

A yellow diamond-shaped sign with a black border. Inside the diamond, the words 'Safety' and 'First' are written in bold, black, sans-serif font, one above the other.

**Safety
First**

The background of the cover is a composite image. The upper half shows a dark tunnel with a bright light source at the end and two smaller lights on the walls. The lower half shows a blue-tinted industrial site with various structures and equipment.

26 th ANNUAL
REPORT
2017-2018

BOARD OF DIRECTORS

Dr. Raju Narasa Mantena	Chairman & Director
Dr. Anji Raju Manthena	Director
Dr. Janardhana Reddy Vinta	Director
Ms. Sree Lakshmi Manthena	Director #
Sri. M Badari Narayana Raju	Whole Time Director #
Sri. Kanumuri Kirshnam Raju	Chief Executive Officer \$
Sri Venkata Ratnam Anugolu	Independent Director
Sri. T V S N Raju	Independent Director
Sri. Arun Kumar Sanwalka	Independent Director
Sri. Gopala Krishna M	Independent Director **
Sri. Ashok Gopal Rao Kalmankar	Independent Director***

#(Appointed on 20th November'2017)

** (resigned on 17th January'2018)

\$ vacated office w.e.f. 29th September, 2017

*** Appointed on 12th August, 2018

COMPANY SECRETARY

CS. Prasada Rao Kalluri \$

\$ (Appointed on 05th July'2018)

CHIEF FINANCIAL OFFICER

CA Ramayya Vutukuri

BANKERS

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

AUDITORS

PRSV & Co., LLP

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

INTERNAL AUDITORS

SRH & Co.

Chartered Accountants
Flat No.101, Seven Hills,
Ananda Nilayam,
SBI Lane, Warasiguda,
Hyderabad – 500 061
FRN:015068S

REGISTRAR AND TRANSFER AGENT

Karvy Computershare Pvt. Ltd.

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

REGISTERED OFFICE

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

OVERSEAS SUBSIDIARY

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

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NOTICE

Notice is hereby given that the twenty sixth Annual General Meeting of the members of the Company will be held on Friday, the 28th September 2018 at 11.00 A.M at the Registered office at Plot No 38 (part) to 41, Survey No 1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Ranga Reddy District, Hyderabad-501 510 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Standalone and Consolidated financial statements for the year ended on 31st March, 2018 together with the reports of the Director's and Auditors thereon.
2. To appoint a Director in place of Dr. Anji Raju Manthana (DIN: 01022368) who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. Vinta Janardhana Reddy (DIN: 02414912) who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

4. **To consider and approve Appointment of Mr. Manthana Badari Narayana Raju (DIN: 07993925) as a Director 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 Mr. Manthana Badari Narayana Raju (DIN: 07993925) who was appointed as an Additional Director at the meeting of the Board of Directors held on 20th November, 2017 and who holds office as such upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under section 160 of the Companies Act, 2013 proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company,

not liable to retire by rotation.”.

5. **To consider and approve Appointment of Mr. Manthana Badari Narayana Raju (DIN: 07993925) as a Whole Time Director 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 in pursuance of the recommendations of the Nomination and Remuneration Committee of the Company and pursuant to Sections 196, 197, 203 and other applicable provisions, if any, of the Companies Act, 2013 (“the Act”), read with Schedule V to the Act and the rules made there under, as amended from time to time, the approval of the members of the Company be and is hereby accorded for the appointment of Mr. Manthana Badari Narayana Raju (DIN: 07993925) as a Whole Time Director of the Company for a period up to the ensuing Annual General Meeting effective from 20th November, 2017 and re-appointment thereafter up to 27th September, 2020 on the following terms and conditions.

1. Remuneration:

- A) Salary: Rs. 50,000/- per month up to 31st March 2018 and thereafter Rs 75,000/- per month with authority to the Board of Directors and/or a Committee of the board, to vary the same from time to time
- B) Perquisites & Allowances: In addition to the salary payable, he shall also be entitled to the following perquisites and allowances
 - a) House Rent Allowance @ 40% of the salary.
 - b) Special Monthly allowance @ 60% of the salary.

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

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

6. To consider and approve the appointment of Ms. Sree Lakshmi Manthena (DIN: 07996443) as a Director

To consider and if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution.

"RESOLVED THAT Ms. Sree Lakshmi Manthena (DIN: 07996443) who was appointed as an Additional Director at the meeting of the Board of Directors held on 20th November, 2017 and who holds office as such upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under section 160 of the Companies Act, 2013 proposing her candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

7. To consider and approve appointment of Mr. T.V.S.N. Raju (DIN: 02254926) as an Independent Director 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 Mr. T.V.S.N.Raju (DIN:02254926), who was appointed as an Additional Director of the Company by the Board of Directors with effect from 10th February 2018 and who holds office up to the date of this Annual General Meeting under Section 161(1) of the Companies Act, 2013 ('the Act') and Article 116 of the Articles of Association of the Company, but who is eligible for appointment and in respect of whom the Company has

received a notice in writing under Section 160(1) of the Act from a Member, proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company.

RESOLVED FURTHER THAT pursuant to the provisions of Sections 149, 152, Schedule IV and other applicable provisions, if any, of the Act and the Companies (Appointment and Qualifications of Directors) Rules, 2014, as amended from time to time, appointment of Mr. T.V.S.N. Raju who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and Regulation 16(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as an Independent Director of the Company, not liable to retire by rotation, with effect from 10th February 2018 up to 31st March 2020 be and is hereby approved.

8. To consider and approve appointment of Mr. Ashok Gopal Rao Kalmankar (DIN: 01557687) as an Independent Director of the Company

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

“RESOLVED THAT Mr. Ashok Gopal Rao Kalmankar (DIN. 01557687), who was appointed as an Additional Director of the Company by the Board of Directors with effect from 12th August 2018 and who holds office up to the date of this Annual General Meeting under Section 161(1) of the Companies Act, 2013 (‘the Act’) and

Article 116 of the Articles of Association of the Company, but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 160(1) of the Act from a Member, proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company.”

“RESOLVED FURTHER THAT pursuant to the provisions of Sections 149, 152, Schedule IV and other applicable provisions, if any, of the Act and the Companies (Appointment and Qualifications of Directors) Rules, 2014, as amended from time to time, appointment of Mr. Ashok Gopal Rao Kalmankar (DIN: 01557687) who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and Regulation 16(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as an Independent Director of the Company, not liable to retire by rotation, with effect from 12th August’ 2018 up to 31st March 2023 be and is hereby approved.”

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

Manthana Badari Narayana Raju
Whole Time Director
DIN: 07993925

Palce : Hyderabad
Date : 12th August, 2018

NOTES

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

A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

2. The explanatory statement in respect of item no's 4 to 8 of the notice in pursuance of section 102 (1) of the Companies Act, 2013 is annexed hereto.
3. Shareholders holding shares in physical form are requested immediately to inform change in address if any to the Company's Registrar and transfer agent, M/s. Karvy Computershare Private Limited. Shareholders holding shares in electronic form must send change in their address to their respective Depository participants and not to the Company.
4. The Register and Share transfer Books of the Company shall remain closed from 22nd September, 2018 to 28th September, 2018 (both days inclusive).
5. Members seeking any information with regard to accounts are requested to write to the Company at least 10 days in advance of the meeting to enable the management to keep the information ready.
6. The Notice of the AGM along with the Annual Report 2017-18 is being sent by electronic mode to those members whose e-mail addresses are registered with the Company/Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode.
7. To support the "Green Initiative", the members who have not registered their e-mail addresses are requested to register the same with Depositories.
8. All documents referred to in this Notice will be available for inspection at the registered office of the Company during business hours on all working days up to the date of AGM.
9. Pursuant to provisions of the Act and other applicable rules, if any, of the Companies Act 2013, all unclaimed & remaining unclaimed / unpaid dividend for a period of seven years from the date they became due for payment, in relation to the Company have been transferred to the IEPF established by the Central Government. It may be noted that the unclaimed Dividend for the financial year 2010-11 declared by the Company can be claimed by the shareholders from IEPF.
10. As per Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), the Company is pleased to provide its members the facility to cast their vote by electronic means on all resolutions set forth in this Notice. Members desirous of voting through electronic mode may refer to the detailed procedure on e-voting forming part of the Annexure to this Notice.
11. As per Regulation 44 of SEBI Listing Regulations, the Company will submit details of the voting results in respect of each of the resolutions proposed in this Notice to the stock exchanges within 48 hours of conclusion of its AGM.

12. The facility for voting through ballot / polling paper shall be made available at the AGM, to all the members attending the AGM, who have not opted e-voting facility. Further, the members who have opted e-voting facility may also attend the AGM but shall not be entitled to cast their vote again at the AGM.

13. Details of Directors seeking appointment/re-appointment at this AGM are provided in the Annexure to this Notice.

14. (a) E- voting instructions

(b) Proxy Form; and

(c) Attendance Slip are annexed to this Notice.

(A) PROCEDURE AND INSTRUCTIONS FOR E-VOTING:

E-voting Instructions

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

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

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

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

iii. After entering these details appropriately, click on "LOGIN".

iv. Members holding shares in Electronic/Physical form will now reach Password Change menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. Kindly note that this password can be used by the Demat holders for voting for resolution of any other company on which they are eligible to vote, provided that company opts for e- voting through Karvy Computershare Private Limited e-voting platform. System will prompt you to

change your password and update any contact details like mobile, e-mail ID, etc. on 1st login. You may also enter the Secret Question and answer of your choice to retrieve your password, in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

v. You need to login again with new credentials.

vi. On successful login, the system will prompt you to select the 'EVEN' i.e., "KERNEX MICROSYSTEMS."

vii. On the voting page, you will see Resolution Description and against the same the option 'FOR/AGAINST/ABSTAIN' for

voting. Enter the number of shares (which represents number of votes) under 'FOR/AGAINST/ABSTAIN' or alternatively you may partially enter any number in 'FOR', partially in 'AGAINST' and partially in 'ABSTAIN', but the total number in 'FOR/AGAINST/ABSTAIN' taken together should not exceed your total shareholding. If you do not want to cast any vote, select 'ABSTAIN'.

- viii. Members holding multiple folios /demat accounts shall choose the voting process separately for each folio/demat accounts.
- ix. Voting has to be done for each item of the Notice separately. In case you do not desire to cast your vote on any specific item it will be treated as abstained.
- x. After selecting the appropriate option for each of the resolution, click on 'SUBMIT'. A confirmation box will be displayed. If you wish to confirm your vote, click on 'OK', else to change your vote, click on 'CANCEL' and accordingly modify your vote.
- xi. Upon confirming, you will not be allowed to modify your vote.
- xii. During the voting period, members can login any number of times till they have voted on the Resolution(s). However, you may still attend the AGM and participate in the discussions.
- xiii. Corporate/Institutional members (Corporate/FIs /FIIs /Trust/Mutual Funds /Banks, etc.) are required to send scanned certified true copy (in PDF) of the Board Resolution/Authority Letter, etc. together with attested specimen signature(s) of the duly authorized representative(s) to the Scrutinizer through e-mail to kernexscrutinizer@gmail.com with a copy to evoting@karvy.com or send it to the registered office of the Company. The scanned file of the above mentioned documents should be in the naming format "Kernex_EVEN".
- xiv. In case of any queries, you may refer to

Frequently Asked Questions (FAQs) for shareholders and e- voting User Manual for shareholders available at the download section of <https://evoting.karvy.com> or contact the Registrar & Share Transfer Agent, Karvy Computershare Pvt. Ltd. at Toll Free No. 1-800-3454-001.

- 2. The e- voting period commences on Tuesday, 25th September, 2018 at 09:00 a.m. and ends on Thursday, 27th September, 2018 5.00 p.m. (both days inclusive). Please note that e- voting mode shall not be allowed beyond 5.00 p.m. on Thursday, 27th September, 2018. During this period, the Members of the Company holding shares in physical form or in electronic form, as on the cut-off date, being Friday, 21st September, 2018, may cast their vote by electronic means in the manner and process set out hereinabove. The e- voting module shall be disabled for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently. Further, the members who have cast their vote electronically shall not vote by way of poll, at the AGM.
- 3. Any person, who acquires shares of the Company and becomes member of the Company after dispatch of the Notice of AGM and holding shares as on the cut-off date i.e. Friday, 21st September, 2018, may obtain the User ID and Password in the manner as mentioned below:
 - a. If the mobile number of the member is registered against Folio No./DP ID-Client ID, the member may send SMS : MYEPWD EVEN + Folio No. or DP ID Client ID to 9212993399

Example for NSDL : MYEPWD
In12345612345678

Example for CDSL : MYEPWD
1402345612345678

Example for Physical : MYEPWD
XXXX1234567
 - b. If e-mail or mobile number of the member is registered against Folio No./DP ID-Client ID, then on the home page of

<https://evoting.karvy.com>, the member may click "forgot password" and enter Folio No./DP ID-Client ID and PAN to generate a password

4. The voting rights of the members shall be in proportion to their shares of the paid up equity share capital of the Company, subject to the provisions of the Companies Act, 2013, as amended, as on the cut-off date i.e. Friday, 21st September, 2018.
5. The Board of Directors have appointed Mr. A.J. Sharma, Practicing Company Secretary as a Scrutinizer to scrutinize the e- voting / poll process in a fair and transparent manner.
6. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e - voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and will make a Scrutinizer's Report of the votes cast in favor or against, if any, forthwith to the Chairman/any other authorized person of the Company.
7. The result on resolutions shall be declared on or after the AGM and the resolutions will be deemed to be passed on the AGM date subject to receipt of the requisite number of votes in favour of the Resolutions.
8. The results declared along with the Scrutinizer's Report(s) will be available on the website of the Company (www.kernex.in) and on Service Provider's website (<https://evoting.karvy.com>) within two (2) days of passing of the resolutions and will also be communicated to BSE Limited and National Stock Exchange of India Limited.

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

Particulars	Dr. Anji Raju Manthana	Dr. Vinta Janardhana Reddy
Date of Birth	October 13, 1944	August 10, 1946
Date of Appointment	May 20, 2005	September 20, 2008
Qualifications	M.S. (General Surgery) from Andhra University and M.D. (USA)	MBBS and MD (USA)
Expertise in specific Functional area	M.S. (General Surgery) from Andhra University and M.D. (USA) He has been practicing for the last 41 years in the Space centre, NASA region of Houston, Texas and has been actively involved in software related activities in Corporate hospitals. He has served as a member of various committees in Clear Lake Regional Medical centre as well as managing partner of Anesthesia Associates and president professional corporation.	He has 44 years' experience as Physician working in USA. He is a member of Texas Medical Association, USA. He worked as executive vice president TANA and convener for 7th TANA conference.
Directorship held in other public companies (excluding foreign companies)	Nil	Nil
Memberships / Chairmanships of committees of other Public companies (includes only Audit and Shareholders/Investors Grievance Committee)	Nil	Nil
Number of shares held in the company	4,14,078	1,99,655

Particulars	Mr. Badari Narayana Raju Manthena	Ms. Sree Lakshmi Manthena
Date of Birth	August 01, 1954	September 14, 1977
Date of Appointment	November 20, 2017	November 20, 2017
Qualifications	Bachelor Degree in Commerce from Andhra University	HOUSTON BAPTIST UNIVERSITY, (Houston, TX) Magna Cum Laude, Bachelors Degree with Triple Major in Biology, Chemistry, and Psychology, Minor in Business Administration (Project Mgmt Courses). UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER -SA (Medical School, San Antonio, TX)
Expertise in specific Functional area	Mr. Badari Narayana Raju Manthena is in the employment of the company for the past 17 years at a senior level with the designation of Chief Administrative and Commercial Officer and is looking after the General and Personnel Administration, Liaison with all Government Agencies and Compliances with Service Tax, Sales Tax, VAT, Excise, PF, ESI, etc., .	Business Development Manager with 5+ years of experience in Marketing, Strategy planning, Project procurement, Project coordination, Consulting.
Directorship held in other public companies (excluding foreign companies)	Nil	Nil
Memberships / Chairmanships of committees of other Public companies (includes only Audit and Shareholders/Investors Grievance Committee)	Nil	Nil
Number of shares held in the company	Nil	6,40,398

Particulars	Mr. CATVSN Raju	Mr. Ashok Gopal Rao Kalmankar
Date of Birth	May 27, 1956	February 02, 1946
Date of Appointment	February 10, 2018	August' 12, 2018
Qualifications	Bachelor of Commerce, Andhra Loyola College, Vijayawada Chartered Accountant, Institute of Chartered Accountants of India, New Delhi, Post Graduate Diploma in computer Applications, AP Productivity Council, Visakhapatnam, Master of Business Administration, Andhra University, Visakhapatnam	B.A.(Hons.), C.A.I.I.B, Sr. Diploma in German (OU), Certificate in Risk Management (NYU)
Expertise in specific Functional area	Budget and Cost Management, Treasury Management, Tax Management and compliance with statutory laws/regulations, Project Finance Management, Materials (Procurement & Sales) Finance Management, Formulation of Accounting Policies; compliance with Accounting Standards (including Ind-AS)	In Various positions in State Bank of India over 38 years. Banking & Finance (Domestic & Global) Working as Freelancer Financial & Banking Consultant.
Directorship held in other public companies (excluding foreign companies)	Mounika Projects P Ltd, SNE Edatas P Ltd, Konaseema Properties P Ltd, Vinirmaa Energy Generation P Ltd & Konaseema Renewable Energy P Ltd	Shaasta Cements Pvt. Ltd., Honnavar Port Pvt. Ltd. And Spyn Financial Service Pvt. Ltd.
Memberships / Chairmanships of committees of other Public companies (includes only Audit and Shareholders/Investors Grievance Committee)	Nil	Nil
Number of shares held in the company	Nil	Nil

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

Item No: 4 & 5

The Board of directors of the Company at their meeting held on 20th November 2017 appointed Mr. Badari Narayana Raju as additional director and whole time director of the Company and holds office up to the ensuing Annual General Meeting. Mr. Badari Narayana Raju is in the employment of the company for the past 17 years at a senior level with the designation of Chief Administrative and Commercial Officer and is looking after the General and Personnel Administration, Liaison with all Government Agencies and Compliances with Service Tax, Sales Tax, VAT, Excise, PF,ESI, etc., The Company has received a notice pursuant to Section 160 of the Companies Act, 2013 (the "Act") along with the amount of requisite deposit from a Member signifying his intention to propose the appointment of Mr. Badri Narayana Raju as a Director of the Company.

The Board of directors increased his remuneration and re-appointed him as whole time director for a further period up to 31st March 2020 on the remuneration and other terms and conditions as contained in the resolution.

The following is the additional information as per Section II of Part II of Schedule V of the Companies Act, 2013:

I. General Information

1. Nature of industry:

The company is specialized in integrating technologies related to wireless front-end, Satellite Communication, Embedded systems, Signal Processing, Network management and Software development.

2. Date or expected date of commercial production:

The company was incorporated in the year 1991 and the commercial production commenced simultaneously.

3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions

appearing in the prospectus: **Not Applicable**

4. Financial performance based on given indicators:.

Particulars	Financial Year 2017-18	Financial Year 2016-17
Total Revenue	1,402.41	1,414.94
Net Profit / Loss Before Tax (PBT)	(1,498.70)	(134.06)
Net Profit (PAT)	(1,442.29)	(390.772)

5. Foreign investments or collaborations, if any. Nil

(II) Information about the appointee

- Back ground details: Mr. Manthana Badri Narayana Raju is in the employment of the company for the past 17 years at a senior level with the designation of Chief Administrative and Commercial Officer and is looking after the General and Personnel Administration, Liaison with all Government Agencies and Compliances with Service Tax, Sales Tax, VAT, Excise, PF, ESI, etc.,
- Past Remuneration: Rs.1,00,000/- Per month
- Recognition or awards: Nil
- Job profile and his suitability: Mr. Badri Narayana Raju is in the employment of the company for the past 17 years at a senior level with the designation of Chief Administrative and Commercial Officer and is looking after the General and Personnel Administration, Liaison with all Government Agencies and Compliances with Service Tax, Sales Tax, VAT, Excise, PF, ESI, etc.,
- Remuneration proposed: Rs.1,50,000/- per month
- Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin): Nil
- Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel, if any: Not applicable.

III. Other information:

1. Reasons of loss or inadequate profits:-

The increase in expenditure towards Research and Development and the fixed overheads also contributed for such inadequate profits.

Further, the rise of the domestic interest rates has also adversely impacted the net profits of the company.

2. Steps taken or proposed to be taken for improvement:-

The operations of the company are being scaled up to increase revenues.

3. Expected increase in productivity and profits in measurable terms:-

We expect a substantial increase in approval and implementation of various government projects leading to good improvement in operating margins.

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

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

Item No: 6

In terms of Section 149(1) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Board of Directors has appointed Ms. Sree Lakshmi Manthena as an additional director of the Company. Her term of office expires at the forthcoming Annual General Meeting. A notice has been received from a shareholder of the Company under section 160 of the Companies Act, 2013 along with the requisite deposit, proposing her candidature for the office of Director to hold office up to the ensuing Annual General Meeting.

Ms. Sree Lakshmi Manthena holds a Bachelor Degree from Houston Baptist University, (Houston, TX, USA) and qualified in Minor in Business Administration (Project Mgmt Courses). From University of Texas Health Science center, San Antonio, Texas, USA. She also has over 5

years experience in Marketing, Strategic planning, Project Procurement, coordination and consulting.

None of the Directors / Key Managerial Personnel or their relatives is concerned or interested in the resolution except Dr. Anji Raju Manthena, Promoter Director.

Your Board recommends the resolution for your approval.

Item No. 7:

The Board of Directors have appointed Mr. T V S N Raju, (DIN: 02254926) as an Additional Director of the Company with effect from 10th February, 2018. His term of office expires at the forthcoming Annual General Meeting. A notice has been received from a shareholder of the Company under section 160 of the Companies Act, 2013 along with the requisite deposit, proposing his candidature for the office of Director.

Mr. T.V.S.N.Raju is a member of the Institute of Chartered Accountants of India, New Delhi, and also holds a Post Graduate Diploma in computer Applications, AP Productivity Council, Visakhapatnam, besides Master of Business Administration, Andhra University, Visakhapatnam.

Mr. T.V.S.N.Raju has several years of experience in Budget and Cost Management, Treasury Management, Tax Management, Project Finance Management, Materials (Procurement & Sales) Finance Management, Formulation of Accounting Policies; compliance with Accounting Standards (including Ind-AS).

As per the provisions of section 149 of the Companies Act, 2013 ("Act") an Independent Director shall hold office for a term up to five consecutive years on the Board of a Company and is not liable to retire by rotation.

Mr. T.V.S.N.Raju has given a declaration to the Board that he meets the criteria of independence as provided under section 149 (6) of the Act. The matter regarding appointment of Mr. T.V.S.N.Raju as an Independent Director was placed before the Nomination and Remuneration Committee, which commends his appointment as an Independent Director up to 31st March, 2020.

In the opinion of the Board, Mr. T.V.S.N.Raju fulfills the conditions specified in the Act and the Rules made thereunder for appointment as an Independent Director and he is independent of the management. In compliance with the provisions of section 149 read with Schedule IV of the Act, the appointment of Mr. T.V.S.N.Raju as an Independent Director is now being placed before the Members in general meeting for their approval.

The terms and conditions of appointment of Independent Directors shall be open for inspection by the members at the Registered Office during normal business hours on any working day of the Company.

Mr. T.V.S.N.Raju is interested and concerned in the Resolution and no other Director, key managerial personnel or their respective relatives are concerned or interested in the Resolution.

The Board recommends the resolution for your approval.

Item No: 8

The Board of Directors appointed Mr. Ashok Gopal Rao Kalmankar, (DIN: 01557687) as an Additional Director of the Company with effect from 12th August, 2018. His term of office expires at the forthcoming Annual General Meeting. A notice has been received from a shareholder of the Company under section 160 of the Companies Act, 2013 along with the requisite deposit, proposing his candidature for the office of Director.

Mr. Ashok Gopal Rao Kalmankar is a member of the Institute of Chartered Accountants of India, and also holds a Sr. Diploma in German (OU), Certificate in Risk Management (NYU)

Mr. Ashok Gopal Rao Kalmankar has several years of experience in Indian Banking. Head of Mid – sized Bank i.e. State Bank of Hyderabad as Managing Director, Exposure of International Markets – worked in State Bank of India, New York for 4 ½ years and also worked as Deputy Managing Director and Group Head of State Bank of India's International Operations and Headed State Bank of India Foreign Subsidiaries, Exposure and Experience in Credit Appraisal/Project Appraisal during assignment in the State Bank of India's Foreign Subsidiaries and Board Level Experience in Banking as well as in

Factoring, Investment Banking, PD in Government Securities, Mutual Funds and Insurance.

As per the provisions of section 149 of the Companies Act, 2013 ("Act") an Independent Director shall hold office for a term up to five consecutive years on the Board of a Company and is not liable to retire by rotation.

Mr. Ashok Gopal Rao Kalmankar has given a declaration to the Board that he meets the criteria of independence as provided under section 149 (6) of the Act. The matter regarding appointment of Mr. Ashok Gopal Rao Kalmankar as an Independent Director was placed before the Nomination and Remuneration Committee, which commends his appointment as an Independent Director up to 31st March, 2023.

