



# KERNEX MICROSYSTEMS (INDIA) LTD.

(An ISO-9001 : 2008 Certified Company)

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Registered Office :  
'THRUSHNA', Plot No. 7,  
Software Units Layout, Infocity  
Madhapur, Hyderabad - 500 081.  
Telangana, India.

## FORM A

Format of covering letter of the annual audit report to be filed with the  
stock exchanges

1.	Name of the Company	M/s. Kernex Microsystems (India) Limited
2.	Annual financial statements for the year ended	31 <sup>st</sup> March, 2015
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	N.A.
5.	To be signed by-	
	a) CEO/Managing Director (COL.L.V. RAJU (Retd)- Managing Director	
	b) Auditor of the Company GMK Associates (G. Satyanarayana Murthy)	 For GMK ASSOCIATES, CHARTERED ACCOUNTANTS, FIRM REGN. No. 006945S  G. SATYANARAYANA MURTY Partner (M. No. 29919)
	c) Audit Committee Chairman (Sri.Venkata Ratnam Anugolu)	



# ANNUAL REPORT 2014-15

## **BOARD OF DIRECTORS**

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

## **COMPANY SECRETARY**

N.Subhash

## **BANKERS**

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

## **AUDITORS**

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

## **REGISTRAR AND TRANSFER AGENT**

M/s. Karvy Computershare Private Limited,  
Karvy Selenium Tower No.B, Plot No.31-32,  
Gachibowli, Financial District,  
Nanakramguda,  
Hyderabad - 500 032

## **REGISTERED OFFICE**

"Thrushna", Plot No.7, Software Units Layout,  
Madhapur, Hyderabad - 500 081

## **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 third Annual General Meeting of the members of the Company will be held on Monday the 28th September 2015 at 3.00 P.M. at Hotel Minerva Grand, Sarojini Devi Road, Secunderabad - 500 003 to transact the following business.

## ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance sheet as at 31st March 2015 and the statement of Profit and loss for the year ended on that date together with the reports of the Director's and Auditors thereon.
2. To appoint a Director in place of Ms. Jyoti Raju (DIN: 00982024) who retires by rotation and being eligible offers herself for re-appointment.
3. To appoint a Director in place of Mr. Raju Narasa Mantena (DIN: 02666074) who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution.

Resolved That M/s. GMK Associates, Chartered Accountants (Registration No. 006945S), be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company at such remuneration as shall be fixed by the Board of Directors of the Company.

## SPECIAL BUSINESS

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

Resolved that pursuant to the provisions of Section 196, 197, 203 and any other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule V to the Companies Act, 2013 and Articles of Association of the Company and subject to such other approvals as may be required

consent of the Company be and is hereby accorded as recommended by the nomination and remuneration committee and the Board for confirming the part of earlier appointment approved by the shareholders of Col L.V. Raju (Retd.) as Managing Director from 1st January 2014 to 30th June 2015 during which time the proposed appointee has crossed the age of seventy years and also to re-appoint him as Managing Director of the Company for a further period of three years with effect from July 01, 2015 on the terms and conditions, remuneration, perquisites and benefits as contained in the explanatory statement annexed hereto.

Resolved further that the appointment be subject to three months notice of severance either from the Company or the proposed appointee and that the performance be evaluated every year and further that the Managing Director shall function subject to the superintendence, control and direction of the Board as may be entrusted from time to time.

Resolved further that the Board of Directors be and is hereby authorized to amend, alter, modify or vary the terms and conditions of appointment including the components of remuneration of Col. L.V.Raju (Retd.), Managing Director to the extent recommended by the Nomination and Remuneration Committee from time to time as may be considered appropriate, subject to the overall limits specified in Part II, Section II of Schedule V to the Companies Act, 2013.

Resolved further that any one of the Directors or Company Secretary of the Company be and are hereby authorized to do all necessary acts, deeds and things, which may be usual, expedient or proper to give effect to the above resolution.

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

**Col L.V.Raju (Retd)**  
Managing Director  
(DIN: 00052102)

Place: Hyderabad  
Date: 10th August 2015

## 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 5 of the notice in pursuance of section 102(1) of the Companies Act, 2013 is annexed hereto.
3. Shareholders holding shares in physical form are requested immediately to inform change in address if any to the Company's Registrar and transfer agent, Karvy Computer Share 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. 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.
5. The Notice of the AGM along with the Annual Report 2014-15 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.
6. To support the "Green Initiative", the members who have not registered their e-mail addresses are requested to register the same with Depositories.

7. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (09.00 am to 5.00 pm) on all working days except Saturdays, up to and including the date of the Annual General Meeting of the Company.

8. Transfer of Unclaimed/Unpaid amounts to the Investor Education and Protection Fund (IEPF):

Pursuant to sections 205A and 205C and other applicable provisions, if any, of the Companies Act, 1956, all unclaimed/unpaid dividend, application money, debenture interest and interest on deposits as well as the principal amount of debentures and deposits, as applicable, remaining unclaimed/unpaid 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 Final Dividend for the financial year 2007-2008 declared by the Company on 19th September, 2008 can be claimed by the shareholders by 18th September 2015.

9. In compliance with the provisions of section 108 of the Act and the Rules framed there under, the Members are provided with the facility to cast their vote electronically, through e-voting services provided by KARVY, on all resolutions set forth in this notice.
10. 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.

## PROCEDURE AND INSTRUCTIONS FOR E-VOTING:

### Instructions and other information relating to e-voting:

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

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

- iii) After entering these details appropriately, click on "LOGIN".
- iv) Members holding shares in Demat/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 #, email ID etc on 1st login. You may also enter the Secret Question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- v) You need to login again with the new credentials.
- vi) On successful login, system will prompt to select the 'Event' i.e., **'KERNEX MICROSYSTEMS'**
- vii) If you are holding shares in Demat form and had logged on to "https://evoting.karvy.com" and casted your vote earlier for any company, then your exiting login id and password are to be used.
- viii) On the voting page, you will see Resolution Description and against the same the option 'FOR/ AGAINST/ABSTAIN' for voting .Enter the number of shares (which represents number of votes) under 'FOR/AGAINST/ABSTAIN' or alternatively you may partially enter any number in 'FOR' and partially in 'AGAINST', but the total number in 'FOR/AGAINST' taken together should not exceed your total shareholding. If the shareholder do not wants to cast, select 'ABSTAIN'
- ix) After selecting the resolution you have decided to vote on, click on "SUBMIT".A confirmation box will be displayed .If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL "and accordingly modify your vote.
- x) Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote.
- xi) Corporate/Institutional Members (corporate /Fls/ Flls/Trust/Mutual Funds/Banks, etc) are required to send scan (PDF format) of the relevant Board resolution to the Scrutinizer through e-mail to [kernexscrutinizer@gmail.com](mailto:kernexscrutinizer@gmail.com) with copy to [evoting@karvy.com](mailto:evoting@karvy.com). The file scanned image of the Board Resolution should be in the naming format "Corporate Name\_ Event no."
- xii) The remote e-voting period commences on 21st September, 2015 (10:00 am) and ends on 27th September, 2015 (5:00 pm). During this period Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date i.e. ) 21st September, 2015, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by KARVY for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

- xiii) Mr. A.J. Sharma, Practicing Company Secretary (Membership No. FCS 2120), has been appointed as the Scrutinizer to scrutinize the e-voting process (including the Ballot Form received from the Members who do not have access to the e-voting process) in a fair and transparent manner.
- xiv) The Scrutinizer shall, within a period not exceeding three working days from the conclusion of the e-voting period, unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.

The results declared along with the Scrutinizer's Report shall be placed on the Company's website [www.kernex.in](http://www.kernex.in) and on the website of KARVY [www.evoting.karvy.com](http://www.evoting.karvy.com) within three days of the passing of the resolutions at the twenty third AGM of the Company on 28th September, 2015 and communicated to the BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed.

### 11. Details of Directors Seeking Appointment/Reappointment at the 23rd Annual General Meeting.

Particulars	Dr.Jyoti Raju	Dr Raju Narasa Mantena	Col.L.V.Raju
Date of Birth	January 14, 1974	July 4, 1944	January 01,1944
Date of Appointment	January 16, 2004	September 20, 2008	August 25,1994
Qualifications	Bachelor of Engineering in computer science from Birla Institute of Technologies & Science, Pilani, MS in computer Science with Ph.d. in Computer Science from University of California USA.	MD in USA and MBBS from Andhra University	Post Graduate Diplome in Industrial Engineering & Information Technologies from NITIE, Bombay, PG Diploma from college of Military Engineering, Pune, B.E. Mechanical Engineering from Sri Venkateswara University, Tirupathi.
Expertise in specific Functional area	15 Years experience in defining, designing and developing Wireless Networking Products.	He is a Physician and has about 28 years experience in Anesthesiology in USA. He received fellowship from Washington University, USA. He worked as Assistant Professor of Anesthesiology in Washington University from 1978 to 1980 and worked as consultant Anesthesiologist as St.Lukes Hospital USA from 1980-2002. He is working as Secretary and Correspondent of NRI Academy of Sciences since 2003.	Experience of over 2 decades in development and export of software, Anti-Collision Devices for the Indian Railways, Development of Train Collision Avoidance System for RDSO, Automation of unmanned level crossing gates in Egypt for Egyptian Railways.
Directorship held in other public companies (excluding foreign companies)	Nil	Nil	Nil
Memberships /Chairmanships of committees of other Public companies (includes only Audit and Shareholders/Investors Grievance Committee)	Nil	Nil	Nil
Number of shares held in the company	2,48,329	8,54,633	2,25,863



**EXPLANATORY STATEMENT****(Pursuant to Section 102 of the Companies Act, 2013)****Item No: 5**

Section 196(3) of the Companies Act, 2013 provides that no Company shall appoint or continue the employment of any person as Managing Director who has attained the age of seventy years unless approved by a special resolution by members at a general meeting and the explanatory statement contains the justification for the appointment.

Col L.V.Raju B.E.(Mechanical), PG Diploma E/M from college of Military Engineering, MMS (PG), Defense service staff college, M.Tech (Industrial Engineering and information Technology) NITIE Bombay is a co-promoter and Managing Director of the Company from August 1994 and was vice-President of Hyderabad software exporters Association and President for 1997-98. He was responsible for developing and exporting mathematical computing tool, GUI builder in X Windows, B2B and B2C tool, Automatic time recording tool installed in Konkan Railways in 53 stations, electronic document management tool, E-learning tool, Auto tracking and security system for traffic control and is piloting Net worked Anti Collision Devices with Konkan Railway Corporation ,Hard ware and software for high speed trains, Metro sky bus system, Automation of unmanned railway gates in Egyptian National Railways etc., Col L.V.Raju has crossed the age of seventy years on 1st January 2014 and his appointment as Managing Director ended on 30th June 2015 .

In view of brilliant academic record, technical competence and experience as Managing Director for over two decades and the need to have continuity of development and implementation of the focused area of Safety products in Railways more particularly the time line to deliver the Train Collision Avoidance System for Indian Railways by 31st August 2015, the Nomination and Remuneration committee at its meeting held on 29th June 2015 confirmed the part of his earlier tenure of crossing the age of seventy years and also has recommended to the Board for re-appointment as Managing Director for a further period of three years with effect from 1st July 2015 inspite of his age being over seventy years and the Board having regard to the rich and long experience, need for involvement at this critical and final stage of delivery of TCAS Project and Egyptian National Railway project has also gave its consent being in the best interest of the Company subject to the approval of the members at the ensuing Annual General Meeting by a special resolution. The following

are the details of the salary and perquisites proposed to be paid to Col L.V.Raju, Managing Director:-

Salary Rs.2,50,000 per month

Accommodation/House Rent Allowance @25% of the salary

In addition to the above, he shall be entitled to receive the following:-

- a) Reimbursement of expenses on Gas, Electricity, water and furnishings at actuals
- b) Medical reimbursement as per IT Act, 1961
- c) LTC once in three years to any place abroad and once in two years to any place in India at actual reimbursement
- d) Use of car, telephone at residence and mobile phone for Company's business at Company's expense
- e) Club expenditure - cost of subscription for 1 club
- f) Entertainment expenses on Company's account at actuals
- g) contribution to PF, Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, leave encashment at the end of the tenure which shall not form part of the perquisites
- h) Health insurance for self and wife upto Rs.5.00 lakhs

Accordingly the Board recommends the passing of the special resolution as set out in the item no. 5 of the Notice

The brief resume of Col L.V.Raju his experience and his expertise in specific functional areas, names of companies in which he holds directorships etc., as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges, are provided in the Corporate Governance Report forming part of the Annual Report.

Col L.V.Raju the proposed appointee and Ms Jyoti Raju, Director being related 'are interested in the resolution set out at Item No. 5 of the Notice. Save and except the above, none of the other Directors/Key Managerial Personnel of the Company/their relatives is, in any way, concerned or interested, financially or otherwise, in the said resolution. The Board commends the Special Resolution set out at Item No 5 of the Notice for approval by the members.

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

**Col L.V.Raju (Retd)**  
Managing Director  
(DIN: 00052102)

Place: Hyderabad  
Date: 10th August 2015

## DIRECTORS' REPORT

To  
The Members  
Kernex Microsystems (India) Limited

Your Directors present herewith, the Twenty third Annual Report together with the audited accounts of the company for the year ending 31 March 2015.

### Financial Results

Rs. in lacs

	<b>2014-15</b>	<b>2013-14</b>
Total Revenue	<b>2,300.11</b>	3,312.16
Profit/Loss before Depreciation, Finance Cost and Tax	<b>(284.36)</b>	412.33
Less: Finance Cost	<b>267.28</b>	219.52
Less: Depreciation	<b>416.56</b>	403.18
Profit/Loss after Depreciation, Interest and before Tax	<b>(968.20)</b>	(210.37)
Tax Expense	<b>(28.91)</b>	(39.93)
Profit/Loss after Tax	<b>(939.29)</b>	(170.44)
Balance brought forward	<b>867.00</b>	1,976.74
Less: Adjustments consequent to revision of useful life of certain assets pursuant to Schedule II of Companies Act, 2013	<b>(68.00)</b>	-
Balance carried forward to Balance sheet	<b>799.01</b>	1,806.30

### Year in Retrospect

The year 2014-2015 was a difficult year and company has incurred a loss of Rs 9.39 crores. The main reason is the slow progress of the ENR project 136LX gates due to difficult working conditions, innumerable technical problems, gate accidents that diverted man power. The dropping of 75 gate contract by ENR, local law and order problems in Egypt, slow decision making and shortage of adequate working capital, etc., compounded our difficulties and drastically curtailed the earnings expected from Egypt. In the domestic area Kernex could not obtain any new projects and all projects are either that of Railways or Defence which have long gestation period and need heavy Investment.

Kernex is required to complete the TCAS project along with other competitors, which requires a lot of working capital. In the absence of any bank credit, company has to spend on R&D work from their revenue. Owing to lack of orders, switch over from ACD to TCAS, a number of properties of Kernex could not be put to use. However, the depreciation cost has to be provided for. Despite best efforts, Kernex could not obtain a large amount of pending receivables from KRCL. The matter Arbitration and the Arbitration award is awaited. In view of the adverse circumstances, the overall earnings decreased from Rs 33.00 crores to Rs 23.00 crores this year. The expenditure could not be reduced, as it would have severely affected our working in Egypt, NFR Railways and TCAS Projects. In order to raise funds to meet the urgent requirements of capital for pursuing running projects, your Board of Directors have taken a decision to dispose of the non essential assets not generating viable revenues to meet the capital and operational requirements and complete the work on ENR and TCAS.

### The Company's Business and Operational Results

1. With the dropping of ACD project by KRCL/Indian Railways, The Train Collision Avoidance System which was awarded in April' 2013 for development was continued in the modular development mode during 2014-2015 and has now reached a level of design and functional capability demonstration. Design has been approved and type test have been successfully completed. Production was taken up by your company in November'2014 and continued upto 31st March' 2015. Onsite work including erection of towers and wiring is in progress and is likely to be completed shortly. The breaking Interface unit, including test bench work was completed and Type and user testing is likely to be completed by the end September'2015.
2. New Certification agency as approved by RDSO, Lucknow for Safety Integrity Independent Level by an Independent Safety Assessment Agency (ISA) is being appointed in place of the earlier agency who has expressed its inability to continue. New ISA is likely to be finalized shortly out of the RDSO's panel..
3. The User trials are scheduled for September - October'2015 and on successful trials, TCAS may be used by Railways for deployment in Indian Railway Network.
4. The Annual Maintenance Contract and OMC of ACD System in N F Railways has been successfully carried out during the year and continued in the

current year. The extension of the same upto 31st March'2016 is awaited.

5. Your company has entered into an MoU with M/s MRT Signals Limited, Kolkata, to jointly bid for the TCAS Project in Indian Railways. This will help to synergize the resources and capabilities of both companies to mutual advantage.

## International Operations

### Egypt

6. The progress of installation of 136 Gates of ENR Project has been affected due to accidents caused by uncontrolled traffic in Egypt and difficult working conditions, 80 gates have been installed so far and work on the remaining gates is continuing. Due to delayed payments and lack of additional working capital, the project completion date is now revised from December'2015 to June 2016. Other remaining works of the contract is in progress like Internal and External Training, supply of over 400 new booms, supply of spare parts for 2 years, PHO and warranty maintenance works, etc. The proposal of ENR for a contract for further 75 gates has been dropped.
7. **MNC Enquiries:** In Egypt a number of MNCS like M/s Thales, M/s Alstom, etc., who are working there have shown interest in using Kernex LXS in their signaling contract for interlocked gates. Kernex is pursuing the matter.
8. Defence Production Department, Government of Egypt is seeking technical collaboration with your company for supply of ECM module, Digital Axle Counter, Sensors, Mechanical Locks etc to be supplied in knock down condition to be assembled in Egypt. Negotiations are in progress on the scope and scale of the work.

## Future Prospects

### International- South Africa

1. Your company has submitted a bid to Richard Bay, Coal Terminal of Johannesburg for Supply of Collision Avoidance System to coal unloading terminal yard with tippler assemblies costing over 1.28 million US \$. The order for Phase - I has been received.

### New Areas of business in India

2. Kernex is working at a fast pace to complete the development of TCAS and also secure Certification for SIL, so that it is ready for sale.

3. We have given an offer to KRCL and NFR to provide new breaking Interface for EMD. Loco's that are being run in NF Railway routes.
4. Your company proposes to take part in Defence projects covering Microwave, RF Radar Technologies and take up out sourced manufacturing of Electronic components from Defence vendors for DRDO, DRDL, BDL, HAL Etc. or directly from them

## Research and development

Your company has been working, in the focused areas like R&D, especially for Railways and Defence, design and supply of collision avoidance system for coal unloading yards, 'Fog Pass' for helping locos to move in poor visibility, unmanned gate warning system, universal loco break Interface unit, Balises and Balises transmission, indigenous radio modem in UHF frequency, RFID tags and readers, development of online data and operational display units etc.

## Progress achieved on the IPO and company expansion projects

As part of IPO related work, acquiring of some land and approaches to the main road are in progress. This work will be completed shortly. The balance proceeds of Rs.160 lakhs is deposited with the monitoring agency State Bank of Hyderabad.

## Overseas Subsidiary and consolidated financial statement

The Company has one 100% wholly owned subsidiary Avant Garde Infosystems Inc, USA and there were no joint ventures or associate Companies as at 31st March 2015. 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 agreement with the stock exchanges which forms part of the Annual Report for laying before the Annual General Meeting. A report on the performance and financial position of the subsidiary forms part of the consolidated statement in Form AOC-I.

## Dividend and Reserves

The company has incurred losses in the financial year, as the expected dues were not received, work progress on ENR was tardy and new orders did not materialize. As such, your directors regret their inability to declare any dividend on the paid up capital of the company.

## **Material changes and commitments**

No material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which the financial statements relate and the date of this report. There was no change in the nature of business of the Company during the financial year ended 31st March 2015

## **Directors and Key Managerial Personnel**

In accordance with the provisions of Section 152 of the Companies Act, 2013 Ms Jyoti Raju and Mr Raju Narasa Mantena, Directors retire by rotation and being eligible offer themselves for re-appointment. Col L.V.Raju is proposed for re-appointment as Managing Director of the Company The brief profile of the Directors who are to be appointed/re-appointed forming part of the notes and explanatory statement to the notice of the Annual General Meeting is furnished. Mr K.Subash and Mr K.Suman Kumar were appointed as Company Secretary and Chief Financial officers during the year. The CS and CFO resigned during the current year and the company is looking for suitable persons for appointment.

## **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

## **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.

## **Board Evaluation**

Pursuant to the provisions contained in the Companies Act 2013 and clause 49 of the listing agreement the Board has carried out annual performance evaluation of its own performance, The chairman of the Board ,the 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

## **Number of Meetings of the Board of Directors**

During the financial year 2014-15 the Board of Directors of the Company met 10 times on 24.05.2014, 11.08.2014, 20.08.2014, 09.09.2014, 25.10.2014, 10.01.2014, 14.11.2014, 07.02.2015, 10.03.2015 and 24.03.2015. A separate meeting of the Independent Directors of the Company was also held on 20.08.2014 to discuss items enumerated under Schedule IV to the Companies Act 2013 and clause 49 of the listing agreement

## **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 profit 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

## **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,



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. An independent audit committee of the Board reviews the adequacy of internal controls

### **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 forms part of the financial statements

### **Audit Committee of Board:**

The Audit Committee of the company comprises four (4) Directors including three (3) independent Directors and One (1) Managing Director and the Chairman of the Audit Committee was present at the Board Meeting where Annual accounts have been approved.

### **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

### **Related Party Transactions**

All the related party transactions by the Company during the year 2014-15 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.

### **Vigil Mechanism**

The Company in compliance with the provisions of Section 177(9) of the Companies Act, 2013 and clause 49 of the listing agreement 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. The whistle blower policy is also posted on the Company's website.

