- Performance Evaluation: Review and evaluate the performance of the Board, its Committees, and individual Directors.
- Compliance with Regulatory Requirements: Discuss compliance with regulatory requirements and any necessary actions to address compliance issues.
- Strategic Matters: Assess strategic issues impacting the Company's long-term goals and performance.
- Risk Management: Evaluate the effectiveness of risk management strategies and measures.
- Board Effectiveness: Discuss and improve the effectiveness of Board processes and dynamics.
- Independent Directors' Role: Review the role and responsibilities of Independent Directors to ensure their effectiveness in governance.
- The meeting provided an opportunity for Independent Directors to discuss these matters freely and contribute to the overall governance of the Company.
- All the Independent Directors were present at the Meeting.

Compliance officer:

Mr. Prasada Rao Kalluri, Company Secretary, serves as the Compliance Officer responsible for ensuring adherence to the Securities Laws, Listing Agreements with the Stock Exchanges, and SEBI (LODR) Regulations, 2015. In addition to his role as Compliance Officer, he acts as the Secretary to all the mandatory sub-committees of the Board, facilitating their meetings and ensuring compliance with regulatory requirements.

Compliance Reports

The Board of Directors periodically reviews compliance reports on applicable laws to ensure that the Company adheres to all regulatory requirements and legal standards.

Succession Plans

The Company has established plans for the orderly succession of appointments to the Board and senior management. The Board is satisfied with the effectiveness and robustness of these succession plans.

Code of Conduct

The Board of Directors has established a Code of Conduct applicable to all Board members and senior management of the Company. This Code of Conduct incorporates the duties of independent directors as stipulated under the Companies Act, 2013. All Board members and senior management personnel have affirmed their compliance with this Code.

A declaration signed by the Whole Time Directors confirming adherence to the Code of Conduct is included below:

Information and Compliance Certificate to the Board

All information required under Regulation 17 of the SEBI Listing Regulations, 2015, is provided to the Board. In accordance with the Company's Corporate Governance Policy, all statutory and materially significant information is submitted as part of the agenda papers well in advance of Board Meetings or circulated during the meetings. This practice ensures that Directors are well-informed and able to effectively discharge their responsibilities in overseeing the strategic direction of the Company as trustees of the Shareholders.

The Whole-Time Directors (WTDs) and the Chief Financial Officer have provided the compliance certificate to the Board of Directors, as specified under Part B of Schedule II of the SEBI Listing Regulations, 2015. This certification confirms that the Company has adhered to the relevant corporate governance requirements and regulations.

The Company has established procedures to keep the Board of Directors informed about the risk assessment and minimization procedures. The Board continuously advises the management on the development and implementation of risk management plans and oversees their effectiveness.

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 people having access to unpublished price sensitive information.

8. Related Party Transactions

The Company has formulated a Related Party Transactions Policy. All related party transactions are conducted in accordance with the Related Party Transactions (RPT) Policy and comply with the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. All RPTs are presented to the Audit Committee for approval.

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

The Company does not have any domestic subsidiaries. Further, the Company has a Wholly Owned Subsidiary in USA i.e. M/s. Avant Garde Info Systems Inc, which is not a Material 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) and Schedule IV (VII) of the Companies Act, 2013, and Clause 25 (3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate meeting of the Independent Directors of the Company was held during the year on 5th March 2025.

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 Obligations and Disclosure Requirements) Regulations, 2015. This includes adherence to the limits on the number of committees on which a Director may serve in all public limited companies, affirmation of compliance with the Code of Conduct, and disclosure of all material, financial, and commercial transactions where they have a personal interest that may potentially conflict with the interests of the Company at large.

Familiarization Program for Board Members:

A formal familiarization program was conducted to update the Board and senior management on the amendments to the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and all other applicable laws relevant to the Company.

It is the general practice of the Company to periodically notify changes in all applicable laws to ensure ongoing compliance and awareness.

The details of the familiarization programs for Independent Directors are posted on the Company's website at <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 conducted the annual performance evaluation of its own performance, the performance of individual Directors, as well as the functioning of its Audit and other Committees.

A structured questionnaire was prepared, taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning. This included the 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 conducted to evaluate the performance of individual Directors, including the Chairman of the Board. They were assessed on parameters such as their level of engagement and contribution, independence of judgment, and their ability to safeguard the interests of the Company and its minority shareholders. The performance evaluation of the Independent Directors was carried out by the entire Board, while the evaluation of the Chairman and Non-Independent Directors was conducted by the Independent Directors, who also reviewed the performance of the Secretarial Department. The Directors expressed their satisfaction with the overall evaluation process.

12. General Meetings

Here is the information regarding the location, date, and time of the last three Annual General Meetings (AGMs) along with the details of special resolutions passed:

Year	Day, Date and Time of the Meeting	Venue	Special Resolutions passed at the AGM by the Shareholders
2023-24	32 nd AGM held on Monday, 30 th September 2024 04.00 PM	Video Conference	<ol style="list-style-type: none"> To consider and approve appointment of Mr. Adabala Seshagiri Rao (din: 09608973) as an Independent Director of the company To consider and approve appointment of Mr. Ayyagari Viswanadha Sarma (DIN: 00499468) as an Independent Director of the company To consider and approve appointment of Mr. Pasupuleti Dinakara Rao (DIN:00009801) as an Independent Director of the company
2022-23	31 st AGM held on Saturday, 30 th September 2023 04:00 PM	Video Conference	<ol style="list-style-type: none"> To increase in managerial remuneration of Mr. M B Narayana Raju (DIN: 07993925), Whole-Time Director To increase in managerial remuneration of Mr. M SitaramaRaju (DIN: 08576273), Whole-time director To consider and approve re-appointment of Mr. M B Narayana Raju (din: 07993925) as aWhole Time Director of the company To consider and approve the re-appointment of Mr. M Sitarama Raju (DIN:08576273) as awhole-time director of the company To consider and approve issue of warrants on a preferential basis

2021-22	30 th AGM held on Friday, the 30 th September'2022 10:00 A.M.	Video Conference	No special resolutions were passed
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Mr. D S Rao, Company Secretary in Practice, conducted the remote e-voting and e-voting process during the previous Annual General Meeting.

Postal Ballot:

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

Postal Ballot 1 (Last date of E-voting 23rd August 2024)

S No	Particulars of Resolution	Type of Resolution	Voting Pattern	
			Votes cast in favour	Votes cast against
1	To Approve the Kernex Employee Stock Option Scheme 2023 (KMIL ESOS 2023)	Special	48,78,082 99.87%	6,422 0.13%
2	Reclassification of outgoing Promoters to "public" shareholder	Ordinary	48,77,764 99.86%	6,703 0.14%
3	To Increase Managerial Remuneration of Mr. M B Narayana Raju (DIN: 07993925), Whole-Time Director	Special	48,77,148 99.85%	7,326 0.15%
4	To Increase Managerial Remuneration of Mr. M Sitarama Raju (DIN: 08576273), Whole-Time Director	Special	48,76,160 99.83%	8,264 0.17%

Postal Ballot 2 (Last date of E-voting 9th March 2025)

S No	Particulars of Resolution	Type of Resolution	Voting Pattern	
			Votes cast in favour	Votes cast against
1	To Increase in Borrowing Powers of The Board of Directors	Special	49,70,305 96.97%	1,55,432 3.03%
2	To Creation of the charge /providing of security on the assets of the Company.	Special	51,24,475 99.98%	1,262 0.02%
3	To Increase Managerial Remuneration of Mr. M B Narayana Raju (DIN: 07993925), Whole-Time Director	Special	49,71,830 97.00%	1,53,907 3.00%
4	To Increase Managerial Remuneration of Mr. M Sitarama Raju (DIN: 08576273), Whole-Time Director	Special	49,21,832 96.02%	2,03,907 3.98%

The postal ballot was conducted by Mr. D S Rao, Practicing Company Secretary.

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

After closure of the financial year 2024-25, the company had conducted postal ballot. The details of Resolutions which were passed through postal ballot during the last financial year and voting pattern thereon is as follows:

Postal Ballot 3 (Last date of E-voting 9th August 2025)

S No	Particulars of Resolution	Type of Resolution	Voting Pattern	
			Votes cast in favour	Votes cast against
1	To consider and approve the appointment of Ms. Sreelakshmi Manthena (DIN: 07996443), as a Managing Director	Special	56,43,600 99.995%	280 0.005%

The postal ballot was conducted by Mr. D S Rao, Practicing Company Secretary.

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

There are no Special Resolutions proposing to be conducted in the ensuing 33rd AGM

Extraordinary General Meeting:

During the year, the Company has not conducted any Extraordinary General Meeting of the Members.

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 on an 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 in the Notes to financial statements. However, during the year the Company has taken approval from shareholders for related party transactions which were falling under the material events. 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
- ii. The equity shares of the Company are listed and traded on BSE Limited and NSE. Over the last three years, the Company has maintained a good compliance record, with no penalties or strictures imposed by SEBI, the stock exchanges, or any other authority on matters related to capital markets. However, in the financial year 2023-24, the Company faced penalties from the stock exchanges under Regulation 33 of SEBI (LODR) Regulations, 2015. These penalties were due to the non-

submission of financial results for the quarter ended 31st December 2023 and the quarter and year ended 31st March 2024. Additionally, in the FY 2024-25 the Company was penalized for non-compliance concerning the Composition of Board. The Company responded to the stock exchanges, stating that it had complied with the composition requirements of the Board as per Regulation 17 of SEBI (LODR) Regulations, 2015 and requested a waiver of the penalties. After considering the Company's response, NSE has waived penalty and waiting from BSE for 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 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.

- iv. The Company has no material subsidiaries. The Policy on Material Subsidiaries as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as approved by the Board is uploaded on the website of the Company www.kernex.in. The Management provides the financials of the subsidiary companies/JVs/Consortium on a quarterly basis and the audited financial statements annually to the Audit Committee and the Board of Directors.
- v. The Whole-Time Directors and the Chief Financial Officer have certified to the Board in accordance with Regulation 33(2) (a) of SEBI Listing Regulations pertaining to WTDs/CFO certification for the Financial Year ended 31st March 2025.
- 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 audit reports directly to the audit committee.
- vii. There are no Shares lying in Demat Suspense Account.
- viii. During the year no one has resigned from the office of senior management.
- ix. Company's practices and procedures meet the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.
- x. Total fees for all services paid by the listed entity to the statutory auditor FY 2024-25 is set out in Note No. 33 of the Standalone Financial Statements, forming part of the Annual Report.

- xi. 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: Zero
- xii. 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 auditor submitted his 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 a few electronic components as and when required.

- xiii. None of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority as on the date of the report. A certificate from a Company Secretary in practice is enclosed in this regard.
- xiv. During the financial year 2024-25, the Company has not raised any funds through preferential allotment or qualified institutions placement.
- xv. The Board had accepted the recommendations of all the committees of the Board.
- xvi. The Company and its subsidiary, has not given any Loans and advances in the nature of loans to firms/companies in which directors are interested.

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 and 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 33rd Annual General Meeting of the company will be held on Monday the 29th September 2025 at 11.00 A.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:

30 th June 2025	: On or before 14 th August 2025.
30 th Sep, 2025	: On or before 14 th November, 2025.
31 st Dec, 2025	: On or before 14 th February, 2026.
31 st Mar, 2026	: On or before 30 th May, 2026.
Date of Book closure	: 23 rd September 2025 to 29 th September 2025 (both days inclusive).
Dividend Payment Date	: Not Applicable
Listing on Stock Exchanges	: The BSE Limited and National Stock Exchange of India Limited

Stock Code:

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

The Annual Listing fee for the year 2025-26 has been paid to the Stock Exchanges.

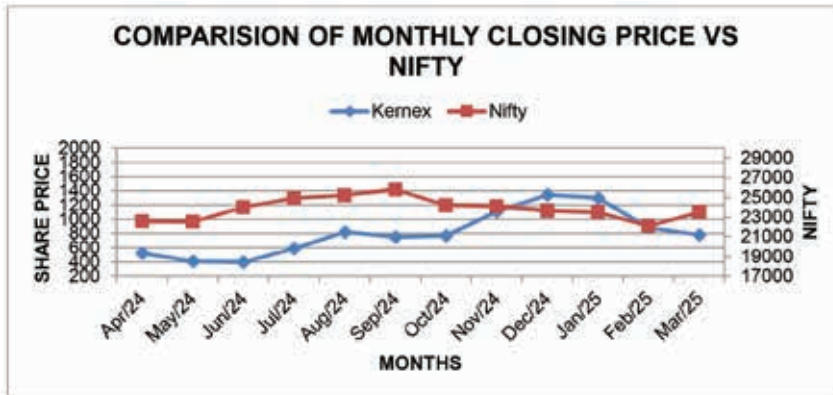
- 16. Market Price Data:** High, Low (Based on the closing prices) and number of shares traded during each month in the last financial year on the National Stock Exchange of India Limited and the BSE Limited, Mumbai: -

Month	BSE Limited			NSE		
	High (Rs.)	Low (Rs.)	Total No. of Shares Traded	High (Rs.)	Low (Rs.)	Total No. of Shares Traded
Apr-24	619.00	522.20	41,832	632.65	524.95	3,67,832
May-24	542.00	383.90	94,453	545.45	383.50	5,90,794
Jun-24	469.20	333.55	3,23,139	470.05	335.00	26,09,201
Jul-24	612.50	385.80	6,97,180	612.25	386.35	42,79,980
Aug-24	1011.00	605.00	9,98,125	1,010.20	596.25	61,14,952
Sep-24	915.95	740.00	4,52,055	914.70	739.95	39,50,551
Oct-24	827.85	684.05	3,06,045	831.90	683.10	24,52,075
Nov-24	1159.30	741.05	6,52,612	1,166.25	741.00	46,35,499
Dec-24	1584.00	1079.05	9,51,920	1,580.00	1,077.65	64,24,546
Jan -25	1474.90	1105.00	3,25,025	1,470.00	1,104.50	15,77,221
Feb -25	1345.00	800.00	2,28,118	1,354.25	785.75	12,98,961
Mar-25	905.25	625.55	4,58,965	914.40	621.55	25,47,958

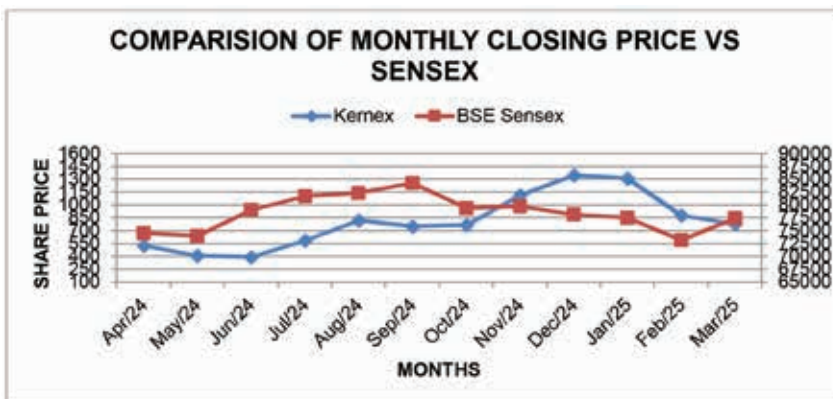
The securities of the Company are not suspended from trading during the financial year ending March 31, 2025.

Share Price Performance:

Comparison with NSE Nifty



Comparison with BSE Sensex



Distribution of Shareholding (as on March 31, 2025):

SI No	Category No. of Shares	No. of shareholders	% to Total Shareholders	No. of Shares	% of Total Share capital
1	1 - 5000	35,488	93.64	22,10,749	13.19
2	5001 - 10000	1,122	2.96	8,44,094	5.04
3	10001 - 20000	636	1.68	9,19,701	5.49
4	20001 - 30000	205	0.54	5,11,876	3.05
5	30001 - 40000	100	0.26	3,52,123	2.10
6	40001 - 50000	83	0.22	3,81,527	2.28
7	50001 - 100000	128	0.34	9,28,127	5.54
8	100001 and above	135	0.36	1,06,11,225	63.31
	TOTAL	37,897	100.00	1,67,59,422	100.00

Shareholding pattern as on March 31, 2025

S. No	Category	No of share holders	No of Shares	Percentage of Holding
(A)	PROMOTER AND PROMOTER GROUP			
(1)	INDIAN			
(a)	Individual /HUF	4	715353	4.27
(b)	Others	-	-	-
(2)	FOREIGN			
(a)	Individuals (NRIs/Foreign Individuals)	12	41,59,228	24.82
(b)	Others	-	-	-
	Total	16	48,74,581	29.09
(B)	PUBLIC SHAREHOLDING			
(1)	INSTITUTIONS			
(a)	Mutual Funds	1	1,81,876	1.09
(b)	Alternative Investment Funds	1	1,944	0.01
(c)	Foreign Portfolio Investors Category I	3	1,078	0.01
(d)	Foreign Portfolio Investors Category II	2	10,856	0.06
(c)	Shareholding by Companies or Bodies Corporate where Central / State Government is a promoter	1	10,563	0.06
(2)	NON-INSTITUTIONS			
(a)	Bodies Corporate	293	23,77,450	14.19
(b)	Directors and their Relatives	6	3,66,006	2.18
(c)	Key Managerial Personnel	0	0	0
(b)	Individuals			
	(i) Individuals holding nominal share capital upto Rs.2 lakh	36,193	57,91,306	34.56
	(ii) Individuals holding nominal share capital in excess of Rs.2 lakh	42	21,07,071	12.57
(c)	Others (NBFCs)			
	Clearing Members	-	-	-
	Non Resident Indians	531	6,49,313	3.87
	Foreign Nationals	0	-	-
	Trusts	3	24,431	0.15
	HUF	805	3,62,947	2.17
	Total	37,881	1,18,84,841	70.91
	Grand Total	37,897	1,67,59,422	100.00

Dematerialization of shares and liquidity:

The company's shares are compulsorily traded in dematerialization form. Equity shares of the Company representing 98.00% of the company's share capital are dematerialized as on March 31, 2025.

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, 2025 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 Limited

Karvy Selenium Tower No.B, Plot No.31-32,
Gachibowli, Financial District, Nanakramguda
Hyderabad-500 032 | India
Ph No: +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 Mr. D S Rao, Company Secretary in Practice, 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 33rd Annual Report

Secretarial Audit:

1. Mr. D S Rao, Company Secretary in Practice have conducted Secretarial Audit of the Company for the year 2024-25. His 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. Mr. D S Rao, Company Secretary in Practice 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). On the online portal of both the stock exchanges (NSE and BSE) on a quarterly basis reconciliation of share capital audit report has been filed within the prescribed time limit and the same is also placed before the Board.
3. Compliance under SEBI Listing Regulations pertaining to mandatory requirements and Practicing 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 prescribed time as provided by the SEBI (LODR) Regulations, 2015 during the financial year 2024-25.

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 Chairman of the Company so as to comply with Regulation 17 (1) of the Securities and Exchange Board of India (Listing Obligations and disclosure requirements) Regulations 2015 regarding number of Independent directors

Shareholder Rights – Quarterly/Half yearly/Annual results

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

Separate Posts of Chairman and CEO

The Chairman of the Company is a Non-Executive Independent Director. At present there is no CEO.

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.

Code of Conduct

The Company has a Code of Conduct for Directors and Senior Management of the Company and has received confirmations from the directors and senior management regarding compliance with the Code for the year ended March 31, 2025. A certificate from Whole Time Directors to this effect is attached to this Report.

Allotment of shares

During the year under review, the Company has not allotted any shares during the year.

Accounting treatment

The Financial Statements of the Company have been prepared in accordance with the Indian Accounting Standard (Ind AS), notified under the Companies (Indian Accounting Standard) Rules, 2015 and the relevant provisions of Companies Act, 2013. The Financial statements have been prepared on accrual basis under the historical cost convention.

Code of Conduct for Prevention of Insider Trading

Pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time, your Company has in place a Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting of Trading by Designated Persons and their Immediate Relatives. The disclosures received pursuant to this code and the regulations are disseminated to the Stock Exchanges within the prescribed time limit and a report on compliance are being duly placed before the respective Audit Committee and Board Meetings.

Secretarial Standards

Your Company's practices and procedures meet the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

To
The members of Kernex Microsystems (India) Limited

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

I Sreelakshmi Manthena, hereby declare that all Board members and senior management personnel have affirmed compliance with the Code of Business Conduct and Ethics formulated by the Company for the financial year ended 31st March, 2025.

For Kernex Microsystems (India) Limited

**Sd/-
Sreelakshmi Manthena
Managing Director
DIN: 7996443**

AUDITORS' CERTIFICATE REGARDING CORPORATE GOVERNANCE

To The Members,
KERNEX MICROSYSTEMS (INDIA) LIMITED
Hyderabad

I 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, 2025**, as stipulated in Chapter IV of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

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

I conducted my examination of the Corporate Governance Report in accordance with the established systems and procedures selected by us depending on my judgment, including an assessment of the risks associated with 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 me as mentioned above and according to the information and explanations provided to me, I am 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, 2025.

I 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.

Sd/-
CS D.S. Rao; PCS
ACS No.: 12394
C.P.NO.: 14487
UDIN: A012394G001006717
PEER REVIEW NO.: 1817/2022

Date: 14-08-2025
Place: Hyderabad

**CERTIFICATE GIVEN BY WHOLE-TIME DIRECTORS (WTDS)/ CHIEF EXECUTIVE OFFICER (CEO)
AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION**

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

We, M B Narayana Raju, Whole-Time Director, Sitarama Raju Mantena, Whole-Time Director and Pamidi Srikanth, Chief Financial Officer of the Company, to the best of our knowledge and belief, certify that:

- a. We have reviewed the financial statements including cash flow statement (standalone and consolidated) for the financial year ended 31st March, 2025 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 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 that the same have been disclosed in the notes to the financial statements; 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/-
M B Narayana Raju
Whole-Time Director
DIN: 07993925

Sd/-
Sitarama Raju M
Whole -time Director
DIN: 08576273

Sd/-
Pamidi Srikanth
Chief Financial Officer

Place: Hyderabad
Date: 23.05.2025

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.

I have examined the relevant records, forms, returns and disclosures received from the directors of **KERNEX MICROSYSTEMS (INDIA) LIMITED** having CIN: L30007TG1991PLC013211 and its office at Plot No.38 to 41, Survey No.1/1, Hardware Technology Park, TSIC Layout, Raviryal Village, Maheswaram Mandal, Hyderabad – 501 510 (hereinafter referred to as “the Company”) produced before me 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 my opinion and to the best of my information and according to the verifications (including Director Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and the explanations furnished to me by the Company & its officers, I hereby certify that none of the directors on the Board of the Company for the financial year ended March 31, 2025, 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	!Ms. Sreelakshmi Manthena	Managing Director	07996443
2	\$Mr. Adabala Seshagiri Rao	Chairman & Independent Director	09608973
3	\$Mr. Ayyagari Viswanadha Sarma	Independent Director	00499468
4	@Mr. Pasupuleti Dinakara Rao	Independent Director	00009801
5	Anji Raju Manthena	Non-Executive Director	01022368
6	Janardhana Reddy Vinta	Non-Executive Director	02414912
7	Badari Narayana Raju Manthena	Whole-Time Director	07993925
8	Sitarama Raju Manthena	Whole-Time Director	08576273

! Change in designation as Managing Director w.e.f. 23/05/2025.

\$ Appointed as an Independent director w.e.f. 06/09/2024.

@ Appointed as an independent director w.e.f. 30/09/2024.

Ensuring eligibility for the appointment/ continuity of every Director on the Board is the responsibility of the management of the Company. My responsibility is to express an opinion on these based on my 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.

Sd/-
CS D.S. Rao; PCS
ACS No.: 12394
C.P.NO.: 14487
UDIN: A012394G001006739
PEER REVIEW NO.: 1817/2022

Date: 14-08-2025

Place: Hyderabad

COMPLIANCE CERTIFICATE

[Pursuant to Regulation 13 of the Securities Exchange Board of India
(Share Based Employee Benefits and Sweat Equity) Regulations, 2021]

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

I, D.S.Rao, Practicing Company Secretary, have been appointed as the Secretarial Auditor of Kernex Microsystems (India) Limited (hereinafter referred to as 'the Company'), having CIN: L30007TG1991PLC013211 and its registered office at Plot No38 to 41, survey no 1/1, Hardware Technology Park, TSIIIC Layout, Kancha Imarat, Raviryal Village, Maheswaram Mandal, Hyderabad, Telangana - 500005. This certificate is issued under Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (hereinafter referred to as 'the Regulations'), for the financial year ended **31st March 2025**.

Management Responsibility:

It is the responsibility of the Management of the Company to implement the Scheme(s) including designing, maintaining records and devising proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

Verification:

The Company has been implementing "KERNEX- Employee Stock Option Scheme 2023" ("KMIL ESOS 2023/ESOS 2023") viz Employee Stock Option Scheme in accordance with the Regulations and the Special Resolution passed by the members through Postal Ballot on 23rd August 2024.

For the purpose of verifying the compliance of the Regulations, I have examined the following:

1. Scheme furnished by the Company;
2. Articles of Association of the Company;
3. Resolutions passed at the meeting of the Board of Directors;
4. Shareholders Resolution passed through Postal Ballot on 23rd August 2024;
5. Relevant Accounting Standards as prescribed by the Central Government;
6. Detailed terms and conditions of the scheme as approved by Nomination and Remuneration Committee;
7. Exercise Price / Pricing formula;
8. Statement filed with recognised Stock Exchange(s) in accordance with Regulation 10 of these Regulations;
9. In-principal approval received from the stock exchanges;
10. Relevant provisions of the Regulations, Companies Act, 2013 and Rules made thereunder;
11. Other relevant document/ filing/ records/ information as sought and made available to me and the explanations provided by the Company.

Certification:

In my opinion and to the best of my knowledge and according to the verifications as considered necessary and explanations furnished to me by the Company and its Officers, I certify that the Company has obtained requisite approvals to implement the "KERNEX- Employee Stock Option Scheme 2023" ("KMIL ESOS 2023/

ESOS 2023”) in accordance with the applicable provisions of the Regulations and Special Resolution passed by the Company through Postal Ballot on 23rd August 2024. During the FY 2024-25, the Nomination and Remuneration Committee of the Company at its meeting held on Thursday, 14th November 2024, has granted 43,000 Options to eligible employees under the scheme.

Details of Options are as under:

Particulars	No of Options
No. of Options Under Scheme	1,50,000
No. of Options Granted during the year	43,000
No. of Options Grated earlier	NIL
No. of Options Vested	NIL
No. of Options Exercised	NIL
No. of Options lapsed	NIL

Assumption & Limitation of Scope and Review:

1. Ensuring the authenticity of documents and information furnished is the responsibility of the Board of Directors of the Company.
2. My responsibility is to give certificate based upon my examination of relevant documents and information. It is neither an audit nor an investigation.
3. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.
4. This certificate is solely for your information and it is not to be used, circulated, quoted, or otherwise referred to for any purpose other than for the Regulations.

Sd/-
CS D.S. RAO: PCS
CP No.: 14487
UDIN: A012394G001006761
PEER REVIEW CER. No. 1817/2022

Date: 14/08/2025
Place: Hyderabad



**STANDALONE
FINANCIAL STATEMENTS
2024-25**



Independent Auditor's Report

To
The Members of
Kernex Microsystems (India) Limited,
Hyderabad.

REPORT ON THE AUDIT OF THE STANDALONE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the accompanying Standalone Financial Statements of Kernex Microsystems (India) Limited (the "Company"), which comprise the Balance Sheet as at March 31, 2025, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year ended on that date, and notes to the financial statements, including material accounting policies and other explanatory information. (hereinafter referred to as "Standalone Financial Statements").

