KERNEX MICROSYSTEMS (INDIA) LTD.

(An ISO 9001-2015 Certified Company)

CIN : L30007TG1991PLC013211
Tel : +91 8414-667600
Fax : +91 8414-667695
email : kernex@kernex.in
Website : www.kernex.in

Registered Office :
"TECHNOPOLIS", Plot Nos : 38-41,
Hardware Technology Park,
TSIIC Layout, Raviryal (V),
Hyderabad – 501 510. Telangana, India.

8th September 2026

The Manager Listing Compliances, BSE Limited PhirozeJeejeebhoy Towers Dalal Street, Mumbai – 400 001	The Manager Listing Department National Stock Exchange of India Ltd Plot No.C/1, G Block,Exchange Plaza Bandra – KurlaComplex, Bandra (E) Mumbai – 400 051
BSE Scrip Code: 532686	**NSE Symbol: KERNEX**

Dear Sir/Madam,

Sub: Annual Report for Financial Year 2025-26 of Kernex Microsystems (India) Limited ('Company')

This is in furtherance to our AGM Notice submission dated September 08, 2026 wherein the Company had informed that the 34th Annual General Meeting ('AGM') of the Company will be held on Wednesday, 30th September 2026 at 11:00 a.m. (IST) via two-way Video Conference / Other Audio-Visual Means (VC/OAVM) only, in accordance with the General Circulars issued by the Ministry of Corporate Affairs and SEBI.

Please find enclosed herewith the 34th Annual Report of Kernex Microsystems (India) Limited for the Financial Year 2025-26 along with the Notice of the 34th AGM ('Annual Report'). The Annual Report will send through electronic mode to those Members whose e-mail addresses are registered with the Company/Registrars and Transfer Agent/Depositories.

The Annual Report is available on the website of the Company at www.kernex.in. This is submitted pursuant to Regulation 34(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

This is for your information and records.
Thanking you.

Yours Faithfully,
For Kernex Microsystems (India) Limited

Prasada Rao K
Company Secretary

SAPETY FIRST

34th | ANNUAL REPORT 2025-26

KERNEX
Delivering Railway Safety

KERNEX MICROSYSTEMS (INDIA) LIMITED

Innovation | Safety | Sustainability

BOARD OF DIRECTORS

Mr. Adabala Seshagiri Rao	Chairman & Independent Director	DIN: 09608973
Mr. Pasupuleti Dinakara Rao	Independent Director	DIN: 00009801
Mr. Ayyagari Viswanadha Sarma	Independent Director	DIN: 00499468
Mr. Anji Raju Manthena	Director	DIN: 01022368
Mrs. Parvathi Manthena (appointed w.e.f. 29.05.2026)	Director	DIN: 11537664
Mr. Janardhana Reddy Vinta	Director	DIN: 02414912
Ms. Sreelakshmi Manthena	Managing Director	DIN: 07996443
Mr. Manthena Badari Narayana Raju	Whole Time Director	DIN: 07993925
Mr. Sitarama Raju Manthena	Whole Time Director	DIN: 08576273

Chief Financial Officer
Mr. Pamidi Srikanth

Company Secretary & Compliance Officer
Mr. Prasada Rao Kalluri

Registered Office:
CIN: L30007TG1991PLC013211
Plot No.38 (part) to 41, Survey No.1/1,
Hardware Park, Raviryal Village,
Maheswaram Mandal, Hyderabad - 501 510

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

Registrars & Share Transfer Agents:
M/s. KFin Technologies Ltd
Selenium Tower B, Plot 31-32,
Gachibowli, Financial District,
Nanakramguda, Hyderabad - 500 032
Phones: 040 - 6716 1565
Email: einward.ris@kfintech.com

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

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

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

Bankers:
1. State Bank of India
2. HDFC Bank Limited
3. ICICI Bank Limited
4. CSB Bank Limited
5. Union Bank of India
6. Federal Bank Limited
7. Yes Bank Limited
8. Kotak Mahindra Bank Ltd
9. Axis Bank Limited

Board Committees

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

Nomination and Remuneration Committee
Mr. Pasupuleti Dinakara Rao – Chairman
Mr. Adabala Seshagiri Rao – Member
Mr. Anji Raju Manthena – Member

Corporate Social Responsibility Committee
Mr. Pasupuleti Dinakara Rao – Chairman
Mr. Ayyagari Viswanadha Sarma – Member
Mr. Sitarama Raju Manthena – Member

Stakeholders Relationship Committee:
Mr. Pasupuleti Dinakara Rao – Chairman
Mr. Ayyagari Viswanadha Sarma – Member
Mr. Sitarama Raju Manthena – Member

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

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NOTICE

Notice is hereby given that the 34th Annual General Meeting of the Members of M/s. Kernex Microsystems (India) Limited will be held on Wednesday, 30th September 2026 at 11:00 A.M. IST through Video Conference ("VC") / Other Audio Visual Means ("OAVM") at the Registered Office to transact the following items of business:

ORDINARY BUSINESS

1. **TO RECEIVE, CONSIDER AND ADOPT**

   (a) THE AUDITED STANDALONE FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED MARCH 31, 2026 AND THE REPORT OF THE AUDITORS AND BOARD OF DIRECTORS THEREON AND

   (b) THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED MARCH 31, 2026 AND THE REPORT OF AUDITORS THEREON

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

   a) "**RESOLVED THAT** the audited standalone financial statements of the Company for the financial year ended March 31, 2026 and the reports of the Board of Directors and Auditors thereon, as circulated to the Members, be and are hereby received, considered and adopted."

   b) "**RESOLVED THAT** the audited consolidated financial statements of the Company for the financial year ended March 31, 2026 and the report of Auditors thereon, as circulated to the Members, be and are hereby received, considered and adopted."

2. **TO APPOINT A DIRECTOR IN PLACE OF MR. SITARAMA RAJU MANTHENA (DIN: 08576273), WHOLE-TIME DIRECTOR, WHO RETIRES BY ROTATION AND, BEING ELIGIBLE, OFFERS HIMSELF FOR RE-APPOINTMENT AS A DIRECTOR IN THE COMPANY**

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

   "**RESOLVED THAT** pursuant to the provisions of Section 152(6) and other applicable provisions of the Companies Act, 2013, the approval of the Members of the Company be and is hereby accorded to the re-appointment of Mr. Sitarama Raju Manthena (DIN: 08576273) as a "Director," who shall be liable to retire by rotation."

3. **TO APPOINT A DIRECTOR IN PLACE OF MR. ANJI RAJU MANTHENA (DIN: 01022368), WHO RETIRES BY ROTATION AND, BEING ELIGIBLE, OFFERS HIMSELF FOR RE-APPOINTMENT AS A DIRECTOR IN THE COMPANY**

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

   "**RESOLVED THAT** pursuant to the provisions of Section 152(6) and other applicable provisions of the Companies Act, 2013, the approval of the Members of the Company be and is hereby accorded to the re-appointment of Mr. Anji Raju Manthena (DIN: 01022368) as a "Director," who shall be liable to retire by rotation."

SPECIAL BUSINESS

4. **TO RATIFY THE REMUNERATION PAYABLE TO M/S. M P R & ASSOCIATES, COST ACCOUNTANTS, HYDERABAD AS THE "COST AUDITORS" OF THE COMPANY FOR THE FINANCIAL YEAR 2026-27**

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

"RESOLVED THAT pursuant to the provisions of Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the remuneration payable to M/s. M P R & Associates, Cost Accountants, (Registration No. 000413), Hyderabad, appointed as Cost Auditors by the Board of Directors of the Company to conduct the audit of the cost records maintained by the Company for the financial year ending March 31, 2026, amounting to Rs. 1,50,000/- (Rupees One Lakh Fifty Thousand only) per annum plus applicable taxes, in addition to reimbursement of all out-of-pocket expenses, be and is hereby ratified."

5. **TO CONSIDER, APPROVE RE-APPOINTMENT OF MR. BADARI NARAYANA RAJU MANTHENA (DIN: 07993925) AS A WHOLE-TIME DIRECTOR FOR FURTHER PERIOD OF THREE YEARS W.E.F. 2ND SEPTEMBER 2026**

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

"RESOLVED THAT pursuant to the provisions of Sections 196, 197, 198, 203 and other applicable provisions, if any, of the Companies Act, 2013 ("Act"), read with Schedule V to the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, including any statutory modification(s), amendment(s) or re-enactment(s) thereof for the time being in force, and pursuant to Regulation 17(1C), Regulation 17(6)(e), wherever applicable, and other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations"), and such other rules, regulations, guidelines, notifications and circulars as may be applicable, and the provisions of the Memorandum and Articles of Association of the Company, and pursuant to the recommendation of the Nomination and Remuneration Committee and approval of the Board of Directors at its meeting held on 13th August 2026, the consent of the Members of the Company be and is hereby accorded by way of Special Resolution for the re-appointment and continuation of Mr. Badari Narayana Raju Manthena (DIN: 07993925) as Whole-Time Director of the Company for a further period of three (3) years with effect from 2nd September 2026, notwithstanding that he has attained the age of seventy (70) years during the said tenure, on the following terms and conditions:

i. Salary

The monthly remuneration payable shall be in the range of Rs. 12,50,000/- to Rs. 22,00,000/- per month, including House Rent Allowance and other allowances. The present remuneration of Rs. 12,50,000/- per month will continue.

The Board of Directors of the Company (including the Nomination and Remuneration Committee thereof) shall be authorised to determine, revise, and fix the remuneration payable to Mr. Badari Narayana Raju Manthena within the aforesaid approved range, from time to time, based on performance, responsibilities, and other relevant factors, without requiring any further approval of the Members.

ii. Perquisites

Medical Reimbursement: Expenses incurred for himself and his family, subject to a ceiling of one month's salary in a year or 3 months' salary over a period of 3 years.

Leave Travel Concession:

One month's salary in a year or 3 months' salary over a period of 3 years for himself and his family.

Club Fees:

Subject to a maximum of two clubs. This will not include admission and Life Membership Fees.

Personal Accident Insurance:

Premium not to exceed Rs. 10,000/- per annum.

Provident Fund:

Company's contribution towards Provident Fund as per the service rules of the Company, or at any rate, applicable from time to time.

Gratuity:

Company's contribution towards the Gratuity, as per the Company's service rules, or at any rate, applicable from time to time.

Encashment of Leave:

Entitled to one month's leave, as per the rules of the Company, on full pay, for every 11 months of service. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

Telephone, Electricity and Water charges for residence:

Free telephone facility at the residence for the use of the Company's business, and Free Electricity and Water charges for residence.

Car:

Use of Company's car on the Company's business with a driver, and all expenses on maintenance, repairs, and cost of petrol. (Provision of Car for use of the Company's business and telephone at residence will not be considered as perquisites. Personal long-distance calls on telephone and use of the car for private purposes shall be billed by the Company to the Director.)

"FURTHER RESOLVED THAT, in the event the Company does not have profits or the profit of the Company is inadequate in any financial year during his tenure as referred to above, the amount of Salary and perquisites referred to above shall be paid as minimum remuneration in terms of Section II of Part II of Schedule V to the Companies Act, 2013."

"FURTHER RESOLVED THAT, Mr. Badari Narayana Raju Manthena (DIN: 07993925) shall be entitled to a commission of 1% of the net profits of the Company every financial year, calculated in accordance with the applicable provisions of the Companies Act, 2013, during his tenure as a Whole-Time Director, subject to the overall limits prescribed under the Companies Act, 2013 and other applicable laws."

"FURTHER RESOLVED THAT the Board (which will include its committee thereof) be and are hereby authorized to vary and/or revise the remuneration of Mr. Badari Narayana Raju Manthena (DIN:

07993925) within limits permissible under the Act and to do all such acts, deeds, and things and to execute all such documents, instruments, and writings as may be required to give effect to the aforesaid Resolution."

6. **TO CONSIDER, APPROVE RE-APPOINTMENT OF MR. SITARAMA RAJU MANTHENA (DIN: 08576273) AS A WHOLE-TIME DIRECTOR FOR A FURTHER PERIOD OF THREE YEARS W.E.F. 2ND SEPTEMBER 2026**

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

"RESOLVED THAT pursuant to the provisions of Sections 196, 197, 198, 203 and other applicable provisions, if any, of the Companies Act, 2013 ("Act"), read with Schedule V to the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, including any statutory modification(s), amendment(s) or re-enactment(s) thereof for the time being in force, and pursuant to Regulation 17(1C), Regulation 17(6)(e), wherever applicable, and other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations"), and such other rules, regulations, guidelines, notifications and circulars as may be applicable, and the provisions of the Memorandum and Articles of Association of the Company, and pursuant to the recommendation of the Nomination and Remuneration Committee, Audit Committee and approval of the Board of Directors at its meeting held on 13th August 2026, the consent of the Members of the Company be and is hereby accorded by way of Special Resolution for the re-appointment of Mr. Sitarama Raju Mangehna (DIN: 08576273) as Whole-Time Director of the Company for a further period of three (3) years with effect from 2nd September 2026, on the following terms and conditions:

i. Salary

The monthly remuneration payable shall be in the range of Rs. 12,50,000/- to Rs. 22,00,000/- per month, including House Rent Allowance and other allowances. The present remuneration of Rs. 12,50,000/- per month will continue.

The Board of Directors of the Company (including the Nomination and Remuneration Committee thereof) shall be authorised to determine, revise, and fix the remuneration payable to Mr. Sitarama Raju Manthena within the aforesaid approved range, from time to time, based on performance, responsibilities, and other relevant factors, without requiring any further approval of the Members.

ii. Perquisites

Medical Reimbursement: Expenses incurred for himself and his family subject to a ceiling of one month's salary in a year or 3 months' salary over a period of 3 years.

Leave Travel Concession:

One month's salary in a year or 3 months' salary over a period of 3 years for himself and his family.

Club Fees:

Subject to a maximum of two clubs. This will not include admission and Life Membership Fees.

Personal Accident Insurance:

Premium not to exceed Rs. 10,000/- per annum.

Provident Fund:

Company's contribution towards Provident Fund as per the service rules of the Company, or at any rate applicable from time to time.

Gratuity:

Company's contribution towards the Gratuity, as per the Company's service rules, or at any rate, applicable from time to time.

Encashment of Leave:

Entitled to one month's leave, as per the rules of the Company, on full pay, for every 11 months of service. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

Telephone, Electricity and Water charges for residence:

Free telephone facility at the residence for the use of the Company's business and Free Electricity and Water charges for residence.

Car:

Use of Company's car on the Company's business with a driver, and all expenses on maintenance, repairs, and cost of petrol. (Provision of Car for use of Company's business and telephone at residence will not be considered as perquisites. Personal long-distance calls on telephone and use of the car for private purposes shall be billed by the Company to the Director.)

"FURTHER RESOLVED THAT, in the event the Company does not have profits or the profit of the Company is inadequate in any financial year during his tenure as referred to above, the amount of Salary and perquisites referred to above shall be paid as minimum remuneration in terms of Section II of Part II of Schedule V to the Companies Act, 2013."

"FURTHER RESOLVED THAT, Mr. Sitarama Raju Manthena (DIN: 08576273) shall be entitled to a commission of 1% of the net profits of the Company every financial year, calculated in accordance with the applicable provisions of the Companies Act, 2013, during his tenure as a Whole-Time Director, subject to the overall limits prescribed under the Companies Act, 2013 and other applicable laws."

"RESOLVED FURTHER THAT the Board of Directors of the Company (which will include its committee thereof) be and is hereby authorized to vary and/or revise the remuneration of Mr. Sitarama Raju Manthena (DIN: 08576273), within limits permissible under the Act, and do all such acts, deeds, and things, and to execute all such documents, instruments, and writings as may be required to give effect to the aforesaid Resolution."

7. **RE-APPOINTMENT OF MR. SESHAGIRI RAO ADABALA (DIN: 09608973) AS AN INDEPENDENT DIRECTOR OF THE COMPANY FOR A SECOND TERM OF FIVE YEARS, IN TERMS OF SECTION 149 OF THE COMPANIES ACT, 2013**

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act"), read with Schedule IV to the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s), amendment(s), clarification(s), re-enactment(s) thereof for the time being in force), and pursuant to Regulations 17(1C), 25(2A) and other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), and based on the recommendation of the Nomination and Remuneration Committee and the approval of the Board of Directors, Mr. Seshagiri Rao Adabala (DIN: 09608973), who was appointed as an Independent Director of the Company on 06.09.2024 and who holds office up to 05.09.2026, and who is eligible for re-appointment and meets the criteria for independence as provided in Section 149(6) of the Act along with the Rules framed thereunder and Regulation 16(1)(b) of the Listing Regulations, and who has submitted a declaration to that effect, and in respect of whom the Company has received a Notice in writing from a Member under Section 160(1) of the Act proposing his candidature for the office of Director, be and is hereby re-appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office for a second term of five years commencing with effect from 06.09.2026 up to 05.09.2031 (both days inclusive).”

RESOLVED FURTHER THAT the Board of Directors of the Company (which term shall include any Committee thereof or any Director(s) or Company Secretary authorised by the Board) be and is hereby authorised to do all such acts, deeds, matters and things as may be deemed necessary, proper or expedient, including filing necessary forms and returns with the Registrar of Companies, Stock Exchange(s), and other statutory authorities, and to settle any question, difficulty or doubt that may arise in giving effect to this Resolution.”

8. RE-APPOINTMENT OF MR. DINAKARA RAO PASUPULETI (DIN: 00009801) AS AN INDEPENDENT DIRECTOR OF THE COMPANY FOR A SECOND TERM OF FIVE YEARS, IN TERMS OF SECTION 149 OF THE COMPANIES ACT, 2013

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

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and other applicable provisions, if any, of the Companies Act, 2013 (“the Act”), read with Schedule IV to the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s), amendment(s), clarification(s), re-enactment(s) thereof for the time being in force), and pursuant to Regulations 17(1A), 17(1C), 25(2A) and other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), and based on the recommendation of the Nomination and Remuneration Committee and the approval of the Board of Directors, Mr. Dinakara Rao Pasupuleti (DIN: 00009801), who was appointed as an Independent Director of the Company at the 32nd Annual General Meeting held on 30.09.2024 and who holds office up to 29.09.2026, and who is eligible for re-appointment and meets the criteria for independence as provided in Section 149(6) of the Act, along with the Rules framed there under and Regulation 16(1)(b) of the Listing Regulations, and who has submitted a declaration to that effect, and in respect of whom the Company has received a Notice in writing from a Member under Section 160(1) of the Act proposing his candidature for the office of Director, be and is hereby re-appointed as an Independent Director of the Company, not liable to retire by rotation, to hold office for a second term of five years commencing with effect from 30.09.2026 up to 29.09.2031 (both days inclusive).”

RESOLVED FURTHER THAT pursuant to Regulation 17(1A) of the SEBI Listing Regulations and other applicable provisions, the approval of the Members of the Company be and is hereby accorded for the continuation of Mr. Dinakara Rao Pasupuleti (DIN: 00009801), as a Non-Executive Independent

Director of the Company, notwithstanding that he has attained the age of seventy-five (75) years during the aforesaid tenure.

RESOLVED FURTHER THAT the Board of Directors of the Company (which term shall include any Committee thereof or any Director(s) or Company Secretary authorised by the Board) be and is hereby authorised to do all such acts, deeds, matters and things as may be deemed necessary, proper or expedient, including filing necessary forms and returns with the Registrar of Companies, Stock Exchange(s), and other statutory authorities, and to settle any question, difficulty or doubt that may arise in giving effect to this Resolution.

9. APPOINTMENT OF MRS. RENUKA RANI CHADALAWADA (DIN: 08334469), AS AN INDEPENDENT DIRECTOR

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

"RESOLVED THAT Mrs. Renuka Rani Chadalawada (DIN: 08334469), who was appointed as an Additional Director of the Company by the Board of Directors on the recommendation of the Nomination & Remuneration Committee with effect from 06.09.2026 and who holds office up to the date of this Annual General Meeting under Section 161(1) of the Companies Act, 2013 ('the Act') and Article 116 of the Articles of Association of the Company, and she has given consent for appointment and in respect of whom the Company has received a notice in writing under Section 160(1) of the Act from a member proposing her candidature for the office of Director, be and is hereby approved.

"RESOLVED FURTHER THAT pursuant to the provisions of Sections 149, 150, and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Appointment and Qualifications of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and Regulations 16(1)(b), 17(1C), 25 and other applicable regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time and on the recommendation of the Nomination & Remuneration Committee and the Board of Directors, the consent of the Members of the Company be and is hereby accorded for the appointment of Mrs. Renuka Rani Chadalawada (DIN: 08334469), who has submitted a declaration that she meets the criteria for independence as provided in Section 149(6) of the Companies Act, 2013, as an Independent Director of the Company, not liable to retire by rotation, for a period commencing from 06.09.2026 to 30.09.2028.

RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall deem to include any committee of the Board) is authorized to do all such acts, deeds, matters, and things as may be considered necessary, desirable, or expedient to give effect to this resolution, including filing of necessary e-Forms with the Registrar of Companies."