### **Familiarization Programme for Independent Directors,**

In terms of clause 49(II)(B)(7) of the Listing Agreement with the Stock Exchanges 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, Clause 49 of the Listing Agreement and other relevant regulations and their affirmation taken with respect to the same. With a view to familiarize with the Company's operations, the Directors also were given detailed presentations giving the organizational set up of the Company, the functioning of various divisions / departments, the Company's market share and the markets in which it operates, governance and internal control processes and other relevant information pertaining to the Company's business. The Managing Director 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.

### **Extract of Annual Return**

The extract of the Annual Return in Form No MGT-9 forms part of the Director's Report and is annexed as Annexure-A

### **Risk Management**

During the year under review the Audit Committee of Directors was entrusted with the responsibility of identification, assessment and addressing of various risks which may threaten the existence of the Company and to assist the Board in Overseeing and approving the risk management framework and to manage, monitor and report on the principal risks and uncertainties that can impact its ability to achieve its strategic objectives. The 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

### **Transfer of unclaimed dividend**

The unclaimed dividend for financial year 2006-07 was transferred to Investor Education and Protection Fund and the sum for the financial year 2007-08 is due for



transfer

## **Auditors**

### **Statutory Auditors**

M/s GMK Associates, Chartered Accountants, Hyderabad were appointed as statutory auditors at 22nd AGM of the Company held on 27th September 2014 for a period of three years subject to ratification at every AGM. They have confirmed their eligibility to the effect that their re-appointment, if made, would be within the prescribed limits under the Act and that they are not disqualified for re-appointment.

### **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 2014-15 and their report is annexed as Annexure-D to this report.

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

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

### **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 in the Annual Report as Annexure C.

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

General

No disclosure or reporting is required of the following

1. The Company has not accepted any deposits covered under Chapter V of the Act.
2. No equity shares with differential rights as to

dividend, voting or otherwise were issued

3. No sweat equity shares were issued
4. No remuneration or commission was received by the Managing Director/ Whole-time Director of the Company from subsidiary Company.
5. 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.
6. No cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

### **Corporate Governance Report**

The Company is committed to adhere to the corporate governance requirements set out by SEBI. The report on Corporate Governance as stipulated under the Listing Agreement forms an integral part of this Report. The requisite certificate from the Auditors of the Company confirming compliance with the conditions of corporate governance is attached as Annexure-E to the report on Corporate Governance.

### **Management Discussion & Analysis (MDA)**

Management's Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.

### **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, Konkan Railway Corporation Ltd., State Bank of Hyderabad, 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**

Place: Hyderabad  
Date: 10-08-2015

**Col. L.V.Raju (Retd)**  
Managing Director  
(DIN.00052102)

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

**FORM NO. MGT 9**  
**EXTRACT OF ANNUAL RETURN**  
**As on financial year ended on 31.03.2015**

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

**I. REGISTRATION AND OTHER DETAILS:**

1	CIN	L30007TG1991PLC013211
2	Registration Date	16/9/1991
3	Name of the Company	Kenrex Microsystems (India) Limtied
4	Category/Sub-category of the Company	Public Company/Limited by shares
5	Address of the Registered office & contact details	"Thrushna", Plot No.7, Software Units Layout, Madhapur, Hyderabad - 500 081 Telephone No.040-23113192 Fax No.040-23114187; E-mail:-kernex@kernexmail.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)

Sl.No.	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the Company
1	Operational and Comprehensive maintenance of ACD (Anti-Collision Devices) for Railways	33131	64.95%
2	Installation of Lxcs Gates for Egyptian National Raiways	3320	21.85%
3	Design and Development of Modified and Upgraded Tracking System for Medical Records Version 2.0 -Avant-Garde Infosystems Inc	6201	13.06%

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

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

**IV. SHARE HOLDING PATTERN**
**(Equity share capital breakup as percentage of total equity)**
**(i) Category-wise Share Holding**

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2014]				No. of Shares held at the end of the year [As on 31-March-2015]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	225,863	-	225,863	1.81	225,863	-	225,863	1.81	-
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	-	-	-	-	-	-	-	-
e) Banks/FI	-	-	-	-	-	-	-	-	-
f) Any other	115,887	498	116,385	0.93	115,887	498	116,385	0.93	-
<b>Sub Total (A) (1)</b>	<b>341,750</b>	<b>498</b>	<b>342,248</b>	<b>2.74</b>	<b>341,750</b>	<b>498</b>	<b>342,248</b>	<b>2.74</b>	<b>-</b>
<b>(2) Foreign</b>									
a) NRI Individuals	3,960,482	-	3,960,482	31.68	4,153,482	-	4,153,482	33.23	(1.54)
b) Other Individuals	-	-	-	-	-	-	-	0.00	0.00
c) Bodies Corp.	-	-	-	-	-	-	-	0.00	0.00
d) Qualified Foreign Investor	-	-	-	-	-	-	-	0.00	0.00
e) Any other	348,916	118,177	467,093	3.74	348,916	118,177	467,093	3.74	0.00
<b>Sub Total (A) (2)</b>	<b>4,309,398</b>	<b>118,177</b>	<b>4,427,575</b>	<b>35.42</b>	<b>4,502,398</b>	<b>118,177</b>	<b>4,620,575</b>	<b>36.97</b>	<b>(1.54)</b>
<b>TOTAL (A)</b>	<b>4,651,148</b>	<b>118,675</b>	<b>4,769,823</b>	<b>38.16</b>	<b>4,844,148</b>	<b>118,675</b>	<b>4,962,823</b>	<b>39.70</b>	<b>(1.54)</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	-	-	-	-	-	-	-	0.00	0.00
b) Banks/FI	660	-	660	0.01	1,050	-	1,050	0.01	0.00
c) Central Govt	-	-	-	-	-	-	-	0.00	0.00
d) State Govt(s)	-	-	-	-	-	-	-	0.00	0.00
e) Venture Capital Funds	-	-	-	-	-	-	-	0.00	0.00
f) Insurance Companies	-	-	-	-	-	-	-	0.00	0.00
g) FIs	-	-	-	-	-	-	-	0.00	0.00
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	0.00	0.00
i) Others (specify)	-	-	-	-	-	-	-	0.00	0.00
<b>Sub-total (B)(1):-</b>	<b>660</b>	<b>-</b>	<b>660</b>	<b>0.01</b>	<b>1,050</b>	<b>-</b>	<b>1,050</b>	<b>0.01</b>	<b>(0.00)</b>

*(Contd.)*

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

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2014]				No. of Shares held at the end of the year [As on 31-March-2015]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>2. Non-Institutions</b>									
a) Bodies Corp.	1,008,303	-	1,008,303	8.07	929,291	-	929,291	7.43	0.63
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	4,391,781	613	4,392,394	35.14	4,656,925	613	4,657,538	37.26	(2.12)
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	1,283,979	12,656	1,296,635	10.37	921,285	12,656	933,941	7.47	2.90
c) Others (specify)									
i) Non Resident Indians	500,638	435,555	936,193	7.49	496,044	429,908	925,952	7.41	0.08
ii) Overseas Corporate Bodies Foreign Nationals Clearing Members	70,916	-	70,916	0.57	64,529	-	64,529	0.52	0.05
iii) Trusts	400	24,331	24,731	0.20	200	24,331	24,531	0.20	0.00
iv) Foreign Bodies - D R									
<b>Sub-total (B)(2):-</b>	<b>7,256,017</b>	<b>473,155</b>	<b>7,729,172</b>	<b>61.84</b>	<b>7,068,274</b>	<b>467,508</b>	<b>7,535,782</b>	<b>60.29</b>	<b>1.55</b>
<b>Total Public (B)</b>	<b>7,256,677</b>	<b>473,155</b>	<b>7,729,832</b>	<b>61.84</b>	<b>7,069,324</b>	<b>467,508</b>	<b>7,536,832</b>	<b>60.30</b>	<b>1.54</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
<b>Grand Total (A+B+C)</b>	<b>11,907,825</b>	<b>591,830</b>	<b>12,499,655</b>	<b>100.00</b>	<b>11,913,472</b>	<b>586,183</b>	<b>12,499,655</b>	<b>100.00</b>	<b>-</b>

**(ii) Shareholding of Promoter**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change in share-holding during the year
		No. of Shares	% of Total Shares of the Company	% of Shares 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	340,134	2.72%	0	340,134	2.72%	0	0.00%
6	JYOTSNA LAKAMRAJU	316,671	2.53%	0	316,671	2.53%	0	0.00%
7	MANTHENA PARAVATHI	268,469	2.15%	0	268,469	2.15%	0	0.00%
8	VENKATESWARA RAJU LAKKAMRAJU	225,863	1.81%	0	225,863	1.81%	0	0.00%
9	JYOTHI RAJU	173,329	1.39%	0	173,329	1.39%	0	0.00%
10	SWATI RAJU	166,035	1.33%	0	166,035	1.33%	0	0.00%
11	KISHORE BABU GOTTIMUKKALA	137,280	1.10%	0	137,280	1.10%	0	0.00%
12	LAKAMRAJU JHANSI KAXMIBAI	115,856	0.93%	0	115,856	0.93%	0	0.00%
13	ANJI RAJU MANTHENA	84,078	0.67%	193,000	277,078	2.22%	193,000	2.89%
14	MADHUVALLI LAKAMRAJU	5,480	0.04%	0	5,480	0.04%	0	0.00%
15	VENKATARAMAMURTHY RAJU LAKAMRAJU	2,883	0.02%	0	2,883	0.02%	0	0.00%
16	JAGANNADHA L RAJU	419	0.00%	0	419	0.00%	0	0.00%
17	LAKKAMRAJU SUSILAMMA	31	0.00%	0	31	0.00%	0	0.00%
18	SUBBARAJU VENKATA LAKAMRAJU	498	0.00%	0	498	0.00%	0	0.00%
19	MADHAV MANTENA	110,260	0.88%	0	110,260	0.88%	0	0.00%
20	NAMRATA KAPOOR	7,917	0.06%	0	7,917	0.06%	0	0.00%

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

S.N.	Particulars	Date	Reason	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	ANJI RAJU MANTHENA	1/4/2014		84,078	0.67%	84,078	0.67%
		11/7/2014	Acquired	193,000	1.54%	277,078	2.22%



**(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		Date wise Increase/(Decrease) in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)			Cumulative shareholding at the end of the year	
		No. of Shares	% of Total Shares of the Company	Date	No. of Shares	Nature	No. of Shares	% Total Shares of the Company
1	HITEN ANANTRI SHETH	275,000	2.20%	1/4/2014			275,000	2.20%
2	CHALLA SUBRAMANAYA SARMA	186,212	1.49%	1/4/2014			186,212	1.49%
3	VINAYA KUMAR GAVINI	159,267	1.27%	1/4/2014			159,267	1.27%
			0.00%	13/2/2015	(74,109)	Sale	85,158	0.68%
4	BONANZA PROTFOLIO LTD	119,203	0.95%	1/4/2014			119,203	0.95%
				4/4/2014	(570)	Sale	118,633	0.95%
				11/4/2014	(1,075)	Sale	117,558	0.94%
				18/4/2014	(150)	Sale	117,408	0.94%
				25/4/2014	(731)	Sale	116,677	0.93%
				2/5/2014	4,000	Purchase	120,677	0.97%
				9/5/2014	3,310	Purchase	123,987	0.99%
				16/5/2014	(5,856)	Sale	118,131	0.95%
				23/5/2014	(3,979)	Sale	114,152	0.91%
				30/5/2014	98	Purchase	114,250	0.91%
				30/5/2014	(90,000)	Sale	24,250	0.19%
				6/6/2014	6,099	Purchase	30,349	0.24%
				13/6/2014	676	Purchase	31,025	0.25%
				20/6/2014	290	Purchase	31,315	0.25%
				30/6/2014	1,510	Purchase	32,825	0.26%
				4/7/2014	240	Purchase	33,065	0.26%
				11/7/2014	5,785	Purchase	38,850	0.31%
				18/7/2014	(1,880)	Sale	36,970	0.30%
				25/7/2014	152	Purchase	37,122	0.30%
				1/8/2014	407	Purchase	37,529	0.30%
				8/8/2014	(1,815)	Sale	35,714	0.29%
				15/8/2014	(605)	Sale	35,109	0.28%
				22/8/2014	(6,090)	Sale	29,019	0.23%
				29/8/2014	325	Purchase	29,344	0.23%
				5/9/2014	(1,500)	Sale	27,844	0.22%
				12/9/2014	(125)	Sale	27,719	0.22%
				19/9/2014	(113)	Sale	27,606	0.22%
				30/9/2014	1,110	Purchase	28,716	0.23%
				10/10/2014	(249)	Sale	28,467	0.23%
				17/10/2014	(200)	Sale	28,267	0.23%
				24/10/2014	403	Purchase	28,670	0.23%
				31/10/2014	(116)	Sale	28,554	0.23%

(Contd.)

**Shareholding Pattern of top ten Shareholders (Contd.)**

Sl. No.	For each of the Top 10 shareholders	Shareholding at the beginning of the year		Date wise Increase/(Decrease) in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)			Cumulative shareholding at the end of the year	
		No. of Shares	% of Total Shares of the Company	Date	No. of Shares	Nature	No. of Shares	% Total Shares of the Company
				7/11/2014	(250)	Sale	28,304	0.23%
				14/11/2014	504	Purchase	28,808	0.23%
				21/11/2014	1,690	Purchase	30,498	0.24%
				28/11/2014	378	Purchase	30,876	0.25%
				5/12/2014	(1,030)	Sale	29,846	0.24%
				12/12/2014	3,772	Purchase	33,618	0.27%
				19/12/2014	2,526	Purchase	36,144	0.29%
				31/12/2014	815	Purchase	36,959	0.30%
				9/1/2015	(574)	Sale	36,385	0.29%
				16/1/2015	(3,225)	Sale	33,160	0.27%
				23/1/2015	538	Purchase	33,698	0.27%
				30/1/2015	3,967	Purchase	37,665	0.30%
				6/2/2015	(2,320)	Sale	35,345	0.28%
				13/2/2015	(725)	Sale	34,620	0.28%
				20/2/2015	320	Purchase	34,940	0.28%
				27/2/2015	(2,535)	Sale	32,405	0.26%
				6/3/2015	575	Purchase	32,980	0.26%
				13/3/2015	(75)	Sale	32,905	0.26%
				20/3/2015	(6,565)	Sale	26,340	0.21%
				27/3/2015	(1,883)	Sale	24,457	0.20%
				31/3/2015	54	Purchase	24,511	0.20%
5	KARVY STOCK BROKING LTD	94,678	0.76%	1/4/2014			94,678	0.76%
				4/4/2014	6,096	Purchase	100,774	0.81%
				4/4/2014	(11,182)	Sale	89,592	0.72%
				11/4/2014	626	Purchase	90,218	0.72%
				11/4/2014	(8)	Sale	90,210	0.72%
				18/4/2014	317	Purchase	90,527	0.72%
				18/4/2015	(450)	Sale	90,077	0.72%
				25/4/2014	3,220	Purchase	93,297	0.75%
				25/4/2014	(9,099)	Sale	84,198	0.67%
				2/5/2014	5,200	Purchase	89,398	0.72%
				2/5/2014	(4,082)	Sale	85,316	0.68%
				9/5/2014	5,318	Purchase	90,634	0.73%
				9/5/2014	(604)	Sale	90,030	0.72%
				16/5/2014	14,773	Purchase	104,803	0.84%
				16/5/2014	(18)	Sale	104,785	0.84%
				23/5/2014	7,990	Purchase	112,775	0.90%

(Contd.)

**Shareholding Pattern of top ten Shareholders (Contd.)**

Sl. No.	For each of the Top 10 shareholders	Shareholding at the beginning of the year		Date wise Increase/(Decrease) in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)			Cumulative shareholding at the end of the year	
		No. of Shares	% of Total Shares of the Company	Date	No. of Shares	Nature	No. of Shares	% Total Shares of the Company
				23/5/2014	(21,612)	Sale	91,163	0.73%
				30/5/2014	10,031	Purchase	101,194	0.81%
				30/5/2014	(489)	Sale	100,705	0.81%
				6/6/2014	700	Purchase	101,405	0.81%
				6/6/2014	(9,414)	Sale	91,991	0.74%
				13/6/2014	6,182	Purchase	98,173	0.79%
				13/6/2014	(2,831)	Sale	95,342	0.76%
				20/6/2014	3,639	Purchase	98,981	0.79%
				20/6/2014	(6,989)	Sale	91,992	0.74%
				30/6/2014	15,043	Purchase	107,035	0.86%
				30/6/2014	(5,751)	Sale	101,284	0.81%
				4/7/2014	8,920	Purchase	110,204	0.88%
				4/7/2014	(407)	Sale	109,797	0.88%
				11/7/2014	30,727	Purchase	140,524	1.12%
				11/7/2014	(7,025)	Sale	133,499	1.07%
				18/7/2014	5,173	Purchase	138,672	1.11%
				18/7/2014	(15,952)	Sale	122,720	0.98%
				25/7/2014	33,444	Purchase	156,164	1.25%
				25/7/2014	(1)	Sale	156,163	1.25%
				1/8/2014	7,833	Purchase	163,996	1.31%
				1/8/2014	(6,761)	Sale	157,235	1.26%
				8/8/2014	9,605	Purchase	166,840	1.33%
				15/8/2014	780	Purchase	167,620	1.34%
				15/8/2014	(4,487)	Sale	163,133	1.31%
				22/8/2014	22,273	Purchase	185,406	1.48%
				29/8/2014	14,230	Purchase	199,636	1.60%
				29/8/2014	(1,000)	Sale	198,636	1.59%
				5/9/2014	(5,460)	Sale	193,176	1.55%
				12/9/2014	3,107	Purchase	196,283	1.57%
				19/9/2014	51	Purchase	196,334	1.57%
				19/9/2014	(10,248)	Sale	186,086	1.49%
				30/9/2014	500	Purchase	186,586	1.49%
				30/9/2014	(85,666)	Sale	100,920	0.81%
				3/10/2014	1,030	Purchase	101,950	0.82%
				3/10/2014	(2,094)	Sale	99,856	0.80%
				10/10/2014	(5,929)	Sale	93,927	0.75%
				17/10/2014	5,221	Purchase	99,148	0.79%

(Contd.)

**Shareholding Pattern of top ten Shareholders (Contd.)**

Sl. No.	For each of the Top 10 shareholders	Shareholding at the beginning of the year		Date wise Increase/(Decrease) in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)			Cumulative shareholding at the end of the year	
		No. of Shares	% of Total Shares of the Company	Date	No. of Shares	Nature	No. of Shares	% Total Shares of the Company
				17/10/2014	(100)	Sale	99,048	0.79%
				24/10/2014	217	Purchase	99,265	0.79%
				24/10/2014	(3,656)	Sale	95,609	0.76%
				31/10/2014	200	Purchase	95,809	0.77%
				31/10/2014	(1,126)	Sale	94,683	0.76%
				7/11/2014	1,676	Purchase	96,359	0.77%
				7/11/2014	(700)	Sale	95,659	0.77%
				14/11/2014	1,389	Purchase	97,048	0.78%
				14/11/2014	(1,305)	Sale	95,743	0.77%
				21/11/2014	1,188	Purchase	96,931	0.78%
				21/11/2014	(478)	Sale	96,453	0.77%
				28/11/2014	14,954	Purchase	111,407	0.89%
				28/11/2014	(54)	Sale	111,353	0.89%
				5/12/2014	70	Purchase	111,423	0.89%
				5/12/2014	(1,563)	Sale	109,860	0.88%
				12/12/2014	11,732	Purchase	121,592	0.97%
				12/12/2014	(4,663)	Sale	116,929	0.94%
				19/12/2014	3,056	Purchase	119,985	0.96%
				19/12/2014	(2,685)	Sale	117,300	0.94%
				31/12/2014	6,888	Purchase	124,188	0.99%
				31/12/2014	(10,199)	Sale	113,989	0.91%
				2/1/2015	(8,099)	Sale	105,890	0.85%
				9/1/2015	(17,650)	Sale	88,240	0.71%
				16/1/2015	7,335	Purchase	95,575	0.76%
				16/1/2015	(4,802)	Sale	90,773	0.73%
				23/1/2015	5,191	Purchase	95,964	0.77%
				23/1/2015	(24,015)	Sale	71,949	0.58%
				30/1/2015	8,013	Purchase	79,962	0.64%
				30/1/2015	(13,712)	Sale	66,250	0.53%
				6/2/2015	6,823	Purchase	73,073	0.58%
				6/2/2015	(5,410)	Sale	67,663	0.54%
				13/2/2015	3,502	Purchase	71,165	0.57%
				13/2/2015	(5,008)	Sale	66,157	0.53%
				20/2/2015	28,193	Purchase	94,350	0.75%
				27/2/2015	5,103	Purchase	99,453	0.80%
				27/2/2015	(2,191)	Sale	97,262	0.78%
				6/3/2015	8,896	Purchase	106,158	0.85%

(Contd.)

**Shareholding Pattern of top ten Shareholders (Contd.)**

Sl. No.	For each of the Top 10 shareholders	Shareholding at the beginning of the year		Date wise Increase/(Decrease) in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)			Cumulative shareholding at the end of the year	
		No. of Shares	% of Total Shares of the Company	Date	No. of Shares	Nature	No. of Shares	% Total Shares of the Company
				6/3/2015	(16,816)	Sale	89,342	0.71%
				13/3/2015	1,518	Purchase	90,860	0.73%
				13/3/2015	(601)	Sale	90,259	0.72%
				20/3/2015	2,147	Purchase	92,406	0.74%
				20/3/2015	(4,633)	Sale	87,773	0.70%
				27/3/2015	547	Purchase	88,320	0.71%
				27/3/2015	(1,557)	Sale	86,763	0.69%
				31/3/2015	377	Purchase	87,140	0.70%
				31/3/2015	(912)	Sale	86,228	0.69%
6	UMESH CHOWAHARY	82,600	0.66%	1/4/2014			82,600	0.66%
				20/2/2015	(82,600)	Sale	-	0.00%
7	SHRI PARASRAM HOLDINGS PVT LTD.	53,118	0.42%	1/4/2014			53,118	0.42%
				4/4/2014	4,705	Purchase	57,823	0.46%
				11/4/2014	(1,940)	Sale	55,883	0.45%
				18/4/2014	(100)	Sale	55,783	0.45%
				25/4/2014	4,650	Purchase	60,433	0.48%
				2/5/2014	(3,500)	Sale	56,933	0.46%
				9/5/2014	61	Purchase	56,994	0.46%
				16/5/2014	(700)	Sale	56,294	0.45%
				23/5/2014	1,239	Purchase	57,533	0.46%
				30/5/2014	(5,504)	Sale	52,029	0.42%
				6/6/2014	21,758	Purchase	73,787	0.59%
				13/6/2014	528	Purchase	74,315	0.59%
				20/6/2014	(21,254)	Sale	53,061	0.42%
				30/6/2014	(7,591)	Sale	45,470	0.36%
				4/7/2014	(491)	Sale	44,979	0.36%
				11/7/2014	(5,419)	Sale	39,560	0.32%
				18/7/2014	741	Purchase	40,301	0.32%
				25/7/2014	6,389	Purchase	46,690	0.37%
				1/8/2014	(775)	Sale	45,915	0.37%
				8/8/2014	(565)	Sale	45,350	0.36%
				15/8/2014	(8,313)	Sale	37,037	0.30%
				22/8/2014	250	Purchase	37,287	0.30%
				29/8/2014	2,000	Purchase	39,287	0.31%
				5/9/2014	184	Purchase	39,471	0.32%
				12/9/2014	2,866	Purchase	42,337	0.34%

(Contd.)