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" paragraph below**, the aforesaid Standalone Financial Statements give the information required by the Companies Act, 2013 (the "Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2025 and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Qualified opinion

We draw attention to the matters described below, the effect of which, individually or in aggregate, are material but not pervasive to the Standalone Financial Statements. The effects of matters described below, which could be reasonably determined, are quantified and given therein.

- a. The Company has a Wholly owned subsidiary namely Avant-Garde Infosystems Inc in USA which is presently supporting the business of the Company by identifying the sources, negotiating for and procuring electronic components from outside India. The subsidiary in the past, was involved in the trading of goods.
- b. As per the latest unaudited financials of the subsidiary available as on 31st March 2025, the accumulated loss of the subsidiary company for the period ended 31st March 2025 is USD 1.894 million (the equivalent Indian Rupees being Rs. 1,617.84 lakhs as per prevailing exchange rate), Which is exceeding the cost of investment made USD 1.822 million (Rs. 1,275.97 lakhs (at Cost)). As a result, the carrying amount of the investment in the equity of subsidiary in the books of account of the Company amounting to Rs. 1,275.97 lakhs (at Cost) stand's impaired fully. Ind AS 36, requires the company to provide for impairment in respect of diminution in the value of investments by charging the amount of impairment to the Profit & Loss Account.
- c. The Company made an investment of Rs. 8.00 lakhs in KERNEX TCAS JV - a controlled entity (subsidiary) formed to execute a railway safety project, in which the Company has 80% share in the profits and losses. In addition, the Company has also provided the long-term advance of Rs. 575.89 lakhs (Including interest amount). As per the latest audited financials of KERNEX TCAS JV as on 31st March 2025, the JV has total assets of Rs 718.55 lakhs and outside liabilities (other than the advance due to

the company) is Rs. 442.94 lakhs. Thus, the net assets available amounting to Rs 275.61 lakhs are not sufficient to recover the advance given to KERNEX TCAS JV which is Rs. 575.89 lakhs (Including interest amount) as on 31st March 2025. Accordingly in our opinion the same investments and the advance are subject to impairment in standalone financial statements to the extent of Rs 308.28 lakhs.

Since the Company has not impaired the cost of investments in the equity of subsidiary and the advance granted to KERNEX TCAS JV to an extent of Rs. 1,584.25 lakhs (Rs. 1,275.97 lakhs on account of diminution in the value of the investment in equity of the wholly owned subsidiary & Rs. 308.28 lakhs on account of insufficient funds available in KERNEX TCAS JV), the profit and other Comprehensive Income for the year ended are overstated by the said amount. The Other Equity in the balance sheet for the year ended is overstated by Rs.1, 584.25 lakhs.

Our conclusion on the standalone financial statements is qualified in respect of the above matters.

We conducted our audit of the Standalone Financial Statements in accordance with the Standards on Auditing (SA's) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibility 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 ("ICAI") 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 ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our opinion on the Standalone Financial Statements.

Emphasis of Matter

We draw attention to Note 12 and 14 of the Standalone Financial Statements, which describes the company's assessment towards the recoverability of the following financial assets which are outstanding for long period of time:

- a. Trade Receivables from customers Rs. 422.10 Lakhs (PY 418.34 Lakhs) and respective Expected Credit Loss (ECL) provision for the CY Rs. 211.67 Lakhs (PY Rs.183.58 Lakhs). The said receivable is outstanding for more than 3 years.***
- b. Margin money deposits with banks of Rs. 1,905.12 Lakhs (PY 1,513.31 Lakhs) provided for customer guarantees of Rs. 3,521.18 Lakhs (PY 2,161.71Lakhs) and under arbitration / negotiation.***

Such assessments are based on current facts and circumstances and may not necessarily reflect future uncertainties and events and the final recoverable amounts may vary for the reasons mentioned therein.

Our conclusion on the statement is not qualified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Standalone Financial Statements of the current period. These matters were addressed in the context of our audit of the Standalone 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. Revenue recognition from Engineering, Procurement and Construction (EPC) contracts</p> <p>In the Financial Year 2022-23, the Company, acting as the lead member of a consortium (Joint and several liability) with another third-party partner, commenced execution of Engineering, Procurement and Construction (EPC) contracts for the provision of railway safety equipment.</p> <p>Although the Company, as lead member, raised the entire invoices to the customer, the revenues were shared between the consortium partners based on an inter se agreement that allocates scope of work and related consideration between the parties and the consideration was deposited into an escrow account, from which funds are withdrawn by the respective consortium partners based on mutual approval as per the inter se agreement.</p> <p>In accordance with the terms of the consortium arrangement, the Company recognized revenue only to the extent of its share of work, after excluding the portion attributable to the other consortium partner. Given the significance of these contracts to the Company's operations, the complexity involved in determining the appropriate revenue share, and the judgment required in applying Ind AS 115 – Revenue from Contracts with Customers, this matter was considered to be of most significance in our audit and hence identified as a Key Audit Matter.</p>	<p>We obtained and examined the EPC contract entered into with the customer and the inter se agreement between the consortium partners to understand the respective scope of work and the basis for sharing of revenue.</p> <p>We evaluated the Company's accounting treatment under Ind AS 115 and noted that the Company has recognised revenue only to the extent of its own share of work as per the consortium arrangement, rather than the gross billing made to the customer, which aligns with the principles of control and performance obligations under the standard.</p> <p>We reviewed the agreements and work orders entered by the company with various customers and we have examined various terms and conditions relating to the scope of work to be executed by the company as per various agreements to understand the performance obligations and the activities to be carried out to achieve those performance obligations. on the customer and matched them with the corresponding invoices raised by the third-party consortium partner on the Company (refer Note 25 of the standalone financial statements). We also examined the basis of management's certification of the quantum of work executed by the consortium partner against agreed milestones and verified that the deductions made from gross invoicing were supported by contractual terms and milestone achievements.</p> <p>We further verified the remittances made to the consortium partner and traced them to supporting documents and bank statements. We obtained and reconciled the balance confirmation received from the third-party consortium partner, which supported the accuracy and completeness of the amounts accounted for by the Company in respect of the consortium arrangement.</p>

Key Audit Matter	Auditor's Response
<p>2. Existence and valuation of inventories</p> <p>As at 31st March 2025, the Company has reported inventories amounting to ₹5,179.82 lakhs (Refer Note 10 of the Standalone Financial Statements), comprising raw materials and work-in-progress. Given the materiality of this balance and the complexities involved in physical verification and valuation of inventories across various locations and stages of production, this matter has been identified as a Key Audit Matter.</p>	<p>The physical verification of raw material stocks held in stores was conducted by the management. We reviewed the verification records and applied rollback procedures to reconcile the verified quantities to the balances as at 31st March 2025 based on inventory movement data.</p> <p>Inventories held at project sites and were physically verified by the respective site in-charge in coordination with the management, we have reviewed the physical verification report and confirmation submitted by the site in-charge and reconciliation's were made in respect of the materials delivered from Head Office to project sites and materials invoice from project site to customers</p> <p>Work-in-progress was examined based on the records maintained through the Company's inventory records and related registers maintained in the accounting system. The Value of the Work – in progress is evaluated with reference to the material cost available in the accounting system and allocation of overheads with reference to the various stages of production of the items</p> <p>We examined the Stores records, inventory records maintained in the accounting system and the cost allocation procedures implemented in the company to understand and assess the movement of inventory transactions, including receipts from purchases, issues for production, and stock transfers. We also evaluated the valuation methodology applied by the Company in accordance with its accounting policy and Ind AS 2 – Inventories, and performed material reconciliation procedures to verify the accuracy of the closing stock balances.</p>
<p>3. Balances with statutory and government authorities</p> <p>As at 31st March 2025, the Company has reported balances amounting to ₹912.96 lakhs lying with statutory and government authorities (Refer Note 16 of the Standalone Financial Statements). Considering the materiality of the amount and the nature of regulatory compliances involved, this matter has been identified as a Key Audit Matter.</p>	<p>This balance primarily comprises Input Tax Credit (ITC) and GST TDS receivable, which the Company intends to avail or set off against future tax liabilities arising from sales.</p> <p>We have verified these balances against the returns filed by the Company under the applicable GST laws. We also corroborated the reported balances with data available on the relevant government portals (i.e. GST portal) to ensure accuracy and recoverability. Based on our procedures, we assessed the appropriateness of the recognition and presentation of these balances in the financial statements.</p>

Information Other than the Financial Statements and Auditor's Report Thereon ("Other Information")

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Report of the Board of Directors including Annexures thereto, Management Discussion and Analysis Report but does not include the Consolidated Financial Statements, Standalone Financial Statements and our auditor's report thereon.
- Our opinion on the Standalone Financial Statements does not cover the other information and we do 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 and, in doing so, consider whether the other information is materially inconsistent with the Standalone Financial Statements or our knowledge obtained during the course of our 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 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 equity of the Company in accordance with the accounting principles generally accepted in India, including Ind AS specified under section 133 of the Act. This responsibility also includes 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 frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Standalone Financial Statements, Management and Board of Directors are 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 intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's Board of Directors is 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 Standalone 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Standalone 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 financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to Standalone Financial Statements 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 the Board of Directors.
- Conclude on the appropriateness of the 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 results 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 Standalone Financial Statements, including the disclosures, and whether the Standalone Financial Statements represents the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Standalone Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Standalone Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Standalone Financial Statements.

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 financial controls 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 Standalone 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 Section 143(3) of the Act, based on our audit we report that:
 - i. 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.
 - ii. In our opinion, except for the matters described in the “Basis of Qualified Opinion” paragraph, 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.
 - iii. The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
 - iv. In our opinion, except for the matters described in the “Basis of Qualified Opinion” paragraph, the aforesaid Standalone Financial Statements comply with the Ind AS specified under Section 133 of the Act.
 - v. On the basis of the written representations received from the directors as on March 31, 2025 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2025 from being appointed as a director in terms of Section 164(2) of the Act.
 - vi. With respect to the adequacy of the internal financial controls with reference to Standalone Financial Statements of the Company and the operating effectiveness of such controls, refer to our separate Report in “Annexure A”. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company’s internal financial controls with reference to Standalone Financial Statements.
 - vii. 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 by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.
 - viii. 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 Standalone 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 were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company
 - iv. a. The Management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities (“Intermediaries”), with the understanding, whether record-

ed in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company

("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

- b. The Management has represented that, to the best of its knowledge and belief, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
 - c. Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.
 - v. The Company has not declared or paid any dividend during the year.
 - vi. Based on our examination, which included test checks, the Company has used accounting software systems for maintaining its books of account for the financial year ended March 31, 2025 which have the feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the software systems. Further, during the course of our audit we did not come across any instance of the audit trail feature being tampered with and the audit trail has been preserved by the Company as per the statutory requirements for record retention.
2. As required by the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For N S V R & Associates LLP

Chartered Accountants

FRN: 0008801S/S200060

Sd/-

V Gangadhara Rao N

Partner

Membership No. 219486

UDIN: 25219486BMIRXU8330

Place: Hyderabad

Date: May 23, 2025

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 of even date)

Report on the Internal Financial Controls with reference to Standalone Financial Statements under Clause (i) of Sub- section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls with reference to Standalone Financial Statements of **Kernex Microsystems (India) Limited** (the “Company”) as of 31 March 2025 in conjunction with our audit of the Standalone Financial Statements of the Company for the year ended on that date.

Managements and Board of Director’s Responsibility for Internal Financial Controls

The Company’s management and Board of Directors are responsible for establishing and maintaining internal financial controls with reference to Standalone Financial Statements based on the internal control with reference to Standalone Financial Statements 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, including adherence to the Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls with reference to Standalone Financial Statements 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 with reference to Standalone Financial Statements. 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 with reference to Standalone Financial Statements 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 with reference to Standalone Financial Statements and their operating effectiveness. Our audit of internal financial controls with reference to Standalone Financial Statements included obtaining an understanding of internal financial controls with reference to Standalone Financial Statements, 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 with reference to Standalone Financial Statements.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control with reference to Standalone Financial Statements 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 with reference to Standalone Financial Statements 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 unauthorised 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 with reference to Standalone Financial Statements, 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 with reference to Standalone Financial Statements to future periods are subject to the risk that the internal financial control with reference to Standalone Financial Statements 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 control with reference to Standalone Financial Statements and such internal financial controls with reference to Standalone Financial Statements were operating effectively as at March 31, 2025, based on the criteria for internal financial control with reference to Standalone Financial Statements 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 **N S V R & Associates LLP**
Chartered Accountants
FRN: 0008801S/S200060

Sd/-
V Gangadhara Rao N
(Partner)
(Membership No. 219486)
UDIN: 25219486BMIRXU8330

Place: Hyderabad
Date: May 23,2025.

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 of even date)

In terms of the information and explanations sought by us and given by the Company and the books of account and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state that:

- i. In respect of the Companies property, plant and equipment and intangible assets:
 - (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
 - (B) The Company has maintained proper records showing full particulars of intangible assets.
 - (a) 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.
 - (b) Based on our examination of the registered sale deed / transfer deed / conveyance deed provided to us, we report that, the title deeds of all the immovable properties, (other than immovable properties where the Company is the lessee and the lease agreements are duly executed in favour of the Company) disclosed in the financial statements included in (property, plant and equipment, capital work-in progress and investment property and non- current assets held for sale) are held in the name of the Company as at the balance sheet date.
 - (c) The Company has not revalued any of its property, plant and equipment (including right of use assets) and intangible assets during the year.
 - (d) According to information and explanations given to us and on the basis of our examination of the records of the Company, there are no proceedings initiated or pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder.
- ii.
 - (a) The inventories ie; finished goods , work in progress and raw materials have been physically verified during the year by the Management at reasonable intervals. In our opinion and according to the information and explanations given to us, the coverage and procedure of such verification by the Management is appropriate having regard to the size of the Company and the nature of its operations. No discrepancies of 10% or more in the aggregate for each class of inventories were noticed on such physical verification of inventories when compared with books of account.
 - (b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has been sanctioned working capital limits in excess of five crore rupees, in aggregate, from banks or financial institutions on the basis of security of current assets. In our opinion, the quarterly returns or statements filed by the Company with such banks or financial institutions are in agreement with the books of account of the Company except as follows.

Name of the Bank(s)	Quarter ended	Receivables & Inventories		Difference (Excess)/ Shortfall (Lakhs)
		Per statements filed with banks	Per books of account	
State Bank of India	30-06-2024	6,441.97	7,092.00	650.27
	30-09-2024	9,678.99	10,063.86	384.87
	31-12-2024	6,986.48	9,409.79	2,423.31
	31-03-2025	7,152.45	7,080.61	(71.84)
HDFC Bank	30-06-2024	10,069.66	7,092.24	(2,977.42)
	30-09-2024	9,817.46	10,063.86	246.40
	31-12-2024	8,537.56	9,409.79	872.23
	31-03-2025	8,571.85	7,080.61	(1,491.24)
ICICI Bank	31-03-2025	8,326.69	7,080.61	(1,246.08)

Note: The company States that it submitted statements to the bank without deducting the provisions carried in the books of account.

- iii. a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not made any investments, provided guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, limited liability partnerships or any other parties during the year. Accordingly, provisions of clauses 3(iii) (a) to 3(iii)(f) of the Order are not applicable to the Company.

(Amount in Lakhs)

Particulars	Financial Year 2024- 25	Previous Year 2023-24
I. Aggregate amount invested / granted/ provided during the year		
(a) Joint venture – 80% share to Company per Partnership dt. 15-04-2019 (net of repayments)	19.75	92.97
(b) Overseas 100% subsidiary (Avant Garde Infosystems Inc, USA)	NIL	NIL
II. Balance outstanding as at balance sheet date in respect of above case including opening balance outstanding		
(a) (i) Joint venture loan / advance	575.89	489.7
(ii) Bank Guarantee for Contract performance provided to Customer	121.11	121.11
(iii) Investment in the capital of the JV	8.00	8.00
(b) Investment in 100% Subsidiary	1,275.97	1,275.97
III. Aggregate amount of Loans where any terms & period for repayment are not mentioned & % age thereof (Related Parties)		
- Agreement does not specify any terms or period of repayment	575.89	489.7
Percentage of loans/ advances in nature of loans to the total loans	100%	100%

- b) The investments made, guarantees provided, security given and the terms and conditions of grant of all the above-mentioned loans and advances in the nature of loans during the year are, in our opinion, prima facie, not prejudicial Company's interest.
 - c) In the case of loans given, there is no stipulation of repayment of principal and payment of interest and hence we are unable to make specific comment on the regularity of repayment of principal and repayment of interest. The Applicable interest has been debited to the above loan account.
 - d) In the case of loans given, as there is no stipulation of repayment of principal and payment of interest and hence, we are unable to comment on overdue amount for more than ninety days in respect of loans given.
 - e) In the case of loans given, as there is no stipulation of repayment of principal and payment of interest and hence, we are unable to comment if any loan given falling due during the year has been renewed or extended. However, no fresh loans given to settle the overdue of existing loans given to the same party.
 - f) According to the information and explanations provided to us, the Company has granted loans or advances in the nature of loans for which no specific schedule for repayment of principal or payment of interest has been stipulated. However, it is understood that these loans are repayable on demand.
- iv. The Company has not granted any other loans or provide any guarantees or securities to parties covered under Section 185 of the Act other than the book debts of Rs. 422.10 lakhs (excluding ECL provision of Rs. 211.67 lakhs) overdue from a company in which directors are interested. Further, the aggregate of such loans or guarantees have not exceeded the limits specified in Sections 186 of the Companies Act, 2013.
- v. The Company has not accepted any deposits or amounts which are deemed to be deposits from the public with the meaning of section 73 to 76 Accordingly, clause 3(v) of the Order is not applicable.
- 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. In respect of statutory dues:
- (a) The Company has in many cases delayed depositing with appropriate authorities, undisputed statutory due including Goods and Services Tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and any other statutory dues.
 - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of goods and services tax, provident fund, employees' state insurance, income-tax, sales tax, service tax, duty of custom, duty of excise, value added tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
 - (c) According to the information and explanations given to us, disputed amounts payable in respect of income-tax that were outstanding as at 31 March 2025 as follows.

Name of the statute	Nature of the Dues	Forum where dispute is pending	Period to which the amount relates	Amount in ₹ in Lakhs
The Income Tax Act, 1961	Income Tax	Commissioner (Appeals)	AY 2019-20	92.36
The Income Tax Act, 1961	Income Tax	Commissioner (Appeals)	AY 2020-21	392.29

- (viii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not surrendered or disclosed any transactions, previously unrecorded as income in the books of account, in the tax assessments under the Income Tax Act, 1961 as income during the year.
- (ix) (a) The Company has not defaulted in repayment of loans or borrowing or in payment of interest thereon to banks. In case of loans from directors and inter corporate loans, the principal including interest are repayable on demand/as may be mutually agreed between the parties. The repayment period for inter-corporate deposits in terms of agreements entered into with the parties has since expired, and therefore classified as payable on demand. The Company has repaid some of the loans including intercorporate loans along with interest during the year.
- (b) The Company has not been declared willful defaulter by any bank or financial institution or government or any government authority.
- (c) The Company has not taken any term loan during the year and there are no outstanding term loans at the beginning of the year and hence, reporting under clause 3(ix)(c) of the Order is not applicable.
- (d) On an overall examination of the standalone financial statements of the Company, no funds raised on short-term basis have been used for long-term purposes by the Company.
- (e) On an overall examination of the standalone financial statements of the Company, the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries and Joint venture. The Company does not have any associate.
- (f) The Company has not raised loans during the year on the pledge of securities held in its subsidiaries or associate companies. Hence, the requirement to report on clause (ix)(f) of the Order is not applicable to the Company.
- (x) (a) The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) Accordingly, clause (x)(a) of the Order is not applicable.
- (b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, clause 3(x)(b) of the Order is not applicable.
- (xi) (a) Based on examination of the books and records of the Company and according to the information and explanations given to us, no fraud by the Company or on the Company has been noticed or

reported during the course of the audit.

- (b) According to the information and explanations given to us, no report under sub-section (12) of Section 143 of the Act has been filed by the auditors in Form ADT-4 as prescribed under Rule 13 of the Companies (Audit and Auditors) Rules, 2014 with the Central Government.
- (c) As represented to us by the management, there are no whistle blower complaints received by the Company during the year.
- (xii) According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, clause 3(xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us, the transactions with related parties are in compliance with Section 177 and 188 of the Act, where applicable, and the details of the related party transactions have been disclosed in the Note 38 standalone financial statements as required by the applicable accounting standards.
- (xiv) (a) Based on information and explanations provided to us and our audit procedures, in our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (b) We have considered, the internal audit reports for the year under audit, issued to the Company during the year and till date, in determining the nature, timing and extent of our audit procedures.
- (xv) In our opinion and according to the information and explanations given to us, 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 Act are not applicable to the Company.
- (xvi) (a) 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. Accordingly, clause (xvi)(a) of the Order is not applicable.
- (b) In our opinion and according to the information and explanations given to us, the Company has not conducted any Non-Banking Financial or Housing Finance activities without a valid Certificate of Registration (COR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934.
- (c) The Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, clause 3(xvi)(c) of the Order is not applicable.
- (d) The Company is not part of any group (as per the provisions of the Core Investment Companies (Reserve Bank) Directions, 2016 as amended). Accordingly, the requirements of clause 3(xvi)(d) are not applicable.
- (xvii) The Company has not incurred cash losses in the current, however in the immediately preceding financial year it has incurred cash losses as mentioned below.

Amounts In Lakhs

Particulars	FY 2024-25	FY 2023-24
Cash Losses for the Financial Years	-	1815.17

- (xviii) There has been resignation of the statutory auditors during the year and we have duly taken into

consideration the issues, objections or concerns raised by the outgoing auditors.

- (xix) According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the standalone financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that the Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.
- (xx) The Company has incurred losses during 3 of the immediately preceding financial years consequent to which there are no average profits, that are required to be spent under sub-section (5) of section 135 of the Act. Accordingly, reporting under clause (xx) of the order is not applicable to the company for the Current Financial Year.
- (xxi) The Company has no Indian subsidiary and consequently there is no report issued under the Companies (Auditors Report) Order to be reported upon under this clause.

For **NSVR & Associates LLP.**,
Chartered Accountants
FRN: 0008801S/S200060

Sd/-
V Gangadhara Rao N
Partner
Membership No. 219486
UDIN: 25219486BMIRXU8330

Place: Hyderabad
Date: May 23,2025.

Standalone Balance Sheet as at March 31, 2025

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

Particulars	Notes	As at March 31, 2025	As at March 31, 2024
I. ASSETS			
1 NON-CURRENT ASSETS			
a) Property, plant and equipment	3	2,498.63	2,368.15
b) Intangible assets	4	0.28	0.84
c) Intangible assets under development	5	702.96	231.39
d) Financial assets			
(i) Investments	6	1,283.97	1,283.97
(ii) Loans	7	575.89	489.70
(iii) Other financial assets	8.1	20.77	50.71
e) Deferred tax assets (net)	9	1,768.66	-
		6,851.16	4,424.76
2 CURRENT ASSETS			
a) Inventories	10	5,179.82	7,169.56
b) Contract assets	11	2,975.50	-
b) Financial assets			
(i) Trade receivables	12	1,900.79	532.46
(ii) Cash and cash equivalents	13	1,469.93	384.80
(iii) Bank balances other than (ii) above	14	1,905.12	1,513.31
(iv) Other financial assets	8.2	815.04	24.27
c) Income tax assets (net)	15	521.66	413.71
d) Other current assets	16	2,902.50	2,824.35
		17,670.35	12,862.47
TOTAL ASSETS		24,521.51	17,287.22
II. EQUITY AND LIABILITIES			
1 EQUITY			
a) Equity share capital	17	1,675.94	1,675.94
b) Other equity	18	15,700.90	10,505.45
TOTAL EQUITY		17,376.84	12,181.39
2 NON-CURRENT LIABILITIES			
a) Financial liabilities			
i) Borrowings	19	27.78	18.52
b) Deferred tax liability	9	-	114.96
c) Provisions	20	423.03	13.16
		450.81	146.65
3 CURRENT LIABILITIES			
a) Contract liabilities	11	16.50	-
b) Financial liabilities			
(i) Borrowings	21	3,962.60	2,405.78
(ii) Trade payables			
a) Total outstanding dues of micro enterprises and small enterprises	22	50.23	67.85
b) Total outstanding dues of creditors other than micro enterprises and small enterprises	22	1,514.22	1,910.80
(iii) Other financial liabilities	23	510.30	12.96
c) Other current liabilities	24	619.88	557.62
d) Provisions	20	20.13	4.18
		6,693.86	4,959.18
TOTAL LIABILITIES		7,144.67	5,105.83
TOTAL EQUITY AND LIABILITIES		24,521.51	17,287.22

The accompanying notes(1-45) form an integral part of the Standalone Financial Statements

As per our report of even date attached

FOR NSVR & ASSOCIATES LLP

Chartered Accountants
Firm Regn No. 008801S/S200060

Sd/-
V GANGADHARA RAO N
Partner

Membership No: 219486
UDIN: 25219486BMIRXU8330

Hyderabad
23-05-2025

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

Sd/-
PAMIDI SRIKANTH
Chief Financial Officer

Sd/-
SITARAMA RAJU MANTHENA
Whole Time Director
DIN 08576273

Sd/-
PRASADA RAO KALLURI
Company Secretary

Standalone Statement of Profit and Loss for the year ended March 31,2025

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

Particulars	Note No	For the Year Ended March 31, 2025	For the Year Ended March 31, 2024
Income			
I. Revenue from operations	25	18,965.11	1,929.83
II. Other income	26	218.02	201.66
III. Total Income (I+II)		19,183.12	2,131.49
IV. Expenses:			
(a) Cost of materials consumed	27	9,450.49	5,012.55
(b) Changes in inventories of finished goods, stock-in-trade and work-in-progress	28	433.63	(3,754.99)
(c) Project execution expenses	29	2,247.01	591.80
(d) Employee benefits expense	30	1,842.31	1,205.13
(e) Finance costs	31	677.01	274.56
(f) Depreciation and amortization expense	32	282.78	234.04
(g) Other expenses	33	1,323.63	970.36
(h) Amount transferred to capital expenditure	34	(411.16)	(352.77)
Total Expenses(IV)		15,845.69	4,180.70
V. Profit/(loss) before exceptional items and tax from continuing operations (III- IV)		3,337.43	(2,049.20)
VI. Exceptional Items		-	-
VII. Profit/(loss) before tax from continuing operations (V-VI)		3,337.43	(2,049.21)
VIII. Tax expense:			
(a) Current tax		-	-
(b) Deferred tax		(1,754.28)	(8.69)
Total Tax Expense/(Credit)		(1,754.28)	(8.69)
IX. Profit/(loss) for the year from continuing operations (VII-VIII)		5,091.71	(2,040.52)
X. Profit/(loss) for the year (IX)		5,091.71	(2,040.52)
XI. Other comprehensive income		(20.15)	0.61
A (i) Items that will not be reclassified to profit or loss		(26.93)	0.81
(ii) Income tax relating to items that will not be reclassified to profit or loss		6.78	(0.20)
B (i) Items that will be reclassified to profit or loss		-	-
(ii) Income tax relating to items that will be reclassified to profit or loss		-	-
XII. Total comprehensive income for the period (X+XI) (Comprising Profit/(Loss) and other comprehensive income for the period)		5,071.56	(2,039.92)
XIII. Earnings per equity share (EPS)			
	35		
1. Basic EPS - Face value of Rs.10/- each ₹		30.381	-12.830
2. Diluted EPS - Face value of Rs.10/- each ₹		30.353	-12.830