In the opinion of the Board, Mr. Ashok Gopal Rao Kalmankar fulfills the conditions specified in the Act and the Rules made thereunder for appointment as an Independent Director and he is independent of the management. In compliance with the provisions of section 149 read with Schedule IV of the Act, the appointment of Mr. Ashok Gopal Rao Kalmankar as an Independent Director is now being placed before the Members in general meeting for their approval.

The terms and conditions of appointment of Independent Directors shall be open for inspection by the members at the Registered Office during normal business hours on any working day of the Company.

Mr. Ashok Gopal Rao Kalmankar is interested and concerned in the Resolution and no other Director, key managerial personnel or their respective relatives are concerned or interested in the Resolution.

The Board recommends the resolution for your approval.

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

Manthana Badari Narayana Raju
Whole Time Director
DIN: 07993925

Palce : Hyderabad
Date : 12th August, 2018

DIRECTORS REPORT

To
 The Members,
 Kernex Microsystems (India) Limited.

Your Directors have pleasure in presenting the Twenty Six Annual Report together with the audited statement of accounts of your company for the year ending 31st March, 2018.

Financial Results (Standalone)

Rs in Lakhs

	2017-18	2016-17
Sales and Other Income	1,402.41	1,414.94
Profit/Loss before Depreciation, Finance Cost and Tax	(2,042.68)	(3,074.59)
Less:- Finance Cost	319.34	331.14
Less:- Depreciation	224.62	255.72
Less: Exceptional items	-	521.31
Add : Extra ordinary items	-	2,874.98
Profit/Loss after Depreciation, Interest and before tax	(1,498.70)	(134.06)
Tax expense	(56.41)	216.66
Profit / Loss after Tax	(1,442.29)	(390.77)
Add: Balance brought forward from previous year	(960.85)	(610.13)
Less: Adjustments consequent to revision of useful life of certain assets pursuant to Schedule II of Companies Act, 2013	-	-
Balance carried forward to Balance sheet	(2,403.15)	(960.85)
Profit available for appropriation		
Earnings Per Share (Rs.)		
- Basic	(11.54)	(2.81)
- Diluted	(11.54)	(2.81)
Appropriations:		
Transfer to General Reserve	-	-
Proposed Dividend	-	-
Income Tax on proposed Dividend	-	-
Balance carried to the Balance sheet	(2,403.15)	(960.85)

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

Economy

The GDP of Indian economy though during the year under review decreased marginally over the previous year, continued to be highest

among major economies. It was a remarkable achievement that the growth was achieved with lower inflation, improved current account balance and, reduction of fiscal deficit. Besides implementation of GST, resolution of non performing assets and liberalization of Foreign Direct Investment and other reforms continued. The protectionist policies of major economies, trade war, increase in oil prices, Domestic savings and Investments are a concern

Industry

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

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

2. Future outlook

The Indian Rail Network is expected to grow at a healthy rate of 10% over the next five years and the Government has a safety first policy of the Railways and is planning to invest considerable amount to adopt European Train Control Systems (ETCS) which is expected in developing infrastructural facilities. The proposed National Rail Plan envisages integration of all rail networks with other modes of transport and provides Rail safety besides eliminating unmanned level crossings, up gradation of rolling stock, accelerating track renewal and most important of all particularly to your Company is implementation of TCAS/TPWS technology across high density network in the coming three years.

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

Your company is pursuing opportunities for providing protection at railway level crossings from India and also many countries around the world like Egypt, Sri Lanka, South Africa, Botswana etc., and expects to win a few projects in this year

Train control/protection systems, the area of focus of your company, was under full gaze at the highest level in India – the Ministry of Railways of the Government of India. That this topic is taking the top priority is evident from the fact that the Minister of Railways himself has been reviewing plans and options for implementation of train protection systems in Indian Railways in a big way in the next few years. After initially studying a few foreign solutions for implementation, the Minister reviewed Train Collision Avoidance System (TCAS) also with the industry and the Railway body and gave a favorable view of TCAS. The Minister has even suggested some new features for TCAS so that the product becomes truly world class.

Operations during the year

International

RBCT, RYCAS – South Africa

Your company has completed the project including warranty maintenance to the satisfaction of the customer and is presently discussing with customer for maintenance contract for one or two years. Your company is also exploring more business opportunities with the customer

Egyptian National Railways (ENR), Cairo

Having supplied all the 136 gates earlier, your company has completed installation of 105 gates and handed over 102 gates to the customer. An order for supply of spares was received and this has been executed by your company

Domestic

During the year 17-18 your company has closed in further on completing the Train Control Avoidance System project. Completion of the project was delayed due to certain changes at the Independent Safety Assessor's end. Significant progress has been achieved with the ISA subsequently and your company has advanced to the final acceptance testing by RDSO and commencement of passenger trials. With very few tasks now pending, your company expects to receive the approval by end Sep' 2018 and also receive a contract for deployment of TCAS over a 500-Km area by March 2019.

Research & Development and Addition of New Products

Development activity has commenced on the Universal Brake Interface Unit and the Driver Machine Interface Unit. These are advanced versions and allow us to address a larger chunk of the TCAS project.

Your company is in discussions with a Spanish company (Ingenieria Y Control Ferroviario - ICF in short) specializing in railway products to market their products and solutions in India and neighboring markets on exclusive basis. Since some of these products have immense potential in Indian Railways, your company plans to get these products approved by Indian Railways so that we are in a position to sell them in the year 2019-2020 onwards.

3. Subsidiary Details with consolidated financial statement

Your Company has one 100% wholly owned subsidiary Avant Garde Infosystems Inc, In USA and there were no joint ventures or associate Companies as of 31st March 2018. There has been no change in the nature of business of subsidiary, during the year under review. In accordance with section 129(3) of the Companies Act, 2013 the Company has prepared Consolidated financial statement of the Company and the subsidiary in the form and manner as that of its own in compliance with the accounting standards and the listing regulations of the stock exchanges which

forms part of the Annual Report for laying before the Annual General Meeting.

A report on the information about the subsidiary is annexed as **Annexure-A** to this report

4. Material changes and commitments affecting the financial position of the company

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

5. Share Capital

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

The Company has obtained the shareholders' approval for preferential issue of 18,70,057 equity shares of Rs. 10/- each at a premium calculated in terms of SEBI ICDR Regulations and obtained the in principle approval of the National Stock Exchange. The BSE approval is required to be sought. The promoters and others to whom an offer of preferential issue of equity shares was made after seeking an approval of the shareholders on 16th February, 2018, have conveyed their unwillingness to subscribe the shares of the company.

6. Dividend and Reserves

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

7. Directors and Key Managerial Personnel

In accordance with the provisions of Section 152 of the Companies Act, 2013 Mr. Anji Raju Manthena and Mr. Vinta Janardhan Reddy, Directors of the company retires by rotation and being eligible offer themselves for re-appointment.

Mr. K Krishnam Raju, Director has vacated office effective 29th September'2017. Mr. M Gopalakrishna, Independent director resigned from the Board effective 10th February'2018.

The Board on 20th November'2017 has appointed Mr. K Krishnam Raju as Chief Executive Officer, Ms. Sree Lakshmi Manthena and Mr. Badari Narayana Raju Manthena as additional Directors. Further, the Board of Directors of the Company has appointed Mr. Badari Narayana Raju Manthena as a whole Time Director on the same day by changing his designation.

The Board also appointed CA TVSN Raju as Independent Director effective from 10th February'2018 and Sri. Ashok Gopal Rao Kalmankar as Independent Director from 12th August'2018.

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

8. Declaration by Independent Directors

All the Independent Directors have submitted their disclosures to the Board that they fulfill all the requirements as stipulated in Section 149 (6) of the Companies Act 2013 so as to qualify themselves to be appointed as Independent Directors under the provisions of the Companies Act, 2013 and the rules framed there under.

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

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

10. Board Evaluation

Pursuant to the provisions contained in the Companies Act 2013 and listing regulations, the Board has carried out annual performance evaluation of its own members, The chairman of the Board, individual directors as well as the evaluation of the working of the Audit, Nomination and Remuneration committee and

other committees. The evaluation was based on the attendance, contribution, independence of judgment and preparedness for the meetings

11. Number of Meetings of the Board of Directors

During the financial year 2017-18 the Board of Directors of the Company met 6 times on 09/05/2017, 10/08/2017, 08/09/2017, 20/11/2017, 17/01/2018 & 10/02/2018. A separate meeting of the Independent Directors of the Company could not be held during the year as required under Section 149 (8) Schedule IV (VII) of the Companies Act 2013 and clause 25 (3) of Securities Exchange Board of India (Listing obligations and disclosure requirements) Regulations 2015. as the Company is in the process of identifying and inducting further number of them so as to meet the requirements stipulated.

12. Public Deposits

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

13. Regulatory / Court Orders

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

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

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

15. Directors' Responsibility Statement

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

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

16. Internal Financial Controls

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

of the Board reviews the adequacy of internal controls

17. Particulars of Loans, Guarantees and Investments.

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

18. Committees of the Board

The Board of Directors has the following Committees:

1. Audit Committee
2. Nomination and Remuneration Committee
3. Stakeholders' Relationship Committee
4. Risk Management Committee

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

19. Corporate Social Responsibility (CSR)

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

20. Related Party Transactions

All the related party transactions by the Company during the year 2017-18 were on an arms length basis and were in the ordinary course of business and as such the provisions of section 188 are not attracted. There are no materially significant Related Party Transactions with Promoters, Directors, Key Managerial Persons or other designated persons during the year. The details of the related party transactions entered by the company during the year under the provisions of section 188 of the Companies Act, 2013 in Form AOC-2 is annexed as **Annexure-B** to this report.

21. Vigil Mechanism

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

22. Familiarization Programmes for Independent Directors

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

23. Extract of Annual Return

The extract of the Annual Return in Form No MGT-9 as required under section 92 of the companies Act, 2013 for the financial year ending March 31, 2018 is annexed hereto as **Annexure –C** and forms part of the this report.

24. Risk Management

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

25. Transfer of unclaimed dividend

There is no unclaimed dividend for the financial year 2009-10 to be transferred to IEPF (Investor Education and Protection Fund) and the sum for the financial year 2010-11 is due for transfer.

26. Auditors

Statutory Auditors

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

Reply to the Comments made in the Audit Report

1. Non Re-conciliation, confirmation of receivables and provisions.

The Company's major customers are Indian Railways and Egyptian National Railways, which recognize the invoices on payment basis. The company could not obtain the confirmation and reconciliation of balance from both the parties. The company intends to file arbitration

proceedings against KRCL for Rs.5.18 crores, hence no provision was made in the books of accounts.

2. Non-provision for slow and non moving stock.

The slow and non moving stocks significantly constitute electronic components which can be used by the company in future expected domestic and international orders, hence provision was not made.

Secretarial Audit

In terms of section 204 of the Companies Act 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 the Company has appointed M/s A. J. Sharma & Associates, Company Secretaries to conduct Secretarial Audit for the year 2017-18 and their report is annexed as **Annexure–D** to this report

Reply to the Comments made in the Secretarial Audit Report

Belatedly filing of Annual returns and forms

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

Penalties imposed by BSE/NSE for delay in compliance under SEBI (Listing Obligations and disclosure requirements) Regulations 2015

These penalties are pertaining to earlier years. There were no major penalties imposed during the year 2017-18.

The Company is required to authorize one or more KMP in terms of Regulation 30(5) of LODR Regulations 2015.

The Company Secretary and Chief Financial Officer is designated under Regulation 30(5) of SEBI (LODR) Regulations 2015 for identifying material events and necessary disclosures.

No Independent directors meeting was held during the year

The Company is in the process of identifying and inducting further Independent directors so as to comply with Regulation 17 of SEBI (Listing obligations and disclosure requirements) Regulations 2015

Updation of Website

The company has appointed a qualified Company Secretary for adhering to all the compliances including updating of Company's website.

Delay in payments of Statutory Dues

The company was facing severe financial constraints since some time, as such there was delay in submission of returns and payment of statutory dues.

INTERNAL AUDITORS:

The Board of Directors based on the recommendation of the Audit Committee has re-appointed M/s. SRH & Co., Chartered Accountants, Hyderabad, as the Internal Auditors of your Company. The Internal Auditors are submitting their reports on quarterly basis.

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

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

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

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

Annexure-F to this report.

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

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

29. Other General Disclosures

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

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

30. Corporate Governance Report

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

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

31. Management Discussion & Analysis (MDA)

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

32. Acknowledgements:

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

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

Manthena Badari Narayana Raju Whole-Time Director (DIN: 07993925)	Raju Narasa Mantena Chairman & Director (DIN 02666074)
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Palce : Hyderabad
Date : 12th August, 2018

Annexure - A

FORM AOC-1

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

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

PART "A" – Subsidiaries

1.	Name of the Subsidiary	Avant-Garde Infosystems Inc.
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period.`	No
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	US\$ 65.04
4.	Share Capital	251.52
5.	Reserves & Surplus	(956.60)
6.	Total Assets	339.05
7.	Total Liabilities	339.05
8.	Investments	Nil
9.	Turnover	1.41
10.	Profit before taxation	0.24
11.	Provision for Taxation	Nil
12.	Profit after taxation	0.24
13.	Proposed Dividend	Nil
14.	Percentage of shareholding	100

PART “B” : Associates and Joint Ventures

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

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

For and on behalf of The Board of Directors

Manthena Badari Narayana Raju
Whole Time Director
DIN.07993925

Raju Narasa Mantena
Chairman & Director
DIN 02666074

Place: Hyderabad
Date: 12/08/2018

**Annexure - B****Form No. AOC-2**

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

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

1. Details of contracts or arrangements or transactions not at arm's length basis:

- (a) Name(s) of the related party and nature of relationship: Not Applicable
- (b) Nature of contracts/arrangements/transactions: Not Applicable
- (c) Duration of the contracts / arrangements/transactions: Not Applicable
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any: Not Applicable
- (e) Justification for entering into such contracts or arrangements or transactions
- (f) Date(s) of approval by the Board: Not Applicable
- (g) Amount paid as advances, if any: Not Applicable
- (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188: Not Applicable

2. Details of material contracts or arrangement or transactions at arm's length basis:

- (a) Name(s) of the related party and nature of relationship : **Avant-Garde Infosystems Inc., USA**
100% Wholly Owned Subsidiary
- (b) Nature of contracts/arrangements/transactions : **Procurement of Booms**
- (c) Duration of the contracts / arrangements/transactions : **08 to 12 weeks**
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any : **US\$63,811/-**
- (e) Date(s) of approval by the Board, if any : **17th May, 2018**
- (f) Amount paid as advances, if any : **Nil**

For and on behalf of The Board of Directors

Manthana Badari Narayana Raju
Whole Time Director
DIN.07993925

Raju Narasa Mantena
Chairman & Director
DIN 02666074

Place: Hyderabad
Date: 12/08/2018

Annexure - C

FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN
As on financial year ended on 31.03.2018

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

I. REGISTRATION & OTHER DETAILS:

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

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Manufacturing and Supply of Rail Yard Collision Avoidance Systems	30205	2.19%
2	Installation of Lxcs Gates for Egyptian National Railways	3320	54.54%
4	Supply of Booms to Egyptian National Railways	30205	43.27%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

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

IV. SHARE HOLDING PATTERN

(Equity share capital breakup as percentage of total equity)

(i) Category-wise Share Holding between 31.03.2017 and 31.03.2018

Category of Shareholders	"No. of Shares held at the beginning of the year [As on 31-March-2017]"				"No. of Shares held at the end of the year [As on 31-March-2018]"				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
Individual /HUF	225,863	-	225,863	1.81	225,863	-	225,863	1.81	0.00
Central Government	-	-	-	0.00	-	-	-	0.00	0.00
State Government(s)	-	-	-	0.00	-	-	-	0.00	0.00
Bodies Corporate	-	-	-	0.00	-	-	-	0.00	0.00
Financial Institutions/Banks	-	-	-	0.00	-	-	-	0.00	0.00
Others	115,887	498	116,385	0.93	31	498	529	0.00	-0.93
Sub Total (A) (1)	341,750	498	342,248	2.74	225,894	498	226,392	1.81	-0.93
(2) Foreign									
Individuals									
(NRIs/Foreign Individuals)	3,727,228	-	3,727,228	29.82	3,619,447	-	3,619,447	28.96	-0.86
Bodies Corporate	-	-	-	0.00	-	-	-	0.00	0.00
Institutions	-	-	-	0.00	-	-	-	0.00	0.00
Qualified Foreign Investor	-	-	-	0	-	-	-	0	0
Others	96,703	118,177	214,880	1.72	8,782	118,177	126,959	1.02	-0.70
Sub Total (A) (2)	3,823,931	118,177	3,942,108	31.54	3,628,229	118,177	3,746,406	29.97	-1.57
TOTAL (A)	4,165,681	118,675	4,284,356	34.28	3,854,123	118,675	3,972,798	31.78	-2.49
B. Public Shareholding									
1. Institutions									
a) Mutual Funds /UTI	-	-	-	0.00	-	-	-	0.00	0.00
b) Financial Institutions /Banks	-	-	-	0.00	-	-	-	0.00	0.00
c) Central Government / State Government(s)	-	-	-	0.00	-	-	-	0.00	0.00
d) Venture Capital Funds	-	-	-	0.00	-	-	-	0.00	0.00
e) Insurance Companies	-	-	-	0.00	-	-	-	0.00	0.00
f) Foreign Inst. Investors	-	-	-	0.00	-	-	-	0.00	0.00
g) Foreign Venture Capital Investors	-	-	-	0.00	-	-	-	0.00	0.00
h) Qualified Foreign Investor	-	-	-	0.00	-	-	-	0.00	0.00
i) Others	-	-	-	0.00	-	-	-	0.00	0.00
Sub-total (B)(1):	-	-	-	-	-	-	-	-	-

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

Category of Shareholders	"No. of Shares held at the beginning of the year [As on 31-March-2016]"				"No. of Shares held at the end of the year [As on 31-March-2017]"				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
2. Non-Institutions									
a) Bodies Corporate	1,236,693	-	1,236,693	9.89	824,381	-	824,381	6.60	-3.30
b) Individuals									
(i) Individuals holding nominal share capital upto Rs.1 lakh	4,522,343	613	4,522,956	36.18	4,562,634	611	4,563,245	36.51	0.32
(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	1,504,744	12,656	1,517,400	12.14	2,324,528	12,656	2,337,184	18.70	6.56
c) Others									
Clearing Members	73,020	-	73,020	0.58	4,377	-	4,377	0.04	-0.55
Non Resident Indians	351,862	429,908	781,770	6.25	301,670	417,639	719,309	5.75	-0.50
Nri Non-repatriation	45,347	-	45,347	0.36	16,114	-	16,114	0.13	-0.23
Trusts	200	24,331	24,531	0.20	200	24,331	24,531	0.20	0.00
NBFC	13,582	-	13,582	0.11	37,716	-	37,716	0.30	0.19
d) Qualified Foreign Investor	-	-	-	0.00	-	-	-	0.00	0.00
Sub-Total B(2) :	7,747,791	467,508	8,215,299	65.72	8,071,620	455,237	8,526,857	68.22	2.49
Total B=B(1)+B(2) :	7,747,791	467,508	8,215,299	65.72	8,071,620	455,237	8,526,857	68.22	2.49
Total (A+B) :	11,913,472	586,183	12,499,655	100.00	11,925,743	573,912	12,499,655	100.00	0.00
C. Shares held by custodians, against which Depository Receipts have been issued									
(1) Promoter and Promoter Group	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(2) Public	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grand Total (A+B+C)	11,913,472	586,183	12,499,655	100.00	11,925,743	573,912	12,499,655	100.00	-

(ii) Shareholding of Promoter

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year i.e, 01.04..2017			Shareholding at the end of the year i.e, 31.03.2018			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Share Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1.	RAJU N MANTENA	854,633	6.84%	0	854,633	6.84%	0	0.00%
2.	SITARAMA RAJU MANTHENA	712,992	5.70%	0	712,992	5.70%	0	0.00%
3.	SREELAKSHMI MANTHENA	640,398	5.12%	0	640,398	5.12%	0	0.00%
4.	SRINIVARA RAJU MANTHENA	606,597	4.85%	0	606,597	4.85%	0	0.00%
5.	SHILPA LAKAM RAJU	87,921	0.70%	0	-	0.00%	0	-0.70%
6.	JYOTSNA LAKAMRAJU	41,565	0.33%	0	-	0.00%	0	-0.33%
7.	ANJI RAJU MANTHENA	277,078	2.22%	0	414,078	3.31%	-	1.10%
8.	MANTHENA PARAVATHI	268,469	2.15%	0	268,469	2.15%	0	0.00%
9.	VENKATESWARA RAJU LAKKAMRAJU	225,863	1.81%	0	225,863	1.81%	0	0.00%
10.	JYOTHI RAJU	173,329	1.39%	0	122,473	0.98%	0	-0.41%
11.	SWATI RAJU	14,887	0.12%	0	14,887	0.12%	0	0.00%
12.	KISHORE BABU GOTTIMUKKALA	137,280	1.10%	0	57,320	0.46%	0	-0.64%
13.	MADHAV MANTENA	110,260	0.88%	0	110,260	0.88%	0	0.00%
14.	LAKAMRAJU JHANSI LAXMIBAI	-	0.00%	0	-	0.00%	0	0.00%
15.	NAMRATA KAPOOR	7,917	0.06%	0	7,917	0.06%	0	0.00%
16.	MADHUVALLI LAKAMRAJU	5,480	0.04%	0	5,480	0.04%	0	0.00%
17.	VENKATARAMAMURTHY RAJU LAKAMRAJU	2,883	0.02%	0	2,883	0.02%	0	0.00%
18.	SUBBARAJU VENKATA LAKAMRAJU	498	0.00%	0	498	0.00%	0	0.00%
19.	JAGANNADHA L RAJU	419	0.00%	0	419	0.00%	0	0.00%
20.	LAKKAMRAJU SUSILAMMA	31	0.00%	0	31	0.00%	0	0.00%

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

S. No.	Particulars	Shareholding at the beginning of the year i.e, 01.04.2017		Cumulative Shareholding during the year i.e, 31.03.2018		% change in shareholding during the year
		No. of shares	% of total	No. of shares	% of total shares	
1.	ANJI RAJU MANTHENA	277,078	2.22%	414,078	3.31%	1.10%
2.	JYOTI RAJU	173,329	1.39%	122,473	0.98%	-0.41%
3.	KISHORE BABU GOTTIMUKKALA	137,280	1.10%	57,320	0.46%	-0.64%
4.	SHILPA LAKAM RAJU	87,921	0.70%	-	0.00%	-0.70%
5.	JYOTSNA LAKAMRAJU	41,565	0.33%	-	0.00%	-0.33%

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

Sl. No.	For each of the Top 10 shareholders	Shareholding at the beginning of the year i.e, 01.04.2017		Cumulative shareholding at the end of the year i.e, 31.03.2018	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1.	GAGANDEEP CREDIT CAPITAL PVT LTD	275,000	2.20%	275,000	2.20%
2.	JANARDHANA REDDY VINTA	198,655	1.59%	199,655	1.60%
3.	CHALLA SUBRAHMANYA SARMA	186,212	1.49%	186,212	1.49%
4.	DHEERAJ KUMAR LOHIA	-	0.00%	169,017	1.35%
5.	BANDARU MURALI MOHAN	150,071	1.20%	13,071	0.10%
6.	MANJU SINGHI	25,000	0.20%	141,000	1.13%
7.	GUINNESS SECURITIES LIMITED	117,710	0.94%	21,139	0.17%
8.	ANIRUDDHA NAHA	115,000	0.92%	-	0.00%
9.	MANISHKUMAR SUMATILAL MEHTA	-	0.00%	110,352	0.88%
10.	NIKESH K SHAH	103,998	0.83%	-	0.00%
11.	RAJESH JOSEPH	100,000	0.80%	-	0.00%

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares	No. of Shares	% of total Shares
1	JANARDHANA REDDY VINTA				
	At the beginning of the year	198,655	1.59%	198,655	1.59%
	Changes during the year	-	0.00%	1,000	0.01%
	At the end of the year	198,655	1.59%	199,655	1.60%
2	DR ANJI RAJU MANTHENA				
	At the beginning of the year	277,078	2.22%	277,078	2.22%
	Changes during the year	-	0.00%	137,000	1.10%
	At the end of the year	277,078	2.22%	414,078	3.31%
3	DR RAJU NARASA MANTENA				
	At the beginning of the year	854,633	6.84%	854,633	6.84%
	Changes during the year	-	0.00%	-	0.00%
	At the end of the year	854,633	6.84%	854,633	6.84%
4	MS. SREE LAKSHMI MANTHENA				
	At the beginning of the year	640,398	5.12%	640,398	5.12%
	Changes during the year	-	0.00%	-	0.00%
	At the end of the year	640,398	5.12%	640,398	5.12%