**Shareholding Pattern of top ten Shareholders (Contd.)**

Sl. No.	For each of the Top 10 shareholders	Shareholding at the beginning of the year		Date wise Increase/(Decrease) in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)			Cumulative shareholding at the end of the year	
		No. of Shares	% of Total Shares of the Company	Date	No. of Shares	Nature	No. of Shares	% Total Shares of the Company
				19/9/2014	4,045	Purchase	46,382	0.37%
				30/9/2014	(2,979)	Sale	43,403	0.35%
				3/10/2014	(100)	Sale	43,303	0.35%
				10/10/2014	(750)	Sale	42,553	0.34%
				17/10/2014	295	Purchase	42,848	0.34%
				24/10/2014	355	Purchase	43,203	0.35%
				31/10/2014	637	Purchase	43,840	0.35%
				7/11/2014	(687)	Sale	43,153	0.35%
				14/11/2014	(350)	Sale	42,803	0.34%
				21/11/2014	1,900	Purchase	44,703	0.36%
				28/11/2014	450	Purchase	45,153	0.36%
				5/12/2014	(875)	Sale	44,278	0.35%
				12/12/2014	2,605	Purchase	46,883	0.38%
				19/12/2014	(2,590)	Sale	44,293	0.35%
				31/12/2014	(3,333)	Sale	40,960	0.33%
				2/1/2015	50	Purchase	41,010	0.33%
				9/1/2015	1,095	Purchase	42,105	0.34%
				16/1/2015	150	Purchase	42,255	0.34%
				23/1/2015	200	Purchase	42,455	0.34%
				30/1/2015	(145)	Sale	42,310	0.34%
				6/2/2015	424	Purchase	42,734	0.34%
				13/2/2015	276	Purchase	43,010	0.34%
				20/2/2015	(725)	Sale	42,285	0.34%
				27/2/2015	(4,664)	Sale	37,621	0.30%
				6/3/2015	5,179	Purchase	42,800	0.34%
				13/3/2015	(471)	Sale	42,329	0.34%
				20/3/2015	(50)	Sale	42,279	0.34%
				27/3/2015	(50)	Sale	42,229	0.34%
				31/3/2015	(300)	Sale	41,929	0.34%
8	NIKHIL JAISINH MERCHANT	42,900	0.34%	4/1/2014			42,900	0.34%
9	DEV AUTO SALES PRIVATE LIMITED	40,000	0.32%	04/04/2014			40,000	0.32%
10	SANJAYKUMAR SHARMA			01/04/2014			37,040	0.30%
				25/04/2014	(1,407)	Sale	35,633	0.29%
				02/05/2014	(7,000)	Sale	28,633	0.23%
				09/05/2014	(4,000)	Sale	24,633	0.20%
				16/05/2014	(1,000)	Sale	23,633	0.19%
				23/05/2014	(23,633)	Sale	0	0.0%

**(v) Shareholding of Directors and Key Managerial Personnel:**

S.N.	Shareholding of each Directors and each Key Managerial Personnel	Date	Reason	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	VENKATESWARA RAJU LAKKAMRAJU						
	At the beginning of the year	1/4/2014	Opening Balance	225,863	1.81%	225,863	1.81%
	Changes during the year				0.0%	225,863	1.81%
	At the end of the year	31/3/2015	Closing Balance	225,863	1.81%	225,863	1.81%
2	RAJU N MANTENA						
	At the beginning of the year	1/4/2014	Opening Balance	854,633	6.84%	854,633	6.84%
	Changes during the year				0.0%	854,633	6.84%
	At the end of the year	31/3/2015	Closing Balance	854,633	6.84%	854,633	6.84%
3	ANJI RAJU MANTHENA						
	At the beginning of the year	1/4/2014	Opening Balance	84,078	0.67%	84,078	0.67%
	Changes during the year	7/1/2014	Purchase	193,000	1.54%	277,078	2.22%
	At the end of the year	31/3/2015	Closing Balance	277,078	2.22%	277,078	2.22%
4	JYOTHI RAJU						
	At the beginning of the year	1/4/2014	Opening Balance	173,329	1.39%	173,329	1.39%
	Changes during the year				0.0%	173,329	1.39%
	At the end of the year	31/3/2015	Closing Balance	173,329	0.0%	173,329	1.39%
5	JANARDHANA REDDY VINTA						
	At the beginning of the year	1/4/2014	Opening Balance	198,655	1.59%	198,655	1.59%
	Changes during the year			-	0.00%	198,655	1.59%
	At the end of the year	31/3/2015	Closing Balance	198,655	1.59%	198,655	1.59%
6	BANDARU MURALI MONHAN						
	At the beginning of the year	1/4/2014	Opening Balance	343,071	2.74%	343,071	2.74%
	Changes during the year	11/7/2014	Sale	193,000	1.54%	150,071	1.20%
	At the end of the year	31/3/2015	Closing Balance	150,071	1.20%	150,071	1.20%

## V. INDEBTEDNESS

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

(Amt. Rs./Lacs)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	1,495.88	582.30	-	2,078.18
ii) Interest due but not paid	-	19.54	-	19.54
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>1,495.88</b>	<b>601.84</b>	<b>-</b>	<b>2,097.71</b>
<b>Change in Indebtedness during the financial year</b>				
* Addition	-	82.50	-	82.50
* Reduction	(0.30)	-	-	(0.30)
<b>Net Change</b>	<b>(0.30)</b>	<b>82.50</b>	<b>-</b>	<b>82.20</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	1,495.58	674.84		2,170.42
ii) Interest due but not paid	-	9.49		9.49
iii) Interest accrued but not due	-	-		-
<b>Total (i+ii+iii)</b>	<b>1,495.58</b>	<b>684.34</b>	<b>-</b>	<b>2,179.91</b>

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

S. N.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount (Rs/Lac)
		Col.L.V.Raju (Retd.) Managing Director	B.Murali Mohan Director (Technical)	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	36.00	25.20	61.20
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.01	0.01	0.02
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
5	Others, please specify	-	-	-
	<b>Total (A)</b>	<b>36.01</b>	<b>25.21</b>	<b>61.22</b>
	<b>Ceiling as per the Act</b>			

**B. Remuneration to other Directors**

SN.	Particulars of Remuneration	Name of Directors							Total Amount
		M Gopala Krishna	Arun Kumar Sanwalka Anugolu	Venkata Ratnam Manthana	Anji Raju	Jyoti Raju Mantena	Raju Narasa Reddy Mantena	Jana rdhana (Rs/Lac)	
1	Independent Directors								
	Fee for attending board committee meetings	2.20	1.40	2.40	0.20	-	0.40	-	6.60
	Commission	-	-	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-	-	-
	<b>Total (1)</b>	<b>2.20</b>	<b>1.40</b>	<b>2.40</b>	<b>0.20</b>	<b>-</b>	<b>0.40</b>	<b>-</b>	<b>6.60</b>
2	Other Non-Executive Directors	-	-	-	-	-	-	-	-
	Fee for attending board committee meetings	-	-	-	-	-	-	-	-
	Commission	-	-	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-	-	-
	<b>Total (2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total (B)=(1+2)</b>	<b>2.20</b>	<b>1.40</b>	<b>2.40</b>	<b>0.20</b>	<b>-</b>	<b>0.40</b>	<b>-</b>	<b>6.60</b>
	<b>Total Managerial Remuneration</b>							<b>67.82</b>	
Overall Ceiling as per the Act - The remuneration is well within the limits prescribed under the Companies Act,2013									

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

S. N.	Particulars of Remuneration	Name of Key Managerial Personnel			Total Amount (Rs/Lac)
		CEO	N Subash CS	K Suman Kumar CFO	
1	Gross salary	Not Applicable	3.50	7.20	10.70
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961				
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961			1.47	1.47
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961				-
2	Stock Option				-
3	Sweat Equity				-
4	Commission				-
	- as % of profit				-
	- others, specify				-
5	Others, please specify				-
	<b>Total</b>		<b>3.50</b>	<b>8.67</b>	<b>12.17</b>

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:**

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding Fees imposed	Authority (RD /NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY			NIL		
Penalty					
Punishment					
Compounding					
B. DIRECTORS			NIL		
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT			NIL		
Penalty					
Punishment					
Compounding					

## Annexure – B to the Director's Report

Statement in accordance with Section 134 (3) (m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 and forming part of the Boards' Report for the year ended 31st March, 2015.

### 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 development 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.

**(Add from Directors report)**

### C. Foreign Exchange Earnings and Outgo:

(Rs. in Lakhs)

	Current Year	Previous year
Foreign Exchange Used	<b>183.70</b>	115.49
Foreign Exchange earned	<b>212.97</b>	360.38

For and on behalf of the Board

**Col.L.V.Raju (retd.)**  
Managing Director  
(DIN: 00052102)

Hyderabad  
10<sup>th</sup> August'2015.



## Annexure – C to Director’s Report

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

- i) The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year 2014-15 and ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2014-15 are as under:-

Name of Director / KMP and Designation	Remuneration of Director/ KMP for financial year 2014-15 (Rs. in lakhs)	% increase in remuneration in the financial year 2014-2015	Ratio of remuneration of each Director/to median remuneration of employees
Col.L.V.Raju(Retd.), Managing Director	36.00	0	17.89:1
Mr. B. Murali Mohan, Whole Time Director	25.20	0	12.52:1
Mr.Suman Kumar, CFO	7.20	N.A	4.77:1
Mr.N.Subash, Company Secretary	3.50	N.A	2.08:1

**Note:** No other Director other than the Managing Director and Whole Time Director received any remuneration other than sitting fees during the financial year 2014-15.

- ii) In the financial year, there was no increase in the median remuneration of employees.
- iii) There were 247 permanent employees on the rolls of Company as on March 31, 2015.
- iv) The average remuneration of management employees in the last financial year has declined over the previous year in view of losses incurred and low operations.
- v) The remuneration of the Key Managerial Personnel put together is Rs. 71.9 lacs which was Rs.66.98 lacs in the previous year. The marginal increase is on account of appointment of CFO.
- 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 2014-15.
- vii) The market capitalization of the Company as on 31<sup>st</sup> March, 2015 decreased by 5.30%, when compared to that of 31<sup>st</sup> March, 2014. The Company has not made any public offer in the recent past and accordingly comparison of public offer price and the current market price of the Company’s shares will not be relevant.
- viii) The key parameters for the variable component of remuneration availed by the directors are considered by the Board of Directors based on the recommendations of the Nomination and Remuneration Committee as per the Remuneration Policy for Directors and Senior Management Personnel.
- ix) Variation in market capitalization, PE ratio at the close of current and previous financial year.
- x) The Managing Director is the highest paid Director. No employee received remuneration higher than the Managing Director.
- xi) It is hereby affirmed that the remuneration paid during the Financial Year ended 31<sup>st</sup> March, 2015 is as per the Remuneration Policy of the Company.

For and on behalf of the Board

Hyderabad  
10<sup>th</sup> August’2015.

**Col.L.V.Raju (reted.)**  
Managing Director  
(DIN: 00052102)

**Annexure-D to the Director's Report****Form No. MR-3****SECRETARIAL AUDIT REPORT**

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2015

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 read with Guidance note on Secretarial Audit of the Institute of Company Secretaries of India

To,  
The Members,  
Kernex Microsystems (India) Limited

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Kernex Microsystems (India) Limited (hereinafter called the company). 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 as shown to me 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, 2015 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and 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 Kernex Microsystems (India ) Limited for the financial year ended on March 31, 2015 as shown to us during our audit ,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
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act')
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 **(Not applicable during the audit period)**
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 **(Not applicable during the audit period)**
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client

- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 **(Not applicable during the audit period)**
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 **(Not applicable during the audit period)**
- (vi) Other laws generally applicable to the company)

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 Bombay Stock Exchange Limited (BSE), National Stock Exchange Limited (NSE)

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

### **I further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent 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.

All decisions at Board Meetings and Committee meetings were carried out unanimously as recorded in the minutes of the meetings of the Board or committees of the Board as the case may be.

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

This report is to be read with our letter of even dated which is annexed and forms an integral part of this report

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

Place: Hyderabad  
Date: 10<sup>th</sup> August 2015

**A.J.Sharma**  
FCS-2120, CP-2176

To,  
The Members  
Kernex Microsystems(India) Limited  
Hyderabad

Our Secretarial Audit Report for the financial year ended 31<sup>st</sup> March 2015 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. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion
3. We have not verified the correctness and appropriateness of financial records and Books of Account of the Company
4. Wherever required , we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.,
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the Management. Our examination was limited to the verification of procedures on test basis
6. The secretarial audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

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

Place: Hyderabad  
Date: 10<sup>th</sup> August 2015

**A.J.Sharma**  
FCS-2120, CP-2176

## MANAGEMENT DISCUSSION AND ANALYSIS

Indian Economy has partially recovered in 2014-2015, but a robust stature has not yet come. It has grown at 5.4%, considering 2011-2012 base, it is 7.4%. It is poised to grow at 8.5% in the fiscal year 2015-2016 which is a great hope. Reduction in oil prices has helped current A/C deficit, which may be maintained at about 4%.

The proposed "Make in India" programme to be implemented with vigor and structural economic reforms, predictable taxation policies are expected to facilitate large investments which would usher in faster technology absorption, innovation, and advanced skills development, protection of Intellectual property, building world class manufacturing, infrastructure and modern processes.

The Indian Railway is planning to invest 8.5 lakh crores in 10 years, in areas like track upgradation, bridges, LOCO engines, rolling stock, safety, upgrading of Railway stations, passenger amenities, security, usage of digital and IT services for better efficiency and accessibility.. All this should go in a big way, for companies like yours to look forward for improved performance.

### Windows of Opportunities for Kernex

The "Make in India" programme is expected to throw Window of opportunities for companies in the sectors of railways and Defence and I.T services. The Railway Budget of 2015-2016 has a promise of introduction of bullet trains, Construction of high speed corridors and induction of high speed passenger trains, train safety, security and amenities through I.T. It has increased FDI to 100% in the field of locos, rolling stock, infrastructure, last mile connectivity to ports, power plants, mines and modernization of Railway Stations under PPP model.

Kernex looks forward for system like TPWS, TCAS, multi section digital axle counters, rail flaw detectors, hot box detection, solid state interlocking, block clearance relay, electronic gate warning systems. Kernex has great opportunity in providing safety system like TPWS, TCAS, Electronic gate protection systems, integrated power supplies, data loggers and equipment required for cabin signaling in LOCO cabins, etc.

New R& D projects like on board equipment and developing of other ancillary equipment like radio modems driver man interface, universal breaking mechanism interface, RFID tag and readers, Euro balise transmission module/transponders etc give a great challenge and opportunity to your company in railway field.

### Defence Sector Opportunities

So far India has been importing around 70% of its Defence requirements and with hike in Defence Budget by 11% and the likely collaboration of Defence Supplies from US, Israel, Russia and France for Missiles, Space craft, Aircraft, Naval Air Craft Carriers, Submarines, Destroyers and long reconnaissance and Electronic warfare systems, etc., a big window of opportunity is available for your company for foreign collaboration, development and supply of major assemblies to DRDO, DRDL, RCI, HAL, BDL, ADE etc.

### Period 2014-2015 Company's operations

During the year 2014-2015, your company was involved in developing TCAS system under RDSO of Indian railways. This was awarded in April 2013 and to be completed by August 2015. This includes preparation of specifications, designing of prototype, conducting trials, approvals, install and commission on ground and Locos for practice trials. Your company has completed significant work by 31st March'2015 and expects to complete the remaining shortly.

As on date the manufacturing of TCAS Units have been completed, tested and approved by the authorities concerned. The equipment installation is in progress. User trials are expected to start by 1st September 2015 for completion by October 2015 and for deployment by Railways there after in various zones.

As regards the Egyptian Railway Project the company has installed more than 80 gates out of 136 Gates and the Provisional Handing Over (PHO) has been taken up and is in progress. ENR is expected to release order for 400 booms in August' 2015 for completing the installation by 31st March'2016 subject to law and order situations in Egypt, timely release of payments and decisions by ENR, reduction in the high rate of accidents due to uncontrolled driving and early release of withheld amounts by ENR.

As regards to Northern Frontier Railway, OMC and AMC of ACD System was completed and extension of the same till 31st March' 2016 is awaited. NFR and KRCL were informed of the need to replace the aged components like batteries, memory chips, antennae, Etc. and offered to retrofit over new 153 Locos.

The company having received the necessary approvals has initiated steps to dispose of some of the unutilized assets to finance the ongoing projects.

KRCL has discontinued their Technical collaboration agreement dated 4th March'2000, Manufacturing collaboration agreement dated 18th 'February' 2003 and Out Source Agreement dated 29th November' with the company. KRCL has also cancelled the order for development of ACD 2.0 in March 2012. The Arbitration Proceedings as directed by the Bombay High Court for suitable compensation for the investments made in the infrastructure and also for the works carried out and completed are initiated

## **Opportunities, Threats, Risks and concerns**

### **Opportunities**

our company continues to focus on R&D, acquiring of latest technologies which are in demand in India and delivering high tech and quality solutions with considerable value addition.

Indian Railways are keen to improve the safety of rail movement's and also increase the throughput and capacity. Indian Railways are planning to introduce ETCS2 and GSM-R communication networks and some high speed trains that can run upto 160 kms speed. The Safety, reliability, operability, maintainability are the main considerations. For this purpose, TCAS, TPWS, ETCS2, Electronic Interlocking system, Multi section and single Digital Axle Counters and Data Loggers, Hot Box and Vibration detecting and SIL 3 to SIL 4 sensor Activated Warning system at gates to avoid collisions and accidents are to be in place.

We visualize opportunities in the Railway sector all over the world for simple, reliable, high tech, high safety level equipment like Electronic gates in countries like Turkey, Greece, Iran, central and South Africa, Malaysia, Thailand, south East Asia, Australia and New Zealand. With the company's infrastructure and accretion of technology and talented manpower, it may be possible to diversify into Defence related R&D work, manufacture, validation and verification needed for large projects. Kernex, may also be able to undertake some outsourced jobs for manufacture of Electronic components, assembly work, import substitute items like Radio Modems, RF readers and Tags etc.,

### **Threats**

For every Indian technology that is developed, there is a threat of latest or advanced or superior technology from MNC's Further the frequent changes of Govt. policies and priorities in the government had adverse impacts on our finances. However, technology with continuous up

gradations can help developing indigenous products suited to our markets. In the emerging situation and growing competition, Kernex need to embark on relevant, fairly long term growth oriented, predictable, sustainable, risk reducible and profitable areas of business with sharp focus on sustainability, growth and continuity.

### **Risks and Concerns**

Kernex faces the risk of competition, development and absorption of new technologies, price competitiveness, retention of key personnel and financial constraints etc. In order to take on the risks, Kernex need to recruit, train and retain qualified and experienced manpower, draw strong leadership and succession plan, necessary infrastructure and adequate financial resources. Company may have to focus on five to six related relevant products with long term prospects. It will have to constantly introduce new technologies and product based on market demand. Kernex proposes to commission a comprehensive strategic study for future growth, prospects interalia, covering new technologies scope for partnership, alliance and linkages and financial plan to improve internal resources.

Kernex faces the risk of a single and dominant customer like the Indian railways and a product yet to be fully developed and acceptable safety device and increased potential competitive environment. The diversification into different sectors leveraging the experience and expertise will steer the Company from potential risks

### **Analysis of Financial performance of the company**

During the financial year review, the revenues were generated from Lx contract of Egyptian Railways S/W development and comprehensive and operational Maintenance Contract executed in NF Railway. A part of revenue is also utilized as work in process as for as TCAS is concerned and also the partially executed works, awaiting approvals in Egyptian Railway Project.

The slow progress of ENR has been attributed to wide spread area network, project delays from the local contractor and local agencies like power supply agencies, ENR which was supposed to finalize order for 500 booms, 2 years spares, PHO completion and starting of 2 years warranty is yet to do so.

The TCAS Project is a complex and high tech project and the decision making is slow and testing and trials take considerable time than normal project. Many of technical innovations are to be repeatedly tried out and fine tuned. Therefore, the major R& D project could not



be completed and revenues realized in a short period in spite of considerable investment. However, this project is expected to yield big revenues in subsequent years.

CMC, has gone very well but the payments by Railways were much delayed and the Company had to incur high finance cost.

After review of the performance, the company has identified the following priority objectives and goals for the current year.

- a) Raise need based funds financial resources for early completion of TCAS and ongoing ENR Project needs and to meet other running expenditure.
- b) Take immediate action on receivables from KRCL / ENR and realize at least partial payment.
- c) Expediting arbitration claims against KRCL.
- d) Utilization of H/W technology Park assets for either leasing or start manufacturing in-house or dispose of including land pockets.
- e) Diversification to short term projects for obtaining regular cash flows.
- f) Strengthening marketing team.
- g) Strengthening financial team.
- h) Company to attract new talent on S/W, H/W and new innovations.
- i) Company to seek strategic alliance with major MNC's, in the light of 100% FDI in Railways and also PPP Projects and Defence Industry.

