



KERNEX MICROSYSTEMS (INDIA) LTD.

(An ISO 9001-2015 Certified Company)

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TSIIC Layout, Raviryal (V),
Hyderabad – 501 510. Telangana, India.

KMIL:24-25:SE:092

11th December 2024

The Manager Listing Department
National Stock Exchange of India Ltd
Plot No.C/1, G Block,Exchange Plaza
Bandra – Kurla Complex, Bandra (E)
Mumbai – 400 051

NSE Symbol: KERNEX

Dear Sir/Madam,

Sub: Submission of Clarification on Consolidated Financial Results for the period ended September 30, 2024

Ref:-

Dear Sir/Madam,

Regarding your email on December 10, 2024, the following clarification is sought:-

"Consolidated Unaudited Financial Results doesn't include Joint Venture for the Quarter and Half year ended September 30, 2024."

We hereby clarify that, as per the Para 38 and 39 of IND AS 28 **Investments in Associates and Joint Ventures**,

An Investment in Associates and Joint Ventures shall be accounted as per equity method under Ind AS 28 **Investments in Associates and Joint Ventures**.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognized in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment.

However as per the Para 38 and 39 of IND AS 28 **Investments in Associates and Joint Ventures**,

1. If an entity's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the entity discontinues recognizing its share of further losses. The interest in an associate or a joint venture is the carrying amount of the investment in the associate or joint venture determined using the equity method together with any long-term interests that, in substance, form part of the entity's net investment in the associate or joint venture.





2. After the entity's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the entity resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

Accordingly the share of losses of the Associate or Joint Venture exceeds the carrying amount of the investments the entity shall recognize the losses upto the amount of investment only and recognition further losses shall be discontinued in effect the carrying amount of investment shall not be reduced to an amount below zero i.e. the carrying amount of investment cannot be shown negative.

Kernex has 35% share in VRCC KERNEX CE RVR JV, Cost of investment is Nil. Proportionate share of kernex in the net loss of VRCC KERNEX CE RVR JV for the half year ending 30.09.2024 in excess of investment is Rs.83.91 Lakhs. Loss in excess of investment is not considered in consolidation in light of Para 38 and 39 of Ind AS 28 **Investments in Associates and Joint Ventures**. However a disclosure to this effect has been provided in the note no 4 of the Consolidated Financial Result for the Quarter and Half Year ended September 30th 2024.

The Unaudited Financial Consolidated Financial Results based on the unaudited financial results on books of accounts of the holding company, subsidiary & joint ventures.

The Financial Results of the VRCC KERNEX CE RVR JV were considered in the consolidated financial results based on the unaudited books of accounts and the financial results prepared by the management, however the same were not subjected to limited review by the auditors of the VRCC KERNEX CE RVR JV as the auditors of JV pre occupied with tax audits during that period could not complete their review before the due date filing the results.

The auditors of M/s Kernex Microsystems India Limited have express their inability to comment on the result of the JV in absence of limited review report on the financial statements of the VRCC KERNEX CE RVR JV. However due to a typographical inadvertent error in the limited review report it was mentioned that the auditors were not able to comment on the effects on the failure to consolidate the results of the financial statements of this JV instead of stating that "in the absence of financial results of VRCC KERNEX CE RVR JV together with the Limited Review Report made available to the us (Auditors), we were unable to determine and comment the effects of the transactions of the Joint Venture on these consolidated financial results." We obtained a revised limited review report from the auditors and same is attached to this letter for your reference.

Kindly take the same on record.

Thanking you,

Yours faithfully,

For Kernex Microsystems (India) Ltd

M B Narayana Raju
Whole-Time Director
DIN: 07993925





Independent Auditor's Review Report on Consolidated Quarterly and Year to Date Unaudited Financial Results of KERNEX MICROSYSTEMS (INDIA) LIMITED pursuant to Regulation 33 of the SEBI (Listing and Obligations and Disclosure Requirements) Regulations, 2015, as amended.

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

1. We have reviewed the accompanying statement of unaudited financial results of **KERNEX MICROSYSTEMS (INDIA) LIMITED** ("the Parent"), its subsidiaries and Associate (the Parent, Subsidiaries and Associate together referred to as a "Group" for the quarter ended 30th September 2024 and the year to date results for the period from 01st April 2024 to 30th September 2024 ('the Statement') attached herewith, being submitted by the Parent Company pursuant to the requirements of Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('the Regulations').
2. This Statement, which is the responsibility of the Parent's Management and has been approved by the Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 'Interim Financial Reporting', prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder ('Ind AS 34') and other recognized accounting principles generally accepted in India and is in compliance with the Regulations. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standards on Review Engagement (SRE) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial results are free from material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit. Accordingly we do not express an audit opinion.