The accompanying notes(1-45) form an integral part of the Standalone Financial Statements

As per our report of even date attached

FOR NSVR & ASSOCIATES LLP

Chartered Accountants
Firm Regn No. 008801S/S200060

Sd/-
V GANGADHARA RAO N
Partner

Membership No: 219486
UDIN: 25219486BMIRXU8330

Hyderabad
23-05-2025

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

Sd/-
PAMIDI SRIKANTH
Chief Financial Officer

Sd/-
SITARAMA RAJU MANTHENA
Whole Time Director
DIN 08576273

Sd/-
PRASADA RAO KALLURI
Company Secretary

Standalone Statement of Cash Flows for the year ended March 31,2025
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
I Cash flows from operating activities		
Profit/(Loss) before tax from continuing operations	3,337.43	(2,049.21)
Profit/(Loss) before tax	3,337.43	(2,049.21)
<i>Adjustments to reconcile profit before tax to net cash flows :</i>		
Depreciation and amortisation expenses	282.78	234.04
Share-based payment expense	126.57	
Net foreign exchange differences (unrealised)	10.97	87.06
(Profit)/loss disposal of property, plant and equipment(net)	0.16	(1.90)
Interest income	(88.06)	(71.64)
Finance costs	677.01	274.56
Sundry balances written off	2.44	18.43
Provision for doubtful debts (lifetime expected credit loss)	70.10	276.15
Provision for obsolete stock/ others	100.07	8.99
Provision for warranties	407.55	-
Operating Profit/(Loss) before working capital changes	4,927.01	(1,223.52)
Working capital adjustments:		
(Increase)/decrease in Loans & advances	(86.19)	(92.97)
(Increase)/decrease in Other financial assets	(771.80)	(51.55)
(Increase)/decrease in Inventories	1,889.68	(5,772.88)
(Increase)/decrease in Contract assets	(2,975.50)	-
(Increase)/decrease in Trade receivables	(1,443.54)	(2.49)
(Increase)/decrease in Margin money towards bank guarantees with bank	(391.81)	189.04
(Increase)/decrease in Income Tax Assets (net)	(230.52)	(135.87)
(Increase)/decrease in Other current assets	(78.15)	(1,478.04)
Increase/(decrease) in Provisions	(8.65)	(16.83)
Increase/(decrease) in Contract liabilities	16.50	-
Increase/(decrease) in Trade payables	(414.19)	1,575.06
Increase/(decrease) in Other financial liabilities	497.33	71.67
Increase/(decrease) in Other current liabilities	62.26	(75.47)
Interest received	88.06	71.64
Cash generated from operations	1,080.50	(6,942.23)
Income tax paid	-	-
Net cash generated/(used in) operating activities	(A) 1,080.50	(6,942.23)
II Cash flows from Investing activities		
Purchase of property plant and equipment & intangible	(413.12)	(249.95)
Sale proceeds of property plant and equipment & intangible	0.25	22.13
Increase in intangible assets under development	(471.57)	(231.39)
Net cash flows (used in) investing activities	(B) (884.44)	(459.21)
III Cash flows from Financing activities		
Proceeds from issuance of equity share capital	-	130.00
Securities premium	-	4,862.25
Proceeds from/(repayment of) borrowings- Non Current	1.07	(13.74)
Proceeds from/(repayment of) borrowings- Current	15.29	(17.79)
Inter corporate deposit (ICD) including conversion to Equity	-	(0.68)
Increase/(decrease) in working capital borrowings	1,549.71	1,589.52
Finance cost	(677.01)	(274.56)
Net cash flows from financing activities	(C) 889.07	6,275.00
Net increase/ (Decrease) in cash and cash equivalents	(A+B+C) 1,085.05	(1,126.46)
Cash and cash equivalents at the beginning of the year	384.80	1,511.26
Cash and cash equivalents at the end of the year	1,469.93	384.80

Standalone Statement of Cash Flows for the year ended March 31,2025

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

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
Cash and cash equivalents		
Cash on hand	0.11	0.77
Balances with banks in current account	1,469.82	384.03
Total	1,469.93	384.80

Notes : The above cash flow statement has been prepared under indirect method as set out in the Indian accounting standards (Ind AS 07).

The accompanying notes(1-45) form an integral part of the Standalone Financial Statements

As per our report of even date attached

FOR NSVR & ASSOCIATES LLP

Chartered Accountants
Firm Regn No. 008801S/S200060

**Sd/-
V GANGADHARA RAO N**

Partner
Membership No: 219486
UDIN: 25219486BMIRXU8330

Hyderabad
23-05-2025

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

**Sd/-
PAMIDI SRIKANTH**
Chief Financial Officer

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

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

Standalone Statement of Changes in Equity for the year ended March 31, 2025
a) Equity Share Capital
For the year ended March 31, 2025
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

	No. in lakhs	INR lakhs
Equity shares of INR 10 each issued, subscribed and fully paid		
At April 1, 2024	167.59	1,675.94
Changes in equity share capital due to prior period errors	-	-
Restated balance at April 1, 2024	167.59	1,675.94
Issue of share capital	-	-
At March 31, 2025	167.59	1,675.94

For the year ended March 31, 2024
Equity shares of INR 10 each issued, subscribed and fully paid
At April 1, 2023

Changes in equity share capital due to prior period errors

Restated balance at April 1, 2023

Issue of share capital

As at March 31, 2024

	No. in lakhs	INR lakhs
At April 1, 2023	154.59	1,545.94
Changes in equity share capital due to prior period errors	-	-
Restated balance at April 1, 2023	154.59	1,545.94
Issue of share capital	13.00	130.00
As at March 31, 2024	167.59	1,675.94

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

Particulars	Reserves & Surplus			Items of Other Comprehensive Income			Total Other Equity (a+b+c+d+e+f)
	Securities premium (a)	General Reserve (b)	Retained earnings (c)	Share Based Payment Reserve (d)	Foreign currency translation reserve (e)	Actuarial Gains/ (Losses) (f)	
For the year ended March 31, 2025							
As at April 1, 2024	19,622.44	612.14	(9,311.05)	-	(369.41)	(48.67)	10,505.45
Changes in accounting policy or prior period errors	-	-	-	-	-	-	-
Restated balance as at April 1, 2024	19,622.44	612.14	(9,311.05)	-	(369.41)	(48.67)	10,505.45
Profit for the year	-	-	5,091.71	-	(2.67)	(20.15)	5,091.71
Other comprehensive income	-	-	-	-	(372.08)	(68.82)	(22.83)
Total comprehensive income	19,622.44	612.14	(4,219.34)	-	-	-	15,574.33
Issue of share capital	-	-	-	-	-	-	-
Issue of equity shares on exercise of employee stock options	-	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	126.57	-	-	126.57
Transaction costs	-	-	-	-	-	-	-
As at March 31, 2025	19,622.44	612.14	(4,219.34)	126.57	(372.08)	(68.82)	15,700.90
For the year ended March 31, 2024							
As at April 1, 2023	14,760.20	612.14	(7,270.52)	-	(369.41)	(49.28)	7,683.12
Changes in accounting policy or prior period errors	-	-	-	-	-	-	-
Restated balance as at April 1, 2023	14,760.20	612.14	(7,270.52)	-	(369.41)	(49.28)	7,683.12
Profit for the period	-	-	(2,040.53)	-	-	-	(2,040.53)
Other comprehensive income	-	-	-	-	-	0.61	0.61
Total comprehensive income	14,760.20	612.14	(9,311.05)	-	(369.41)	(48.67)	5,643.21
Issue of share capital	5,109.00	-	-	-	-	-	5,109.00
Issue of equity shares on exercise of employee stock options	-	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	-	-	-	-
Transaction costs	(246.76)	-	-	-	-	-	(246.76)
As at March 31, 2024	19,622.44	612.14	(9,311.05)	-	(369.41)	(48.67)	10,505.45

As per our report of even date attached

FOR NSVR & ASSOCIATES LLP

Chartered Accountants

Firm Regn No. 008801S/S200060

Sd/-

V GANGADHARA RAO N

Partner

Membership No: 219486

UDIN: 25219486BIRXU8330

Hyderabad

23-05-2025

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Sd/-

BADARI NARAYANA RAJU MANTHENA

Whole Time Director

DIN 07993925

Sd/-

SITARAMA RAJU MANTHENA

Whole Time Director

DIN 08576273

Sd/-

PAMIDI SRIKANTH

Chief Financial Officer

Sd/-

PRASADA RAO KALLURI

Company Secretary

Notes forming part of the Standalone Financial Statements for the year ended March 31,2025

1. Corporate information

The Standalone financial statements comprise financial statements of Kernex Microsystems (India) Limited ("Kernex" or "The Company") (CIN L30007TG1991PLC013211) for the year ended 31 March 2025. The Company is engaged in the manufacture and sale of Safety Systems and Software services for railways. The Company has business operations mainly in India, Egypt. The Company is a public limited Company incorporated and domiciled in India and has its registered office at Plot No.38 (part) to 41, Survey No.1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Hyderabad - 501 510. The Company has its primary listings on the BSE Limited and National Stock Exchange in India. The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The principal activities of the Company comprise of manufacture and sale of Safety Systems and Software services for Railways. Information on other related party relationships of the Company is provided in Note 38.

The Standalone financial statements were approved for issue in accordance with a resolution passed by the Board of Directors of the Company on 23 May 2025.

The financial statements once approved by the Board of directors needs to be adopted by the shareholders at the annual general meeting of the company. The Board of directors can withdraw and re-issue the financial statements so adopted only in specific cases such as non-compliance with the applicable accounting standards, with the approval of Tribunal, after following the appropriate procedure as per Companies Act 2013.

2. Material accounting policies

2.1 Statement of compliance and basis of preparation

The Standalone financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division II of Schedule III to the Companies Act, 2013 (as amended from time to time), (Ind AS compliant Schedule III), as applicable to the Standalone Financial Statements(SFS).

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

- Buildings classified as property, plant and equipment,
- Derivative financial instruments,
- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments), and
- Contingent consideration arising in business combination
- Equity settled ESOP at grant date fair value and cash settled ESOP at fair value at each reporting date

The accounting policies and related notes further described the specific measurements applied for each of the assets and liabilities.

In addition, the carrying values of recognised assets and liabilities designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The Standalone financial statements are presented in INR, and all values are rounded to the nearest lakhs (INR 00,000), except when otherwise indicated.

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

2.2 Key sources of estimation

The preparation of financial statements in conformity with Ind AS requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. The estimates and underlying assumptions made by management are explained under respective policies. Revisions to accounting estimates include useful lives of property, plant and equipment & intangible assets, allowance for expected credit loss, future obligations in respect of retirement benefit plans, expected cost of completion of contracts, provision for rectification costs, fair value/recoverable amount measurement, tax provisions etc. Difference, if any, between the actual results and estimates is recognised in the period in which the results are known.

2.3 Property, plant and equipment

Property, Plant and Equipment are measured at cost less accumulated depreciation and impairment loss if any. The cost of property plant and equipment includes those incurred directly for the construction or acquisition of the asset and directly attributable to bringing it to the location and condition necessary for it to be capable of operating in the manner intended by the management and includes present value of expected costs for dismantling/restoration wherever applicable.

The cost of major spares is recognized in the carrying amount of the item of property, plant and equipment, in accordance with the recognition criteria set out in the standard. The carrying amount of the replaced part is derecognized at the time of actual replacement. The costs of the day-to-day servicing of the item are recognized in statement of profit or loss as incurred. Each component / part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately only when it has a different useful life. The gain or loss arising from de-recognition of an item of property, plant and equipment is included in statement of profit or loss when the item is derecognized.

Depreciation on each part of an item / component of PPE provided on pro-rata basis using the written down value method based on the expected useful life of the asset and is charged to the Statement of Profit and Loss as specified in Part C of Schedule II to the Companies Act, 2013 and in the manner specified therein, except in respect of self-generated units included in plant & machinery group which are depreciated over their technically estimated useful lives of 10 years on written down value method. The estimated useful life has been assessed based on technical evaluation, considering the nature of the asset and the estimated usage basis management's best judgement of economic benefits from those classes of assets.

Property plant and equipment with finite life are evaluated for recoverability whenever there is an indication that their carrying amounts may not be recoverable. If such indication exists, the recoverable amount (higher of fair value less cost to sell and value in use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for cash generating unit (CGU) to which the asset belongs. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized in the statement of profit and loss account.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

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 asset is recognised when it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets acquired separately are measured on initial recognition at cost. Internally generated intangibles, excluding capitalised development costs (refer below policy for R&D costs), are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

2.5 Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

A summary of the policies applied to the Company's intangible assets is as follows:

Intangible assets	Useful lives	Amortisation method used	Internally generated or acquired
Computer Software license	Finite (3 years)	Amortised on a written down value basis	Acquired

2.6 Investment in subsidiaries, associates and joint ventures

A subsidiary is an entity that is controlled by another entity.

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Company's investments in its subsidiaries, associates and joint ventures are accounted at cost less impairment.

2.7 Impairment of investments

Investment is evaluated for impairment by adopting the 'Value in Use' model for the purposes of ascertaining the estimated recoverable amount of the investment. In the absence of computation of 'Value in Use', the net-worth of the investee company is considered as the amount of 'value in use' and impairment is considered accordingly.

If the recoverable amount is less than its carrying amount, the impairment loss is recorded in the Statement of Profit and Loss. When an impairment loss subsequently reverses, the carrying amount of the Investment is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the cost of the Investment. A reversal of an impairment loss is recognised immediately in Statement of Profit or Loss.

2.8 Current versus non-current classification

The Company segregates assets and liabilities into current and non-current categories for presentation in the balance sheet after considering its normal operating cycle and other criteria set out in Ind AS 1, "Presentation of Financial Statements". For this purpose, current assets and liabilities include the current portion of non-current assets and liabilities respectively. Deferred tax assets and liabilities are always classified as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realization in cash and cash equivalents. The Company has identified period up to twelve months as its operating cycle.

2.9. Foreign currencies

The Company's Standalone financial statements are presented in Indian Rupee (INR), which is also the Company's functional currency.

2.10 Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the Company uses

average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary

asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

2.11 Financial instruments

Financial assets and/or financial liabilities are recognised when the Company becomes party to a contract embodying the related financial instruments. All financial assets, financial liabilities and financial guarantee contracts are initially measured at fair value except for trade receivables not containing a significant financing component are initially measured at transaction price. Transaction costs that are attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from, the fair value of such financial assets or liabilities, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised in profit or loss. In case of funding to subsidiary companies in the form of interest free or concession loans and preference shares, the excess of the actual amount of the funding over initially measured fair value is accounted as an equity investment. A financial asset and a financial liability is offset and presented on net basis in the balance sheet when there is a current legally enforceable right to set-off the recognised amounts and it is intended to either settle on net basis or to realise the asset and settle the liability simultaneously.

(i) Financial assets:

A. All recognised financial assets are subsequently measured in their entirety either at amortised cost or at fair value as follows:

1. Investments in debt instruments that are designated as fair value through profit or loss (FVTPL) - at fair value. Debt instruments at FVTPL is a residual category for debt instruments, if any, and all changes are recognised in profit or loss.
2. Investments in debt instruments that meet the following conditions are subsequently measured at amortised cost (unless the same designated as fair value through profit or loss):
 - The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
 - The contractual terms of instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Investment in debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income [FVTOCI] (unless the same are designated as fair value through profit or loss) • The asset is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and • The contractual terms of instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
 4. Investment in equity instruments issued by subsidiary, associate and joint venture companies are measured at cost less impairment.
- B. For financial assets that are measured at FVTOCI**, income by way of interest and dividend, provision for impairment and exchange difference, if any, (on debt instrument) are recognised in profit or loss and changes in fair value (other than on account of above income or expense) are recognised in other comprehensive income and accumulated in other equity. On disposal of debt instruments at FVTOCI, the cumulative gain or loss previously accumulated in other equity is reclassified to profit or loss. In case of equity instruments at FVTOCI, such cumulative gain or loss is not reclassified to profit or loss on disposal of investments.
- C. A financial asset is primarily derecognised** when:
1. the right to receive cash flows from the asset has expired, or
 2. the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. On derecognition of a financial asset in its entirety, the difference between the carrying amount at the date of derecognition and the consideration received is recognised in profit or loss.
- D. Impairment of financial assets:** For trade receivable, the Company applies the simplified approach of Ind AS 109, which requires measurement of loss allowance at an amount equal to lifetime expected credit losses. Impairment loss on trade receivables is recognised using expected credit loss model, which involves use of a provision matrix constructed on the basis of historical credit loss experience as permitted under Ind AS 109 and is adjusted for forward looking information. Impairment loss on investments is recognised when the carrying amount exceeds its recoverable amount. For all other financial assets, expected credit losses are recognised based on the difference between the contractual cashflows and all the expected cash flows, discounted at the original effective interest rate. ECLs are measured at an amount equal to 12-month expected credit losses or at an amount equal to lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.
- ii) Financial liabilities:**
- A. Financial liabilities, including derivatives and embedded derivatives, which are designated for measurement at FVTPL are subsequently measured at fair value. Financial guarantee contracts are subsequently measured at the amount of impairment loss allowance or the amount recognised at inception net of cumulative amortisation, whichever is higher. All other financial liabilities including loans and borrowings are measured at amortised cost using Effective Interest Rate (EIR) method.
 - B. A financial liability is derecognised when the related obligation expires or is discharged or cancelled.

2.12 Impairment of assets

As at the end of each financial year, the carrying amounts of PPE, investment property, intangible assets and investments in subsidiary, associate and joint venture companies are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, PPE, investment property, intangible assets and investments in subsidiary, associate and joint venture companies are tested for impairment so as to determine the impairment loss, if any. Goodwill is tested for impairment each year. Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount is determined:

- (i) in the case of an individual asset, at the higher of the fair value less costs of disposal and the value-in-use; and
- (ii) in the case of a cash generating unit (the smallest identifiable group of assets that generates independent cash flows), at the higher of the cash generating unit's fair value less costs of disposal and the value-in-use. (The amount of value-in-use is determined as the present value of estimated future cash flows from the continuing use of an asset, which may vary based on the future performance of the Company and from its disposal at the end of its useful life. For this purpose, the discount rate (post-tax) is determined based on the weighted average cost of capital of the company suitably adjusted for risks specified to the estimated cash flows of the asset). If recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, such deficit is recognised immediately in the Statement of Profit and Loss as impairment loss and the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. When an impairment loss recognised earlier is subject to full or partial reversal, the carrying amount of the asset (or cash generating unit), except impairment loss allocated to goodwill, is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss is recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss (other than impairment loss allocated to goodwill) is recognised immediately in the Statement of Profit and Loss.

d. Fair value measurement

The Company measures financial instruments, such as, derivatives, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Management Committee determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value, and for non-recurring measurement, such as assets held for sale in discontinued operations. The Valuation Committee comprises of the head of the investment properties segment, heads of the Company's internal mergers and acquisitions team, the head of the risk management department, financial controllers and chief finance officer.

External valuers are involved for valuation of significant assets, such as properties and unquoted financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the Valuation Committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The Valuation Committee decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Valuation Committee analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the Valuation Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Valuation Committee also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the Valuation Committee and the Company's external valuers present the valuation results to the Audit Committee and the Company's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.13 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- **Raw materials:** Cost includes the cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the **Weighted Average Cost** method.
- **Finished goods and work-in-progress:** Cost includes the cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but **excluding borrowing costs**. Cost is determined using the **Weighted Average Cost** method.
- **Traded goods:** Cost includes the cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the **Weighted Average Cost** method.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Cash and bank balances

Cash and bank balances include fixed deposits, margin money deposits, earmarked balances with banks and other bank balances which have restrictions on repatriation. Short-term and liquid investments being subject to more than insignificant risk of change in value, are not included as part of cash and cash equivalents.

2.15 Provisions, Contingent Liabilities and Contingent Assets Provisions

General

Provisions are recognised only when

- (i) the Company has a present obligation (legal or constructive) because of a past event and
- (ii) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and
- (iii) a reliable estimate can be made of the amount of the obligation.

Provision is measured using the cash flows estimated to settle the present obligation and when the effect of time value of money is material, the carrying amount of the provision is the present value of those cash flows. When a company expects some or all of a provision to be reimbursed, the related expense is shown in the statement of profit and loss *net* of any expected reimbursement. If the time value of money is significant, provisions are discounted using a current pre-tax rate, which should reflect the specific risks related to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

The Company provides warranties for general repairs of defects that existed at the time of sale, as required by contract with customers. Provisions related to these assurance-type warranties are recognised when the product is sold, or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Contingent Liability

Contingent liability is disclosed in case of

- (a) a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or
- (b) a present obligation that arises from past events but is not recognized because.
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or
 - the amount of the obligation cannot be measured with sufficient reliability.

The Company does not recognize a contingent liability but discloses its existence and other required disclosures in notes to the financial statements, unless the possibility of any outflow in settlement is remote.

Contingent Asset

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Company does not recognize the contingent asset in its standalone financial statements since this may result in the recognition of income that may never be realised. Where an inflow of economic benefits is probable, the Company disclose a brief description of the nature of contingent assets at the end of the reporting period. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset, and the Company recognize such assets.

Provisions, contingent liabilities and contingent assets are reviewed at each reporting date.

2.16 Exceptional items

An item of income or expense which by its size, type or incidence requires disclosure in order to improve an understanding of the performance of the Company is treated as an exceptional item and disclosed as such in financial statements.

2.17. Revenue from contract with customer

- i) Revenue from contracts with customers that meet the recognition criteria under paragraph 9 of Ind AS 115 are recognized when (or as) a performance obligation is satisfied by transferring a promised good or service to a customer, for the amount of the transaction price that is allocated to that performance obligation.

The company exercises judgement for identification of performance obligations, determination of transaction price, allocation of transaction price to each distinct performance obligation and determining whether the performance obligation is satisfied at a point in time or over a period of time

Satisfaction of a performance obligation and recognition of revenue over time is followed when, transfer of control of a good or service are made over time and, if one of the following criteria is met:

- a. the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- b. the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- c. the entity's performance does not create an asset with an alternative use to the entity, and the entity has an enforceable right to payment for performance completed to date.

Performance obligations that are not satisfied over time are treated as performance obligations satisfied at a point in time which in case of goods are upon their despatch/delivery to domestic customers as per terms of sale and on the basis of proof of export/delivery for export customers as per terms of sale and in case of services are upon completion of service.

Timing of satisfaction of performance obligations

For each performance obligation satisfied over time the company recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. The objective when measuring progress is to depict the company's performance in transferring control of goods or services promised to a customer (i.e. the satisfaction of an entity's performance obligation).

The right to payment for performance completed to date does not need to be for a fixed amount. However, at all times throughout the duration of the contract, the company is entitled to an amount that at least compensates for performance completed to date if the contract is terminated by the customer or another party for reasons other than the company's failure to perform as promised.

Output method is used for measurement where the units produced or units delivered faithfully depict the company's performance in satisfying a performance obligation and, at the end of the reporting period, the company's performance has produced work in progress or finished goods that are not controlled by the customer.

Input method is used to recognise revenue where the company's efforts or inputs in satisfaction of a performance obligation (for example, resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) is relative to the total expected inputs to the satisfaction of that performance obligation and depict the company's performance in transferring control of goods or services to the customer.

Warranty obligations

The Company provides **contractual assurance-type warranties** in accordance with the terms of railway contracts. These warranties cover the rectification of defects that existed at the time of sale or installation. As such warranties do not constitute separate performance obligations under the contract, they are accounted for in accordance with the requirements of **Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets**.

The Company does not provide any **service-type or extended warranties** beyond the scope of the contractual assurance-type warranties agreed with customers under railway contracts.

Contract balances Contract assets

Contract assets represent the Company's right to consideration in exchange for goods or services that have been transferred to the customer, **when the right is conditional upon the completion of contractual performance obligations**, such as installation and commissioning activities under railway contracts.

A contract asset is recognised when revenue is earned but not yet billed, typically pending customer acceptance or certification. Upon completion of the installation and fulfilment of contractual conditions, the contract asset is **reclassified as a trade receivable**.

Contract assets are **subject to impairment assessment** in accordance with the expected credit loss model prescribed under **Ind AS 109**

Financial Instruments. Trade receivables

A receivable is recognised if an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section (t) Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

- ii) Interest Income Interest come accrued on time proportionate basis, by reference to the principal outstanding and effective interest rate applicable.

2.18 Employee Benefits

(i) Short term employee benefits:

Employee benefits such as salaries, wages, short term compensated absences, bonus, ex-gratia and performance-linked rewards falling due wholly within twelve months of rendering the service are classified as short-term employee benefits and are expensed in the period in which the employee renders the service.

(ii) Post-employment benefits:

- A. Defined contribution plans: The Company's superannuation scheme, state governed provident fund scheme, employee state insurance scheme and employee pension scheme are defined contribution plans. The contribution paid/payable under the schemes is recognised during the period in which the employee renders the service.
- B. Defined benefit plans: The liability in respect of gratuity benefit is the present value of the obligation under defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method.

The obligation towards defined benefit plans is measured at the present value of the estimated future cash flows using a discount rate based on the market yield on government securities of a maturity period equivalent to the weighted average maturity profile of the defined benefit obligations at the Balance Sheet date

Re-measurement, comprising actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability or asset) and

any change in the effect of asset ceiling (if applicable) is recognised in other comprehensive income and is reflected in retained earnings and the same is not eligible to be reclassified to profit or loss.

Defined benefit costs comprising current service cost, past service cost and gains or losses on settlements are recognised in the Statement of Profit and Loss as employee benefits expense. Interest cost implicit in defined benefit employee cost is recognised in the Statement of Profit and Loss under finance costs. Gains or losses on settlement of any defined benefit plan are recognised when the settlement occurs. Past service cost is recognised as expense at the earlier of the plan amendment or curtailment and when the Company recognises related restructuring costs or termination benefits.

In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans to recognise the obligation on a net basis.

(iii) Termination benefits:

Termination benefits such as compensation under employee separation schemes are recognised as expense when the Company's offer of the termination benefit can no longer be withdrawn or when the Company recognises the related restructuring costs whichever is earlier

2.19 Finance Cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (qualifying asset) are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

2.20. Taxes Current income tax

Tax expense comprises current tax expense and deferred tax.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company reflects the effect of uncertainty for each uncertain tax treatment by using either most likely method or expected value method, depending on which method predicts better resolution of the treatment.

Deferred Tax

Deferred tax is recognised using the **balance sheet approach**, on all temporary differences arising between the **tax base of assets and liabilities** and their **carrying amounts** in the financial statements as at the reporting date.

Deferred Tax Liabilities

Deferred tax liabilities are recognised for all **taxable temporary differences**, except in the following cases:

When the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is **not a business combination** and, at the time of the transaction, **affects neither the accounting profit nor the taxable profit or loss**, and does not give rise to equal taxable and deductible temporary differences.

In respect of taxable temporary differences associated with **investments in subsidiaries, associates and joint ventures**, where the timing of the reversal of the temporary differences can be controlled and it is **probable that the temporary differences will not reverse** in the foreseeable future.

Deferred Tax Assets

Deferred tax assets are recognised for all **deductible temporary differences, unused tax credits, and carry forward of unused tax losses**, to the extent that it is **probable that taxable profit will be available** against which these can be utilised, except:

When the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is **not a business combination**, and at the time of the transaction **affects neither the accounting profit nor the taxable profit or loss** and does not give rise to equal taxable and deductible temporary differences.