V. INDEBTEDNESS

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

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year i.e, 01.04.2017				
I) Principal Amount	481.78	1,178.94	-	1,660.72
ii) Interest due but not paid	-	128.39	-	128.39
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	481.78	1,307.33	-	1,789.11
Change in Indebtedness during the financial year				
* Addition	-	93.60	-	93.60
* Reduction	-	-	-	-
Net Change	-	93.60	-	93.60
Indebtedness at the end of the financial year i.e.,31.03.2018				
I) Principal Amount	488.58	1,078.94	-	1,567.52
ii) Interest due but not paid	-	321.98	-	321.98
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	488.58	1,400.93	-	1,889.51

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL
A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

S. No.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount
		* K Krishnam Raju Director In-charge	** M B Narayana Raju Whole Time Director	(Rs/Lac)
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	40.55	5.00	45.55
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
	Others, please specify	-	-	-
	Total (A)	40.55	5.00	45.55
	Ceiling as per the Act			

* Vacated the office of Director on 29.09.2017

** Appointed on 20.11.2017

B. Remuneration to other Directors

S. No.	Particulars of Remuneration	Name of Directors							Total Amount
		M Gopala Krishna	Arun Kumar Sanwalka	Venkata Ratnam Anugolu	Anji Raju Manthana	Raju Narasa Mantana	Janardhana Reddy Mantana	* Ms Sree Lakshmi Manthana	(Rs/Lac)
1	Independent Directors								
	Fee for attending board committee meetings	2.00	2.60	2.80	-	-	-	-	7.40
	Commission	-	-	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-	-	-
	Total (1)	2.00	2.60	2.80	-	-	-	-	7.40
2	Other Non-Executive Directors	-	-	-	-	-	-	-	-
	Fee for attending board committee meetings	-	-	-	1.60	1.60	1.00	0.40	4.60
	Commission	-	-	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-	-	-
	Total (2)	-	-	-	1.60	1.60	1.00	0.40	4.60
	Total (B)=(1+2)	2.00	2.60	2.80	1.60	1.60	1.00	0.40	12.00
	Total Managerial Remuneration								57.55

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

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

S. No.	Particulars of Remuneration	Name of Key Managerial Personnel		Total Amount
		K Krishnam Raju CEO	Ramayya Vutukuri CFO	(Rs/Lac)
1	Gross salary	30.00	16.09	46.09
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961			0.00
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	0.00
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	0.00
	Stock Option			0.00
	Sweat Equity			0.00
	Commission			0.00
	- as % of profit			0.00
	- others, specify			0.00
	Others, please specify			0.00
	Total	30.00	16.09	46.09

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

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

Annexure-D

Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED March 31, 2018

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

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

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

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2018 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2018 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings **(Not applicable during the audit period)**
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') viz :
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009
 - (d) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') to the extent applicable during the Audit Period;
 - (e) The Securities Exchange Board of India (share based Employee benefits) Regulations 2014: **(Not applicable during the audit period).**

- (f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **(Not applicable during the audit period)**
- (g) The Securities and Exchange Board of India (Registrars to an Issue and Share transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client
- (h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009- (Not applicable during the audit period)
- (i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 - (Not applicable to the Company during the audit period)
- vi) Other applicable laws including the following
 - 1. Factories Act, 1948
 - 2. Industrial Disputes Act 1947
 - 3. Payment of wages Act 1936
 - 4. The Minimum wages Act 1948
 - 5. Employees state insurance Act 1948
 - 6. Employees Provident Funds and Miscellaneous Provisions Act 1952
 - 7. Payment of Bonus Act 1965
 - 8. Payment of gratuity Act 1972
 - 9. Contract Labour (Regulation & Abolition) Act, 1970
 - 10. Maternity Benefit Act 1961
 - 11. Environment (Protection) Act, 1986; Water (Prevention & Control of Pollution) Act, 1974; Air (Prevention & Control of Pollution) Act 1981; e-Waste (Management and Handling) Rules, 2010
 - 12. Legal Metrology Act 2009
 - 13. Income Tax Act 1961, central excise Act 1944 and VAT Act
 - 14. Air (Prevention & control of pollution) Act 1981 and water (Prevention & control of Pollution) Act 1974
 - 15. The Indian Copyright Act, 1957, The Trade Marks Act, 1999, The Patents Act, 1970;

I have also examined compliance with the applicable clauses of the following

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

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

The Company has filed belatedly the Annual return/Annual Report for the year ended 2017 with the Ministry of Corporate affairs. There was Non filing/delay in filing of other forms during the year under review as well.

The Company paid the penalty imposed by BSE/NSE for delay in submission of some of the quarterly disclosure forms in the earlier years.

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

The Company is required to authorize one or more KMP in terms of Regulation 30(5) of LODR Regulations 2015 for determining materiality of any event or information for disclosure to stock exchanges and on Company's website.

No Independent directors meeting was held during the year in terms of the provisions of Section 149 (8) Schedule IV (VII) of the Companies Act 2013 and clause 25 (3) of Securities Exchange Board of India (Listing obligations and disclosure requirements) Regulations 2015.

The Company is required to update the Website of the company to disseminate the information as required under regulation 46 of SEBI (LODR) Regulations'2015.

There was delay in some months during the year in making the payments and submission of returns under PF/ESI/TDS//Professional Tax.

The Company has obtained approval of the shareholders for the preferential issue of shares and obtained in principle approval of NSE in the current year. However approval was not sought from BSE.

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act. The Company has appointed non executive promoter director as full time Chairman and is required 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.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the Board and Board committees I noticed that all the decisions were carried through unanimously.

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

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

This report is to be read with our letter of even date which is annexed as Annexure-A and forms an integral part of this report

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

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

Place: Hyderabad
Date: August 12, 2018

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

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

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Account of the Company
4. Wherever required I have obtained the Management representation about the compliances of laws, rules and regulations and happening of events etc.,
5. The compliance of the provisions of Corporate and other applicable laws, rules and regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company

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

Company Secretaries

A.J.Sharma

Company Secretary

FCS-2120, CP-2176

Place: Hyderabad

Date: August 12, 2018

Annexure – E

Statement in accordance with Section 134 (3) (m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014

A. Conservation of Energy

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

B. Technology Absorption Adaptation and Innovation:

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

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

C. Foreign Exchange Earnings and Outgo:

(Rs. in Lakhs)

	Current Year 2017-18	Previous year 2016-17
Foreign Exchange Used	167.13	291.94
Foreign Exchange earned	1,204.00	581.94

By the Order of the Board

Manthana Badari Narayana Raju
Whole-Time Director
DIN: 07993925

Raju Narasa Mantena
Chairman & Director
DIN: 02666074

Place: Hyderabad

Date: 12th August, 2018

Annexure – F

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

- i) The percentage increase in remuneration of each Director, In-charge, CEO & Chief Financial Officer during the financial year 2017-18 and ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2017-18 are as under:-

Name of Director / KMP and Designation	Remuneration of Director / KMP for financial year 2017-18 (Rs. in lakhs)	% increase in remuneration in the financial year 2017-18	Ratio of remuneration of each Director /to median remuneration of employees
** K Krishnam Raju, Director In-charge	30.00	0	11.36:1
* K Krishnam Raju, CEO	30.00	0	11.36:1
* M Badari Narayana Raju, Whole Time Director	5.00	0	1.89:1
Ramayya Vutukuri, CFO	16.09	0	6.09:1

* **Appointed on 20.11.2017**

** **Vacated office of director on 29.09.2017**

- ii) In the financial year, there was no increase in the median remuneration of employees.
- iii) There were 77 permanent employees on the rolls of Company as on March 31, 2018.
- iv) There is no change in the average remuneration of employees compare to the previous financial year.
- v) The remuneration of the Key Managerial Personnel put together is Rs. 81.09 lacs which was Rs. 88.06 lacs in the previous year.
- vi) There was no average percentile increase either in the salaries of employees (other than the managerial personnel) or the managerial remuneration in the financial year 2017-18.
- vii) No variable component of remuneration availed by the directors / KMPs.
- viii) The Director In charge / CEO is the highest paid Director. No employee received remuneration higher than the Director in charge/CEO.
- ix) It is hereby affirmed that the remuneration paid during the Financial Year ended 31st March, 2018 is as per the Remuneration Policy of the Company.

Name	Age	Qualification And Experience of employee in Kernex	Designation	Date of commencement of employment	Nature of Employment	in (Rs. In Lacs) Per Annum	Previous Employment	Relative of Director If any	% of Share Holding
I Mastan Rao	63	B.Tech ECE /14 years	Vice President	11.08.2004	Permanent	11.64	TATA Steel	-	-
B Sampath Kumar	46	MCA/PGCHRM,XLRI/ 5 Years	General Manager	22.11.2013	Permanent	12.60	Malcon Global Limited	-	-
Nunna Venkateswara Rao	43	B Tech,(CSE) /1.5years	Manager S/W Development	06.02.2017	Permanent	15.02	HBL Power Systems Ltd, Hyd.	-	-
C S Nagaraj	60	BE(E&C) / 01 Year	Sr.Vice President	06.04.2017	Permanent	15.98	United Telecom, Bangalore	-	-
G Malla Reddy	42	B.Tech (CSE) / 10 Years	Deputy General Manager	18.02.2008	Permanent	18.84	Silver Software, Bangalore	-	-
A V R Murthy	53	BE(Mech) / 1.5 Years	General Manager, Marketing	26.12.2016	Permanent	19.94	HBL Power Systems Ltd, Hyd.	-	-
Joseph Chakravarthi	46	MS (Comp)/ 16 Years	General Manager S/W Services	01.04.2002	Permanent	23.40	Open Manganot S/W Inc,USA	-	0.015%
M Rama Krishna	41	M.Tech./ 18 years	Manager R&D	15.03.2004	Permanent	8.76	S.V.Associates, Hyderabad	-	-
P V Sampath Kumar	46	B.Com / 19 years	Asst. Company Secretary	16.09.1999	Permanent	8.40	Rajvebh Electronics Ltd.	-	-
S Jitender Vijay	50	B.Tech / 15 Years	Asst. Manager S/W Validation	26.02.2004	Permanent	8.23	ROC India Limited	-	-

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

Manthana Badari Narayana Raju
Whole-Time Director
DIN: 07993925

Raju Narasa Mantena
Chairman & Director
DIN: 02666074

Place Hyderabad
Date: 12th August'2018

Annexure-G

CORPORATE GOVERNANCE REPORT

1. Company's philosophy on Code of Governance.

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

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

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

2. Board of Directors:

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

Name of the Director	Category	No. of Board Meetings during the year 2017-18		Whether Attended AGM on 29.09.17	Directorships in other public companies	No. of committee positions held in other public companies			No of shares
		Held	Attended			Chairman	Member	Chairman	Member
*Gopalakrishna Muddusetty	Independent Non-Executive	6	4	No	-	9	-	-	-
Anji Raju Manthena	Non-Independent Non-Executive	6	5	No	-	-	-	-	2,77,078
Venkata Ratnam Anugolu	Independent Non-Executive	6	6	No	-	-	-	-	-
Arun Kumar Sanwalka	Independent Non-Executive	6	5	No	-	3	-	-	-
Vinta Janardhana Reddy	Non-Independent Non-Executive	6	5	No	-	-	-	-	1,98,655
Mantena Raju Narasa	Non-Independent Non-Executive	6	5	Yes	-	3	-	-	854633
#K Krishnam Raju	Non-Independent Executive	6	3	Yes	-	5	-	-	-
**Manthena Badari Narayana Raju	Non-Independent Executive	6	2	NA	-	-	-	-	-
**Ms.Sree Lakshmi Manthena	Non-Independent Non-Executive	6	2	NA	-	-	-	-	6,40,398
\$CA TVSN Raju	Independent Non-Executive	6	0	No	-	5	-	-	-

Board committees includes membership of Audit and Shareholders/Investor Grievance Committee.

* Resigned from the Board on 17.01.2018

Vacated office of Director effect from 29.09.2017

** Appointed on 20.11.2017

\$ Appointed as Independent Director w.e.f. 10.02.2018

- iv) Six (6) Board Meetings were held during the year ended 31st March, 2018 and the gap between any two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows.

09/05/2017, 10/08/2017, 08/09/2017, 20/11/2017, 17/01/2018 & 10/02/2018.

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

3. Audit Committee and composition :

- i. The Audit Committee of the Company as at 31st March'2018 consisted of Three Independent Directors. The Chairman of the Audit Committee was an Independent Director who was present at the Board Meeting where Annual accounts have been approved. All the members of the committee are financially literate. Accordingly the composition of the Audit committee is in conformity with Regulation 18 and Part C of Schedule II of the SEBI Listing Regulations, 2015 as well as in Section 177 of the Companies Act, 2013. The Chief Financial Officer and Internal Auditor and Statutory Auditors are also invited to attend and participate at meetings of the Committee. The Chairman of the Audit Committee was unable to be present at the Annual General Meeting held on 29th September, 2017.

The Terms of Audit committee include the following:-

- A. Overview of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement reflects a true and fair position and that sufficient and credible information are disclosed.
- B. Monitoring and reviewing risk management assessment and minimization procedures, implementing and monitoring the risk management plan and identifying, reviewing and mitigating all elements of risks which the Company may be exposed to.
- C. In compliance with provisions of Section 177(9) of the Companies Act, 2013 and Regulation 22 of SEBI (LODR) Regulations, 2015, the Company has framed a Whistle Blower Policy / Vigil Mechanism to report concerns about the Company's working or about any violation of its policies.
- D. Recommending the appointment and removal of the statutory auditors, fixation of audit fees and also approval for payment for any other services.
- E. Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- F. Reviewing, with the management, the annual financial statements before submission to the board, focusing primarily on:
 - a) Matters required to be included in the Director's Responsibility statement to be incorporated Pursuant to section 134 (3) (c) of the Companies Act, 2013
 - b) Any changes in accounting policies and practices
 - c) Major accounting entries based on the exercise of judgment by management
 - d) Significant adjustments arising out of audit;
 - e) Compliance with listing and other legal requirements relating to financial statements Disclosure of any related party transactions
 - f) Qualifications in the draft audit report.
 - g) Compliance with accounting standards
 - h) Management discussion and analysis of financial condition and result of operations.
- G. Reviewing the Quarterly Financial Results before submitting the same to the Board's approval
- H. Reviewing, with the management, the performance of external and internal auditors and adequacy of the internal control systems.
- I. Reviewing the adequacy of internal audit function and frequency of internal audit.
- J. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- K. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
 - i. The Audit Committee Meetings are usually held at the registered office of the Company and are also attended by CFO, Statutory Auditors and Internal Auditors.
 - ii. The last Annual General Meeting of the Company was held on September 29, 2017.
 - iii. The composition of the Audit Committee as on March 31, 2018 and particulars of meetings attended by the members are as follows:

Name	Category	Number of meetings during the year 2017-18	
		Held	Attended
Venkata Ratnam Anugolu	Independent Non-Executive	5	5
*Gopalakrishna Muddusetty	Independent Non-Executive	5	4
Arun Kumar Sanwalka	Independent Non-Executive	5	5
** CA TVSN Raju	Non-Independent-Executive	5	Nil
#K Krishnam Raju	Non-Independent-Executive	5	3

** Appointed on 10.02.2018

Name	Category	Number of meetings during the year 2017-18	
		Held	Attended
*Gopalakrishna Muddusetty	Independent Non-Executive	5	4
#K Krishnam Raju	Non-Independent-Executive	5	3

* Resigned with effect from 17.01.2018

vacated office of director w.e.f. 29.09.2017

The necessary quorum was present at all meetings.

4. Nomination and Remuneration Committee:

1. The Nomination and Remuneration Committee was constituted in conformity with SEBI (LODR) Regulations, 2015 and the terms of reference are in conformity with Section 178 of the Companies Act'2013.
2. The Nomination and Remuneration Committee of the Company as on 31stMarch'2018 consists of 5 directors, out of whom three are independent directors.

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

- a. Identifying persons to become qualified Directors and Senior Management personnel as also to determine the qualifications positive attributes and independence of Directors and frame a policy relating to the remuneration of Directors/KMP and other employees.
- b. Such other matters as the Board may from time to time request the Remuneration Committee to examine and recommend/approve.
- c. The composition of the Nomination and Remuneration Committee as on March 31, 2018 and three meetings were held on 09/05/2017, 20/11/2017 & 10/02/2018 the details of the members attended are as follows:-*

Name	Category	Number of meetings during the year 2017-18	
		Held	Attended
Venkata Ratnam Anugolu	Independent Non-Executive	3	3
Arun Kumar Sanwalka	Independent Non-Executive	3	3
Raju Narsa Mantena	Non-Independent-Non-Executive	3	3
Dr.Anji Raju Mantena	Non-Independent-Non-Executive	3	3
#CA TVSN Raju	Independent Non-Executive	3	Nil

Appointed on 10/02/2018

Name	Category	Number of meetings during the year 2017-18	
		Held	Attended
\$Gopalakrishna Muddusetty	Independent Non-Executive	3	2
*K Krishnam Raju	Non-Independent-Executive	3	1

\$Resigned on 17/01/2018.

* Vacated office of director w.e.f. 29/09/2017

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

5. Remuneration Policy:

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

6. Remuneration paid to Director In charge and Whole time Director during the financial year 2017-18 is follows:-.

Name	Designation	REMUNERATION (Rs.Lacs)		
		Salary & Benefits	Commission	Total
#Mr.K.Krishnam Raju	Director In charge	40.55	-	40.55
\$Manthana Badari Narayana Raju	Whole Time Director	5.00	-	5.00

Vacated office of director w.e.f.29/09/2017

\$ Appointed as Whole Time Director w.e.f.20.11.2017

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

B. Non- Executive Directors:

The Non-Executive Directors are paid sitting fee at the rate of Rs.20,000/- for each meeting of the Board and committee meetings. The Company also reimburses the out of pocket expenses incurred by the Directors for attending meetings.

Name	Sitting fee (Amount in Rs.)
Sri. Gopalakrishna Muddusetty	2,00,000
Sri. Venkata Ratnam Anugolu	2,80,000
Sri. Arun Kumar Sanwalka	2,60,000
Ms.Sree Lakshmi Manthana	40,000
Sri. Anji Raju Manthana	1,60,000
Sri. Vinta Janardhana Reddy	1,00,000
Sri. Mantana Raju Narasa	1,60,000

Sitting fee paid to non executive Directors during Financial Year 2017-18, is as follows:-.

5. Stakeholders Relationship Committee:

The Company has a Stakeholders Relationship Committee constituted as per Section 178 of the Companies Act, 2013 to look into the redressal of complaints of investors such as transfer or credit of shares, non-receipt of dividend/notices/annual reports, etc.

- The Stakeholders Relationship Committee of Company consists of four directors, who are all independent Directors.
- The Composition of the shareholder/ investors Grievance Committee is given below:-

Name	Category
Sri. Arun Kumar Sanwalka Sri. Raju Narasaraaju Mantena #CA TVSN Raju	Independent Non-Executive Promoter - Non-Executive Independent Non-Executive

Appointed on 10/02/2018

Name	Category
*Sri.K Krishnam Raju \$Sri. M. Gopalakrishna, IAS (Retd)	Non-Independent-Executive Independent Non-Executive

* Vacated office of director w.e.f. 29/09/2017

\$ Resigned on 17/01/2018.

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

- Details of complaints received and redressed:

Opening Balance	Received during the period 01.04.2017 to 31.03.2018	Resolved during the period 01.04.2017 to 31.03.2018	Closing Balance
Nil	2	2	Nil

6. Risk Management Committee

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

However, the Company has constituted a Risk Management Committee consists of the following

Name	Category
Sri. Venkata Ratnam Anugolu Sri. Arun Kumar Sanwalka Sri. Anji Raju Manthana Sri. Mantena Raju Narasa *Sri.K Krishnam Raju #CA T V S N Raju	Independent Non-Executive Independent Non-Executive Non-Independent Non-Executive Non-Independent Non-Executive Non-Independent Executive Independent Non-Executive

* Vacated office of director w.e.f. 29/09/2017

Appointed on 10/02/2018

Directors to identify the risks and to take measures for mitigating the same

Compliance Reports

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

Succession Plans

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

Code of Conduct

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

12th August'2018

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, Badari Narayana Raju Manthena, Whole Time Director, 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, 2018.

Manthena Badari Narayana Raju
Whole Time Director

Information and Compliance Certificate to the Board

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

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

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

Prevention of Insider Trading

The Company has framed the Code of Conduct to regulate, monitor and report trading by employees and other connected persons and the Code of Practices and Procedures for fair disclosure of unpublished price sensitive information for Prevention of Insider Trading based on SEBI (Prohibition of Insider Trading) Regulations, 2015. The Code of Conduct to regulate, monitor and report trading by employees and other

connected persons is applicable to all the Board members / officers / designated persons. The Code ensures the prevention of dealing in shares by persons having access to unpublished price sensitive information.

7. Related Party Transactions

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

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

The Company does not have a domestic subsidiary.

9. Independent Directors and compliance of their obligations

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

As stipulated by the Code of Independent Directors under the provisions of Section 149 (8) Schedule IV (VII) of the Companies Act 2013 and clause 25 (3) of Securities Exchange Board of India (Listing obligations and disclosure requirements) Regulations 2015, a separate meeting of the Independent Directors of the Company was not held during the year.

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

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

11. General Meetings

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

Year	Meeting	Day, Date and Time of the Meeting	Venue
2016-17	25th AGM	Friday the 29th September'2017	Registered office of the company situated at Plot No 38 to 41, Survey No 1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Ranga Reddy District, Hyderabad-501 510
2015-16	24th AGM	Saturday the 18th October'2016 at 3.00 PM	Hotel Minerva Grand, Sarojini Devi Road, Secunderabad- 500 003.
2014-15	23rd AGM	Monday the 28th Sep. 2015 at 3.00 P.M	Hotel Minerva Grand, Sarojini Devi Road, Secunderabad- 500 003.

Special Resolutions

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

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

Postal Ballot:

The details of Special Resolutions which were passed through postal ballot during the last financial year ended 31.03.2017 and voting pattern thereon is as follows:-

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

One resolution was proposed during the year under review on 17th January' 2018 the voting of which ended on 22nd February' 2018 and voting pattern thereon is as follows:-

Postal Ballot No.	Particulars of Special Resolution	No. of Shares	Date of Passing of the Resolution	Voting Pattern	
				Votes cast in favour	Votes cast against
1	Special Resolution under Section 62(1) (c), read with section 42 of the Companies Act, 2013 to consider and approve issue of equity shares on preferential basis to Dr.Anji Raju Manthena Promoter-Individual	3,71,291	February 16, 2018	37,49,720 & 99.9978%	81 & 0.0022%
2	Special Resolution under Section 62(1) (c), read with section 42 of the Companies Act, 2013 to consider and approve issue of equity shares on preferential basis to Dr. Raju Narasa Mantena Promoter-Individual	2,94,118	February 16, 2018	37,49,720 & 99.9978%	81 & 0.0022%

Postal Ballot No.	Particulars of Special Resolution	No. of Shares	Date of Passing of the Resolution	Voting Pattern	
				Votes cast in favour	Votes cast against
3	Special Resolution under Section 62(1) (c), read with section 42 of the Companies Act, 2013 to consider and approve issue of equity shares on preferential basis to Mr. K Krishnam Raju Non-Promoter-Individual	5,88,235	February 16, 2018	37,41,420 & 99.7792%	8,281 & 0.2208%
4	Special Resolution under Section 62(1) (c), read with section 42 of the Companies Act, 2013 to consider and approve issue of equity shares on preferential basis to Mrs. Swetha Kanumuri Non-Promoter-Individual	3,92,157	February 16, 2018	37,41,420 & 99.7792%	8,281 & 0.2208%
5	Special Resolution under Section 62(1) (c), read with section 42 of the Companies Act, 2013 to consider and approve issue of equity shares on preferential basis to Dr. Vinta Janardhana Reddy Non-Promoter-Individual	2,24,256	February 16, 2018	37,49,720 & 99.9978%	81 & 0.0022%

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

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

Extraordinary General Meeting:

No Extraordinary General Meeting of the Members was held during the year 2017-18.