### **Internal Control Systems and their adequacy**

The company 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 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, processes in the company. Safeguarding of assets and their protection

against unauthorized use are also a 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**

The total number of employees as on March 2015 is 271 as against 266 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 with an opportunity to work on new technologies, and enables to leverage talents. As an organization which has to constantly upgrade itself, it has been building competence through training, cross training and skill up gradation.

### **Cautionary Statement**

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

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

**Col L.V.Raju (Retd)**  
Managing Director  
(DIN: 00052102)

Place: Hyderabad  
Date: 10th August 2015

**Annexure - E to the Director's Report****CORPORATE GOVERNANCE REPORT**

(As required under Clause 49 of the Listing Agreements entered into with Stock Exchanges)

**1. Company's philosophy on Code of Governance.**

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

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

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

**2. Board of Directors**

- i) The Company has a Non-Executive Chairman. The Board of Directors of the Company consists of eminent persons with professional expertise. The Board comprises of two Executive Directors and Seven Non-executive Directors, of whom three are independent Directors as on March 31, 2015. Accordingly, the Composition of the Board is in conformity with Clause 49 of the listing agreement entered with Stock Exchanges.
- 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 clause 49, across all the Companies in which he is a Director. Necessary disclosures regarding Committee positions have been made by the Directors.
- iii) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee memberships held by them in other companies is given below. Other directorships do not include alternate directorships, directorships of private limited Companies and companies incorporated outside India. Chairmanship/membership of Board committees includes membership of Audit and Shareholders/Investor Grievance Committee.

Name	Category	No. of Board Meetings during the year 2014-15		Whether Attended AGM held on 27.09.14	No. of Directorships in other public companies		No. of committee positions held in other public companies		
		Held	Attended		Chairman	Member	Chairman	Member	Shares
Venkateswara Raju Lakamraju	Non-Independent-Executive	10	9	Yes	-	-	-	-	225863
Murali Mohan Bandaru	Non-Independent-Executive	10	10	Yes	-	-	-	-	150071
Gopalakrishna Muddusetty	Independent Non-Executive	10	9	No	-	10	-	-	-
Jyoti Raju	Non-Independent Non-Executive	10	1	No	-	-	-	-	173329
Anji Raju Manthena	Non-Independent Non-Executive	10	3	No	-	-	-	-	277078
Venkata Ratnam Anugolu	Independent Non-Executive	10	10	No	-	3	-	-	-
Arun Kumar Sanwalka	Independent Non-Executive	10	8	Yes	-	2	-	-	-
Vinta Janardhana Reddy	Non-Independent Non-Executive	10	2	No	-	-	-	-	198655
Mantena Raju Narasa	Non-Independent Non-Executive	10	2	No	-	3	-	-	854633

- iv) Ten (10) Board Meetings were held during the year ended 31st March, 2015 and the gap between any two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows.
- v) 24.05.2014, 11.08.2014, 20.08.2014, 09.09.2014, 25.10.2014, 10.11.2014, 14.11.2014, 07.02.2015, 10.03.2015 & 24.03.2015.
- vi) None of the Non-Executive Directors have any material pecuniary relationship or transaction with the Company.

### **3. Audit Committee:**

- i. The Audit Committee of the Company during the year under review consisted of Four (4) Directors, including three (3) independent Directors and One (1) Managing Director and the Chairman of the Audit Committee was present at the Board Meeting where Annual accounts have been approved. All the members of the committee are financially literate. Accordingly the composition of the Audit committee is in conformity with clause 49 of the listing Agreement entered with stock exchanges.
- ii. **The terms of reference of the Audit Committee are broadly as under:**
  - 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 Clause 49 of the Listing Agreement, the Company has framed a Whistle Blower Policy / Vigil Mechanism to report concerns about the Company's working or about any violation of its policies.
  - D. Recommending the appointment and removal of the statutory auditors, fixation of audit fees and also approval for payment for any other services.
  - E. Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
  - F. Reviewing, with the management, the annual financial statements before submission to the board, focusing primarily on:
    - a) Matters required to be included in the Director's Responsibility statement to be incorporated Pursuant to section 134 (3) (c) of the Companies Act, 2013
    - b) Any changes in accounting policies and practices
    - c) Major accounting entries based on the exercise of judgment by management
    - d) Significant adjustments arising out of audit;
    - e) Compliance with listing and other legal requirements relating to financial statements
    - Disclosure of any related party transactions
    - f) Qualifications in the draft audit report.
    - g) Compliance with accounting standards
    - h) Management discussion and analysis of financial condition and result of operations.
  - G. Reviewing the Quarterly Financial Results before submitting the same to the Board's approval
  - H. Reviewing, with the management, the performance of external and internal auditors and adequacy of the internal control systems.
  - I. Reviewing the adequacy of internal audit function and frequency of internal audit.

- J. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- K. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- i. The Audit Committee Meetings are usually held at the registered office of the Company and are usually attended by the Managing Director, Finance head, Statutory Auditors and representatives of the internal auditors.
  - ii. The last Annual General Meeting of the Company was held on September 27, 2014.
  - iii. The composition of the Audit Committee as on March 31, 2015 and particulars of meetings attended by the members are as follows:

Name	Category	No. of Meetings during the year 2014-15	
		Held	Attended
Venkata Ratnam Anugolu	Independent Non-Executive	4	4
Gopalakrishna Muddusetty	Independent Non-Executive	4	3
Arun Kumar Sanwalka	Independent Non-Executive	4	3
Venkateswara Raju Lakamraju	Non-Independent-Executive	4	4

The necessary quorum was present at all meetings.

#### 4. Nomination and Remuneration Committee:

1. The Nomination and Remuneration Committee was constituted in conformity with Clause 49 IV (B) of the Listing agreement and the terms of reference are in conformity with Section 178 of the Companies Act'2013.
2. The Nomination and Remuneration Committee of the Company consists of 5 directors, out of whom 3 are independent directors.
3. The broad terms of reference of the remuneration Committee includes:-
  - a. Identifying persons to become qualified Directors and Senior Management personnel as also to determine the qualifications positive attributes and independence of Directors and frame a policy relating to the remuneration of Directors/KMP and other employees.
  - b. Such other matters as the Board may from time to time request the Remuneration Committee to examine and recommend/approve.

Name	Category
Gopalakrishna Muddusetty	Independent Non-Executive Director
Arun Kumar Sanwalka	Independent Non-Executive Director
Venkata Ratnam Anugolu	Independent Non-Executive Director
Narasa N Mantena	Promoter and Non-Executive Director
Dr. Anji Raju Manthana	Promoter and Non-Executive Director

No Meetings of Remuneration Committee were held during the year under review.

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

5. Remuneration Policy:

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

6. Remuneration paid to Managing Director and Whole time Director during the financial year 2014-15 is follows.

Name	Designation	REMUNERATION (Rs. Lacs)		
		Salary & Benefits	Commission	Total
Col. L. V. Raju (Retd.)	Managing Director	36.01	0.00	36.01
Mr. B. Murali Mohan	Whole time Director	25.21	0.00	25.21

Besides above, the Managing and Whole time Director 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 and encashment of earned leave, as per the rules of the Company.

**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 Rs.20,000/-for attending each of committee meetings. The Company also reimburses the out of pocket expenses incurred by the Directors for attending meetings.

Sitting fee paid to non executive Directors during Financial Year 2014-15, is as follows.

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

**5. Stakeholders Relationship Committee:**

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

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

Name	Category
Sri. M. Gopalakrishna, IAS (Retd)	Independent Non-Executive
Sri. Arun Kumar Sanwalka	Independent Non-Executive
Sri. Raju Narasaraaju Mantena	Promoter - Non-Executive
	Company Secretary

- iii. Name, designation and address of Compliance Officer:  
Col.L.V.Raju (Retd.), Managing Director  
Plot No.7, Software Units Layout, Madhapur,  
Hyderabad- 500081.

- iv. Details of complaints received and redressed:

<b>Opening Balance</b>	<b>Received during the period 01.04.2014 to 31.03.2015</b>	<b>Resolved during the period 01.04.2014 to 31.03.2015</b>	<b>Closing Balance</b>
Nil	Nil	Nil	Nil

## 6. General Body Meetings

- i. Details of Last three Annual general Meeting are as follows.

<b>Year</b>	<b>Meeting</b>	<b>Day, Date and Time of the Meeting</b>	<b>Venue</b>
2013-2014	22nd AGM	Saturday, September'27, 2014 at 3.00 P.M.	Hotel Minerva Grand, Sarojini Devi Road, Secunderabad- 500 003.
2012-13	21st AGM	Friday, September, 27, 2013 at 3.00 P.M.	Hotel Minerva Grand, Sarojini Devi Road, Secunderabad- 500 003.
2011-12	20th AGM	Thursday , September 27, 2012 at 3.00 P.M	Hotel Minerva Grand, Sarojini Devi Road, Secunderabad- 500 003

- i. **Postal Ballot:**

Neither any resolution was put through postal ballot last year nor any resolution is proposed to be conducted through postal ballot in the ensuing Annual General meeting.

- ii. **Special Resolutions:**

special resolutions for creation of charge and borrowing powers U/S 180 of the companies Act,2013 were passed by the Company in the AGM held on 27th September'2014.

- iv. **Extraordinary General Meeting:**

No Extraordinary General Meeting of the Members was held during the year 2014-15.

## 7. Disclosures:

- There are no materially significant related party transactions of the Company which have potential conflict with the interests of the Company at large.
- No penalties or strictures were imposed by the Stock Exchanges or the Securities and Exchange Board of India or any statutory authority, on any matter related to capital markets, during the last three years. The Senior Management of the Company has confirmed that they do not have any personal interest relating to material, financial and commercial transactions with the Company that may have a potential conflict with the interests of the Company at large.
- The Company is in compliance with all the mandatory requirements and has fulfilled the non-mandatory requirements as prescribed in Annexure I D to Clause 49 of the Listing Agreement with Stock Exchanges to the extent of setting up a remuneration committee. Please see the para on Remuneration Committee for details.
- The company has a Vigil Mechanism/Whistle Blower policy and Code of prevention of insider trading practices in place in accordance with SEBI (Prohibition of Insider Trading) Regulations'2015.



- v. The Company has complied with all the mandatory requirements.
- vi. Code of conduct: The code of conduct as adopted by the Board of Directors is applicable to all directors, senior management and employees above officers' level. The prime purpose of the code is to create an environment wherein all the Board Members and Senior Management of the Company maintain ethical standards and to ensure compliance to the laid down ethical standards. The code is available on the Company's website: [www.kernex.in](http://www.kernex.in)

**Declaration as required under Clause 49(E)(2) of the Listing Agreement:**

All the directors and senior management of the Company have affirmed compliance with the Company's code of conduct for the financial year ended March 31, 2015

Place : Hyderabad

Date : August 10, 2015

**Col. L V Raju (Retd.)**

Managing Director

- vii. At every Board Meeting a Statement of Compliance with all Laws and Regulations as certified by the Managing Director is placed for review by the Board. The Board reviews the compliance of all the applicable laws and gives appropriate directions wherever necessary.
- viii. A practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued /paid-up capital of the Company is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

## **8. Means of Communication:**

The quarterly, half-yearly and annual results of the Company are published in leading newspapers in India which include, the Financial Express and Nava Telangana. The results are also displayed on the Company's website [www.kernex.in](http://www.kernex.in). Official press releases made by the Company from time to time are also displayed on the website. The Management's Discussion and Analysis is a part of the Company's annual report.

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

### **i) Annual General Meeting**

Date	: 28th September 2015
Time	: 3.00 P.M.
Venue	: Hotel Minerva Grand, Sarojini Devi Road, Secunderabad - 500 003.

### **ii) Financial Calendar**

Year ending	: March 31, 2015
AGM	: September 28, 2015

<b>iii) Date of Book Closure</b>	: 21-09-2015 to 28-09-2015
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<b>iv) Listing on Stock Exchange</b>	: Bombay Stock Exchange Limited The National Stock Exchange of India Limited
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### **Stock Code/Symbol**

Bombay Stock Exchange Limited (Physical & Demat)	: 532686
The National Stock Exchange of India Limited	: Kernex
International Securities Identification Number (ISIN) allotted to the Company's Shares	: INE202H01019.

**10. 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-14	48.75	34.40	15,21,185	48.70	34.30	4213162
May-14	76.60	40.30	29,58,586	77.00	40.60	8770117
June-14	80.00	66.00	10,96,043	80.00	66.00	2514623
July-14	74.90	46.55	6,15,013	75.00	46.60	1660249
Aug-14	56.15	48.50	1,37,017	57.50	48.50	453928
Sep-14	60.80	49.75	2,25,206	60.45	50.00	493026
Oct-14	60.00	52.00	80,709	60.00	51.15	247919
Nov-14	67.00	58.55	2,30,611	66.90	59.30	539707
Dec-14	71.20	56.40	2,22,276	72.00	56.20	623812
Jan -15	63.75	57.00	2,31,708	63.80	57.00	585382
Feb -15	67.30	44.30	6,88,559	67.00	44.45	1516778
March-15	52.50	32.85	2,96,800	51.95	32.35	677673

### Registrar and Transfer Agents

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

### Share Transfer System:

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

### Distribution of Shareholding (as on March 31, 2015):

Category No. of Shares	Holding in Rs.	% to Capital	No. of accounts	% to Total Accounts
1 - 5000	21752	99.17	4694136	37.55
5001 - 10000	95	0.43	687443	5.50
10001 - 20000	37	0.17	539860	4.32
20001 - 30000	11	0.05	272698	2.18
30001 - 40000	6	0.03	226698	1.81
40001 - 50000	2	0.01	84829	0.68
50001 -100000	8	0.04	552457	4.42
100001 & above	22	0.10	5441534	43.54
<b>GRAND TOTAL</b>	<b>21933</b>	<b>100</b>	<b>12499655</b>	<b>100</b>

**Shareholding pattern as on March 31, 2015**

Sl.No.	Category	No of share holders	No of Shares	Percentage of Holding
<b>(A)</b>	<b>PROMOTER AND PROMOTER GROUP</b>			
(1)	INDIAN			
(a)	Individual /HUF	1	2,25,863	1.81
(b)	Others	3	1,16,385	0.93
(2)	FOREIGN			
(a)	Individuals (NRIs/Foreign Individuals)	10	41,53,482	33.23
(b)	Others	6	4,67,093	3.74
	<b>Total</b>	<b>20</b>	<b>49,62,823</b>	<b>39.70</b>
<b>(B)</b>	<b>PUBLIC SHAREHOLDING</b>			
(1)	INSTITUTIONS			
(a)	Financial Institutions /Banks	2	1,050	0.01
(2)	NON-INSTITUTIONS			
(a)	Bodies Corporate	420	9,29,291	7.43
(b)	Individuals			
	(i) Individuals holding nominal share capital upto Rs.1 lakh	21,190	46,57,538	37.26
	(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	21	9,33,941	7.47
(c)	Others			
	CLEARING MEMBERS	45	64,529	0.52
	NON RESIDENT INDIANS	222	9,25,952	7.41
	TRUSTS	3	24,531	0.20
	<b>Total</b>	<b>21,903</b>	<b>75,36,832</b>	<b>60.30</b>
	<b>Grand Total</b>	<b>21,923</b>	<b>1,24,99,655</b>	<b>100.00</b>

**Dematerialization of shares and liquidity:**

The company's shares are compulsorily traded in dematerialization form. Equity shares of the Company representing 95.31% of the company's share capital are dematerialized as on March 31, 2015.

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, 2015 the company did not have any outstanding GDRs /ADRs / Warrants or any convertible instruments.

Manufacture facility Locations	:	Kernex Microsystems (India) Ltd. THRUSHNA" Plot No.7, Software Units Layout Infocity, Madhapur, Hyderabad-500 081
Address of Correspondence	:	Kernex Microsystems (India) Ltd. THRUSHNA" Plot No.7, Software Units Layout Infocity, Madhapur, Hyderabad-500081.

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## AUDITORS' CERTIFICATE REGARDING CORPORATE GOVERNANCE

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

We have examined the compliance of conditions of Corporate Governance by Kernex Microsystems (India) Limited for the year ended on 31st March, 2015, as stipulated in Clause 49 of the Listing Agreement of the company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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

For **GMK ASSOCIATES.,**  
Chartered Accountants  
(Registration No.006945S)

Place : Hyderabad  
Date : 24th May, 2015

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

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of  
**KERNEX MICROSYSTEMS (INDIA) LIMITED**

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

We have audited the accompanying standalone financial statements of KERNEX MICROSYSTEMS (INDIA) LIMITED ('the Company'), which comprise the Balance Sheet as at 31 March 2015, the statement of profit and loss and the Cash Flow Statement for the year then ended, and a summary of 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 and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 31 March 2015 and its Loss and its cash flows for the year ended on that date

### **Other Matter**

We did not audit the financial statements/information of Egypt branch included in the standalone financial statements of the Company whose financial statements/information reflect total assets of Rs.14,64,52,805 as

at 31st March, 2015 and total revenues of Rs. 4,27,34,800 for the year ended on that date, as considered in the standalone financial statements. The financial statements/information of these foreign branch have been audited by the branch auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these branch, is based solely on the report of such branch auditors.

The outstanding Debtors amount of Rs 18.18 Crores from Konkan Railway Corporation Limited are subject to confirmation and reconciliation.

Our opinion is not modified in respect of this matter.

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

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable
2. As required by Section 143 (3) of the Act, we report that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c. The reports on the accounts of the foreign branch office of the Company audited under the provisions of Egyptian Laws by branch auditors have been sent to us and have been properly dealt with by us in preparing this report;
  - d. the balance sheet, the statement of profit and loss and the cash flow statement dealt with by

this Report are in agreement with the books of account;

- e. in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- f. on the basis of the written representations received from the Directors as on 31 March 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2015 from being appointed as a director in terms of Section 164 (2) of the Act; and
- 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, in our opinion and to the best of our information and according to the explanations given to us:
  - i. the Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 26 to the financial statements;
  - ii. The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses ;
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

**For GMK Associates**

Chartered Accountants  
Firm Regn No. 006945S

**(G. Satyanarayana Murty)**

Place: Hyderabad

Date: 24th May, 2015

Partner

Membership No. 029919



## **Annexure to the Independent Auditors' Report**

The Annexure referred to in our Independent Auditors' Report to the members of the Company on the standalone financial statements for the year ended 31 March 2015, we report that:

- (I) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets
- (b) As per information and explanations given to us by the management, physical verification of Fixed Assets has been carried out during the year and no material discrepancies are noticed.
- (II) (a) The Inventory has been physically verified by the management at reasonable intervals.
- (b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business;
- (c) On the basis of our examination of the inventory records, in our opinion, the company has maintained proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- (III) During the year, the Company has not granted any loans, secured or unsecured, to the companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 2013.

Hence Clauses (iii) (a) & (b) of the Order are not applicable.