In respect of deductible temporary differences associated with **investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable** that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The **carrying amount of deferred tax assets is reviewed at each reporting date** and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilise the deferred tax asset, fully or partially. Unrecognised deferred tax assets are re-assessed at each reporting date and recognised to the extent that it becomes probable that **future taxable profits** will allow recovery.

In assessing recoverability, the Company considers the same forecast assumptions used elsewhere in the financial statements and management reports, including potential impacts from external developments (e.g., increased costs due to regulatory or environmental factors such as carbon emission reductions).

Deferred tax assets and liabilities are measured using **the tax rates and tax laws** that have been enacted or substantively enacted at the reporting date and are expected to apply when the related asset is realised or the liability is settled.

Deferred tax related to items recognised outside profit or loss is also recognised **outside profit or loss**, in either **other comprehensive income (OCI)** or **equity**, depending on the nature of the related item. The recognition of deferred tax follows the **underlying transaction**.

The Company offsets deferred tax assets and liabilities only when there is a **legally enforceable right to set off current tax assets against current tax liabilities**, and when the deferred taxes relate to income taxes levied by the **same taxation authority** on the **same taxable entity**, intending to either settle current tax balances on a net basis or realise and settle simultaneously.

Goods and Services Tax (GST) / value added taxes paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the amount of GST/ value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of other current/non-current assets/ liabilities in the balance sheet.

2.21 Earnings per share

Basic earnings per share is computed using the net profit or loss after tax and weighted average number of shares outstanding during the year. Diluted earnings per share is computed using the net profit or loss after tax and weighted averagenumber of equity and potential equity shares outstanding during the year, except where the result would be anti-dilutive.

2.22 Statement of Cash Flows

Statement of Cash Flows is prepared segregating the cash flows into operating, investing and financing activities. Cash flow from operating activities is reported using indirect method, adjusting the profit before tax excluding exceptional items for the effects of:

- (i) changes during the period in inventories and operating receivables and payables.
- (ii) non-cash items such as depreciation, provisions, unrealised foreign currency gains and losses; and
- (iii) all other items for which the cash effects are investing or financing cash flows.

Cash and cash equivalents (including bank balances) shown in the Statement of Cash Flows exclude items which are not available for general use as at the date of Balance Sheet.

2.23 Share-based payment arrangements

The stock options granted to employees in terms of the Company's Stock Options Schemes, are measured at the fair value of the options at the grant date. The fair value of the options is treated as discount and accounted as employee compensation cost over the vesting period on a straight-line basis. The amount recognised as expense in each year is arrived at based on the number of grants expected to vest. If a grant lapses after the vesting period, the cumulative discount recognised as expense in respect of such grant is transferred to the general reserve within equity.

2.24 Securities premium

- (i) Securities premium includes:
 - A. The difference between the face value of the equity shares and the consideration received in respect of shares issued.
 - B. The fair value of the stock options which are treated as expense, if any, in respect of shares allotted pursuant to Stock Options Scheme.
- (ii) The issue expenses of securities which qualify as equity instruments are written off against securities premium.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Note :3
Property, plant and equipment
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	Land and Land Development	Building Own Use	Plant and Equipment Owned	Furniture and Fixtures Owned	Vehicles Owned	Office Equipment Owned	Total
Gross carrying amount							
Balance as at April 1, 2023	451.33	3,875.38	1,416.72	124.08	158.06	100.21	6,125.78
Additions	-	15.95	220.19	4.85	-	7.49	248.49
Disposals	(20.22)	-	-	-	-	-	(20.22)
Balance as at March 31, 2024	431.11	3,891.33	1,636.91	128.93	158.06	107.71	6,354.05
Additions	-	-	349.73	15.08	46.15	2.10	413.06
Disposals	-	-	-	-	(0.45)	-	(0.45)
Balance as at March 31, 2025	431.11	3,891.33	1,986.64	144.01	203.76	109.80	6,766.66
Accumulated depreciation							
Balance as at April 1, 2023	-	2,055.64	1,358.51	118.53	120.32	99.82	3,752.82
Depreciation for the year	-	188.32	32.36	0.85	10.86	0.68	233.07
Disposals / Adjustments	-	-	-	-	-	-	-
Upto March 31, 2024	-	2,243.97	1,390.86	119.38	131.19	100.50	3,985.90
Depreciation for the year	-	169.65	94.75	3.73	11.02	3.02	282.17
Disposals / Adjustments	-	-	-	-	(0.04)	-	(0.04)
Upto March 31, 2025	-	2,413.61	1,485.62	123.11	142.17	103.52	4,268.03
Net carrying amount							
As at March 31, 2025	431.11	1,477.72	501.03	20.91	61.59	6.28	2,498.63
As at March 31, 2024	431.11	1,647.36	246.05	9.55	26.87	7.21	2,368.15

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Note :4
Intangible assets
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	Gross carrying amount		Accumulated amortization		Net carrying amount	
	As at April 1, 2024	As at March 31, 2025	As at April 1, 2024	For the period March 31, 2025	As at March 31, 2025	As at March 31, 2024
Computer software	151.22	151.31	150.38	0.65	151.03	0.84
	151.22	151.31	150.38	0.65	151.03	0.84

Note :5
Intangible assets under development

Particulars	As at	
	March 31, 2025	March 31, 2024
Opening carrying amount	231.39	231.39
Additions during the year	471.57	-
Assets capitalized during the year	-	-
Closing carrying amount	702.96	231.39

Amount in intangible assets under development for a period of

Particulars	Amount in intangible assets under development for a period of			Total
	Less than 1 Year	1-2 Years	2-3 Years	
As at March 31, 2025			More Than 3 Years	
Project in progress	471.57	231.39	-	702.96
Projects temporarily suspended	-	-	-	-
	471.57	231.39	-	702.96
As at March 31, 2024				
Project in progress	231.39	-	-	231.39
Projects temporarily suspended	-	-	-	-
	231.39	-	-	231.39

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Note :6
Investments
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars			As at March 31,2025	As at March 31,2024
Non-current - un-quoted				
i) In equity instruments: (fully paid-up)				
Name of the entity	Number	Face Value		
Avant Garde Infosystems Inc USA (100% Subsidiary)	35,80,000	US \$ 0.02 each	1,275.97	1,275.97
	17,99,240	US \$ 0.10 each		
	62,80,000	US \$ 0.25 each		
Kernex TCAS JV (Joint Venture 80% Share)	-	-	8.00	8.00
			1,283.97	1,283.97

Note :6.1

Particulars	As at March 31,2025	As at March 31,2024
Aggregate amount of unquoted investments	1,283.97	1,283.97
Aggregate amount of impairment / diminution in value of investments	-	-

Note :6.2

Investee Company	Principal place of business	Country of incorporation	Proportion of ownership interest & voting Right
Avant Garde Infosystems Inc.	USA	USA	100%
Kernex TCAS JV	India	India	80%

Note : 7
Loans
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	As at March 31,2025	As at March 31,2024
Loans to related parties (Unsecured, considered good)		
Loan to joint venture	575.89	489.70
	575.89	489.70

Type of Borrower	Amount of loan or advance in the nature of loan outstanding as at March 31, 2025	Amount of loan or advance in the nature of loan outstanding as at March 31, 2025
Kernex TCAS JV - Joint Venture	575.89	489.70
Percentage to the total loan	100%	100%

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note : 8

Other financial assets

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

Particulars	As at March 31,2025	As at March 31,2024
8.1 Non-Current		
Unsecured and considered good		
Security deposits	20.46	50.71
Earnest money deposits (EMD)	12.82	12.51
Less: Considered doubtful	12.51	12.51
	20.77	50.71

Particulars	As at March 31,2025	As at March 31,2024
8.2 Current		
Interest accrued but not due on term deposits	46.81	24.27
Earnest money & security deposits (EMD)	768.22	-
	815.04	24.27

Note : 9

Deferred Tax Assets/(liability)

Particulars	As at March 31,2025	As at March 31,2024
Deferred tax liability on property, plant& equipment	(330.36)	(365.08)
Deferred tax asset on carry forward losses	1,352.18	250.12
Deferred tax asset on provisions	724.61	
Deferred tax asset on Section 80 JJAA of income tax act 1961	22.22	-
Deferred tax net assets/(liability)	1,768.66	(114.96)

Note : 10

Inventories

Particulars	As at March 31,2025	As at March 31,2024
Raw materials	1,314.82	2,660.93
Less: Provision for slow / non moving stock	344.42	244.35
	970.40	2,416.58
Work-in-progress	4,209.42	2,078.26
Finished goods	-	2,564.79
Consumable tools	-	-
Material in transit	-	109.93
	5,179.82	7,169.56

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Note : 11
Contract assets & Liabilities
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	As at March 31,2025	As at March 31,2024
a) Contract assets	2,975.50	-
b) Contract liabilities	16.50	-

Note : 12
Trade receivables

Particulars	As at March 31,2025	As at March 31,2024
Unsecured,considered good		
a. Trade receivable from related parties	1,358.06	-
b. Others	887.21	36.32
Unsecured,considered impaired		
a. Trade receivable from related parties	-	515.88
b. Others	2,064.50	2,319.15
Less: Allowances for credit losses	2,408.99	2,338.89
	1,900.79	532.46

Trade receivable ageing

Particulars	Outstanding for following periods from due date of payment					Total	Impairment Provided
	Less than 6 months	6 months- 1 year	1-2 years	2-3 years	More than 3 years		
As at March 31, 2025							
Undisputed - considered good	1,369.83	171.52	67.23			1,608.58	56.55
Undisputed-significant increase in credit risk						-	-
Undisputed - credit impaired					214.59	214.59	76.27
Disputed - considered good						-	-
Disputed-significant increase in credit risk						-	-
Disputed - credit impaired	1.88	1.88	3.77	3.77	2,475.31	2,486.61	2,276.18
Unbilled revenue						-	
	1,371.71	173.40	71.00	3.77	2,689.90	4,309.78	2,408.99
As at March 31, 2024							
Undisputed - considered good	36.32	-	-	-	-	36.32	
Undisputed-significant increase in credit risk	-	-	-	-	-	-	
Undisputed - credit impaired	-	-	97.54	-	254.65	352.19	92.56
Disputed - considered good	-	-	-	-	-	-	
Disputed-significant increase in credit risk	-	-	-	-	-	-	
Disputed - credit impaired	1.88	1.88	3.77	23.77	2,451.54	2,482.84	2,246.33
	38.20	1.88	101.31	23.77	2,706.19	2,871.35	2,338.89

- i. An amount of INR 424.18 Lakhs (PY INR 254.65 Lakhs) due from Egyptian National Railways (ENR) is outstanding pending mile stones of the contract to be achieved.
- ii. Further an amount Rs 2064.50 lakhs (PY Rs 2064.50 lakhs) receivable from Konkan Railways Corporation Ltd (KRCL) is under arbitration, in respect of which a provision of Rs. 2064.50 lakhs is made.
- iii. Due from related party i.e., Rs 1358.06 lakhs (PY Rs 515.88) in respect of which a provision of Rs 241.61 lakhs (PY Rs 192.11 Lakhs) is made.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note : 13

Cash and cash equivalents

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

Particulars	As at March 31,2025	As at March 31,2024
Cash on hand	0.11	0.77
Balances with banks in current accounts	704.82	384.01
Others	-	0.02
Fixed deposits (maturity of less than three months)	765.00	-
	1,469.93	384.80

Note : 14

Other bank balances

Particulars	As at March 31,2025	As at March 31,2024
Balances with banks in other current accounts	-	-
Fixed deposits (maturity of between 3-12 months)	-	-
Margin money deposits *	1,905.12	1,513.31
	1,905.12	1,513.31

*The margin money is given as a security for providing performance bank guarantee of Rs. 3,521.18 (PY 2,161.71). The bank guarantees are also secured by current assets of the company both present & future, collateral hypothecation of fixed assets of the company including land and building situated at TSIIC hardware park.

Note : 15

Income Tax Assets (net)

Particulars	As at March 31,2025	As at March 31,2024
Income tax assets		
Tax deducted at source	521.66	291.14
MAT credit entitlement*	-	122.57
	521.66	413.71

* Pursuant to the change in the applicable income tax rate during the year, the Company has reassessed the carrying amount of Minimum Alternate Tax (MAT) credit entitlement. Based on this reassessment, the unutilized MAT credit has been transferred to the Statement of Profit and Loss. The impact of this transfer has been duly recognized in the current year's financial statements.

Note : 16

Other Current Assets

Particulars	As at March 31,2025	As at March 31,2024
Advance to vendors - considered good	901.52	900.80
Advance for capital goods	-	1.13
Balances with statutory/government authorities*	912.96	1,506.94
Advance for expenses	21.67	96.48
Retention money receivable	929.11	113.25
Prepaid expenses	137.24	205.76
	2,902.50	2,824.35

* Balances with statutory/government authorities represent gst input tax credit on goods and services purchased/received.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note :17

Equity Share Capital

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

Particulars	As at March 31, 2025		As at March 31, 2024	
	No of Shares	Amount	No of Shares	Amount
Authorised share capital				
2,50,00,000 equity shares of Rs.10/- each (Previous year 2,50,00,000 equity shares of Rs.10/- each)	2,50,00,000	2,500.00	2,50,00,000	2,500.00
Issued, subscribed and fully paid-up				
1,67,59,422 equity shares of Rs.10/- each with voting rights (Previous year 1,67,59,422 equity shares of Rs.10/- each with voting rights)	1,67,59,422	1,675.94	1,67,59,422	1,675.94
	1,67,59,422	1,675.94	1,67,59,422	1,675.94

17.1 Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Particulars	As at March 31, 2025		As at March 31, 2024	
	No of Shares	Amount	No of Shares	Amount
At the beginning of the period	1,67,59,422	1,675.94	1,54,59,422	1,545.94
Issued during the year	-	-	13,00,000	130.00
Outstanding at the end of the period	1,67,59,422	1,675.94	1,67,59,422	1,675.94

17.2 Terms/rights attached to equity shares

The company has only one class of shares having a face value of ₹ 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.

17.3 Details of shareholders holding more than 5% shares in the company

Name of the shareholder	As at March 31, 2025		As at March 31, 2024	
	No of Shares	% holding in the class	No of Shares	% holding in the class
Equity shares of ₹ 10 each fully paid Promoter and promoter group				
Anji Raju Manthena	24,86,873	14.84%	24,86,873	14.84%

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
17.4 Shares held by promoters at the end of the year
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

S. No	Name of the shareholder	As at March 31, 2025		As at March 31, 2024		% change during the year
		No of Shares	% of total shares	No of Shares	% of total shares	
1	Anji Raju Manthena	24,86,873	14.84%	24,86,873	14.84%	0.00%
2	Sitarama Raju Manthena	7,12,992	4.25%	7,12,992	4.25%	0.00%
3	Sreelakshmi Manthena	6,40,398	3.82%	6,40,398	3.82%	0.00%
4	Srinivasa Raju Manthena	6,06,597	3.62%	6,06,597	3.62%	0.00%
5	Manthena Parvathi	2,68,469	1.60%	2,68,469	1.60%	0.00%
6	Madhav Mantena	1,10,260	0.66%	1,10,260	0.66%	0.00%
7	Raju N Mantena	29,932	0.18%	40,032	0.24%	(0.06%)
8	Namrata Kapoor	7,917	0.05%	7,917	0.05%	0.00%
9	Madhuvalli Lakamraju	5,480	0.03%	5,480	0.03%	0.00%
10	Venkataramamurthy Raju Lakamraju	2,883	0.02%	2,883	0.02%	0.00%
11	Venkateswara Raju Lakkamraju	1,863	0.01%	1,863	0.01%	0.00%
12	Subbaraju Venkata Lakamraju	498	0.00%	498	0.00%	0.00%
13	Jagannadha L Raju	419	0.00%	419	0.00%	0.00%
14	Lakkamraju Susilamma	-	0.00%	31	0.00%	0.00%
		48,74,581	29.09%	48,84,712	29.15%	(0.06%)

Shares under pledge/encumbered

Sita Rama Raju Manthena 4,28,297

Percentage of his total holdings under pledge 60.07%

Note : 18
Other equity - (Refer statement of changes in equity)

Particulars	As at March 31, 2025	As at March 31, 2024
Securities premium	19,622.44	19,622.44
General reserve	612.14	612.14
Retained earnings (balance of surplus in the statement of changes in equity)	(4,219.34)	(9,311.05)
Share based payment reserve	126.57	-
Other comprehensive income (net of taxes)	(68.82)	(48.67)
Foreign currency translation reserve	(372.08)	(369.41)
	15,700.90	10,505.45

Note : 19
Financial liabilities
19.1 Borrowings (Non - Current)

Particulars	As at March 31, 2025	As at March 31, 2024
Vehicle loans from banks (secured)		
Mahindra & Mahindra Financial Services Ltd.	26.27	-
Axis bank Ltd.	1.50	18.52
	27.78	18.52

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
19.2 Borrowings (current maturities)
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	As at March 31,2025	As at March 31,2024
Long term debt from banks (secured)		
Mahindra & Mahindra Financial Services Ltd.	5.38	-
Axis bank Ltd.	17.02	15.29
	22.40	15.29

19.3 Current maturities of long term debt

Instalments due within 12 months from the date of balance sheet classified as current as shown above are disclosed in borrowings.

19.4 Term loans

The particulars of loans drawn, nature of security, terms of repayment, rate of interest, instalments due and loan wise outstanding are as under.

Name of the Bank	Type of Loan	Amount sanctioned	Security	ROI	Repayment Terms	Amount Outstanding
Mahindra & Mahindra Financial Services Ltd.	Vehicle loan	32.00	Secured by Hypothecation movable property (Motor Vehicle)	10.95%	Loan amount shall be repaid together with interest in 58 equated monthly instalments amount of Rs. 71,600	31.65
Axis bank Ltd.	Vehicle loan	28.97	Secured by Hypothecation movable property (Motor Vehicle)	10.75%	Loan amount shall be repaid together with interest in 47 equated monthly instalments of amount Rs. 75,775/-	9.26
Axis bank Ltd.	Vehicle loan	28.97	Secured by Hypothecation movable property (Motor Vehicle)	10.75%	Loan amount shall be repaid together with interest in 47 equated monthly instalments of amount Rs. 75,775/-	9.26

19.5 As on the balance sheet date, there were no continuing defaults in repayment of borrowings and interest.

19.6 The company has utilized the borrowings from banks and financial institutions for the specific purpose for which it was taken.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Note : 20
20.1 Provisions (Non current)
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	As at March 31,2025	As at March 31,2024
Provision for employee benefits		
-Provision for earned leave encashment	3.27	1.35
-Provision for gratuity *	12.22	11.81
Provision for warranties	407.55	-
	423.03	13.16

20.2 Provisions (Current)

Particulars	As at March 31,2025	As at March 31,2024
Provision for employee benefits		
-Provision for gratuity *	20.13	4.18
	20.13	4.18

(Refer note no 30)

* Present value of obligation	121.87	91.66
Fair value of plan asset	89.52	75.68
Short fall provided for	32.35	15.99

Note : 21
Borrowings

Particulars	As at March 31,2025	As at March 31,2024
A) Loans repayable on demand from banks (secured)		
Cash credit facilities	3,589.47	1,857.10
Term loan	-	5.29
Total (A)	3,589.47	1,862.39
B) Other loans (unsecured)		
Loan from directors	78.10	222.55
Inter corporate deposits	259.68	296.09
Others	12.95	9.45
Total (B)	350.73	528.09
C) Current maturities of long-term debt(refer note - 19.2)	22.40	15.29
Total (C)	22.40	15.29
Total (A+B+C)	3,962.60	2,405.78

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

21.1 Working capital loans

- i. Working Capital facilities from State bank of India are secured by paripassu first charge of hypothecation on all current assets of the company present and future and collaterally secured by extension of paripassu 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 TSIIC Hardware park. The applicable rate of interest to State bank of India is 17.25 % (spread is 8.10 % and EBLR (External Bench Marking rate) is 9.15%) The Working Capital facilities are guaranteed by promoter directors namely Dr Anji Raju Manthena, Sree Lakshmi Manthena and Sita Rama Raju Manthena.
- ii. Working Capital facilities from HDFC Bank are having primary security of raw material, railway anti-collision device manufacturing including electronic controllers, PLCS and receivables from Indian Railways. Collateral security is land, Plant and machinery located at TSIIC hardware Park. The Applicable rate of interest to HDFC bank is 12.50%. (RBI Repo rate is 6% + Spread is 6.50%). The Working Capital facilities are guaranteed by promoter directors namely Dr Anji Raju Manthena, Sree Lakshmi Manthena and Sita Rama Raju Manthena.
- iii. Working Capital facilities from ICICI bank are secured by first paripassu charge on entire current assets of the company and first paripassu charge on the immovable property located at, Raviryal Village, Maheshwaram, K.V.Rangareddy,Rangareddy,Telangana, India, 501510. Applicable rate of interest to ICICI bank is 10% (As on date the Repo Rate is 6.50% and Spread is 3.50%). Further (Working Capital) facilities are secured by personal guarantee of Promoter Director Sita Rama Raju Manthena.

21.2 Unsecured Loans from Directors are repayable on demand and carrying Interest at 18%.

21.3 Inter corporate deposit is repayable on demand and carrying interest rate of 15% to 18%.

21.4 Other Loans are Interest free and repayable on demand.

21.5 Inter corporate deposits carrying personal guarantee of Promoter Director Sitarama Raju, M Executive Director and Badari Narayan Raju M.

Note : 22

Trade Payables

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

Particulars	As at March 31,2025	As at March 31,2024
Total outstanding dues of :		
(a) Micro enterprises and small enterprises (MSME)	50.23	67.85
(b) Creditors other than micro enterprises and small enterprises	1,514.22	1,910.80
	1,564.45	1,978.64

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
22.1 Trade payable ageing schedule
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	Outstanding for following periods from date of transaction					Total
	Less than 6 months	6 months-1 year	1-2 years	2-3 years	More than 3 years	
As at March 31, 2025						
(i) MSME	44.77	-	5.46	-	-	50.23
(ii) Others	603.98	837.90	0.21	72.13	-	1,514.22
(iii) Disputed dues - MSME	-	-	-	-	-	-
(iv) Disputed dues - others	-	-	-	-	-	-
(v) Liability for materials	-	-	-	-	-	-
	648.75	837.90	5.67	72.13	-	1,564.45
As at March 31, 2024						
(i) MSME	67.85	-	-	-	-	67.85
(ii) Others	-	1,703.38	23.11	176.76	7.54	1,910.80
(iii) Disputed dues - MSME	-	-	-	-	-	-
(iv) Disputed dues - others	-	-	-	-	-	-
(v) Liability for materials	-	-	-	-	-	-
	67.85	1,703.38	23.11	176.76	7.54	1,978.65

Note : 22.2
Details of Dues to Micro and Small enterprises as defined under MSMED Act 2006

Particulars	As at March 31, 2025	As at March 31, 2024
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	52.54	68.93
Principal amount due to micro and small enterprises	50.23	65.94
Interest due on above		
"The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year"	2.30	2.99
"The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act;"	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED Act	-	-
"Dues to micro and small enterprises have been determined to the extent such parties have been identified on the basis of information requested by the management and responded by its vendors to the company"	-	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note: The above information has been given only in respect of those suppliers who have informed the Company that they are registered under MSMED Act 2006. Some of these vendors were associated with the Company for long periods of time and do maintain a harmonious continuous business relationship. The Company is normally prompt in servicing these vendors' claims as per mutually agreed terms of payment. The company had not received any claim towards interest from any of the Vendors and in view of the said longstanding business relationship, does not expect or foresee any claims in future as well. The company does not have any claims for interest remaining due and payable.

Note : 23
Other financial liabilities
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	As at March 31,2025	As at March 31,2024
Creditors for capital expenditure	1.71	1.71
Share application money due for refund	0.26	0.26
Advance received towards EMD	508.32	10.99
	510.30	12.96

Note : 24
Other current liabilities

Particulars	As at March 31,2025	As at March 31,2024
Advance from customers	15.44	15.82
Statutory dues	106.11	67.49
Salaries & expenses payable	498.33	474.32
	619.88	557.62

Note : 25
Revenue from operations

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
A.Revenue from contracts with customers		
i. Sale of finished products & services (Gross amount)	20,714.83	6,548.75
Less: Consortium partner's share	6,288.81	4,811.00
Net amount	14,426.02	1,737.74
ii.Sale of other products & services	4,539.09	192.09
	18,965.11	1,929.83

A) The Company derives revenue from the transfer of goods and services over time and at a point in time

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
Revenue from customers		
Timing of revenue recognition		
(a) At a point in time	-	-
(b) Over time	18,965.11	1,929.83
	18,965.11	1,929.83

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Customer category wise disaggregation

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

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
Revenue from customers (Domestic)	18,756.46	1,768.52
Exports	208.65	161.31
	18,965.11	1,929.83

B) Contract balances

“The following table provides information about trade receivables, contracts assets, and contract liabilities from contracts with customers.”

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
Receivables	1,900.79	532.46
Contract assets	2,975.50	-
Contract liabilities	16.50	-

Movement of contractual liabilities

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
Opening Balance	-	-
Received during the year	16.50	-
Revenue recognised / Adjusted	-	-
Closing Balance	16.50	-

There are no significant items of revenue to be recognised against performance obligation satisfied in previous year due to change in transaction price.

Timing of satisfaction of performance obligations

For each performance obligation satisfied over time the company recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. The objective when measuring progress is to depict the company's performance in transferring control of goods or services promised to a customer (ie the satisfaction of an entity's performance obligation).

The right to payment for performance completed to date does not need to be for a fixed amount. However, at all times throughout the duration of the contract, the company is entitled to an amount that at least compensates for performance completed to date if the contract is terminated by the customer or another party for reasons other than the company's failure to perform as promised.

Output method is used for measurement where the units produced or units delivered faithfully depict the company's performance in satisfying a performance obligation and, at the end of the reporting period, the company's performance has produced work in progress or finished goods that are not controlled by the customer.

Input method is used to recognise revenue where the company's efforts or inputs in satisfaction of a performance obligation (for example, resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) is relative to the total expected inputs to the satisfaction of that performance obligation and depict the company's performance in transferring control of goods or services to the customer.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

C) Movement in provisions on account of impairment and credit loss

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

Particulars	March 31,2025		March 31,2024	
	Trade receivables	Contract Assets	Trade receivables	Contract Assets
Opening balance	2,338.89	-	2,062.74	-
Add: Additions / expected lifetime credit loss	70.10	-	276.15	-
Less: Write off / impairment	-	-	-	-
Less: Reversal	-	-	-	-
Closing balance	2,408.99	-	2,338.89	-

Note : 26

Other income

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
a) Interest income		
Interest received on deposits with banks/others	102.45	120.85
Interest on advances(from related parties)	88.06	71.64
On others	11.36	2.25
b) Profit on sale of asset	-	1.90
c) Rental income	2.59	2.59
d) Miscellaneous income	2.59	2.42
e) Foreign currency fluctuation gain	10.97	-
	218.02	201.66

Note : 27

Cost of material consumed

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
Opening stocks (Net provision for obsolescence)	2,416.58	517.61
Purchases of material & components	8,004.31	6911.54
	10,420.89	7429.15
Less : Closing stocks (Net provision for obsolescence)	970.40	2416.58
	9,450.49	5012.56

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Note : 28
(Increase) / decrease in inventories of finished goods, stock-in-trade and work-in-progress
(Refer Note No.10)
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	For the year ended March 31, 2025	For the year ended March 31, 2024
I) Opening stocks		
a) Semi finished goods	2,078.26	888.06
b) Finished goods	2,564.79	-
TOTAL (I)	4,643.05	888.06
II) Closing stocks		
a) Semi finished goods	4,209.42	2,078.26
b) Finished goods	-	2,564.79
TOTAL (II)	4,209.42	4,643.05
III) Net (Increase) / Decrease (I - II)	433.63	(3,754.99)

Note : 29
Project Execution Expenses

Particulars	For the year ended March 31, 2025	For the year ended March 31, 2024
Installation expenses	1,675.87	223.47
Commission expenses	-	6.68
Transportation charges	41.64	12.59
Site admin expenses	137.93	66.77
Project allowance expenses	12.15	26.49
Building/labour cess	144.21	18.87
Consultancy charges	78.60	85.59
Travel expenses	103.40	79.12
Hotel accommodation expenses	21.20	49.28
Rent	32.02	16.38
Stamp duty	-	6.56
	2,247.01	591.80

Note : 30
Employee benefits expense:

Particulars	For the year ended March 31, 2025	For the year ended March 31, 2024
Salaries & allowances	1,433.56	1,028.34
Share based payments	126.57	-
Directors remuneration & allowances	137.89	64.92
Contribution to provident & other funds	55.05	39.80
Gratuity & leave encashment expense	20.60	11.49
Staff welfare expenses	68.64	60.58
	1,842.31	1,205.13

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
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 INR 48.03 Lakhs (Previous year INR 34.48 Lakhs) towards provident fund plan during the years ended 31-Mar-25.