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

Sd/-
Prasada Rao Kalluri
Company Secretary

Place: Hyderabad,
Date: 5th September 2026

NOTES:

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 ("Act") setting out material facts relating to the business stated are annexed hereto.

2. The Ministry of Corporate Affairs ("MCA") vide its General Circular dated May 5, 2020 read with Circulars dated April 8, 2020, April 13, 2020, January 13, 2021, December 14, 2021, May 5, 2022, December 28, 2022, September 25, 2023, September 19, 2024 and September 22, 2025 (collectively referred to as "MCA Circulars") and SEBI vide its Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020, SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021, SEBI/HO/DDHS/P/CIR/2022/0063 dated May 13, 2022, SEBI/HO/DDHS/DDHSRACPOD1/P/CIR/2023/001 dated January 5, 2023, SEBI/HO/CFD/CFD-PoD-2/P/CIR/2023/167 dated October 7, 2023, and SEBI/HO/CFD/CFD-PoD-2/P/CIR/2024/133 Dated: October 3, 2024 (collectively referred to as "SEBI Circulars") has permitted the holding of the Annual General Meeting ("AGM") through Video Conference/Other Audio Visual Means, without the physical presence of the Members at a common venue. In accordance with the MCA Circulars and applicable provisions of the Companies Act, 2013 ("the Act") read with Rules made there under and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the AGM of the Company is being held through VC / OAVM. The deemed venue for the AGM shall be the Registered Office of the Company.

3. The Register of Members and Share Transfer Books of the Company will remain closed from 24th September 2026 to 30th September 2026 (both days inclusive) for the purpose of giving effect to the transmission and transposition requests lodged with the Company.

4. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (as amended), and the MCA Circulars, the Company is providing the facility of remote e-voting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with Kfin Technologies Limited (Kfintech) for facilitating voting through electronic means, as the authorized agency. The facility of casting votes by a member using the remote e-voting system, as well as voting during the AGM, will be provided by Kfintech.

5. The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available for 1000 members on a first-come, first-serve basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee, and Stakeholders Relationship Committee, Auditors, etc., who are allowed to attend the AGM without restriction on account of a first-come, first-served basis.

6. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.

7. Pursuant to the provisions of the Act, a member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf, and the proxy need not be a Member of the Company. Since this AGM is being held pursuant to the MCA Circulars through VC / OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM, and hence the Proxy Form and Attendance Slip are not annexed to this Notice.

8. As per Regulation 40 of the SEBI Listing Regulations, as amended, securities of listed companies can be transferred only in dematerialized form with effect from April 1, 2019, except in case of a request received for transmission or transposition of securities. In view of this and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holdings to dematerialized form. Members can contact the Company (acs@kernex.in) or the Company's Registrars and Transfer Agents, KFin Technologies Limited ("KFintech") (einward.ris@kfintech.com), for assistance in this regard.

9. Members holding shares in the same name under different Ledger Folios are requested to apply for consolidation of such Folios and send the relevant share certificates to the RTA/Company.

10. To promote a green initiative, Members who have not registered their email addresses are requested to register the same with their Depository Participants in case the shares are held by them in electronic form and with KFintech, in case the shares are held in physical form.

11. Members are requested to intimate any changes, if any, pertaining to their name, postal address, email address, telephone/mobile numbers, Permanent Account Number (PAN), mandates, nominations, power of attorney, bank details such as the name of the bank and branch details, bank account number, MICR code, IFSC code, etc., to their DPs in case the shares are held by them in electronic form and to Kfintech in case the shares are held by them in physical form.

12. Members who have not yet registered their nomination are requested to register the same by submitting Form No. SH-13. The said form can be downloaded from the Company's website https://www.kernex.in. Members are requested to submit the said details to their DP in case the shares are held by them in electronic form and to Kfintech in case the shares are held in physical form.

13. Members holding shares in physical form, in identical order of names, in more than one folio are requested to send to the Company (acs@kernex.in) or Kfintech (einward.ris@kfintech.com)the details of such folios together with the share certificates for consolidating their holdings in one folio. A consolidated share certificate will be issued to such Members after making requisite changes.

14. In case of joint holders, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the AGM.

15. Members seeking any information with regard to the accounts or any matter to be placed at the AGM are requested to write to the Company on or before 20th September 2026 through email on acs@kernex.in. The same will be replied by the Company suitably.

16. Pursuant to the directions/notifications of the Securities and Exchange Board of India (SEBI) and Depositories, the demat account holders can operate their accounts if they had already provided the Income Tax Permanent Account Number either at the time of opening of the account or at any time subsequently. In case they have not furnished the Income Tax Permanent Account Number to the Depository Participants, such demat account holders are requested to contact their DPs with a photocopy of the PAN card (with original PAN card for verification), so that the frozen demat accounts would be available for operation and further secondary consequences of non-compliance with the aforesaid directives would be obviated. SEBI, vide Circular ref. no. MRD/Dop/Cir-05/2009 dated May 20, 2009, made it mandatory to have PAN particulars for the registration of physical share transfer requests. Based on the directive contained in the said circulars, all share transfer requests are therefore to be accompanied with PAN details. Members holding shares in physical form can submit their PAN details to the Company/RTA.

17. Investor Grievance Portal maintained by Registrar and Transfer Agent(RTA).

    Members are hereby notified that our RTA, KFin Technologies Limited, based on the SEBI Circular (SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/72) dated June 08, 2023, have created an online application which can be accessed at https://ris.kfintech.com/default.aspx Investor Services > Investor Support.

    Members are required to register / sign up, using the Name, PAN, Mobile and email ID. Post registration, user can login via OTP and execute activities like, raising Service Request, Query, Complaints, check for status, KYC details, Dividend, Interest, Redemptions, e-Meeting and e-Voting Details. Quick link to access the signup page: kprism.kfintech.com/signup

18. SEBI vide circular nos. SEBI/HO/OIAE/OIAE_IAD- 1/P/CIR/2023/131 dated July 31, 2023 and SEBI/HO/OIAE/OIAE_IAD-1/P/CIR/2023/135 dated August 4, 2023, read with master circular no. SEBI/HO/OIAE/OIAE_IAD-1/P/CIR/2023/145 dated August 11, 2023, had issued guidelines towards an additional mechanism for investors to resolve their grievances by way of Online Dispute Resolution ('ODR') through a common ODR portal. Pursuant to above-mentioned circulars, post exhausting the option to resolve their grievance with the Company/its Registrar and Share Transfer Agent directly and through existing SCORES platform, the investors can initiate dispute resolution through the ODR Portal (https://smartodr.in/login).

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

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

20. Members may please note that SEBI vide its Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/8 dated 25th January 2022 has mandated the Listed Companies to issue securities in demat form only while processing service requests viz. Issue of duplicate securities certificate; claim from Unclaimed Suspense Account; Renewal/Exchange of securities certificate; Endorsement; Sub-division/Splitting of securities certificate; Consolidation of securities certificates/folios; Transmission and Transposition. Accordingly, Shareholders are requested to make service requests by submitting a duly filled and signed Form ISR–4, the format of which is available on the Company's website under Investors Corner and on the website of the Company's RTA. Members may also send an email to obtain the format by sending an email to acs@kernex.in or the RTA. It may be noted that any service request can be processed only after the folio is KYC compliant.

21. The Notice calling the AGM along with the Annual Report has been uploaded on the website of the Company at www.kernex.in. The Notice and Annual Report can also be accessed from the websites of the Stock Exchanges i.e. BSE Limited and the National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com, respectively, and the AGM Notice is also available on the website of KFintech (agency for providing the Remote e-voting facility), i.e. www.kfintech.com / evoting.kfintech.com. All documents referred to in the accompanying Notice shall be open for inspection by the Members by writing an e-mail to the Company acs@kernex.in.

22. In compliance with the aforesaid MCA Circulars and the SEBI Circular dated May 12, 2020 (collectively referred to as "MCA Circulars"), the AGM Notice and Annual Report are being sent only through electronic mode to those Members whose email addresses are registered with the Company/Depositories as on 4th September 2026. Members whose email IDs are not registered with the Company/Depositories are requested to follow the process provided further for registration of email IDs with the Depositories for procuring user ID & password and registration of email IDs for e-voting for the resolutions set out in this notice.

23. In case any member is desirous of obtaining a hard copy of the Annual Report for the financial year 2025–26, they may send a request from the registered e-mail address to the Company's e-mail address at acs@kernex.in mentioning their Folio no./ DP ID and Client ID.

24. Additionally, in accordance with Regulation 36(1)(b) of the Listing Regulations, the Company is also sending a letter to members whose e-mail address is not registered with the Company/Depository Participant, providing the exact web-link of the Company's website from where the Annual Report for the financial year 2025–26 can be accessed.

25. Since the AGM will be held through VC/OAVM, the Route Map is not annexed in this Notice.

26. Retirement of Directors by rotation: Mr. Sitarama Raju Manthena, Whole-Time Director, and Mr. Anji Raju Manthena, Non-Executive Director of the Company, retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment. The Board of Directors recommended their re-appointment.

27. Online application for Investor Query: Members are hereby notified that our RTA , KFin Technologies Limited (Formerly known as KFin Technologies Private Limited), basis the SEBI Circular (SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/72) dated Jun 08, 2023, have launched an online application which can be accessed at https://ris.kfintech.com > Investor Services > Investor Support.

    Members are requested to register / sign up, using the Name, PAN, Mobile and email ID. Post registration, user can login via OTP and execute activities like, raising Service Request, Query, Complaints, check for status, KYC details, Dividend, Interest, Redemptions, e-Meeting ande-Voting details.

    Quick link to access the signup page: https://kprism.kfintech.com/signup

    QR code:

Investor Support Centre	KFINTECH Corporate website	RTA Website Search	RTA	Online application for Investor Query

28. Senior Citizens - Investor Support

As part of the initiative, our RTA, in order to enhance investor experience for Senior Citizens, a Senior Citizens investor cell has been newly formed to assist exclusively the Senior Citizens in redressing their grievances, complaints and queries. The special cell closely monitors the complaints coming from Senior Citizens through this channel and handholds them at every stage of the service request till closure of the grievance.

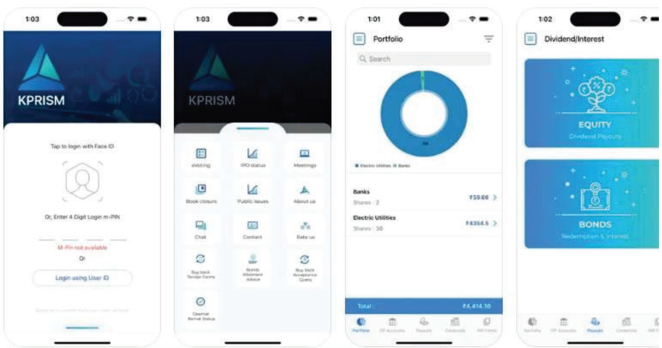
Senior Citizens wishing to avail this service can send the communication with the below details to the email id, senior.citizen@kfintech.com Senior Citizens (above 60 years of age) have to provide the following details:

1. ID proof showing Date of Birth
2. Folio Number
3. Company Name
4. Nature of Grievance

A dedicated Toll-free number for Senior Citizens can also be accessed at 1-800-309-4006 for any queries or information

28. KPRISM Mobile App:

Mobile applications for all users to review their portfolio being managed by KFINTECH are available in Play store and App Store. Users are requested to download the application and register with the PAN number. Post verification, user can use functionalities like - Check portfolio / holding, check IPO status / Demat / Remat, track general meeting schedules, download ISR forms, view the live streaming of AGM and contact the RTA with service request, grievance, and query.



QR Code to
Access KPRISM

INSTRUCTIONS FOR THE MEMBERS FOR ATTENDING THE e-AGM THROUGH VIDEO CONFERENCING / OTHERAUDIO-VISUALMODE ("VC/OAVM"):

1. Attending the e-AGM: Members will be able to attend the AGM through VC / OAVM or view the live webcast of AGM at https://emeetings.kfintech.com/ by using their remote e-voting login credentials and selecting the 'Event' for Company's AGM. Members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned in the Notice. Further, Members can also use the OTP based login for logging into the e-voting system.

2. Members are encouraged to join the Meeting through Laptops with Google Chrome for better experience.

3. Further, Members will be required to allow Camera, if any and hence use Internet with a good speed to avoid any disturbance during the meeting.

4. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.

5. Facility of joining the AGM through VC / OAVM shall be open 15 minutes before the time scheduled for the AGM.

6. Those Members who register themselves as speaker will only be allowed to express views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers and time for each speaker depending upon the availability of time for the AGM.

7. Submission of Questions / queries prior to e-AGM:

   Members desiring any additional information with regard to Accounts/Annual Reports or having any questions or queries are requested to write to the Company Secretary on the Company's investor email id i.e., acs@kernex.in between September 25, 2026 (09.00 Hours IST) and September 27, 2026 (17.00 Hours IST), so as to enable the Management to keep the information ready. Please note that, member's questions will be answered only if they continue to hold the shares as of cut-off date. Alternatively, shareholders holding shares as on cut-off date may also visit https://evoting.kfintech.com/ and click on the tab "Post Your Queries Here" to post their queries/views/questions in the window provided, by mentioning their name, demat account number/folio number, email ID, mobile number. The window shall be activated during the remote e-voting period and shall be closed 24 hours before the time fixed for the e-AGM.

8. Speaker Registration before e-AGM: Shareholders who wish to register as speakers at the AGM are requested to visit https://evoting.kfintech.com/ register themselves between September 25, 2026 (09.00 Hours IST) and September 27, 2026 (17.00 Hours IST). The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.

9. Facility ofjoining the AGM through VC / OAVM shall be available to 2000 members on first come first serve basis. However, the participation of members holding 2% or more shares, promoters, Institutional Investors, Directors, Key Managerial Personnel, Chairpersons of Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee and Auditors are not restricted on first come first serve basis.

10. Members who need technical assistance before or during the AGM, can contact KFintech at https://evoting.kfintech.com/

11. Corporate members intending to send their authorised representatives to attend the Annual General Meeting through Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM") pursuant to the provisions of Section 113 of the Companies Act, 2013 are requested to send a certified copy of the relevant Board Resolution to the Company.

INSTRUCTIONS FOR E-VOTING:

PROCEDURE FOR REMOTE E-VOTING

a) In compliance with the provisions of Section 108 of the Companies Act, 2013 ("the Act"), read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended from time to time, Regulation 44 of the SEBI Listing Regulations and in terms of SEBI circular no.SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 9, 2020 in relation to e-Voting Facility provided by Listed Entities, the Members are provided with the facility to cast their vote electronically, through the e-Voting services provided by KFintech on all the resolutions set forth in this Notice. The instructions for e-Voting are given below.

b) However, in pursuant to SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 9, 2020 on “e-Voting facility provided by Listed Companies”, e-Voting process has been enabled to all the individual demat account holders, by way of single login credential, through their demat accounts / websites of Depositories / DPs in order to increase the efficiency ofthe voting process.

c) Individual demat account holders would be able to cast their vote without having to register again with the e-Voting service provider (ESP) thereby not only facilitating seamless authentication but also ease and convenience of participating in e-Voting process. Shareholders are advised to update their mobile number and e-mail ID with their DPs to access e-Voting facility.

d) The remote e-Voting period commences from 09:00 Hours (IST) on Sunday, September 27, 2026, to 17.00 Hours (IST) on Tuesday, September 29, 2026.

e) The voting rights of Members shall be in proportion to their shares in the paid-up equity share capital of the Company as on Wednesday, September 23, 2026, i.e. the cut-off date.

Any person holding shares in physical form and non-individua1shareholders, who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date, may obtain the login ID and password by sending a request at evoting evoting@kfintech.com. However, if he / she is already registered with KFintech for remote e-Voting then he /she can use his / her existing User ID and password for casting the vote.

g) In case of Individual Shareholders holding securities in demat mode and who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date may follow steps mentioned below under “Login method for remote e-Voting and joining virtual meetings for Individual shareholders holding securities in demat mode.”

h) The details of the process and manner for remote e-Voting and e-AGM are explained below:

Step 1: Access to Depositories e-Voting system in case of individual shareholders holding shares in demat mode.

Step 2: Access to KFintech e-Voting system in case of shareholders holding shares in physical and non-individual shareholders in demat mode.

Step 3: Access to join virtual meetings (e-AGM) of the Company on KFin system to participate e-AGM and vote at the AGM.

Details on Step 1 are mentioned below:

Login method for remote e-Voting for Individual shareholders holding securities in demat mode.

Type of shareholders	Login Method
Individual shareholders holding securities in demat mode with NSDL	**A. User already registered for IDeAS facility:** i. Visit URL: https://eservices.nsdl.com ii. Click on the "Beneficial Owner" icon under "Login" under 'IDeAS' section. iii. On the new page, enter User ID and Password. Post successful authentication, click on "Access to e-Voting" iv. Click on company name or e-Voting service provider and you will be re-directed to e-Voting service provider website for casting the vote during the remote e-Voting period.
	B. Users not registered for IDeAS e-Services: i. To register click on link: https://eservices.nsdl.com ii. Select "Register Online for IDeA S" or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp iii. Proceed with completing the required fields. iv. Follow steps given in points 1.
	C. Alternatively, by directly accessing the e-Voting website of NSDL: i. Open URL: https://www.evoting.nsdl.com/ ii. Click on the icon "Login" which is available under 'Shareholder/Member' section. iii. Anew screen will open. You will have to enter your User ID (i.e., your sixteen-digit demat account number held with NSDL), Password / OTP and a Verification Code as shown on the screen. iv. Post successful authentication, you will be requested to select the name of the company and the e-Voting Service Provider name, i.e., KFintech. V. On successful selection, you will be redirected to KFintech e-Voting page for casting your vote during the remote e-Voting period.

	D. NSDL Speede Shareholders/Members can also download NSDL Mobile App "NSDL Speede" facility by scanning the QR code mentioned below for seamless voting experience. NSDL Mobile App is available on App Store Google Play
Individual Shareholders holding securities in demat mode with CDSL	**A, Existing user who have opted for Easi / Easiest** i. Visit URL: https://web.cdslindia.com/myeasitoken/home/login or URL: www.cdslindia.com ii. Click on New System Myeasi iii. Login with your registered user id and password. iv. The user will see the e-Voting Menu. The Menu will have links of ESP i.e., KFintech e-Voting portal. v. Click on e-Voting service provider name to cast your vote.
	B. User not registered for Easi/Easiest i. Option to register is available at https://web.cdslindia.com/myeasitoken/home/login ii. Proceed by completing the required fields. iii. Follow the steps given in point 1. **C. Alternatively, by directly accessing the e-Voting website of CDSL:** i. Visit URL: www.cdslindia.com ii. Provide your demat Account Number and PAN No. iii. System will authenticate user by sending OTP on registered Mobile & Email as recorded in the demat Account. iv. After successful authentication, user will be provided links for the respective ESP, i.e., KFintech where the e- Voting is in progress.

Individual Shareholder login through their demat accounts / Website of Depository Participant	i. You can also login using the login credentials of your demat account through your DP registered with NSDL / CDSL for e-Voting facility. ii. Once logged-in, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL / CDSL Depository site after successful authentication, wherein you can see e-Voting feature. iii. Click on options available against company name or e-Voting service provider - Kfintech and you will be redirected to e-Voting website of KFintech for casting your vote during the remote e-Voting period without any further authentication.

Important note: Members who are unable to retrieve User ID / Password are advised to use Forgot user ID and Forgot Password option available at respective websites.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e., NSDL and CDSL.

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.com or call at: 022 - 4886 7000 and 022 - 2499 7000
Individual Shareholders holding securities in Demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at toll free no. 1800 22 55 33

Details on Step 2 are mentioned below:

Login method for e-Voting for shareholders other than Individual's shareholders holding securities in demat mode and shareholders holding securities in physical mode.

A. Members whose email IDs are registered with the Company/ Depository Participants (s), wi8 receive an email from KFintech which will include details of E-Voting Event Number (EVEN), USER ID and password. They will have to follow the following process:

a) Launch internet browser by typing the URL: https://evoting.kfintech.com/

b) Enter the login credentials (i.e., User ID and password). In case of physical folio, User ID will be EVEN (E-Voting Event Number) xxxx, followed by folio number. In case of Demat account, User ID will be your DP ID and Client ID. However, if you are already registered with KFintech for e-voting, you can use your existing User ID and password for casting the vote.

c) After entering these details appropriately, click on "LOGIN".

d) You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A- Z), one lowercase (a-z), one numeric value(0-9) and a special character(@,#,$, etc.,).

The system will prompt you to change your password and update your contact details like mobile number, email ID etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.

e) You need to login again with the new credentials.

On successful login, the system will prompt you to select the “EVEN” i.e., “Kernex Microsystems (India) Limited 34th AGM” and click on “Submit.”