12. Means of Communication:

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

13. General Shareholder's information:

i) Annual General Meeting

Date	:	28th, September 2018
Time	:	11.00 A.M
Venue	:	Plot No.38 to 41, Survey no.1/1, Hardware Park, Maheswaram Mandal, Raviryal Village, Ranga Reddy, Hyderabad – 501 510

ii) Financial Calendar

Year ending	:	March 31, 2018
AGM	:	September 28, 2018

iii) Date of Book Closure

: 22-09-2018 to 28-09-2018

iv) Listing on Stock Exchange

: Bombay Stock Exchange Limited
: The National Stock Exchange of India Limited

Stock Code / Symbol

(Physical & Demat)

: Bombay Stock Exchange Limited 532686
The National Stock Exchange : Kernex

International Securities Identification
Number (ISIN)

: INE202H01019

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

Month	Bombay Stock Exchange Limited			National Stock Exchange Limited		
	High (Rs.)	Low (Rs.)	Total No. of Shares Traded	High (Rs.)	Low (Rs.)	Total No. of Shares Traded
Apr-17	60.00	41.10	8,06,803	60.50	40.50	10,75,211
May-17	57.00	37.40	4,61,229	56.90	37.85	5,04,498
June-17	41.15	33.90	2,27,039	41.50	34.05	1,06,715
July-17	40.00	35.25	1,48,217	39.90	35.35	61,082
Aug-17	37.45	31.50	1,81,689	38.10	31.55	1,09,371
Sep-17	48.85	35.00	3,24,747	49.05	36.25	2,56,971
Oct-17	50.30	44.15	2,72,164	51.50	44.45	1,71,018
Nov-17	47.90	40.55	3,41,064	48.00	40.40	2,78,266
Dec-17	47.75	41.35	1,67,959	48.40	41.20	1,48,180
Jan -18	66.35	45.00	11,33,710	66.35	45.00	6,20,984
Feb -18	54.45	40.20	2,48,082	54.95	40.00	2,63,728
March-18	44.45	36.35	1,58,666	44.40	36.80	2,55,320

Disclosure on suspension of trading - Not applicable

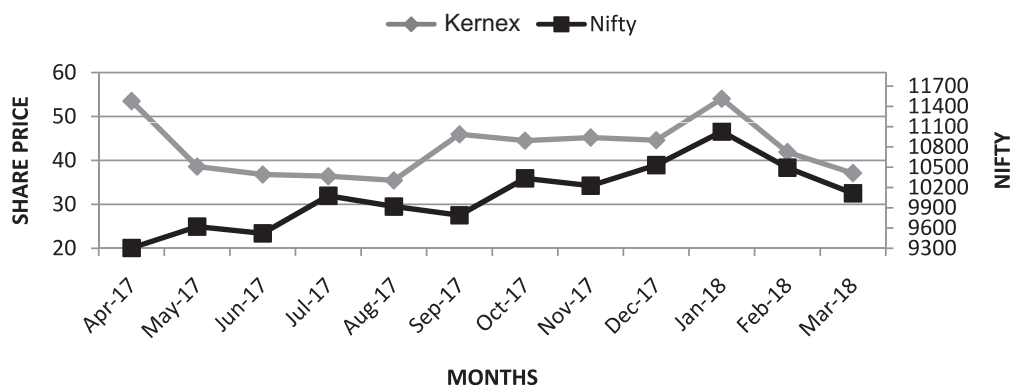
Registrar and Transfer Agents:

Karvy Computershare Private Limited.,
Karvy Selenium Tower No.B,Plot No.31-32,Gachibowli,
Financial District, Nanakramguda, Hyderabad : 500 032 | India
P : +91 040 67161591 | E-mail: ksreddy@karvy.com
Contact Person: Mr. K S Reddy (Asst. General Manager)

KERNEX SHARE PRICE VS NIFTY

Month	Price	Nifty
Apr-17	53.50	9,304.05
May-17	38.60	9,621.25
Jun-17	36.80	9,520.90
Jul-17	36.40	10,077.10
Aug-17	35.45	9,917.90
Sep-17	45.95	9,788.60
Oct-17	44.50	10,335.30
Nov-17	45.20	10,226.55
Dec-17	44.60	10,530.70
Jan-18	54.05	11,027.70
Feb-18	41.90	10,492.85
Mar-18	37.10	10,113.70

COMPARISION OF MONTHLY CLOSING PRICE OF KERNEX VS NIFTY



Share Transfer System:

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

Distribution of Shareholding (as on March 31, 2018):

Sl. No.	Category No. of Shares	Holding in No.s.	% to Capital	No. of Accounts	% of Total Accounts
1.	1 – 5000	17015	98.63	3972518	31.78
2.	5001 – 10000	116	0.67	876923	7.02
3.	10001 – 20000	56	0.32	801072	6.41
4.	20001 – 30000	24	0.14	607702	4.86
5.	30001 – 40000	12	0.07	425539	3.40
6.	40001 – 50000	5	0.03	233254	1.87
7.	50001 – 100000	9	0.05	668121	5.35
8.	100001 and above	15	0.09	4914526	39.32
TOTAL:		17252	100.00	12499655	100.00

Shareholding pattern as on March 31, 2018

S.No.	Category	No. of Share Holders	No. of Shares	Percentage of Holding
(A)	PROMOTER AND PROMOTER GROUP			
(1)	INDIAN			
(a)	Individual /HUF	1	2,25,863	1.81
(b)	Others	2	529	0.00
(2)	FOREIGN			
(a)	Individuals (NRIs/Foreign Individuals)	14	37,46,406	29.97
(b)	Others			
	Total	17	39,72,798	31.78
(B)	PUBLIC SHAREHOLDING			
(1)	INSTITUTIONS			
(a)	Financial Institutions /Banks			
(2)	NON-INSTITUTIONS			
(a)	Bodies Corporate	196	8,24,381	6.60
(b)	Individuals			
	(i) Individuals holding nominal share capital upto Rs.1 lakh	16,207	47,38,673	37.91
	(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	31	16,81,185	13.45
(c)	Others (NBFCs)	3	37,716	0.30
	CLEARING MEMBERS	13	4,377	0.04
	NON RESIDENT INDIANS	158	7,35,423	5.88
	TRUSTS	3	24,531	0.20
	HUF	624	4,80,571	3.84
	Total	17,235	85,26,857	68.22
	Grand Total	17,252	1,24,99,655	100.00

Dematerialization of shares and liquidity:

The company's shares are compulsorily traded in dematerialization form. Equity shares of the Company representing 95.41% of the company's share capital are dematerialized as on March 31, 2018.

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

As on March 31, 2018 the company did not have any outstanding GDRs /ADRs / Warrants or any convertible instruments.

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

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

15. OTHER DISCLOSURES

Materially significant related party transactions during the year ended 31st March 2018:

There were no materially significant related party transactions made by the Company with its Promoters, their subsidiaries, Directors or Management or relatives etc. that may have potential conflict with the interests of the Company at large. All the related party transactions are at arm's length basis and in the ordinary course of business.

Details of non-compliances during last three years

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

The Company has complied with all mandatory requirements. Adoption of non-mandatory requirements is provided under Item No.18 of this report.

Disclosure on Commodity price risks and commodity hedging activities

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

Whistle Blower Policy / Vigil Mechanism

The Company has a Vigil Mechanism through a Whistle Blower Policy. The policy enables stakeholders, including individual employees and their representative bodies, to freely communicate their concerns about illegal or unethical practices, if any. It also enables reporting of concerns by directors and employees about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy or any other genuine concerns or grievances. The policy provides for adequate safeguards against victimisation of employees and directors who avail of the vigil mechanism and also provide for direct access to the Chairperson of the Audit Committee. No personnel has approached the Audit Committee till date.

16. COMPLIANCE OF CORPORATE GOVERNANCE CONDITIONS

The Company has generally complied with the requirements of corporate governance report as specified in Schedule V of the SEBI Listing Regulations, 2015. The Company has submitted the quarterly compliance reports on corporate

governance to the stock exchanges within fifteen days from the end of each quarter during the financial year 2017-18.

17. WEBSITE DISCLOSURES

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

18. DISCLOSURE ON NON-MANDATORY REQUIREMENTS

The Board

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

Shareholder Rights – Quarterly/Half yearly/Annual results

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

Audit qualifications:

The explanation and the comments in the Audit Report are provided in the Directors Report and the company is taking required steps for compliance.

Separate Posts of Chairman and CEO

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

Reporting of Internal Auditors

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

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

By the Order of the Board

for KERNEX MICROSYSTEMS (INDIA) LIMITED

Manthena Badari Narayana Raju
Whole-Time Director
(DIN: 07993925)

Raju Narasa Mantena
Chairman & Director
(DIN 02666074)

Place : Hyderabad
Date : 12th August, 2018

AUDITOR'S CERTIFICATE REGARDING CORPORATE GOVERNANCE

To
The Members of Kernex Microsystems (India) Limited,

We have examined the compliance of conditions of Corporate Governance by Kernex Microsystems (India) Limited, (the Company') for the year ended 31st March 2018, as per regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'Listing Regulations').

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

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

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

We state that such compliance is neither an assurance as to the future viability of the Company nor as to the efficiency or effectiveness with which management has conducted the affairs of the Company. Restrictions on use This certificate is issued solely for the purpose of complying with the aforesaid Regulations and may not be suitable for any other purpose.

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

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

Place: Hyderabad
Date: 12th August, 2018

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

To,
The Board of Directors,

KERNEX MICROSYSTEMS (INDIA) LIMITED

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

- a. We have reviewed the financial statements including cash flow statement (standalone and consolidated) for the financial year ended 31st March, 2018 and to the best of our knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative 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. significant changes in the internal control over financial reporting during the year;
 - ii. 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

K Krishnam Raju
Chief Executive Officer

CA Ramayya V
Chief Financial Officer

Place: Hyderabad
Date: 12th August, 2018

ANNEXURE - H

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ECONOMY

The year under review witnessed a broad based revival in global economy along with pickup in global trade flows across advanced and emerging economies. However the policies of major economies on trade issues led to protectionist measures and counter measures in some countries. Geopolitical developments may affect the Indian economy, financial markets, commodity prices, risk appetite and capital flows.

The economic developments in the 2017-18 indicate a positive momentum for the Indian economy with a marked shift to a higher growth trajectory in the latter part of the year. The improvement in growth in the industrial sector is encouraging as it has the potential to spur recovery in capital investments in the private sector. The momentum in reforms has continued with the introduction of the Goods and Services Tax. Key macroeconomic parameters including inflation and exchange rates remained stable for most of fiscal 2018. The increase in global commodity and crude oil prices however pose some risk to inflation and the current account deficit. The Insolvency and Bankruptcy Code and National Company Law Tribunal provided the platform for resolution of stressed assets.

Industry structure and developments

The Indian Railway network is growing at a healthy rate. In the next five years, the Indian railway market will be the third largest, accounting for 10 per cent of the global market. Indian Railways is also planning to invest in order to adopt European Train Control Systems (ETCS) which will help in the development of the infrastructural facilities. The Government of India is proposing a National Rail Plan to enable the country to integrate its rail network with other modes of transport and develop a multi-modal transportation network. The other developments in the Rail Sector includes new online vendor registrations for transparency and digital procedure, agreement with Japan for implementation of high speed rail corridor from Mumbai - Ahmedabad with about 80% financial assistance, launching of various connectivity

projects including passenger train service from Kolkatta to Khulna.

Railways

Indian Railways posted record revenue in 2017-18 and the highest revenue growth in three years with introduction of new trains and attracting more passengers.

The Company is one of the three involved in the TCAS trials for maiden installation, suitability and operability in South Central Railway auto signaling sections and full fledged extended trials at Vikarabad, Wadi and Bidar. The Company has invested considerable amounts in the project and successfully conducted series of trials with changing technical specifications of Railways. The Company is now gearing up for the further changes proposed by the Government to meet international standards

Opportunities

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

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

Threats

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

Segment wise or product wise performance

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

Outlook

The Indian Railway network is growing at a healthy

rate. In the next five years, the Indian railway market will be the third largest, accounting for 10 per cent of the global market. Indian Railways, which is one of the country's biggest employers, can generate one million jobs. Besides development of three new arms of Dedicated Freight Corridor (DFC) in the various regions of the country, Indian government is planning to invest Rs 3,30,000 crores and is planning to invest for adopting to European Train Control Systems (ETCS) which will help in the development of the infrastructural facilities. The Company operating in the Rail sector is looking forward to reap the benefits of massive investments in the sector

Risks and areas of concern

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

Discussion on financial performance with respect to operational performance

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

Internal control systems and their adequacy

The Company has appointed external firm of chartered accountants to conduct Internal Audit and has in place systems of internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance to record and provide

reliable financial and operational information, compliance with applicable statutes, safeguarding of assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of corporate policies. The control systems are regularly under review.

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

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

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

There are no materially significant changes in the HR front during the year. The total number of employees as on March 2018 is 77 as against 82 in the previous year. The company has a good work environment that encourages innovation and meritocracy with a vibrant work ethic that provides its employees an opportunity to work on new technologies, and enables it to leverage talents. As an organization which has to constantly upgrade itself, it has been building competence through training, cross training and skills up-gradation. The Industrial relations remained cordial throughout the year.

Cautionary Statement

Statements in the Management's Discussion and Analysis Report, which seek to describe the

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

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

Manthena Badari Narayana Raju	Raju Narasa Mantena
Whole-Time Director	Chairman & Director
(DIN: 07993925)	(DIN 02666074)

Place : Hyderabad
Date : 12th August, 2018

INDEPENDENT AUDITORS' REPORT

To
The Members
Kernex Microsystems (India) Limited

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of KERNEX MICROSYSTEMS (INDIA) LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Statement of Cash flows and the Statement of Changes in Equity for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS 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 Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

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 Ind AS standalone financial

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

Auditors' Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order issued under section 143(11) of the Act.

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

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

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

Basis for Qualified Opinion

- Out of the total trade receivables as per note no 9, dues outstanding for more than 6 months as on March 31, 2018 is of Rs. 32.85 crores which are subject to confirmation and reconciliation. These trade receivable are slow moving, as partly received or non-moving.
- An amount of Rs. 15.08 crores receivable from Konkan Railway Corporation Limited (KRCL) is under arbitration. Further, the Company has failed in the conciliation proceedings against KRCL for outstanding dues of Rs 5.18 crores and the Company is in the process of filing Arbitration petition. The company has not made any provision in the books of accounts.
- Other financial assets under non-current assets as per note no 5 amounting to Rs. 6.00 is subject to confirmation from parties.
- No provision has been made for slow/non moving stocks lying as on March 31, 2018.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion, the aforesaid Ind AS standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, its loss including other comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss including of Other Comprehensive Income, Statement of Cash Flow and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules 2015, as amended.
- e) On the basis of the written representations received from the directors of the Company as on March 31, 2018 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure A to this report".
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements.
 - ii. The Company has made provision, as required under the applicable law or

accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.

- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("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 **PRSV & Co. LLP**
Chartered Accountants
Firm Registration No: S-200016

Y. Venkateswarlu
Partner
Membership No: 222068

PLACE : Hyderabad
DATE : 27th May, 2018

ANNEXURE “A” TO THE INDEPENDENT AUDITORS’ REPORT OF EVEN DATE ON THE STANDALONE IND AS FINANCIAL STATEMENTS

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

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

We have audited the internal financial controls over financial reporting of **KERNEX MICROSYSTEMS (INDIA) LIMITED** (“the Company”) as of March 31, 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

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

Auditors’ Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For PRSV & Co. LLP
Chartered Accountants
Firm Registration No: S-200016

Y. Venkateswarlu
Partner
Membership No: 222068

Place: Hyderabad
Date: 27th May, 2018

ANNEXURE 'B' TO THE INDEPENDENT AUDITORS' REPORT

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

i. In respect of the Company's fixed assets:

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All the fixed assets have not been physically verified by the management during the year but there is regular program of verification which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.
- ii. As explained to us, the management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were observed in the inventories.
- iii. According to the information and explanations given to us, the Company has not granted any unsecured loans to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013, Accordingly, the provisions of clause 3 (iii) (b), (c) and (d) are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, the Company has

not advanced loans to director/ to a Company in which the Director is interested to which provisions of section 185 of the Companies Act, 2013 apply. In our opinion and according to the information and explanations given to us, the Company has made investments and given guarantees/provided security which is in compliance with the provisions of Sections 186 of the Companies Act, 2013.

- v. The Company has not accepted deposits during the year within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Therefore, the provisions of the clause 3 (v) of the Order are not applicable to the Company.
- vi. The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013 for the business activities carried out by the Company. Thus, reporting under clause 3(vi) of the order is not applicable to the Company.
- vii. (a) According to the books and records as produced and examined by us and also based on management representations, undisputed statutory dues in respect of Provident fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Value Added Tax, Goods and Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues have not been regularly deposited by the Company during the year with appropriate authorities and the outstanding statutory dues outstanding for more than 6 months as at the end of the financial year are as follows.

Nature of Statutory Dues	Amount (Rs. In Lakhs)
Service Tax	69.72
CST against 'C' Forms	22.07
Total	91.79

- (b) According to information and explanations given to us, disputed amounts payable in respect of Income Tax, Sales Tax, Provident fund were outstanding as at March 31, 2018 are as follows:

Name of the Statute			Period to which the amount relates	Amount ₹ in Lakhs
The Income Tax Act, 1961	Income Tax	High Court of judicature at Hyderabad for the state of Telangana and state of Andhra Pradesh	A.Y. 1998-99	8.00
APGST Act, 1957	Sales Tax and Interest	Sales Tax Appellate Tribunal	F.Y. 2002-03	4.13
The Employee Provident Act, 1952	Provident Fund	PF Department	F.Y 2017-18	51.64

viii. In our Opinion and according to the information and explanations given by the management, the company has not defaulted in repayment of loans or borrowings to banks or government. There are no dues which are payable to financial institutions. The Company did not have any debenture holders during the year.

ix. According the information and explanations given by the management, the Company has not raised any moneys by way of initial public offer/further public offer/ debt instruments and term loans and hence reporting under clause 3 (ix) of the Order is not applicable to the Company.

x. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by its officers or employees has been noticed or reported during the year.

xi. In our opinion and according to the information and explanations given to us, the Company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

xii. The Company is not a Nidhi Company and hence reporting under clause 3 (xii) of the Order is not applicable to the Company.

xiii. In our opinion and according to the information and explanations given to us by the management, the Company is in compliance with Section 177 and 188 of the Companies

Act, 2013 where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the notes to the financial statements as required by the applicable accounting standards.

xiv. According the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly paid convertible debentures during the year under review and hence reporting under clause 3 (xiv) of the Order is not applicable to the Company.

xv. 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 as referred to in section 192 of the Companies Act, 2013 during the year under review and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the Company.

xvi. According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For PRSV & Co. LLP
 Chartered Accountants
 Firm Registration No: S-200016

Y. Venkateswarlu
 Partner
 Membership No: 222068

Place: Hyderabad
 Date: 27th May, 2018

Balance Sheet As At 31st March, 2018
Amount in Rupees

Particulars	Note	As at 31st Mar 2018	As at 31st Mar 2017	As at 31st Mar 2016
ASSETS				
Non-current assets				
Property, plant and equipment	3	534,850,795	554,271,919	496,626,038
Capital work-in-progress	3			97,440,499
Intangible assets	3	594,915	200,079	200,079
Financial assets				
Investments	4	11,830,950	11,830,950	11,830,950
Other financial assets	5	61,527,499	63,050,496	3,153,652
Deffered tax assets (net)	6	-	-	6,765,863
Other Non-current assets	7	23,080,218	59,413,907	68,903,980
Total non-current assets		631,884,377	688,767,351	684,921,061
Current assets				
Inventories	8	85,590,288	102,232,684	248,070,496
Financial assets				
Trade receivables	9	365,262,322	412,143,854	513,233,068
Cash and cash equivalents	10	5,224,825	3,005,953	8,391,657
Other bank balances	11	55,314,912	53,277,401	44,000,873
Other financial assets	12	1,542,491	2,142,288	3,020,333
Other current assets	13	44,881,841	59,559,890	76,876,609
Total current assets		557,816,679	632,362,070	893,593,036
TOTAL ASSETS		1,189,701,056	1,321,129,421	1,578,514,097
EQUITY AND LIABILITIES				
Equity				
Equity Share capital	14	124,996,550	124,996,550	124,996,550
Other equity	15	693,089,335	835,613,846	911,871,750
Total Equity		818,085,885	960,610,396	1,036,868,300
Liabilities				
Non-current liabilities				
Financial liabilities				
Borrowings	16	590,612	106,128	359,717
Provisions	17	-	-	1,749,655
Deferred tax liabilities	18	9,259,422	14,900,571	-
Other Non-current liabilities	19	79,800,000	53,199,999	39,999,999
Total Non-current liabilities		89,650,034	68,206,698	42,109,371
Current liabilities				
Financial liabilities				
Borrowings	20	188,950,917	178,911,145	268,764,260
Trade Payables	21	66,154,017	82,546,630	161,181,171
Other financial liabilities	22	1,197,756	2,092,068	2,098,327
Other current liabilities	23	25,662,448	28,762,484	67,492,668
Total current liabilities		281,965,138	292,312,327	499,536,426
TOTAL EQUITY AND LIABILITIES		1,189,701,056	1,321,129,421	1,578,514,097

See accompanying notes to the financial statements 1 to 47

As per our report of even date attached

 For **PRSV & Co. LLP**

Chartered Accountants

Firm Regn No. S200016

Y VENKATESWARLU

Partner

Membership No. 222068

Place: Hyderabad

Date: 27-May-2018

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS
RAJU NARASA MANTENA

Chairman & Director

MANTHENA BADARI NARAYANA RAJU

Director

KANUMURI KRISHNAM RAJU

Chief Executive Officer

RAMAYYA VUTUKURI

Chief Financial Officer

Statement Of Profit And Loss For The Year Ended 31st March , 2018

Amount in Rupees

Particulars	Note	As at 31st Mar 2018	As at 31st Mar 2017
Revenue from operations	24	133,055,787	123,016,446
Other Income	25	7,185,671	18,477,280
Total income		140,241,458	141,493,726
Expenses			
Cost of materials consumed	26	6,596,350	54,549,642
Purchases of stock in trade	27	13,964,371	10,510,514
Changes in inventories of finished goods, work in progress and stock in trade	28	1,264,633	62,260,136
Employee benefit expense	29	48,597,456	51,054,798
Finance cost	30	31,934,589	33,114,138
Depreciation and amortization expense	3	22,462,207	25,571,846
Other expenses	31	165,292,616	153,205,305
Total expenses		290,112,222	390,266,379
Profit/(loss) before extraordinary, exceptional items and tax		(149,870,764)	(248,772,653)
Extraordinary items	32	-	287,497,584
Exceptional items	33	-	(52,130,987)
Profit/(loss) before tax		(149,870,764)	(13,406,056)
Tax expense			
(i) Current tax		-	-
(ii) Deferred tax		(5,641,149)	21,666,434
Profit/(loss) for the year		(144,229,615)	(35,072,490)
Other comprehensive income			
(i) Items that will not be reclassified to statement of profit and loss		(729,848)	(3,362,089)
Total comprehensive income for the year		(144,959,463)	(38,434,579)
Earnings per equity share (EPS)			
Basic earning per share of Rs. 10/- each		(11.54)	(2.81)
Diluted earning per share of Rs. 10/- each		(11.54)	(2.81)
See accompanying notes to the financial statements	1 to 47		

As per our report of even date attached

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

Y VENKATESWARLU
Partner
Membership No. 222068

Place: Hyderabad
Date: 27-May-2018

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

RAJU NARASA MANTENA
Chairman & Director

MANTHENA BADARI NARAYANA RAJU
Director

KANUMURI KRISHNAM RAJU
Chief Executive Officer

RAMAYYA VUTUKURI
Chief Financial Officer

Statement Of Cash Flows For The Year Ended 31st March, 2018

Amount in Rupees

Particulars	Year ended 31st Mar 2018	Year ended 31st Mar 2017
Cash flow from operating activities		
Profit/(loss) before tax	(149,870,764)	(13,406,056)
Adjustments to reconcile net loss to net cash provided by		
Depreciation and amortisation	22,462,207	25,571,846
Impairment of intangible assets	-	9,878,824
(Profit)/loss on sale of fixed assets	74,722	(287,497,584)
Provision for obsolete stock	14,565,974	-
Sundry balances written off	11,022,358	44,043,849
Provision for doubtful advances	56,318,609	-
Liabilities no longer required written off	(993,526)	-
Allowance for expected credit losses	(863,138)	(1,965,629)
Foreign currency translation gain/(loss)	11,632,612	(37,733,256)
Finance costs	22,736,929	33,024,069
Interest income	(3,227,833)	(4,515,529)
Changes in assets and liabilities		
Inventories	2,076,422	145,837,812
Trade receivables	33,908,935	58,920,925
Trade payables	(16,392,613)	(78,634,542)
Other assets	(9,568,364)	(32,212,003)
Other liabilities	32,909,104	(120,501,302)
Cash generated from operations	26,791,634	(259,188,576)
Income taxes paid	-	-
Net cash flow from operating activities (A)	26,791,634	(259,188,576)
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,710,642)	(18,158,471)
Proceeds from disposal of fixed assets	200,000	310,000,000
Interest income	3,227,833	4,515,529
Net cash flow used in investing activities (B)	(282,809)	296,357,058
Cash flow from financing activities		
Proceeds from long-term borrowings (net)	484,486	-
Repayment of long-term borrowings (net)	-	(253,589)
Repayment of long-term borrowings (net)	(22,736,929)	(33,024,069)
Net cash flow (used in)/from financing activities (C)	(22,252,442)	(33,277,658)
Net increase in cash and cash equivalents (A+B+C)	4,256,382	3,890,824
Cash and cash equivalents at the beginning of the year	56,283,354	52,392,530
Cash and cash equivalents at the end of the year	60,539,736	56,283,354

As per our report of even date attached

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

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Y VENKATESWARLU
Partner
Membership No. 222068

RAJU NARASA MANTENA
Chairman & Director

MANTHENA BADARI NARAYANA RAJU
Director

Place: Hyderabad
Date: 27-May-2018

KANUMURI KRISHNAM RAJU
Chief Executive Officer

RAMAYYA VUTUKURI
Chief Financial Officer

KERNEX MICROSYSTEMS (INDIA) LIMITED

Notes forming part of the financial statements

NOTE

1. Corporate Information

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

2 Significant Accounting Policies

The significant accounting policies applied by the Company in the preparation of its financial statements are listed below. Such accounting policies have been applied consistently to all the periods presented in these financial statements and in preparing the opening Ind AS Balance Sheet as at 1st April, 2016 for the purpose of transition to Ind AS, unless otherwise indicated..