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 company does not provide the facility of leave encashment to its employees. Hence there is no plan for the latter benefits.

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

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
Present value of obligation as at beginning of the year	91.66	78.52
Current service cost	12.78	8.60
Interest expense or cost	5.90	5.80
Actuarial (gain)/ loss on obligations	28.42	(1.26)
Benefits paid	(16.90)	-
Present value of obligation as at the end of the year	121.87	91.66

ii. Changes in fair value of plan assets

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
Fair value of plan assets as at the beginning of the year	75.68	43.22
OB difference	-	-
Investment income	3.97	4.26
Employer's contribution	22.69	28.92
(Expenses)/income	2.59	(0.28)
Benefits paid	(16.90)	-
Return on plan assets , excluding amount recognised in net interest expense	-	-
Actuarial gain/(Loss)	1.49	(0.45)
Fair value of plan assets as at the end of the year	89.52	75.68

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
iii. Fair value of assets and obligations
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
Fair value of plan assets	89.52	75.68
Present value of obligation	(121.87)	(91.66)
Amount recognized in balance sheet	(32.35)	(15.99)

iv. Expenses recognised during the year

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
In Income statement		
Current service cost	12.78	8.60
Net interest cost / (income) on the net defined benefit liability / (asset)	1.94	1.54
Expenses recognised in the income statement	14.72	10.14
In Other comprehensive income		
Actuarial (gains) / losses		
Opening balance difference	-	-
Others	28.42	(1.26)
Return on plan assets, excluding amount recognized in net interest expense	(1.49)	0.45
Components of defined benefit costs recognised in other comprehensive income	26.93	(0.81)

v. Actuarial assumptions

Particulars	March 31,2025	March 31,2024
Discount rate (per annum)	6.85%	7.10%
Salary growth rate (per annum)	4.00%	2.00%

vi. Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The result of sensitivity analysis for a 1% increase/decrease of following assumptions, in the amount of defined benefit obligation is given as under:

Particulars	March 31, 2025		March 31, 2024	
	Decrease	Increase	Decrease	Increase
Change in discounting rate	131.5	113.46	100.26	84.30
Change in salary growth rate	111.88	132.68	81.76	102.67
Change in attrition rate	122.09	121.79	91.05	92.34
Change in mortality rate	121.96	121.88	91.54	91.78

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
vii. Share based payments

Particulars	Employee Stock option Scheme 2023
Approval of shareholders	23rd August, 2024
Administration	Nomination and Remuneration committee of the board of directors
Eligibility	The committee determines which eligible employees will receive options
Number of equity shares reserved under the scheme	150,000
Number of equity shares per option	1
Vesting period	1 Year
Excercise period	within 2 years from the date of last vesting
Excercise price determination	The nomination and remuneration committee will determines the price on the date of approving of the grant

viii. The fair values of the option were determined using a black scholes model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations. Expected volatility is based in the historical share price volatility over the past 5-6 years

Note :31
Finance cost

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
Interest on bank borrowings	290.86	85.82
Interest on vehicle loans	3.31	4.45
Interest - others (includes interest on directors loans)	76.40	100.37
Bank charges & commission	82.03	59.49
Other borrowing cost	224.41	24.44
	677.01	274.56

Note :32
Depreciation and amortization expense

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
Depreciation on tangible assets	282.13	233.07
Amortisation on intangible assets	0.65	0.97
	282.78	234.04

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note : 33

Other Expenses

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

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
Electricity charges	78.85	55.46
Security charges	48.95	21.09
Rates and taxes	43.60	66.39
Printing and stationery	5.33	2.43
Insurance	41.92	16.97
Repairs and maintenance		
a) Buildings	32.58	63.58
b) Others	92.72	79.13
Postage, telephone and courier	14.85	11.24
Travelling and conveyance	90.88	98.71
Professional & consultancy fees	171.83	106.44
Directors sitting fees	45.60	40.20
Business promotion	15.39	5.87
Loss on foreign currency transactions and translation (net)	-	87.06
Miscellaneous expenses(General expenses)	9.63	14.16
Provision for doubtful debts (Lifetime expected credit loss)	70.10	276.15
Provision for warranties	407.55	-
Loss on sales of an asset	0.16	-
Sundry balances write off	2.44	18.43
Tender expenses	139.96	-
Payment to auditor*:		
For Statutory audit	5.50	4.00
For Tax audit	2.00	2.00
For Others	3.79	1.05
	1,323.63	970.36

Note :34

Amount Transferred to Capital Expenditure

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

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
Employee benefit expenses	236.14	191.59
Material consumed for self generated assets	175.02	161.18
	411.16	352.77

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note :35

Earning Per Share Calculation:

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

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
A. Net profit for the period (after tax)	5,091.71	(2,040.53)
Less: Preference dividend (including DDT, if applicable)	-	-
B. Profit attributable to equity shareholders (A - Preference dividend)	5,091.71	(2,040.53)
C. Weighted average number of equity shares (basic)		
Opening balance of shares	1,67,59,422	1,54,59,422
Add/Less: issuance / buyback (weighted by time outstanding)	-	4,44,536
Total weighted average shares outstanding (basic)	1,67,59,422	1,59,03,958
Add: Weighted average potential equity shares (Dilutive instruments)		
– ESOPs / Warrants	15,663	-
– Convertible debentures / Preference shares	-	-
D. Weighted average shares outstanding (Diluted)	1,67,75,085	1,59,03,958
E. Earnings Per Share (EPS):		
Basic EPS	₹ 30.381	₹ -12.830
Diluted EPS	₹ 30.353	₹ -12.830

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Notes : 36
Contingent Liabilities And Commitments
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Note		Particulars	Year ended 31-Mar-25	Year ended 31-Mar-24
a	a	Bank guarantee outstanding(Gross)	3,521.18	2,186.71
b		Income tax		
	i	For Asst. Year 2018-19 disallowances were made to an extent of Rs. 761.37 lakhs. In respect of these, Appeal was filed with the Commissioner (Appeals) and the Company is confident of getting a favorable order.		
	ii	The Company received demand notices from CPC, Bangalore for Assessment years 2019-20 in relation to certain computational omissions in department with regard to capital gains & consequent business loss thus assessing an income of Rs. 495.58 lakhs against returned business loss of Rs 618.16 lakhs; resulting in a demand of Rs. 92.36 lakhs. The Company preferred an appeal against the said order before Commissioner of Income tax and expects to get a favorable decision.	92.36	92.36
	iii	The Company received a demand notice from CPC, Bangalore for the Assessment Year 2021-22 in relation to certain computational errors made by the department while processing the return. Specifically, income from sale of assets amounting to 1,541.41 lakhs, classified by the Company under capital gains, was erroneously considered as business income. Additionally, only 222.94 lakhs was considered as capital gains instead of the actual 1,541.41 lakhs, resulting in incorrect tax computation. These errors led to an assessed income despite the Company having reported a business loss, and consequently a tax demand of 392.29 lakhs was raised. The Company has filed a rectification/ appeal before the appropriate authority and expects a favourable decision in the matter	392.29	-
	iv	The Company received an order u/s 151 of the Income tax Act, 1961 for initiating reassessment proceedings in relation to escapement of income for Asst. Year 2017-18 to the tune of Rs. 785.00 lakhs. The Company proposes to contest the same under the Act.	785.00	785.00
c		Other Matters		
	i	Ex employee Murlidhar Raju claimed salary arrears along with interest to the extent of Rs. 40.52 lakhs before RR dist. Court.	40.52	40.52

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

d	Local Agent Commission		
	The Company received an Order dated 19/02/2020 from Cairo Economic Court, Egypt, directing the Company to pay an amount of USD 3.42 Lakhs and Egyptian Pounds 4.98 Lakhs 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 favorable order.	294.04	294.04
e	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 INR 1518.00 Lakhs . The Arbitration proceedings are under progress. Further the company has failed in the conciliation proceedings against KRCL for outstanding dues of INR 518.00 Lakhs and is in process of filing Arbitration petition. In view of the above, the company has made a provision of INR 2036.00 Lakhs in the books of accounts.		
f	Note 12, 15 & 16		
	i The Company's assessment of recoverability and impairment loss allowance on its trade receivables, contractual performance obligations, income tax assets and dues from government authorities as on 31 Mach 2025 are subject to number of management judgments and estimates that are based on prevailing conditions and circumstances as on the date of approval of these financial statements. However, actual results may differ from these estimates as on the date of approval of these financial statements due to the following reasons.		
	ii Recoverability of income tax assets (TDS Receivables) (Note 15) of Rs.521.66 lakhs (PY Rs. 291.14 lakhs) for respective years will depend on the outcome of the assessment proceedings which are yet to be closed.	521.66	291.14
	iii Dues from government authorities (Note 16) of Rs. 912.96 lakhs (PY Rs.1506.94 lakhs) mainly comprised of input tax credits under GST Act and receipt /adjustment of the same depends on actions of government of authorities and outcome of the assessment proceedings which are yet to be closed.	912.96	1506.94

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

	iv	'Trade receivables (Note 12) of Rs. 1900.79 lakhs (PY Rs. 532.46 lakhs) may be affected due to delay in final deliverables, acceptance of performance claims by the customer, claims/counter claims on quantum of work and Company's decision for continuing the customer contract(s)'	1900.79	532.46
g		Capital Expenditure Commitments	Not Quantifiable	Nil

Note : 37

- A The company entered into a partnership agreement under the name and style of "Kernex TCAS JV" on 15-04-2019 with Vasishta Constructions Pvt Ltd., for the purpose of cooperation in connection with execution of supply & commissioning of on-board TCAS equipment in South Central Railway (Project). The parties agreed to jointly execute the project and share the profits / losses in the ratio of 80%: 20%. In terms of Ind AS 111, the company treats this arrangement as a joint venture and the results of the partnership are reported in the consolidated financial statements of the group. Consequently, no adjustment is made for the results of this joint venture (given hereunder) in the stand-alone financial statements of the company.

S. No	Particulars	Year ended March 31, 2025	Year ended March 31, 2024
a	Total assets of the Partnership	718.55	414.2
b	Outside liabilities	32.96	33.19
c	Due to Kernex Microsystems India Ltd	985.87	587.24
	i) Loans	575.89	489.70
	ii) Trade Receivable	409.98	97.54
d	Capital of the Firm	10.00	10.00
e	Accumulated Losses upto 31-03-2024	-322.83	-216.23
f	Loss for the year	-106.60	-145.51
g	Share of the Company in cumulative loss	-258.26	-172.99
h	Provision for Expected Credit Loss	-	8.53
i	Net Exposure to TCAS JV	-258.26	-164.46

- B The company entered into a partnership agreement under the name and style of "VRRRC Kernex CERVRJV" on 06-01-2024 with M/s Venkata Rami Reddy Constructions, M/s Charvitha Enterprises & M/s R.Venkat Reddy., for the purpose of cooperation in Comprehensive Signaling and Telecommunication works for provision of Automatic Block Signaling System in Vemulapadu-Muddanur Section of Guntakal Division in South Central Railway (Project). The parties agreed to jointly execute the project and share the profits / losses in the ratio of 35%(KMIL) : 45% : 10% : 10%. In terms of Ind AS 111, the company proposes to treat this arrangement as a joint operation and the results of the partnership are reported in the consolidated financial statements of the group.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

Note : 38

Related Party Transaction for the FY 2024-25

a. List of Related parties and description of Relationship.

S.No	Nature of Relationship	Name of the related party
1	Wholly owned subsidiary	Avant-Garde Info Systems Inc, USA
2	Joint Venture	KernexTCAS JV VRRC-KERNEX-CE-RVR JV
3	Key Managerial Personnel	Anji Raju Manthena Janardhana Reddy Vinta Sreelakshmi Manthena Sitarama Raju Manthena Badari Narayana Raju Manthena R Sreenivasa Rao K Soma Sekhara Rao A V S Krishna Mohan Narender Kumar Seshagiri Rao Adabala Ayyagari Viswanadha Sarma Dinakara Rao Pasupuleti Pamidi Srikanth Prasada Rao Kalluri
4	Relatives of Key Managerial Personnel	Alluri Sita Rama Raju Manthena
5	A Company in which relative of Director is Interested	Comptek Computer System Private Limited
6	Others	Venkat Ramreddy Construcitons (VRRC) Likhil Infra Private Limited Charvitha Enterprizes R Venkata reddy Vasista Constructions

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

b. Transactions with related parties during financial year 2024-25

S. No	Nature of Transaction	Name of the related party	For the year ended March 31, 2025	For the year ended March 31, 2024
1	Managerial Remuneration	Sitarama Raju Manthena	47.95	32.60
		Badari Narayana Raju Manthena	49.94	34.03
		Sunny Sharma (upto 20.10.2023)	-	19.76
		Pamidi Srikanth (from 25-10-2023)	37.90	17.50
		Prasada Rao Kalluri	21.10	11.18
		Alluri Sita Rama Raju Manthena	17.88	14.80
2	Directors' sitting fees *	Anji Raju Manthena	6.00	5.50
		Janardhana Reddy Vinta	4.20	4.50
		Sreelakshmi Manthena	5.40	5.00
		Narender Kumar	2.40	4.00
		R Sreenivasa Rao	5.4	7.5
		K Soma Sekhara Rao	6.60	10.20
		A V S Krishna Mohan	3.12	3.50
		Ayyagari Viswanadha Sarma	4.80	-
		Seshagiri Rao Adabala	4.80	-
Dinakara Rao Pasupuleti	3.00	-		

* Note: The above excludes reimbursements Travelling & conveyance Expenditure.

3	Income	Sales	Avant-Garde Info Systems Inc, USA	1.83	8.91
		Rental Income	Comptek Computer System Private Limited	3.77	3.77
		Sales	Kernex TCAS JV	420.00	-
		Interest Received	Kernex TCAS JV	88.06	71.64
		Sales	VRRC-KERNEX-CE-RVR JV	944.30	-
	Expenditure	Purchases/ Services	Avant-Garde Info Systems Inc, USA	376.95	479.22
		Purchases- Asset	Avant-Garde Info Systems Inc, USA	-	13.90
		Interest Paid	Anji Raju Manthena	22.48	23.40
			Janardhana Reddy Vinta	84.81	80.05
			Badari Narayana Raju Manthena	2.39	5.56
			Likhil Infra Private Limited	16.54	-
			Sitarama Raju Manthena	-	9.62
		Reimbursement of Travel Expenses	Anji Raju Manthena	15.39	-
			Sreelakshmi Manthena	5.88	-
			Janardhana Reddy Vinta	6.40	-
A V S Krishna Mohan	0.12		-		
Project Execution Expenses - Service	Venkat Ramreddy Construcitons (VRRC)	295.00	-		
Advances	Venkat Ramreddy Construcitons (VRRC)	104.27	-		

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

4	Unsecured Loans	Received	Badari Narayana Raju Manthena	-	93.50
		Paid	Badari Narayana Raju Manthena	6.73	77.52
		Received	Sitarama Raju Manthena	-	335.00
		Paid	Sitarama Raju Manthena	-	335.00
		Received	Dr Anji Raju	-	-
		Paid	Dr Anji Raju	161.17	-
		Received	Vinta Janardhana Reddy	-	-
		Paid	Vinta Janardhana Reddy	-	-
		Repayment Received	Kernex TCAS JV	17.00	85.50
5	Other	Working Capital	Kernex TCAS JV	19.75	114.00
		Received	Likhil Infra Private Limited	995.00	-
		Paid	Likhil Infra Private Limited	1016.65	-
		Receipt of dues from TCAS JV	Kernex TCAS JV	-	-

c. Closing Balances as at 31 March 2025

S. No	Nature of Transaction	Name of the related party	As at March 31, 2025	As at March 31, 2024
1	Loan taken from KMP along with Interest	Anji Raju Manthena	-	145.71
		Vinta Janardhana Reddy	61.70	55.86
		Badari Narayana Raju Manthena	16.41	20.98
		Likhil Infra Pvt. Ltd.	-	-
		Sitarama Raju Manthena	-	-
2	Trade payable	Avant-Garde Info Systems Inc, USA	72.24	357.25
3	Trade Receivables	Kernex TCAS JV	409.98	97.54
		Comptek Computer System Pvt Ltd	422.11	418.24
4	"Investments - Wholly owned subsidiary - Joint Venture"	Avant-Garde Info Systems Inc, USA	1275.97	1275.97
		Kernex TCAS JV	8.00	8.00
5	Advances to customers	Kernex TCAS JV	575.89	489.70
6	Remuneration Payable	Sitarama Raju Manthena	1.67	1.64
		Badari Narayana Raju Manthena	1.52	1.72
		P Sriakath	1.04	2.73
		Prasada Rao Kalluri	1.44	0.61
		M A Sitarama Raju	0.67	1.23
		Sreelakshmi Manthena	-	-

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

7	Reimbursements payable	Sitarama Raju Manthena	1.41	1.62
		Badari Narayana Raju Manthena	0.15	2.23
		P Srikanth	0.40	0.65
		Prasada Rao Kalluri	0.19	1.44
		M A Sitarama Raju	3.01	1.50
8	Non Executive Directors' sitting fees	Anji Raju Manthena	5.88	0.34
		Janardhana Reddy Vinta	6.08	5.18
		Sreelakshmi Manthena	29.14	19.54
		Narender Kumar	2.61	0.45
		Manthena Raju Narasa	-	4.39
9	Non Executive Directors' Reimbursements Payable	Anji Raju Manthena	-	49.05
		Janardhana Reddy Vinta	-	4.44

Note 39
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 with 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.

Note : 40
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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

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.

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. The company however made provision for expected credit loss based on the age of the outstanding's.

ii. Cash and Cash Equivalents

The Company held cash and cash equivalents of INR 1469.93 Lakhs at March 31, 2025 (Previous year INR 384.80 Lakhs). 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 :

	(In Lakhs)				
Particulars March 31, 2025	Upto 1 year	1 to 3 years	3 to 5 years	> 5 years	Total carrying amount
Other non current liabilities (excluding deferred tax)	450.81	-	-	-	450.81
Current borrowings	3,962.60	-	-	-	3,962.60
Trade payables	1,486.65	77.80	-	-	1,564.45
Other financial liabilities	510.30	-	-	-	510.30
Other payables	640.01	-	-	-	640.01
Total	7,050.37	77.80	-	-	7,128.17

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

(In Lakhs)

Particulars March 31, 2024	Upto 1 year	1 to 3 years	3 to 5 years	> 5 years	Total carrying amount
Other non current liabilities (excluding deferred tax)	31.68	-	-	-	31.68
Current borrowings	2,405.78	-	-	-	2,405.78
Trade payables	1,771.23	199.87	7.54	-	1,978.64
Other financial liabilities	12.96	-	-	-	12.96
Other payables	561.80	-	-	-	561.80
Total	4,783.45	199.87	7.54	-	4,990.87

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	March 31, 2025	March 31, 2024
Floating rate instruments		
Financial Liabilities - measured at amortised cost		
Working capital facilities from bank	3,589.47	1,857.10
Fixed rate instruments		
SBI-Term Loan	-	5.29
Vehicle loans	50.18	33.81
Unsecured loans from directors	78.10	222.55
Inter corporate deposits	259.68	296.09
	3,977.42	2,414.85

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

Cash flow sensitivity (net)	Profit or loss	
	25 bp increase	25 bp decrease
March 31, 2025		
Variable rate loan instruments	8.97	(8.97)
March 31, 2024		
Variable rate loan instruments	4.64	(4.64)

The foreign currency exposures as of March 31, 2025 were as follows. In lakhs

Particulars	USD	Egyptian Pound
Assets		
Cash and bank balances	-	1.60
Trade receivables	3.80	59.04
Other assets	-	5.63
	3.80	66.27
Liabilities		
Trade payables	0.85	-
Other liabilities	-	27.63
	0.85	27.63

The foreign currency exposures as of March 31, 2024 were as follows. In lakhs

Particulars	USD	Egyptian Pound
Assets		
Cash and bank balances		0.16
Trade receivables	1.79	59.95
Other assets		7.19
	1.79	67.31
Liabilities		
Trade payables	4.28	-
Other liabilities		16.92
	4.28	16.92

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

Particulars March 31, 2025	Profit or loss		Equity net of tax	
	Strengthening	Weakening	Strengthening	Weakening
1% movement				
US Dollar	0.03	(0.03)	-	-
Egyptian Pounds	0.39	(0.39)	-	-
	0.42	(0.42)	-	-

Particulars March 31, 2024	Profit or loss		Equity net of tax	
	Strengthening	Weakening	Strengthening	Weakening
1% movement				
US Dollar	(0.02)	0.02	-	-
Egyptian Pounds	0.50	(0.50)	-	-
	0.48	(0.48)	-	-

Note : 41

Financial Instrument 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 on March 31, 2025 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	1,900.79	-	-	-	1,900.79
Cash and Cash Equivalents	1,469.93	-	-	-	1,469.93
Other Bank Balances	1,905.12	-	-	-	1,905.12
Other Financial Assets	835.81	-	-	-	835.81
Financial Liabilities					
At Amortised Cost					
Borrowings	3,990.37	-	-	-	3,990.37
Trade Payables	1,564.45	-	-	-	1,564.45
Other Financial Liabilities	510.30	-	-	-	510.30

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

The Carrying value and fair value of Financial Instruments by categories as on March 31, 2024 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	532.46	-	-	-	532.46
Cash and Cash Equivalents	384.80	-	-	-	384.80
Other Bank Balances	1,513.31	-	-	-	1,513.31
Other Financial Assets	74.98	-	-	-	74.98
Financial Liabilities					
At Amortised Cost					
Borrowings	2,424.30	-	-	-	2,424.30
Trade Payables	1,978.64	-	-	-	1,978.64
Other Financial Liabilities	12.96	-	-	-	12.96

* excludes Financials assets measured at cost namely investments Rs.1283.97/- (P.Y 1283.97/-)

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.

Note : 42
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	March 31, 2025	March 31, 2024
Current borrowings	3,962.60	2405.78
Total Debts	3,962.60	2405.78
Less: Cash & Cash equivalents	1469.93	384.80
Adjusted net debts	2,492.67	2020.97
Equity	1,675.94	1,675.94
Other Equity	15,700.90	10,505.45
Total Equity	17,376.84	12,181.39
Adjusted net debt to equity ratio	0.14	0.17

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Note : 43
Ratios as per the Schedule III requirements

Particulars	Formula	March 31, 2025	March 31, 2024	% Change	Reason for Variance
Current Ratio	Current Assests/ Current liabilities	2.64	2.59	1.78%	Change in % of Current ratio is on account of greater % increase in Stock & Sundry Debtors
Debt Equity Ratio	Total Debt / Equity	0.23	0.20	15.39%	"Change in % debt equity is on account of increase in Bank Borrowings compared to previous year"
Debt Service Coverage Ratio	Earnings available for debt service/ interest and lease payments + principal repayments	0.10	(0.22)	144.06%	Change in % of Debt service coverage ratio is due to increase in the earnings available for debt service
Return on Equity	Net profit after taxes / Average shareholders equity	0.34	(0.19)	280.75%	Change in % of Return on equity ratio is on account of increase in net profit
Inventory Turn-over Ratio	Cost of goods sold / Average inventory	2.34	0.80	191.28%	Change in % Inventory Turnover ratio is on account of increase in sales
Trade Receivables turnover ratio	Credit sales / Average trade receivables	15.59	2.63	493.80%	The decrease in ratio is attributable to increase in average trade receivables
Trade Payables turnover ratio	Credit Purchases / Average trade payables	4.52	6.02	24.95%	Change in % is mainly due to an increase in average trade payables, indicating that the Company availed a longer credit period from suppliers during the year
Net Capital Turnover Ratio	Sales / Working capital	1.73	0.24	607.59%	Change in % is on account of substantial increase in revenue from operations during the year
Net profit ratio	Net Profit after taxes / Net Sales	0.27	(1.06)	125.39%	Change in % is mainly due to revenue from operations and a turnaround to net profit from loss in the previous year
Return on Capital employed (ROCE)	Earnings before interest and taxes / Capital employed	0.23	(0.17)	240.25%	Change in % is mainly due to Increase in net profit during the year

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note : 44

Other Statutory Information

- i) The Company has not incurred any expenditure towards corporate social responsibility (CSR) during the year as it does not meet the criteria laid down under section 135 of the companies Act, 2013 for the applicability of CSR obligation
 - (ii) The Company does not have any Benami property, where any proceeding has been initiated or pending against the Company for holding any Benami property.
 - (iii) The Company does not have any transactions with struck off companies
 - (iv) The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.
 - (v) The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year.
 - (vi) The Company has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall
 - a) Directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or
 - b) Provide any guarantee, security or the like to or on behalf of the Ultimate Benefit carries.
 - vii) The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Company shall:
 - a) Directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
 - b) Provide any guarantee, security or the like on behalf of the Ultimate Benefit carries.
 - (viii) The Company has not entered in to any transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961).
 - (ix) The Company has not been declared as wilful defaulter by any bank or financial institution or other lender
 - (x) The Company has complied with the number of layers prescribed under clause (87) of section 2 of the Act read with the Companies (Restriction on number of Layers) Rules, 2017
 - (xi) No Scheme of Arrangements has been approved by the Competent Authority in terms of sections 230 to 237 of the Companies Act, 2013, during the year.
45. Previous year figures have been regrouped/reclassified wherever necessary to conform to the current year's classification.

As per our report of even date attached

FOR NSVR & ASSOCIATES LLP

Chartered Accountants

Firm Regn No. 008801S/S200060

Sd/-

V GANGADHARA RAO N

Partner

Membership No: 219486

UDIN: 25219486BMIRXU8330

Hyderabad

23-05-2025

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Sd/-

BADARI NARAYANA RAJU MANTHENA

Whole Time Director

DIN 07993925

Sd/-

PAMIDI SRIKANTH

Chief Financial Officer

Sd/-

SITARAMA RAJU MANTHENA

Whole Time Director

DIN 08576273

Sd/-

PRASADA RAO KALLURI

Company Secretary



**CONSOLIDATED
FINANCIAL STATEMENTS
2024-25**



INDEPENDENT Auditor's Report

To
The Members of
Kernex Microsystems (India) Limited,
Hyderabad.
REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying Consolidated Financial Statements of Kernex Microsystems (India) Limited (hereinafter referred to as the "Holding Company") its subsidiaries and Joint venture(Controlled entity) (Holding company its subsidiary and Joint venture (Controlled entity) together referred to as "The Group") ,which comprise the consolidated balance sheet as at March 31, 2025, and the consolidated statement of Profit and Loss, (including Other Comprehensive Income) , the statement of consolidated cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including summary of material 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, ("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 the consolidated statement of affairs of the group as at March 31, 2025 and their Consolidated profit, including other comprehensive income, their consolidated statement of changes in equity and their consolidated cash flows for the year ended on that date.