8) On the voting page, enter the number of shares (which represents the number of votes) as on the Cut-off Date under “FOR/AGAINST” or alternatively, you may partially enter any number in “FOR” and partially “AGAINST” but the total number in “FOR/AGAINST” taken together shall not exceed your total shareholding as mentioned herein above. You may also choose the option ABSTAIN. If the Member does not indicate either “FOR” or “AGAINST” it will be treated as “ABSTAIN” and the shares held will not be counted under either head.

h) Members holding multiple folios/demat accounts shall choose the voting process separately for each folio/ demat accounts.

i) Voting has to be done for each item of the notice separately. In case you do not desire to cast your vote on any specific item, it will be treated as abstained.

j) You may then cast your vote by selecting an appropriate option and click on “Submit”.

k) A confirmation box will be displayed. Click “OK” to confirm else “CANCEL” to modify. Once you have voted on the resolution(s), you will not be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the Resolution(s).

l) Corporate/Institutional Members (i.e., other than Individuals, HUF, NRI etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/Authority Letter etc., authorising its representative to attend the AGM through VC / OAVM on its behalf and to cast its vote through remote e-voting. Together with attested specimen signature(s) of the duly authorised representative(s), to the Scrutiniser at email id rao_ds7@yahoo.co.in with a copy marked to evoting@kfintech.com. The scanned image of the above-mentioned documents should be in the naming format “Kernex Microsystems (India) Limited”

B. Members whose email IDs are not registered with the Company/Depository Participants(s), and consequently the Annual Report, Notice of AGM and e-voting instructions cannot be serviced, will have to follow the following process:

Procedure for Registration of email and Mobile for securities in physical mode:

Physical shareholders are hereby notified that based on SEBI Circular number: SEBI/HO/MIRSD/MIRSD-PoD-I/P/CIR/2023/37, dated March 16, 2023, all holders of physical securities in listed companies shall register the postal address with PIN for their corresponding folio numbers. It shall be mandatory for the security holders to provide mobile number. Moreover, to avail online services, the security holders can register e-mail ID. Holder can register/update the contact details through submitting the requisite form ISR 1 along with the supporting documents.

Form ISR I can be obtained by following the link:

https://ris.kfintech.com/clientservices/isc/default.aspx ISR Form(s) and the supporting documents can be provided by any one of the following modes.

a. Through 'In Person Verification' (IPV): the authorised person of the RTA shall verify the original documents furnished by the investor and retain copy(ies) with IPV stamping with date and initials; or

b. Through hard copies which are self-attested, which can be shared on the address below; or Name: KFIN Technologies Limited

   Unit: Kernex Microsystems (India) Limited

   Address: Selenium Building, Tower-B, Plot No 31 & 32, Financial District, Nanakramguda, Serilingampally, Hyderabad, Rangareddy, Telangana, India - 500 032.

c. Through electronic mode with e-sign by following the link: https://ris.kfintech.Com/c1ientserv1ces/isc/default.aspx#

Detailed FAQ can be found on the link: https://ris.kfintech.com/faq.html

For more information on updating the email and Mobile details for securities held in electronic mode, please reach out to the respective DP(s), where the DEMAT a/c is being held.

After receiving the e-voting instructions, please follow all steps above to cast your vote by electronic means.

Details on Step 3 are mentioned below:

Instructions for all the shareholders, including Individual, other than Individual and Physical, for attending the AGM of the Company through VC/OAVM and e-Voting during the meeting.

a) Member will be provided with a facility to attend the AGM through VC / OAVM platform provided by KFintech. Members may access the same at https://emeetings.kfintech.com/ by using the e-voting login credentials provided in the email received from the Company/KFintech. After logging in, click on the Video Conference tab and select the EVENT of the Company. Click on the video symbol and accept the meeting etiquettes to join the meeting. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned above.

b) Facility for joining AGM though VC/ OAVM shall open at least 30 minutes before the commencement of the Meeting.

c) Members are encouraged to join the Meeting through Laptops/ Desktops with Google Chrome (preferred browser), Safari, Internet Explorer, Microsoft Edge, Mozilla Firefox 22.

d) Members will be required to grant access to the webcam to enable VC / OAVM. Further, Members connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.

e) As the AGM is being conducted through VC / OAVM, for the smooth conduct of proceedings of the AGM, Members are encouraged to express their views / send their queries in advance mentioning their name, demat account number / folio number and email id.

f) The Members who have not cast their vote through remote e-voting shall be eligible to cast their vote through e-voting system available during the AGM. E-voting during the AGM is integrated with the VC / OAVM platform. The Members may click on the voting icon displayed on the screen to cast their votes.

g) A Member can opt for only single mode of voting i.e., through Remote e-voting or voting at the AGM. If a Member cast votes by both modes, then voting done through Remote e-voting shall prevail and vote at the AGM shall be treated as invalid.

h) Facility of joining the AGM through VC / OAVM shall be available for at least 2000 members on first come first served basis.

i) Institutional Members are encouraged to attend and vote at the AGM through VC / OAVM.

OTHER INSTRUCTIONS

i. Speaker Registration: The Members who wish to speak during the meeting may register themselves as speakers for the AGM to express their views. They can visit and login through https://emeetings.kfintech.com the user id and password provided in the mail received from Kfintech. On successful login, select ‘Speaker Registration’ which will be opened from September 25, 2026 (09:00 Hours IST) to September 27, 2026 (17.00 Hours IST). Members shall be provided a ‘queue number’ before the meeting. The Company reserves the right to restrict the speakers at the AGM to only those Members who have registered themselves, depending on the availability of time for the AGM.

ii. Post your Question: The Members who wish to post their questions prior to the meeting can do the same by visiting https://emeetings.kfintech.com. Please login through the user id and password provided in the mail https://emeetings.kfintech.com received from Kfintech. On successful login, select ‘Post Your Question’ option which will be opened from September 25, 2026 (09:00 Hours IST) to September 27, 2026 (17.00 Hours IST).

iii. In case of any query and/or grievance, in respect of voting by electronic means, Members may refer to the Help & Frequently Asked Questions (FAQs) and E-voting user manual available at the download section of https://evoting.kfintech.com (KFintech Website) or contact Mr. Ganesh Patro, at evoting@kfintech.com or call KFintech’s toll free No. 1-800-309-4001 for any further clarifications.

iv. The Members, whose names appear in the Register of Members / list of Beneficial Owners as on Wednesday, September 23, 2026 (End of Day), being the cut-off date, are entitled to vote on the Resolutions set forth in this Notice. A person who is not a member as on the cut-off date should treat this Notice for information purposes only. Once the vote on a resolution(s) is cast by the Member, the Member shall not be allowed to change it subsequently.

v. In case a person has become a Member of the Company after dispatch of AGM Notice but on or before the cut off date for E-voting, he/she may obtain the User ID and Password in the manner as mentioned below:

If e-mail address or mobile number of the member is registered against Folio No. / DP ID Client ID, then on the home page of https://evoting.kfintech.com/, the member may click “Forgot Password” and enter Folio No. or DP ID, Client ID and PAN to generate a password.

Members who may require any technical assistance or support before or during the AGM are requested to contact KFintech at toll free number 1-800-309-4001 or write to them at evoting@kfintech.com.

vi. The results of the electronic voting shall be submitted to the Stock Exchanges after the AGM. The results along with the Scrutiniser’s Report, shall also be placed on the website of the Company

GENERAL INSTRUCTIONS:

a. The Company confirms that it has complied with all applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

b. The Company’s equity shares are Listed at (i) BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001, Maharashtra, India; and (ii) National Stock Exchange of India Limited, Exchange Plaza, Floor 5, Plot No. C/1, Bandra (East), Mumbai – 400051, Maharashtra, India and the Company has paid the Annual Listing Fees to the said Stock Exchanges for the year 2026 – 2027.

c. Members are requested to send all communication relating to shares (Physical and Electronic) to the Company’s Registrar and Share Transfer Agent at KFIN Technologies Limited (Unit: Kernex Microsystems (India) Limited), Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad-500032, Telangana State, India.

d. Register of Directors and Key Managerial Personnel (KMP) and their shareholding under Section 170 of the Companies Act, 2013 and the rules made thereunder and Register of Contracts maintained under Section 189 of the Companies Act, 2013 and the rules made thereunder are available for inspection at the registered office of the Company.

e. As required under Listing Regulations and Secretarial Standard-2 on General Meetings, details in respect of Directors seeking appointment/re-appointment at the Annual General Meeting is separately annexed hereto. Directors seeking appointment/re-appointment have furnished requisite declarations under Section 164(2) and other applicable provisions of the Companies Act, 2013 including rules framed thereunder.

GENERAL INFORMATION:

i. Members holding shares either in demat or physical mode who are in receipt of Notice, may cast their votes through e-voting.

ii. Members opting for e-voting, for which the USER ID and initial password are provided in a separate sheet. Please follow steps under the heading ‘INSTRUCTIONS FOR E-VOTING’ above to vote through e-voting platform.

iii. The e-voting period commences from 09:00 Hours (IST) on Sunday, September 27, 2026, to 17.00 Hours (IST) on Tuesday, September 29, 2026. During this period, the members of the Company holding shares either in physical form or in demat form, as on the cut-off date Wednesday, September 23, 2026, may cast their vote electronically. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

iv. The Company has appointed Mr. D S Rao (Membership No. ACS 12394 and CP No. 14487) of Practicing Company Secretaries as the Scrutiniser to conduct the voting process (e-voting and poll) in a fair and transparent manner.

v. The Scrutiniser shall, within a period not exceeding 2 working days from the conclusion of the Annual General Meeting unlock the votes in the presence of at least two (2) witnesses, not in the employment of the Company and make a Scrutiniser's Report containing the details with respect to votes cast in favour, against and abstained and submit the same to the Chairman of the Company

vi. Subject to the receipt of sufficient votes, the resolution shall be deemed to be passed at the 34th Annual General Meeting of the Company scheduled to be held on Wednesday, September 30, 2026, the results declared along with the Scrutiniser's Report shall be placed on the Company's website www.kernex.in and on the website of KFintech evoting.kfintech.com, within 2 working days of conclusion of the Annual General Meeting.

EXPLANATORY STATEMENT

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

As required by Section 102 of the Companies Act, 2013 (Act), the following explanatory statement sets out all the material facts relating to the business mentioned under Item Nos. 4 to 9 of the accompanying Notice.

Item No. 4

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

Pursuant to the recommendation of the Audit Committee, the Board of Directors at its meeting held on 29th May 2026 appointed M/s. M P R & Associates, Cost Accountants, (Registration No. 000413) to the office of Cost Auditors of the Company for the FY 2026-27 at a remuneration of Rs. 1,50,000/- per annum, subject to the approval of the members of the Company.

In accordance with Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors requires ratification by the Shareholders and hence the resolution at No. 4 in the Notice attached herewith is put up for the consideration of the shareholders.

The resolution is recommended for your consideration and approval.

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

Item No. 5

Members are aware that Mr. Badari Narayana Raju was reappointed as a Whole-Time Director of the Company for a period of three years, with effect from 2nd September 2023 till 1st September 2026, by means of a Special Resolution passed by the Members at the 31st Annual General Meeting of the Company held on 30th September 2023, on the terms and conditions, including payment of remuneration. Further, the Members, based on the recommendation of the Nomination and Remuneration Committee and the Board at their meetings held on 13th August 2026, have approved the re-appointment of Mr. Badari Narayana Raju Manthena (DIN: 07993925) as a Whole-Time Director for a further period of three years w.e.f. 2nd September 2026, subject to approval of shareholders at the ensuing general meeting.

Mr. Badari Narayana Raju Manthena has been in the employment of the Company for the past 25 years in a senior level position, with the designation of Chief Administrative and Commercial Officer and as a Whole-Time Director from 20th November 2017, he has been looking after the General and Personnel Administration, liaison with all Government Agencies, and ensuring compliance with GST, PF, ESI, etc. He possesses extensive experience in Business Development, Project Management, Strategic Planning, Operational Planning, and Financial Management, with a specialization in Domestic Marketing.

Mr. Badari Narayana Raju Manthena (DIN: 07993925) holds 17,087 (Seventeen Thousand Eighty-Seven Only) equity shares, constituting 0.014% of the total equity share capital of the Company. Mr. Badari Narayana Raju Manthena (DIN: 07993925) does not have any directorship or membership of committee of Board in any other listed company. The Board of Directors recommends the resolution in relation to the appointment of Whole-Time Director for the approval of the shareholders of the Company.

Mr. Badari Narayana Raju Manthena has extensive experience and knowledge of the Company's business, operations and industry. During his association with the Company, he has made valuable contributions towards the Company's operations, business development and strategic initiatives. His continued association with the Company is considered important for providing leadership, continuity and guidance in the execution of the Company's ongoing and proposed business initiatives.

Mr. Badari Narayana Raju Manthena has attained the age of 70 years during the proposed tenure of his re-appointment. In terms of Section 196(3)(a) of the Companies Act, 2013, no person who has attained the age of seventy years shall be appointed or re-appointed as Managing Director, Whole-Time Director or Manager except with the approval of the Members by way of a Special Resolution.

The Board is of the view that his age should not be a bar to his continued association with the Company, considering his extensive experience, knowledge of the Company's business, managerial capabilities and valuable contribution to the Company. His continued guidance and leadership are expected to be beneficial to the Company, particularly in view of its ongoing business expansion, execution of projects and future growth plans.

Accordingly, the Board considers the re-appointment and continuation of Mr. Badari Narayana Raju Manthena as Whole-Time Director, notwithstanding that he has attained the age of 70 years, to be in the best interests of the Company and its stakeholders.

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

I. GENERAL INFORMATION:

Nature of industry	The Company is specialized in Integrating Technologies related to Wireless Front-end, Satellite Communication, Embedded Systems, Signal Processing, Network Management and Software development.
Date or expected date of commencement of commercial production	The Company was incorporated in the year 1991 and commercial production commenced simultaneously.
In the case of new companies, the expected date of commencement of activities, as per the project approved by the financial institutions appearing in the prospectus	Not applicable

<table>
<tr><td rowspan="4">Financial performance based on given indicators (Figures in Lakhs)</td><td>Financial Year</td><td>2025-26
(Rs. In Lakhs)</td><td>2024-25
(Rs. In Lakhs)</td><td>2023-24
(Rs. In Lakhs)</td></tr>
<tr><td>Gross Revenue</td><td>42,857.52</td><td>19,183.13</td><td>2,131.49</td></tr>
<tr><td>Profit/(loss) before tax</td><td>10,942.47</td><td>3,337.43</td><td>(2,049.21)</td></tr>
<tr><td>Net Profit/(loss)</td><td>8,062.52</td><td>5,091.71</td><td>(2,040.53)</td></tr>
<tr><td>Foreign investments or collaborations, if any.</td><td colspan="4">The Company has not entered into any material foreign collaboration, and no direct capital investment has been made in the Company during the previous three financial years.</td></tr>
</table>

II. INFORMATION ABOUT THE APPOINTEE: Mr. BADARI NARAYANA RAJU MANTHENA

1.	Background details	Mr. Badari Narayana Raju Manthena has been in the employment of the Company for the past 25 years in a senior level position, with the designation of Chief Administrative and Commercial Officer and as a Whole Time Director from 20th November 2017, he has been looking after the General and Personnel Administration, liaison with all Government Agencies, and ensuring compliance with GST, PF, ESI, etc. He has extensive experience in Business Development, Project Management, Strategic Planning, Operational Planning, and Financial Management, with a specialization in Domestic Marketing.
2.	Past and Proposed remuneration	Past Remuneration: Rs. 12,50,000/- per month, including HRA and other allowances. Proposed remuneration shall be in the range of Rs. 12,50,000/- to Rs. 22,00,000/- per month, including House Rent Allowance and other allowances. The present remuneration of Rs. 12,50,000/- per month will continue.
3.	Recognition or awards	-NIL-
4.	Job Profile and Suitability	Mr. Badari Narayana Raju Manthena has been in the employment of the Company for the past 25 years in a senior level position, with the designation of Chief Administrative and Commercial Officer and as a Whole Time Director from 20th November 2017, he has been looking after the General and Personnel Administration, liaison with all Government Agencies, and ensuring compliance with GST, PF, ESI, etc. He has extensive experience in Business Development, Project Management, Strategic Planning, Operational Planning, and Financial Management, with a specialization in Domestic Marketing.

5.	Comparative remuneration profile with respect to the Industry, Size of the Company, Profile of the Position and Person (in case of expatriates, the relevant details would be with respect to the country of his origin)	Taking into consideration the size of the Company, the profile of the Whole-Time Director, the responsibilities shouldered by him, and the industry benchmarks, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior-level positions in other companies.
6.	Pecuniary relationship, directly or indirectly, with the Company, or relationship with the managerial personnel, if any.	There is no pecuniary relationship with the Company or its Key Managerial Personnel other than his remuneration in the capacity of Whole-Time Director. He is holding 17,087 shares in the Company in his personal capacity.

III. Other information:

1. Reasons of loss or inadequate profits:
Not applicable as the company has profits.

2. Steps taken or proposed to be taken for improvement:
The operations of the company are being scaled up to increase revenues.

3. Expected increase in productivity and profits in measurable terms:
We expect a substantial increase in production, which is leading to good improvement in operating margins.

The Board of Directors recommends the Special Resolution as set out in Item No. 5 in the Notice for approval of the Shareholders.

None of the Directors/Key Managerial Personnel or their relatives is concerned or interested in the Resolution except Mr. Badari Narayana Raju Manthena being interested in this resolution.

Item No: 6

Members are aware that Mr. Sitarama Raju Manthena was reappointed as a Whole-Time Director of the Company for a period of three years with effect from 2nd September 2023 till 1st September 2026, by means of a Special Resolution passed by the Members at the 31st Annual General Meeting of the Company held on 30th September 2023, on the terms and conditions, including payment of remuneration. Further, the Members, based on the recommendation of the Nomination and Remuneration Committee and the Board at their meetings held on 13th August 2026, have approved the re-appointment of Mr. Sitarama Raju Manthena (DIN: 08576273) as a Whole-Time Director for a further period of three years, w.e.f. 2nd September 2026, subject to the approval of the shareholders at the ensuing general meeting.

Mr. Sitarama Raju Manthena (DIN: 08576273) holds a Bachelor Degree BS Computer Science and Minor in Business Administration. He has over two decades of experience and expertise in International Business development, Project Management, Strategic planning, Operational planning and Financial acumen, with specialization in International Marketing.

Mr. Sitarama Raju Manthena (DIN: 08576273) is the son of Dr. Anji Raju Manthena and Mrs. Parvathi

Manthena, and Brother of Ms. Sreelakshmi Manthena. Mr. Sitarama Raju Manthena (DIN: 08576273) holds 7,12,992 (Seven Lakhs Twelve Thousand Nine Hundred and Ninety Two Only) equity shares, constituting 4.25% of the total equity share capital of the Company. Mr. Sitarama Raju Manthena (DIN: 08576273) does not have any directorship or membership of committee of Board in any other listed company. The Board of Directors recommends the resolution in relation to the appointment of Whole-Time Director for the approval of the shareholders of the Company.

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

I. GENERAL INFORMATION:

<table>
<tr><td>1.</td><td>Nature of industry</td><td colspan="4">The company is specialized in Integrating Technologies related to Wireless Front-end, Satellite Communication, Embedded Systems, Signal Processing, Network Management and Software development.</td></tr>
<tr><td>2.</td><td>Date or expected date of commencement of commercial production</td><td colspan="4">The company was incorporated in the year 1991 and the commercial production commenced simultaneously</td></tr>
<tr><td>3.</td><td>In the case of new companies, the expected date of commencement of activities, as per the project approved by the financial institutions appearing in the Prospectus</td><td colspan="4">Not applicable</td></tr>
<tr><td rowspan="4">4.</td><td rowspan="4">Financial performance based on the given indicators (Figures in Lakhs)</td><td>Financial Year</td><td>2025-26
(Rs. In Lakhs)</td><td>2024-25
(Rs. In Lakhs)</td><td>2023-24
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<tr><td>Net Profit/(loss)</td><td>8,062.52</td><td>5,091.71</td><td>(2,040.53)</td></tr>
<tr><td>5.</td><td>Foreign investments or collaborations, if any.</td><td colspan="4">The Company has not entered into any material foreign collaboration, and no direct capital investment has been made in the Company during the previous three financial years.</td></tr>
</table>

II. INFORMATION ABOUT THE APPOINTEE: Mr. Sitarama Raju Manthena

1.	Background details	Mr. Sitarama Raju Manthena holds a Bachelor's Degree BS in Computer Science with a Minor in Business Administration. He also has over two decades of experience and expertise in International Business Development, Project Management, Strategic Planning, Operational Planning, and Financial acumen with specialization in International Marketing.