2.1. Basis of Preparation and Presentation

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

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

The financial statements have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016. Up to the year ended 31 March 2017, the Company prepared its financial statements in accordance with accounting standards notified under Section 133 of the Companies Act 2013, read with Rule 7 of Companies (Accounts) Rules, 2014 ("Previous GAAP").

These financial statements for the year ended 31 March 2018 are the Company's first Ind AS standalone financial statements.

The transition from Previous GAAP to Ind AS has been accounted for in accordance with Ind AS 101 "First Time Adoption of Indian Accounting Standards", with April 1, 2016 being the transition date.

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

2.2 Use of estimates and judgments

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

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

2.3. Property, plant and equipment

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

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

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

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

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

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

2.4. Intangible assets

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

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

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

2.5. Financial Instruments

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

Financial Assets

Initial recognition and measurement

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

Subsequent measurement

i. Financial assets carried at amortised cost (AC)

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

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

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

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

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

Investment in subsidiaries

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

Impairment of financial assets

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

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

Financial Liabilities

Initial recognition and measurement

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

Subsequent measurement

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

Derecognition of financial instruments

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

2.6. Cash and cash equivalents

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

2.7. Inventories

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

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

2.8. Impairment of non-financial assets

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

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

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

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

2.9. Provisions, contingent liabilities and contingent assets

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

Contingent liabilities

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

Contingent assets

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

2.10. Revenue recognition

i. Revenue from contracts

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

ii. Revenue from services

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

iii. Sale of goods

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

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

iv. Interest Income

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

2.11. Employee Benefits Expense

i. Short Term Employee Benefits

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

ii. Post-Employment Benefits

Defined Contribution Plans

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

Defined Benefit Plans

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

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

2.12. Finance cost

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

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

2.13. Foreign currencies transactions and translation

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

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

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

2.14. Tax Expenses

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

Current tax

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

Deferred tax

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

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

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

2.15. Earnings per share

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

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

2.16. First time adoption of Ind As

The Company has adopted Ind AS with effect from 1st April 2017 and accordingly prepared financial statements which comply with Ind AS applicable for periods ending on 31 March 2018 together with the comparative period data as at and for the year ended 31 March 2017. In preparing these financial statements, the Company's opening balance sheet was prepared as at 1 April 2016, the Company's date of transition to Ind AS. Accordingly the impact of transition has been provided in the opening reserves as at 1st April 2016.

The figures for the previous period have been restated, regrouped and reclassified wherever required to comply with the requirement of Ind AS and Schedule III.

Exemptions from retrospective application

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions:

i. Fair value as deemed cost exemption

The Company has elected to measure items of property, plant and equipment and intangible assets at its carrying value at the transition date.

ii. Investments in subsidiary

Ind AS 101 provides a one time option to a first time adopter to measure its investments in subsidiaries as per previous GAAP carrying value or at fair value on the date of transition. The company has elected to measure its investments in subsidiaries as per previous GAAP carrying value.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
NOTE No.: 3 - PROPERTY, PLANT AND EQUIPMENT

Amount in Rupees

Particulars	Gross Block							Depreciation / Amortisation / Deletion							Net Block		
	As at 1st Apr, 2016	Additions	Deletions	As at 31st Mar, 2017	Additions	Deletions	As at 31st Mar, 2018	Upto 1st Apr, 2016	For the year	Deletions	Upto 31st Mar, 2017	For the year	Deletions	Upto 31st Mar, 2018	AS AT 31st Mar, 2018	AS AT 31st Mar, 2017	AS AT 31st Mar, 2016
Land and land development	255,028,857	18,158,471	10,632,300	262,555,028	-	-	262,555,028	-	-	-	-	-	-	-	262,555,028	262,555,028	255,028,857
Buildings	343,486,963	87,429,668	43,671,920	387,244,711	-	499,375	386,745,336	122,038,463	20,483,680	31,989,138	110,533,005	17,943,786	224,653	128,252,138	258,493,198	276,711,706	221,448,500
Plant and equipment	138,162,267	132,007	1,352,000	136,942,274	263,445	-	137,205,718	121,460,957	4,200,863	1,192,085	124,469,735	2,760,481	-	127,230,216	9,975,503	12,472,539	16,701,310
Furniture and fixtures	12,025,718	-	229,288	11,796,430	-	-	11,796,430	9,775,978	538,049	201,866	10,112,161	386,828	-	10,498,989	1,297,441	1,684,269	2,249,740
Vehicles	8,674,361	-	-	8,674,361	2,545,735	-	11,220,096	7,638,517	261,187	-	7,899,704	825,739	-	8,725,443	2,494,653	774,657	1,035,844
Office equipment	9,531,002	-	-	9,531,002	-	-	9,531,002	9,369,215	88,067	-	9,457,282	38,747	-	9,496,029	34,973	73,720	161,787
Total	766,909,168	105,720,146	55,885,508	816,743,806	2,809,180	499,375	819,053,611	270,283,130	25,571,846	33,383,089	262,471,887	21,955,581	224,653	284,202,815	534,850,796	554,271,919	496,626,038
Capital work-in-progress															-	-	97,440,499
Intangible Assets																	
Computer software	3,753,742	9,878,824	-	13,632,566	901,462	-	14,534,028	3,553,663	9,878,824	-	13,432,487	506,626	-	13,939,113	594,915	200,079	200,079
Total	3,753,742	9,878,824	-	13,632,566	901,462	-	14,534,028	3,553,663	9,878,824	-	13,432,487	506,626	-	13,939,113	594,915	200,079	200,079
Note : Depreciation on buildings to the extent of ₹ 8,74,29,668/- capitalised during FY 16-17 is not provided in accordance with Ind As 16 "Property, plant and equipment" as the asset is not available for use .																	

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

		Amount in Rupees		
Note	Particulars	As at 31st Mar 2018	As at 31st Mar 2017	As at 1st Apr 2016
4 INVESTMENTS				
	Investments carried at cost			
	Unquoted equity shares (fully paid up)			
	In 100% subsidiary- Avant Garde Info systems Inc USA			
	35,80,000 Equity shares of US \$ 0.02 each and			
	17,99,240 Equity shares of US \$ 0.10 each	11,830,950	11,830,950	11,830,950
		11,830,950	11,830,950	11,830,950
5 OTHER FINANCIAL ASSETS				
	Unsecured and considered good			
	Security deposits	1,527,499	3,050,496	3,153,652
	Receivable on sale of fixed assets	60,000,000	60,000,000	-
		61,527,499	63,050,496	3,153,652
6 DEFERRED TAX ASSET (NET)				
	The movement on the deferred tax account is as follows:			
	At the start of the year	-	-	3,504,902
	(Charge)/credit to statement of profit and loss	-	-	3,260,961
	At the end of year	-	-	6,765,863
7 OTHER NON CURRENT ASSETS				
	Advance income tax (net)	10,823,281	10,973,270	8,591,488
	Mat credit entitlement	12,256,937	11,760,102	11,760,102
	Capital advances	-	36,680,535	48,552,390
		23,080,218	59,413,907	68,903,980
8 INVENTORIES				
	Raw material	84,616,060	85,427,849	116,874,538
	Less: Provision for obsolete stock	(14,565,974)	-	-
		70,050,086	85,427,849	116,874,538
	Work-in-progress	15,540,202	16,804,835	131,195,958
		85,590,288	102,232,684	248,070,496

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note	Particulars	Amount in Rupees		
		As at 31st Mar 2018	As at 31st Mar 2017	As at 1st Apr 2016
9 TRADE RECEIVABLES				
Unsecured				
Considered good		365,262,322	412,143,854	513,233,068
Considered doubtful		7,548,963	8,412,101	10,377,730
		372,811,285	420,555,955	523,610,798
Less: Allowances for credit losses		(7,548,963)	(8,412,101)	(10,377,730)
		365,262,322	412,143,854	513,233,068
Out of the above Trade Receivables, an amount of Rs. 14.46 crores due from Egyptian National Railways (ENR) is outstanding pending mile stones of the contract to be achieved.				
Further an amount Rs. 20.26 crores receivable from Konkan Railways Corporation Ltd.(KRCL) is under arbitration / in the process of filling arbitration (Refer Note No. 40. i)				
10 CASH AND CASH EQUIVALENTS				
Balances with banks				
In Current accounts		3,530,969	2,331,978	7,902,314
Cash on hand		1,693,856	673,975	489,343
		5,224,825	3,005,953	8,391,657
11 OTHER BANK BALANCES				
In Deposit accounts		85,778	912,939	16,796,294
Unclaimed dividend accounts		275,360	275,360	324,439
Margin money for bank guarantees		54,953,774	52,089,102	26,880,140
		55,314,912	53,277,401	44,000,873
12 OTHER FINANCIAL ASSETS				
Interest accrued but not due on term deposits		1,455,091	1,986,388	1,864,433
EMD		87,400	155,900	1,155,900
		1,542,491	2,142,288	3,020,333
13 OTHER CURRENT ASSETS				
Unsecured and considered good				
Advance to vendors for supply of goods & services		11,926,993	40,097,043	52,031,683
Balances with statutory/government authorities		15,655,445	11,234,841	9,350,463
Advance for expenses		1,658,351	6,335,850	13,262,764
Prepaid expenses		641,051	1,892,156	2,231,699
Other advances		15,000,001	-	-
		44,881,841	59,559,890	76,876,609

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

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Amount in Rupees

Note	Particulars	As at 31st Mar 2018	As at 31st Mar 2017	As at 1st Apr 2016
14 SHARE CAPITAL				
Authorised share capital				
	1,50,00,000 Equity shares of Rs.10/- each	150,000,000	150,000,000	150,000,000
Issued, subscribed and fully paid-up				
	1,24.99,655 Equity Shares of Rs.10/- each with voting rights	124,996,550	124,996,550	124,996,550
Total		124,996,550	124,996,550	124,996,550

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

Particulars	As at 31st Mar 2018		As at 31st Mar 2017		As at 1st Apr 2016	
	No of Shares	Amount	No of Shares	Amount	No of Shares	Amount
At the beginning						
of the year	12,499,655	124,996,550	12,499,655	124,996,550	12,499,655	124,996,550
Issued during the year	-	-	-	-	-	-
Outstanding at the end of the year	12,499,655	124,996,550	12,499,655	124,996,550	12,499,655	124,996,550

b. Rights attached to the equity shares

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

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

Particulars	As at 31st Mar 2018		As at 31st Mar 2017		As at 1st Apr 2016	
	No of shares	% of holding	No of shares	% of holding	No of shares	% of holding
Raju Narasa Manthena	854,633	6.84%	854,633	6.84%	854,633	6.84%
Seetharamaraju Manthena	712,995	5.70%	712,995	5.70%	721,992	5.78%
Sreelakshmi Manthena	640,398	5.12%	640,398	5.12%	640,398	5.12%

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Note 15 STATEMENT OF CHANGES IN EQUITY and OTHER EQUITY

Amount in Rupees

Particulars	Equity share capital	Reserves & Surplus				Other Comprehensive Income	Total Other Equity
		Securities premium	General Reserve	Foreign currency translation reserve	Profit and loss		
Balance as at 01st Apr 16	124,996,550	917,219,545	61,213,631	(5,940,558)	(61,012,609)	391,741	911,871,750
Loss for the year					(35,072,490)		(35,072,490)
Other comprehensive Income for the year						(3,362,089)	(3,362,089)
Foreign exchange rate variations for the year				(37,823,325)			(37,823,325)
Balance as at 31st Mar 17	124,996,550	917,219,545	61,213,631	(43,763,883)	(96,085,099)	(2,970,348)	835,613,846
Loss for the year					(144,229,615)		(144,229,615)
Other comprehensive Income for the year						(729,848)	(729,848)
Foreign exchange rate variations for the year				2,434,952			2,434,952
Balance as at 31st Mar 18	124,996,550	917,219,545	61,213,631	(41,328,931)	(240,314,714)	(3,700,196)	693,089,335

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Amount in Rupees

Note	Particulars	As at 31st Mar 2018	As at 31st Mar 2017	As at 1st Apr 2016
16 BORROWINGS				
Secured				
Vehicle loans		590,612	106,128	359,717
		590,612	106,128	359,717
Vehicles loans are repayable in 36 instalments carrying interest rate ranging from 10.5% to 13.5%. The loans are secured by hypothecation of vehicles.				
17 PROVISIONS				
Provision for employee benefits				
Gratuity		-	-	1,749,655
18 DEFERRED TAX LIABILITIES (NET)				
The movement on the deferred tax account is as follows:				
At the start of the year		14,900,571	(6,765,863)	
Charge/(credit) to statement of profit and loss		(5,641,149)	21,666,434	
At the end of year		9,259,422	14,900,571	
19 OTHER NON CURRENT LIABILITIES				
Advance received against sale of land		79,800,000	53,199,999	39,999,999
		79,800,000	53,199,999	39,999,999
Advance has been received against sale of land and documentation is under process.				
20 BORROWINGS				
Loans repayable on demand (Unsecured)				
From banks				
Cash credit facilities		48,858,351	48,177,969	141,733,714
Others				
Unsecured loans from directors		57,614,207	59,014,207	58,614,207
Inter corporate deposits		82,478,359	71,718,969	68,416,339
		188,950,917	178,911,145	268,764,260

Cash credit facilities from State Bank of India are secured by first charge of hypothecation on all current assets of the Company present and future and collaterally secured by extension of first charge on the fixed assets (movable and immovable) of the Company both present and future and extension of equitable mortgage of land and buildings situated at TSIIC Hardware park and lands situated near Yadagirigutta and Amangal.

Unsecured loans from directors are interest free. The Company has obtained shareholders' approval through postal ballot on 16th Feb, 2018 for conversion into equity.

Inter corporate deposits outstanding as on 31st Mar, 2018 are received from M/s MRT Signals Limited and PNR Agro Farms Pvt Ltd and carrying interest rate ranging from 15% to 16%.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
Amount in Rupees

Note	Particulars	As at 31st Mar 2018	As at 31st Mar 2017	As at 1st Apr 2016
21 TRADE PAYABLES				
	Due to micro, small and medium enterprises	-	-	-
	Others	66,154,017	82,546,630	161,181,171
		66,154,017	82,546,630	161,181,171

22 OTHER FINANCIAL LIABILITIES

	Current maturity of vehicle loans (Refer Note: 16)	692,400	246,713	222,200
	Due to capital creditors	219,241	1,559,240	1,541,133
	Unclaimed dividends	259,815	259,815	308,694
	Share application money due for refund	26,300	26,300	26,300
		1,197,756	2,092,068	2,098,327

23 OTHER CURRENT LIABILITIES

	Advance from customers	10,287,425	16,806,824	30,454,494
	Statutory remittances	15,375,023	11,955,660	35,010,417
	Provision for tax on dividends	-	-	2,027,757
		25,662,448	28,762,484	67,492,668

Note	Particulars	As at 31st Mar 2018	As at 31st Mar 2017
24 REVENUE FROM OPERATIONS			
	Sale of products	60,488,391	98,419,553
	Sale of services	72,567,396	24,596,893
		133,055,787	123,016,446
i. Sale of products			
	Export	57,578,479	34,623,063
	Domestic	2,909,912	-
		60,488,391	98,419,553
ii. Sale of services			
	Export	72,567,396	24,596,893

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

		Amount in Rupees	
Note	Particulars	As at 31st Mar 2018	As at 31st Mar 2017
25 OTHER INCOME			
	Interest Income		
	On fixed deposits	3,126,595	3,893,994
	Interest on income tax refund	-	500,000
	Interest on electricity deposit	101,238	121,535
	Net gain on foreign currency transactions	-	7,959,859
	Other non-operating income		
	Rental income	-	3,085,013
	Miscellaneous income	2,101,174	951,250
	Liabilities no longer required written off	993,526	-
	Reversal of provision for expected credit lossess	863,138	1,965,629
		7,185,671	18,477,280
26 COST OF MATERIALS CONSUMED			
	Opening stock	85,427,849	116,874,538
	Add:Purchases	5,784,561	23,102,953
	Less: Closing stock	84,616,060	85,427,849
		6,596,350	54,549,642
27 PURCHASE OF TRADED GOODS			
	Purchase of booms & others	13,964,371	10,510,514
		13,964,371	10,510,514
28 CHANGES IN INVENTORIES OF WORK-IN-PROCESS			
	Inventories at the end of the year		
	Work-in- process	15,540,202	68,935,822
	Inventories at the beginning of the year		
	Work-in- process	16,804,835	131,195,958
	Net (increase)/decrease	1,264,633	62,260,136
29 EMPLOYEE BENEFIT EXPENSE			
	Salaries and wages	41,953,792	39,500,208
	Contribution to provident and other funds	1,644,604	1,695,221
	Directors remuneration	3,500,000	8,890,938
	Staff welfare expenses	1,499,060	968,431
		48,597,456	51,054,798

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

		Amount in Rupees	
Note	Particulars	As at 31st Mar 2018	As at 31st Mar 2017
30 FINANCE COSTS			
	Interest on borrowings	18,648,954	25,407,367
	Other borrowing costs	4,087,974	7,616,702
	Net (gain) / loss on foreign currency transactions and translation	9,197,661	90,069
		31,934,589	33,114,138
31 OTHER EXPENSES			
	Project execution expenses	55,117,958	66,527,181
	Rental expenses	-	665,674
	Electricity charges	2,285,207	3,520,202
	Security charges	1,319,162	1,953,642
	Rates and taxes	3,811,102	3,019,735
	Sales tax paid	-	296,345
	Printing and stationery	165,159	137,213
	Insurance	636,472	414,373
	Repairs and maintenance	3,504,303	4,304,365
	Postage, telephone and courier	392,973	647,402
	Travelling and conveyance	2,720,121	1,714,961
	Professional & consultancy fees	3,736,182	5,178,046
	Directors sitting Fees	1,200,000	1,200,000
	Business promotion	707,440	686,579
	Payment to auditors		
	Statutory audit	400,000	400,000
	Tax audit	200,000	200,000
	Others	61,461	8,100
	Miscellaneous expenses	2,381,971	2,763,716
	Prior period items	4,671,442	5,645,099
	Impairment on computer software	-	9,878,824
	Sundry balances written off	11,022,358	44,043,849
	Provision for doubtful advances	56,318,609	
	Provision for obsolete stock	14,565,974	-
	Loss on sale of asset	74,722	-
		165,292,616	153,205,305

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

		Amount in Rupees	
Note	Particulars	As at 31st Mar 2018	As at 31st Mar 2017
32 EXTRA-ORDINARY ITEMS			
	Profit on Sale of Fixed Assets	-	287,497,584
		-	287,497,584
33 EXCEPTIONAL ITEMS			
	Work in progress written off due to termination of project	-	52,130,987
		-	52,130,987

34 DISCLOSURES ON SPECIFIED BANK NOTES

In accordance with the MCA notification G.S.R.308(E) dated 30th Mar, 2017, details of specified bank notes and other denomination notes held and transacted during the period from 8th November, 2016 to 30th December, 2016, is as below.

Particulars	Specified Bank Notes	Others	Total
Closing Cash in Hand as on 08/11/2016	18,000	16,679	34,679
Add: Permitted Receipts - Refund of Tour Advance by Employee	85,000	-	85,000
Less: Permitted Payments	-	-	-
Less: Amount Deposited in Banks	103,000	-	103,000
Closing Cash in Hand as on 30/12/2016	-	16,679	16,679

35 EMPLOYEE BENEFITS
a. Defined contribution plan

Eligible employees of the Company receive benefits from a provident fund, which is a defined contribution plan. The Company has no further obligations under the plan beyond its monthly contributions. The Company contributed Rs. 13,67,441 (Previous year Rs. 15,35,000) towards provident fund plan during the year ended 31st Mar, 2018.

b. Defined Benefit Plan

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

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

i. Changes in the present value of obligation

Particulars	Amount in Rupees	
	As at 31st Mar 2018	As at 31st Mar 2017
Defined benefit obligation as at beginning of the year	4,758,870	6,654,093
Current service cost	648,266	541,659
Interest cost	352,632	523,012
Actuarial (gain)/loss	717,793	(1,342,954)
Benefits paid	(2,223,026)	(1,616,940)
Defined benefit obligation as at the end of the year	4,254,535	4,758,870

ii. Changes in fair value of plan assets

Particulars	Amount in Rupees	
	As at 31st Mar 2018	As at 31st Mar 2017
Fair Value of Plan Assets as at the beginning of the year	5,619,303	4,904,438
OB difference	-	(4,904,438)
Investment Income	416,390	-
Employer's Contribution	1,400,000	7,063,080
Expenses	(46,248)	(26,232)
Benefits Paid	(2,223,026)	(1,616,940)
Return on plan assets	(12,055)	199,395
Fair value of plan assets as at the end of the year	5,154,364	5,619,303

iii. Fair value of Assets and Obligations

Particulars	Amount in Rupees	
	As at 31st Mar 2018	As at 31st Mar 2017
Fair value of plan assets	5,154,364	5,619,303
Present value of obligation	4,254,535	4,758,870
Amount recognized in balance sheet	899,829	860,433

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
iv. Expenses recognised during the year

Particulars	Amount in Rupees	
	As at 31st Mar 2018	As at 31st Mar 2017
In Income Statement		
Current service cost	648,266	541,659
Interest cost/(income)	(63,758)	523,012
Expenses recognised in the income statement	584,508	1,064,671
In Other Comprehensive Income (OCI)		
Actuarial (gain)/loss		
Opening balance difference	-	4,904,438
Others	717,793	(1,342,954)
Return on plan assets	12,055	(199,395)
Net (income)/expense recognised in OCI	729,848	3,362,089

v. Actuarial assumptions

Particulars	As at 31st Mar 2018	As at 31st Mar 2017
Discount rate (per annum)	7.73%	7.41%
Salary growth rate (per annum)	2.00%	2.00%

vi. Sensitivity Analysis

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

Particulars	As at 31st Mar 2018		As at 31st Mar 2017	
	Decrease	Increase	Decrease	Increase
Change in discounting rate	4,588,134	3,961,908	5,056,033	4,501,293
Change in rate of salary increase	3,836,094	4,736,426	4,375,046	5,210,272
Change in rate of attrition	4,011,368	4,478,571	4,521,893	4,974,775
Change in rate of mortality	4,246,346	4,262,697	4,751,869	4,765,848

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

Nature of Relationship	Name of the related party
Wholly owned subsidiary	Avant-Garde Info Systems Inc, USA
"Key managerial personnel (KMP)"	Anji Raju Manthena Director
	Mantena Raju Narasa Director
	Vinta Janardhana Reddy Director
	Sreelakshmi M (from 20.11.17) Director
	M.B.Narayana Raju (from 20.11.17) Whole Time Director
	K.Krishnam Raju (from 29.10.16) Chief Executive Officer
	Ramayya Vutukuri (from 14.04.17) Chief Financial Officer
	T.V.S.N. Raju (from 10.02.18) Independent Director
	Venkata Ratnam Anugolu Independent Director
	Arun Kumar Sanwalka Independent Director
	M Gopala Krishna (till 17.01.18) Independent Director
	L.V.Raju (till 30.11.16) Managing Director
	B.Murali Mohan (till 31.03.17) Whole Time Director
	Jyothi Raju Manthena (till 09.08.16) Director
Relatives of KMP	G.A.V.N.Murty (till 31.10.17) In-charge CFO
	S.Srinivasa Kiran (till 30.11.16) Company Secretary
	Chenna Krishna Mantena Son of Director

b. Transactions with Related parties

Nature of Transaction	Name of the related party	As at 31st Mar 2018	As at 31st Mar 2017
Managerial Remuneration	M.B.Narayana Raju	500,000	-
	K.Krishnam Raju	6,000,000	2,419,000
	Ramayya Vutukuri	1,009,006	-
	L.V.Raju	-	2,878,000
	B.Murali Mohan	-	2,796,000
	G.A.V.N.Murty	-	955,000
	S.Srinivasa Kiran	-	411,000
Receipt of loan	K.Krishnam Raju	-	1,400,000
Repayment of loan	K.Krishnam Raju	1,400,000	-
Purchase	Avant-Garde Info Systems Inc, USA	9,220,549	10,510,514

c. Balances as at 31st Mar 2018

Nature of Transaction	Name of the related party	As at 31st Mar 2018	As at 31st Mar 2017
Loan taken from KMP	Anji Raju Manthena	18,935,842	18,935,842
	Raju Narasa Mantena	23,000,000	23,000,000
	Vinta Janardhana Reddy	10,417,080	10,417,080
	B Murali Mohan	945,085	945,085
	K.Krishnam Raju	-	1,400,000
Loan taken from relative of KMP	Chenna Krishna Mantena	4,316,200	4,316,200
Trade payable	Avant-Garde Info Systems Inc, USA	754,484	5,768,486