Basis for opinion

We conducted our audit of the Consolidated Financial Statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013, as amended ("the Act"). Our responsibilities under those Standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Consolidated financial statements under the provisions of the Act and the Rules thereunder and we have fulfilled our other ethical responsibilities in accordance with these requirements and ICAI's Code of Ethics. We believe that the audit evidence obtained by us along with the consideration of reports of the other auditors referred to in "other matters" section below is sufficient and appropriate to provide a basis for our opinion on the Consolidated Financial Statements.

Emphasis of Matter

We draw attention to Note 10, 12 and of the consolidated financial statements which describes that the company has assessed the recoverability and impairment of the following financial assets.

- a. ***Trade Receivables from customers Rs. 422.10 Lakhs (PY 418.34 Lakhs) and respective Expected Credit Loss (ECL) provision for the CY Rs. 211.67 Lakhs (PY Rs.183.58 Lakhs). The said receivable is outstanding for more than 3 years.***
- b. ***Margin money deposits with banks of Rs. 1,905.12 Lakhs (PY 1,513.31 Lakhs) provided for customer guarantees of Rs. 3,521.18 Lakhs (PY 2,161.71Lakhs)***

Such assessments are based on current facts and circumstances and may not necessarily reflect future uncertainties and events and the final recoverable amounts may vary for the reasons mentioned therein.

Our opinion is not modified in respect of this matter

Key audit matters

Key audit matters are those matters that, in our professional judgement and based on the consideration of reports of other auditors on consolidated financial statements of the components audited by them were most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and informing 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. Revenue recognition from Engineering, Procurement and Construction (EPC) contracts</p> <p>In the Financial Year 2022-23, the Company, acting as the lead member of a consortium (Joint and several liability) with another third-party partner, commenced execution of Engineering, Procurement and Construction (EPC) contracts for the provision of railway safety equipment.</p> <p>Although the Company, as lead member, raised the entire invoices to the customer, the revenues were shared between the consortium partners based on an inter se agreement that allocates scope of work and related consideration between the parties and the consideration was deposited into an escrow account, from which funds are withdrawn by the respective consortium partners based on mutual approval as per the inter se agreement.</p> <p>In accordance with the terms of the consortium arrangement, the Company recognized revenue only to the extent of its share of work, after excluding the portion attributable to the other consortium partner. Given the significance of these contracts to the Company's operations, the complexity involved in determining the appropriate revenue share, and the judgment required in applying Ind AS 115 – Revenue from Contracts with Customers, this matter was considered to be of most significance in our audit and hence identified as a Key Audit Matter.</p>	<p>We obtained and examined the EPC contract entered into with the customer and the inter se agreement between the consortium partners to understand the respective scope of work and the basis for sharing of revenue.</p> <p>We evaluated the Company's accounting treatment under Ind AS 115 and noted that the Company has recognised revenue only to the extent of its own share of work as per the consortium arrangement, rather than the gross billing made to the customer, which aligns with the principles of control and performance obligations under the standard.</p> <p>We reviewed the agreements and work orders entered by the company with various customers and we have examined various terms and conditions relating to the scope of work to be executed by the company as per various agreements to understand the performance obligations and the activities to be carried out to achieve those performance obligations. on the customer and matched them with the corresponding invoices raised by the third-party consortium partner on the Company (refer Note 23 of the consolidated financial statements). We also examined the basis of management's certification of the quantum of work executed by the consortium partner against agreed milestones and verified that the deductions made from gross invoicing were supported by contractual terms and milestone achievements.</p> <p>We further verified the remittances made to the consortium partner and traced them to supporting documents and bank statements. We obtained and reconciled the balance confirmation received from the third-party consortium partner, which supported the accuracy and completeness of the amounts accounted for by the Company in respect of the consortium arrangement.</p>

<p>2. Existence and valuation of inventories</p> <p>As at 31st March 2025, the Company has reported inventories amounting to ₹5,258.37 lakhs (Refer Note 8 of the Consolidated Financial Statements), comprising raw materials and work-in-progress. Given the materiality of this balance and the complexities involved in physical verification and valuation of inventories across various locations and stages of production, this matter has been identified as a Key Audit Matter.</p>	<p>The physical verification of raw material stocks held in stores was conducted by the management. We reviewed the verification records and applied rollback procedures to reconcile the verified quantities to the balances as at 31st March 2025 based on inventory movement data.</p> <p>Inventories held at project sites and were physically verified by the respective site in-charge in coordination with the management, we have reviewed the physical verification report and confirmation submitted by the site in-charge and reconciliations were made in respect of the materials delivered from Head Office to project sites and materials invoice from project site to customers, Work-in-progress was examined based on the records maintained through the Company's inventory records and related registers maintained in the accounting system. The Value of the Work – in progress is evaluated with reference to the material cost available in the accounting system and allocation of overheads with reference to the various stages of production of the items,</p> <p>We examined the Stores records, inventory records maintained in the accounting system and the cost allocation procedures implemented in the company to understand and assess the movement of inventory transactions, including receipts from purchases, issues for production, and stock transfers. We also evaluated the valuation methodology applied by the Company in accordance with its accounting policy and Ind AS 2 – Inventories, and performed material reconciliation procedures to verify the accuracy of the closing stock balances.</p>
<p>3. Balances with statutory and government authorities</p> <p>As at 31st March 2025, the Company has reported balances amounting to ₹940.31 lakhs lying with statutory and government authorities (Refer Note 14 of the Consolidated Financial Statements). Considering the materiality of the amount and the nature of regulatory compliances involved, this matter has been identified as a Key Audit Matter.</p>	<p>This balance primarily comprises Input Tax Credit (ITC) and GST TDS receivable, which the Company intends to avail or set off against future tax liabilities arising from sales.</p> <p>We have verified these balances against the returns filed by the Company under the applicable GST laws. We also corroborated the reported balances with data available on the relevant government portals (i.e. GST portal) to ensure accuracy and recoverability. Based on our procedures, we assessed the appropriateness of the recognition and presentation of these balances in the financial statements.</p>

Information other than the Consolidated financial statements and auditor's report thereon

The Holding Company's Management and Board of Directors are responsible for the other information. The other information comprises the information included in the Holding Company's Annual Report but does not include the consolidated Financial Statements and our auditor's report thereon. The Company's Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the Consolidated financial statements does not cover the other information and we do 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 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 management and Board of Directors are responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Consolidated Financial statements that give a true and fair view of the Consolidated financial position, Consolidated financial performance including other comprehensive income, Consolidated cash flows and Consolidated 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 Management and Board of Directors of the companies included in the group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 the Consolidated Financial Statements by the Directors of the Holding company, as aforesaid.

In preparing the Consolidated Financial statements, the respective Management and Board of Directors of the companies included in the group are responsible for assessing the ability of each 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 respective management/ Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are responsible for overseeing the company's financial reporting process of the each company.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated 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)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Holding 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 and Board of Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparation of the Consolidated Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the group 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 Consolidated 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 group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial statements of such entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in section titled "Other Matters" in this audit report

We communicate with those charged with governance of the Holding Company and such others entities included in consolidated financial statements of which we are the independent auditors 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

1. We did not audit the financial statements / financial information / financial results of **KERNEX TCAS JV** (Controlled entity (Subsidiary)) whose financial statements / financial information / financial results reflect total revenues of Rs. 373.66 lakhs and total net loss after tax of Rs. 94.05 lakhs and total comprehensive loss of Rs. 94.05 lakhs for the year ended March, 31 2025, total revenues Rs. 325.18 lakhs and total net loss after tax of Rs. 27.78 Lakhs and total comprehensive loss of Rs. 27.78 lakhs for the Quarter ended March, 31 2025 as considered in the consolidated audited financial results. These financial statements / financial information / financial results have been audited by other auditors whose reports have been furnished to us by the Management and our conclusion 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 the reports of the other auditors and the procedures performed by us as stated above.

Our conclusion on the Statement is not qualified in respect of the matters.

2. We did not audit the financial statements / financial information / financial results of **VRRC-KERNEX-CE-RVR JV (Joint Operation)** whose financial statements / financial information / financial results reflect total revenues of Rs. 4199.71 lakhs and total net loss after tax of Rs. 1.07 lakhs and total comprehensive loss of Rs. 1.07 lakhs for the year ended March, 31 2025, as considered in the consolidated financial results. These financial statements / financial information / financial results have been audited by other auditors whose reports have been furnished to us by the Management and our conclusion on the Statement, in so far as it relates to the amounts and disclosures included in respect of this Joint Operation is based solely on the reports of the other auditors and the procedures performed by us as stated above.

Our conclusion on the Statement is not qualified in respect of the matters.

3. The Consolidated unaudited financial results include the financial results of **Avant-Garde Infosystems Inc (wholly owned subsidiary)** which have not been reviewed by us and their auditors, whose financial results reflect total revenues of Rs. 340.83 Lakhs, total net Profit after tax of Rs. 19.31 Lakhs and total comprehensive income of Rs. 18.14 Lakhs for the year ended March 31,2025, total revenues Rs. 224.25 Lakhs and total net profit after tax of Rs. 41.97 Lakhs and total comprehensive income of Rs. 43.19 Lakhs for the Quarter ending March 31,2025 considered in the consolidated audited financial results. According to the information and explanations given to us by the Management, these financial statements / financial information / financial results are not material to the Group.

Our conclusion on the Statement is not modified in respect of the matters.

Report on other legal and regulatory requirements

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of review reports of the other auditors / management of the Holding Company, on separate financial statements of such subsidiary and Joint venture as were reviewed by other auditors, as noted in the "Other Matters" paragraph we report, to the extent applicable, that,
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements
 - b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated Financial Statements have been kept by the company so far as it appears from our examination of those books except for the matters stated in paragraph 2B below on reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014.
 - c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, including other comprehensive income, Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements.

- d. In our opinion, the aforesaid Consolidated financial statements comply with the Accounting Standards (Ind AS) 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 directors of Holding, and taken on record by the Board of directors of the Holding Company, none of the directors of the Group companies incorporated in India is disqualified as on 31 March 2025 from being appointed as a director in terms of section 164(2) of the Act.
- f. The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in paragraph 2B.
- g. With respect to the adequacy of the internal financial controls with respect to Consolidated financial statements of the company and the operating effectiveness of such controls, refer to our separate Report in “Annexure A”
- h. With respect to the matter to be included in the Auditor’s Report under Section 197(16) of the Act, in our opinion and according to the information and explanations given to us, the remuneration paid / payable by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The provisions of section 197 of the act are not applicable to its joint venture incorporated outside India.
- a. 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 and based on the consideration of the reports of the other auditors on separate / consolidated financial statements of the subsidiary & joint venture as noted in the “ other matters “ paragraph :
- i. The group do not have any pending litigations which would impact the consolidated financial position of the group
- ii. The group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company
- iv. The respective managements of the Holding and its subsidiaries and joint ventures which are companies incorporated in India have represented that, to the best of their knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Holding company or its Subsidiary company and Joint Venture in India to or in any other person or entity, including foreign entities (“Intermediaries”), with the understanding, whether recorded in writing or otherwise, that the Intermediaries shall, whether, directly or indirectly lend or invest in other person or entity identified in any manner whatsoever by or on behalf of the Holding Company or its subsidiaries companies and joint venture in India (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- b) The respective managements of the Holding and its subsidiaries and joint ventures which are companies incorporated in India have represented that, to the best of their knowledge and belief, no funds have been received by the Holding company or its Subsidiary and Joint Venture in India from any person or entity, including foreign entities (“Funding Parties”), with the understanding, whether recorded in writing or otherwise, that the Holding company or its subsidiary company and joint venture in India shall, whether, directly or indirectly, lend or

invest in other person or entity identified in any manner whatsoever by or on behalf of the Funding Parties ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

c) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.

v. No dividend has been declared or paid during the year by the Holding Company

B. The reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 applicable from 1 April 2023 is as follows:

Based on our examination which included test checks, except for the instances mentioned below, the Holding Company, the Subsidiary & the Joint Venture have used accounting software for maintaining its books of account, which have a feature of recording audit trail (edit log) facility and the same has operated during the year, as under, for all relevant transactions recorded in the respective software

- a. The feature of recording audit trail has been put in place only from 03-07-2023 when the group updated the integrated accounting and inventories software to the edit log version.
- b. The feature of recording audit trial (edit log) facility was not enabled for accounts relating to payroll, fixed assets register and consolidation process.
- c. The feature of recording audit trial (edit log) was not enabled for accounts maintained with respect to indenting and purchase of raw material components and job works

Further for the periods where audit trial (edit log) facility was enabled and operated throughout the year for the respective accounting software, we did not come across any instance of the audit trial feature being tampered with.

TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 1(f) of ‘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”)

The Consolidated Financial Statements of KERNEX MICROSYSTEMS (INDIA) LIMITED (Holding Company), its foreign subsidiary AVANT GARDE INFOSYSTEMS INC, USA and its Joint Venture KERNEX TCAS JV together referred to as the group have been audited by us subject to the section “OTHER MATTERS” of the aforesaid Report.

Pursuant to clause (i) sub-section 3 of section 143 of the Companies Act, 2013, we rendered a separate report on the Internal Financial Controls Over Financial Reporting of the holding company. The other entities in the group namely the Subsidiary (un-audited) and the Joint Venture (audited by other auditors) are not covered by the provisions of clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 as the subsidiary is a foreign subsidiary & the Joint Venture is a partnership firm. Accordingly, we do not issue a separate report under this clause.

For **N S V R & Associates LLP,**
Chartered Accountants
FRN: 0008801S/S200060

Sd/-
V Gangadhara Rao N
Partner
Membership No. 219486
UDIN: 25219486BMIRXV8216

Place: Hyderabad
Date: May 23, 2025.

TO THE INDEPENDENT AUDITOR’S REPORT

STATEMENTS OF KERNEX MICROSYSTEMS (INDIA) LIMITED FOR THE YEAR ENDED 31 MARCH 2025

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

The Auditors of the Companies/ Joint Venture whose financial statements are comprised in the consolidated financial statements being reported upon, have made adverse remarks in the Companies (Auditor’s Report) Order (CARO). The details thereof are as under:

S. No	Company Name & CIN	Status of the Company	CARO Clause No. which is qualified or adverse
1.	Avant Garde Infosystems	Foreign Subsidiary Company	Un- audited & not applicable
2.	Kernex TCAS JV	Joint Venture	Audited by other auditors & not applicable
3.	VRRC -KERNEX- CE -RVR JV	Joint Operation	Audited by other auditors & not applicable

For **N S V R & Associates LLP.**,
Chartered Accountants
FRN: 0008801S/S200060

Sd/-
V Gangadhara Rao N
Partner
Membership No. 219486
UDIN: 25219486BMIRXV8216

Place: Hyderabad
Date: May 23,2025.

Consolidated Balance Sheet as at March 31, 2025

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

Particulars	Notes	As at March 31, 2025	As at March 31, 2024
I. ASSETS			
1 NON-CURRENT ASSETS			
a) Property plant and equipment	3	2,498.63	2,368.15
b) Intangible assets	4	0.28	0.84
c) Intangible assets under development	5	702.96	231.39
d) Financial assets			
(i) Other financial assets	6.1	222.62	252.55
e) Deferred tax assets (net)	7	1,768.66	-
		5,193.15	2,852.93
2 CURRENT ASSETS			
a) Inventories	8	5,258.37	7,169.57
b) Contract assets	9	2,975.50	-
b) Financial assets			
(i) Trade receivables	10	2,364.92	503.15
(ii) Cash and cash equivalents	11	1,502.12	390.83
(iii) Bank balances other than (ii) above	12	1,930.59	1,532.34
(iv) Other financial assets	6.2	816.14	24.45
c) Income tax assets (net)	13	521.66	413.88
d) Other current assets	14	3,082.63	2,984.56
		18,451.94	13,018.78
TOTAL ASSETS		23,645.08	15,871.71
II. EQUITY AND LIABILITIES			
1 EQUITY			
a) Equity share capital	15	1,675.94	1,675.94
b) Other equity	16	14,115.11	8,985.27
Total equity attributable to equity holders of holding company		15,791.05	10,661.21
Non-controlling interests		(60.06)	(41.25)
TOTAL EQUITY		15,730.99	10,619.97
2 NON-CURRENT LIABILITIES			
a) Financial liabilities			
i) Borrowings	17	47.78	18.52
b) Deferred tax liability	7	-	114.96
c) Provisions	18	423.03	13.16
		470.81	146.65
3 CURRENT LIABILITIES			
a) Contract liabilities	9	16.50	-
b) Financial liabilities			
(i) Borrowings	19	3,984.49	2,780.64
(ii) Trade payables			
a) Total outstanding dues of micro enterprises and small enterprises	20	50.23	67.85
b) Total outstanding dues of creditors other than micro enterprises and small enterprises	20	1,999.76	1,558.48
(iii) Other financial liabilities	21	510.30	12.96
c) Other current liabilities	22	861.87	680.98
d) Provisions	18	20.13	4.18
		7,443.28	5,105.09
TOTAL LIABILITIES		7,914.09	5,251.74
TOTAL EQUITY AND LIABILITIES		23,645.08	15,871.71

The accompanying notes(1-43) form an integral part of the Consolidated Financial Statements

As per our report of even date attached

FOR NSVR & ASSOCIATES LLP

Chartered Accountants
Firm Regn No. 008801S/S200060

Sd/-
V GANGADHARA RAO N
Partner

Membership No: 219486
UDIN: 25219486BMIRXV8216

Hyderabad
23-05-2025

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

Sd/-
PAMIDI SRIKANTH
Chief Financial Officer

Sd/-
SITARAMA RAJU MANTHENA
Whole Time Director
DIN 08576273

Sd/-
PRASADA RAO KALLURI
Company Secretary

Consolidated Statement of Profit and Loss for the year ended March 31, 2025
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	Note No	For the Year Ended March 31, 2025	For the Year Ended March 31, 2024
Income			
I. Revenue from operations	23	18,977.39	1,959.80
II. Other income	24	144.71	130.63
III. Total Income (I+II)		19,122.10	2,090.43
IV. Expenses:			
(a) Cost of materials consumed	25	9,424.86	5,044.58
(b) Changes in inventories of finished goods, stock-in-trade and work-in-progress	26	433.63	(3,754.99)
(c) Project execution expenses	27	2,036.85	662.02
(d) Employee benefits expenses	28	1,905.31	1,253.29
(e) Finance costs	29	691.94	288.97
(f) Depreciation and amortization expense	30	282.78	234.04
(g) Other expenses	31	1,507.29	1,394.95
(h) Amount transferred to capital expenditure	32	(411.16)	(352.77)
Total Expenses(IV)		15,871.49	4,770.10
V. Profit/(loss) before exceptional items and tax from continuing operations (III- IV)		3,250.61	(2,679.67)
VI. Exceptional Items		-	-
VII. Profit/(loss) before tax from continuing operations (V-VI)		3,250.61	(2,679.67)
VIII. Tax expense:			
(a) Current tax		-	-
(b) Deferred tax		(1,754.28)	(8.69)
Total Tax Expense/(Credit)		(1,754.28)	(8.69)
IX. Profit/(loss) for the year from continuing operations (VII-VIII)		5,004.88	(2,670.98)
X. Profit/(loss) for the year (IX)		5,004.88	(2,670.98)
Profit for the period attributable to:			
a. Equity holders of the company		5,023.69	(2,641.20)
b. Non-controlling interests		(18.81)	(29.79)
XI. Other Comprehensive income		(17.76)	95.70
A (i) Items that will not be reclassified to profit or loss		(28.10)	0.81
(ii) Income tax relating to items that will not be reclassified to profit or loss		6.78	(0.21)
B (i) Items that will be reclassified to profit or loss		3.57	95.10
(ii) Income tax relating to items that will be reclassified to profit or loss		-	-
XII. Total Comprehensive income for the period (X+XI) (Comprising Profit/(loss) and other comprehensive income for the period)		4,987.13	(2,575.28)
Profit for the period attributable to:			
a. Equity holders of the company		5,005.94	(2,545.50)
b. Non-controlling interests		(18.81)	(29.79)
XIII. Earnings per equity share (EPS)	33		
1. Basic EPS - Face value of Rs.10/- each ₹		29.9753	(16.6072)
2. Diluted EPS - Face value of Rs.10/- each ₹		29.9474	(16.6072)

The accompanying notes (1-43) form an integral part of the Consolidated Financial Statements

As per our report of even date attached

FOR NSVR & ASSOCIATES LLP

 Chartered Accountants
 Firm Regn No. 008801S/S200060

Sd/-
V GANGADHARA RAO N
 Partner

 Membership No: 219486
UDIN: 25219486BMIRXV8216

 Hyderabad
 23-05-2025

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS
Sd/-
BADARI NARAYANA RAJU MANTHENA
 Whole Time Director
 DIN 07993925

Sd/-
PAMIDI SRIKANTH
 Chief Financial Officer

Sd/-
SITARAMA RAJU MANTHENA
 Whole Time Director
 DIN 08576273

Sd/-
PRASADA RAO KALLURI
 Company Secretary

Consolidated Statement of Cash Flows for the year ended March 31, 2025
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	For the year ended March 31, 2025	For the year ended March 31, 2024
I. Cash flows from operating activities		
Profit before tax from continuing operations	3,250.61	(2,679.67)
Profit before tax	3,250.61	(2,679.67)
<i>Adjustments to reconcile profit before tax to net cash flows :</i>		
Depreciation and amortisation expenses	282.78	234.04
Impairment of software under development	-	262.96
Share-based payment expense	126.57	-
Net foreign exchange differences (unrealised)	(10.97)	179.46
(Profit)/loss disposal of property, plant and equipment(net)	0.16	(1.90)
Finance costs	691.94	288.97
Sundry balances written off	2.44	18.43
Provision for doubtful debts (lifetime expected credit loss)	78.63	267.62
Provision for obsolete stock/ others	100.07	8.99
Provision for warranties	407.55	-
Operating Profit/(Loss) before working capital changes	4,929.76	(1,421.11)
Working capital adjustments:		
(Increase)/decrease in Other financial assets	(750.78)	(51.55)
(Increase)/decrease in Inventories	1,811.13	(5,772.88)
(Increase)/decrease in Contract assets	(2,975.50)	-
(Increase)/decrease in Trade receivables	(1,945.51)	12.26
(Increase)/decrease in Margin money towards bank guarantees with bank	(398.25)	189.04
(Increase)/decrease in Income Tax Assets (net)	(230.34)	(136.05)
(Increase)/decrease in Other current assets	(98.07)	(1,419.14)
Increase/(decrease) in Provisions	(6.26)	(33.95)
Increase/(decrease) in Contract liabilities	16.50	-
Increase/(decrease) in Trade payables	423.66	1,505.99
Increase/(decrease) in Other financial liabilities	497.33	68.71
Increase/(decrease) in Other current liabilities	180.89	(52.95)
Cash generated from operations	1,454.57	(7,111.65)
Income tax paid	-	-
Net cash generated/(used in) operating activities	(A) 1,454.57	(7,111.65)
II. Cash flows from Investing activities		
Purchase of property, plant and equipment & intangible	(413.12)	(249.95)
Sale proceeds of property, plant and equipment & intangible	0.25	22.13
Increase in intangible assets under development	(471.57)	(231.39)
Net cash flows (used in) investing activities	(B) (884.44)	(459.21)
III. Cash flows from Financing activities		
Proceeds from issuance of equity share capital	-	130.00
Securities premium received	-	4,862.25
Proceeds from/(repayment of) borrowings - Non Current	36.36	(13.74)
Proceeds from/(repayment of) borrowings - Current	15.29	(17.79)
Inter corporate deposit (ICD) including conversion to Equity	-	8.92
Increase in working capital borrowings	1,181.44	1,751.62
Finance cost	(691.94)	(288.97)
Net cash flows from financing activities	(C) 541.16	6,432.28
Net increase/(decrease) in cash and cash equivalents	(A+B+C) 1,111.29	(1,138.58)
Cash and cash equivalents at the beginning of the year	390.83	1,529.41
Cash and cash equivalents at the end of the year	1,502.12	390.83

Consolidated Statement of Cash Flows for the year ended March 31,2025

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

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
Cash and cash equivalents		
Cash on hand	0.13	0.79
Balances with banks in current account	1,502.00	390.04
Total	1,502.12	390.83

Notes : The above cash flow statement has been prepared under indirect method as set out in the Indian accounting standards (Ind AS 07).

The accompanying notes(1-43) form an integral part of the Standalone Financial Statements

As per our report of even date attached

FOR NSVR & ASSOCIATES LLP

Chartered Accountants
Firm Regn No. 008801S/S200060

**Sd/-
V GANGADHARA RAO N**

Partner
Membership No: 219486
UDIN: 25219486BMIRXV8216

Hyderabad
23-05-2025

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

**Sd/-
PAMIDI SRIKANTH**
Chief Financial Officer

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

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

Consolidated Statement of Changes in Equity for the year ended March 31, 2025
a) Equity Share Capital
For the year ended March 31, 2025
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

	No. in lakhs	INR lakhs
Equity shares of INR 10 each issued, subscribed and fully paid		
As at April 1, 2024	167.59	1,675.94
Changes in equity share capital due to prior period errors	-	-
Restated balance as at April 1, 2024	167.59	1,675.94
Issue of share capital	-	-
As at March 31, 2025	167.59	1,675.94

For the year ended March 31, 2024
Equity shares of INR 10 each issued, subscribed and fully paid
As at April 1, 2023

Changes in equity share capital due to prior period errors

Restated balance as at April 1, 2023

Issue of share capital

As at March 31, 2024

	No. in lakhs	INR lakhs
As at April 1, 2023	154.59	1,545.94
Changes in equity share capital due to prior period errors	-	-
Restated balance as at April 1, 2023	154.59	1,545.94
Issue of share capital	13.00	130.00
As at March 31, 2024	167.59	1,675.94

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

b) Other Equity

Particulars	Reserves & Surplus			Items of Other Comprehensive Income			Total Other Equity	Non-controlling interests
	Securities premium	General Reserve	Retained earnings	Share Based Payment (SBP) Reserve	Foreign currency translation reserve	Actuarial Gains/(Losses)		
For the year ended March 31, 2025								
As at April 1, 2024	19,622.44	612.14	(10,866.42)	-	(334.13)	(48.76)	8,985.27	(41.25)
Changes in accounting policy or prior period errors	-	-	-	-	-	-	-	-
Restated balance as at April 1, 2024	19,622.44	612.14	(10,866.42)	-	(334.13)	(48.76)	8,985.27	(41.25)
Profit for the year	-	-	5,023.69	-	(2.67)	(17.76)	5,023.69	(18.81)
Other comprehensive income	-	-	-	-	(336.79)	(66.52)	(20.42)	-
Total comprehensive income	19,622.44	612.14	(5,842.73)	-	-	-	13,988.54	(60.06)
Issue of share capital	-	-	-	-	-	-	-	-
Issue of equity shares on exercise of employee stock options	-	-	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	126.57	-	-	126.57	-
Transaction costs	-	-	-	-	-	-	-	-
As at March 31, 2025	19,622.44	612.14	(5,842.73)	126.57	(336.79)	(66.52)	14,115.10	(60.06)
For the year ended March 31, 2024								
As at April 1, 2023	14,760.20	612.14	(8,225.22)	-	(429.22)	(49.36)	6,668.53	(11.46)
Changes in accounting policy or prior period errors	-	-	-	-	-	-	-	-
Restated balance as at April 1, 2023	14,760.20	612.14	(8,225.22)	-	(429.22)	(49.36)	6,668.53	(11.46)
Profit for the period	-	-	(2,641.20)	-	95.10	-	(2,546.10)	(29.79)
Other comprehensive income	-	-	-	-	-	0.60	0.60	-
Total comprehensive income	14,760.20	612.14	(10,866.42)	-	(334.13)	(48.76)	4,123.03	(41.25)
Issue of share capital	5,109.00	-	-	-	-	-	5,109.00	-
Issue of equity shares on exercise of employee stock options	-	-	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	-	-	-	-	-
Transaction costs	(246.76)	-	-	-	-	-	(246.76)	-
As at March 31, 2024	19,622.44	612.14	(10,866.42)	-	(334.13)	(48.76)	8,985.27	(41.25)

As per our report of even date attached

FOR NSVR & ASSOCIATES LLP

Chartered Accountants
 Firm Regn No. 008801S/S200060

Sd/-
V GANGADHARA RAO N
 Partner

Membership No: 219486

UDIN: 25219486MIRXV8216

Hyderabad
 23-05-2025

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

Sd/-
SITARAMA RAJU MANTHENA
 Whole Time Director
 DIN 08576273

Sd/-
PAMIDI SRIKANTH
 Chief Financial Officer

Sd/-
PRASADA RAO KALLURI
 Company Secretary

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1. Corporate information

The Consolidated financial statements comprise financial statements of Kernex Microsystems (India) Limited (“Kernex” or “The Company”) (CIN L30007TG1991PLC013211) for the year ended 31 March 2025. The Company is engaged in the manufacture and sale of Safety Systems and Software services for railways. The Company has business operations mainly in India, Egypt and USA. The Company is a public limited Company incorporated and domiciled in India and has its registered office at Plot No.38 (part) to 41, Survey No.1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Hyderabad - 501 510. The Company has its primary listings on the BSE Limited and National Stock Exchange in India. The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The principal activities of the Company comprise of manufacture and sale of Safety Systems and Software services for Railways. Information on other related party relationships of the Company is provided in Note 35.