2.	Past and Proposed remuneration	Past Remuneration: 12,50,000/- per month, including HRA and other allowances. Proposed remuneration shall be in the range of Rs. 12,50,000/- to Rs. 22,00,000/- per month, including House Rent Allowance and other allowances. The present remuneration of Rs. 12,50,000/- per month will continue.
3.	Recognition or awards	-NIL-
4.	Job Profile and Suitability	Mr. Sitarama Raju Manthena holds a Bachelor's Degree BS in Computer Science with a Minor in Business Administration. He also has over two decades of experience and expertise in International Business Development, Project Management, Strategic Planning, Operational Planning, and Financial acumen with specialization in International Marketing.
5.	Comparative remuneration profile with respect to the Industry, Size of the Company, Profile of the Position and Person (in case of expatriates, the relevant details would be with respect to the country of his origin)	Taking into consideration the size of the Company, the profile of the Whole-Time Director, the responsibilities shouldered by him, and the industry benchmarks, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior-level positions in other companies.
6.	Pecuniary relationship, directly or indirectly, with the Company, or relationship with the managerial personnel, if any.	Mr. Sitarama Raju Manthena (DIN: 08576273) is the son of Dr. Anji Raju Manthena and Mrs. Parvathi Manthena, and Brother of Ms. Sreelakshmi Manthena. Mr. Sitarama Raju Manthena (DIN: 08576273) is holding 7,12,992 (Seven Lakhs Twelve Thousand Nine Hundred and Ninety-Two) equity shares, constituting 4.25% of the total equity share capital of the Company.

III. Other information:

1. Reasons of loss or inadequate profits:

Not applicable as the company has profits.

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

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

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

We expect a substantial increase in production, which is leading to good improvement in operating margins.

The Board of Directors recommends the Special Resolution as set out in Item No. 6 in the Notice for approval of the Shareholders.

None of the Directors/Key Managerial Personnel or their relatives are concerned or interested in the resolution except Mr. Sitarama Raju Manthena (being interested), Dr. Anji Raju Manthena, Mrs. Parvathi Manthena and Ms. Sree Lakshmi Manthena, Promoter Directors.

Item No: 7

Mr. Seshagiri Rao Adabala (DIN: 09608973) was appointed as an Independent Director by the Board of Directors on 06.09.2024 and subsequently approved by the Members of the Company at the 32nd Annual General Meeting held on 30.09.2024, for a term of two years with effect from 06.09.2024 up to 05.09.2026.

Pursuant to the performance evaluation of Mr. Seshagiri Rao Adabala, considering his valuable guidance, active participation in the deliberations of the Board and Committees, significant contributions during his tenure, and the benefits of his continued association with the Company, the Nomination and Remuneration Committee (“NRC”) recommended his re-appointment. Based on the recommendation of the NRC on 03.09.2026, the Board of Directors on 05.09.2026 approved the proposal for his re-appointment as a Non-Executive Independent Director, not liable to retire by rotation, for a second consecutive term of five years, commencing from 06.09.2026 and ending on 05.09.2031, subject to the approval of the Members by way of a Special Resolution in terms of Sections 149, 150, 152 and other applicable provisions of the Companies Act, 2013 and the applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”).

The Company has, in terms of Section 160(1) of the Act, received in writing a notice from a Member, proposing his candidature for the office of Director. In terms of Regulation 17(1C)(a) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), the Company is required to obtain the approval of Members for the re-appointment of a Director at the next General Meeting or within a period of three months from the date of reappointment, whichever is earlier.

Mr. Seshagiri Rao Adabala, aged 65 years, holds a Degree of Bachelor of Science and Degree of Bachelor of Law from Andhra University. He holds a diploma in Industrial Relations & Personnel Management and a Diploma in Marketing & Sales Management from the Bharatiya Vidya Bhavan. He is a Certified Associate of the Indian Institute of Bankers (CAIIB Retail Banking examination) from the Institute of Banking & Finance.

Mr. Seshagiri Rao Adabala started his career as a Medical Detailing Officer (Medical Representative) before transitioning to banking. In the Banking sector, he rose through the ranks from clerk to Deputy General Manager. He was a Zonal Head for Pune, overseeing 92 branches with a business mix of ₹12,000 crores, underscores the scale of his influence and the trust placed in his leadership.

With more than 35 years of experience across Business Development, General Administration, and Banking and Financial Services, he has developed a comprehensive skill set. His expertise spans critical areas such as branch management, credit operations, risk management, and business growth strategies. His leadership experience in managing large teams and complex financial operations will undoubtedly be an asset to any organization.

His rich experience in banking and financial services will provide valuable insights and strategic direction. His deep understanding of business development will help in formulating growth strategies, while his experience in general administration will ensure efficient and smooth operations. Additionally, his proven leadership in managing high-performing teams will be critical in driving the company’s success in a competitive environment.

The Company has received from Mr. Seshagiri Rao Adabala (i) Consent to act as Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 (‘Rules’); (ii) Intimation in Form DIR-8 in terms of the Rules to the effect that he is not disqualified under the provisions of Section 164(2) of the Act; (iii) Declaration to the effect that he meets the criteria of independence as provided in Section 149(6) of the Act read with Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (‘SEBI Listing Regulations’); (iv) Confirmation in terms of Regulation 25(8) of the SEBI Listing Regulations that he is not aware of any circumstance or situation which exists or may be reasonably anticipated that could impair or impact his ability to discharge his duties; and (v) Declaration pursuant to BSE Limited Circular No. LIST/COMP/14/2018-19 and National Stock Exchange of India Limited Circular No. NSE/ML/2018/24 dated June 20, 2018, that he has not been debarred from holding office of a Director by virtue of any order passed by Securities and Exchange Board of India or any other such authority. Mr. Seshagiri Rao Adabala has also confirmed that he is in compliance with Rules 6(1) and 6(2) of the Rules, with respect to the registration with the data bank of Independent Directors maintained by the Indian Institute of Corporate Affairs.

In the opinion of the Board, Mr. Seshagiri Rao Adabala fulfills the conditions specified under the Act, the Rules made there under, and the SEBI Listing Regulations for his re-appointment as an Independent Director of the Company and is independent of the Management. Considering his qualifications, expertise, experience, integrity, skills, and valuable contribution to the deliberations of the Board, the Board is of the view that his continued association would be of immense benefit to the Company and, accordingly, recommends his re-appointment as an Independent Director for a second consecutive term.

The Board is also satisfied that Mr. Seshagiri Rao Adabala possesses the integrity, expertise, and experience required under the SEBI Listing Regulations, and that he is a person of high integrity and fulfills the conditions specified for appointment as an Independent Director.

The additional information and disclosures required under Secretarial Standards on General Meetings and Regulation 36(3) of the SEBI Listing Regulations are provided in the Annexure forming part of this Notice.

Accordingly, the Board recommends the Special Resolution set out at Item No. 7 of the accompanying Notice for approval by the Members.

Except Mr. Seshagiri Rao Adabala and his relatives, none of the Directors, Key Managerial Personnel of the Company, or their respective relatives is, in any way, concerned or interested, financially or otherwise, in the Resolution set out at Item No. 7 of the accompanying notice. Mr. Seshagiri Rao Adabala is not related to any Director or Key Managerial Personnel of the Company.

Item No. 8:

The Nomination and Remuneration Committee and the Board of Directors of the Company had recommended the appointment of Mr. Dinakara Rao Pasupuleti (DIN: 00009801) as an Independent Director of the Company for a term of two (2) years commencing from 30.09.2024 up to 29.09.2026. The Members of the Company approved his appointment at the 32nd Annual General Meeting held on 30.09.2024.

Pursuant to the performance evaluation of Mr. Dinakara Rao Pasupuleti, considering his valuable guidance, active participation in the deliberations of the Board and Committees, significant contributions during his tenure, and the benefits of his continued association with the Company, the Nomination and Remuneration Committee ("NRC") recommended his re-appointment. Based on the recommendation of the NRC on 03.09.2026, the Board of Directors on 05.09.2026 approved the proposal for his re-appointment as a Non-Executive Independent Director, not liable to retire by rotation, for a second consecutive term of five years, commencing from 30.09.2026 and ending on 29.09.2031, subject to the approval of the Members by way of a Special Resolution in terms of Sections 149, 150, 152 and other applicable provisions of the Companies Act, 2013 and the applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations").

The Company has, in terms of Section 160(1) of the Act, received in writing a notice from a Member proposing his candidature for the office of Director. In terms of Regulation 17(1C)(a) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), the Company is required to obtain the approval of Members for the re-appointment of a Director at the next General Meeting or within a period of three months from the date of re-appointment, whichever is earlier.

Mr. Dinakara Rao Pasupuleti, aged 81 years, holds a Post Graduate Degree in Applied Economics.

He started his career as a Probationary Officer with the State Bank of Hyderabad. During his distinguished banking career, he specialized in Human Resources Development, Personnel Management, Training, and Corporate Credit. He underwent specialized training in Behavioral Science from the Indian Society for Individual and Social Development (ISISD) and in Transactional Analysis from the International Transactional Analysis Association (ITAA). He retired as Chief General Manager of the State Bank of Hyderabad in 2005. Thereafter, he served as Director of Alpha Foundation and Senior Advisor to Maxwealth Trust Associates of ICFAI, Hyderabad. He is also an Arbitrator on the panels of the National Stock Exchange of India Limited (NSE), BSE Limited (BSE), and National Commodity & Derivatives Exchange Limited (NCDEX). He is presently serving as Director of SPYN Financial Services Private Limited.

With more than 35 years of extensive experience in banking, financial services, business development, and general administration, Mr. Dinakara Rao Pasupuleti possesses deep expertise in branch management, corporate credit, human resource management, risk management, business development, and strategic leadership. His rich experience and sound understanding of banking, finance, governance, and regulatory matters continue to provide valuable guidance to the Board in its decision-making process.

The Company has received from Mr. Dinakara Rao Pasupuleti (i) Consent to act as Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 ('Rules'); (ii) Intimation in Form DIR-8 in terms of the Rules to the effect that he is not disqualified under the provisions of Section 164(2) of the Act; (iii) Declaration to the effect that he meets the criteria of independence as provided in Section 149(6) of the Act read with Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('SEBI Listing Regulations'); (iv) Confirmation in terms of Regulation 25(8) of the SEBI Listing Regulations that he is not aware of any circumstance or situation which exists or may be reasonably anticipated that could impair or impact his ability to discharge his duties and (v) Declaration pursuant to BSE Limited Circular No. LIST/COMP/14/2018-19 and National Stock Exchange of India Limited Circular No. NSE/ML/2018/24 dated June 20, 2018, that he has not been debarred from holding office as a Director by virtue of any order passed by the Securities and Exchange Board of India or any other such authority. Mr. Dinakara Rao Pasupuleti has also confirmed that he is in compliance with Rules 6(1) and 6(2) of the Rules, with respect to the registration with the data bank of Independent Directors maintained by the Indian Institute of Corporate Affairs.

In the opinion of the Board, Mr. Dinakara Rao Pasupuleti fulfills the conditions specified under the Act, the Rules made there under, and the SEBI Listing Regulations for his re-appointment as an Independent Director of the Company and is independent of the Management. Considering his qualifications, expertise, integrity, experience, skills, and valuable contribution to the deliberations of the Board, the Board is of the view that his continued association would be of immense benefit to the Company and accordingly recommends his re-appointment as an Independent Director for a second consecutive term.

Mr. Dinakara Rao Pasupuleti has attained the age of 81 years. In terms of Regulation 17(1A) of the SEBI Listing Regulations, the continuation of a Non-Executive Director who has attained the age of seventy-five years requires the approval of the Members by way of a Special Resolution. The Board, based on the recommendation of the NRC, is of the view that notwithstanding his age, his vast experience in the banking and financial services sector, extensive leadership experience, sound knowledge of governance practices, independent judgment, and continued valuable contribution to the affairs of the Company make his continued association highly beneficial to the Company. Accordingly, the Board recommends his continuation as an Independent Director beyond the age of seventy-five years.

The Board is also satisfied that Mr. Dinakara Rao Pasupuleti possesses the integrity, expertise, and experience required under the SEBI Listing Regulations and is a person of high integrity who fulfills all the conditions specified for re-appointment as an Independent Director.

The additional information and disclosures required under Secretarial Standard on General Meetings and Regulation 36(3) of the SEBI Listing Regulations are provided in the Annexure forming part of this Notice.

Accordingly, the Board recommends the Special Resolution set out at Item No. 8 of the accompanying Notice for approval by the Members.

Except Mr. Dinakara Rao Pasupuleti and his relatives, none of the Directors, Key Managerial Personnel of the Company, or their respective relatives is, in any way, concerned or interested, financially or otherwise, in the Resolution set out at Item No. 8 of the accompanying Notice. Mr. Dinakara Rao Pasupuleti is not related to any Director or Key Managerial Personnel of the Company.

Item No. 9:

The Board of Directors on 05.09.2026 has appointed Mrs. Renuka Rani Chadalawada (DIN: 08334469), as an Additional Director of the Company in the category of Independent Director, on the recommendation of the Nomination and Remuneration Committee at its meeting held on 03.09.2026, who shall hold office till the ensuing 34th Annual General Meeting of the Company. The Board further proposed her appointment as an Independent Director of the Company for a period commencing from 06.09.2026 to 30.09.2028. The Company has received notice in writing under section 160 of the Act, proposing the candidature of Mrs. Renuka Rani Chadalawada (DIN: 08334469) for the office of Independent Director of the Company.

Mrs. Renuka Rani Chadalawada holds an LLM from Osmania University and brings over 25 years of experience as a legal counsel to various corporates. She has extensive expertise in Contract Management, Corporate Governance, Litigation Management, Intellectual Property Services, and Arbitration. Throughout her career, she has served in key roles, including Member of the Institutional Ethics Committee and Chairperson of the Internal Complaints Committee. Her scholarly contributions include notable publications such as “Maintainability of Writ of Habeas Corpus for the Custody of Wife” and “History of Law Reporting in India,” both published in the Madras Law Journal.

The Company has received a declaration from Mrs. Renuka Rani Chadalawada that she meets the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and Regulation 16(1)(b), read with Regulation 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (‘SEBI Listing Regulations’). Further, Mrs. Renuka Rani Chadalawada is not disqualified from being appointed as a Director in terms of Section 164 of the Act, and she has given her consent to act as a Director. Mrs. Renuka Rani Chadalawada has confirmed that she is not aware of any circumstance or situation which exists or may reasonably be anticipated that could impair or impact her ability to discharge her duties as an Independent Director of the Company.

In terms of Regulation 36(3) of the SEBI Listing Regulations and Secretarial Standards on General Meetings, a brief profile of the Independent Director, the nature of her expertise in specific functional areas, other directorships and committee memberships, shareholding, and relationship with other directors of the Company are given in the notes to the Notice calling this Annual General Meeting.

In the opinion of the Board, Mrs. Renuka Rani Chadalawada fulfills the conditions for appointment as an Independent Director as specified in the Act and the SEBI Listing Regulations and is independent of the Management. The Company has received notice in writing from a member under Section 160 of the Act proposing her candidature for the office of Independent Director of the Company.

Your Directors recommend the resolution set out at Item No. 9 of the Notice for approval by the Members as a Special Resolution.

Mrs. Renuka Rani Chadalawada is interested in the resolution set out at Item No. 9 of the Notice as it relates to her appointment. Relatives of Mrs. Renuka Rani Chadalawada may be deemed to be interested in the resolution to the extent of their shareholding interest, if any, in the Company.

Save and except the above, none of the Directors, Key Managerial Personnel, or their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 9 of the Notice.

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

Sd/-
Prasada Rao Kalluri
Company Secretary

Place: Hyderabad
Date: 5th September 2026

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

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

Name of the Director	Mr. Sitarama Raju Manthena	Mr. Anji Raju Manthena
Director Identification No	08576273	01022368
Date of Birth	24.06.1973	03.04.1945
Date of First Appointment on the Board	30.09.2019	20.05.2005
Educational Qualifications	BS Computer Science with Business Administration	MBBS
Date of Appointment including terms and conditions of appointment	NA	NA
Relationship between Directors Inter-Se	He is the son of Dr. Anji Raju Manthena and Mrs. Parvathi Manthena, and Brother of Ms. Sreelakshmi Manthena.	Mrs. Parvathi Manthena is Wife, Mr. M Sitarama Raju is son and Ms. Sreelakshmi Manthena is daughter
Nature of Expertise in Specific Functional Area	He has over two decades of experience and expertise in International Business Development, Project Management, Strategic Planning, Operational Planning, and Financial acumen with specialization in International Marketing.	Over 50 years of experience in Business Development
Directorship in other Listed Entities as on date of Notice	Nil	Nil
Listed entities from which the appointee director has resigned in the past three years	Nil	Nil
Membership in Committees of other Listed Companies (includes only Audit Committee and Stakeholders Relationship Committee)	Nil	Nil
Details of Remuneration sought to be paid and the remuneration last drawn by such person	Rs. 12,50,000 per month as a Whole-Time Director	NA
Shareholding in the Company as on date of Notice	7,12,992	24,86,873
Number of Meetings of the Board attended during the year	2	2
The skills and capabilities required for the role and the manner in which the proposed person meets such requirements	The educational qualifications, expertise and vast experience of Mr. Sitarama Raju Manthena enables him to fulfil the role and discharge responsibilities as a Director	The educational qualifications, expertise and vast experience of Mr. Anji Raju Manthena enables him to fulfil the role and discharge responsibilities as a Director

Name of the Director	Mr. Adabala Seshagiri Rao	Mr. Pasupuleti Dinakara Rao
Director Identification No	09608973	00009801
Date of Birth	24.06.1973	04.09.1945
Date of First Appointment on the Board	06.09.2024	10.11.2018
Educational Qualifications	Graduate	Post Graduate
Date of Appointment including terms and conditions of appointment	For a period of five years w.e.f. 06.09.2026, subject to approval of shareholders	For a period of five years w.e.f. 30.09.2026, subject to approval of shareholders
Relationship between Directors Inter-Se	There is no inter se relationship with the directors	There is no inter se relationship with the directors
Nature of Expertise in Specific Functional Area	He has over 34 years' experience in General Management, Banking and Financial Services	35 years of experience across Business Development, General Administration, and Banking and Financial Services
Directorship in other Listed Entities as on date of Notice	1. Balaji Amines Limited 2. Nova Agritech Limited 3. Manoj Vaibhav Gems 'N' Jewellers Limited	Nil
Listed entities from which the appointee director has resigned in the past three years	Nil	Nil
Membership in Committees of other Listed Companies (includes only Audit Committee and Stakeholders Relationship Committee)	4	Nil
Details of Remuneration sought to be paid and the remuneration last drawn by such person	NA	NA
Shareholding in the Company as on date of Notice	Nil	Nil
Number of Meetings of the Board attended during the year	2	2
The skills and capabilities required for the role and the manner in which the proposed person meets such requirements	The educational qualifications, expertise and vast experience of Mr. Adabala Seshagiri Rao enables him to fulfil the role and discharge responsibilities as a Director	The educational qualifications, expertise and vast experience of Mr. Dinakara Rao Pasupuleti enables him to fulfil the role and discharge responsibilities as a Director

Name of the Director	**Mrs. Renuka Rani Chadalawada**
Director Identification No	08334469
Date of Birth	30.08.1968
Date of First Appointment on the Board	06.09.2026
Educational Qualifications	Post Graduate
Date of Appointment including terms and conditions of appointment	For a period commencing from 06.09.2026 to 30.09.2028, subject to approval of shareholders
Relationship between Directors Inter-Se	There is no inter se relationship with the directors
Nature of Expertise in Specific Functional Area	She has over 23 years of extensive expertise in Contract Management, Corporate Governance, Litigation Management, Intellectual Property Services, and Arbitration.
Directorship in other Listed Entities, as on date of Postal Ballot Notice	Raminfo Limited
Listed entities from which the appointee director has resigned in the past three years	Nil
Membership in Committees of other Listed Companies (includes only Audit Committee and Stakeholders Relationship Committee)	2
Details of Remuneration sought to be paid and the remuneration last drawn by such person	Nil
Shareholding in the Company including shareholding as a beneficial owner as on date of Postal Ballot Notice	Nil
Number of Meetings of the Board attended during the year	Nil
The skills and capabilities required for the role and the manner in which the proposed person meets such requirements	The educational qualifications, expertise, and vast experience of Mrs. Renuka Rani Chadalawada enable her to fulfil the role and discharge responsibilities as a Director.

DIRECTORS' REPORT

To
The Members,
Kernex Microsystems (India) Limited.

Your Directors take pleasure in presenting the Thirty-Fourth Annual Report, along with the audited financial statements of your Company for the year ended 31st March 2026.