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

37. EARNINGS PER SHARE

Particulars	Amount in Rupees	
	Year ended 31st Mar 2018	Year ended 31st Mar 2017
Profit after tax attributable to equity shareholders	(144,229,615)	(35,072,490)
Weighted average number of equity shares for Basic EPS	12,499,655	12,499,655
Weighted average number of equity shares for Diluted EPS	12,499,655	12,499,655
Basic earnings per Share	(11.54)	(2.81)
Diluted earnings per Share	(11.54)	(2.81)

38. INCOME TAXES

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

Particulars	Year ended 31st Mar 2018	Year ended 31st Mar 2017
Current tax expense	-	-
Deferred tax expense	(5,641,149)	21,666,434
Total income tax expense	(5,641,149)	21,666,434

Reconciliation of effective tax rate

Particulars	Year ended 31st Mar 2018	Year ended 31st Mar 2017
Loss before Income Tax	(149,870,764)	(13,406,056)
Tax Rate	25.75%	30.90%
Tax expense	(38,591,722)	(4,142,471)
Effect of:		
Unrecognised deferred tax assets	35,485,500	53,702,320
Change in rate of tax	(2,554,169)	-
Others	-	(27,893,414)
loss on sale of asset	19,241	-
Income tax expense	(5,641,150)	21,666,434

Unrecognised deferred tax Asset

Particulars	Year ended 31st Mar 2018	Year ended 31st Mar 2017
Loss as per IT Act	17,454,978	54,208,469
Provision for doubtful advances	14,502,042	-
Provision for obsolete stock	3,750,738	-
Reversal of provision for expected credit lossess	(222,258)	(506,149)
Total unrecognised deferred tax asset	35,485,500	53,702,320

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

Particulars	Amount in Rupees	
	Year ended 31st Mar 2018	Year ended 31st Mar 2017
Deferred tax (assets)/liabilities:		
Property, plant and equipment	32,880,976	43,214,561
Current liabilities & provisions	(1,795,407)	(2,122,612)
Unabsorbed depreciation	(21,826,148)	(26,191,378)
Net deferred tax Liabilities	9,259,421	14,900,571

Movement in deferred tax assets and liabilities during the years ended 31st Mar 2018 and 31st Mar 2017

Particulars	As at 31st Mar 2017	Charge/(credit)to profit or loss	As at 31st Mar 2018
Deferred tax (assets)/liabilities:			
Property, plant and equipment	43,214,561	(10,333,585)	32,880,976
Current liabilities & provisions	(2,122,612)	327,205	(1,795,407)
Unabsorbed depreciation	(26,191,378)	4,365,230	(21,826,148)
Net Deferred tax Liabilities	14,900,571	(5,641,150)	9,259,421

Movement in deferred tax assets and liabilities during the years ended 31st Mar 2017 and 31st Mar 2016

Particulars	As at 1st Apr. 2016	Charge/(credit)to profit or loss	As at 31st Mar 2017
Deferred tax (assets)/liabilities:			
Property, plant and equipment	(296,777)	43,511,338	43,214,561
Current liabilities & provisions	(6,469,086)	4,346,474	(2,122,612)
Unabsorbed depreciation	-	(26,191,378)	(26,191,378)
Net Deferred tax Liabilities	(6,765,863)	21,666,434	14,900,571

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
39. CONTINGENT LIABILITIES AND COMMITMENTS

Particulars	Amount in Rupees	
	Year ended 31st Mar 2018	Year ended 31st Mar 2017
a. Claims against the Company not acknowledged as a debt (Refer note c to f below)	13,622,000	8,457,000
b. Bank guarantee outstanding	134,474,168	165,258,323

c. Income tax

The Dy Commissioner of Income tax filed an appeal before the tribunal against the favorable order passed by the Commissioner of Income tax (Appeals-III) involving an amount of Rs. 8,00,000 for the assessment year 1998-99. The tribunal has decided the appeal against the Company, for which the Company has preferred an appeal before the honourable High Court, Telanagana and is expecting a favourable order.

d. Commercial taxes

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

e. Provident fund

The Company received a demand amounting to Rs. 51,65,000 for the period 16th Jun, 2013 to 6th Jan, 2018. The Company is representing the case before the Regional Commissioner and is expecting a favourable order.

f. Service tax

The tribunal has given stay in favour of the Company for the appeal filed against the order passed by commissioner (Appeals-II). As per the stay, the Company is given waiver in case of pre-deposit, recovery of balance amount of service tax and also the penalty imposed on the appellant. Case is still pending with High Court.

40. OTHER SIGNIFICANT LITIGATIONS

- In view of dispute with Konkan Railway Corporation Limited (KRCL), the company has filed arbitration in respect of dues amounting to Rs. 15.08 crores. The arbitration proceedings are under progress. Further the company has failed in the conciliation proceedings against KRCL for outstanding dues of Rs. 5.18 crores and is in the process of filing an arbitration petition. The Company has not made any provision in the books of accounts which may dilute the chances of recovery of these receivables. Provision in the books of accounts will be provided at the time of finalisation of matters.
- A Show-cause notice was received u/s 279(1) of the Income Tax Act, 1961, initiating prosecution proceedings u/s 276B r.w.s 278B of the Income Tax Act, 1961 for financial year(s) 2013-14 to 2016-17. The Company has represented the case before the CIT (TDS) and is expecting a favourable order.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

41. 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 coupled long term and short term strategic investment and expansion plans.

42. 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.

b. Liquidity risk

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

c. Market risk

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

d. Exchange rate risk

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

Amount in Rupees

Particulars	USD	Egyptian Pound	Total
Assets			
Cash and bank balances	65,325	3,504,010	3,569,335
Trade receivables	99,967,559	44,775,007	144,742,565
Other assets			
Total	100,032,884	48,279,017	148,311,900
Liabilities			
Trade payables		-	
Other liabilities	754,484		754,484
Total	754,484	-	754,484

The foreign currency exposures as of 31st Mar 2017 were as follows.

Particulars	USD	Egyptian Pound	Total
Assets			
Cash and bank balances	72,236	32,691	104,927
Trade receivables	136,941,691	45,991,496	182,933,187
Other assets			-
Total	137,013,927	46,024,187	183,038,114
Liabilities			-
Trade payables			-
Other liabilities	5,768,486		5,768,486
Total	5,768,486	-	5,768,486

The foreign currency exposures as of 31st Mar 2016 were as follows.

Particulars	USD	Egyptian Pound	Total
Assets			
Cash and bank balances	75,759	5,354,215	5,429,974
Trade receivables	110,217,748	97,076,813	207,294,561
Other assets			-
Total	110,293,507	102,431,028	212,724,535
Liabilities			-
Trade payables			-
Other liabilities	13,336		13,336
Total	13,336	-	13,336

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
43. Financial Instruments valuation

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

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

Particulars	Carrying Value	Amount in Rupees			
		Level of input used in			Fair Value
		Level 1	Level 2	Level 3	
Financial assets					
At Amortised Cost					
Investments*	-	-	-	-	-
Trade receivables	365,262,322	-	-	-	365,262,322
Cash and cash equivalents	5,224,825	-	-	-	5,224,825
Other bank balances	55,314,912	-	-	-	55,314,912
Other financial assets	63,069,990	-	-	-	63,069,990
Financial liabilities					
At Amortised Cost					
Borrowings	189,541,529	-	-	-	189,541,529
Trade payables	66,154,017	-	-	-	66,154,017
Other financial liabilities	1,197,756	-	-	-	1,197,756

The carrying value and fair value of financial instruments by categories as of 31st Mar 17 were as follows

Particulars	Carrying Value	Level of input used in			Fair Value
		Level 1	Level 2	Level 3	
Financial assets					
At Amortised Cost					
Investments*	-	-	-	-	-
Trade receivables	412,143,854	-	-	-	412,143,854
Cash and cash equivalents	3,005,953	-	-	-	3,005,953
Other bank balances	53,277,401	-	-	-	53,277,401
Other financial assets	65,192,784	-	-	-	65,192,784
Financial liabilities					
At Amortised Cost					
Borrowings	179,017,273	-	-	-	179,017,273
Trade Payables	82,546,630	-	-	-	82,546,630
Other financial liabilities	2,092,068	-	-	-	2,092,068

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

The carrying value and fair value of financial instruments by categories as of 1st Apr 16 were as follows

		Amount in Rupees			
Particulars	Carrying Value	Level of input used in			Fair Value
		Level 1	Level 2	Level 3	
Financial assets					
At Amortised Cost					
Investments*	-	-	-	-	-
Trade receivables	513,233,068	-	-	-	513,233,068
Cash and cash equivalents	8,391,657	-	-	-	8,391,657
Other bank balances	44,000,873	-	-	-	44,000,873
Other financial assets	6,173,985	-	-	-	6,173,985
Financial liabilities					
At Amortised Cost					
Borrowings	269,123,977	-	-	-	269,123,977
Trade Payables	161,181,171	-	-	-	161,181,171
Other financial liabilities	2,098,327	-	-	-	2,098,327

* excludes Financial assets measured at cost

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable Inputs for the asset or liability.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
44 FIRST TIME IND AS ADOPTION RECONCILIATION

44.1 Effect of Ind AS adoption on the standalone balance sheet as at 31st March, 2017 and 1st April, 2016

Assets & Liabilities	As at 31st Mar 2017			As at 1st Apr 2016		
	Previous GAAP	Effect of transition to Ind AS	As per Ind AS balance Sheet	Previous GAAP	Effect of transaction to Ind AS	As per Ind AS balance Sheet
ASSETS						
Non-current assets						
Property, plant and equipment	554,271,919	-	554,271,919	496,626,038	-	496,626,038
Capital work-in-progress	-	-	-	97,440,499	-	97,440,499
Intangible assets	200,079	-	200,079	200,079	-	200,079
Financial assets						
Investments	11,830,950	-	11,830,950	11,830,950	-	11,830,950
Other financial assets	121,068,851	(58,018,355)	63,050,496	3,037,991	115,661	3,153,652
Deferred tax assets (net)	-	-	-	6,765,863	-	6,765,863
Other Non-current assets	-	59,413,907	59,413,907	68,903,980	-	68,903,980
Current assets						
Inventories	102,232,684	-	102,232,684	248,070,496	-	248,070,496
Financial assets						
Trade receivables	420,555,955	(8,412,101)	412,143,854	518,886,483	(5,653,415)	513,233,068
Cash and cash equivalents	56,283,354	(53,277,401)	3,005,953	52,392,530	(44,000,873)	8,391,657
Other bank balances	-	53,277,401	53,277,401	-	44,000,873	44,000,873
Other financial assets	59,771,343	(57,629,055)	2,142,288	47,018,294	(43,997,961)	3,020,333
Other current assets	1,986,388	57,573,502	59,559,890	6,588,749	70,287,860	76,876,609
Total Assets	1,328,201,523	(7,072,102)	1,321,129,421	1,557,761,952	20,752,145	1,578,514,097
EQUITY & LIABILITIES						
Equity						
Equity Share capital	124,996,550	-	124,996,550	124,996,550	-	124,996,550
Other equity	842,599,034	(6,985,189)	835,613,846	919,499,135	(7,627,386)	911,871,749
Non-current liabilities						
Financial liabilities						
Borrowings	106,128	-	106,128	359,717	-	359,717
Provisions	-	-	-	-	1,749,655	1,749,655
Deferred tax liabilities	14,900,571	-	14,900,571	-	-	-
Other Non-current liabilities	53,199,999	-	53,199,999	39,999,999	-	39,999,999
Current liabilities						
Financial liabilities						
Borrowings	178,911,145	-	178,911,145	268,764,260	-	268,764,260
Trade Payables	83,852,997	(1,306,368)	82,546,630	134,065,939	27,115,232	161,181,171
Other financial liabilities		2,092,068	2,092,068		2,098,327	2,098,327
Provisions	-	-	-	2,027,757	(2,027,757)	-
Other current liabilities	29,635,098	(872,614)	28,762,484	68,048,595	(555,927)	67,492,668
Total liabilities	1,328,201,523	(7,072,102)	1,321,129,421	1,557,761,952	20,752,145	1,578,514,097

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

44.2. Reconciliation of Profit and Other Equity between Ind AS and Previous GAAP

Particulars	Amount in Rupees		
	Net Profit	Other Equity	
	Year ended 31st Mar 2017	As at 31st Mar 2017	As at 1st Apr 2016
Net Profit/Other Equity as per Indian GAAP	(39,076,776)	842,599,034	919,499,135
Impairment/reversal of impairment of trade receivables due to expected credit loss model*	1,965,629	(8,412,101)	(10,377,730)
Difference in measurement of employee benefits**	2,038,657	1,426,913	2,750,345
Net Profit before OCI /Other equity as per Ind AS	(35,072,490)	835,613,846	911,871,750

Notes:

* Trade receivables

Under Ind AS 109, impairment allowance in respect of trade receivables has been determined based on Expected Credit Loss model (ECL). Due to ECL model, the Company impaired its trade receivable by Rs. 1,03,77,730/- on 1 April 2016 which has been eliminated against retained earnings.

** Defined benefit liabilities

Under Indian GAAP, the Company recognised costs related to its post-employment defined benefit plan i.e gratuity based on actuarial valuation made by the LIC as at the year end and the entire cost, including actuarial gains and losses, are charged to the statement of profit and loss. Under Ind AS, the liability in respect of gratuity benefit is determined based on actuarial valuation, performed by an independent qualified actuary and remeasurements comprising of actuarial gains and losses are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI. Thus the employee benefit cost is reduced by Rs. 27,50,345/- and remeasurement gains/ losses on defined benefit plan has been recognised in the OCI.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
44.3 Effect of Ind AS adoption on the Statement of Profit and Loss for the year ended 31st March, 2017

Amount in Rupees

Particulars	Previous GAAP	Effect of transition to Ind AS	As per Ind AS
Revenue from operations	123,016,446	-	123,016,446
Other Income	16,511,650	1,965,630	18,477,280
Total income	139,528,096	1,965,630	141,493,726
Expenses			
Cost of materials consumed	54,549,642	-	54,549,642
Purchases of stock in trade	10,510,514	-	10,510,514
Changes in inventories of finished goods, work in progress and stock in trade	62,260,136	-	62,260,136
Employee benefit expense	53,093,454	(2,038,656)	51,054,798
Finance cost	33,114,138	-	33,114,138
Depreciation and amortization expense	25,571,846	-	25,571,846
Other expenses	153,205,305	-	153,205,305
Total expenses	392,305,035	(2,038,656)	390,266,379
Profit/(loss) before extraordinary, exceptional items and tax	(252,776,939)	4,004,286	(248,772,653)
Extraordinary items	287,497,584	-	287,497,584
Exceptional items	(52,130,987)	-	(52,130,987)
Profit/(loss) before tax	(17,410,342)	4,004,286	(13,406,056)
Tax expense			
(i) Current tax	-	-	-
(ii) Deferred tax	21,666,434	-	21,666,434
Net profit/(loss) for the period/year	(39,076,776)	4,004,286	(35,072,490)

45. The figures for the year ended 31 March 2017 were audited by previous statutory auditors.

46. Previous GAAP figures have been reclassified/regrouped wherever necessary to confirm with the financial statements prepared under Ind AS.

47. Recent accounting pronouncements

Standards issued but not yet effective and not early adopted by the Company:

Ind AS 115, Revenue from Contracts with Customers

In March 2018, the Ministry of Corporate Affairs ("MCA") has notified Ind AS 115, Revenue from Contracts with Customers, which is effective for accounting periods beginning on or after 1 April 2018. This comprehensive new standard will supersede existing revenue recognition guidance, and requires an entity to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

Ind AS 115 is effective for annual reporting periods beginning on or after 1 April 2018.

The Company intends to adopt Ind AS 115 effective 1 April 2018, using the modified retrospective method. The adoption of Ind AS 115 is not expected to have a significant impact on the Company's recognition of revenues from product sales and service income.

Other Amendments:

On 28 March 2018, the MCA, issued certain amendments to Ind AS. The amendments relate to the following standards:

Ind AS 40, Investment Property

Ind AS 21, The Effects of Changes in Foreign Exchange Rates

Ind AS 12, Income Taxes

The amendments are effective 1 April 2018. The Company believes that the aforementioned amendments will not materially impact the financial position, performance or the cash flows of the Company.

As per our report of even date attached

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

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Y VENKATESWARLU
Partner
Membership No. 222068

RAJU NARASA MANTENA
Chairman & Director
DIN: 07993925

MANTHENA BADARI NARAYANA RAJU
Director
DIN: 02666074

Place: Hyderabad
Date: 27-May-2018

KANUMURI KRISHNAM RAJU
Chief Executive Officer

RAMAYYA VUTUKURI
Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENT

2017-18

Independent Auditors' Report

To the Members of
Kernex Microsystems (India) Limited

Report on the consolidated Ind AS Financial Statements

We have audited the accompanying consolidated financial statements of **KERNEX MICROSYSTEMS (I) LIMITED** (hereinafter referred to as "the Company") and its subsidiaries (the Company and its subsidiaries together referred to as "the Group"), comprising the Consolidated Balance Sheet as at March 31, 2018, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and

the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the 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 Company, as aforesaid.

Auditors' Responsibility

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

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

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

We believe that the audit evidence obtained by us,

is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Basis for Qualified Opinion

- Out of the total trade receivables as per note no 9, dues outstanding for more than 6 months as on March 31, 2018 is of Rs. 32.85 crores which are subject to confirmation and reconciliation. These trade receivable are slow moving, as partly received or non-moving.
- An amount of Rs. 15.08 crores receivable from Konkan Railway Corporation Limited (KRCL) is under arbitration. Further, the Company has failed in the conciliation proceedings against KRCL for outstanding dues of Rs 5.18 crores and the Company is in the process of filing Arbitration petition. The company has not made any provision in the books of accounts.
- Other financial assets under non-current assets as per note no 4 amounting to Rs. 6.00 is subject to confirmation from parties.
- No provision has been made for slow/non moving stocks lying as on March 31, 2018.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion, the aforesaid Ind AS consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, its loss including other comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

Other Matter

We did not audit the financial statements and other financial information in respect of its 100% subsidiary Avant-Grade Info Systems Inc. USA, whose financial statements include total assets of Rs. 220.03 lakhs as at 31st March 2018, and total revenues of Rs. 91.00 lakhs for the year ended 31st March 2018 and total loss after tax of Rs.

29.26 lakhs for the year ended on that date as considered in the consolidated financial results. This financial statements/financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the Statement, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, is based solely on the reports of the other auditors.

Since subsidiary is following cash basis of accounting, no provision is made towards interest of Rs 1.93 crores on inter corporate deposit for the financial year 2017-18. The loss of the subsidiary is short reported by Rs 1.93 crores and the liabilities are understated by Rs 1.93 crores for the year 2017-18. Further we state that the loan liability as on 31 March 2018 is understated by Rs 5.98 crores (including the current year interest stated above) on account of non-provision of interest since borrowal of the loan.

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

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit, we report that:

- (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit 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 so far as it appears from our examination of those books.
- © the Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this Report are in agreement with

the relevant 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 Indian Accounting Standards prescribed under Section 133 of the Act.

(e) on the basis of the written representations received from the Directors of the Company as on 31 March 2018 taken on record by the Board of Directors of the Company, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164(2) of the Act.

(f) with respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" which is based on the auditor's reports of the Company and its subsidiary companies incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the internal financial controls over financial reporting of those companies, for the reasons stated therein.

(g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

- i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.
- ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company and its subsidiary companies incorporated in India.

For PRSV & Co. LLP
Chartered Accountants
Firm Regn No. S-200016

Y. Venkateswarlu
Partner
Membership No. 222068

Place: Hyderabad
Date: 27th May, 2018

ANNEXURE “A” TO THE INDEPENDENT AUDITORS’ REPORT

(Referred to in paragraph (f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report to the Members of Kernex Microsystems (I) 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”)

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2018, we have audited the internal financial controls over financial reporting of **KERNEX MICROSYSTEMS (I) LIMITED** (hereinafter referred to as “Company”) and its subsidiary companies, which are companies incorporated in India, as of that date.

Management’s Responsibility for Internal Financial Controls

The Board of Directors of the Company and its subsidiary companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies 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 (“the ICAI”). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective 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 Act.

Auditors’ Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company and its subsidiary companies,

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Company and its subsidiary companies, which are companies incorporated in India.

Meaning of Internal Financial Controls Over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial

statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Company and its subsidiary companies, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For PRSV & Co. LLP
Chartered Accountants
Firm Regn No. S-200016

Y. Venkateswarlu
Partner
Membership No. 222068

Place: Hyderabad
Date: 27th May, 2018

Consolidated Balance Sheet as at 31st March, 2018
(Amount in Rupees)

Particulars	Note No.	As at 31st Mar 2018	As at 31st Mar 2017	As at 1st Apr 16
ASSETS				
Non-current assets				
Property, Plant and Equipment	3	534,850,796	554,271,919	496,626,038
Capital work-in-progress	3			97,440,499
Other Intangible assets	3	594,915	200,079	200,082
Financial assets				
Other financial assets	4	61,527,499	63,050,496	3,153,652
Deferred tax assets (net)	5	-	-	6,765,863
Other Non-current assets	6	23,080,217	59,413,907	68,903,980
Total non-current assets		620,053,427	676,936,401	673,090,114
Current assets				
Inventories	7	85,590,288	102,232,684	248,070,496
Financial assets				
Trade receivables	8	365,262,322	415,553,238	513,233,068
Cash and cash equivalents	9	6,649,940	3,042,071	8,496,125
Other bank balances	10	55,314,912	53,277,401	44,000,873
Other financial assets	11	1,542,491	2,142,288	3,020,333
Other current assets	12	65,460,656	80,124,567	97,921,775
Total current assets		579,820,609	656,372,249	914,742,670
TOTAL ASSETS		1,199,874,036	1,333,308,650	1,587,832,784
EQUITY AND LIABILITIES				
Equity				
Equity Share capital	13	124,996,550	124,996,550	124,996,550
Other equity	14	636,788,915	751,560,758	833,245,811
Total Equity		761,785,465	876,557,308	958,242,361
Liabilities				
Non-current liabilities				
Financial liabilities				
Borrowings	15	590,612	106,128	359,717
Provisions	16	-	-	1,749,655
Deferred tax liabilities	17	9,259,421	14,900,571	-
Other non-current liabilities	18	79,800,000	53,199,999	39,999,999
Total Non-current liabilities		89,650,033	68,206,698	42,109,371
Current liabilities				
Financial liabilities				
Borrowings	19	255,424,317	244,451,145	333,004,260
Trade Payables	20	66,154,017	113,238,947	184,885,796
Other financial liabilities	21	1,197,756	2,092,068	2,098,326
Other current liabilities	22	25,662,448	28,762,484	67,492,670
Total current liabilities		348,438,538	388,544,644	587,481,052
TOTAL EQUITY AND LIABILITIES		1,199,874,036	1,333,308,650	1,587,832,784

See accompanying notes to the financial statements 1 to 47

As per our report of even date attached

 For **PRSV & Co. LLP**

Chartered Accountants

Firm Regn No. S200016

Y VENKATESWARLU

Partner

Membership No. 222068

Place: Hyderabad

Date: 27-May-2018

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS
RAJU NARASA MANTENA

Chairman & Director

DIN: 07993925

KANUMURI KRISHNAM RAJU

Chief Executive Officer

MANTHENA BADARI NARAYANA RAJU

Director

DIN: 02666074

RAMAYYA VUTUKURI

Chief Financial Officer

Consolidated Statement Of Profit And Loss For The Year Ended 31st March, 2018

(Amount in Rupees)

Particulars	Note No.	As at 31st Mar 2018	As at 31st Mar 2017
Revenue from operations	23	133,055,787	123,016,446
Other Income	24	7,185,693	18,477,297
Total income		140,241,480	141,493,743
Expenses			
Cost of materials consumed	25	6,596,350	54,549,642
Purchases of stock in trade	26	11,220,732	10,225,260
Changes in inventories of finished goods, work in progress and stock in trade	27	1,264,633	62,260,136
Employee benefit expense	28	48,984,286	51,841,278
Finance cost	29	36,429,896	36,970,566
Depreciation and amortization expense	3	22,462,208	25,571,846
Other expenses	30	166,079,733	154,274,818
Total expenses		293,037,837	395,693,546
Profit/(loss) before extraordinary, exceptional items and tax		(152,796,357)	(254,199,803)
Extraordinary items	31	-	287,497,584
Exceptional items	32	-	(52,130,987)
Profit/(loss) before tax		(152,796,357)	(18,833,206)
Tax expense			
(i) Current tax			
(ii) Deferred tax		(5,641,149)	21,666,434
Net profit/(loss) for the period/year		(147,155,208)	(40,499,640)
Other comprehensive income			
(i) Items that will not be reclassified to Statement of Profit and loss		(729,848)	(3,362,089)
Total other comprehensive Income for the year		(147,885,056)	(43,861,729)
Earnings per equity share of face value of Rs. 10/- each			
Basic (in Rs.)		(11.77)	(3.24)
Diluted (in Rs.)		(11.77)	(3.24)
See accompanying notes to the financial statements	1 to 47		

As per our report of even date attached

For PRSV & Co. LLP

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Chartered Accountants

Firm Regn No. S200016

Y VENKATESWARLU
Partner
Membership No. 222068

RAJU NARASA MANTENA
Chairman & Director
DIN: 07993925

MANTHENA BADARI NARAYANA RAJU
Director
DIN: 02666074

Place: Hyderabad
Date: 27-May-2018

KANUMURI KRISHNAM RAJU
Chief Executive Officer

RAMAYYA VUTUKURI
Chief Financial Officer

Consolidated Cash Flow Statement For The Year Ended 31st March, 2018
(Amount in Rupees)

Particulars	Year ended 31st Mar 2018	Year ended 31st Mar 2017
Cash Flows from Operating Activities		
Loss for the year	(152,796,357)	(18,833,206)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortisation	22,462,207	25,571,846
Impairment of intangible assets	-	9,878,824
(Profit)/loss on sale of fixed assets	74,722	(287,497,584)
Provision for obsolete stock	14,565,974	-
Sundry balances written off	11,022,358	44,043,849
Provision for doubtful advances	56,318,609	-
Liabilities no longer required written off	(993,526)	-
Allowance for expected credit losses	(863,138)	(1,965,629)
Foreign currency translation gain/(loss)	42,310,874	(37,733,256)
Finance costs	27,232,235	36,880,496
Interest income	(3,227,855)	(4,515,546)
Changes in assets and liabilities		
Inventories	2,076,422	145,837,812
Trade receivables	37,318,319	55,511,541
Trade payables	(47,084,930)	(71,646,840)
Other assets	(9,582,498)	(31,731,517)
Other liabilities	33,842,501	(119,201,307)
Cash generated from operations	32,675,917	(255,400,517)
Income taxes paid	-	-
Net cash flow from operating activities (A)	32,675,917	(255,400,517)
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,710,642)	(18,158,471)
Proceeds from disposal of fixed assets	200,000	310,000,000
Interest income	3,227,856	4,515,546
Net cash flow used in investing activities (B)	(282,786)	296,357,075
Cash flow from financing activities		
Proceeds from long-term borrowings (net)	484,486	-
Repayment of long-term borrowings (net)	-	(253,589)
Repayment of long-term borrowings (net)	(27,232,236)	(36,880,496)
Net cash flow (used in)/from financing activities (C)	(26,747,750)	(37,134,085)
Net increase in cash and cash equivalents (A+B+C)	5,645,380	3,822,474
Cash and cash equivalents at the beginning of the year	56,319,472	52,496,998
Cash and cash equivalents at the end of the year	61,964,852	56,319,471

As per our report of even date attached

For PRSV & Co. LLP

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Chartered Accountants

Firm Regn No. S200016

Y VENKATESWARLU
 Partner
 Membership No. 222068

RAJU NARASA MANTENA
 Chairman & Director
 DIN: 07993925

MANTHENA BADARI NARAYANA RAJU
 Director
 DIN: 02666074

 Place: Hyderabad
 Date: 27-May-2018

KANUMURI KRISHNAM RAJU
 Chief Executive Officer

RAMAYYA VUTUKURI
 Chief Financial Officer

KERNEX MICROSYSTEMS (INDIA) LIMITED

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

2. Basis of Preparation and Presentation

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

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

The consolidated financial statements have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016. Up to the year ended 31 March 2017, the Group prepared its consolidated financial statements in accordance with accounting standards notified under Section 133 of the Companies Act 2013, read with Rule 7 of Companies (Accounts) Rules, 2014 ("Previous GAAP").