We also performed the procedures in accordance with the circular issued by the SEBI under Regulation 33(8) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 ('the Regulation as amended to the extent applicable).

The Statement includes the results of the following entities



NSVR & ASSOCIATES LLP

(a) Holding Company	Kernex Microsystems (India) Limited
(b) Wholly Owned Subsidiary	Avant-Grade Infosystems Inc,USA (unaudited)
(c) Controlled Entity (Subsidiary)	Kernex TCAS JV (With 80% share to the company) (Unaudited by the auditors)
(d) Associate	VRRC KERNEX CE RVRJV (with 35% share to the company) (unaudited by the auditors)

Basis for Qualified Conclusion

- a) The Company has entered into a Joint venture agreement dated 06th January 2024 to irrevocably constitute a Joint venture in the name of M/s. VRRC KERNEX CE RVRJV. The Company has not made any investment in the Joint venture as of the date of this report. We were informed that the Joint venture has started the operations and the same has been considered by the company in the consolidated financial statements. But we did not receive the unaudited financial results of the Joint Venture for the half year ended 30 September. In the absence of the financial results of Joint venture made available to us, we are unable to determine and comment the effects of the transactions of the Joint venture on these consolidated financial results.

Qualified Conclusion

Based on our review conducted as stated above, except for the effects / possible effects of qualifications as described in the previous paragraphs and procedures. performed as stated above and based on the consideration of the review reports of other auditors referred to in below, nothing has come to our attention that causes us to believe that the accompanying Statement prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standards (IND AS,) prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of the Regulation including the manner in which it is to be disclosed, or that it contains any material misstatements.

Emphasis of Matter

We draw attention to Note 4.7 & 10 to the Statement which describes that the company has assessed the recoverability of the following financial assets:

- (a) Trade Receivables (Non Current) from customers Rs. 362.20 (PY 580.07 lakhs) lakhs includes Comptek Computer System Private Limited (Related party) of Rs. 216.96 lakhs (PY 218.89 lakhs) net of ECL provision. The said receivable is outstanding for more than 3 years
- (b) MAT credit receivable of Rs. 122.56 lakhs (PY 122.56 lakhs)
- (c) Margin money deposits with banks of Rs. 1,584.87 lakhs (PY Rs. 1,532.33.06 lakhs) secured for customer guarantees of Rs. 2,282.81 lakhs (PY 2,212.08 lakhs and under arbitration / negotiation.



Such assessments are based on current facts and circumstances and may not necessarily reflect future uncertainties and events and the final recoverable amounts may vary for the reasons mentioned therein. Our conclusion on the statement is not modified in respect of these matters.

Our conclusion on the statement is not modified in respect of the above matter.

Other matter

We did not review the interim financial statements / financial information / financial results of TCAS JV (controlled entity subsidiary) whose interim financial statements / financial information / financial results reflect total revenues of Rs. 48.63 lakhs and total net loss after tax of Rs. 41.97 Lakhs and total comprehensive loss of Rs. 41.97 Lakhs for the half year ended 30th September 2024, as considered in the consolidated unaudited financial results. These interim financial statements / financial information / financial results have been reviewed by other auditors whose reports have been furnished to us by the Management and our conclusion on the Statement, in so far as it relates to the amounts and disclosures included in respect of this joint venture is based solely on the reports of the other auditors and the procedures performed by us as stated above.

The Consolidated unaudited financial results includes the interim financial results of **Avant-Grade Infosystems Inc** (wholly owned subsidiary) which have not been reviewed by us and their auditors, whose interim financial results reflect total revenue of Rs. Nil, total net loss after tax of Rs. 46.09 Lakhs and total comprehensive loss of Rs. 46.52 lakhs for the half year ended 30th September 2024 as considered in the consolidated unaudited financial results. According to the information and explanations given to us by the Management, these interim financial statements / financial information / financial results are not material to the Group.

For NSVR & Associates LLP

Chartered Accountants

FRN: 008801S/S200060

V. Gangadhara Rao

V. Gangadhara Rao

Partner

Membership No: 230675

UDIN:24219486BKFBEY4644



Place: Hyderabad

Date: 14-11-2024