The Consolidated financial statements were approved for issue in accordance with a resolution passed by the Board of Directors of the Company on 23 May 2025.

The financial statements once approved by the Board of directors needs to be adopted by the shareholders at the annual general meeting of the company. The Board of directors can withdraw and re-issue the financial statements so adopted only in specific cases such as non-compliance with the applicable accounting standards, with the approval of Tribunal, after following the appropriate procedure as per Companies Act 2013.

2. Material accounting policies

2.1 Statement of compliance and basis of preparation

The Consolidated financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division II of Schedule III to the Companies Act, 2013 (as amended from time to time), (Ind AS compliant Schedule III), as applicable to the SFS.

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

- ▶ Buildings classified as property, plant and equipment,
- ▶ Derivative financial instruments,
- ▶ Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments), and
- ▶ Contingent consideration arising in business combination
- ▶ Equity settled ESOP at grant date fair value and cash settled ESOP at fair value at each reporting date

The accounting policies and related notes further described the specific measurements applied for each of the assets and liabilities.

In addition, the carrying values of recognised assets and liabilities designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The Standalone financial statements are presented in INR and all values are rounded to the nearest lacs (INR 00,000), except when otherwise indicated.

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

For the purposes of current and non-current classification, the Entity reckoned its normal operating cycle as 12 months.

2.2 Principles of Consolidation

The Consolidated financial statements relate to Kernex Microsystems(India) Limited (“ the company’) and its subsidiary company Avant- Garde Info Systems Inc and Joint Venture partnership firm TCAS JV, VRRC -KERNEX- CE -RVR JV. 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. Off set (eliminate) the carrying amount of the parents investment in subsidiary and the parent portion of equity of subsidiary.

2.3 Other Material accounting policies

These are set out under Material Accounting Polices as given in the company’s standalone Financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Note :3
Property, plant and equipment
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	Land and Land Development	Building Own Use	Plant and Equipment Owned	Furniture and Fixtures Owned	Vehicles Owned	Office Equipment Owned	Total
Gross carrying amount							
Balance as at April 1, 2023	451.33	3,875.38	1,416.72	124.08	158.06	100.21	6,125.78
Additions	-	15.95	220.19	4.85	-	7.49	248.49
Disposals	(20.22)	-	-	-	-	-	(20.22)
Balance as at March 31, 2024	431.11	3,891.33	1,636.91	128.93	158.06	107.71	6,354.05
Additions	-	-	349.73	15.08	46.15	2.10	413.06
Disposals	-	-	-	-	(0.45)	-	(0.45)
Balance as at March 31, 2025	431.11	3,891.33	1,986.64	144.01	203.76	109.80	6,766.66
Accumulated depreciation							
Balance as at April 1, 2023	-	2,055.64	1,358.51	118.53	120.32	99.82	3,752.82
Depreciation for the year	-	188.32	32.36	0.85	10.86	0.68	233.07
Disposals / Adjustments	-	-	-	-	-	-	-
Upto March 31, 2024	-	2,243.97	1,390.86	119.38	131.19	100.50	3,985.90
Depreciation for the year	-	169.65	94.75	3.73	11.02	3.02	282.17
Disposals / Adjustments	-	-	-	-	(0.04)	-	(0.04)
Upto March 31, 2025	-	2,413.61	1,485.62	123.11	142.17	103.52	4,268.03
Net carrying amount							
As at March 31, 2025	431.11	1,477.72	501.03	20.91	61.59	6.28	2,498.63
As at March 31, 2024	431.11	1,647.36	246.05	9.55	26.87	7.21	2,368.15

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Note :4
Intangible assets
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	Gross carrying amount		Accumulated amortization		Net carrying amount		
	As at April 1, 2024	Additions	As at March 31, 2025	As at April 1, 2024	For the period	As at March 31, 2025	As at April 1, 2024
Computer software	151.22	0.10	151.31	150.38	0.65	151.03	0.84
	151.22	0.10	151.31	150.38	0.65	151.03	0.84

Note :5
Intangible assets under development

Particulars	As at	
	March 31, 2025	As at March 31, 2024
Opening carrying amount	231.39	494.35
Additions during the year	471.57	-
Assets capitalized during the year	-	-
Impairment of Software under Development	-	(262.96)
Closing carrying amount	702.96	231.39

Amount in intangible assets under development for a period of

Particulars	Less than 1 Year	1-2 Years	2-3 Years	More Than 3 Years	Total
Project in progress	471.57	231.39	-	-	702.96
Projects temporarily suspended	-	-	-	-	-
	471.57	231.39	-	-	702.96
As at March 31, 2024					
Project in progress	231.39	-	-	-	231.39
Projects temporarily suspended	-	-	-	-	-
	231.39	-	-	-	231.39

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note : 6

Other financial assets

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

Particulars	As at March 31, 2025	As at March 31, 2024
6.1 Non-current		
Unsecured and considered good		
Security deposits	222.31	252.55
Earnest money deposits (EMD)	12.82	12.51
Less: Considered doubtful	12.51	12.51
	222.62	252.55

Particulars	As at March 31, 2025	As at March 31, 2024
6.2 Current		
Interest accrued but not due on term deposits	47.92	24.45
Earnest money & security deposits (EMD)	768.22	-
	816.14	24.45

Note : 7

Deferred Tax Assets /(Liability)

Particulars	As at March 31, 2025	As at March 31, 2024
Deferred tax liability on property, plant& equipment	(330.36)	(365.08)
Deferred tax asset on carryforward losses	1,352.18	250.12
Deferred tax asset on provisions	724.61	-
Deferred tax asset on U/s 80 JJAA of Income tax act ,1961	22.22	-
Deferred tax net asset / (Liability)	1,768.66	(114.96)

Note : 8

Inventories

Particulars	As at March 31, 2025	As at March 31, 2024
Raw materials	1,393.37	2,660.94
Less: Provision for slow / non moving stock	344.42	244.35
	1,048.95	2,416.59
Work- in -progress	4,209.42	2,078.26
Consumable tools	-	-
Material in transit	-	109.93
Finished goods	-	2,564.79
	5,258.37	7,169.57

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Note :9
Contract assets & Liabilities
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	As at March 31, 2025	As at March 31, 2024
Contract assets	2,975.50	-
Contract liabilities	16.50	-

Note : 10
Trade Receivables

Particulars	As at March 31,2025	As at March 31,2024
Unsecured,considered good		
a. Trade receivable from related parties	1,358.06	-
b. Others	1,351.35	96.02
Unsecured,considered impaired		-
a. Trade receivable from related parties	-	418.34
b. Others	2,064.50	2,319.15
Less: Allowances for credit losses	2,408.99	2,330.36
	2,364.92	503.15

Trade receivable ageing

Particulars	Outstanding for following periods from due date of payment					Total	Impairment Provided
	Less than 6 months	6 months- 1 year	1-2 years	2-3 years	More than 3 years		
As at March 31, 2025							
Undisputed - considered good	1,831.41	174.07	67.23			2,072.71	56.55
Undisputed-significant increase in credit risk						-	-
Undisputed - credit impaired					214.59	214.59	76.27
Disputed - considered good						-	-
Disputed-significant increase in credit risk						-	-
Disputed - credit impaired	1.88	1.88	3.77	3.77	2,475.31	2,486.61	2,276.18
Unbilled revenue						-	
	1,833.29	175.95	71.00	3.77	2,689.90	4,773.91	2,408.99
As at March 31, 2024							
Undisputed - considered good	36.32	59.70	-	-	-	96.02	
Undisputed-significant increase in credit risk	-	-	-	-	-	-	
Undisputed - credit impaired	-	-	-	-	254.65	254.65	84.03
Disputed - considered good	-	-	-	-	-	-	
Disputed-significant increase in credit risk	-	-	-	-	-	-	
Disputed - credit impaired	1.88	1.88	3.77	23.77	2,451.54	2,482.84	2,246.33
	38.20	61.58	3.77	23.77	2,706.19	2,833.51	2,330.36

- i. An amount of INR 424.18 Lakhs (PY INR 254.65 Lakhs) due from Egyptian National Railways (ENR) is outstanding pending mile stones of the contract to be achieved.
- ii. Further an amount Rs 2064.50 lakhs (PY Rs 2064.50 lakhs) receivable from Konkan Railways Corporation Ltd (KRCL) is under arbitration, in respect of which a provision of Rs. 2064.50 lakhs is made.
- iii. Due from related party i.e., Rs 1358.06 lakhs (PY Rs 515.88) in respect of which a provision of Rs 241.61 lakhs (PY Rs 192.11 Lakhs) is made.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note : 11

Cash and cash equivalents

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

Particulars	As at March 31,2025	As at March 31,2024
Cash on hand	0.13	0.79
Balances with banks in current accounts	705.99	387.92
Others	31.01	2.12
Fixed deposits (maturity of less than three months)	765.00	-
	1,502.12	390.83

Note : 12

Other bank balances

Particulars	As at March 31,2025	As at March 31,2024
Balances with banks in other current accounts	-	-
Fixed deposits (maturity of between 3-12 months)	-	-
Margin money deposits *	1,930.59	1,532.34
	1,930.59	1,532.34

*The margin money is given as a security for providing performance bank guarantee of Rs 3,521.18 (PY 2,161.71).The Bank guarantees are also secured by current assets of the company both present & future, collateral hypothecation of fixed assets of the company including land and building situated at TSIIIC hardware park.

Note : 13

Income Tax Assets (net)

Particulars	As at March 31,2025	As at March 31,2024
Income tax assets		
Tax deducted at source	521.66	291.31
MAT credit entitlement*	-	122.57
	521.66	413.88

*Pursuant to the change in the applicable income tax rate during the year, the Company has reassessed the carrying amount of Minimum Alternate Tax (MAT) credit entitlement. Based on this reassessment, the unutilized MAT credit has been transferred to the Statement of Profit and Loss. The impact of this transfer has been duly recognized in the current year's financial statements.

Note : 14

Other Current Assets

Particulars	As at March 31,2025	As at March 31,2024
Advance to vendors - considered good	1,050.07	929.19
Advance for capital goods	-	1.13
Balances with statutory/government authorities*	940.31	1,638.75
Advance for expenses	21.67	96.48
Payroll advances	929.11	113.25
Retention money receivable	4.22	-
Prepaid expenses	137.24	205.76
	3,082.63	2,984.56

*Balances with statutory/government authorities represent GST input tax credit on goods and services purchased/received.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note :15

Equity Share Capital

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

Particulars	As at March 31, 2025		As at March 31, 2024	
	No of Shares	Amount	No of Shares	Amount
Authorised share capital				
2,50,00,000 equity shares of Rs.10/- each (Previous year 2,50,00,000 equity shares of Rs.10/- each)	2,50,00,000	2,500.00	2,50,00,000	2,500.00
Issued, subscribed and fully paid-up				
1,67,59,422 equity shares of Rs.10/- each with voting rights (Previous year 1,67,59,422 equity shares of Rs.10/- each with voting rights)	1,67,59,422	1,675.94	1,67,59,422	1,675.94
	1,67,59,422	1,675.94	1,67,59,422	1,675.94

15.1 Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Particulars	As at March 31, 2025		As at March 31, 2024	
	No of Shares	Amount	No of Shares	Amount
At the beginning of the period	1,67,59,422	1,675.94	1,54,59,422	1,545.94
Issued during the year	-	-	13,00,000	130.00
Outstanding at the end of the period	1,67,59,422	1,675.94	1,67,59,422	1,675.94

15.2 Terms/rights attached to equity shares

The company has only one class of shares having a face value of ₹ 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.

15.3 Details of shareholders holding more than 5% shares in the company

Name of the shareholder	As at March 31, 2025		As at March 31, 2024	
	No of Shares	% holding in the class	No of Shares	% holding in the class
Equity shares of ₹ 10 each fully paid				
Promoter and promoter group				
Anji Raju Manthena	24,86,873	14.84%	24,86,873	14.84%

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
15.4 Shares held by promoters at the end of the year

S. No	Name of the shareholder	As at March 31, 2025		As at March 31, 2024		% change during the year
		No of Shares	% of total shares	No of Shares	% of total shares	
1	Anji Raju Manthena	24,86,873	14.84%	24,86,873	14.84%	0.00%
2	Sitarama Raju Manthena	7,12,992	4.25%	7,12,992	4.25%	0.00%
3	Sreelakshmi Manthena	6,40,398	3.82%	6,40,398	3.82%	0.00%
4	Srinivasa Raju Manthena	6,06,597	3.62%	6,06,597	3.62%	0.00%
5	Manthena Parvathi	2,68,469	1.60%	2,68,469	1.60%	0.00%
6	Madhav Mantena	1,10,260	0.66%	1,10,260	0.66%	0.00%
7	Raju N Mantena	29,932	0.18%	40,032	0.24%	(0.06%)
8	Namrata Kapoor	7,917	0.05%	7,917	0.05%	0.00%
9	Madhuvalli Lakamraju	5,480	0.03%	5,480	0.03%	0.00%
10	Venkataramamurthy Raju Lakamraju	2,883	0.02%	2,883	0.02%	0.00%
11	Venkateswara Raju Lakkamraju	1,863	0.01%	1,863	0.01%	0.00%
12	Subbaraju Venkata Lakamraju	498	0.00%	498	0.00%	0.00%
13	Jagannadha L Raju	419	0.00%	419	0.00%	0.00%
14	Lakkamraju Susilamma	-	0.00%	31	0.00%	0.00%
		48,74,581	29.09%	48,84,712	29.15%	(0.06%)

Shares under pledge/encumbered

Sita Rama Raju Manthena 4,28,297

Percentage of his total holdings under pledge 60.07%

Note : 16
Other equity - (Refer statement of changes in equity)

Particulars	As at March 31,2025	As at March 31,2024
Securities premium	19,622.44	19,622.44
General reserve	612.14	612.14
Retained earnings (balance of surplus in the statement of changes in equity)	(5,842.73)	(10,866.42)
Share based payment reserve	126.57	-
Other comprehensive income (net of taxes)	(66.52)	(48.76)
Foreign currency translation reserve	(336.79)	(334.13)
	14,115.11	8,985.27

Note : 17
Financial liabilities
17.1 Borrowings (Non - Current)

Particulars	As at March 31,2025	As at March 31,2024
Vehicle loans from banks (secured)		
Mahindra & Mahindra Financial Services Ltd.	26.27	-
Axis bank ltd.	1.50	18.52
Unsecured Loans		
From Directors	20.00	
	47.78	18.52

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

17.2 Borrowings (current maturities)

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

Particulars	As at March 31,2025	As at March 31,2024
Long term debt from banks (secured)		
Mahindra & Mahindra Financial Services Ltd.	5.38	-
Axis bank Ltd.	17.02	15.29
	22.40	15.29

17.3 Current maturities of long term debt

Instalments due within 12 months from the date of balance sheet classified as current as shown above are disclosed in borrowings.

17.4 Term loans

The particulars of loans drawn, nature of security, terms of repayment, rate of interest, instalments due and loan wise outstanding are as under.

Name of the Bank	Type of Loan	Amount sanctioned	Security	ROI	Repayment Terms	Amount Outstanding
Mahindra & Mahindra Financial Services Ltd.	Vehicle loan	32.00	Secured by Hypothecation movable property (Motor Vehicle)	10.95%	Loan amount shall be repaid together with interest in 58 equated monthly instalments amount of Rs. 71,600	31.65
Axis bank Ltd.	Vehicle loan	28.97	Secured by Hypothecation movable property (Motor Vehicle)	10.75%	Loan amount shall be repaid together with interest in 47 equated monthly instalments	9.26
Axis bank Ltd.	Vehicle loan	28.97	Secured by Hypothecation movable property (Motor Vehicle)	10.75%	Loan amount shall be repaid together with interest in 47 equated monthly instalments	9.26

17.5 As on the balance sheet date, there were no continuing defaults in repayment of borrowings and interest.

17.6 The company has utilized the borrowings from banks and financial institutions for the specific purpose for which it was taken.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note : 18

18.1 Provisions (Non current)

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

Particulars	As at March 31, 2025	As at March 31, 2024
Provision for employee benefits		
-Provision for earned leave encashment	3.27	1.35
-Provision for gratuity *	12.22	11.81
Provision for warranties	407.55	-
	423.03	13.16

18.2 Provisions (Current)

Particulars	As at March 31, 2025	As at March 31, 2024
Provision for employee benefits		
-Provision for gratuity *	20.13	4.18
	20.13	4.18
* Present value of obligation	121.87	91.66
Fair value of plan asset	89.52	75.68
Short fall provided for	32.35	15.99

Note : 19

Borrowings

Particulars	As at March 31,2025	As at March 31,2024
A) Loans repayable on demand from banks (secured)		
Cash credit facilities	3,589.47	2,192.27
Term loan	-	5.29
Total (A)	3,589.47	2,197.56
B) Other loans (unsecured)		
Loan from directors	99.99	262.24
Inter corporate deposits	259.68	296.09
Others	12.95	9.45
Total (B)	372.62	567.79
C) Current maturities of long-term debt (Refer note - 17.2)	22.40	15.29
Total (C)	22.40	15.29
Total (A+B+C)	3,984.49	2,780.64

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

19.1 Working capital loans

- i. Working Capital facilities from State bank of India are secured by paripassu first charge of hypothecation on all current assets of the company present and future and collaterally secured by extension of paripassu 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. The applicable rate of interest to State bank of India is 17.25 % (spread is 8.10 % and EBLR (External Bench Marking rate) is 9.15%) The Working Capital facilities are guaranteed by promoter directors namely Dr. Anji Raju Manthena, Sree Lakshmi Manthena and Sita Rama Raju Manthena.
- ii. Working Capital facilities from HDFC Bank are having primary security of raw material, railway anti-collision device manufacturing including electronic controllers, PLCS and receivables from Indian Railways. Collateral security is land Plant and machinery located at TSIIIC hardware Park. The Applicable rate of interest to HDFC bank is 12.50%. (RBI Repo rate is 6% + Spread is 6.50%). The Working Capital facilities are guaranteed by promoter directors namely Dr. Anji Raju Manthena, Sree Lakshmi Manthena and Sita Rama Raju Manthena.
- iii. Working Capital facilities from ICICI bank are secured by first paripassu charge on entire current assets of the company and first paripassu charge on the immovable property located at, Raviryal Village, Maheshwaram, K.V.Rangareddy, Rangareddy, Telangana, India, 501510. Applicable rate of interest to ICICI bank is 10% (As on date the Repo Rate is 6.50% and Spread is 3.50%). Further Working Capital facilities are secured by personal guarantee of Promoter Director Sita Rama Raju Manthena.

19.2 Unsecured Loans from Directors are repayable on demand and carrying Interest at 18%.

19.3 Inter corporate deposit is repayable on demand and carrying interest rate of 15% to 18%.

19.4 Other Loans are Interest free and repayable on demand.

19.5 Inter corporate deposits carrying personal guarantee of Promoter Director Sitarama Raju, M Executive Director and Badari Narayan Raju M.

Note : 20

Trade Payables

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

Particulars	As at March 31,2025	As at March 31,2024
Total outstanding dues of :		
(a) Micro enterprises and small enterprises (MSME)	50.23	67.85
(b) Creditors other than micro enterprises and small enterprises	1,999.76	1,558.48
	2,049.99	1,626.33

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
20.1 Trade payable ageing schedule
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	Outstanding for following periods from date of transaction					Total
	Less than 6 months	6 months-1 year	1-2 years	2-3 years	More than 3 years	
As at March 31, 2025						
(i) MSME	44.77	-	5.46	-	-	50.23
(ii) Others	603.98	1,323.44	0.21	72.13	-	1,999.76
(iii) Disputed dues - MSME	-	-	-	-	-	-
(iv) Disputed dues - others	-	-	-	-	-	-
(v) Liability for materials	-	-	-	-	-	-
	648.75	1,323.44	5.67	72.13	-	2,049.99
As at March 31, 2024						
(i) MSME	67.85	-	-	-	-	67.85
(ii) Others	-	1,351.07	23.11	176.76	7.54	1,558.48
(iii) Disputed dues - MSME	-	-	-	-	-	-
(iv) Disputed dues - others	-	-	-	-	-	-
(v) Liability for materials	-	-	-	-	-	-
	67.85	1,351.07	23.11	176.76	7.54	1,626.33

Note : 20.2
Details of Dues to Micro and Small enterprises as defined under MSMED Act 2006

Particulars	As at March 31, 2025	As at March 31, 2024
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	52.54	68.93
Principal amount due to micro and small enterprises	50.23	65.94
Interest due on above		
"The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year"	2.30	2.99
"The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act;"	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED Act	-	-
"Dues to micro and small enterprises have been determined to the extent such parties have been identified on the basis of information requested by the management and responded by its vendors to the company"	-	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note: The above information has been given only in respect of those suppliers who have informed the Company that they are registered under MSMED Act 2006. Some of these vendors were associated with the Company for long periods of time and do maintain a harmonious continuous business relationship. The Company is normally prompt in servicing these vendors' claims as per mutually agreed terms of payment. The company had not received any claim towards interest from any of the Vendors and in view of the said longstanding business relationship, does not expect or foresee any claims in future as well. The company does not have any claims for interest remaining due and payable.

Note : 21
Other financial liabilities
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	As at March 31, 2025	As at March 31, 2024
Creditors for capital expenditure	1.71	1.71
Share application money due for refund	0.26	0.26
Advance received towards EMD	508.32	10.99
	510.30	12.96

Note : 22
Other current liabilities

Particulars	As at March 31, 2025	As at March 31, 2024
Advance from customers	130.00	15.82
Statutory dues	114.82	77.87
Salaries & expenses payable	617.05	587.29
	861.87	680.98

Note : 23
Revenue from operations

Particulars	For the year ended March 31, 2025	For the year ended March 31, 2024
A.Revenue from contracts with customers		
i. Sale of finished products & services (Gross amount)	20,714.83	6,548.75
Less: Consortium partner's share	6,288.81	4,811.00
Net amount	14,426.02	1,737.74
ii. Sale of other products & services	4,551.37	222.06
	18,977.39	1,959.80

A) The Company derives revenue from the transfer of goods and services over time and at a point in time

Particulars	For the year ended March 31, 2025	For the year ended March 31, 2024
Revenue from customers		
Timing of revenue recognition		
(a) At a point in time	-	-
(b) Over time	18,977.39	1,959.80
	18,977.39	1,959.80

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Customer category wise disaggregation

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

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
Revenue from customers (Domestic)	18,768.74	1,798.49
Exports	208.65	161.31
	18,977.39	1,959.80

B) Contract balances

“The following table provides information about trade receivables, contracts assets, and contract liabilities from contracts with customers.”

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
Trade receivables	2,364.92	-
Contract assets	2,975.50	-
Contract liabilities	16.50	-

Movement of contractual liabilities

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
Opening Balance	-	-
Received during the year	16.50	-
Revenue recognised / Adjusted	-	-
Closing Balance	16.50	-

There are no significant items of revenue to be recognised against performance obligation satisfied in previous year due to change in transaction price.

Timing of satisfaction of performance obligations

For each performance obligation satisfied over time the company recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. The objective when measuring progress is to depict the company's performance in transferring control of goods or services promised to a customer (ie the satisfaction of an entity's performance obligation).

The right to payment for performance completed to date does not need to be for a fixed amount. However, at all times throughout the duration of the contract, the company is entitled to an amount that at least compensates for performance completed to date if the contract is terminated by the customer or another party for reasons other than the company's failure to perform as promised.

Output method is used for measurement where the units produced or units delivered faithfully depict the company's performance in satisfying a performance obligation and, at the end of the reporting period, the company's performance has produced work in progress or finished goods that are not controlled by the customer.

Input method is used to recognise revenue where the company's efforts or inputs in satisfaction of a performance obligation (for example, resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) is relative to the total expected inputs to the satisfaction of that performance obligation and depict the company's performance in transferring control of goods or services to the customer.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

C) Movement in provisions on account of impairment and credit loss

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

Particulars	March 31, 2025		March 31, 2024	
	Trade receivables	Contract Assets	Trade receivables	Contract Assets
Opening balance	2,330.36	-	2,062.74	-
Add: Additions / expected lifetime credit loss	78.63	-	267.62	-
Less: Write off / impairment	-	-	-	-
Less: Reversal	-	-	-	-
Closing balance	2,408.99	-	2,330.36	-

Note : 24

Other income

Particulars	For the year ended March 31, 2025	For the year ended March 31, 2024
a) Interest income		
Interest received on deposits with banks/others	105.82	121.46
Interest on advances(from related parties)	-	2.25
On others	11.36	-
b) Profit on sale of asset	-	1.90
c) Rental income	2.59	2.59
d) Miscellaneous income	13.97	2.42
e) Foreign currency fluctuation gain	10.97	-
	144.71	130.63

Note : 25

Cost of material consumed

Particulars	For the year ended March 31, 2025	For the year ended March 31, 2024
Opening stocks (Net provision for obsolescence)	2,416.58	517.61
Purchase of Material & Components	8,057.23	6,943.55
	10,473.81	7,461.17
Less : Closing stocks (Net provision for obsolescence)	1,048.95	2,416.58
	9,424.86	5,044.58

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Note : 26
(Increase) / decrease in inventories of finished goods, stock-in-trade and work-in-progress
(Refer Note No.8)
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	For the year ended March 31, 2025	For the year ended March 31, 2024
I) Opening stocks		
a) Semi finished goods	2,078.26	888.06
b) Finished goods	2,564.79	-
TOTAL (i)	4,643.05	888.06
II) Closing stocks		
a) Semi finished goods	4,209.42	2,078.26
b) Finished goods	-	2,564.79
TOTAL (ii)	4,209.42	4,643.05
III) Net (Increase)/Decrease (i - ii)	433.63	(3,754.99)

Note : 27
Project Execution Expenses

Particulars	For the year ended March 31, 2025	For the year ended March 31, 2024
Installation expenses	1,465.71	293.69
Commission expenses	-	6.68
Transportation charges	41.64	12.59
Site admin expenses	137.93	66.77
Project allowance expenses	12.15	26.49
Bulding/labour cess	144.21	18.87
Consultancy charges	78.60	85.59
Travel expenses	103.40	79.12
Hotel accommodation expenses	21.20	49.28
Rent	32.02	16.38
Stamp duty	-	6.56
	2,036.85	662.02

Note : 28
Employee benefits expense:

Particulars	For the year ended March 31, 2025	For the year ended March 31, 2024
Salaries & allowances	1,496.56	1,076.50
Share based payments	126.57	-
Directors remuneration & allowances	137.89	64.92
Contribution to provident & other funds	55.05	39.80
Gratuity& leave encasment expense	20.60	11.49
Staff welfare expenses	68.64	60.58
	1,905.31	1,253.29

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
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 INR 48.03 Lakhs (Previous year INR 34.48 Lakhs) towards provident fund plan during the years ended March 31, 2025.