These consolidated financial statements for the year ended 31 March 2018 are the group's first Ind AS consolidated financial statements.

'The transition from Previous GAAP to Ind AS has been accounted for in accordance with Ind AS 101' 'First Time Adoption of Indian Accounting Standards', with 1st April, 2016 being the transition date.'

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

2.1. Principles of Consolidation

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

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

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

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

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

2.2. Other significant accounting policies

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

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
NOTE No.: 3 - PROPERTY, PLANT AND EQUIPMENT

Amount in Rupees

Particulars	Gross Block							Depreciation / Amortisation / Deletion							Net Block		
	As at 01st Apr 2016	Additions	Deletions	As at 31st Mar 2017	Additions	Deletions	As at 31st Mar 2018	Upto 01st Apr 2016	For the year	Deletions	Upto 31st Mar 2017	For the year	Deletions	Upto 31st Mar 2018	As at 31st Mar 2018	As at 31st Mar 2017	As at 31st Mar 2016
Tangible Assets																	
Land and land development	255,028,857	18,158,471	10,632,300	262,555,028		-	262,555,028	-	-	-	-	-	-	-	262,555,028	262,555,028	255,028,857
Buildings	343,486,963	87,429,668	43,671,920	387,244,711		499,375	386,745,336	122,038,463	20,483,680	31,989,138	110,533,005	17,943,786	224,653	128,252,138	258,493,198	276,711,706	221,448,500
Plant and equipment	138,162,267	132,007	1,352,000	136,942,274	263,445	-	137,205,719	121,460,957	4,200,863	1,192,085	124,469,735	2,760,481	-	127,230,216	9,975,503	12,472,539	16,701,310
Furniture and fixtures	12,025,718	-	229,288	11,796,430		-	11,796,430	9,775,978	538,049	201,866	10,112,161	386,828	-	10,498,989	1,297,441	1,684,269	2,249,740
Vehicles	8,674,361	-	-	8,674,361	2,545,735	-	11,220,096	7,638,517	261,187	-	7,899,704	825,739	-	8,725,443	2,494,653	774,657	1,035,844
Office equipment	9,531,002	-	-	9,531,002		-	9,531,002	9,369,215	88,067	-	9,457,282	38,747	-	9,496,029	34,973	73,720	161,787
Total	766,909,168	105,720,146	55,885,508	816,743,806	2,809,180	499,375	819,053,611	270,283,130	25,571,846	33,383,089	262,471,887	21,955,581	224,653	284,202,815	534,850,796	554,271,919	496,626,038
Capital Work in Progress	97,440,499																
Intangible Assets																	
Computer software	3,753,742	9,878,824		13,632,566	901,462	-	14,534,028	3,553,663	9,878,824	-	13,432,487	506,626		13,939,113	594,915	200,079	200,082
Total				13,632,566	901,462	-	14,534,028				13,432,487	506,626	-	13,939,113	594,915	200,079	200,082
Note: Depreciation on buildings to the extent of Rs 8,74,29,668/- capitalised during 2016-17 is not provided in accordance with Ind As 16 'Property, plant and equipment' as the asset is not available for use .																	

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note	Particulars	Amount in Rupees		
		As at 31st Mar 2018	As at 31st Mar 2017	As at 1st Apr 2016
4 OTHER FINANCIAL ASSETS				
	Unsecured and considered good			
	Security deposits	1,527,499	3,050,496	3,153,652
	Receivable on sale of fixed assets	60,000,000	60,000,000	-
		61,527,499	63,050,496	3,153,652
5 DEFERRED TAX ASSET (NET)				
	The movement on the deferred tax account is as follows:			
	At the start of the year	-	-	3,504,902
	(Charge)/credit to statement of profit and loss	-	-	3,260,961
	At the end of year	-	-	6,765,863
6 OTHER NON CURRENT ASSETS				
	Advance income tax (net)	10,823,280	10,973,270	8,591,488
	Mat credit entitlement	12,256,937	11,760,102	11,760,102
	Capital advances	-	36,680,535	48,552,390
		23,080,217	59,413,907	68,903,980
7 INVENTORIES				
	Raw material	84,616,060	85,427,849	116,874,538
	Less: Provision for obsolete stock	(14,565,974)	-	-
		70,050,086	85,427,849	116,874,538
	Work-in-progress	15,540,202	16,804,835	131,195,958
		85,590,288	102,232,684	248,070,496
Work-in-progress represent work completed in respect of projects and not yet billed to the customers.				
8 TRADE RECEIVABLES				
	Unsecured			
	Considered good	365,262,322	415,553,238	513,233,068
	Considered doubtful	7,548,963	8,412,101	10,377,730
		372,811,285	423,965,339	523,610,798
	Less: Allowances for credit losses	(7,548,963)	(8,412,101)	(10,377,730)
		365,262,322	415,553,238	513,233,068

Out of the above Trade Receivables, an amount of Rs. 14.46 crores due from Egyptian National Railways (ENR) is outstanding pending mile stones of the contract to be achieved.

Further an amount Rs. 20.26 crores receivable from Konkan Railways Corporation Ltd.(KRCL) is under arbitration / in the process of filling arbitration (Refer Note No. 40. i)

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note	Particulars	Amount in Rupees		
		As at 31st Mar 2018	As at 31st Mar 2017	As at 1st Apr 2016
9 CASH AND CASH EQUIVALENTS				
Balances with banks				
In Current accounts		4,956,084	2,368,096	8,006,782
Cash on hand		1,693,856	673,975	489,343
		6,649,940	3,042,071	8,496,125
10 OTHER BANK BALANCES				
In Deposit accounts		85,778	912,939	16,796,294
Unclaimed dividend accounts		275,360	275,360	324,439
Margin money for bank guarantees		54,953,774	52,089,102	26,880,140
		55,314,912	53,277,401	44,000,873
11 OTHER FINANCIAL ASSETS				
Interest accrued but not due on term deposits		1,455,091	1,986,388	1,864,433
EMD		87,400	155,900	1,155,900
		1,542,491	2,142,288	3,020,333
12 OTHER CURRENT ASSETS				
Unsecured and considered good				
Advance to vendors for supply of goods & services		11,926,993	40,097,043	52,031,683
Balances with statutory/government authorities		15,655,445	11,234,841	9,350,463
Advance for expenses		22,237,166	26,900,526	34,307,930
Prepaid expenses		641,051	1,892,157	2,231,699
Other advances		15,000,001	-	-
		65,460,656	80,124,567	97,921,775

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

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

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note	Particulars	Amount in Rupees		
		As at 31st Mar 2018	As at 31st Mar 2017	As at 1st Apr 2016
13 SHARE CAPITAL				
	Authorised share capital			
	1,50,00,000 Equity shares of Rs.10/- each	150,000,000	150,000,000	150,000,000
	Issued, subscribed and fully paid-up			
	1,24.99,655 Equity Shares of Rs.10/- each with voting rights	124,996,550	124,996,550	124,996,550
		124,996,550	124,996,550	124,996,550

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

Particulars	As at 31st Mar 2018		As at 31st Mar 2017		As at 1st Apr 2016	
	No of Shares	Amount	No of Shares	Amount	No of Shares	Amount
At the beginning of the year	12,499,655	124,996,550	12,499,655	124,996,550	12,499,655	124,996,550
Issued during the year	-	-	-	-	-	-
Outstanding at the end of the year	12,499,655	124,996,550	12,499,655	124,996,550	12,499,655	124,996,550

b. Rights attached to the equity shares

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

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

Particulars	As at 31st Mar 2018		As at 31st Mar 2017		As at 1st Apr 2016	
	No of Shares	Amount	No of Shares	Amount	No of Shares	Amount
Raju Narasa Manthena	854,633	6.84%	854,633	6.84%	854,633	6.84%
Seetharamaraju Manthena	712,995	5.70%	712,995	5.70%	721,992	5.78%
Sreelakshmi Manthena	640,398	5.12%	640,398	5.12%	640,398	5.12%

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
14 STATEMENT OF CHANGES IN EQUITY and OTHER EQUITY
Amount in Rupees

Particulars	Equity share capital	Reserves & Surplus				Other Comprehensive Income	Total Other Equity
		Securities premium	General Reserve	Foreign currency translation reserve	Profit and loss		
Balance as at 1st April 2016	124,996,550	917,219,545	61,213,631	(5,940,558)	(139,638,548)	391,741	833,245,811
Loss for the year					(40,499,640)		(40,499,640)
Other comprehensive Income for the year						(3,362,089)	(3,362,089)
Foreign exchange rate variations for the year				(37,823,325)			(37,823,325)
Balance as at 31st Mar 17	124,996,550	917,219,545	61,213,631	(43,763,883)	(180,138,188)	(2,970,348)	751,560,757
Loss for the year					(147,155,207)		(147,155,207)
Transfers					30,678,261		30,678,261
Other comprehensive Income for the year						(729,848)	(729,848)
Foreign exchange rate variations for the year				2,434,952			2,434,952
Balance as at 31 Mar 18	124,996,550	917,219,545	61,213,631	(41,328,931)	(296,615,134)	(3,700,196)	636,788,915

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note	Particulars	Amount in Rupees		
		As at 31st Mar 2018	As at 31st Mar 2017	As at 1st Apr 2016
15 BORROWINGS				
Secured				
Vehicle loans		590,612	106,128	359,717
		590,612	106,128	359,717
Vehicle loans are repayable in 36 instalments carrying interest rate ranging from 10.5% to 13.5%. The loans are secured by hypothecation of vehicles.				
16 PROVISIONS				
Provision for employee benefits				
Gratuity		-	-	1,749,655
		-	-	1,749,655
17 DEFERRED TAX LIABILITIES (NET)				
The movement on the deferred tax account is as follows:				
At the start of the year		14,900,571	(6,765,863)	-
Charge/(credit) to statement of profit and loss		(5,641,149)	21,666,434	-
At the end of year		9,259,422	14,900,571	-
18 OTHER NON CURRENT LIABILITIES				
Advance received against sale of land		79,800,000	53,199,999	39,999,999
		79,800,000	53,199,999	39,999,999
Advance has been received against sale of land and documentation is under process.				
19 BORROWINGS				
Loans repayable on demand (Unsecured)				
From banks				
Cash credit facilities		48,858,351	48,177,969	141,733,714
Others				
Unsecured loans from directors		57,614,207	59,014,207	58,614,207
Inter corporate deposits		148,951,759	137,258,969	132,656,339
		255,424,317	244,451,145	333,004,260

Cash credit facilities from State Bank of India are secured by first charge of hypothecation on all current assets of the Company present and future and collaterally secured by extension of first charge on the fixed assets (movable and immovable) of the Company both present and future and extension of equitable

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note	Particulars	Amount in Rupees		
		As at 31st Mar 2018	As at 31st Mar 2017	As at 1st Apr 2016
	mortgage of land and buildings situated at TSIIC Hardware park and lands situated near Yadagigutta and Amangal.			
	Unsecured loans from directors are interest free. The Company has obtained shareholders' approval through postal ballot on 16th Feb, 2018 for conversion into equity.			
	Inter corporate deposits (ICD) outstanding as on 31st Mar, 2018 are received from M/s MRT Signals Limited, PNR Agro Farms Pvt Ltd and M/s Millenium Strategic Group Inc. (subsidiary) and carrying interest rate ranging from 15% to 18.5%.			
	Since subsidiary is following cash basis of accounting no provision is made towards interest on ICD amounting to Rs. 5.98 crores (including the current year interest of Rs. 1.93 crores)			

20 TRADE PAYABLES

Due to micro, small and medium enterprises	-	-	-
Others	66,154,017	113,238,946	184,885,796
	66,154,017	113,238,946	184,885,796

21 OTHER FINANCIAL LIABILITIES

Current maturity of vehicle loans (Refer Note : 16)	692,400	246,713	222,200
Due to capital creditors	219,241	1,559,240	1,541,132
Unclaimed dividends	259,815	259,815	308,694
Share application money due for refund	26,300	26,300	26,300
	1,197,756	2,092,068	2,098,326

22 OTHER CURRENT LIABILITIES

Advance from customers	10,287,425	16,806,824	30,454,494
Statutory remittances	15,375,023	11,955,660	35,010,419
Provision for tax on dividends	-	-	2,027,757
	25,662,448	28,762,484	67,492,670

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note	Particulars	Amount in Rupees	
		As at 31st Mar 2018	As at 31st Mar 2017
23 REVENUE FROM OPERATIONS			
	Sale of Products	60,488,391	98,419,553
	Sale of Services	72,567,396	24,596,893
		133,055,787	123,016,446
24 OTHER INCOME			
	Interest Income		
	On fixed deposits	3,126,595	3,893,994
	Interest on income tax refund	-	500,000
	Interest on electricity deposit	101,238	121,535
	others	23	17
	Net gain on foreign currency transactions	-	7,959,859
	Other non-operating income		
	Rental income	-	3,085,013
	Miscellaneous income	2,101,173	951,250
	Liabilities no longer required written off	993,526	-
	Reversal of provision for expected credit losses	863,138	1,965,629
		7,185,693	18,477,297
25 COST OF MATERIALS CONSUMED			
	Opening stock	85,427,849	116,874,538
	Add: Purchases	5,784,561	23,102,953
	Less: Closing stock	84,616,060	85,427,849
		6,596,350	54,549,642
26 PURCHASE OF TRADED GOODS			
	Purchase of booms & Others	11,220,731	10,225,260
		11,220,731	10,225,260
27 CHANGES IN INVENTORIES OF WORK-IN-PROCESS			
	Inventories at the end of the year		
	Work-in- process	15,540,202	68,935,822
	Inventories at the beginning of the year		
	Work-in- process	16,804,835	131,195,958
	Net (increase)/decrease	1,264,633	62,260,136
28 EMPLOYEE BENEFIT EXPENSES			
	Salaries and wages	42,340,622	40,286,688
	Contribution to provident and other funds	1,644,604	1,695,221
	Directors remuneration	3,500,000	8,890,938
	Staff welfare expenses	1,499,060	968,431
		48,984,286	51,841,278

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note	Particulars	Amount in Rupees	
		Year ended 31st Mar 2018	Year ended 31st Mar 2017
29 FINANCE COSTS			
	Interest on borrowings	18,648,954	25,407,367
	Other borrowing costs	4,099,820	7,623,649
	Net (gain) / loss on foreign currency transactions and translation	13,681,122	3,939,549
		36,429,896	36,970,565
30 OTHER EXPENSES			
	Project execution expenses	55,117,958	66,527,181
	Rental expenses	-	665,674
	Electricity charges	2,285,207	3,520,202
	Security charges	1,319,162	1,953,642
	Rates and taxes	3,898,455	3,187,976
	Sales tax paid	-	296,345
	Printing and stationery	165,159	137,213
	Freight	617,656	829,365
	Insurance	636,472	414,373
	Repairs and maintenance	3,504,303	4,304,365
	Postage, telephone and courier	392,973	647,402
	Travelling and conveyance	2,720,121	1,714,961
	Professional & consultancy fees	3,774,865	5,233,755
	Directors sitting Fees	1,200,000	1,200,000
	Business promotion	707,440	686,579
	Payment to auditors		
	Statutory audit	400,000	400,000
	Tax audit	200,000	200,000
	Re-imbursement of expenses	61,461	8,100
	Miscellaneous expenses	2,425,397	2,779,913
	Prior period items	4,671,441	5,645,099
	Impairment on computer software	-	9,878,824
	Sundry balances written off	11,022,358	44,043,849
	Provision for Doubtful advances	56,318,609	
	Provision for obsolete stock	14,565,974	-
	Loss on sale of asset	74,722	-
		166,079,733	154,274,818

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Note	Particulars	Amount in Rupees	
		Year ended 31st Mar 2018	Year ended 31st Mar 2017
31 EXTRA-ORDINARY ITEMS			
	Profit on Sale of Fixed Assets	-	287,497,584
		-	287,497,584
32 EXCEPTIONAL ITEMS			
	Work in progress written off due to termination of project	-	52,130,987
		-	52,130,987

33 DISCLOSURES ON SPECIFIED BANK NOTES

In accordance with the MCA notification G.S.R.308(E) dated March 30, 2017, details of specified bank notes and other denomination notes held and transacted during the period from November 8, 2016 to December 30, 2016, is as below.

PARTICULARS	Amount in Rupees		
	Specified Bank Notes	Others	Total
Closing cash in hand as on 08/11/2016	18,000	16,679	34,679
Add: Permitted Receipts - Refund of Tour Advance by Employee	85,000	-	85,000
Less: Permitted Payments	-	-	-
Less: Amount Deposited in Banks	103,000	-	103,000
Closing Cash in Hand as on 30/12/2016	-	16,679	16,679

34 EMPLOYEE BENEFITS
a. Defined contribution plan

Eligible employees of the Company receive benefits from a provident fund, which is a defined contribution plan. The Company has no further obligations under the plan beyond its monthly contributions. The Company contributed Rs. 13,67,441 (Previous year Rs. 15,35,000) towards provident fund plan during the year ended 31st Mar, 2018.

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.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

Particulars	Amount in Rupees	
	As at 31st Mar 2018	As at 31st Mar 2017
Defined benefit obligation as at beginning of the year	4,758,870	6,654,093
Current service cost	648,266	541,659
Interest cost	352,632	523,012
Actuarial (gain)/loss	717,793	(1,342,954)
Benefits paid	(2,223,026)	(1,616,940)
Defined benefit obligation as at the end of the year	4,254,535	4,758,870

ii. Changes in fair value of plan assets

Particulars	Amount in Rupees	
	As at 31st Mar 2018	As at 31st Mar 2017
Fair value of plan assets as at the beginning of the year	5,619,303	4,904,438
OB difference	-	(4,904,438)
Investment income	416,390	-
Employer contribution	1,400,000	7,063,080
Expenses	(46,248)	(26,232)
Benefits Paid	(2,223,026)	(1,616,940)
Return on plan assets	(12,055)	199,395
Fair value of plan assets as at the end of the year	5,154,364	5,619,303

iii. Fair value of Assets and Obligations

Particulars	Amount in Rupees	
	As at 31st Mar 2018	As at 31st Mar 2017
Fair value of plan assets	5,154,364	5,619,303
Present value of obligation	4,254,535	4,758,870
Amount recognized in balance sheet	899,829	860,433

iv. Expenses recognised during the year

Particulars	Amount in Rupees	
	Year ended 31st Mar 2018	Year ended 31st Mar 2017
In Income Statement		
Current service cost	648,266	541,659
Interest cost/(income)	(63,758)	523,012
Expenses recognised in the income statement	584,508	1,064,671
In Other Comprehensive Income (OCI)		
Actuarial (gain)/loss		
Opening balance difference	-	4,904,438
Others	717,793	(1,342,954)
Return on plan assets	12,055	(199,395)
Net (income)/expense recognised in OCI	729,848	3,362,089

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
v. Actuarial assumptions

Particulars	Amount in Rupees	
	As at 31st Mar 2018	As at 31st Mar 2017
Discount rate (per annum)	7.73%	7.41%
Salary growth rate (per annum)	2.00%	2.00%

vi. Sensitivity Analysis

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

Particulars	As at 31st Mar 2018		As at 31st Mar 2017	
	Decrease	Increase	Decrease	Increase
Change in discounting rate	4,588,134	3,961,908	5,056,033	4,501,293
Change in rate of salary increase	3,836,094	4,736,426	4,375,046	5,210,272
Change in rate of attrition	4,011,368	4,478,571	4,521,893	4,974,775
Change in rate of mortality	4,246,346	4,262,697	4,751,869	4,765,848

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

Nature of Relationship	Name of the related party	
Key Managerial Personnel	Anji Raju Manthena	Director
	Mantena Raju Narasa	Director
	Vinta Janardhana Reddy	Director
	Sreelakshmi M (from 20.11.17)	Director
	M.B.Narayana Raju (from 20.11.17)	Whole Time Director
	K.Krishnam Raju (from 29.10.16)	Chief Executive Officer
	Ramayya Vutukuri (from 14.04.17)	Chief Financial Officer
	T.V.S.N. Raju (from 10.02.18)	Independent Director
	Venkata Ratnam Anugolu	Independent Director
	Arun Kumar Sanwalka	Independent Director
	M Gopala Krishna (till 17.01.18)	Independent Director
	L.V.Raju (till 30.11.16)	Managing Director
	B.Murali Mohan (till 31.03.17)	Whole Time Director
Relatives of KMP	Jyothi Raju Manthena (till 09.08.16)	Director
	G.A.V.N.Murty (till 31.10.17)	In-charge CFO
	S.Srinivasa Kiran (till 30.11.16)	Company Secretary
	Chenna Krishna Mantena	Son of Director

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
b. Transactions with Related parties
Amount in Rupees

Nature of Transaction	Name of the related party	Year ended 31st Mar 2018	Year ended 31st Mar 2017
Managerial Remuneration	M.B.Narayana Raju	500,000	-
	K.Krishnam Raju	6,000,000	2,419,000
	Ramayya Vutukuri	1,009,006	-
	L.V.Raju	-	2,878,000
	B.Murali Mohan	-	2,796,000
	G.A.V.N.Murty	-	955,000
	S.Srinivasa Kiran	-	411,000
Receipt of loan	K.Krishnam Raju	-	1,400,000
Repayment of loan	K.Krishnam Raju	1,400,000	-

c. Balances as at 31 Mar 2018

Nature of Transaction	Name of the related party	Year ended 31st Mar 2018	Year ended 31st Mar 2017
Loan taken from KMP	Anji Raju Manthena	18,935,842	18,935,842
	Raju Narasa Mantena	23,000,000	23,000,000
	Vinta Janardhana Reddy	10,417,080	10,417,080
	B Murali Mohan	945,085	945,085
	K.Krishnam Raju	-	1,400,000
Loan taken from relative of KMP	Chenna Krishna Mantena	4,316,200	4,316,200