1. Financial Results

During the year under review, the Company registered a Profit before tax of Rs. 10,942.47 lakhs for the year ended March 31, 2026, on a standalone basis. A summary of the financial performance of the Company on a standalone and consolidated basis for the financial year ended March 31, 2026, is given below:

(Rs. In Lakhs)

Particulars	Standalone		Consolidated	
	2025-26 Current Year	2024-25 Previous Year	2025-26 Current Year	2024-25 Previous Year
Revenue from Operations	42,580.96	18,965.11	43,022.12	18,977.39
Other Income	276.56	218.02	224.66	144.71
Total Revenue	42,857.52	19,183.13	43,246.78	19,122.10
Total Expenditure Before Interest, Depreciation and Exceptional Item	28,518.60	14,885.91	28,145.23	14,896.77
Profit/(Loss) before Interest, Depreciation and Exceptional Items, Prior Period Items & tax	14,338.91	4,297.22	15,101.55	4,225.33
Less: Prior period Items	-	-	-	-
Profit/(Loss) Before Interest, Depreciation and Exceptional Item	14,338.91	4,297.22	15,101.55	4,225.33
Finance Charges	2,814.22	677.01	2,815.07	691.94
Gross Profit/(Loss) before Depreciation and Exceptional Item	11,524.69	3,620.21	12,286.48	3,533.39
Depreciation	582.22	282.78	582.22	282.79
Net Profit(Loss) Before Tax and Exceptional Item	10,942.47	3,337.43	11,704.26	3,250.60
Exceptional Item	-	-	-	-
Provision for Tax	2,879.96	(1,754.28)	2,879.96	(1,754.28)
Net Profit/(Loss) After Tax	8,062.52	5,091.71	8,824.30	5,004.88

EPS Basic Diluted	48.072 48.068	30.381 30.353	52.71 52.67	29.975 29.947
Proposed Dividend on Equity Shares	-	-	-	-
Tax on proposed Dividend	-	-	-	-

The Standalone and Consolidated Financial Statements of the Company for the financial year ended March 31, 2026 have been prepared in accordance with the Indian Accounting Standard (Ind AS) as notified by the Ministry of Corporate Affairs and as amended from time to time.

Standalone

During the year under review, on standalone basis, the total Income from the operations increased by 224.52%. The same was Rs. 42,580.96/- Lakhs for the current FY 2025-26 as compared to Rs. 18,965.11/- Lakhs for the previous FY 2024-25. Total Net Profit increased by 158.35%, the same was Rs. 8,062.52/- Lakhs for the current FY 2025-26 as compared to Rs. 5,091.71/- Lakhs for the previous FY2024-25.

Consolidated

During the year under review, on consolidated basis, the total Income from the operations increased by 226.70%. The same was Rs.43,022.12 Lakhs for the current FY 2025-26 as compared to Rs. 18,977.39 Lakhs for the previous FY 2024-25. Total Net Profit increased by 176.31%, the same was Rs. 8,824.30 Lakhs for the current FY 2025-26 as compared to Rs. 5,004.88 Lakhs for the previous FY2024-25.

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

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

3. Dividends

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

4. State of Company's Affairs

Your Company recorded a turnover of Rs.42,580.96 Lakhs for the financial year 2025-26. The Company has reported a profit before tax of Rs. 10,942.47 Lakhs, compared to a profit of Rs. 5,004.88 Lakhs in the previous financial year.

North Central Railways (NCR Projects):

1. NCRA 382/408 RKM:

- The supply and installation works for the entire section is complete along with the supply of maintenance spares.
- The commissioning is completed for the below mentioned sections:
  - Chipyana Burgz (Excluding) - Tundla (Excluding) [2-Jun-26] : 175 RKm

- Tundla (Excluding) - Pankidham (Excluding) [1-Jul-26] : 207 RKm

- The work in the balance section is in progress as planned.
- All the locos were installed and maintenance phase has started
- The ISA documentation for the balance section is in progress

2. NCRB 250/343 RKM:

- The supply and installation works for the entire section is complete along with the supply of maintenance spares.
- The commissioning is completed for the below mentioned sections:
  - Kanpur (Excluding)-Prayagraj (Excluding) [22-Mar-26] : 190 RKm
  - Mirzapur (Including)- Block Hut K (Including) [30-Jul-26] : 60 RKm
- The work in the balance section is in progress as planned.
- All the locos were installed and maintenance phase has started
- The ISA documentation for the balance section is in progress

3. NCRD 108.66 RKM

- The supply of units for the entire section is complete and installation is in progress
- Three milestones have been completed, and the fourth milestone is progressing as planned
- The ISA documentation is in progress as planned
- Total no. of Kms commissioned in NCR section was 632 RKM
- Kernex has emerged as :
- First OEM interfaced Kavach with 4 Electronic Interlocking systems
- First OEM to run Vandhe Bharath commercially

4. South Central Railways (SCR)

- The handing over and commissioning activities for the SCR projects is complete and the sign off activities are in progress
- The Company continued support and maintenance activities in respect of commissioned sections.

5. ICF (Integral Coach Factory, Chennai)

- A total of 55 TCAS units have been supplied, out of which 50 units have been successfully installed and commissioned at designated locations, in compliance with all functional and technical specifications. The installation of the remaining units is currently in progress and is being carried out as per the planned schedule by ICF (as per the applicable JIT clause)

- The company continues to do the maintenance support in respect of commissioned locos allocated to various Zonal railways

6. Chittaranjan Locomotive Works (CLW) – Supply and Installation of Loco TCAS

- Your company has bagged order for Supply, Installation, Testing and commissioning and defect liability and long term annual maintenance of On-Board KAVACH equipment along with supply and installation of CAB roof antenna including complete wiring, harnessing, cabling and connection with Loco KAVACH System from Chittaranjan Locomotive Works. Total no. of units to be supplied is for 3,024 with a value of approximately Rs.2465.70 crores across 37 loco sheds in India
- The company has supplied 44% of the units to various loco sheds and 34% of the installations were complete.
- The Production and supply of balance units is progressing as planned.

7. South Eastern Railways (SER) - (GD & GQ Routes)

- Kernex Microsystems (India) Limited, in consortium with MRT Signals Limited, has successfully secured a major contract valued at approximately ₹325.33 crores. This prestigious order involves the Supply, Installation, Testing, and Commissioning of Kavach across GO & GO routes covering 688 RKM in the Kharagpur and Chakradharpur Divisions of South Eastern Railway.
- This significant win underscores the technical expertise and execution capabilities of both consortium partners in the field of advanced railway signaling and safety systems. It also marks a key milestone in their contribution to the Indian Railways' modernization and safety enhancement initiatives.
- The first two milestones were completed successfully, and third milestone work is in progress as planned. The units related to three milestones were delivered and installation work is in progress.
- Two FAT setups were done as scheduled. One Lab setup was completed for training purpose.
- Another FAT setup & Lab setup material is planned during the Milestone 3.
- The installation work at different stations is in progress as planned. The appointment of assessor for the ISA activity was finalized and the documentation is in progress

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

- KERNEX-VRRC CONSORTIUM has bagged order for Provision Of Kavach (Train Collision Avoidance System), In MAS-GDR, MAS-AJJ, AJJ-RU Sections (271km) Of Chennai Division in SR valued at approximately ₹173.11 crores.
- The work related to first two milestones is complete and the activities planned for milestone 3 are in progress. The units were supplied as per the milestones and the installations are in progress.

- The FAT setup & Lab setup is complete as scheduled. The training activities using lab (Coimbatore) have commenced.

- Appointment of assessor for the ISA activity is finalized and the documentation is in progress

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

- KERNEX-VRRC CONSORTIUM has bagged order for Provision of KAVACH (Train Collision Avoidance System) along with Tower and 48 Fiber OFC as backbone Network in Arakkonam (AJJ Jn)-Jolarpettai(JTJ Jn) Section of Chennai Division in SR valued at approximately ₹135 crores.

- The survey of stations in the entire section is complete.

- The work related to first two milestones is complete and the activities planned for milestone 3 are in progress. The units, FAT & Lab setup material are planned and supplied as per the Milestone 3 commitments

- Appointment of assessor for the ISA activity is finalized and the documentation is in progress

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

- KERNEX-KEC Consortium has bagged order for Provision of KAVACH Version 4.0 or latest (formerly known as Train Collision Avoidance System-TCAS), including provision of communication back bone based on UHF and OFC on Palanpur – Samakhiyali – Gandhidham Section on Ahmedabad Division of Western Railway valued at approximately ₹182.81 crores.

- Two Milestones were completed and the work was completed as planned. The survey of all stations is complete and the materials were dispatched as per the milestone commitments. The towers are erected as planned. The installation work in Stations & LC's is in progress and the production of balance material is progressing as planned.

- Appointment of assessor for the ISA is finalized and the documentation is in progress.

11. Itarsi (Excl) – Khandwa (Excl) – Bina (Excl) – Ruthiyai (Excl) Section (355 Km) On Bhopal division of Western Central Railway

- KERNEX-KEC Consortium has bagged order for Provision of KAVACH Version 4.0 or latest (formerly known as Train Collision Avoidance System-TCAS), including provision of communication back bone based on UHF and OFC on Itarsi (Excl) – Khandwa (Excl) – Bina (Excl) – Ruthiyai (Excl) Section (355 Km) On Bhopal division of Western Central Railway valued at approximately ₹151.4 crores.

- Three milestones were completed as planned. The survey activity of entire section is complete. The setup of PMIS offices at 3 locations is complete.

- Materials were dispatched as per the milestone commitments. The erection of towers & installations at Stations & LCs is in progress as planned.

- Appointment of assessor for the ISA is finalized and the documentation is in progress.

12. ISA Activity:

- Kernex has completed interoperability tests at Lab and in field during Kavach 4.0 Development.
- As per directive from Railway Board and RDSO, the interoperability shall be certified by Independent safety assessor (ISA). The witness trials were completed and the safety assessment report, followed by approval is awaited.

International

Status of the Project -

EGYPTIAN NATIONAL RAILWAYS (ENR), CAIRO

Project Overview:

- Total Gates Supplied: 136
- Total Gates Installed and Commissioned: 124
- Final Handover Status: In Progress (Only 1 Left)

Material Supply and Adjustments:

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

Warranty Maintenance:

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

SIL Certification

The Company has successfully received Safety Integrity Level (SIL) Certification for the ENR Level Crossing (LC) Gates, demonstrating compliance with the prescribed functional safety and reliability requirements for safety-critical railway applications.

5. Change in Nature of business

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

6. Transfer of unclaimed dividend

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

7. Annual Return

The Annual Return of the Company as on March 31, 2026, in the Form MGT-7 in accordance with Section 92(3) and 134(3)(9) of the Act as amended from time to time and the Companies (Management and Administration) Rules, 2014 is available on the website of the Company at www.kernex.in.

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

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

9. Subsidiary and Joint Venture details with consolidated financial statement

Your Company has one 100% wholly owned subsidiary, Avant-Garde Info systems Inc., in the USA, and Three Joint Ventures (KERNEX TCAS – JV, VRRC-KERNEX-CE-RVR-JV, KERNEX-BHEPL JV, & KERNEX VRRC JV). There were no associate companies as of 31st March 2026. There has been no change in the business activities of the subsidiary and the Joint Ventures during the year under review.

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

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

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

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

10. Directors and Key Managerial Personnel

The following are the Key Managerial Personnel (KMP) of the Company pursuant to the provisions of Section 203 of the Companies Act, 2013, as on 31st March, 2026:-

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

The following are the Directors of the Company as on 31st March 2026 apart from Key Managerial Personnel mentioned above:

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

Independent Director Declaration:

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

The Company has received the necessary declaration from each Independent Director in accordance with Section 149(7) of the Companies Act, 2013, read with Regulations 16 and 25(8) of the Listing Regulations that they met the criteria of independence as laid out in Section 149(6) of the Companies Act, 2013 and Regulations16(1)(b) and 25(8) of the Listing Regulations(LODR), 2015 and the same have been taken on record by the Board after undertaking due assessment of the veracity of the same.

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

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

Appointments/Re- Appointments:

In accordance with the provisions of Section 152 of the Companies Act, 2013, Mr. Anji Raju Manthena and Mr. Sitarama Raju Manthena, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

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

Further, members are aware that the Company has co-opted Mrs. Parvathi Manthena as an Additional Director on the Board on 29.05.2026. The Members have approved the appointment of Mrs. Parvathi Manthena as a Director by passing special resolution through postal ballot on 29th July 2026 (i.e. Last date for receipt of Postal Ballot).

Further, the present term of Mr. M B Narayana Raju, Whole Time Director and Mr. M Sitarama Raju, Whole-Time Director will expire on 1st September 2026. The Nomination and Remuneration Committee at its meeting held on 13.08.2026, considered and recommended the re-appointment of Mr. M B Narayana Raju, and Mr. M Sitarama Raju as Whole-Time Directors of the Company for further period of Three years w.e.f. 2nd September 2026. Accordingly, the Board of directors at its meeting held on 13.08.2026, considered the recommendations of the Nomination and Remuneration Committee and approved the proposed re-appointment of Mr. M B Narayana Raju, and Mr. M Sitarama Raju as Whole-Time Directors of the Company for further period of Three years w.e.f. 2nd September 2026, subject to the approval of the members of the Company.

The Board recommends the reappointment of Mr. M B Narayana Raju, and Mr. M Sitarama Raju as Whole-Time Directors of the Company for further period of Three years w.e.f. 2nd September 2026 for approval of members at the ensuing Annual General Meeting

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

Familiarization Programs for Independent Director's

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

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

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

11. Compliance with Secretarial Standards

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

12. Meetings

During the year, four meetings of the Board of Directors were held on 23rd May 2025, 14th August 2025, 13th November 2025 and 12th February 2026. Attendance and other details are mentioned in the Corporate Governance section of this Report. The intervening gap between the two consecutive Board Meetings was within the prescribed period of 120 days as specified under the provisions of Section 173 of the Act and the Listing Regulations.

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

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

13. Committees of the Board

The Board of Directors has established the following Committees:

a. Audit Committee
b. Nomination and Remuneration Committee
c. Stakeholders' Relationship Committee
d. Risk Management Committee
e. Corporate Social Responsibility Committee

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

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

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

15. Board Evaluation

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

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

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are provided separately and annexed as ***Annexure–B*** to this Report.

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

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

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

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

17. Directors' Responsibility Statement

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

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

b. The Directors have selected appropriate accounting policies and applied them consistently. They have made reasonable and prudent judgments and estimates to provide a true and fair view of the Company's financial position at the end of the financial year and the loss incurred during that period.

c. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act, to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

d. The annual accounts have been prepared on a going concern basis.

e. Internal financial controls have been established and are adequate, and such controls are operating effectively.

f. Proper systems have been devised to ensure compliance with all applicable laws, and these systems are adequate and operating effectively.

18. Share Capital

During the year under review, there was no change in the Authorized Capital of the Company.

Further, during the year the Company has allotted 43,000 equity shares to the employees to whom grants were allotted under KMIL ESOS -2023. Accordingly the issued, subscribed and paid up capital of the Company has been increased to Rs. 1,680.24 Lakhs.

Issue of equity shares with differential rights:

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

Issue of Sweat Equity Shares

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

Details of Employee Stock Options

During the year under review, on 23rd May 2025, the Company had granted 1,200 stock options to its employees under Kernex Microsystems (India) Limited Employee Stock Option Scheme 2023 (KMIL ESOS 2023/ESOS 2023) after taking necessary approvals.

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

Details required to be disclosed	Particulars
Description of the scheme	KMIL ESOS 2023
Date of shareholders' approval	23.08.2024
Total options approved	1,50,000
Options Granted during the year	1,200
Option Vested during the year	43,000
Option Exercised during the year	43,000
Option Lapsed during the year	Nil
Total number of Option in force at the end of the year	Nil
The exercise price	Rs. 25/-

The Total Number of shares arising as a Result of Exercise of Option	43,000
Variation of terms of Option	There is no variation of terms of options
Money realized by exercise of Option	Rs. 10,75,000/-
Employee wise Details of Options Granted to (During FY 2025-26) i) To Key Managerial Personnel	Nil
ii) Any other employee who receives a grant of options in anyone year of the Option amounting to 5% or more of Options granted during the year.	No employee was granted options amounting to 5% or more of options granted during the year
iii) Identified employees who were granted Option, during any one year, equal to or exceeding 1% of the issued capital (excluding warrants and conversions) of the Company at the time of grant.	No employee was granted options equal to or exceeding 1% or more of issued capital (excluding warrants and conversions) of the Company

During the year, a reserve was made towards the outstanding of Employee Stock Options (ESOPs) and Employee Compensation Expenses (Share based payment expenses) for the year ended March 31, 2026, of Rs.247.17 lakhs, which includes Employee Benefit expenses detailed in Note No.32 in standalone financial statements and Note No.30 in consolidated financial statements.

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

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

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

19. Particulars of Loans, Guarantees and Investments.

During the period under review, the company has not provided Loans and Guarantees covered under the provisions of Section 186 of the Companies Act, 2013. During the year our Company has formed Joint Venture with BHEPL and other details are provided in the Form AOC-1 annexed as ***Annexure-A*** to this report. Further, the details of Loans, Guarantees and Investments are provided in the notes forming part of the financial statements.

20. Related Party Transactions

During the financial year 2025-26, all related party transactions entered by the Company were on an arm's length basis and in the ordinary course of business. There were no materially significant related party transactions involving Promoters, Directors, Key Managerial Personnel, or other designated persons during the year. Details of related party transactions under Section 188 of the Companies Act, 2013 are provided in Form AOC–2, annexed as ***Annexure–C*** to this report.

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

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

22. Risk Management

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

The Company has implemented robust internal control systems and processes to optimize risk mitigation measures. These systems are reviewed by the Audit Committee and approved by the Board. The executive management receives periodic guidance from the Board to enhance risk mitigation strategies and take timely action as needed.

23. Corporate Social Responsibility (CSR)

During the financial year 2025-26, the provisions of Section 135 of the Companies Act, 2013 were applicable to the Company. Our Company has established a Corporate Social Responsibility (CSR) Policy and constituted a CSR Committee in accordance with Section 135 of the Companies Act, 2013. The details of the CSR Policy and Committee are available on the Company's website at www.kernex.in.

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

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

No significant or material orders were passed by regulators, courts, or tribunals that would impact the going concern status of the Company or its future operations.

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

25. Whistle Blower Policy / Vigil Mechanism

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

26. Deposits

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

Additionally, the Company has availed an amount of Rs. 1,390.00 lakhs as Inter Corporate Deposits, during the period 2025-26. These amounts were exempted from the definition of deposit. The outstanding balances exempt from the definition of deposits, including Inter-Corporate Deposits (ICDs) and Secured and Unsecured loans, as on 31st March 2026, amount to Rs.16,192.31 Lakhs

27. Registrar and Share Transfer agent:

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

28. Auditors

Statutory Auditors

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

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

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

The financial statements have been audited by M/s. NSVR & Associates LLP, Chartered Accountants, Statutory Auditors of the Company. The auditors have not made any qualifications or comments.

Secretarial Auditors

In accordance with Section 204 of the Companies Act, 2013, and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Regulation 24A of SEBI (LODR) Regulations, 2015 and Shareholders' Resolution dated 29th September, 2025, Mr. D. S. Rao, Practicing Company Secretary, has conducted Secretarial Audit for the financial year 2025-26.

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

Reply to the Comments made in the Secretarial Auditors' Report

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

  The Company is actively pursuing compliance with SEBI Circular No. Cir/ISD/3/2011 by working towards the dematerialization of the entire shareholding of Promoters/Persons Acting in Concert (PACs). Promoter has submitted the required documents and waiting for the response from the RTA

  Mr. D S Rao continues to act as Secretarial Auditor of the Company in terms of the shareholders' resolution dated 29th September, 2025 and confirmed that his continuation would be within the prescribed limits under the Companies Act, 2013 & Rules made there under and SEBI (LODR) Regulations, 2015 for the financial year 2026-27. He also confirmed that he is not disqualified to be appointed as Secretarial Auditor in terms of provisions of the Companies Act, 2013 & Rules made thereunder and SEBI (LODR) Regulations, 2015.

Internal Auditors:

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

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

Maintenance of Cost Records

In accordance with Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, the Board of Directors pursuant to the recommendation of the Audit Committee, had appointed M/s. MPR & Associates, Cost Accountants (Firm Registration No. 000413), Hyderabad, as Cost Auditors of the Company, to carry out the audit of the cost records of the products manufactured by the Company for the financial year ending March 31, 2027 at a remuneration of Rs.1,50,000/-.

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

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

Cost auditors have given their report for the financial year 2025-26 without qualifications.

Reporting of Frauds:

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

29. Internal Financial Controls

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

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

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

31. Compliance with the Maternity Benefit Act, 1961

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

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

32. Gender-Wise Composition of Employees

In alignment with the principles of diversity, equity, and inclusion (DEI), the Company discloses below the gender composition of its workforce as on the March 31, 2026.

Male Employees	:	532
Female Employees	:	77
Transgender Employees	:	Nil

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

33. Downstream Investment

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

34. Details of revision of financial statement or the Report

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

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

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

36. Failure to implement any Corporate Action

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

37. Other General Disclosures

a. Consolidated Financial Statements

The Company is presenting Consolidated Financial Statements in addition to the Standalone Financial Statements for the financial year ended 31st March 2026. This inclusion aligns with the applicable accounting standards and regulatory requirements, providing a comprehensive view of the financial performance of the Company, its subsidiary, and its joint ventures. The consolidated statements offer shareholders a broader perspective on the overall financial health and operational results of the entire group.

b. Timely Holding of the Annual General Meeting

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

c. Cost Records Maintenance

As per the provisions of the Companies Act, 2013, the Company is required to maintain cost records for the financial year 2025-26.