- (IV) In our opinion and according to the information and explanations provided to us there are adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control.
- (V) The Company has not accepted any deposits from the public during the year under review falls under section 73 to 76 of the Companies Act 2013;
- (VI) Books of account to be maintained by the Company, pursuant to the Rules made by the Central Government of India for the maintenance of cost records, is not applicable for this company for the year under review.
- (VII) (a) *There have been delays in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax and Service Tax with appropriate authorities during the year. According to the records, information and explanations provided to us, there are undisputed amounts payable in respect of Provident Fund Rs 10,52,071/-, TDS Rs 1852602/-, and Corporate Dividend Tax Rs 20,27,757 were outstanding at the yearend for a period of more than six months from the date they become payable ;*

- (b) According to the information and explanations provided to us, particulars of out-standing dues of Income tax and Sales tax have not been deposited on account of any dispute are given below:

Name of Statute	Nature of the Dues	Period to which the amount relates	Amount (Rupees in Lakhs)	Forum where dispute is pending
Income Tax Act	Income Tax	A.Y 1998-99	8.00	High Court
APGST	Sales Tax	A.Y 2003-04	4.13	STAT

- (VIII) The Company does not have any accumulated losses at the end of the financial year and has incurred a cash loss of Rs 5,51,64,254 during the year covered by our audit and has not incurred any cash loss in the immediately preceding financial year.
- (IX) Based on our audit procedures and on the information and explanations given by the management, the Company has not defaulted in repayment of dues to any financial institution or bank;
- (X) On the basis of our examination of the books of accounts and the information and explanation given to us the Company has not given any guarantee for loans by others from bank or financial institutions ;
- (XI) According to the information and explanations given to us, the company has not availed any term loans during the year under review.
- (XII) Based on the audit procedures performed and information and explanations given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

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

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

Place: Hyderabad  
Date: 24th May, 2015

**Balance Sheet as at March 31, 2015**

(Amount in Rupees)

Particulars	Note No.	AS AT 31st March, 2015	AS AT 31st March, 2014
<b>I. EQUITY AND LIABILITIES</b>			
1 SHAREHOLDERS' FUND			
a Share Capital	2	<b>124,996,550</b>	124,996,550
b Reserves and Surplus	3	<b>1,059,838,776</b>	1,165,113,798
		<b>1,184,835,326</b>	1,290,110,348
2 SHARE APPLICATION MONEY		-	-
PENDING ALLOTMENT		-	-
3 NON-CURRENT LIABILITIES			
a Long Term Borrowings	4	-	-
b Deferred Tax Liability(Net)		-	-
c Long Term Provisions		-	-
		-	-
4 CURRENT LIABILITIES			
a Short Term Borrowings	5	<b>217,991,098</b>	207,878,558
b Trade Payables	6	<b>133,005,525</b>	123,393,244
c Other Current Liabilities	7	<b>68,449,641</b>	77,947,049
d Short Term Provisions	8	<b>2,027,757</b>	2,191,050
		<b>421,474,021</b>	411,409,901
<b>TOTAL</b>		<b>1,606,309,347</b>	1,701,520,249
<b>II. ASSETS</b>			
1 NON - CURRENT ASSETS			
a Fixed Assets			
Tangible Assets	9	<b>527,531,740</b>	574,715,875
Intangible Assets		<b>239,895</b>	1,512,334
Capital Work in Progress		<b>97,440,499</b>	97,440,499
b Non-Current Investments	10	<b>11,830,950</b>	11,830,950
c Deferred tax asset(net)	25	<b>3,504,902</b>	613,786
d Long term loans and advances	11	<b>71,044,452</b>	101,941,452
e Other Non-Current Asset		-	-
		<b>711,592,438</b>	788,054,896
2 CURRENT ASSETS			
a Inventories	12	<b>260,716,817</b>	214,763,610
b Trade Receivables	13	<b>524,302,508</b>	550,718,392
c Cash and Bank Balances	14	<b>55,972,075</b>	67,405,564
d Short term loans and advances	15	<b>48,119,443</b>	68,048,668
e Other current assets	16	<b>5,606,066</b>	12,529,119
		<b>894,716,909</b>	913,465,353
<b>TOTAL</b>		<b>1,606,309,347</b>	1,701,520,249
Significant Accounting Policies	1		

See Accompanying notes forming part of the financial statements

In Terms of our report attached

For **GMK ASSOCIATES**

Chartered Accountants

Firm Regn No. 006945S

**(G. Satyanarayana Murty)**

Partner

Membership No. 29919

Place: Hyderabad

Date: 24.05.2015

For and on behalf of the Board of Directors

**B. Murali Mohan**

Technical Director

**N. Subhash**

(Company Secretary)

**Col. L.V. Raju (Retd.)**

Managing Director

**K. Suman Kumar**

(Chief Financial Officer)

**Statement of Profit and Loss for the year ended March 31, 2015**

(Amount in Rupees)

Particulars	Note No.	Year ended 31st March, 2015	Year ended 31st March, 2014
<b>1 REVENUE FROM OPERATIONS</b>	17	<b>214,058,633</b>	298,298,676
Less: Excise Duty		-	-
Net Revenue		<b>214,058,633</b>	298,298,676
<b>2 OTHER INCOME</b>	18	<b>15,952,828</b>	32,917,762
<b>Total Revenue (1+2)</b>		<b>230,011,461</b>	331,216,438
<b>3 EXPENSES</b>			
Cost of Materials Consumed	19.1	<b>46,389,838</b>	23,270,955
Purchase of Stock in Trade	19.2	-	29,223,362
Changes in Inventories of Finished goods, Stock-in-Process and stock in trade	19.3	<b>(31,492,928)</b>	(39,777,359)
Employee Benefit Expenses	20	<b>92,967,636</b>	93,650,824
Finance Costs	21	<b>33,966,726</b>	30,884,263
Depreciation and Amortisation Expenses	9	<b>41,656,546</b>	40,318,450
Other Expenses	22	<b>143,344,444</b>	174,682,990
<b>Total Expenses</b>		<b>326,832,261</b>	352,253,485
<b>4 PROFIT/(LOSS) BEFORE TAX</b>		<b>(96,820,800)</b>	(21,037,047)
<b>5 TAX EXPENSE</b>			
a Current Tax		-	-
b Deferred tax	25	<b>(2,891,116)</b>	(3,992,965)
c MAT Credit		-	-
d Current tax expense relating to prior years		-	-
<b>6 PROFIT/(LOSS) FOR THE PERIOD</b>		<b>(93,929,684)</b>	(17,044,082)
<b>7 Earnings per equity share: (Equity shares of par value of ₹ 10/- each)</b>			
a Basic	24	<b>(7.51)</b>	(1.36)
b Diluted	24	<b>(7.51)</b>	(1.36)
Significant Accounting Policies	1		

See Accompanying notes forming part of the financial statements

In Terms of our report attached

For **GMK ASSOCIATES**

Chartered Accountants

Firm Regn No. 006945S

**(G. Satyanarayana Murty)**

Partner

Membership No. 29919

Place: Hyderabad

Date: 24.05.2015

For and on behalf of the Board of Directors

**B. Murali Mohan**

Technical Director

**N. Subhash**

(Company Secretary)

**Col. L.V. Raju (Retd.)**

Managing Director

**K. Suman Kumar**

(Chief Financial Officer)

## Clash Flow Statement for the year ended March 31, 2015

(Amount in Rupees)

Particulars	Year ended 31st March, 2015	Year ended 31st March, 2014
<b>A. Cash Flow from Operating Activities</b>		
<b>Net Profit/(Loss) before Extra-ordinary Items &amp; Tax</b>	<b>(96,820,800)</b>	<b>(21,037,047)</b>
<i>Adjustments for:</i>		
Depreciation and Amortisation	<b>41,656,546</b>	40,318,450
(Profit) / Loss on Sale /		
Write off of Assets	-	-
Finance Costs	<b>33,966,726</b>	30,884,263
Interest Income	<b>(6,226,352)</b>	(7,901,055)
	<b>69,396,920</b>	63,301,658
<b>Operating Profit/(Loss) before Working Capital changes</b>	<b>(27,423,880)</b>	42,264,611
<b>Changes in Working Capital:</b>		
<i>Adjustments for (increase) / decrease in operating assets:</i>		
Inventories	<b>(45,953,207)</b>	(57,744,188)
Trade Receivables	<b>26,415,884</b>	(82,995,287)
Short Term Loans and Advances	<b>19,929,225</b>	4,554,246
Long Term Loans and Advances	<b>30,897,000</b>	23,017,271
Other Current Assets	<b>6,923,053</b>	(5,063,610)
Foreign Currency Reserve	<b>(4,545,307)</b>	6,050,284
<i>Adjustments for increase / (decrease) in operating liabilities:</i>		
Trade Payables	<b>9,612,281</b>	39,733,285
Other Current Liabilities	<b>(9,497,408)</b>	9,626,101
Short Term Provisions	-	-
Long Term Provisions	-	-
	<b>33,781,521</b>	(62,821,898)
Cash Generated from Operations	<b>6,357,641</b>	(20,557,287)
<b>Net Cash Flow from/(used in) operating activities (A)</b>	<b>6,357,641</b>	(20,557,287)
<b>B. Cash Flow from Investing Activities</b>		
Capital expenditure on fixed assets including capital advances	-	(11,771,892)
Proceeds from sale of fixed assets	-	-
Inter-corporate deposits	-	-
(Purchase)/Sale of Investments	-	-
Bank balances not considered cash or cash equivalents - Placed	-	-
Interest Received	<b>6,226,352</b>	7,901,055
Net Income Tax (paid)/refunds	<b>(163,296)</b>	(5,623,363)
<b>Net Cash Flow from/(used in) Investing activities (B)</b>	<b>6,063,056</b>	(9,494,200)

(Contd.)

**Clash Flow Statement (Contd.)**

(Amount in Rupees)

	Year ended 31st March, 2015	Year ended 31st March, 2014
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from issue of equity shares	-	-
Proceeds from long term borrowings	-	-
Repayment of long term borrowings	-	-
Net increase/(decrease) in working capital borrowings	10,112,540	44,386,276
Finance Costs	(33,966,726) (23,854,186)	(30,884,263) 13,502,013
<b>Net Cash Flow from/(used in) Financing activities (C)</b>	<b>(23,854,186)</b>	<b>13,502,013</b>
<b>Net Increase/decrease in Cash or Cash Equivalents (A+B+C)</b>	<b>(11,433,486)</b>	<b>(16,549,474)</b>
Cash and cash equivalents in the beginning of the year	67,405,565	83,955,039
Effect of exchange difference on restatement of foreign currency	-	-
<b>Cash and cash equivalents in the end of the year</b>	<b>55,972,075</b>	<b>67,405,565</b>
Reconciliation of cash and cash equivalents with Balance Sheet		
<b>Cash and cash equivalents at the end of the year*</b>	<b>55,972,075</b>	<b>67,405,565</b>
*comprises:		
(a) Cash	220,620	132,378
(b) Balances with Bank		
- In current accounts	367,600	459,933
- In EEFC accounts	102,892	41,781
- In Deposit accounts	30,790,471	35,674,476
- In earmarked accounts	24,490,492	31,096,998
	55,972,075	67,405,565

In Terms of our report attached

For **GMK ASSOCIATES**

Chartered Accountants

Firm Regn No. 006945S

**(G. Satyanarayana Murty)**

Partner

Membership No. 29919

Place: Hyderabad

Date: 24.05.2015

For and on behalf of the Board of Directors

**B. Murali Mohan**

Technical Director

**N. Subhash**

(Company Secretary)

**Col. L.V. Raju** (Retd.)

Managing Director

**K. Suman Kumar**

(Chief Financial Officer)



## **NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

### **Note: CORPORATE INFORMATION**

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

### **1 SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

#### **1.3 Inventories**

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

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

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

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

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

#### **1.6 Depreciation**

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

**1.7 Revenue recognition***Revenue from contracts*

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

*Revenue from services*

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

**Sale of goods**

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

**1.8 Other income****Initial recognition**

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

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

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

**Treatment of exchange differences**

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

**1.9 Investments**

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

**1.10 Employee benefits****Defined contribution plans**

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

**Defined benefit plans**

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

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

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

#### **1.11 Segment reporting**

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

#### **1.12 Earnings per share**

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

#### **1.13 Taxes on income**

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

#### **1.14 Provisions and contingencies**

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

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

(Amount in Rupees)

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number	₹	Number	₹
<b>AUTHORISED</b>				
Equity Shares of ₹ 10/- each with voting rights	15,000,000	150,000,000	15,000,000	150,000,000
<b>ISSUED, SUBSCRIBED AND PAID UP</b>				
Equity Shares of ₹ 10/- each with voting rights	12,499,655	124,996,550	12,499,655	124,996,550
Company has only one class of shares i.e., Equity Shares with Voting Rights				
<b>Total</b>	<b>12,499,655</b>	<b>124,996,550</b>	12,499,655	124,996,550

**2.1 RECONCILIATION OF NUMBER OF SHARES OUTSTANDING AT THE BEGINNING AND AT THE END OF THE REPROTING PERIOD**

Particulars	Opening Balance	Fresh Issue	Closing Balance
Equity Shares with Voting Rights			
<b>Year Ended 31st March, 2015</b>			
- Number of Shares	12,499,655	-	12,499,655
- Amount (₹)	124,996,550	-	124,996,550
<b>Year Ended 31 March, 2014</b>			
- Number of Shares	12,499,655	-	12,499,655
- Amount (₹)	124,996,550	-	124,996,550

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

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number	% of holding	Number	% of holding
<b>Equity Shares with Voting Rights</b>				
Dr Raju Narsa Manthena	854,633	6.84%	854,633	6.84%
Seetharamaraju Manthena	721,992	5.78%	721,992	5.78%
Sreelakshmi Manthena	640,398	5.12%	640,398	5.12%

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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

(Amount in Rupees)

Particulars	As at 31st March, 2015	As at 31st March, 2014
<b>GENERAL RESERVE</b>		
Opening Balance	61,213,631	61,213,631
(+) Addition during the year	-	-
Closing Balance	61,213,631	61,213,631
<b>SECURITIES PREMIUM ACCOUNT</b>		
Opening Balance	917,219,545	917,219,545
(+) Premium on shares issued during the year		
(-) Utilised during the year:		
Issuing bonus shares		
Writing off preliminary expenses		
Writing off shares/debentures issue expenses		
Premium on redemption of redeemable preference shares/debentures		
Buy back of shares		
Closing Balance	917,219,545	917,219,545
<b>FOREIGN CURRENCY TRANSLATION RESERVE</b>		
Opening Balance	6,050,284	-
(+) / (-): Effect of foreign exchange rate variations during the year	(4,545,307)	6,050,284
(+) / (-): Transferred to Statement of Profit and Loss on disposal of the net investment in non-integral foreign operations		
Closing Balance	1,504,977	6,050,284
<b>SURPLUS/(Deficit) in statement of Profit and Loss</b>		
Opening Balance	180,630,338	197,674,420
(+) Net Profit/(Loss) for the current year	(93,929,684)	(17,044,082)
Amounts transferred from:		
General Reserve		
Adjustment for transitional provision of depreciation as per Companies Act, 2013	(6,800,031)	
Closing Balance	79,900,623	180,630,338
<b>Total</b>	<b>1,059,838,776</b>	<b>1,165,113,798</b>

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

Secured	-	-
Unsecured	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS****NOTE No.: 5 - SHORT TERM BORROWINGS**

(Amount in Rupees)

Particulars	As at 31st March, 2015	As at 31st March, 2014
(a) Loans repayable on demand (Working Capital)		
Secured		
Cash Credit from State Bank of Hyderabad	<b>149,557,590</b>	149,587,501
(b) Other Loans and Advances		
Unsecured Loans from Directors	<b>55,492,207</b>	49,530,127
Inter Corporate Deposits	<b>12,941,301</b>	8,760,930
<b>Total</b>	<b>217,991,098</b>	207,878,558

**5.1 DETAILS OF SECURITY FOR SHORT TERM BORROWINGS**

Particulars	Nature of Security	As at March 31, 2015	As at March 31, 2014
Cash Credit from State Bank of Hyderabad	Working Capital Loans are secured by paripassu hypothecation of all current assets present and future and collaterally secured by first charge over company's fixed assets and equitable mortgage of Land & Buildings situated at Madhapur and APIIC Hardware Park and lands situated at Basanthpur (Nalgonda Dist and Amangal (Mahaboobnagar Dist)	<b>149,557,590</b>	149,587,501
<b>Total</b>		<b>149,557,590</b>	149,587,501

**5.2 DETAILS OF SHORT TERM BORROWINGS GUARANTEED BY SOME OF THE DIRECTORS OR OTHERS**

Particulars	As at 31st March, 2015	As at 31st March, 2014
Loans repayable on demand from banks - Personal guarantee of Managing Director	<b>149,557,590</b>	149,587,501
Inter Corporate Deposits are secured by pledge of Directors shares in the Company	<b>12,941,301</b>	8,760,930
<b>Total</b>	<b>162,498,891</b>	<b>158,348,431</b>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### NOTE No.: 6 - TRADE PAYABLES

(Amount in Rupees)

Particulars	As at 31st March, 2015	As at 31st March, 2014
<b>Trade Payables</b>		
Acceptances		
Other than acceptances	<b>133,005,525</b>	123,393,244
<b>Total</b>	<b>133,005,525</b>	123,393,244

### NOTE No.: 7 - OTHER CURRENT LIABILITIES

(a) Current maturities of finance lease obligations	-	-
(b) Interest accrued and due on borrowings	-	1,892,905
(c) Unpaid Dividends	<b>389,652</b>	487,532
(d) Application money received for allotment of securities and due for refund	<b>26,300</b>	193,300
(e) Statutory remittances:		
Contribution to ESI	<b>287,677</b>	2,219,373
Contribution to PF	<b>5,236,807</b>	5,215,279
Professional Tax Payable	<b>103,114</b>	133,414
Excise Duty Payable	<b>531,388</b>	531,388
Service tax Payable	<b>18,725,655</b>	19,988,924
TDS Payable	<b>5,954,601</b>	5,195,422
Works Contract Tax	<b>968,886</b>	968,886
(f) Payables on purchase of fixed assets	<b>1,541,132</b>	2,869,751
(g) Interest accrued on others	<b>486,476</b>	486,476
(h) Advances from customers	<b>34,197,953</b>	37,764,399
<b>Total</b>	<b>68,449,641</b>	77,947,049

### NOTE No.: 8 - SHORT TERM PROVISIONS

(a) Provision - Others:		
Proposed Dividends	-	-
Provision for Tax on dividends	<b>2,027,757</b>	2,027,757
Provision for Income Tax	-	163,293
<b>Total</b>	<b>2,027,757</b>	<b>2,191,050</b>



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## NOTE No.: 9 - FIXED ASSETS

(Amount in Rupees)

Name of the Asset	Gross Block			Depreciation			Net Block	
	As at 01-04-2014	Additions during the Year	Deductions Adjustments during the year	As at 31-03-2015	Upto 01-04-2014	For the year	Upto 31-03-2015	As at 31-03-2015
<b>TANGIBLE ASSETS</b>								
Land and Land Development	254,701,388	-	-	254,701,388	-	-	-	254,701,388
Building - Own Use	343,486,963	-	-	343,486,963	73,221,811	25,587,897	98,809,708	244,677,255
Plant and Equipment-Owned	138,162,267	-	-	138,162,267	97,144,472	13,020,473	113,902,994	24,259,273
Furniture and Fixtures-Owned	12,025,718	-	-	12,025,718	7,131,718	1,177,061	9,026,006	2,999,712
Vehicles - Owned	7,846,548	-	-	7,846,548	6,820,117	183,312	7,315,943	530,605
Office Equipment-Owned	9,531,002	-	-	9,531,002	6,719,894	415,360	9,167,495	363,507
<b>Total</b>	<b>765,753,886</b>	-	-	<b>765,753,886</b>	<b>191,038,012</b>	<b>40,384,103</b>	<b>238,222,146</b>	<b>527,531,740</b>
Previous Year	753,981,994	11,771,892	-	765,753,886	151,980,273	39,057,738	191,038,011	574,715,875
Capital Work in Progress	97,440,499	-	-	97,440,499	-	-	-	97,440,499

Name of the Asset	Gross Block			Depreciation			Net Block	
	As at 01-04-2014	Additions during the Year	Deductions Adjustments during the year	As at 31-03-2015	Upto 01-04-2014	For the year	Upto 31-03-2015	As at 31-03-2015
<b>INTANGIBLE ASSETS</b>								
Computer Software	3,753,742	-	-	3,753,742	2,241,407	1,272,443	3,513,850	239,895
Previous Year	3,753,742	-	-	3,753,742	980,694	1,260,712	2,241,406	1,512,336
								2,773,048

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### NOTE No.: 10 - NON CURRENT INVESTMENTS

(Amount in Rupees)

Particulars	As at March 31, 2015		As at March 31, 2014	
	Unquoted	Total	Unquoted	Total
<b>(OTHER INVESTMENTS) (AT COST)</b>				
(a) Investment in Equity Shares of Subsidiaries				
Avant-Garde Infosystems Inc USA				
(100% Subsidiary)	<b>11,830,950</b>	<b>11,830,950</b>	11,830,950	11,830,950
35,80,000 Equity shares of				
US \$ 0.02 each				
17,99,240 Equity shares of				
US \$ 0.10 each				
(Common Shares at no Par Value)				
<b>Total</b>		<b>11,830,950</b>		11,830,950

### NOTE No.: 11 - LONG TERM LOANS AND ADVANCES

Particulars	As at	As at
	31st March, 2015	31st March, 2014
(a) Capital Advances	<b>48,552,390</b>	48,899,023
Unsecured, Considered good		
(b) Security Deposits	<b>3,293,437</b>	3,230,338
Unsecured, Considered good		
(c) Loans and advances to related parties	-	35,894,585
Unsecured, Considered good - Avant-Garde Info Systems		
(d) Advance Income Tax (Net)	<b>5,281,119</b>	-
Unsecured, Considered good		
(e) MAT Credit entitlement	<b>13,917,506</b>	13,917,506
Unsecured, Considered good		
<b>Total</b>	<b>71,044,452</b>	101,941,452

### NOTE No.: 12 - INVENTORIES

(At Lower of Cost and net realisable value)

Raw Material	<b>128,032,939</b>	101,418,310
Work in Process (refer note(i) below)	<b>132,683,878</b>	113,345,300
Finished Goods	-	-
<b>Total</b>	<b>260,716,817</b>	214,763,610

### 12.1 - DETAILS OF WORK IN PROGRESS

Workin Progress comprises of:

TCA'S,ECM'S AND ACDs	<b>107,063,725</b>	97,945,575
ENR-Contracts	<b>25,620,153</b>	15,399,725
<b>Total</b>	<b>132,683,878</b>	<b>113,345,300</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS****NOTE No.: 13 - TRADE RECEIVABLES**

(Amount in Rupees)

Particulars	As at 31st March, 2015	As at 31st March, 2014
Trade Receivables outstanding for more than six months from the date they were due for payment		
Unsecured and considered good	<b>429,759,205</b>	418,821,355
Doubtful debts	-	
Other Trade Receivables		
Unsecured and considered good	<b>94,543,303</b>	131,897,037
<b>Total</b>	<b>524,302,508</b>	550,718,392

**NOTE No.: 14 - CASH AND BANK BALANCES**

(a) Cash on Hand	<b>220,620</b>	132,377
(b) Balances with Banks		
(i) In Current Accounts	<b>367,600</b>	459,932
(ii) In EEFC Accounts	<b>102,892</b>	41,781
(iii) In Deposit Accounts (Refer Note (i) below)	<b>30,790,471</b>	35,674,476
(iv) In Earmarked Accounts		
Unpaid Dividend Accounts	<b>406,347</b>	504,227
Share Application money received for allotment of securities and due for refund	<b>12,750</b>	193,300
Balances held as margin money or security against borrowings, guarantees and other commitments (Refer Note (i) below)	<b>23,668,979</b>	26,039,213
Escrow Accounts (Refer Note (ii) below)	<b>402,416</b>	4,360,258
<b>Total</b>	<b>55,972,075</b>	67,405,564

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

**55,972,075**      67,405,564

**Notes:**

- (i) Balances with banks include deposits amounting to Rs. NIL (As at 31 March, 2014 Rs. NIL) and margin monies amounting to Rs. NIL (As at 31 March, 2014 Rs. NIL) which have an original maturity of more than 12 months.
- (ii) Balances with banks - Other earmarked accounts (Escrow A/c) include Rs. NIL (As at 31 March, 2014 Rs. NIL) which have restriction on repatriation.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### NOTE No.: 15 - SHORT TERM LOANS AND ADVANCES

(Amount in Rupees)

Particulars	As at 31st March, 2015	As at 31st March, 2014
(a) Security Deposits Unsecured, considered good	<b>1,283,372</b>	289,076
(b) Loans and Advances to employees Unsecured, considered good	-	-
(c) Prepaid Expenses Unsecured, considered good	<b>1,285,581</b>	1,602,853
(d) Balances with Government Authorities Unsecured, considered good	<b>13,632,053</b>	9,893,287
(e) Advances to Suppliers and Services Unsecured, considered good	<b>31,918,437</b>	56,263,452
<b>Total</b>	<b>48,119,443</b>	68,048,668