36. EARNINGS PER SHARE

Particulars	Year ended 31st Mar 2018	Year ended 31st Mar 2017
Profit after tax attributable to equity shareholders	(147,155,208)	(40,499,640)
Weighted average number of equity shares for Basic EPS	12,499,655	12,499,655
Weighted average number of equity shares for Diluted EPS	12,499,655	12,499,655
Basic earnings per Share	(11.77)	(3.24)
Diluted earnings per Share	(11.77)	(3.24)

37. SEGMENTAL REPORTING

The group is engaged in one reportable segmentie; safety systems for railways as dedined in Ind AS 108, Operating Segments

Analysis of revenues by geography

The following table shows the distribution of the Company's revenues (excluding other operating income) based on the location of the customers:

Particulars	Year ended 31st Mar 2018	Year ended 31st Mar 2017
India	2,909,912	-
Egypt	115,537,519	92,370,130
South Africa	14,608,356	30,646,316
	133,055,787	123,016,446

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Analysis of assets by geography

The following table shows the distribution of the Company's non current assets (property, plant and machiney, intangible assets) by country, based on the location of assets:

Particulars	Amount in Rupees	
	Year ended 31st Mar 2018	Year ended 31st Mar 2017
India	535,445,711	554,471,998
Egypt	-	-
USA	-	-
	535,445,711	554,471,998

38. INCOME TAXES

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

Particulars	Year ended 31st Mar 2018	Year ended 31st Mar 2017
Current tax expense	-	-
Deferred tax expense	(5,641,149)	21,666,434
Total income tax expense	5,641,149)	21,666,434

Reconciliation of effective tax rate

Particulars	Year ended 31st Mar 2018	Year ended 31st Mar 2017
Loss before Income Tax	(152,796,357)	(18,833,206)
Tax Rate	25.75%	30.90%
Tax expense	(39,345,062)	(5,819,461)
Effect of:		
Unrecognised deferred tax assets	36,238,840	55,278,080
Change in rate of tax	(2,554,169)	-
Others	-	(27,792,185)
Loss on sale of asset	19,241	-
Income tax expense	(5,641,150)	21,666,434

Unrecognised deferred tax Asset

Particulars	Year ended 31st Mar 2018	Year ended 31st Mar 2017
Loss as per IT Act	18,208,318	55,885,459
Provision for doubtful advances	14,502,042	-
Provision for obsolete stock	3,750,738	-
Reversal of provision for expected credit lossess	(222,258)	(607,379)
Total unrecognised deferred tax asset	36,238,840	55,278,080

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
Deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

Particulars	Amount in Rupees	
	Year ended 31st Mar 2018	Year ended 31st Mar 2017
Deferred tax (assets)/liabilities:		
Property, plant and equipment	32,880,976	43,214,561
Current liabilities & provisions	(1,795,407)	(2,122,612)
Unabsorbed depreciation	(21,826,148)	(26,191,378)
Net deferred tax Liabilities	9,259,421	14,900,571

Movement in deferred tax assets and liabilities during the years ended 31 Mar 2018 and 31 Mar 2017

Particulars	As at 31st Mar 2017	Charge/(credit)to profit or loss	As at 31st Mar 2018
Deferred tax (assets)/liabilities:			
Property, plant and equipment	43,214,561	(10,333,585)	32,880,976
Current liabilities & provisions	(2,122,612)	327,205	(1,795,407)
Unabsorbed depreciation	(26,191,378)	4,365,230	(21,826,148)
Net Deferred tax Liabilities	14,900,571	(5,641,150)	9,259,421

Movement in deferred tax assets and liabilities during the years ended 31 Mar 2017 and 31 Mar 2016

Particulars	As at 31st Mar 2016	Charge/(credit)to profit or loss	As at 31st Mar 2017
Deferred tax (assets)/liabilities:			
Property, plant and equipment	(296,777)	43,511,338	43,214,561
Current liabilities & provisions	(6,469,086)	4,346,474	(2,122,612)
Unabsorbed depreciation	-	(26,191,378)	(26,191,378)
Net Deferred tax Liabilities	(6,765,863)	21,666,434	14,900,571

39. CONTINGENT LIABILITIES AND COMMITMENTS

Particulars	Year ended 31st Mar 2018	Year ended 31st Mar 2017
a. Claims against the Company not acknowledged as a debt (Refer note c to f below)	13,622,000	8,457,000
b. Bank guarantee outstanding	134,474,168	165,258,323

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

c. Income tax

The Dy Commissioner of Income tax filed an appeal before the tribunal against the favorable order passed by the Commissioner of Income tax (Appeals-III) involving an amount of Rs. 8,00,000 for the assessment year 1998-99. The tribunal has decided the appeal against the Company, for which the Company has preferred an appeal before the honourable High Court, Telangana and is expecting a favourable order.

d. Commercial taxes

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

e. Provident fund

The Company received a demand amounting to Rs. 51,65,000 for the period 16th Jun, 2013 to 6th Jan, 2018. The Company is representing the case before the Regional Commissioner and is expecting a favourable order.

f. Service tax

The tribunal has given stay in favour of the Company for the appeal filed against the order passed by commissioner(Appeals-II). As per the stay, the Company is given waiver in case of pre-deposit, recovery of balance amount of service tax and also the penalty imposed on the appellant. Case is still pending with High Court.

40. OTHER SIGNIFICANT LITIGATIONS

i. In view of dispute with Konkan Railway Corporation Limited (KRCL), the company has filed arbitration in respect of dues amounting to Rs. 15.08 crores. The arbitration proceedings are under progress. The Company has not made any provision in the books of accounts which may dilute the chances of recovery of these receivables. Provision in the books of accounts will be provided at the time of finalisation of matters.

ii. A Show-cause notice was received u/s 279(1) of the Income Tax Act, 1961, initiating prosecution proceedings u/s 276B r.w.s 278B of the Income Tax Act, 1961 for financial year(s) 2013-14 to 2016-17. The Company has represented the case before the CIT (TDS) and is expecting a favourable order.

41. 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 coupled long term and short term strategic investment and expansion plans.

42. Financial Risk Management

In course of its business, the company is exposed to certain financial risk such as market risk, credit risk and liquidity risk that could have significant influence on the company's business and

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

operational/financial performance. The Board of directors and the Audit Committee reviews and approves risk management framework and policies for managing these risks and monitor suitable mitigating actions taken by the management to minimize potential adverse effects and achieve greater predictability to earnings.

a. Credit risk

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

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

b. Liquidity risk

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

c. Market risk

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

d. Exchange rate risk

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

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

Particulars	USD	Egyptian Pound	Total
Assets			
Cash and bank balances	1,490,440	3,504,010	4,994,451
Trade receivables	99,967,559	44,775,007	144,742,565
Other assets	20,578,815	-	20,578,815
Total	122,036,814	48,279,017	170,315,831
Liabilities			
Trade payables	-	-	-
Other liabilities	67,227,884	-	67,227,884
Total	67,227,884	-	67,227,884

The foreign currency exposures as of 31st Mar 2017 were as follows.

Particulars	USD	Egyptian Pound	Total
Assets			
Cash and bank balances	108,354	32,691	141,045
Trade receivables	140,351,075	45,991,496	186,342,571
Other assets	20,564,676	-	20,564,676
Total	161,024,105	46,024,187	207,048,292
Liabilities			
Trade payables	30,692,317	-	30,692,317
Other liabilities	71,308,486	-	71,308,486
Total	102,000,803	-	102,000,803

The foreign currency exposures as of 31st Mar 2016 were as follows.

Particulars	USD	Egyptian Pound	Total
Assets			
Cash and bank balances	180,227	5,354,215	5,534,442
Trade receivables	110,217,748	97,076,813	207,294,561
Other assets	21,045,166	-	21,045,166
Total	131,443,141	102,431,028	232,874,169
Liabilities			
Trade payables	23,704,624	-	23,704,624
Other liabilities	64,253,336	-	64,253,336
Total	87,957,960	-	87,957,960

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
43. Financial Instruments valuation

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

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

Particulars	Carrying Amount	Amount in Rupees			
		Level of input used in			Fair Value
		Level 1	Level 2	Level 3	
Financial assets					
At Amortised Cost					
Investments*	-	-	-	-	-
Trade receivables	365,262,322	-	-	-	365,262,322
Cash and cash equivalents	6,649,940	-	-	-	6,649,940
Other bank balances	55,314,912	-	-	-	55,314,912
Other financial assets	63,069,990	-	-	-	63,069,990
Financial liabilities					
At Amortised Cost					
Borrowings	256,014,929	-	-	-	256,014,929
Trade Payables	66,154,017	-	-	-	66,154,017
Other financial liabilities	1,197,756	-	-	-	1,197,756

The carrying value and fair value of financial instruments by categories as of 31st Mar 17 were as follows

Particulars	Carrying Amount	Level of input used in			Fair Value
		Level 1	Level 2	Level 3	
Financial assets					
At Amortised Cost					
Investments*	-	-	-	-	-
Trade receivables	415,553,238	-	-	-	415,553,238
Cash and cash equivalents	3,042,071	-	-	-	3,042,071
Other bank balances	53,277,401	-	-	-	53,277,401
Other financial assets	65,192,784	-	-	-	65,192,784
Financial liabilities					
At Amortised Cost					
Borrowings	244,557,273	-	-	-	244,557,273
Trade Payables	113,238,947	-	-	-	113,238,947
Other financial liabilities	2,092,068	-	-	-	2,092,068

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

The carrying value and fair value of financial instruments by categories as of 1st Apr 2016 were as follows

					Amount in Rupees
Particulars	Carrying Amount	Level of input used in			Fair Value
		Level 1	Level 2	Level 3	
Financial assets					
At Amortised Cost					
Investments*	-	-	-	-	-
Trade receivables	513,233,068	-	-	-	513,233,068
Cash and cash equivalents	8,496,125	-	-	-	8,496,125
Other bank balances	44,000,873	-	-	-	44,000,873
Other financial assets	6,173,985	-	-	-	6,173,985
Financial liabilities					
At Amortised Cost					
Borrowings	333,363,977	-	-	-	333,363,977
Trade Payables	184,885,796	-	-	-	184,885,796
Other financial liabilities	2,098,326	-	-	-	2,098,326

* excludes Financial assets measured at cost

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable Inputs for the asset or liability.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
44 FIRST TIME IND AS ADOPTION RECONCILIATION

44.1 Effect of Ind AS adoption on the Consolidated balance sheet as at 31st March, 2017 and 1st April, 2016

Assets & Liabilities	As at 31st Mar 2017			As at 31st Mar 2016		
	Previous GAAP	Effect of transition to Ind AS	As per Ind AS balance Sheet	Previous GAAP	As per Ind AS balance Sheet	As per Ind AS balance Sheet
ASSETS						
Non-current assets						
Property, Plant and Equipment	554,271,919	-	554,271,919	496,626,038	-	496,626,038
Capital work-in-progress	-	-	-	97,440,499	-	97,440,499
Intangible assets	200,079	-	200,079	200,082	-	200,082
Financial assets						
Investments	-	-	-	-	-	-
Other financial assets	62,994,944	55,552	63,050,496	3,037,991	115,661	3,153,652
Deferred tax assets (net)	-	-	-	6,765,863	-	6,765,863
Other Non-current assets	58,073,907	1,340,000	59,413,907	68,903,980	-	68,903,980
Current assets						
Inventories	102,232,684	-	102,232,684	248,070,496	-	248,070,496
Financial assets						
Trade receivables	420,555,955	(5,002,717)	415,553,238	518,886,484	(5,653,416)	513,233,068
Cash and cash equivalents	56,319,473	(53,277,402)	3,042,071	52,496,999	(44,000,874)	8,496,125
Other bank balances	-	53,277,401	53,277,401	-	44,000,873	44,000,873
Other financial assets	59,771,343	(57,629,055)	2,142,288	47,018,294	(43,997,961)	3,020,333
Other current assets	22,551,062	57,573,505	80,124,567	27,633,913	70,287,862	97,921,775
Total Assets	1,336,971,366	(3,662,716)	1,333,308,650	1,567,080,639	20,752,145	1,587,832,784
EQUITY & LIABILITIES						
Equity						
Equity Share capital	124,996,550	-	124,996,550	124,996,550	-	124,996,550
Other equity	758,545,945	(6,985,187)	751,560,758	840,873,198	(7,627,387)	833,245,811
Non-current liabilities						
Financial liabilities						
Borrowings	106,128	-	106,128	359,717	-	359,717
Provisions	-	-	-	-	1,749,655	1,749,655
Deferred tax liabilities	14,900,571	-	14,900,571	-	-	-
Other Non-current liabilities	53,199,999	-	53,199,999	39,999,999	-	39,999,999
Current liabilities						
Financial liabilities						
Borrowings	178,911,145	65,540,000	244,451,145	268,764,260	64,240,000	333,004,260
Trade Payables	86,951,603	26,287,344	113,238,947	134,065,939	50,819,857	184,885,796
Other financial liabilities	-	2,092,068	2,092,068	-	2,098,326	2,098,326
Provisions	-	-	-	2,027,757	(2,027,757)	-
Other current liabilities	119,359,425	(90,596,941)	28,762,484	155,993,219	(88,500,549)	67,492,670
Total liabilities	1,336,971,366	(3,662,716)	1,333,308,650	1,567,080,639	20,752,145	1,587,832,784

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

44.2. Reconciliation of Profit and Other Equity between Ind AS and Previous GAAP

Particulars	Amount in Rupees		
	Net Profit	Other Equity	
	Year ended 31st Mar 2017	Charge/(credit) to profit or loss	As at 31st Mar 2017
Net Profit/Other Equity as per Indian GAAP	(44,503,931)	758,545,945	840,873,198
Impairment/reversal of impairment of trade receivables due to expected credit loss model *	1,965,629	(8,412,101)	(10,377,732)
Difference in measurement of employee benefits **	2,038,662	1,426,913	2,750,345
Net Profit before OCI /Other Equity as per Ind AS	(40,499,640)	751,560,757	833,245,811

Notes:

* Trade receivables

Under Ind AS 109, impairment allowance in respect of trade receivables has been determined based on Expected Credit Loss model (ECL). Due to ECL model, the Company impaired its trade receivable by Rs. 1,03,77,730/- on 1 April 2016 which has been eliminated against retained earnings.

** Defined benefit liabilities

Under Indian GAAP, the Company recognised costs related to its post-employment defined benefit plan i.e gratuity based on actuarial valuation made by the LIC as at the year end and the entire cost, including actuarial gains and losses, are charged to the statement of profit and loss. Under Ind AS, the liability in respect of gratuity benefit is determined based on actuarial valuation, performed by an independent qualified actuary and remeasurements comprising of actuarial gains and losses are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI. Thus the employee benefit cost is reduced by Rs. 27,50,345/- and remeasurement gains/ losses on defined benefit plan has been recognised in the OCI.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
44.3. Effect of Ind AS adoption on the Statement of Profit and Loss for the year ended 31st March, 2017

Amount in Rupees			
Particulars	Previous GAAP	Effect of transition to Ind AS	As per Ind AS
Revenue from operations	123,016,446	-	123,016,446
Other Income	16,511,667	1,965,630	18,477,297
Total income	139,528,113	1,965,630	141,493,743
Expenses			
Cost of materials consumed	55,499,142	(949,500)	54,549,642
Purchases of stock in trade	10,105,126	120,134	10,225,260
Changes in inventories of finished goods, work in progress and stock in trade	62,260,136	-	62,260,136
Employee benefit expense	53,879,934	(2,038,656)	51,841,278
Finance cost	33,121,085	3,849,481	36,970,566
Depreciation and amortization expense	25,579,318	(7,472)	25,571,846
Other expenses	157,287,466	(3,012,648)	154,274,818
Total expenses	397,732,207	(2,038,661)	395,693,546
Profit/(loss) before extraordinary, exceptional items and tax	(258,204,094)	4,004,291	(254,199,803)
Extraordinary items	287,497,584	-	287,497,584
Exceptional items	(52,130,987)	-	(52,130,987)
Profit/(loss) before tax	(22,837,497)	4,004,291	(18,833,206)
Tax expense			
(i) Current tax	-	-	-
(ii) Deferred tax	21,666,434	-	21,666,434
Net profit/(loss) for the period/year	(44,503,931)	4,004,291	(40,499,640)

45. The figures for the year ended 31 March 2017 were audited by previous statutory auditors.

46. Previous GAAP figures have been reclassified/regrouped wherever necessary to confirm with the financial statements prepared under Ind AS.

47. Recent accounting pronouncements
Standards issued but not yet effective and not early adopted by the Company:

Ind AS 115, Revenue from Contracts with Customers

In March 2018, the Ministry of Corporate Affairs ("MCA") has notified Ind AS 115, Revenue from Contracts with Customers, which is effective for accounting periods beginning on or after 1 April 2018. This comprehensive new standard will supersede existing revenue recognition guidance, and requires an entity to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in

exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

Ind AS 115 is effective for annual reporting periods beginning on or after 1 April 2018.

The Company intends to adopt Ind AS 115 effective 1 April 2018, using the modified retrospective method. The adoption of Ind AS 115 is not expected to have a significant impact on the Company's recognition of revenues from product sales, service income and license fee.

Other Amendments:

On 28 March 2018, the MCA, issued certain amendments to Ind AS. The amendments relate to the following standards:

Ind AS 40, Investment Property

Ind AS 21, The Effects of Changes in Foreign Exchange Rates

Ind AS 12, Income Taxes

The amendments are effective 1 April 2018. The Company believes that the aforementioned amendments will not materially impact the financial position, performance or the cash flows of the Company.

As per our report of even date attached

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

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Y VENKATESWARLU
Partner
Membership No. 222068

RAJU NARASA MANTENA
Chairman & Director
DIN: 07993925

MANTHENA BADARI NARAYANA RAJU
Director
DIN: 02666074

Place: Hyderabad
Date: 27-May-2018

KANUMURI KRISHNAM RAJU
Chief Executive Officer

RAMAYYA VUTUKURI
Chief Financial Officer

**KERNEX MICROSYSTEMS (INDIA) LIMITED**

Corporate Identification No. (CIN) - L3000TG1991PLC013211

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

Hardware Park, Raviryal Village, Maheswaram Mandal,

Hyderabad – 501 510., Phone: +91-9948488877

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

(C) ATTENDANCE SLIP

26th Annual General Meeting on Friday the 28th September, 2018 at 11.00 A.M. at the registered office of the company situated at Plot No.38 (Part) to 41, Survey No.1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Hyderabad – 501 510

DP Id*	
Client Id*	
Regd. Folio No.	

Name and Address of the Shareholder: _____

No. of Share(s) held: _____

I certify that I am a member/proxy for a member of the Company. I hereby record my presence at the 26th Annual General Meeting of the Company at Plot No.38 (Part) to 41, Survey No.1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Hyderabad – 501 510 at 11.00 A.M. on Friday, the September 28, 2018.

**Member's/Proxy's name in Block Letters_____
Member's/Proxy's SignatureNote:**

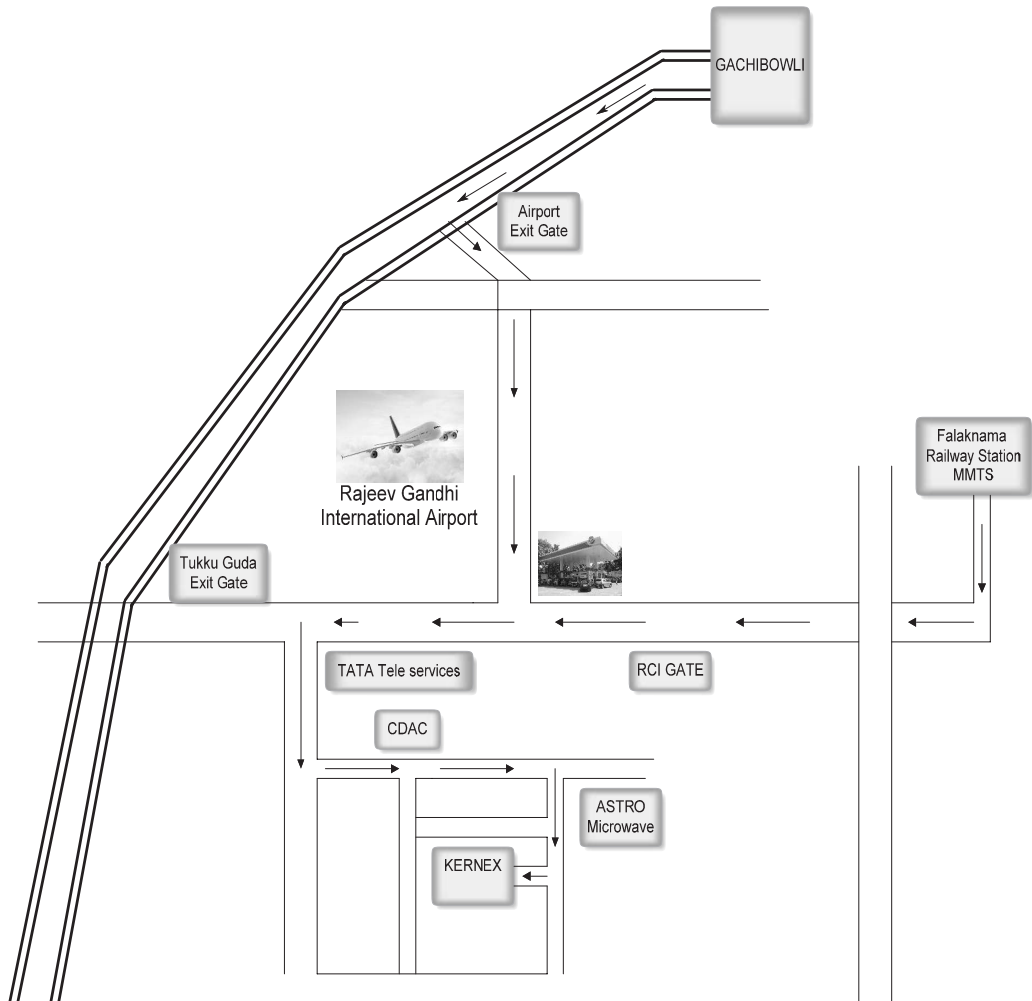
1. please sign this attendance slip and hand it over at the Attendance Verification Counter at the Entrance of the Meeting Hall.
2. This Attendance Slip is valid only in case shares are held on the date of the meeting.

** Applicable for Investors holding shares in electronic form.

** Strike out whichever is not applicable.



ROUTE MAP



**KERNEX MICROSYSTEMS (INDIA) LIMITED**

Corporate Identification No. (CIN) - L3000TG1991PLC013211

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

Hardware Park, Raviryal Village, Maheswaram Mandal,

Hyderabad – 501 510., Phone: +91-9948488877

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

(B) PROXY FORM

(Form No. MGT-11)

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

Name of the Member(s) : _____

Registered address: _____

E-mail Id : _____

Folio No./Client ID No.: _____ DP ID No. _____

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

1. Name : E-mail Id:.....

Address :

.....Signature:.....

or failing him

2. Name : E-mail Id:.....

Address :

.....Signature:.....

or failing him

3. Name : E-mail Id:.....

Address :

.....Signature:.....

or failing him

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Twenty Sixth Annual General Meeting of the Company to be held on Friday, 28th September, 2018 at 11.00 a.m. at Registered Office situated at Plot No.38 (Part) to 41, Survey No.1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Hyderabad – 501 510 and at any adjournment thereof in respect of such resolutions as are indicated below:



Resolution No.	Resolution	Optional	
		For	Against
1	Adoption of Standalone and Consolidated Statement of Profit and Loss, Balance Sheet, Report of Board of Directors and Auditors for the year ended March 31, 2018.		
2	Re-appointment of Dr. Anji Raju Manthena, as a Director of the Company.		
3	Re-appointment of Dr. Vinta Janardhana Reddy , as a Director of the Company.		
4	Appointment of Mr. Badari Narayana Raju , additional director as director		
5	Appointment of Mr. Badari Narayana Raju as Whole Time Director w.e.f. 20th November'2017 and re-appointment thereafter up to 27th September' 2020 and approve his remuneration		
6	Appointment of Ms Sree Lakshmi Manthena, as woman director		
7	Appointment of Mr. T.V.S.N.Raju as Independent Director		
8	Appointment of Mr. Ashok Gopal Rao Kalmankar as Independent Director		

Signed this day of2018

Affix Re.1
Revenue
Stamp

Signature of shareholder

Signature of Proxy holder(s)

NOTES:

1. This Form in order to be effective should be duly completed and deposited at the Registered Office of the Company at Plot No.38 (Part) to 41, Survey No.1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Hyderabad – 501 510 , not less than 48 hours before the commencement of the Meeting.
Those Members who have multiple folios with different joint holders may use copies of this Attendance slip/Proxy.
2. A Proxy need not be a member of the Company
3. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
4. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the 26th Annual General Meeting.
- *5. It is optional to put an 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
6. Please complete all details including details of member(s) in above box before submission.

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

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Kernex Microsystems (India) Limited

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