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

38. Statement of deviation or variation

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

39. Management Discussion & Analysis (MDA)

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

40. Corporate Governance Report

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

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

41. Suspension of Trading

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

42. Acknowledgements:

Your Directors would like to express their sincere appreciation for the valuable guidance, assistance, and cooperation received from the Indian Railways, RDSO, South Central Railways, NCR EDFC, SER, W Rly, WCR, SR, CLW, BLW, PLW, ICF, Egyptian National Railways, State Bank of India, HDFC Bank Limited, ICICI Bank Limited, CSB Bank Limited, Union Bank of India, Federal Bank Limited, Yes Bank Limited, Kotak Mahindra Bank Ltd, Axis Bank Limited Government authorities, and our esteemed members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the commendable and dedicated contribution of all employees, whose hard work and commitment have been integral to the Company's success.

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

	Sd/- **Sreelakshmi Manthena** *Managing Director* *DIN : 07996443*	**Sd/-** **Badari Narayana Raju Manthena** *Whole Time Director* *DIN : 07993925*	**Sd/-** **Sitarama Raju Manthena** *Whole Time Director* *DIN : 08576273*
Place : Hyderabad Date : 13th August 2026			

ANNEXURE-A

FORM AOC-1

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

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

PART "A" – Subsidiaries

(Amount in US$ '000)

1.	Name of the Subsidiary	Avant-Garde Infosystems Inc.
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period.	No
3.	Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries.	USD and Rs. 93.48
4.	Share Capital	1,821.52
5.	Reserves & Surplus	(1,844.49)
6.	Total Assets	348.37
7.	Total Liabilities	371.34
8.	Investments	-
9.	Turnover	492.40
10.	Profit before taxation	49.14
11.	Provision for Taxation	-
12	Profit after taxation	49.14
13	Proposed Dividend	-
14	Percentage of shareholding	100%

PART "B": Associates and Joint Ventures please enter the details.

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

Name of Associates / Joint Venture	KERNEX TCAS JV	VRRC-KERNEX-CE-RVR JV	KERNEX-VR-RC JV	KERNEX-BHEPL JV
1. Latest audited Balance Sheet Date	**31.03.2026**	**31.03.2026**	**31.03.2026**	**31.03.2026**
2. Shares of Associates / Joint Ventures held by the company at the yearend	**Not Applicable**	**Not Applicable**	**Not Applicable**	**Not Applicable**
3. Amount of Investment in Association / Joint Venture Extend of Holding %	**Rs. 8.00 Lakhs (80%)**	**Rs. Nil 35%**	**Rs. 0.80 Lakhs (80%)**	**Rs. Nil (51%)**
4. Description of how there is significant influence	**Profit Sharing ratio and control**	**Profit Sharing ratio**	**Profit Sharing ratio and control**	**Profit Sharing ratio and control**
5. Reason why the associate/Joint venture is not consolidated	**Consolidated**	**Consolidated**	**Consolidated**	**Consolidated**
6. Net worth attribute to Shareholding as per latest audited Balance Sheet	**Not Applicable**	**Not Applicable**	**Not Applicable**	**Not Applicable**
7. Profit / Loss for the year i. Considered in Consolidation ii. Not Considered in Consolidation	**Rs.220.97 lakhs**	**Rs. Nil**	**Rs. 60.03**	**Rs. Nil**

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

Sd/- **Sreelakshmi Manthena** *Managing Director* *DIN : 07996443*	Sd/- **Badari Narayana Raju Manthena** *Whole Time Director* *DIN : 07993925*	Sd/- **Sitarama Raju Manthena** *Whole Time Director* *DIN : 08576273*

Place : Hyderabad
Date : 13th August 2026

ANNEXURE– B

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

i) The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year 2025-26 and ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2025-26 are as under: -

Name of Director / KMP and Designation	Remuneration of Director / KMP for financial year 2025-26 (Rs. In lakhs)	% increase in remuneration in the financial year 2025-26	Ratio of remuneration of each Director /to median remuneration of employees
*Ms. Sreelakshmi Manthena, Managing Director	115.25	NA	44.46
M Badari Narayana Raju, Whole Time Director	60.00	27.68	23.15
M Sitarama Raju, Whole Time Director	60.00	27.68	23.15
Pamidi Srikanth, CFO	39.34	8.98	NA
K Prasada Rao, CS	27.60	30.81	NA

Note: No other Director other than the Managing Director and Whole Time Directors received any remuneration other than sitting fees during the financial year 2025-26.

ii) In the financial year, there was a decrease of 4.53% in the median remuneration of employees.

iii) There were 609 permanent employees on the rolls of Company as on March 31, 2026.

iv) The remuneration of the Key Managerial Personnel put together is Rs. 302.19 lakhs which was Rs. 151.18 lakhs in the previous year.

v) There was average 62 percentile increase either in the salaries of employees and managerial personnel in the financial year 2025-26. The increments are in comparison with the industries.

vi) No variable component of remuneration availed by the directors / KMPs.

vii) COO is the highest paid employee and COO received remuneration higher than the Whole Time Directors.

viii) It is hereby affirmed that the remuneration paid during the Financial Year ended 31st March 2026 is as per the Remuneration Policy of the Company.

Details pertaining to Employees as required under Section 197(12) of the Companies Act, 2013 Statement of Particulars of Employees Pursuant to provisions of Section 197(12) of the Companies Act 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

Name	Age	Qualification And Experience of employee in Kernex	Designation	Date of commencement of employment	Nature of Employment	Remuneration in (Rs. In Lacs) Per Annum	Previous Employment	Relative of Director If any	% of Share Holding
Ennam Bhogeeswara Rao	60	B.E (ECE) / 3 Years	COO	06-09-23	Permanent	71.74	TYPSA	-	0.01
G Malla Reddy	50	M.Tech / 18 Years	Deputy General Manager	18.02.08	Permanent	46.96	Silver Software, Bangalore	-	0.02
B Vishnu Vard-hana Varma	48	M.Sc Electronics/ 3 Years	CTO	15.05.23	Permanent	44.26	FCA Engineering India Pvt.Ltd.	-	0.02
Ganesh Kumar Dwivedy	63	M. E. (Adv. Electronics & Communication) 6 Months	President Kavach Olperations	29.09.25	Permanent	41.27	South Central Railways	-	-
Pamidi Srikanth	48	CA / 3 Years	CFO	09.09.23	Permanent	39.34	Tierra Agrotech Ltd	-	-
B Sampath Kumar	54	MTech/PG-CHRM, XLRI/ 13 Years	AVP Projects	22.11.13	Permanent	32.40	Mascon Global Limited	-	0.01
Y Tarun	35	B. Tech, PG Diploma / 13 years	Asst Manager Software Development	24.10.13	Permanent	28.26	Nil	-	0.01
Prasada Rao K	38	CS / 8 years	Company Secretary & Compliance Officer	05.07.18	Permanent	27.60	AIG Hospitals P Ltd	-	0.01
D Pavan Kumar	41	B. Tech (Mech) LLB P in Tool Design / 5.5 years	Manager - Purchase	19.01.23	Permanent	23.29	Windhoff Bahn Unlagen Techni (GMH Group)	-	-
H Ramesh Rao	55	DECE / 25 years	Sr. Manager Production Engineering	10.05.00	Permanent	23.25	MIC Electronics, Hyd	-	0.01

Name	Age	Qualification And Experience of employee in Kernex	Designation	Date of commence-ment of employ-ment	Nature of Employment	Remunera-tion in (Rs. In Lacs) Per Annum	Previous Employment	Relative of Director If any	% of Share Holding
K Jaihind Kumar	55	B.SC (Ele)/ 25 years	Sr. Manager Production	10.05.00	Permanent	23.25	Nucleonix Systems P Ltd	-	0.01
Jitendra Vijay	59	B Tech ECE 22 years	Manager S/W Validation	26.02.04	Permanent	20.28	Rendevious Onclip India Ltd	-	0.01

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

Sd/-
Sreelakshmi Manthena
Managing Director
DIN : 07996443

Sd/-
Badari Narayana Raju Manthena
Whole Time Director
DIN : 07993925

Sd/-
Sitarama Raju Manthena
Whole Time Director
DIN : 08576273

Place : Hyderabad
Date : 13th August 2026

Annexure-C

Form No. AOC-2

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

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

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

(Rupees in lakhs)

S No	(a) Name(s) of the related party and nature of relationship	(b) Nature of contracts/ arrangements/ transactions	(c) Duration of the contracts/ arrangements/ transactions	(d) Salient terms of the contracts or arrangements or transactions including the value if any	(e) Date(s) of approval by the Board if any	(f) Amount paid as advances if any
1	Kernex TCAS JV	Sales	Multiple times	250.83	NA	Nil
2	Venkata Ramireddy Constructions (VRRC) *	Project Execution	Multiple times	333.70	NA	222.42

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

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

Place : Hyderabad
Date : 13th August 2026

Sd/-
Sreelakshmi Manthena
Managing Director
DIN : 07996443

Sd/-
Badari Narayana Raju Manthena
Whole Time Director
DIN : 07993925

Sd/-
Sitarama Raju Manthena
Whole Time Director
DIN : 08576273

ANNEXURE–D

PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS REQUIRED UNDER SECTION 134 (3) (M) READ WITH RULE 8 (3) OF THE COMPANIES (ACCOUNTS) RULES, 2014

A. CONSERVATION OF ENERGY

The activities of the Company do not result in significant consumption of energy. However, the Company remains committed to energy conservation and take all necessary steps to ensure efficient energy usage at its offices and workplaces. This includes implementing energy-saving measures and regularly reviewing energy consumption to identify opportunities for further conservation on an ongoing basis.

B. PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY & RESEARCH AND DEVELOPMENT (R&D) CARRIED OUT BY THE COMPANY:

a) Technology Absorption Adaptation and Innovation:

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

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

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

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

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

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

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

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

- Burn-In chamber for products endurance testing
- Up-gradation of Vibration test facility
- Environmental test facility (ESS)
- Digital Projection Microscope for visual inspection with video recording facility
- Test Equipment's like Spectrum Analyzer, Signal Generators, Oscilloscopes, Function Generators, High Power Attenuators, Radio Communication test equipment and LCR meter to enhance the testing capability.

b) Research and Development

Product Development and Certification

Kernex Generic Product & Application has been assessed by an Independent Safety Assessor (ISA) and approved by RDSO initially for a maximum speed of 130 kmph, subsequently upgraded to 160 kmph.

- Based on the above approval, Kernex has completed the Specific Application Safety Assessment and commissioned Kavach systems covering 632 km in North Central Railway.

- The Absolute Block ISA assessment trials have been completed, and the ISA assessment and RDSO approval are targeted for completion by mid-October 2026.

- In line with the directions of RDSO and the Railway Board, development of the Universal Braking Algorithm, along with improvements to existing features and integration with Suraksha, is in progress. This will require re-certification of the Generic Product and Application, targeted for completion by end-December 2026.

- Kernex has completed the Interoperability/Integration Safety Assessment with two approved OEMs. The assessment results will be submitted to RDSO for review and approval.

- RDSO has approved the interfacing of Kernex Kavach with Medha, Kyosan, Siemens, and Hitachi Electronic Interlockings. RDSO has also approved the braking parameters for WAP-7 and Vande Bharat.

- Hardware approvals for cards such as MIE have been received from the ISA and RDSO.

- Development of the Kavach Network Management System (NMS) has been completed and is currently undergoing testing in North Central Railway.

- During FY 2026-27, the focus will be on building the infrastructure required for 24x7 monitoring and efficient maintenance of Kavach systems across stationary and locomotive installations. This will include establishing a 24x7 call centre and IT systems to support maintenance tracking of 1,200+ locomotives and 100+ stationary Kavach installations.

C. Foreign Exchange Earnings and Outgo:

Details of earnings in foreign exchange: **(Rupees In Lakhs)**

Particulars	Current Year April 01,2025 to March 31, 2026	Previous Year April 01, 2024 to March 31, 2025
Export of Goods calculated on FOB Basis	280.28	208.35
Interest and dividend	-	-
Royalty	-	-
Know-how	-	-
Professional and Consultancy fees	-	-
Other Income	-	-
Total earning in foreign exchange	280.28	208.35

Details of expenditure in foreign exchange:

Particulars	Current Year April 01, 2025 to March 31, 2026	Previous Year April 01, 2024 to March 31, 2025
Import of Capital Goods calculated on CIF Basis		
(i) raw material	775.65	-
(ii) component and spare parts	-	-
(iii) capital goods - Software Purchase	-	-
Expenditure on account of:		
Royalty	-	-
Know-how	-	205.18
Professional and Consultancy fees	5.57	69.19
Interest	-	-
Other matters	62.08	224.07
Dividend paid	-	-
Total expenditure in foreign exchange	843.30	498.45

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

Sd/-
Sreelakshmi Manthena
Managing Director
DIN : 07996443

Sd/-
Badari Narayana Raju Manthena
Whole Time Director
DIN : 07993925

Sd/-
Sitarama Raju Manthena
Whole Time Director
DIN : 08576273

Place : Hyderabad
Date : 13th August 2026

ANNEXURE–E

Form No. MR-3

SECRETARIAL AUDIT REPORT

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

To
The Members
Kernex Microsystems (India) Limited
Hyderabad

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

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that, in my opinion, the Company has, during the audit period covering the financial year ended **March 31, 2026,** complied with the statutory provisions listed hereunder and also that the Company has proper board-processes and compliance-mechanisms in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms, and returns filed and other records maintained by the Company according to the provisions of:

(i) The Companies Act, 2013 (the Act) (applicable Sections as on date) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) Foreign Exchange Management Act, 1999, (FEMA) and the rules/ policies made thereunder and Circulars issued by RBI thereto;

(iv) The Depositories Act, 1996 and the regulations and byelaws framed by the Securities and Exchange Board of India ('SEBI') thereunder;

(v) The following Regulations are prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): -

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

(c) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(d) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018.

(e) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

(f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with clients.

(g) The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.

(vi) Provisions of the following Regulations prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') were not applicable to the Company during the financial year under review: -

(a) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021.

(b) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021.

(c) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018.

(vii) The industry-specific laws that are applicable to the Company are as follows.

(a) Contract Labor (Regulation & Abolition) Act, 1970

(b) E-Waste (Management and Handling) Rules, 2010

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

i) Secretarial Standards **SS-1** and **SS-2** with respect to meetings of the Board of Directors and General Meetings respectively, issued by The Institute of Company Secretaries of India and notified by the Ministry of Corporate Affairs.

I report that, during the period under review, the Company has duly complied with the provisions of the Companies Act, 2013, the Regulations of SEBI, and other acts, as specified above, applicable to the industry of the Company except the following:

a. In terms of SEBI Circular No. Cir/ISD/3/2011 the entire shareholding of Promoters/ Persons Acting in-Concert (PACs) has not been dematerialized. Therefore, the stock exchanges have kept the trading in the shares of the Company under trade-to-trade.

I further report that

The Board of Directors of the Company is duly constituted with a proper balance of Executive Directors, Non-Executive Directors, and Independent Directors. During the period under review and till the date of this the following changes took place in the Board of Directors:

Sl. No.	Name of the Director/KMP	Appointment/ Re-appointment/ Cessation	Our Comments
1	Ms. Srilakshmi Manthena	Appointment	Appointed as a Managing director for a period of 3 (Three) years w.e.f. May 23, 2025, and the same has been approved by the shareholders via the postal ballot resolution dated August 9, 2025.
2	Mr. Vinta Janardhan Reddy	Re-Appointment	Re-appointed as a director at the 33rd AGM held on September 29, 2025, upon retirement by rotation in accordance with the provisions of section 152 of the Act.
3	Mr. Badari Narayana Raju Manthena	Re-Appointment	Re-appointed as a director at the 33rd AGM held on September 29, 2025, upon retirement by rotation in accordance with the provisions of section 152 of the Act.

Based on my verifications and the declarations received from the respective directors, I further report that the directors are not disqualified to act as such under the provisions of the Companies Act, Orders/ Circulars/ Regulations issued by SEBI, or such other acts, for the time being enforceable. Adequate notice was given to all the directors to schedule the Board Meetings. Agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. As a general practice of the Board, decisions were taken on unanimous consent.

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

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

I further report that during the year under review, the Company has granted 1,200 Employee Stock Options (ESOPs) under 'Kernex Employees Stock Options Scheme 2023'.

I further report that the Company has allotted 43,000 Equity Shares of Rs. 10/- each upon exercise of 43,000 ESOPs at an exercise price of Rs. 25/- per Option pursuant to 'Kernex Employees Stock Options Scheme 2023'.

Sd/-
CS D.S. RAO; PCS
M. No.
A12394
C.P. No. 14487
UDIN: A012394H001099425
PEER REVIEW CER. NO. 1817/2022

Date:13/08/2026
Place: Hyderabad

Note: This report is to be read with my letter of even date which is annexed as '***Annexure A'*** and forms an integral part of this report.

'Annexure A'

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

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

1. Maintenance of Secretarial records is the responsibility of the management of the Company. my responsibility is to express an opinion on these Secretarial records based on my audit.

2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on a test basis to ensure that the correct fact is reflected in the Secretarial records. I believe that the processes and practices i followed provide a reasonable basis for my opinion.

3. I have not verified the correctness and appropriateness of the financial records and Books of Accounts of the Company.

4. Wherever required, I have obtained Management representation regarding the compliance of laws, rules, and regulations and happening of events, etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, and standards is the responsibility of the management. My examination was limited to the verification of procedures on a test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

7. I have relied on the information/ documents received from the respective officials of the Company for forming our opinion and for eventual reporting thereof.

Sd/-
CS D.S. RAO; PCS
M. No.
A12394
C.P. No. 14487
UDIN: A012394H001099425
PEER REVIEW CER. NO. 1817/2022

Date:13/08/2026
Place: Hyderabad

ANNEXURE–F

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(A) Industry and Business Overview:

Review of Operations

Your Company recorded a turnover of Rs.42,580.96 Lakhs for the financial year 2025-26. The Company has reported a profit before tax of Rs. 10,942.47 Lakhs, compared to a profit of Rs. 5,004.88 Lakhs in the previous financial year.

The Company is executing the following:-

Domestic

North Central Railways (NCR Projects):

13. NCRA 382/408 RKM:

- ➢ The supply and installation works for the entire section is complete along with the supply of maintenance spares.
- ➢ The commissioning is completed for the below mentioned sections:
  - Chipyana Burgz (Excluding) - Tundla (Excluding) [2-Jun-26] : 175 RKm
  - Tundla (Excluding) - Pankidham (Excluding) [1-Jul-26] : 207 RKm
- ➢ The work in the balance section is in progress as planned.
- ➢ All the locos were installed and maintenance phase has started
- ➢ The ISA documentation for the balance section is in progress

14. NCRB 250/343 RKM:

- ➢ The supply and installation works for the entire section is complete along with the supply of maintenance spares.
- ➢ The commissioning is completed for the below mentioned sections:
  - Kanpur (Excluding)-Prayagraj (Excluding) [22-Mar-26] : 190 RKm
  - Mirzapur (Including)- Block Hut K (Including) [30-Jul-26] : 60 RKm
- ➢ The work in the balance section is in progress as planned.
- ➢ All the locos were installed and maintenance phase has started
- ➢ The ISA documentation for the balance section is in progress

15. NCRD 108.66 RKM

- The supply of units for the entire section is complete and installation is in progress
- Three milestones have been completed, and the fourth milestone is progressing as planned
- The ISA documentation is in progress as planned

Total no. of Kms commissioned in NCR section was 632 RKM Kernex has emerged as :

- First OEM interfaced Kavach with 4 Electronic Interlocking systems
- First OEM to run Vandhe Bharath commercially

16. South Central Railways (SCR)

- The handing over and commissioning activities for the SCR projects is complete and the sign off activities are in progress
- The Company continued support and maintenance activities in respect of commissioned sections.

17. ICF (Integral Coach Factory, Chennai)

- A total of 55 TCAS units have been supplied, out of which 50 units have been successfully installed and commissioned at designated locations, in compliance with all functional and technical specifications. The installation of the remaining units is currently in progress and is being carried out as per the planned schedule by ICF (as per the applicable JIT clause)
- The company continues to do the maintenance support in respect of commissioned locos allocated to various Zonal railways

18. Chittaranjan Locomotive Works (CLW) – Supply and Installation of Loco TCAS

- Your company has bagged order for Supply, Installation, Testing and commissioning and defect liability and long term annual maintenance of On-Board KAVACH equipment along with supply and installation of CAB roof antenna including complete wiring, harnessing, cabling and connection with Loco KAVACH System from Chittaranjan Locomotive Works. Total no. of units to be supplied is for 3,024 with a value of approximately Rs.2465.70 crores across 37 loco sheds in India
- The company has supplied 44% of the units to various loco sheds and 34% of the installations were complete.
- The Production and supply of balance units is progressing as planned.