### NOTE No.: 16 - OTHER CURRENT ASSETS

(a) Accruals Interest accrued on Deposits	<b>1,072,746</b>	2,061,143
(b) Others Rent Receivable	<b>4,533,321</b>	10,467,976
<b>Total</b>	<b>5,606,066</b>	12,529,119

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS****NOTE No.: 17 - REVENUE FROM OPERATIONS**

(Amount in Rupees)

Particulars	Year ended 31st March, 2015	Year ended 31st March, 2014
(a) Sale of Products (Refer Note 17.1 below)	-	32,971,708
(b) Sale of Services (Refer Note 17.2 below)	<b>214,058,633</b>	265,326,968
Less:		
(c) Excise Duty	-	-
<b>Total</b>	<b>214,058,633</b>	298,298,676

**17.1 SALE OF PRODUCTS COMPRISES**

## SALE OF PRODUCT COMPRISES:

Manufactured Goods	-	-
Others	-	124,330
TRADED GOODS		
M S Tubular Structures	-	32,847,378
Others	-	-
<b>Total</b>	-	32,971,708

**17.2 SALE OF SERVICES COMPRISES**

## SALE OF SERVICES COMPRISES:

Software Services	<b>27,949,733</b>	21,048,199
Maintenance Contracts	<b>139,035,634</b>	131,856,185
Service Contracts - Egypt	<b>46,774,338</b>	102,244,678
Others	<b>298,928</b>	10,177,906
<b>Total</b>	<b>214,058,633</b>	265,326,968

**NOTE No.: 18 - OTHER INCOME**

(a) Interest Income (Refer Note 18.1 below)	<b>6,226,352</b>	7,901,055
(b) Net gain on foreign currency transactions (other than considered as finance cost)	<b>736,144</b>	16,536,762
(c) Other non-operating income (net of expenses directly attributable to such income) (Refer Note 18.2 below)	<b>8,990,332</b>	8,479,945
<b>Total</b>	<b>15,952,828</b>	32,917,762

**18.1 DETAILS OF INTEREST INCOME**

(i) Interest Income comprises:		
Interest from banks on:		
Deposits	<b>6,077,042</b>	5,485,829
Others	<b>149,311</b>	243,306
Interest on advances given to subsidiaries	-	2,171,920
Interest on Income Tax Refund	-	-
<b>Total</b>	<b>6,226,352</b>	7,901,055

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Amount in Rupees)

Particulars	Year ended 31st March, 2015	Year ended 31st March, 2014
<b>18.2 DETAILS OF OTHER NON-OPERATING INCOME</b>		
Profit on Sale of Machinery	-	-
(ii) Other Non-operating Income comprises:		
Rental Income (Inclusive of Service Tax collected)	<b>7,487,280</b>	8,100,045
Other Misc. Income	<b>1,503,052</b>	379,900
<b>Total</b>	<b>8,990,332</b>	<b>8,479,945</b>

### NOTE No.: 19.1 COST OF MATERIALS CONSUMED

Opening Stock	<b>101,418,310</b>	83,451,481
(+) Purchases	<b>60,850,117</b>	41,237,784
(+) Transfer from Work In Progress	<b>12,154,350</b>	-
	<b>174,422,777</b>	124,689,265
(-) Closing Stock	<b>128,032,939</b>	101,418,310
Cost of Materials Consumed	<b>46,389,838</b>	23,270,955
Material consumed comprises of Electronic Components	<b>46,389,838</b>	23,270,955
<b>Total</b>	<b>46,389,838</b>	<b>23,270,955</b>

### 19.2 PURCHASE OF TRADED GOODS

Others	-	29,223,362
<b>Total</b>	<b>-</b>	<b>29,223,362</b>

### 19.3 CHANGES IN INVENTORIES OF FINISHED GOODS, STOCK IN PROCESS AND STOCK IN TRADE

#### Inventories at the end of the year

Work In Progress	<b>132,683,878</b>	113,345,300
	<b>132,683,878</b>	113,345,300

#### Inventories at the beginning of the year

Work In Progress	<b>113,345,300</b>	73,567,941
(-) Transfer to Raw Materials	<b>12,154,350</b>	-
	<b>101,190,950</b>	73,567,941
<b>Net (increase)/decrease</b>	<b>(31,492,928)</b>	<b>(39,777,359)</b>

\* An amount of Rs.1,21,54,350/- was transferred from WIP to raw materials for maintenance purpose.

### NOTE No.: 20 - EMPLOYEE BENEFIT EXPENSES

Salaries and Wages	<b>82,014,924</b>	83,239,486
Contribution to Provident and other Funds (Refer Note 23.9)	<b>3,915,747</b>	3,390,473
Directors Remuneration	<b>6,120,000</b>	6,120,000
Staff Welfare Expenses	<b>916,965</b>	900,865
<b>Total</b>	<b>92,967,636</b>	<b>93,650,824</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS****NOTE No.: 21 - FINANCE COSTS**

(Amount in Rupees)

Particulars	Year ended 31st March, 2015	Year ended 31st March, 2014
(a) Interest Expense on:		
(i) Borrowings	<b>26,727,620</b>	21,952,855
(b) Other Borrowing Costs	<b>7,055,424</b>	8,850,280
(c) Net (gain)/loss on foreign currency transactions and translation (considered as finance cost)	<b>183,682</b>	81,128
<b>Total</b>	<b>33,966,726</b>	30,884,263

**NOTE No.: 22 - OTHER EXPENSES**

Project Execution Expenses	<b>71,528,376</b>	128,736,548
Sales Tax Paid	-	1,568,353
Service Tax Paid	<b>11,574,313</b>	13,824,669
Repairs and Maintenance - Others	<b>5,862,015</b>	4,993,994
Insurance	<b>417,393</b>	476,385
Rates and Taxes	<b>3,151,235</b>	4,212,066
Postage, Telephone and Courier	<b>1,315,302</b>	1,153,145
Travelling and Conveyance	<b>2,177,185</b>	2,458,362
Directors Sitting Fees	<b>660,000</b>	220,000
Printing and Stationery	<b>519,477</b>	401,575
Freight	<b>5,076</b>	2,416
Business Promotion	<b>1,064,235</b>	821,251
Contribution to Political Party (Refer Note 22.3 below)	<b>500,000</b>	-
Professional & Consultancy Fees	<b>10,178,564</b>	8,127,445
Payment to Auditors (Refer Note 22.1 below)	<b>617,400</b>	610,950
Prior period items (net) # (Refer Note 22.2 below)	<b>1,376,758</b>	-
Books & Periodicals	<b>2,640</b>	8,215
Security Charges	<b>1,708,025</b>	1,685,745
Electricity Charges	<b>3,856,110</b>	4,021,478
Net loss on foreign currency transactions and translation (other than considered as finance cost)	-	-
Bad Debts Written Off	<b>26,242,767</b>	338,549
General Expenses	<b>587,573</b>	1,021,844
<b>Total</b>	<b>143,344,444</b>	174,682,990



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Amount in Rupees)

Particulars	Year ended 31st March, 2015	Year ended 31st March, 2014
<b>NOTE NO.: 22.1</b>		
<b>Details of Payment for Auditors</b>		
Payment to Auditors		
As Auditors - Statutory Audit	<b>600,000</b>	600,000
Re-imbursement of expenses	<b>17,400</b>	10,950
For Other Services	-	-
<b>Total</b>	<b>617,400</b>	610,950

### NOTE NO.: 22.2

#### Details of Prior period Expenses

Details of Prior period items (net)		
Prior period expenses (details)	<b>1,376,758</b>	-
Expenditure Omitted in Previous years	<b>1,376,758</b>	-
Expenditure not booked in Previous year and paid during the year	-	-
<b>Total</b>	<b>1,376,758</b>	-

### NOTE NO.: 22.3

#### Details of Payment to political parties

Donation to C.P.I. Party	<b>500,000</b>	-
<b>Total</b>	<b>500,000</b>	-

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## NOTE NO.: 23 - RELATED PARTY DISCLOSURES

Details of Related Parties:							
Description of Relationship		Names of Related Parties					
Subsidiaries		Avant - Garde Info Systems Inc, USA (100% Wholly Owned Subsidiary)					
Key Management Personnel		1) Col. L.V.Raju (Retd.) - Managing Director 2) B Murali Mohan - Whole Time Director					
Details of Related Party Transactions during the year ended 31 March, 2015 and Outstanding Balances as at 31 March, 2015							
Particulars	Holding Company	Subsidiaries	Associates	Key Management Personnel	Relatives of Key Management Personnel	Entities in which KMP/Relative of KMP have Significant Influence	Total
Receiving of Services-Remuneration	-	-	-	61.20	-	-	61.20
(Previous Year Figures)	-	-	-	(61.20)	-	-	(61.20)
Finance - Interest Receivable on USL	-	-	-	-	-	-	-
(Previous Year Figures)	-	(19.85)	-	-	-	-	(19.85)
Finance - USL Given	-	-	-	-	-	-	-
(Previous Year Figures)	-	-	-	-	-	-	-
Balances outstanding at the end of the year							
Loans & Advances	-	-	-	-	-	-	-
(Previous Year Figures)	-	(357.00)	-	-	-	-	(357.00)

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### NOTE NO.: 24 - DISCLOSURES UNDER ACCOUNTING STANDARD - 20

(Amount in Rupees)

Particulars	As at 31st March, 2015	As at 31st March, 2014
<b>Earnings per share</b>		
<b>Basic</b>		
<b>Continuing Operations</b>		
Net Profit/Loss for the year from the continuing operations	<b>(93,929,684)</b>	(17,044,082)
(-) Preference dividend and tax thereon	-	-
Net Profit/Loss for the year from the continuing operations attributable to equity share holders	<b>(93,929,684)</b>	(17,044,082)
Weighted average number of equity shares	<b>12,499,655</b>	12,499,655
Par value per share	<b>10.00</b>	10.00
Earnings per share from continuing operations - Basic	<b>(7.51)</b>	(1.36)
<b>Diluted</b>		
The diluted earnings per share has been computed by dividing the Net Profit After Tax available for Equity Shareholders by the weighted average number of equity shares, after giving dilutive effect of the outstanding Warrants, Stock Options and Convertible bonds for the respective periods. Since, the effect of the conversion of Preference shares was anti-dilutive, it has been ignored.		
<b>Continuing Operations</b>		
Net Profit/Loss for the year from the continuing operations	<b>(93,929,684)</b>	(17,044,082)
(-) Preference dividend and tax thereon	-	-
Net Profit/Loss for the year from the continuing operations attributable to equity share holders	<b>(93,929,684)</b>	(17,044,082)
(+) Interest expense and exchange fluctuations on convertible bonds (net)	-	-
Net Profit/Loss for the year from the continuing operations attributable to equity share holders (dilution)	<b>(93,929,684)</b>	(17,044,082)
Weighted average number of equity shares for basic EPS	<b>12,499,655</b>	12,499,655
(+) Effects of warrants, ESOPs and Convertible bonds which are dilutive.	-	-
Weighted average number of equity shares for diluted EPS	<b>12,499,655</b>	12,499,655
Par value per share	<b>10.00</b>	10.00
Earnings per share from continuing operations - Diluted	<b>(7.51)</b>	-1.36

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS****NOTE NO.: 25 - DISCLOSURES UNDER ACCOUNTING STANDARD - 22**

(Amount in Rupees)

Particulars	As at 31st March, 2015	As at 31st March, 2014
<b>Differed Tax (liability)/asset</b>		
<b>Tax effect of items constituting deferred tax liability</b>		
On difference between book balance and tax balance of fixed assets	<b>2,230,359</b>	18,097,148
On expenditure deferred in the books but allowable for tax purposes	-	-
On items included in Reserves and Surplus and pending amortisation into the statement of Profit and Loss	-	-
Others		
Tax effect of items constituting deferred tax liability	<b>723,640</b>	5,871,620
<b>Tax effect of items constituting deferred tax asset</b>		
Provision for compensated absences, gratuity and other employee benefits	-	-
Provision for doubtful debts and advances	-	-
Disallowance U/s 40(a)(i), 43B of Income Tax Act, 1961	<b>13,032,953</b>	19,988,924
On difference between book balance and tax balance of fixed assets	-	-
Unabsorbed depreciation carried forward	-	-
Brought forward business losses	-	-
On items included in Reserves and Surplus and pending amortisation into the statement of Profit and Loss	-	-
Others		
Tax effect of items constituting deferred tax asset	<b>4,228,542</b>	6,485,406
<b>Net Deferred Tax (liability)/asset</b>	<b>3,504,902</b>	613,786
Credited to Statement of Profit and loss	<b>2,891,116</b>	3,992,965

**NOTE NO.: 26 - CONTINGENT LIABILITY**

(a) Claims against the Company not acknowledged as a debt, in respect of Sales Tax for the year 2002-03 for which the Company appeal is pending before STAT	<b>4.13</b>	4.13
(b) Bank Guarantee Outstanding	<b>1,395.87</b>	1,689.72
(c) Income Tax (before High Court of A.P.)	<b>8.00</b>	8.00

**COMMITMENTS**

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

Tangible Assets	-	54.96
Intangible Assets		

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Amount in Rupees)

Particulars	As at 31st March, 2015	As at 31st March, 2014
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### NOTE NO.: 27

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

Principal amount remaining unpaid to suppliers as at the end of the accounting year **0.94** 1.50

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

### NOTE NO.: 28

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

Name of the Party	Relationship	As at 31st March, 2015	As at 31st March, 2014
Avant-Garde Info Systems (Previous Year)	Subsidiary	- <b>(357.00)</b>	357.00 (270.00)
VALUE OF IMPORTS CALCULATED ON CIF BASIS:			
Raw Materials		<b>29.18</b>	45.09
Spare Parts			
Capital Goods			
EXPENDITURE IN FOREIGN CURRENCY:			
Travelling & Other Expenses		<b>44.27</b>	31.50
Loans to 100% Subsidiary		-	-
Consultancy Fees		<b>7.58</b>	-
Egypt Branch		<b>110.20</b>	284.79

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Particulars	As at 31st March, 2015	
	₹	%
<b>NOTE NO.: 29</b>		
<b>DETAILS OF CONSUMPTION OF IMPORTED AND INDIGENOUS ITEMS</b>		
<b>IMPORTED</b>		
Raw Materials	<b>52.31</b>	<b>11%</b>
(Previous Year)	<b>99.62</b>	<b>43%</b>
Sub Total - Imported	<b>52.31</b>	<b>11%</b>
(Previous Year)	<b>99.62</b>	<b>43%</b>
<b>INDIGENOUS</b>		
Raw Materials	<b>411.58</b>	<b>89%</b>
(Previous Year)	<b>133.09</b>	<b>57%</b>
Sub Total - Imported	<b>411.58</b>	<b>89%</b>
(Previous Year)	<b>133.09</b>	<b>57%</b>
<b>GRAND TOTAL</b>	<b>463.89</b>	<b>100%</b>
<b>(PREVIOUS YEAR)</b>	<b>232.71</b>	<b>100%</b>

(Amount in Rupees)

Particulars	As at 31st March, 2015	As at 31st March, 2014
<b>NOTE NO.: 30</b>		
<b>EARNINGS IN FOREIGN EXCHANGE:</b>		
Export of Goods calculated on FOB basis and service income	<b>659.88</b>	1,588.72
Interest Earned on Advance given to subsidiary	-	19.86

**NOTE NO.: 31**  
**AMOUNT REMITTED IN FOREIGN CURRENCY DURING**  
**THE YEAR ON ACCOUNT OF DIVIDEND:**

Amount of Dividend remitted in Foreign Currency	-	-
Total number of Non-resident shareholders		
(To whom the dividend were remitted in foreign currency)	-	-
Total number of shares held by them on which dividend was due	-	-
Financial Year to which the dividend relates	-	-

**NOTE NO.: 32**
**DISCLOSURES UNDER ACCOUNTING STANDARD - 15**
**Employee Benefit Plans**
**Defined Contribution Plans**

The Company makes Provident Fund contributions to defined contribution plans for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognized Rs 32.75 Lakhs (Year ended 31 March, 2014 Rs 27.71 Lakhs) for Provident Fund contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

**Defined Benefit Plans**

- (i) **Leave Encashment:** The company does not have any scheme for leave encashment.
- (ii) **Gratuity:** Gratuity benefit is applicable to all the permanent and full time employees of the company. Gratuity paid out is based on last drawn basic salary and DA at the time of termination or retirement. The scheme takes into account each completed year of service or part thereof in excess of 6 months. Annual contribution to the Employee's Gratuity Fund, established under LIC of India (LIC) are determined based on an actuarial valuation made by the LIC as at the year end.

Particulars	As at 31st March, 2015	As at 31st March, 2014
Components of employer expense:		
Current Service Cost	-	-
Total Expenses recognised in statement of Profit and Loss	-	-
Actual contribution and benefit payments for the year	-	-
Actual Benefit Payments	<b>3.34</b>	7.96
Actual Contributions	-	-

**NOTE NO.: 33**
**DISCLOSURES UNDER ACCOUNTING STANDARD - 17**
**Segment Information**

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

**34.** Trade Debtors and Advances are subject to Reconciliation and Confirmation.

**PREVIOUS YEARS FIGURES**

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

In Terms of our report attached

For **GMK ASSOCIATES**

Chartered Accountants

Firm Regn No. 006945S

**(G. Satyanarayana Murty)**

Partner

Membership No. 29919

Place: Hyderabad

Date: 24.05.2015

For and on behalf of the Board of Directors

**B. Murali Mohan**

Technical Director

**N. Subhash**

(Company Secretary)

**Col. L.V. Raju** (Retd.)

Managing Director

**K. Suman Kumar**

(Chief Financial Officer)



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# CONSOLIDATED FINANCIAL STATEMENTS

## 2014-15

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

### **To the Board of Directors of Kernex Micro Systems (India) Limited**

We have audited the accompanying Consolidated Financial statements of Kernex Micro Systems (India) Limited ("the Company"), and its 100% subsidiary Avantgarde Info Systems inc. USA, which comprise the Consolidated Balance Sheet as at March 31, 2015, and the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing

standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Holding Company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### **Opinion**

In our opinion and to the best of our Information and according to the explanations given to us, the consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31st March, 2015, and their consolidated profit/loss and their consolidated cash flows for the year ended on that date.

## Other Matter

We did not audit the financial statements/information of its 100% subsidiary Avant-garde Info Systems inc. USA, whose financial statements/information reflect total assets of Rs. 2,07,67,414 as at 31st March, 2015 and total revenues of Rs. (2,49,56,592) for the year ended on that date, as considered in the consolidated financial statements. These financial statements/information have been compiled by the other auditors whose compilation reports have been furnished to us by the Management, and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiary, and our report in terms of sub-section (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, is based solely on the report of such other auditors.