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 company does not provide the facility of leave encashment to its employees. Hence there is no plan for the latter benefits.

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

Particulars	For the year ended March 31, 2025	For the year ended March 31, 2024
Present value of obligation as at beginning of the year	91.66	78.52
Current service cost	12.78	8.60
Interest expense or cost	5.90	5.80
Actuarial (gain)/ loss on obligations	28.42	(1.26)
Benefits paid	(16.90)	-
Present value of obligation as at the end of the year	121.87	91.66

ii. Changes in fair value of plan assets

Particulars	For the year ended March 31, 2025	For the year ended March 31, 2024
Fair value of plan assets as at the beginning of the year	75.68	43.22
OB difference	-	-
Investment income	3.97	4.26
Employer's contribution	22.69	28.92
(Expenses)/income	2.59	(0.28)
Benefits paid	(16.90)	-
Return on plan assets, excluding amount recognised in net interest expense	-	-
Actuarial gain/(Loss)	1.49	(0.45)
Fair value of plan assets as at the end of the year	89.52	75.68

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
iii. Fair value of assets and obligations
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	For the year ended March 31, 2025	For the year ended March 31, 2024
Fair value of plan assets	89.52	75.68
Present value of obligation	121.87	91.66
Amount recognized in balance sheet	(32.35)	(15.99)

iv. Expenses recognised during the year

Particulars	For the year ended March 31, 2025	For the year ended March 31, 2024
In Income statement		
Current service cost	12.78	8.60
Net interest cost / (income) on the net defined benefit liability / (asset)	1.94	1.54
Expenses recognised in the income statement	14.72	10.14
In Other comprehensive income		
Actuarial (gains) / losses		
Opening balance difference	-	-
Others	28.42	(1.26)
Return on plan assets, excluding amount recognized in net interest expense	(1.49)	0.45
Components of defined benefit costs recognised in other comprehensive income	26.93	(0.81)

v. Actuarial assumptions

Particulars	March 31, 2025	March 31, 2024
Discount rate (per annum)	6.85%	7.10%
Salary growth rate (per annum)	4.00%	2.00%

vi. Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The result of sensitivity analysis for a 1% increase/decrease of following assumptions, in the amount of defined benefit obligation is given as under:

Particulars	March 31, 2025		March 31, 2024	
	Decrease	Increase	Decrease	Increase
Change in discounting rate	131.50	113.46	100.26	84.30
Change in salary growth rate	111.88	132.68	81.76	102.67
Change in attrition rate	122.09	121.79	91.05	92.34
Change in mortality rate	121.96	121.88	91.54	91.78

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
vii. Share based payments

Particulars	Employee Stock option Scheme 2023
Approval of shareholders	23rd August, 2024
Administration	Nomination and Remuneration committee of the board of directors
Eligibility	The committee determines which eligible employees will receive options
Number of equity shares reserved under the scheme	1,50,000
Number of equity shares per option	1
Vesting period	1 year
Excercise period	within 2 years from the date of last vesting
Excercise price determination	The nomination and remuneration committee will determines the price on the date of approving of the grant

viii. The fair values of the option were determined using a black scholes model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioral considerations. Expected volatility is based in the historical share price volatility over the past 5-6 years

Note : 29
Finance costs
(All amounts in Indian Rupees in Lakhs, except share data and where otherwise stated)

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
Interest on bank borrowings	290.86	99.53
Interest on vehicle loans	3.31	4.45
Interest - others (includes interest on directors loans)	84.91	100.37
Bank charges & commission	88.44	60.18
Other borrowing cost	224.41	24.44
	691.94	288.97

Note : 30
Depreciation and amortization expense

Particulars	For the year ended March 31,2025	For the year ended March 31,2024
Depreciation on tangible assets	282.13	233.07
Amortisation on intangible assets	0.65	0.97
	282.78	234.04

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note : 31

Other Expenses

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

Particulars	For the year ended March 31, 2025	For the year ended March 31, 2024
Electricity charges	78.85	55.46
Security charges	48.95	21.09
Rates and taxes	68.40	66.75
Printing and stationery	5.33	2.43
Insurance	41.92	16.97
Repairs and maintenance	-	-
a) Buildings	32.58	63.58
b) Others	92.72	79.13
Postage, telephone and courier	14.85	11.24
Travelling and conveyance	90.88	98.71
Professional & consultancy fees	319.45	110.83
Directors sitting fees	45.60	40.20
Business promotion	15.39	5.87
Loss on foreign currency transactions and translation (net)	-	87.06
Miscellaneous expenses(General expenses)	11.34	15.79
Provision for doubtful debts (Lifetime expected credit loss)	78.63	267.62
Provision for warranties	407.55	-
Loss on sales of an asset	0.16	-
Sundry balances write off	2.44	18.43
Impairment of software under development (AGI)	-	262.96
Prior period expenses	-	163.78
Tender expenses	139.96	-
Payment to auditor*:		
For Statutory audit	6.50	4.00
For Tax audit	2.00	2.00
For Others	3.79	1.05
	1,507.29	1,394.95

Note :32

Amount Transferred to Capital Expenditure

Particulars	For the year ended March 31, 2025	For the year ended March 31, 2024
Employee benefits expense	236.14	191.59
Material Consumed for Self generated Assets	175.02	161.18
	411.16	352.77

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note :33

Earning Per Share Calculation:

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

Particulars	For the year ended March 31, 2025	For the year ended March 31, 2024
A. Net profit for the period (after tax)	5,023.69	(2,641.20)
Less: Preference dividend (including DDT, if applicable)	-	-
B. Profit attributable to equity shareholders (A - Preference dividend)	5,023.69	(2,641.20)
C. Weighted average number of equity shares (basic)		
Opening balance of shares	1,67,59,422	1,54,59,422
Add/Less: issuance / buyback (weighted by time outstanding)	16,140	4,44,536
Total weighted average shares outstanding (basic)	1,67,75,562	1,59,03,958
Add: Weighted average potential equity shares (Dilutive instruments)		
– ESOPs / Warrants	15,663	-
– Convertible debentures / Preference shares	-	-
D. Weighted average shares outstanding (Diluted)	1,67,75,085	1,54,59,422
E. Earnings Per Share (EPS):		
Basic EPS	₹ 29.9753	₹ -16.6072
Diluted EPS	₹ 29.9474	₹ -16.6072

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Notes : 34
Contingent Liabilities And Commitments

Note		Particulars	Year ended 31-Mar-25	Year ended 31-Mar-24
a	a	Bank guarantee outstanding(Gross)	3,521.18	2,186.71
b		Income tax		
	i	For Asst. Year 2018-19 disallowances were made to an extent of Rs. 761.37 lakhs. In respect of these, Appeal was filed with the Commissioner (Appeals) and the Company is confident of getting a favorable order.		
	ii	The Company received demand notices from CPC, Bangalore for Assessment years 2019-20 in relation to certain computational omissions in department with regard to capital gains & consequent business loss thus assessing an income of Rs. 495.58 lakhs against returned business loss of Rs 618.16 lakhs; resulting in a demand of Rs. 92.36 lakhs. The Company preferred an appeal against the said order before Commissioner of Income tax and expects to get a favorable decision.	92.36	92.36
	iii	The Company received a demand notice from CPC, Bangalore for the Assessment Year 2021–22 in relation to certain computational errors made by the department while processing the return. Specifically, income from sale of assets amounting to 1,541.41 lakhs, classified by the Company under capital gains, was erroneously considered as business income. Additionally, only 222.94 lakhs was considered as capital gains instead of the actual 1,541.41 lakhs, resulting in incorrect tax computation. These errors led to an assessed income despite the Company having reported a business loss, and consequently a tax demand of 392.29 lakhs was raised. The Company has filed a rectification/ appeal before the appropriate authority and expects a favourable decision in the matter	392.29	-
	iv	The Company received an order u/s 151 of the Income tax Act, 1961 for initiating reassessment proceedings in relation to escapement of income for Asst. Year 2017-18 to the tune of Rs. 785.00 lakhs. The Company proposes to contest the same under the Act.	785.00	785.00
c		Other Matters		
	i	Ex employee Murlidhar Raju claimed salary arrears along with interest to the extent of Rs. 40.52 lakhs before RR dist. Court.	40.52	40.52

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

d	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 3.42 Lakhs and Egyptian Pounds 4.98 Lakhs 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 favorable order.	294.04	294.04
e	OTHER SIGNIFICANT LITIGATIONS		
i	In view of dispute with Konkan Railway Corporation Limited (KRCL), the company has filed arbitration on 09.05.2016 in respect of dues amounting to INR 1518.00 Lakhs. The Arbitration proceedings are under progress. Further the company has failed in the conciliation proceedings against KRCL for outstanding dues of INR 518.00 Lakhs and is in process of filing Arbitration petition. In view of the above, the company has made a provision of INR 2036.00 Lakhs in the books of accounts.		
f	Note 10, 13 & 14		
i	The Company's assessment of recoverability and impairment loss allowance on its trade receivables, contractual performance obligations, income tax assets and dues from government authorities as on 31 March 2025 are subject to number of management judgments and estimates that are based on prevailing conditions and circumstances as on the date of approval of these financial statements. However, actual results may differ from these estimates as on the date of approval of these financial statements due to the following reasons.		
ii	Recoverability of income tax assets (TDS Receivables) (Note 13) of Rs.521.66 lakhs (PY Rs. 291.31 lakhs) for respective years will depend on the outcome of the assessment proceedings which are yet to be closed.	521.66	291.14
iii	Dues from government authorities (Note 14) of Rs.940.31 lakhs (PY Rs.1638.75 lakhs) mainly comprised of input tax credits under GST Act and receipt /adjustment of the same depends on actions of government of authorities and outcome of the assessment proceedings which are yet to be closed.	940.31	1638.75

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	v	Trade receivables (Note 10) of Rs. 2,364.92 lakhs (PY Rs. 503.15 lakhs) may be affected due to delay in final deliverables, acceptance of performance claims by the customer, claims/counter claims on quantum of work and Company's decision for continuing the customer contract(s).	2,364.92	503.15
g		Capital Expenditure Commitments	Not Quantifiable	Nil

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Note : 35
Related Party Transaction for the FY 2024-25
a. List of Related parties and description of Relationship.

S.No	Nature of Relationship	Name of the related party
1	Wholly owned subsidiary	Avant-Garde Info Systems Inc, USA
2	Joint Venture	KernexTCAS JV VRRC-KERNEX-CE-RVR JV
3	Key Managerial Personnel	Anji Raju Manthena Janardhana Reddy Vinta Sreelakshmi Manthena Sitarama Raju Manthena Badari Narayana Raju Manthena R Sreenivasa Rao K Soma Sekhara Rao A V S Krishna Mohan Narender Kumar Seshagiri Rao Adabala Ayyagari Viswanadha Sarma Dinakara Rao Pasupuleti Pamidi Srikanth Prasada Rao Kalluri
4	Relatives of Key Managerial Personnel	Alluri Sita Rama Raju Manthena
5	A Company in which relative of Director is Interested	Comptek Computer System Private Limited
6	Others	Venkat Ramreddy Construcitons (VRRC) Likhil Infra Private Limited Charvitha Enterprizes R Venkata reddy Vasista Constructions

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
b. Transactions with related parties during financial year 2024-25

S. No	Nature of Transaction	Name of the related party	For the Year Ended March 31, 2025	For the Year Ended March 31, 2024
1	Managerial Remuneration	Sitarama Raju Manthena	47.95	32.59
		Badari Narayana Raju Manthena	49.94	34.03
		Sunny Sharma (upto 20.10.2023)	-	19.76
		Pamidi Srikanth (from 25.10.2023)	37.90	17.50
		Prasada Rao Kalluri	21.10	11.18
		Sreelakshmi Manthena	63.00	48.17
		Alluri Sita Rama Raju Manthena	17.88	14.81
2	Directors' sitting fees *	Anji Raju Manthena	6.00	5.50
		Janardhana Reddy Vinta	4.20	4.50
		Sreelakshmi Manthena	5.40	5.00
		Narender Kumar	2.40	4.00
		R Sreenivasa Rao	5.40	7.50
		K Soma Sekhara Rao	6.60	10.20
		A V S Krishna Mohan	3.12	3.50
		Ayyagari Viswanadha Sarma	4.80	-
		R Seshagiri Adabala	4.80	-
Dinakara Rao Pasupuleti	3.00	-		

* Note: The above excludes reimbursements Travelling & conveyance Expenditure.

3	Income	Sales	Avant-Garde Info Systems Inc, USA	1.83	8.91	
		Rental Income	Comptek Computer System Private Limited	3.77	3.77	
		Sales	Kernex TCAS JV	420.02	-	
		Interest Received	Kernex TCAS JV	88.06	71.64	
		Sales	VRRC-KERNEX-CE-RVR JV	944.30	-	
	Expenditure	Purchases/ Services	Avant-Garde Info Systems Inc, USA	376.95	479.22	
		Purchases- Asset	Avant-Garde Info Systems Inc, USA	-	13.90	
		Interest Paid	Anji Raju Manthena		22.48	23.39
			Janardhana Reddy Vinta		8.48	8.05
			Badari Narayana Raju Manthena		2.40	5.60
			Likhil Infra Private Limited		16.54	-
			Sitarama Raju Manthena		-	9.62
		Reimbursement of Travel Expenes	Anji Raju Manthena		15.39	-
			Sreelakshmi Manthena		5.88	-
			Janardhana Reddy Vinta		6.40	-
A V S Krishna Mohan			0.12	-		
Project Execution Expenes - Service	Venkat Ramreddy Construcitons (VRRC)	295.00	-			
Advances	Venkat Ramreddy Construcitons (VRRC)	104.27	-			

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

4	Unsecured Loans	Received	Badari Narayana Raju Manthena	-	93.50
		Paid	Badari Narayana Raju Manthena	6.73	77.53
		Received	Sitarama Raju Manthena	-	335.00
		Paid	Sitarama Raju Manthena	-	335.00
		Received	Dr Anji Raju	-	-
		Paid	Dr Anji Raju	161.17	-
		Received	Vinta Janardhana Reddy	-	-
		Paid	Vinta Janardhana Reddy	-	-
		Repayment Received	Kernex TCAS JV	17.00	85.50
5	Other	Working Capital	Kernex TCAS JV	19.75	114.00
		Received	Likhil Infra Private Limited	995.00	-
		Paid	Likhil Infra Private Limited	1,016.65	-
		Receipt of dues from TCAS JV	Kernex TCAS JV	-	-

c. Closing Balances As at March 31, 2025

S. No	Nature of Transaction	Name of the related party	As at March 31, 25	As at March 31, 24
1	Loan taken from KMP along with Interest	Anji Raju Manthena	-	145.71
		Vinta Janardhana Reddy	61.70	55.86
		Badari Narayana Raju Manthena	16.40	20.98
		Likhil Infra Pvt. Ltd.	-	-
		Sitarama Raju Manthena	-	-
2	Trade payable	Avant-Garde Info Systems Inc, USA	72.24	357.25
3	Trade Receivables	Kernex TCAS JV	409.98	97.55
		Comptek Computer System Pvt Ltd	422.11	418.34
4	"Investments - Wholly owned subsidiary - Joint Venture"	Avant-Garde Info Systems Inc, USA	1,275.97	1,275.97
		Kernex TCAS JV	8.00	8.00
5	Advances to customers	Kernex TCAS JV	575.89	489.70
6	Remuneration Payable	Sitarama Raju Manthena	1.67	1.64
		Badari Narayana Raju Manthena	1.52	1.72
		P Sriakath	1.04	2.73
		Prasada Rao Kalluri	1.44	0.61
		M A Sitarama Raju	0.70	1.23
		Sreelakshmi Manthena	-	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

7	Reimbursements payable	Sitarama Raju Manthena	1.41	1.62
		Badari Narayana Raju Manthena	0.15	2.23
		Pamidi Srikanth	0.4	0.65
		Prasada Rao Kalluri	0.19	1.44
		M A Sitarama Raju	3.01	1.50
8	Non Executive Directors' sitting fees	Anji Raju Manthena	5.88	0.34
		Janardhana Reddy Vinta	6.08	5.18
		Sreelakshmi Manthena	29.14	19.54
		Narender Kumar	2.61	0.45
		Manthena Raju Narasa	-	4.39
9	Non Executive Directors' Reimbursements Payable	Anji Raju Manthena	-	49.05
		Janardhana Reddy Vinta	-	4.44

Note 36
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 with 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.

Note : 37
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,

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

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. The company however made provision for expected credit loss based on the age of the outstanding's.

ii. Cash and Cash Equivalents

The Company held cash and cash equivalents of INR 1502.12 Lakhs at March 31, 2025 (Previous year INR 390.83 Lakhs). 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 :

	(In Lakhs)				
Particulars March 31, 2025	Upto 1 year	1 to 3 years	3 to 5 years	> 5 years	Total carrying amount
Other non current liabilities (excluding deferred tax)	470.81	-	-	-	470.81
Current borrowings	3,984.49	-	-	-	3,984.49
Trade payables	1,972.19	77.80	-	-	2,049.99
Other financial liabilities	510.30	-	-	-	510.30
Other payables	882.00	-	-	-	882.00
Total	7,819.79	77.80	-	-	7,897.59

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(In Lakhs)

Particulars March 31, 2024	Upto 1 year	1 to 3 years	3 to 5 years	> 5 years	Total carrying amount
Other non current liabilities (excluding deferred tax)	31.68	-	-	-	31.68
Current borrowings	2,780.64	-	-	-	2,780.64
Trade payables	1,418.92	199.87	7.54	-	1,626.33
Other financial liabilities	12.96	-	-	-	12.96
Other payables	685.16	-	-	-	685.16
	4,929.37	199.87	7.54	-	5,136.78

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	March 31, 2025	March 31, 2024
Floating rate instruments		
Financial Liabilities - measured at amortised cost		
Working capital facilities from bank	3,589.47	2,192.27
Fixed rate instruments		
SBI-Term Loan	-	5.29
Vehicle loans	50.18	33.81
Unsecured loans from directors	99.99	262.24
Inter Corporate deposit	259.68	296.09
	3,999.32	2,789.71

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Cash flow sensitivity (net)	Profit or loss	
	25 bp increase	25 bp decrease
Monday, March 31, 2025		
Variable rate loan instruments	8.97	(8.97)
Sunday, March 31, 2024		
Variable rate loan instruments	5.48	(5.48)

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 though its sales, services and purchases from overseas suppliers in various foreign currencies.

The foreign currency exposures as of March 31, 2025 were as follows.

In lakhs

Particulars	USD	Egyptian Pound
Assets		
Cash and bank balances	0.36	1.60
Trade receivables	3.83	59.04
Other assets	2.71	5.63
	6.90	66.27
Liabilities		
Trade payables	-	-
Other liabilities	4.67	27.62
	4.67	27.62

The foreign currency exposures as of 31 March 2024 were as follows.

In lakhs

Particulars	USD	Egyptian Pound
Assets		
Cash and bank balances	0.03	0.16
Trade receivables	1.82	59.95
Other assets	0.39	7.20
	2.14	67.31
Liabilities		
Trade payables	4.28	-
Other liabilities	5.66	16.92
	9.94	16.92

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
March 31, 2025

Particulars	Profit or loss		Equity net of tax	
	Strengthening	Weakening	Strengthening	Weakening
1% movement				
US Dollar	0.02	(0.02)	-	-
Egyptian Pounds	0.39	(0.39)	-	-
	0.41	(0.41)	-	-

March 31, 2024

Particulars	Profit or loss		Equity net of tax	
	Strengthening	Weakening	Strengthening	Weakening
1% movement				
US Dollar	(0.10)	0.10	-	-
Egyptian Pounds	0.50	(0.50)	-	-
	0.40	(0.40)	-	-

Note : 38
Financial Instrument 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 on March 31, 2025 are as follows

Particulars	Carrying Value	Level of Input used in			Fair value
		Level 1	Level 2	Level 3	
Financial Assets					
At Ammortised Cost					
Investments*	-	-	-	-	-
Trade Receivables	2,364.92	-	-	-	2,364.92
Cash and Cash Equivalents	1,502.12	-	-	-	1,502.12
Other Bank Balances	1,930.59	-	-	-	1,930.59
Other Financial Assets	816.14	-	-	-	816.14
Financial Liabilities					
At Ammortised Cost					
Borrowings	3,984.49	-	-	-	3,984.49
Trade Payables	2,049.99	-	-	-	2,049.99
Other Financial Liabilities	510.30	-	-	-	510.30

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

The Carrying value and fair value of Financial Instruments by categories as on March 31, 2024 are as follows

Particulars	Carrying Value	Level of Input used in			Fair value
		Level 1	Level 2	Level 3	
Financial Assets					
At Ammortised Cost					
Investments	-	-	-	-	-
Trade Receivables	503.15	-	-	-	503.15
Cash and Cash Equivalents	390.83	-	-	-	390.83
Other Bank Balances	1,532.34	-	-	-	1,532.34
Other Financial Assets	24.45	-	-	-	24.45
Financial Liabilities					
At Ammortised Cost					
Borrowings	2,780.64	-	-	-	2,780.64
Trade Payables	1,626.33	-	-	-	1,626.33
Other Financial Liabilities	12.96	-	-	-	12.96

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.

Note: 39
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	March 31, 2025	March 31, 2024
Current borrowings	3,985	2,781
Total Debts	3,984	2781
Less: Cash & Cash equivalents	1,502	391
Adjusted net debts	2,482	2,390
Equity	1,676	1,676
Other Equity	14,115	8,985
Total Equity	15,791	10,661
Adjusted net debt to equity ratio	0.16	0.23

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note: 40

Additional Information as required under Schedule III to the Companies act, 2013 pursuant to para 2 of general instructions for the preparation of Consolidated Financial Statements.

Name of the entity in the Group	Net Assets i.e., total assets minus total liabilities		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of Consolidated net assets	Amount	As % of Consolidated profit or loss	Amount	As % of Consolidated other comprehensive income	Amount	As % of Consolidated total comprehensive income	Amount
Parent - Kernex Micro systems (India) Ltd	96.56%	15,589	99.47%	4,996.95	120.10%	(21.33)	99.39%	4,975.62
Wholly owned subsidiary - Avant Garde Info-Systems Inc	(0.83%)	(134)	(6.43%)	(323.21)	(20.10%)	3.57	(6.39%)	(319.64)
Joint Venture - Kernex TCAS JV	4.27%	690	6.97%	349.96	0.00%	-	6.99%	349.96
Total	100.00%	16,145	100.00%	5,023.70	100.00%	(17.76)	100.00%	5,005.94

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Note : 41
Ratios as per the Schedule III requirements

Particulars	Formula	March 31, 2025	March 31, 2024	% Change	Reason for Variance
Current Ratio	Current Assets/ Current liabilities	2.48	2.55	1.78%	Change in % of Current ratio is on account of greater % increase in Stock & Sundry Debtors
Debt Equity Ratio	Total Debt / Equity	0.26	0.26	15.39%	"Change in % debt equity is on account of increase in Bank Borrowings compared to previous year"
Debt Service Coverage Ratio	Earnings available for debt service/ interest and lease payments + principal repayments	0.11	(0.22)	144.06%	Change in % of Debt service coverage ratio is due to increase in the earnings available for debt service
Return on Equity	Net profit after taxes / Average shareholders equity	0.38	(0.24)	280.75%	Change in % of Return on equity ratio is on account of increase in net profit
Inventory Turn-over Ratio	Cost of goods sold / Average inventory	1.52	1.18	191.28%	Change in % Inventory Turnover ratio is on account of increase in sales
Trade Receivables turnover ratio	Credit sales / Average trade receivables	13.23	1.71	493.80%	The decrease in ratio is attributable to increase in average trade receivables
Trade Payables turnover ratio	Credit Purchases / Average trade payables	4.38	6.05	24.95%	Change in % is mainly due to an increase in average trade payables, indicating that the Company availed a longer credit period from suppliers during the year
Net Capital Turnover Ratio	Sales / Working capital	1.42	0.25	607.59%	Change in % is on account of substantial increase in revenue from operations during the year
Net profit ratio	Net Profit after taxes / Net Sales	0.26	(1.31)	125.39%	Change in % is mainly due to revenue from operations and a turnaround to net profit from loss in the previous year
Return on Capital employed (ROCE)	Earnings before interest and taxes / Capital employed	0.26	(0.24)	240.25%	Change in % is mainly due to Increase in net profit during the year

Note: 42
Other Statutory Information

- (i) The Company has not incurred any expenditure towards corporate social responsibility (CSR) during the year as it does not meet the criteria laid down under section 135 of the companies Act, 2013 for the applicability of CSR obligation
- (ii) The Company does not have any Benami property, where any proceeding has been initiated or pending against the Company for holding any Benami property.
- (iii) The Company does not have any transactions with struck off companies.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

- (iv) The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.
- (v) The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year.
- (vi) The Company has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall
- directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or
 - provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.
- (vii) The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Company shall:
- directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
 - provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- (viii) The Company has not entered in to any transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961).
- (ix) The Company has not been declared as willful defaulter by any bank or financial institution or other lender
- (x) The Company has complied with the number of layers prescribed under clause (87) of section 2 of the Act read with the Companies (Restriction on number of Layers) Rules, 2017.
- (xi) No Scheme of Arrangements has been approved by the Competent Authority in terms of sections 230 to 237 of the Companies Act, 2013, during the year.

43 Previous year figures have been regrouped/reclassified wherever necessary to conform to the current year's classification.

As per our report of even date attached

FOR NSVR & ASSOCIATES LLP

Chartered Accountants

Firm Regn No. 008801S/S200060

**Sd/-
V GANGADHARA RAO N**

Partner

Membership No: 219486

UDIN: 25219486BMIRXV8216

Hyderabad
23-05-2025

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

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

**Sd/-
PAMIDI SRIKANTH**
Chief Financial Officer

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

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



if undelivered, please return to :

KERNEX MICROSYSTEMS (INDIA) LIMITED

Office : Plot Nos. 38 (Part) to 41, Survery No. 1/1,
Hardware Technology Park, Raviryala Village Maheswaram Mandal,
Hyderabad, Telangana 501 510, Phone : +91-9948488877
e-mail: acs@kernex.in Web Site : www.kernex.in