19. South Eastern Railways (SER) - (GD & GQ Routes)

- Kernex Microsystems (India) Limited, in consortium with MRT Signals Limited, has successfully secured a major contract valued at approximately ₹325.33 crores. This prestigious order involves the Supply, Installation, Testing, and Commissioning of Kavach across GO & GO routes covering 688 RKM in the Kharagpur and Chakradharpur Divisions of South Eastern Railway.

- This significant win underscores the technical expertise and execution capabilities of both consortium partners in the field of advanced railway signaling and safety systems. It also marks a key milestone in their contribution to the Indian Railways' modernization and safety enhancement initiatives.
- The first two milestones were completed successfully, and third milestone work is in progress as planned. The units related to three milestones were delivered and installation work is in progress.
- Two FAT setups were done as scheduled. One Lab setup was completed for training purpose.
- Another FAT setup & Lab setup material is planned during the Milestone 3.
- The installation work at different stations is in progress as planned. The appointment of assessor for the ISA activity was finalized and the documentation is in progress

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

- KERNEX-VRRC CONSORTIUM has bagged order for Provision Of Kavach (Train Collision Avoidance System), In MAS-GDR, MAS-AJJ, AJJ-RU Sections (271km) Of Chennai Division in SR valued at approximately ₹173.11 crores.
- The work related to first two milestones is complete and the activities planned for milestone 3 are in progress. The units were supplied as per the milestones and the installations are in progress.
- The FAT setup & Lab setup is complete as scheduled. The training activities using lab (Coimbatore) have commenced.
- Appointment of assessor for the ISA activity is finalized and the documentation is in progress

21. Arakkonam (AJJ Jn)-Jolarpettai(JTJ Jn) Section of Chennai Division in South Railways (SR)

- KERNEX-VRRC CONSORTIUM has bagged order for Provision of KAVACH (Train Collision Avoidance System) along with Tower and 48 Fiber OFC as backbone Network in Arakkonam (AJJ Jn)-Jolarpettai(JTJ Jn) Section of Chennai Division in SR valued at approximately ₹135 crores.
- The survey of stations in the entire section is complete.
- The work related to first two milestones is complete and the activities planned for milestone 3 are in progress. The units, FAT & Lab setup material are planned and supplied as per the Milestone 3 commitments
- Appointment of assessor for the ISA activity is finalized and the documentation is in progress

22. Palanpur - Samakhiyali – Gandhidham Section (300.71 Km) On Ahmedabad Division of Western Railway

- KERNEX-KEC Consortium has bagged order for Provision of KAVACH Version 4.0 or latest (formerly known as Train Collision Avoidance System-TCAS), including provision of communication back bone based on UHF and OFC on Palanpur – Samakhiyali – Gandhidham Section on Ahmedabad Division of Western Railway valued at approximately ₹182.81 crores.
- Two Milestones were completed and the work was completed as planned. The survey of all stations is complete and the materials were dispatched as per the milestone commitments. The towers are erected as planned. The installation work in Stations & LC's is in progress and the production of balance material is progressing as planned.
- Appointment of assessor for the ISA is finalized and the documentation is in progress.

23. Itarsi (Excl) – Khandwa (Excl) – Bina (Excl) – Ruthiyai (Excl) Section (355 Km) On Bhopal division of Western Central Railway

- KERNEX-KEC Consortium has bagged order for Provision of KAVACH Version 4.0 or latest (formerly known as Train Collision Avoidance System-TCAS), including provision of communication back bone based on UHF and OFC on Itarsi (Excl) – Khandwa (Excl) – Bina (Excl) – Ruthiyai (Excl) Section (355 Km) On Bhopal division of Western Central Railway valued at approximately ₹151.4 crores.
- Three milestones were completed as planned. The survey activity of entire section is complete. The setup of PMIS offices at 3 locations is complete.
- Materials were dispatched as per the milestone commitments. The erection of towers & installations at Stations & LCs is in progress as planned.
- Appointment of assessor for the ISA is finalized and the documentation is in progress.

24. ISA Activity:

- Kernex has completed interoperability tests at Lab and in field during Kavach 4.0 Development.
- As per directive from Railway Board and RDSO, the interoperability shall be certified by Independent safety assessor (ISA). The witness trials were completed and the safety assessment report, followed by approval is awaited.

B) Future outlook

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

Key Highlights & Impact Areas:

Overall railway allocation: The Union Budget 2026-27, presented February 1, gave Indian Railways a record ₹2.92 trillion for the sector, 10 per cent higher than the ₹2.65 trillion in the FY26 revised estimates, with budgetary support rising to ₹2.77 trillion, a 9.9 per cent increase over the FY26 RE of ₹2.52 trillion. Utilisation has stayed strong too - as of December 2025, Railways had spent 80.54 per cent (around ₹2.03 trillion) of the current year's allotted capex.

Signalling/KAVACH specifically - the part that matters most to Kernex:

- Signalling and telecom allocation rose to ₹7,500 crore, up from ₹6,500 crore in the prior year.
- The Kavach-specific allocation for 2026-27 is ₹2,066.24 crore, against cumulative utilisation of ₹3,874.9 crore up to June 2026.
- Rollout progress: Kavach 4.0 has been commissioned on 2,490 route km covering the high-density Delhi–Mumbai and Delhi–Howrah routes, with work under progress on a further 21,937 route km, and installation being taken up on 7,435 locomotives and 1,200 EMU/MEMU trains.
- Government continues to frame Kavach as a flagship safety priority, citing a reduction in consequential accidents from 135 (FY15) to 16 (FY26) and a safety budget that has more than tripled to ₹1.2 lakh crore — reducing policy and funding-continuity risk on ongoing and upcoming KAVACH contracts.
- Seven new high-speed corridors were announced, including Hyderabad–Bengaluru and Hyderabad–Chennai — both touch your home turf.
- A new Dedicated Freight Corridor from Dankuni (West Bengal) to Surat (Gujarat) was announced to cut logistics costs.
- Pre-budget commentary had flagged the signalling allocation as a weak spot — a former DG of RISET called the FY26 signalling/telecom outlay of ₹6,800 crore "grossly insufficient" against the target of covering 44,000 route km with Kavach — so the step-up to ₹7,500 crore this year is a partial, not full, response to that criticism.

Read on outlook for Kernex/KAVACH vendors: the direction is unambiguously supportive — rising signalling capex, an explicit multi-year commitment to scale Kavach 4.0 across the network, and continued political emphasis on it as a flagship safety story. The pace of tendering (21,937 route km still to be covered) is the number worth watching quarter to quarter for order-pipeline visibility, more than the headline crore figures.

- **Increased CAPEX Allocation:**

  The Railway Budget 2026–27 has allocated over ₹2.78 lakh crore with total capital investment (including extra-budgetary resources) of about ₹2.93 lakh crore.

- **Focus on Kavach Deployment:**

  Safety: Nearly ₹1.2 lakh crore has been earmarked for safety initiatives, including wider deployment of the Kavach automatic train protection system.

  Target coverage discussed by Railways officials stands at 44,000 route km - implying roughly half the network-wide Kavach mandate is still to be tendered and executed, sustaining a multi-year order pipeline for established KAVACH-certified vendors like Kernex.

  Government continues to position Kavach as a zero-accident enabler, which underpins policy continuity and reduces the risk of funding disruption to the rollout across budget cycles.

Safety as Core Strategy:

Safety push (interlocking, track, Kavach) signals sustained demand for signalling-adjacent systems well beyond Kavach line items alone, and reduces the risk of safety-linked capex being deprioritised in a tighter fiscal year.

Opportunities for Technology Providers:

The combination of unfinished core rollout, adjacent safety-tech demand, and greenfield corridor requirements supports a broadening, not just deepening, of the addressable market — relevant context for order-book guidance and diversification narrative in board communications.

Private Sector & PPP Collaboration:

SPV/JV-routed projects (metro, DFC, high-speed corridors) represent a parallel bidding pathway to traditional Zonal Railway tenders — worth flagging in board discussions as a diversification avenue for order-book sourcing, alongside the core Kavach pipeline.

Strategic Direction:

Going forward,

Kernex Microsystems is strategically positioned to benefit from the Indian Railways' increased emphasis on railway safety and modernization. The Railway Budget 2026–27's focus on expanding the Kavach Automatic Train Protection (ATP) system, upgrading signaling infrastructure, and implementing advanced train control technologies aligns closely with Kernex's core competencies.

Key strategic directions for Kernex include:

Expansion in Kavach Deployment: Leveraging its expertise in railway safety systems to participate in large-scale Kavach implementation projects across the Indian Railways network.

Advanced Signaling Solutions: Strengthening its portfolio in electronic interlocking, signaling, and train protection technologies to support railway modernization.

Technology Innovation: Investing in research and development to develop indigenous, cost-effective, and globally competitive railway safety solutions.

Government-Led Growth: Capitalizing on sustained public investment in railway infrastructure and safety under the National Rail Plan and Make in India initiatives.

Export Opportunities: Exploring international markets by offering proven railway signaling and safety technologies to developing railway networks.

Strategic Partnerships: Collaborating with global technology providers, system integrators, and public sector organizations to execute large-scale railway safety projects.

Overall, the Railway Budget 2026–27 reinforces Kernex's long-term growth prospects by creating significant demand for indigenous train protection, signaling, and railway safety technologies, positioning the company to benefit from India's ongoing railway transformation.

Various Safety Measures Taken to Enhance Safety in Train Operations

Kavach (Automatic Train Protection): Kavach 4.0 commissioned on 2,490 route km covering the high-density Delhi–Mumbai and Delhi–Howrah trunk routes, with rollout under progress on a further 21,937 route km; fitment underway on 7,435 locomotives and 1,200 EMU/MEMU rakes.

Electronic Interlocking: Deployed at 6,671 stations, replacing older mechanical/relay-based signaling to reduce human-error risk in train movement and route setting.

Complete Track Circuiting: Implemented to enable real-time, automatic detection of train position and track occupancy, reducing reliance on manual signaling processes.

Track Renewal & Doubling: ₹22,853 crore allocated for track renewal and ₹37,750 crore for track doubling in FY27, addressing fatigue-related failure risk on high-density routes.

Rolling Stock Modernization: LHB coach production up more than 21x since 2014 to 49,366 units, with a 93% reduction in weld failures — reducing derailment risk from equipment fatigue.

AI-Based Monitoring: Deployment of AI-based thermal cameras along tracks in some zones (e.g., Odisha) to detect elephant movement and prevent animal-strike accidents.

Level Crossing Safety: ₹800 crore allocated specifically for road safety works at level crossings, a historically high-risk interface point.

Dedicated Safety Funding Architecture: Multi-year ring-fenced allocations — ₹45,000 crore to the Railway Safety Fund, ₹10,000 crore to the Rashtriya Rail Sanraksha Kosh — insulate safety capex from annual budget vola**tility.**

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

Mission Raftar is an initiative by Indian Railways aimed at enhancing train safety, operational efficiency, and network capacity through the large-scale deployment of the Kavach Train Collision Avoidance System (TCAS). Kavach is an indigenously developed Automatic Train Protection (ATP) system designed to prevent train collisions by automatically applying brakes when a train driver fails to respond to warning signals or exceeds permitted speed limits.

Under Mission Raftar, Indian Railways is accelerating the installation of Kavach across high-density and high-priority routes, alongside the modernization of signalling systems, telecom infrastructure, and locomotive equipment. The initiative supports the government's vision of creatin**g a safer, faster, and more technologically advanced railway network.**

For companies such as Kernex Microsystems, Mission Raftar represents a significant growth opportunity. As a provider of railway signalling and safety solutions, Kernex is well positioned to benefit from increased investments in Kavach deployment, signalling upgrades, and indigenous railway safety technologies. The initiative is expected to drive long-term demand for train protection systems, strengthening the company's role in India's railway modernization program.

D) Opportunities

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

1. Expansion of Kavach Deployment

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

Domestic and International Successes:

Pioneering Implementation of TCAS (Kavach):

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

Ongoing Projects Across Multiple Railway Zones:

Kernex Microsystems is executing and delivering large-scale Kavach (Train Collision Avoidance System) projects across multiple Indian Railway zones and production units, reinforcing its position as a leading provider of railway safety and signalling solutions. The company's scope includes the supply, installation, testing, integration, and commissioning of Kavach systems across strategically important railway corridors spanning hundreds of Route Kilometers (RKMs).

Key ongoing projects include:

- **Railway Production Units:** Chittaranjan Locomotive Works (CLW), Integral Coach Factory (ICF), and Banaras Locomotive Works (BLW).
- **Indian Railway Zones:** North Central Railway (NCR – Divisions A, B & D), South Central Railway (SCR), South Eastern Railway (SER), Western Railway (WR), and West Central Railway (WCR).
- **Dedicated Freight Corridor:** Deployment of Kavach across the **Dedicated Freight Corridor Corporation of India Limited (DFCCIL)** network to enhance freight train safety and operational efficiency.
- **Comprehensive Project Execution:** End-to-end execution covering equipment supply, installation, system integration, testing, validation, commissioning, and operational support.
- **Strategic Network Coverage:** Projects span **hundreds of Route Kilometers (RKMs),** contributing to the nationwide rollout of Kavach and the modernization of railway signalling infrastructure.
- **Strong Execution Capability:** Successful delivery across multiple railway zones demonstrates Kernex's technical expertise, execution capability, and ability to manage large, multi-location railway safety projects.

These ongoing projects strengthen Kernex's execution track record, enhance its visibility for future railway tenders, and position the company to capitalize on the continued expansion of Kavach and railway safety initiatives across India.

E) Threats

Despite the strong growth outlook driven by railway modernization and the nationwide rollout of Kavach, Kernex Microsystems faces several risks that could impact its business performance.

- **Execution Delays:** Delays in project approvals, site readiness, commissioning, or customer acceptance can affect project timelines, revenue recognition, and cash flows.
- **Dependence on Indian Railways:** A significant portion of the company's business is linked to Indian Railways and government-funded projects, making it vulnerable to changes in public spending priorities and procurement schedules.
- **Competitive Intensity:** Increasing participation from domestic and global signalling companies may intensify competition, leading to pricing pressure and reduced margins.
- **Tendering and Procurement Risks:** Government procurement processes are highly competitive and subject to stringent technical and commercial qualification requirements, creating uncertainty in order wins.
- **Technology and Compliance Risks:** Rapid advancements in railway signalling, communication, and safety standards require continuous investment in R&D and compliance to remain competitive.
- **Supply Chain Disruptions:** Shortages or delays in the availability of electronic components, semiconductors, and specialized equipment may impact project execution and costs.
- **Working Capital Pressure:** Large infrastructure contracts often involve milestone-based payments, potentially increasing working capital requirements and affecting liquidity.
- **Policy and Regulatory Changes:** Changes in railway safety standards, procurement policies, or regulatory requirements may require additional investments or delay project implementation.
- **Cybersecurity Risks:** As railway systems become increasingly digital and connected, cybersecurity threats to signalling and train control systems present emerging operational risks.

While these challenges could affect short-term performance, Kernex's established expertise in railway safety systems, strong execution capabilities, and alignment with India's long-term railway modernization strategy position the company to manage these risks and capitalize on future growth opportunities.

F) Segment wise or product wise performance

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

G) **Risks and areas of concern**

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

1. Project Execution Delays

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

2. Regulatory and Compliance Risks

- Strict adherence to specifications laid down by **RDSO,** Indian Railways, and global safety standards (e.g., CENELEC, SIL levels) is mandatory.
- Delays in product approvals, changes in technical specifications, or evolving certification requirements may impact timelines and go-to-market plans.

3. Supply Chain and Component Dependency

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

4. Working Capital Pressure

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

5. Technological Obsolescence

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

6. Policy and Tendering Risks

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

7. Talent and Skilled Manpower

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

8. Cyber security Threats

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

Conclusion

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

H) Discussion on financial performance with respect to operational performance

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

I) Internal control systems and their adequacy

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

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

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

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

- **Software and Hardware Delivery:** Ensuring the systems meet required standards and specifications.

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

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

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

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

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

Certifications Obtained:

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

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

During the year, there have been no materially significant changes in the Human Resources (HR) domain. The total number of employees as of March 2026 stands at 609, compared to 363 in the previous year. This increase reflects the Company's expansion and its commitment to enhancing its workforce capabilities.

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

Details of Key Financial Ratios:

S No	Details	2025-26
1	Debtors Turnover	2.54
2	Inventory Turnover	1.23
3	Interest Coverage Ratio	5.91
4	Current Ratio	1.31
5	Debt Equity Ratio (Times)	0.63
6	Operating Profit Margin (%)	31.03
7	Net Profit Margin (%)	18.93

Details of significant changes in key financial ratios, along with detailed explanations therefor mentioned in Note No. 44 of Standalone Financial Statements forming part of 34th Annual Report.

K) Cautionary Statement

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

Key Points:

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

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

Sd/-
Sreelakshmi Manthena
Managing Director
DIN : 07996443

Sd/-
Badari Narayana Raju Manthena
Whole Time Director
DIN : 07993925

Sd/-
Sitarama Raju Manthena
Whole Time Director
DIN : 08576273

Place : Hyderabad
Date : 13th August 2026

ANNEXURE - G

CORPORATE GOVERNANCE REPORT

1. Company's philosophy on Code of Governance.

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

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

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

2. Board of Directors:

i. As on 31st March 2026, the Company has a Non-Executive Independent Director as Chairman. The Board of Directors of the Company consists of eminent people with professional expertise. The Board comprises of 3 Promoter Directors in which one Managing Director, one Whole-Time Director and one Non-Executive Director, one Whole-Time Director, one Non-Executive Non-Independent Director and three Independent Directors.

ii. Further, the Company has appointed one of the promoter non-executive director as a Managing Director on 23rd May 2025.

ii. None of the Directors on the Board is a member on more than 10 committees or Chairman of more than 5 committees as specified in SEBI (LODR) Regulations, 2015, across all the Companies in which he/she is a director. Necessary disclosures regarding Committee positions have been made by the Directors.

iv. The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee memberships held by them in other companies is given below. Other directorships do not include alternate directorships, directorships of private limited Companies and companies incorporated outside India. Chairmanship/membership of Board committees includes membership of Audit and Shareholders/Investor Grievance Committee.

Composition and Category of Directors as on 31st March 2026

Name of the Director	Category	Designation	No. of shares held in the Company (%)	Names of the Listed companies holding directorship & category of such directorship held other than this Company
Mr. Adabala Seshagiri Rao	Non-Executive	Independent Director	-	1. Balaji Amines Limited 2. Nova Agritech Limited 3. Manoj Vaibhav Gems 'N' Jewellers Limited
Mr. Pasupuleti Dinakara Rao	Non-Executive	Independent Director	-	Nil
Mr. Ayyagari Viswanadha Sarma	Non-Executive	Independent Director	-	Nil
Mr. Anji Raju Manthena	Non-Executive	Non-Independent Director	24,86,873	Nil
Mr. Vinta Janardhana Reddy	Non-Executive	Non-Independent Director	3,27,523	Nil
*Ms. Sreelakshmi Manthena	Executive	Managing Director	6,40,398	Nil
Mr. Manthena Badari Narayana Raju	Executive	Whole Time Director	17,087	Nil
Mr. Sitarama Raju Manthena	Executive	Whole Time Director	7,12,992	Nil

** on 23.05.2025 appointed as Managing Director*

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

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

Mr. Ayyagari Viswanadha Sarma	Finance, Auditing Industrial Finance, Restructuring and processes of SARFAESIA, DRT, BIFR, and IBC.
Mr. Anji Raju Manthena	Clinical operation, medical affairs, and business development (MABD).
Mr. Vinta Janardhana Reddy	Clinical operation, medical affairs, and business development (MABD).
Ms. Sreelakshmi Manthena	Business Development Management, Marketing, Strategy Planning, Project Procurement, Project Coordination, Consulting
Mr. Manthena Badari Narayana Raju	Organization and Business Management
Mr. Sitarama Raju Manthena	Business Development Management, Marketing, Strategy Planning, Project Procurement, Project Coordination, Consulting

Relationship among Directors

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

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

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

Details of attendance of Directors at the AGM, Board Meetings with particulars of their Directorship and Chairmanship /Membership of Board /Committees in other Companies are as under:

Name of the Director	Category	No. of Board Meetings during the year 2025-26		Whether Attended AGM on 29.09.2025	No. of Directorships in other public companies	No. of committee positions held in other public companies		No. of shares
		Held	Attended			Chairman	Member	
Mr. Adabala Seshagiri Rao	Non-Executive Independent	4	4	Yes	3	2	4	-
Mr. Ayyagari Viswanadha Sarma	Non-Executive Independent	4	4	Yes	0	-	-	-
Mr. Pasupuleti Dinakara Rao	Non-Executive Independent	4	4	Yes	0	-	-	-
Mr. Anji Raju Manthena	Non-Independent Non-Executive	4	4	Yes	-	-	-	24,86,873

Mr. Vinta Janardhana Reddy	Non-indepent Non-Executive	4	4	No	-	-	-	3,27,523
Ms. Sreelakshmi Manthena	Executive Director	4	4	Yes	-	-	-	6,40,398
Mr. Manthena Badari Narayana Raju	Executive Director	4	4	Yes	-	-	-	17,087
Mr. Sitarama Raju Manthena	Executive Director	4	4	Yes	-	-	-	7,12,992

The Directorships held by the Directors in other companies, as mentioned above; do not include Directorships in foreign companies, companies registered under Section 8 of the Companies Act, 2013, and private limited companies.