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

## Report on Other Legal and Regulatory Requirements

1. Annexure for Statement on the matters specified in the paragraph 3 and 4 of the Order As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, on the consolidated balance sheet is not applicable to this company since the company is having only one foreign subsidiary.
2. As required by Section 143 (3) of the Act, we report, to the extent applicable, that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - 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 Consolidated balance sheet, the Consolidated statement of profit and loss and the Consolidated cash flow statement dealt with by this Report are in agreement with the books of account;
- d. in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- e. on the basis of the written representations received from the directors as on 31 March 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2015 from being appointed as a director in terms of Section 164 (2) of the Act; and
- f. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. the Company has disclosed the impact of pending litigations on its financial position in its Consolidated financial statements - Refer Note 26 to the financial statements;
  - ii. the Holding Company and subsidiary did not have any material foreseeable losses on long term contracts including derivative contracts;
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

**For GMK Associates**

Chartered Accountants  
Firm Regn No. 006945S

**(G. Satyanarayana Murty)**

Place: Hyderabad  
Date: 24.05.2015

Partner  
Membership No. 029919

**Consolidated Balance Sheet as at March 31, 2015**

(Amount in Rupees)

Particulars	Note No.	AS AT 31st March, 2015	AS AT 31st March, 2014
<b>I. EQUITY AND LIABILITIES</b>			
1 SHAREHOLDERS' FUND			
a Share Capital	2	<b>124,996,550</b>	124,996,550
b Reserves and Surplus	3	<b>1,007,655,240</b>	1,145,416,735
		<b>1,132,651,790</b>	1,270,413,285
2 SHARE APPLICATION MONEY		-	-
PENDING ALLOTMENT		-	-
3 NON-CURRENT LIABILITIES			
a Long Term Borrowings	4	-	-
b Deferred Tax Liability(Net)		-	-
c Long Term Provisions		-	-
		-	-
4 CURRENT LIABILITIES			
a Short Term Borrowings	5	<b>217,991,098</b>	207,878,558
b Trade Payables	6	<b>133,005,524</b>	123,667,735
c Other Current Liabilities	7	<b>129,569,641</b>	135,157,049
d Short Term Provisions	8	<b>2,027,757</b>	2,191,050
		<b>482,594,020</b>	468,894,392
<b>TOTAL</b>		<b>1,615,245,810</b>	1,739,307,677
<b>II. ASSETS</b>			
1 NON - CURRENT ASSETS			
a Fixed Assets			
Tangible Assets	9	<b>527,531,740</b>	574,715,875
Intangible Assets		<b>239,895</b>	1,512,334
Capital Work in Progress		<b>97,440,499</b>	97,440,498
b Non-Current Investments	10	-	-
c Deferred tax asset(net)	25	<b>3,504,902</b>	613,786
d Long term loans and advances	11	<b>71,044,452</b>	66,046,867
e Other Non-Current Asset		-	-
		<b>699,761,488</b>	740,329,361
2 CURRENT ASSETS			
a Inventories	12	<b>260,716,817</b>	214,763,610
b Trade Receivables	13	<b>524,302,508</b>	550,718,393
c Cash and Bank Balances	14	<b>56,874,043</b>	132,025,572
d Short term loans and advances	15	<b>48,119,443</b>	68,048,668
e Other current assets	16	<b>25,471,511</b>	33,422,074
		<b>915,484,322</b>	998,978,317
<b>TOTAL</b>		<b>1,615,245,810</b>	1,739,307,678
Significant Accounting Policies	1		

See Accompanying notes forming part of the financial statements

In Terms of our report attached

For **GMK ASSOCIATES**

Chartered Accountants

Firm Regn No. 006945S

**(G. Satyanarayana Murty)**

Partner

Membership No. 29919

Place: Hyderabad

Date: 24.05.2015

For and on behalf of the Board of Directors

**B. Murali Mohan**

Technical Director

**N. Subhash**

(Company Secretary)

**Col. L.V. Raju (Retd.)**

Managing Director

**K. Suman Kumar**

(Chief Financial Officer)

**Consolidated Statement of Profit and Loss for the year ended March 31, 2015**

(Amount in Rupees)

Particulars	Note No.	Year ended 31st March, 2015	Year ended 31st March, 2014
<b>1 REVENUE FROM OPERATIONS</b>	17	<b>195,144,329</b>	298,298,676
Less: Excise Duty		-	-
Net Revenue		<b>195,144,329</b>	298,298,676
<b>2 OTHER INCOME</b>	18	<b>15,217,855</b>	29,037,690
<b>Total Revenue (1+2)</b>		<b>210,362,184</b>	327,336,366
<b>3 EXPENSES</b>			
Cost of Materials Consumed	19.1	<b>47,288,399</b>	23,270,955
Purchase of Stock in Trade	19.2	-	29,223,362
Changes in Inventories of Finished goods, Stock-in-Process and stock in trade	19.3	<b>(51,305,793)</b>	(39,777,359)
Employee Benefit Expenses	20	<b>92,967,636</b>	93,650,824
Finance Costs	21	<b>33,981,395</b>	30,901,140
Depreciation and Amortisation Expenses	9	<b>41,661,794</b>	40,323,698
Other Expenses	22	<b>175,076,027</b>	174,810,569
<b>Total Expenses</b>		<b>339,669,458</b>	352,403,189
<b>4 PROFIT/(LOSS) BEFORE TAX</b>		<b>(129,307,273)</b>	(25,066,823)
<b>5 TAX EXPENSE</b>			
a Current Tax		-	-
b Deferred tax	25	<b>(2,891,116)</b>	(3,992,965)
c MAT Credit		-	-
d Current tax expense relating to prior years		-	-
<b>6 PROFIT/(LOSS) FOR THE PERIOD</b>		<b>(126,416,158)</b>	(21,073,858)
<b>7 Earnings per equity share: (Equity shares of par value of ₹ 10/- each)</b>			
a Basic	24	<b>(10.11)</b>	(1.69)
b Diluted	24	<b>(10.11)</b>	(1.69)
Significant Accounting Policies	1		

See Accompanying notes forming part of the financial statements

In Terms of our report attached

For **GMK ASSOCIATES**

Chartered Accountants

Firm Regn No. 006945S

**(G. Satyanarayana Murty)**

Partner

Membership No. 29919

Place: Hyderabad

Date: 24.05.2015

For and on behalf of the Board of Directors

**B. Murali Mohan**

Technical Director

**N. Subhash**

(Company Secretary)

**Col. L.V. Raju (Retd.)**

Managing Director

**K. Suman Kumar**

(Chief Financial Officer)

## Consolidated Cash Flow Statement for the year ended March 31, 2015

(Amount in Rupees)

Particulars	Year ended 31st March, 2015	Year ended 31st March, 2014
<b>A. Cash Flow from Operating Activities</b>		
<b>Net Profit/(Loss) before Extra-ordinary Items &amp; Tax</b>	<b>(129,307,273)</b>	<b>(25,066,823)</b>
<i>Adjustments for:</i>		
Depreciation and Amortisation	<b>41,661,794</b>	40,323,698
(Profit)/Loss on Sale/Write off of Assets	-	-
Finance Costs	<b>33,981,395</b>	30,901,140
Interest Income	<b>(6,227,523)</b>	(5,729,136)
	<b>69,415,666</b>	65,495,702
<b>Operating Profit/(Loss) before Working Capital changes</b>	<b>(59,891,608)</b>	40,428,879
<b>Changes in Working Capital:</b>		
<i>Adjustments for (increase)/decrease in operating assets:</i>		
Inventories	<b>(45,953,207)</b>	(57,744,188)
Trade Receivables	<b>26,415,885</b>	(82,995,287)
Short Term Loans and Advances	<b>19,929,225</b>	4,554,246
Long Term Loans and Advances	<b>(4,997,585)</b>	31,911,857
Other Current Assets	<b>7,945,315</b>	(5,063,611)
Foreign Currency Reserve	<b>(4,545,307)</b>	6,050,284
<i>Adjustments for increase/(decrease) in operating liabilities:</i>		
Trade Payables	<b>9,337,789</b>	39,716,898
Other Current Liabilities	<b>(5,587,408)</b>	9,626,101
Short Term Provisions	-	-
Long Term Provisions	-	-
	<b>2,544,708</b>	(53,943,700)
Cash Generated from Operations	<b>(57,346,899)</b>	(13,514,821)
<b>Net Cash Flow from/(used in) operating activities (A)</b>	<b>(57,346,899)</b>	(13,514,821)
<b>B. Cash Flow from Investing Activities</b>		
Capital expenditure on fixed assets including capital advances	-	(11,771,892)
Proceeds from sale of fixed assets	-	-
Inter-corporate deposits	-	-
(Purchase)/Sale of Investments	-	-
Bank balances not considered cash or cash equivalents - Placed	-	-
Interest Received	<b>6,227,523</b>	5,729,136
Net Income Tax (paid)/refunds	<b>(163,297)</b>	(5,623,363)
<b>Net Cash Flow from/(used in) Investing activities (B)</b>	<b>6,064,226</b>	(11,666,119)

(Contd.)

**Consolidated Cash Flow Statement (Contd.)**

(Amount in Rupees)

	Year ended 31st March, 2015	Year ended 31st March, 2014
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from issue of equity shares	-	-
Proceeds from long term borrowings	-	57,210,000
Repayment of long term borrowings	-	-
Net increase/(decrease) in working capital borrowings	<b>10,112,540</b>	44,386,276
Finance Costs	<b>(33,981,395) (23,868,855)</b>	(30,901,140) 70,695,136
<b>Net Cash Flow from/(used in) Financing activities (C)</b>	<b>(23,868,855)</b>	70,695,136
<b>Net Increase/decrease in Cash or Cash Equivalents (A+B+C)</b>	<b>(75,151,529)</b>	45,514,196
Cash and cash equivalents in the beginning of the year	<b>132,025,572</b>	83,957,976
Effect of exchange difference on restatement of foreign currency	-	2,553,400
<b>Cash and cash equivalents in the end of the year</b>	<b>56,874,043</b>	132,025,572
Reconciliation of cash and cash equivalents with Balance Sheet		
<b>Cash and cash equivalents at the end of the year*</b>	<b>56,874,043</b>	132,025,572
* comprises:		
(a) Cash	<b>220,620</b>	132,377
(b) Money in transit		22,543,247
(c) Balances with Bank	-	
- In current accounts	<b>1,269,569</b>	42,536,693
- In EEFC accounts	<b>102,892</b>	41,781
- In Deposit accounts	<b>30,790,471</b>	35,674,476
- In earmarked accounts	<b>24,490,492</b>	31,096,998
	<b>56,874,043</b>	132,025,572

In Terms of our report attached

For **GMK ASSOCIATES**

Chartered Accountants

Firm Regn No. 006945S

**(G. Satyanarayana Murty)**

Partner

Membership No. 29919

Place: Hyderabad

Date: 24.05.2015

For and on behalf of the Board of Directors

**B. Murali Mohan**

Technical Director

**N. Subhash**

(Company Secretary)

**Col. L.V. Raju (Retd.)**

Managing Director

**K. Suman Kumar**

(Chief Financial Officer)



## **NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**

### **Note: CORPORATE INFORMATION**

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

## **1 SIGNIFICANT ACCOUNTING POLICIES**

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

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 2013. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year unless otherwise stated.

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

### **1.2 Use of estimates**

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

### **1.3 Inventories**

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

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

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

**1.5 Cash flow statement**

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

**1.6 Depreciation**

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

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

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

**1.7 Revenue recognition****Revenue from contracts**

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

**Revenue from services**

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

**Sale of goods**

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

**1.8 Other income**

Interest income is accounted on accrual basis.

**1.9 Tangible fixed assets**

Fixed Assets are valued at original cost including incidental expenditures, taxes and duties net of CENVAT and VAT credit availed.

**Capital work-in-progress:**

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

**1.10 Foreign currency transactions and translations****Initial recognition**

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

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

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

## **Treatment of exchange differences**

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

### **1.11 Employee benefits**

#### **Defined contribution plans**

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

#### **Defined benefit plans**

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

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

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

### **1.12 Segment reporting**

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

### **1.13 Earnings per share**

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

### **1.14 Taxes on income**

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

the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability."

### **1.15 Provisions and contingencies**

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

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE No.: 2 - SHARE CAPITAL

(Amount in Rupees)

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number	₹	Number	₹
<b>AUTHORISED</b>				
Equity Shares of ₹ 10/- each with voting rights	<b>15,000,000</b>	<b>150,000,000</b>	15,000,000	150,000,000
<b>ISSUED, SUBSCRIBED AND PAID UP</b>				
Equity Shares of ₹ 10/- each with voting rights	<b>12,499,655</b>	<b>124,996,550</b>	12,499,655	124,996,550
Company has only one class of shares i.e., Equity Shares with Voting Rights				
<b>Total</b>	<b>12,499,655</b>	<b>124,996,550</b>	12,499,655	124,996,550

### 2.1 RECONCILIATION OF NUMBER OF SHARES OUTSTANDING AT THE BEGINNING AND AT THE END OF THE REPROTING PERIOD

Particulars	Opening Balance	Fresh Issue	Closing Balance
Equity Shares with Voting Rights			
<b>Year Ended 31st March, 2015</b>			
- Number of Shares	12,499,655	-	12,499,655
- Amount (₹)	124,996,550	-	124,996,550
<b>Year Ended 31 March, 2014</b>			
- Number of Shares	12,499,655	-	12,499,655
- Amount (₹)	124,996,550	-	124,996,550

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

Particulars	As at March 31, 2015		As at March 31, 2014	
	Number	% of holding	Number	% of holding
<b>Equity Shares with Voting Rights</b>				
Dr Raju Narsa Manthena	<b>854,633</b>	<b>6.84%</b>	854,633	6.84%
Seetharamaraju Manthena	<b>721,992</b>	<b>5.78%</b>	721,992	5.78%
Sreelakshmi Manthena	<b>640,398</b>	<b>5.12%</b>	640,398	5.12%

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS****NOTE No.: 3 - RESERVES AND SURPLUS**

(Amount in Rupees)

Particulars	As at 31st March, 2015	As at 31st March, 2014
<b>GENERAL RESERVE</b>		
Opening Balance	61,213,631	61,213,631
(+) Addition during the year	-	-
Closing Balance	61,213,631	61,213,631
<b>SECURITIES PREMIUM ACCOUNT</b>		
Opening Balance	917,219,545	917,219,545
(+) Premium on shares issued during the year		
(-) Utilised during the year:		
Issuing bonus shares		
Writing off preliminary expenses		
Writing off shares/debentures issue expenses		
Premium on redemption of redeemable preference shares/debentures		
Buy back of shares		
Closing Balance	917,219,545	917,219,545
<b>FOREIGN CURRENCY TRANSLATION RESERVE</b>		
Opening Balance	6,050,284	-
(+) / (-): Effect of foreign exchange rate variations during the year	(4,545,307)	6,050,284
(+) / (-): Transferred to Statement of Profit and Loss on disposal of the net investment in non-integral foreign operations		
Closing Balance	1,504,977	6,050,284
<b>SURPLUS/(Deficit) in statement of Profit and Loss</b>		
Opening Balance	160,933,275	182,007,133
(+) Net Profit/(Loss) for the current year	(126,416,158)	(21,073,858)
Amounts transferred from:		
General Reserve		
Adjustment for transitional provision of depreciation as per Companies Act, 2013	(6,800,031)	-
Closing Balance	27,717,087	160,933,275
<b>Total</b>	<b>1,007,655,240</b>	<b>1,145,416,735</b>
<b>NOTE No.: 4 - LONG TERM BORROWINGS</b>		
Secured	-	-
Unsecured	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE No.: 5 - SHORT TERM BORROWINGS

(Amount in Rupees)

Particulars	As at 31st March, 2015	As at 31st March, 2014
(a) Loans repayable on demand (Working Capital)		
Secured		
Cash Credit from State Bank of Hyderabad	<b>149,557,590</b>	149,587,501
(b) Other Loans and Advances		
Unsecured Loans from Directors	<b>55,492,207</b>	49,530,127
Inter Corporate Deposits	<b>12,941,301</b>	8,760,930
<b>Total</b>	<b>217,991,098</b>	207,878,558

#### 5.1 DETAILS OF SECURITY FOR SHORT TERM BORROWINGS

Particulars	Nature of Security	As at March 31, 2015	As at March 31, 2014
Cash Credit from State Bank of Hyderabad	Working Capital Loans are secured by paripassu hypothecation of all current assets present and future and collaterally secured by first charge over company's fixed assets and equitable mortgage of Land & Buildings situated at Madhapur and APIIC Hardware Park and lands situated at Basanthpur (Nalgonda Dist and Amangal (Mahaboobnagar Dist)	<b>149,557,590</b>	149,587,501
<b>Total</b>		<b>149,557,590</b>	149,587,501

#### 5.2 DETAILS OF SHORT TERM BORROWINGS GUARANTEED BY SOME OF THE DIRECTORS OR OTHERS

Particulars	As at 31st March, 2015	As at 31st March, 2014
Loans repayable on demand from banks - Personal guarantee of Managing Director	<b>149,557,590</b>	149,587,501
Inter Corporate Deposits are secured by pledge of Directors shares in the Company	<b>12,941,301</b>	8,760,930
<b>Total</b>	<b>162,498,891</b>	158,348,431

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS****NOTE No.: 6 - TRADE PAYABLES**

(Amount in Rupees)

Particulars	As at 31st March, 2015	As at 31st March, 2014
<b>Trade Payables</b>		
Acceptances		
Other than acceptances	133,005,524	123,667,735
<b>Total</b>	<b>133,005,524</b>	<b>123,667,735</b>

**NOTE No.: 7 - OTHER CURRENT LIABILITIES**

(a) Current maturities of Long term debt	61,120,000	57,210,000
(b) Interest accrued and due on borrowings	-	1,892,905
(c) Unpaid Dividends	389,652	487,532
(d) Application money received for allotment of securities and due for refund	26,300	193,300
(e) Statutory remittances:		
Contribution to ESI	287,677	2,219,373
Contribution to PF	5,236,807	5,215,279
Professional Tax Payable	103,114	133,414
Excise Duty Payable	531,388	531,388
Service tax Payable	18,725,655	19,988,924
TDS Payable	5,954,601	5,195,422
Works Contract Tax	968,886	968,886
(f) Payables on purchase of fixed assets	1,541,132	2,869,751
(g) Interest accrued on others	486,476	486,476
(h) Advances from customers	34,197,953	37,764,399
<b>Total</b>	<b>129,569,641</b>	<b>135,157,049</b>

**NOTE No.: 8 - SHORT TERM PROVISIONS**

(a) Provision - Others:		
Proposed Dividends	-	-
Provision for Tax on dividends	2,027,757	2,027,757
Provision for Income Tax	-	163,293
<b>Total</b>	<b>2,027,757</b>	<b>2,191,050</b>



## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE No.: 9 - FIXED ASSETS

(Amount in Rupees)

Name of the Asset	Gross Block			Depreciation			Net Block	
	As at 01-04-2014	Additions during the Year	Deductions Adjustments during the year	As at 31-03-2015	Upto 01-04-2014	For the year	Upto 31-03-2015	As at 31-03-2015
<b>TANGIBLE ASSETS</b>								
Land and Land Development	254,701,388	-	-	<b>254,701,388</b>	-	-	-	254,701,388
Building - Own Use	343,486,963	-	-	<b>343,486,963</b>	73,221,811	25,587,897	<b>98,809,708</b>	244,677,255
Plant and Equipment-Owned	138,162,267	-	-	<b>138,162,267</b>	97,144,472	13,020,473	<b>113,902,994</b>	24,259,273
Furniture and Fixtures-Owned	12,025,718	-	-	<b>12,025,718</b>	7,131,718	1,177,061	<b>9,026,006</b>	2,999,712
Vehicles-Owned	7,846,548	-	-	<b>7,846,548</b>	6,820,117	183,312	<b>7,315,943</b>	530,605
Office Equipment-Owned	9,531,002	-	-	<b>9,531,002</b>	6,719,894	415,360	<b>9,167,495</b>	363,507
<b>Total</b>	<b>765,753,886</b>	-	-	<b>765,753,886</b>	<b>191,038,012</b>	<b>40,384,103</b>	<b>238,222,146</b>	<b>527,531,740</b>
Previous Year	753,981,994	11,771,892	-	<b>765,753,886</b>	151,980,273	39,057,738	<b>191,038,011</b>	574,715,875
Capital Work in Progress	97,440,499	-	-	<b>97,440,499</b>	-	-	-	97,440,499

Name of the Asset	Gross Block			Depreciation			Net Block	
	As at 01-04-2014	Additions during the Year	Deductions Adjustments during the year	As at 31-03-2015	Upto 01-04-2014	For the year	Upto 31-03-2015	As at 31-03-2014
<b>INTANGIBLE ASSETS</b>								
Computer Software	3,753,742	-	-	<b>3,753,742</b>	2,241,407	1,272,443	<b>3,513,850</b>	1,512,334
Previous Year	3,753,742	-	-	<b>3,753,742</b>	980,694	1,260,712	<b>2,241,406</b>	2,773,048

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS****NOTE No.: 10 - NON CURRENT INVESTMENTS**

(Amount in Rupees)

Particulars	As at March 31, 2015		As at March 31, 2014	
	Unquoted	Total	Unquoted	Total
<b>(OTHER INVESTMENTS) (AT COST)</b>				
(a) Investment in Equity Shares	-	-	-	-
<b>Total</b>	-	-	-	-

**NOTE No.: 11 - LONG TERM LOANS AND ADVANCES**

Particulars	As at 31st March, 2015	As at 31st March, 2014
(a) Capital Advances Unsecured, Considered good	<b>48,552,390</b>	48,899,023
(b) Security Deposits Unsecured, Considered good	<b>3,293,437</b>	3,230,338
(c) Advance Income Tax (Net) Unsecured, Considered good	<b>5,281,119</b>	-
(d) MAT Credit entitlement Unsecured, Considered good	<b>13,917,506</b>	13,917,506
<b>Total</b>	<b>71,044,452</b>	66,046,867

**NOTE No.: 12 - INVENTORIES**

(At Lower of Cost and net realisable value)

Raw Material	<b>128,032,939</b>	101,418,310
Work in Process (refer note(i) below)	<b>132,683,878</b>	113,345,300
Finished Goods	-	-
<b>Total</b>	<b>260,716,817</b>	214,763,610

**12.1 - DETAILS OF WORK IN PROGRESS**

Workin Progress comprises of:

TCA's,ECM'S and ACDs	<b>107,063,725</b>	97,945,575
ENR-Contracts	<b>25,620,153</b>	15,399,725
<b>Total</b>	<b>132,683,878</b>	113,345,300

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE No.: 13 - TRADE RECEIVABLES

(Amount in Rupees)

Particulars	As at 31st March, 2015	As at 31st March, 2014
Trade Receivables outstanding for more than six months from the date they were due for payment		
Unsecured and considered good	<b>429,759,205</b>	418,821,355
Doubtful debts	-	-
Other Trade Receivables		
Unsecured and considered good	<b>94,543,303</b>	131,897,038
<b>Total</b>	<b>524,302,508</b>	550,718,393

### NOTE No.: 14 - CASH AND BANK BALANCES

(a) Cash on Hand	<b>220,620</b>	132,377
(a) Money in transit	-	22,543,247
(c) Balances with Banks		
(i) In Current Accounts	<b>1,269,569</b>	42,536,693
(ii) In EEFC Accounts	<b>102,892</b>	41,781
(iiii) In Deposit Accounts (Refer Note (i) below)	<b>30,790,471</b>	35,674,476
(iv) In Earmarked Accounts		
Unpaid Dividend Accounts	<b>406,347</b>	504,227
Share Application money received for allotment of securities and due for refund	<b>12,750</b>	193,300
Balances held as margin money or security against borrowings, guarantees and other commitments (Refer Note (i) below)	<b>23,668,979</b>	26,039,213
Escrow Accounts (Refer Note (ii) below)	<b>402,416</b>	4,360,258
<b>Total</b>	<b>56,874,043</b>	132,025,572

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

**56,874,043**      132,025,572

#### Notes:

- Balances with banks include deposits amounting to Rs. NIL (As at 31 March, 2014 Rs. NIL) and margin monies amounting to Rs. NIL (As at 31 March, 2014 Rs. NIL) which have an original maturity of more than 12 months.
- Balances with banks - Other earmarked accounts (Escrow A/c) include Rs. NIL (As at 31 March, 2014 Rs. NIL) which have restriction on repatriation.

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS****NOTE No.: 15 - SHORT TERM LOANS AND ADVANCES**

(Amount in Rupees)

Particulars	As at 31st March, 2015	As at 31st March, 2014
(a) Security Deposits Unsecured, considered good	<b>1,283,372</b>	289,076
(b) Loans and Advances to employees Unsecured, considered good	-	-
(c) Prepaid Expenses Unsecured, considered good	<b>1,285,581</b>	1,602,853
(d) Balances with Government Authorities Unsecured, considered good	<b>13,632,053</b>	9,893,287
(e) Advances to Suppliers and Services Unsecured, considered good	<b>31,918,437</b>	56,263,452
<b>Total</b>	<b>48,119,443</b>	68,048,668

**NOTE No.: 16 - OTHER CURRENT ASSETS**

(a) Unamortised expenses		
(i) Product Development Expenses	-	20,835,127
(ii) Organisational and Startup Costs	<b>52,580</b>	57,828
(iii) Computer software (W-I-P)	<b>19,812,865</b>	-
(b) Accruals		
Interest accrued on Deposits	<b>1,072,746</b>	2,061,143
(c) Others		
Rent Receivable	<b>4,533,320</b>	10,467,976
<b>Total</b>	<b>25,471,511</b>	33,422,074

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE No.: 17 - REVENUE FROM OPERATIONS

(Amount in Rupees)

Particulars	Year ended 31st March, 2015	Year ended 31st March, 2014
(a) Sale of Products (Refer Note 17.1 below)	-	32,971,708
(b) Sale of Services (Refer Note 17.2 below)	<b>195,144,329</b>	265,326,968
Less:		
(c) Excise Duty	-	-
<b>Total</b>	<b>195,144,329</b>	298,298,676

#### 17.1 SALE OF PRODUCTS COMPRISES

##### SALE OF PRODUCT COMPRISES:

Manufactured Goods	-	-
Others	-	124,330
TRADED GOODS		
M S Tubular Structures	-	32,847,378
Others	-	-
<b>Total</b>	-	32,971,708

#### 17.2 SALE OF SERVICES COMPRISES

##### SALE OF SERVICES COMPRISES:

Software Services	<b>9,035,429</b>	21,048,199
Maintenance Contracts	<b>139,035,634</b>	131,856,185
Service Contracts - Egypt	<b>46,774,338</b>	102,244,678
Others	<b>298,928</b>	10,177,906
<b>Total</b>	<b>195,144,329</b>	265,326,968

### NOTE No.: 18 - OTHER INCOME

(a) Interest Income (Refer Note 18.1 below)	<b>6,227,523</b>	5,729,136
(b) Net gain on foreign currency transactions (other than considered as finance cost)	-	14,828,609
(c) Other non-operating income (net of expenses directly attributable to such income) (Refer Note 18.2 below)	<b>8,990,332</b>	8,479,945
<b>Total</b>	<b>15,217,855</b>	29,037,690

#### 18.1 DETAILS OF INTEREST INCOME

(i) Interest Income comprises:		
Interest from banks on:		
Deposits	<b>6,077,042</b>	5,485,830
Others	<b>150,482</b>	243,306
Interest on Income Tax Refund	-	-
<b>Total</b>	<b>6,227,523</b>	5,729,136

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**

(Amount in Rupees)

Particulars	Year ended 31st March, 2015	Year ended 31st March, 2014
<b>18.2 DETAILS OF OTHER NON-OPERATING INCOME</b>		
Profit on Sale of Machinery	-	-
(ii) Other Non-operating Income comprises:		
Rental Income (Inclusive of Service Tax collected)	7,487,280	8,100,045
Other Misc. Income	1,503,052	379,900
<b>Total</b>	<b>8,990,332</b>	<b>8,479,945</b>
<b>NOTE No.: 19.1 COST OF MATERIALS CONSUMED</b>		
Opening Stock	101,418,310	83,451,481
(+) Purchases	61,748,678	41,237,784
(+) Transfer from Work In Progress	12,154,350	-
	175,321,338	124,689,265
(-) Closing Stock	128,032,939	101,418,310
Cost of Materials Consumed	47,288,399	23,270,955
Material consumed comprises of Electronic Components	47,288,399	23,270,955
<b>Total</b>	<b>47,288,399</b>	<b>23,270,955</b>
<b>19.2 PURCHASE OF TRADED GOODS</b>		
Others	-	29,223,362
<b>Total</b>	<b>-</b>	<b>29,223,362</b>
<b>19.3 CHANGES IN INVENTORIES OF FINISHED GOODS, STOCK IN PROCESS AND STOCK IN TRADE</b>		
<b>Inventories at the end of the year</b>		
Work In Progress	152,496,743	113,345,300
	152,496,743	113,345,300
<b>Inventories at the beginning of the year</b>		
Work In Progress	113,345,300	73,567,941
(-) Transfer to Raw Materials	12,154,350	-
	101,190,950	73,567,941
Net (increase)/decrease	(51,305,793)	(39,777,359)
* An amount of Rs.1,21,54,350/- was transferred from WIP to raw materials for maintenance purpose.		
<b>NOTE No.: 20 - EMPLOYEE BENEFIT EXPENSES</b>		
Salaries and Wages	82,014,924	83,239,486
Contribution to Provident and other Funds (Refer Note 23.9)	3,915,747	3,390,473
Directors Remuneration	6,120,000	6,120,000
Staff Welfare Expenses	916,965	900,865
<b>Total</b>	<b>92,967,636</b>	<b>93,650,824</b>

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE No.: 21 - FINANCE COSTS

(Amount in Rupees)

Particulars	Year ended 31st March, 2015	Year ended 31st March, 2014
(a) Interest Expense on:		
(i) Borrowings	<b>26,727,620</b>	21,969,732
(b) Other Borrowing Costs	<b>7,070,093</b>	8,850,280
(c) Net (gain)/loss on foreign currency transactions and translation (considered as finance cost)	<b>183,682</b>	81,128
<b>Total</b>	<b>33,981,395</b>	30,901,140

### NOTE No.: 22 - OTHER EXPENSES

Project Execution Expenses	<b>71,528,376</b>	128,736,548
Sales Tax Paid	-	1,568,353
Service Tax Paid	<b>11,574,313</b>	13,824,669
Repairs and Maintenance - Others	<b>9,284,735</b>	4,993,994
Insurance	<b>417,393</b>	476,385
Rates and Taxes	<b>3,572,782</b>	4,226,369
Postage, Telephone and Courier	<b>1,315,302</b>	1,153,145
Travelling and Conveyance	<b>2,177,185</b>	2,458,362
Directors Sitting Fees	<b>660,000</b>	220,000
Printing and Stationery	<b>519,477</b>	401,575
Freight	<b>5,076</b>	2,416
Business Promotion	<b>1,064,235</b>	821,251
Contribution to Political Party (Refer Note 22.3 below)	<b>500,000</b>	-
Professional & Consultancy Fees	<b>10,405,915</b>	8,240,721
Payment to Auditors (Refer Note 22.1 below)	<b>617,400</b>	610,950
Prior period items (net) # (Refer Note 22.2 below)	<b>1,376,758</b>	-
Books & Periodicals	<b>2,640</b>	8,215
Security Charges	<b>1,708,025</b>	1,685,745
Electricity Charges	<b>3,856,110</b>	4,021,478
Net loss on foreign currency transactions and translation (other than considered as finance cost)	<b>6,793,736</b>	-
Bad Debts Written Off	<b>26,242,767</b>	338,549
Development Expenses written off	<b>20,835,127</b>	-
General Expenses	<b>618,675</b>	1,021,844
<b>Total</b>	<b>175,076,027</b>	174,810,569

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS**

(Amount in Rupees)

Particulars	Year ended 31st March, 2015	Year ended 31st March, 2014
<b>NOTE NO.: 22.1</b>		
<b>Details of Payment for Auditors</b>		
Payment to Auditors		
As Auditors - Statutory Audit	<b>600,000</b>	600,000
Re-imbursement of expenses	<b>17,400</b>	10,950
For Other Services	-	-
<b>Total</b>	<b>617,400</b>	610,950

**NOTE NO.: 22.2****Details of Prior period Expenses**

Details of Prior period items (net)		
Prior period expenses (details)	<b>1,376,758</b>	-
Expenditure Omitted in Previous years	<b>1,376,758</b>	-
Expenditure not booked in Previous year and paid during the year	-	-
<b>Total</b>	<b>1,376,758</b>	-

**NOTE NO.: 22.3****Details of Payment to political parties**

Donation to C.P.I. Party	<b>500,000</b>	-
<b>Total</b>	<b>500,000</b>	-



## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE NO.: 23 - RELATED PARTY DISCLOSURES

Details of Related Parties:							
Description of Relationship			Names of Related Parties				
Subsidiaries			Avant - Garde Info Systems Inc, USA (100% Wholly Owned Subsidiary)				
Key Management Personnel			1) Col. L.V.Raju (Retd.) - Managing Director 2) B Murali Mohan - Whole Time Director				
DETAILS OF RELATED PARTY TRANSACTIONS DURING THE YEAR ENDED 31 MARCH, 2015 AND OUTSTANDING BALANCES AS AT 31 MARCH, 2015							
Particulars	Holding Company	Subsidiaries	Associates	Key Management Personnel	Relatives of Key Management Personnel	Entities in which KMP/Relative of KMP have Significant Influence	TOTAL
(₹ in Lakhs)							
Receiving of Services-Remuneration	-	-	-	61.20	-	-	61.20
(Previous Year Figures)	-	-	-	(61.20)	-	-	(61.20)
Finance - Interest Receivable on USL	-	-	-	-	-	-	-
(Previous Year Figures)	-	(19.85)	-	-	-	-	(19.85)
Finance - USL Given	-	-	-	-	-	-	-
(Previous Year Figures)	-	-	-	-	-	-	-
Balances outstanding at the end of the year							
Loans & Advances	-	-	-	-	-	-	-
(Previous Year Figures)	-	(357.00)	-	-	-	-	(357.00)

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS****NOTE NO.: 24 - DISCLOSURES UNDER ACCOUNTING STANDARD - 20**

(Amount in Rupees)

Particulars	As at 31st March, 2015	As at 31st March, 2014
<b>Earnings per share</b>		
<b>Basic</b>		
<b>Continuing Operations</b>		
Net Profit/Loss for the year from the continuing operations	<b>(126,416,158)</b>	(21,073,858)
(-) Preference dividend and tax thereon	-	-
Net Profit/Loss for the year from the continuing operations attributable to equity share holders	<b>(126,416,158)</b>	(21,073,858)
Weighted average number of equity shares	<b>12,499,655</b>	12,499,655
Par value per share	<b>10.00</b>	10.00
Earnings per share from continuing operations - Basic	<b>(10.11)</b>	(1.69)
<b>Diluted</b>		
The diluted earnings per share has been computed by dividing the Net Profit After Tax available for Equity Shareholders by the weighted average number of equity shares, after giving dilutive effect of the outstanding Warrants, Stock Options and Convertible bonds for the respective periods. Since, the effect of the conversion of Preference shares was anti-dilutive, it has been ignored.		
<b>Continuing Operations</b>		
Net Profit/Loss for the year from the continuing operations	<b>(126,416,158)</b>	(21,073,858)
(-) Preference dividend and tax thereon	-	-
Net Profit/Loss for the year from the continuing operations attributable to equity share holders	<b>(126,416,158)</b>	(21,073,858)
(+) Interest expense and exchange fluctuations on convertible bonds (net)	-	-
Net Profit/Loss for the year from the continuing operations attributable to equity share holders (dilution)	<b>(126,416,158)</b>	(21,073,858)
Weighted average number of equity shares for basic EPS	<b>12,499,655</b>	12,499,655
(+) Effects of warrants, ESOPs and Convertible bonds which are dilutive.	-	-
Weighted average number of equity shares for diluted EPS	<b>12,499,655</b>	12,499,655
Par value per share	<b>10.00</b>	10.00
Earnings per share from continuing operations - Diluted	<b>(10.11)</b>	-1.69

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE NO.: 25 - DISCLOSURES UNDER ACCOUNTING STANDARD - 22

(Amount in Rupees)

Particulars	As at 31st March, 2015	As at 31st March, 2014
<b>Differed Tax (liability)/asset</b>		
<b>Tax effect of items constituting deferred tax liability</b>		
On difference between book balance and tax balance of fixed assets	<b>2,230,359</b>	18,097,148
On expenditure deferred in the books but allowable for tax purposes	-	-
On items included in Reserves and Surplus and pending amortisation into the statement of Profit and Loss	-	-
Others	-	-
Tax effect of items constituting deferred tax liability	<b>723,640</b>	5,871,620
<b>Tax effect of items constituting deferred tax asset</b>		
Provision for compensated absences, gratuity and other employee benefits	-	-
Provision for doubtful debts and advances	-	-
Disallowance U/s 40(a)(i), 43B of Income Tax Act, 1961	<b>13,032,953</b>	19,988,924
On difference between book balance and tax balance of fixed assets	-	-
Unabsorbed depreciation carried forward	-	-
Brought forward business losses	-	-
On items included in Reserves and Surplus and pending amortisation into the statement of Profit and Loss	-	-
Others	-	-
Tax effect of items constituting deferred tax asset	<b>4,228,542</b>	6,485,406
<b>Net Deferred Tax (liability)/asset</b>	<b>3,504,902</b>	613,786
Credited to Statement of Profit and loss	<b>2,891,116</b>	3,992,965

### NOTE NO.: 26 - CONTINGENT LIABILITY

(Amount Rs. in Lakhs)

(a) Claims against the Company not acknowledged as a debt, in respect of Sales Tax for the year 2002-03 for which the Company appeal is pending before STAT	<b>4.13</b>	4.13
(b) Bank Guarantee Outstanding	<b>1,395.87</b>	1,689.72
(c) Income Tax (before High Court of A.P.)	<b>8.00</b>	8.00

### COMMITMENTS

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

Tangible Assets	-	54.96
Intangible Assets		

**NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS****NOTE NO.: 27**

(Amount Rs. in Lakhs)

Particulars	As at 31st March, 2015	As at 31st March, 2014
-------------	---------------------------	---------------------------

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

Principal amount remaining unpaid to suppliers as at the end of the accounting year	<b>0.94</b>	1.50
Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management.		

**NOTE NO.: 28****DISCLOSURE AS PER CLAUSE 32 OF THE LISTING AGREEMENTS WITH THE STOCK EXCHANGES**

Name of the Party	Relationship	As at 31st March, 2015	As at 31st March, 2014
Avant-Garde Info Systems (Previous Year)	Subsidiary	- <b>(357.00)</b>	357.00 (270.00)
VALUE OF IMPORTS CALCULATED ON CIF BASIS:			
Raw Materials		<b>29.18</b>	45.09
Spare Parts			
Capital Goods			
EXPENDITURE IN FOREIGN CURRENCY:			
Travelling & Other Expenses		<b>44.27</b>	31.50
Loans to 100% Subsidiary		-	-
Consultancy Fees		<b>7.58</b>	-
Egypt Branch		<b>110.20</b>	284.79

**NOTE NO.: 29 - DETAILS OF CONSUMPTION OF IMPORTED AND INDIGENOUS ITEMS**

Particulars	As at 31st March, 2015	
	₹	%
<b>IMPORTED</b>		
Raw Materials	<b>52.31</b>	<b>11%</b>
(Previous Year)	<b>99.62</b>	<b>43%</b>
Sub Total - Imported	<b>52.31</b>	<b>11%</b>
(Previous Year)	<b>99.62</b>	<b>43%</b>
<b>INDIGENOUS</b>		
Raw Materials	<b>411.58</b>	<b>89%</b>
(Previous Year)	<b>133.09</b>	<b>57%</b>
Sub Total - Imported	<b>411.58</b>	<b>89%</b>
(Previous Year)	<b>133.09</b>	<b>57%</b>
<b>GRAND TOTAL</b>	<b>463.89</b>	<b>100%</b>
<b>(PREVIOUS YEAR)</b>	<b>232.71</b>	<b>100%</b>

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Amount Rs. in Lakhs)

Particulars	As at 31st March, 2015	As at 31st March, 2014
-------------	---------------------------	---------------------------

### NOTE NO.: 30

#### EARNINGS IN FOREIGN EXCHANGE:

Export of Goods calculated on FOB basis and service income	<b>659.88</b>	1,588.72
Interest Earned on Advance given to subsidiary	-	19.86

### NOTE NO.: 31

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

Amount of Dividend remitted in Foreign Currency	-	-
Total number of Non-resident shareholders	-	-
(To whom the dividend were remitted in foreign currency)	-	-
Total number of shares held by them on which dividend was due	-	-
Financial Year to which the dividend relates	-	-

### NOTE NO.: 32

#### DISCLOSURES UNDER ACCOUNTING STANDARD - 15

##### Employee Benefit Plans

##### Defined Contribution Plans

The Company makes Provident Fund contributions to defined contribution plans for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognized ₹ 32.75 Lakhs (Year ended 31 March, 2014 ₹ 27.71 Lakhs) for Provident Fund contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

##### Defined Benefit Plans

- (i) **Leave Encashment:** The company does not have any scheme for leave encashment.
- (ii) **Gratuity:** Gratuity benefit is applicable to all the permanent and full time employees of the company. Gratuity paid out is based on last drawn basic salary and DA at the time of termination or retirement. The scheme takes into account each completed year of service or part there of in excess of 6 months. Annual contribution to the Employee's Gratuity Fund, established under LIC of India (LIC) are determined based on an actuarial valuation made by the LIC as at the year end.

Particulars	As at 31st March, 2015	As at 31st March, 2014
<b>Components of employer expense:</b>		
Current Service Cost	-	-
Total Expenses recognised in statement of Profit and Loss	-	-
Actual contribution and benefit payments for the year	-	-
Actual Benefit Payments	<b>3.34</b>	7.96
Actual Contributions	-	-

**NOTE NO.: 33****ADDITIONAL DISCLOSURES**

Name of the Entity	Net Assets		Share in Profit or Loss	
	As % of Consolidated Net	Amount (Rs.)	As % of Consolidated Profit or Loss	Amount (Rs.)
PARENT				
Kernex Microsystems (India) Limited	95.39%	1,184,835,326	74.30%	(93,929,684)
SUBSIDIARIES				
FOREIGN				
1. Avant-Garde Infosystems Inc., USA	4.61%	(52,183,536)	25.70%	(32,486,474)
<b>TOTAL</b>	<b>100.00%</b>	<b>1,132,651,790</b>	<b>100.00%</b>	<b>(126,416,158)</b>

**NOTE NO.: 34****DISCLOSURES UNDER ACCOUNTING STANDARD - 17****Segment Information**

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

**35.** Trade Debtors and Advances are subject to Reconciliation and Confirmation.

**PREVIOUS YEARS FIGURES**

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

In Terms of our report attached

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

**(G. Satyanarayana Murty)**  
Partner  
Membership No. 29919  
Place: Hyderabad  
Date: 24.05.2015

For and on behalf of the Board of Directors

**B. Murali Mohan**  
Technical Director  
  
**N. Subhash**  
(Company Secretary)

**Col. L.V. Raju** (Retd.)  
Managing Director  
  
**K. Suman Kumar**  
(Chief Financial Officer)

## FORM AOC - I

**(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

Sl No.		
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\$ 62.59
4	Share capital	118.30
5	Reserves & surplus	(521.83)
6	Total assets	207.67
7	Total Liabilities	611.20
8	Investments	
9	Turnover	0.01
10	Profit before taxation	(324.86)
11	Provision for taxation	-
12	Profit after taxation	(324.86)
13	Proposed Dividend	-
14	% of shareholding	100%

## PART "B" : Associates and Joint Ventures

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

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

For **GMK Associates** For and on behalf of the Board of Directors

Firm Registration Number 006945S

Chartered Accountants

**G.Satyanarayana Murty**

Partner

Membership Number.029919

**B. Murali Mohan**

Technical Director

(DIN:00052139)

**N.Subash**

Company Secretary

**Col. L.V.Raju (Retd)**

Managing Director

(DIN:00052102)

**K.Suman Kumar**

Chief Financial Officer

Hyderabad

Date: 24th May'2015.



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**KERNEX MICROSYSTEMS (INDIA) LIMITED**

Corporate Identification No. (CIN) - L30007TG1991PLC013211

Registered Office: "THRUSHNA" Plot No.7, Software Units Layout,

Madhapur, Hyd-500081. Phone: +91-40-23113192/94, Fax: +91-40-23113189/91,

E-mail: md@kernexmail.in/kernex@kernexmail.in

Web site: www.kernex.in

**ATTENDANCE SLIP**

23rd Annual General Meeting on Monday, 28th September, 2015 at 3.00 P.M. At Hotel Minerva Grand, Sarojini Devi Road, Secunderabad-500003.

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 23rd Annual General Meeting of the Company at Hotel Minerva Grand, Sarojini Devi Road, Secunderabad - 500 003 at 3.00 P.M. on Monday, the September 28, 2015.

\_\_\_\_\_  
\*\* Member's/Proxy's name in Block Letters\_\_\_\_\_  
\*\* Member's/Proxy's Signature**Note:**

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

\* Applicable for Investors holding shares in electronic form.

\*\* Strike out whichever is not applicable.



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**KERNEX MICROSYSTEMS (INDIA) LIMITED**

Corporate Identification No. (CIN) - L30007TG1991PLC013211

Registered Office: "THRUSHNA" Plot No.7, Software Units Layout,

Madhapur, Hyd-500081. Phone: +91-40-23113192/94, Fax: +91-40-23113189/91,

E-mail: md@kernexmail.in/kernex@kernexmail.in

Web site: www.kernex.in

**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: .....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Twenty Third Annual General Meeting of the Company to be held on Monday, 28th September, 2015 at 3.00 p.m. at Hotel Minerva Grand, Sarojini Devi Road, Secunderabad-500003 and at any adjournment thereof in respect of such resolutions as are indicated below:



Resolution No.	Resolution	Optional	
		For	Against
1	Adoption of Statement of Profit and Loss, Balance Sheet, Report of Board of Directors and Auditors for the year ended March 31, 2015.		
2	Re-appointment of Dr. Jyoti Raju as a Director of the Company.		
3	Re-appointment of Dr. Raju Narasa Mantena as a Director of the Company.		
4	Appointment of Auditors		
5	Special resolution under Section 196, 197, 203 of the Companies Act, 2013 for Re-appointment of Col.L.V.Raju (Retd.) as Managing Director of the Company		

Signed this.....day of.....2015

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 "THRUSHNA" Plot No.7, Software Units Layout, Madhapur, Hyd-500081, 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 23rd 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.

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

"Thrushna" Plot No. 7, Software Units Layout.

Madhapur, Hyderabad - 500 081, Telangana, INDIA.

Tel : 040-23113192, 23113193, Fax: 040-23114187, 23113191

Website: [www.kernex.in](http://www.kernex.in), e-mail: [kernex@kernexmail.in](mailto:kernex@kernexmail.in)