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

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

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

DATES OF BOARD MEETINGS:

The Board met 8 times in the financial year 2025-26 on the following dates, with a gap not exceeding one hundred and twenty days between any two meetings:

Date	Board Strength	No. of Directors Present
23/05/2025	8	8
14/08/2025	8	8
13/11/2025	8	8
12/02/2026	8	8

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

3 Audit Committee and composition:

i. The Audit Committee of the Company as of 31st March 2026 consisted of two Independent Directors and one Non-Executive Director. The Chairman of the Audit Committee was an Independent Director who was present at the Board Meeting where the annual accounts were approved. All the members of the committee are financially literate.

The composition of the Audit Committee conforms to Regulation 18 and Part C of Schedule II of the SEBI Listing Regulations, 2015, as well as Section 177 of the Companies Act, 2013. The Chief Financial Officer, Internal Auditor, and Statutory Auditors are also invited to attend and participate in meetings of the Committee. Additionally, the Chairman of the Audit Committee was present at the Annual General Meeting held on 29th September 2025.

The Terms of Audit committee includes the following: -

A. Overview of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement reflects a true and fair position, and that sufficient and credible information is disclosed.

B. Monitoring and reviewing risk management assessment and minimization procedures, implementing, and monitoring the risk management plan and identifying, reviewing, and mitigating all elements of risks which the Company may be exposed to.

C. In compliance with provisions of Section 177(9) of the Companies Act, 2013 and Regulation 22 of SEBI (LODR) Regulations, 2015, the Company has framed a Whistle Blower Policy / Vigil Mechanism to report concerns about the Company's working or about any violation of its policies.

D. Recommending the appointment and removal of the statutory auditors, fixation of audit fees and 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.
   f) Disclosure of any related party transactions
   g) Qualifications in the draft audit report.
   h) Compliance with accounting standards
   i) Management discussion and analysis of financial condition and result of operations.

G. Reviewing the Quarterly Financial Results before submitting them to the Board's approval.

H. Reviewing, with the management, the performance of external and internal auditors and adequacy of the internal control systems.

I. Reviewing the adequacy of internal audit function and frequency of internal audit.

J. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board

K. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

i. The Audit Committee Meetings are usually held at the registered office of the Company and Audio/Video Conference, and are also attended by CFO, Statutory Auditors and Internal Auditors.

ii. The last Annual General Meeting of the Company was held on September 29, 2025.

iii. The composition of the Audit Committee as on March 31, 2026, and particulars of meetings attended by the members are as follows:

Name	Category	Number of meetings during the year 2025-26	
		Held	Attended
Mr. Ayyagari Viswanadha Sarma	Chairman Non-Executive Independent	4	4
Mr. Adabala Seshagiri Rao	Member Non-Executive Independent	4	**4**
Mr. Anji Raju Manthena#	Member Non-Executive Non-Independent	4	**1**
Ms. Sreelakshmi Manthena *	Member Executive	4	3

 # Appointed on 13.11.2025

*** Ceased on 13.11.2025**

Meetings of Audit Committee:

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

Date	Committee Strength	No. of Directors Present
23/05/2025	3	3
14/08/2025	3	3
13/11/2025	3	3
12/02/2026	3	3

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

4 Nomination and Remuneration Committee:

1. The Nomination and Remuneration Committee was constituted in conformity with SEBI (LODR) Regulations, 2015 and the terms of reference are in conformity with Section 178 of the Companies Act'2013.

2. The Nomination and Remuneration Committee of the Company as on 31st March'2026 consists of 3 directors, out of whom two are independent directors.

3. The main object of this Committee is to identify persons who are qualified to become directors and who may be appointed in senior management of the Company, recommend to the Board their appointment and removal and shall carry out evaluation of every Director's performance, recommend the remuneration package of both the Executive and the Non-Executive Directors on the Board and also the remuneration of Senior Management, one level below the Board. The Committee reviews the remuneration package payable to Executive Director(s) and recommends to the Board the same and acts in terms of reference of the Board from time to time.

4. The composition of the Nomination and Remuneration Committee as on March 31, 2026 is mentioned below and one meeting was held on 23.05.2025, and the details of the members attended are as follows: -

Composition of the Nomination and Remuneration Committee

Name	Category	Number of meetings during the year 2025-26	
		Held	Attended
Mr. Pasupuleti Dinakara Rao	Chairman & Non-Executive Independent	1	1
Mr. Adabala Seshagiri Rao	Member & Non-Executive Independent	1	1
Mr. Anji Raju Manthena	Member & Non Executive Non-Independent	1	1

The Nomination and Remuneration Committee of the Company met 1 time during the financial year 2025-26, with meetings held on the following dates:

Date	Committee Strength	No. of Directors Present
23.05.2025	3	3

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

The terms of reference of the Nomination and Remuneration Committee are as under:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of the directors, key Managerial Personnel, and other employees.
2. Formulation of criteria for evaluation of Independent Directors and the Board.
3. Devising a policy on Board diversity.
4. Identifying people who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal.
5. To recommend/review remuneration of Key Managerial Personnel based on their performance and defined assessment criteria.

6. To decide on the elements of the remuneration package of all the Key Managerial Personnel i.e., salary, benefits, bonus, stock options, pensions etc.
7. Recommendation of fee / compensation if any, to be paid to Non-Executive Directors, including Independent Directors of the Board.
8. Payment / revision of remuneration payable to Managerial Personnel.
9. While approving the remuneration, the committee shall consider the financial position of the Company, trend in the industry, qualifications, experience, and past performance of the appointee.
10. The Committee shall be able to bring about objectivity in determining the remuneration package while striking the balance between the interest of the Company and shareholders.
11. Any other functions / powers / duties may be entrusted by the Board from time to time. The Company has adopted a policy relating to the remuneration for Directors, Key Managerial Personnel and other employees of the Company which is disclosed on the website of the Company www.kernex.in. The Company has paid Remuneration and Sitting Fee during the Financial Year 2025-26.

6. Remuneration Policy:

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

7. Remuneration paid to Whole time Director during the financial year 2025-26 is follows: -.

Name	Designation	Remuneration (Rs.Lakhs)		
		*Salary & Benefits	#Commission	Total
#Ms. Sreelakshmi Manthena	Managing Director	115.25	-	**115.25**
Mr. Manthena Badari Narayana Raju	Whole Time Director	60.00	22.94	**82.94**
Mr. Sitarama Raju Manthnea	Whole Time Director	60.00	22.94	82.94

*not included allowances and perquisites
#appointed from 23.05.2025

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

B. Non- Executive Directors:

The Non-Executive Directors are paid a sitting fee at the rate of Rs.60,000/- for each meeting of the Board and committee meetings. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending meetings.

Sitting fee paid to non-executive Directors during Financial Year 2025-26, is as follows: -

Name	Sitting fee (Amount in Rs. In Lakhs)
Mr. Anji Raju Manthena	3.60
Mr. Janardhana Reddy Vinta	2.40
*Ms. Sreelakshmi Manthena	1.20
Mr. Adabala Seshagiri Rao	5.40
Mr. Pasupuleti Dinakara Rao	3.60
Mr. Ayyagari Viswanadha Sarma	5.40

*upto 23.05.2025

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

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

5. Stakeholders Relationship Committee:

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

i. The Company's Stakeholders Relationship Committee is comprised of three directors, with a majority being Non-Executive Independent Directors. This composition ensures a balanced and independent approach to addressing and resolving investors' complaints.

   The Committee met once during the financial year on February 12, 2026. All members of the Committee were present at the meeting.

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

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

The Shareholders/Investors Grievance Committee of the Company met one time during the financial year 2025-26, with meeting held on the following date:

Date	Committee Strength	No. of Directors Present
12.02.2026	3	3

iii. Name, designation and address of Compliance Officer:

CS Prasada Rao Kalluri, Company Secretary & Compliance Officer
Plot No.38 to 41, Survey no.1/1, Hardware Park, Maheswaram Mandal,
Raviryal Village, Ranga Reddy, Hyderabad – 501 510

iv. Details of complaints received and redressed:

Opening Balance	Received during the period 01.04.2025 to 31.03.2026	Resolved during the period 01.04.2025 to 31.03.2026	Closing Balance
Nil	Nil	Nil	Nil

The Committee reviews the security transfers/transmissions, processes of dematerialization, investor grievances, and the systems dealing with these issues. Mr. Prasada Rao Kalluri, Company Secretary, is appointed as the Compliance Officer of the Company. The Board has authorized the Company Secretary, who is also the Compliance Officer, to approve share transfers/transmissions and comply with other formalities related thereto. All investor complaints that cannot be settled at the level of the Compliance Officer will be placed before the Committee for final resolution. As of 31st March 2026, there were no pending complaints or transfers.

Terms of reference:

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

a. Redressal of grievances of shareholders, debenture holders and other security holders.

b. Transfer and transmission of securities.

c. Dealing with complaints related to transfer of shares, non-receipt of declared dividend, non-receipt of Balance Sheet etc.

d. Issuance of duplicate shares certificates.

e. Review of dematerialization of shares and related matters.

f. Performing various functions relating to the interests of shareholders/investors of the Company as may be required under the provisions of the Companies Act, 2013, SEBI (LODR) Regulations, 2015 with the Stock Exchanges and regulations/guidelines issued by the SEBI or any other regulatory authority In order to expedite the process and for effective resolution of grievances/complaints, the Committee has delegated powers to the Registrar and Share Transfer Agents i.e., M/s. KFin Technologies Limited., to redress all complaints/grievances/enquiries of the shareholders/investors. It redresses the grievances/ complaints of shareholders/investors under the supervision of Company Secretary & Compliance Officer of the Company.

The Committee, in conjunction with the Registrars and Share Transfer Agents of the Company, follows a policy of addressing any complaints within seven days from the date of receipt.

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

6. Risk Management Committee

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

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

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

Name	Category
Mr. Ayyagari Viswanadha Sarma	Chairman and Non-Executive Independent
Mr. Pasupuleti Dinakara Rao	Member and Non-Executive Independent
Mr. Janardhana Reddy Vinta	Member and Non-Executive Non-Independent

7. Corporate Social Responsibility Committee

During the year under review, the provisions of Corporate Social Responsibility (CSR) were applicable to the Company. The Company has constituted a CSR Committee and developed a CSR policy in line with the provisions of the Companies Act, 2013.The CSR Committee comprises the following members:

The Corporate Social Responsibility Committee of the Company comprises the following directors:

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

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

MEETING OF INDEPENDENT DIRECTORS

During the year under review, the Independent Directors met on 17th March 2026, inter alia, to discuss:

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

Compliance officer:

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

Compliance Reports

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

Succession Plans

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

Code of Conduct

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

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

Information and Compliance Certificate to the Board

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

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

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

Prevention of Insider Trading

The Company has framed the Code of Conduct to regulate, monitor and report trading by employees and other connected persons and the Code of Practices and Procedures for fair disclosure of unpublished price sensitive information for Prevention of Insider Trading based on SEBI (Prohibition of Insider Trading) Regulations, 2015. The Code of Conduct to regulate, monitor and report trading by employees and other connected persons is applicable to all the Board members / officers / designated persons. The Code ensures the prevention of dealing in shares by people having access to unpublished price sensitive information.

8. Related Party Transactions

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

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

The Company does not have any domestic subsidiaries. Further, the Company has a Wholly Owned Subsidiary in USA i.e. M/s. Avant Garde Info Systems Inc, which is not a Material Subsidiary.

10. Independent Directors and compliance of their obligations

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

As stipulated by the Code of Independent Directors under the provisions of Section 149 (8) and Schedule IV (VII) of the Companies Act, 2013, and Clause 25 (3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate meeting of the Independent Directors of the Company was held during the year on 17th March 2026.

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

Directors and Senior Management have complied with the obligations specified under Regulation 26 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This includes adherence to the limits on the number of committees on which a Director may serve in all public limited companies, affirmation of compliance with the Code of Conduct, and disclosure of all material, financial, and commercial transactions where they have a personal interest that may potentially conflict with the interests of the Company at large.

Familiarization Program for Board Members:

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

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

The details of the familiarization programs for Independent Directors are posted on the Company's website at http://www.kernex.in.

Performance evaluation:

Pursuant to the provisions of the Companies Act, 2013, and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has conducted the annual performance evaluation of its own performance, the performance of individual Directors, as well as the functioning of its Audit and other Committees.

A structured questionnaire was prepared, taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning. This included the adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations, and governance.

A separate exercise was conducted to evaluate the performance of individual Directors, including the Chairman of the Board. They were assessed on parameters such as their level of engagement and contribution, independence of judgment, and their ability to safeguard the interests of the Company and its minority shareholders. The performance evaluation of the Independent Directors was carried out by the entire Board, while the evaluation of the Chairman and Non-Independent Directors was conducted by the Independent Directors, who also reviewed the performance of the Secretarial Department. The Directors expressed their satisfaction with the overall evaluation process.

12. General Meetings

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

Year	Day, Date and Time of the Meeting	Venue	Special Resolutions passed at the AGM by the Shareholders
2024-25	33rd AGM held on Monday, 29th September 2025 11:00 AM	Video Conference	No special resolutions were passed
2023-24	32nd AGM held on Monday, 30th September 2024 04.00 PM	Video Conference	1. To consider and approve appointment of Mr. Adabala Seshagiri Rao (din: 09608973) as an Independent Director of the company 2. To consider and approve appointment of Mr. Ayyagari Viswanadha Sarma (DIN: 00499468) as an Independent Director of the company 3. To consider and approve appointment of Mr. Pasupuleti Dinakara Rao (DIN:00009801) as an Independent Director of the company
2022-23	31st AGM held on Saturday, 30th September 2023 04:00 PM	Video Conference	1. To increase in managerial remuneration of Mr. M B Narayana Raju (DIN: 07993925), Whole-Time Director 2. To increase in managerial remuneration of Mr. M SitaramaRaju (DIN: 08576273), Whole-time director 3. To consider and approve re-appointment of Mr. M B Narayana Raju (din: 07993925) as aWhole Time Director of the company 4. To consider and approve the re-appointment of Mr. M Sitarama Raju (DIN:08576273) as awhole-time director of the company 5. To consider and approve issue of warrants on a preferential basis

Mr. D S Rao, Company Secretary in Practice, conducted the remote e-voting and e-voting process during the previous Annual General Meeting.

Postal Ballot:

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

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

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

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

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

The special resolutions proposed to be considered at the ensuing 34th AGM are mentioned in the AGM notice, which forms part of this report.

Extraordinary General Meeting:

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

13. OTHER DISCLOSURES

i. There were no materially significant related party transactions made by the Company with its Promoters, their subsidiaries, Directors or Management or relatives etc. that may have potential conflict with the interests of the Company at large. All the related party transactions are on an arm's length basis and in the ordinary course of business. The particulars of transactions between the Company and its related parties are set out in the Notes to financial statements. However, during the year the Company has taken approval from shareholders for related party transactions which were falling under the material events. However, these transactions are not likely to have any conflict with the Company's interest. The Policy on Related Party Transactions as approved by the Board is uploaded on the website of the Company www.kernex.in

ii. The equity shares of the Company are listed and traded on BSE Limited and NSE. Over the last three years, the Company has maintained a good compliance record, with no penalties or strictures imposed by SEBI, the stock exchanges, or any other authority on matters related to capital markets. However, in the financial year 2023-24, the Company faced penalties from the stock exchanges under Regulation 33 of SEBI (LODR) Regulations, 2015. These penalties were due to the non-submission of financial results for the quarter ended 31st December 2023 and the quarter and year ended 31st March 2024. Additionally, in the FY 2024-25 the Company was penalized for non-compliance concerning the Composition of Board. The Company responded to the stock exchanges, stating that it had complied with the composition requirements of the Board as per Regulation 17 of SEBI (LODR) Regulations, 2015 and requested a waiver of the penalties. After considering the Company's response, NSE and BSE have waived penalties levied.

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

The Policy covers malpractices and events which have taken place / suspected to have taken place, misuse or abuse of authority, fraud or suspected fraud, violation of Company rules, manipulations, negligence causing danger to public health and safety, misappropriation of monies, and other matters or activity on account of which the interest of the Company is affected and formally reported by whistle blowers concerning its employees. The Whistle Blower Policy of the Company is also posted on the website of the Company www.kernex.in.

iv. The Company has no material subsidiaries. The Policy on Material Subsidiaries as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as approved by the Board is uploaded on the website of the Company www.kernex.in. The Management provides the financials of the subsidiary companies/JVs/Consortium on a quarterly basis and the audited financial statements annually to the Audit Committee and the Board of Directors.

v. The Managing Director and the Chief Financial Officer have certified to the Board in accordance with Regulation 33(2) (a) of SEBI Listing Regulations pertaining to WTDs/CFO certification for the Financial Year ended 31st March 2026.

vi. The Company has complied with the mandatory requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Company has complied with the Discretionary Requirements as specified by Regulation 27(1) of SEBI Listing Regulations which are as under:

* Reporting of the Internal Auditor: The internal audit reports directly to the audit committee.

vii. There are no Shares lying in Demat Suspense Account.

viii. During the year no one has resigned from the office of senior management.

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

x. Total fees for all services paid by the listed entity to the statutory auditor FY 2025-26 is set out in Note No. 35 of the Standalone Financial Statements, forming part of the Annual Report.

xi. disclosures in relation to the Sexual Harassment of Women at Workplace Prevention, Prohibition and Redressal) Act, 2013:

a) number of complaints filed during the financial year: Zero

b) number of complaints disposed of during the financial year: Zero

c) number of complaints pending as on end of the financial year: Zero

xii. The Company also complies with the following non-mandatory requirements Regulation 27 of the SEBI Listing Regulations, 2015.

- There are no audit qualifications during the year under review except mentioned in the Auditors Report

- The Internal auditor submitted his report to the Audit Committee every quarter

  The Company has complied with all mandatory requirements. Adoption of non-mandatory requirements is provided under Item No.19 of this report.

  Disclosure on Commodity price risks and commodity hedging activities.

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

xiii. None of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority as on the date of the report. A certificate from a Company Secretary in practice is enclosed in this regard.

xiv. During the financial year 2025-26, the Company has not raised any funds through preferential allotment or qualified institutions placement

xv. The Board had accepted the recommendations of all the committees of the Board.

xvi. The Company and its subsidiary, has not given any Loans and advances in the nature of loans to firms/companies in which directors are interested.

14. Means of Communication:

- The quarterly, half yearly and annual results are generally published in widely circulating national and local dailies such as Financial Express and Nava Telangana from time to time within 48 Hours from time of Board Meeting. These are not sent individually to the shareholders.
- The financial results are displayed on the website of the Company - www.kernex.inand in the web-sites of BSE Limited and National Stock Exchange of India Limited. The Company's website also displays official press releases and other disclosures submitted to stock exchanges.
- The Company has not made any presentation to institutional investors or to analysts.

15. General Shareholder's information:

The 34th Annual General Meeting of the company will be held on Wednesday, 30th September 2026 at 11.00A.M through Video Conference/ Other Audio-Visual Means (VC/OAVM)

Financial Calendar: The Company follows April to March as its financial year.

Results for the quarter ending:

30th June 2026	: On or before 14th August 2026.
30th Sep, 2026	: On or before 14th November, 2026.
31st Dec, 2026	: On or before 14th February, 2027.
31st Mar, 2027	: On or before 30th May, 2027.
Date of Book closure	: 24th September 2026 to 30th September 2026 (both days inclusive).
Dividend Payment Date	: Not Applicable
Listing on Stock Exchanges	: The BSE Limited and National Stock Exchange of India Limited

Stock Code:

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

The Annual Listing fee for the year 2026-27 has been paid to the Stock Exchanges

16. The securities of the Company are not suspended from trading during the financial year ending March 31, 2026.

Distribution of Shareholding (as on March 31, 2026):

Sl No	Category No. of Shares	No. of shareholders	% to Total Shareholders	No. of Shares	% of Total Share capital
1	1 - 5000	42445	99.31	5924771	35.26
2	5001 - 10000	152	0.36	1078719	6.42
3	10001 - 20000	72	0.17	1020093	6.07
4	20001 - 30000	19	0.04	449001	2.67
5	30001 - 40000	9	0.02	321265	1.91
6	40001 - 50000	12	0.03	557696	3.32
7	50001 - 100000	14	0.03	1013820	6.03
8	100001 and above	18	0.04	6437057	38.31
	TOTAL	**42741**	**100.00**	**16802422**	**100.00**

Shareholding pattern as on March 31, 2026

S. No	Category	No of share holders	No of Shares	Percentage of Holding
(A)	**PROMOTER AND PROMOTER GROUP**			
(1)	**INDIAN**			
(a)	Individual /HUF	1	7,12,992	4.24
(b)	Others	-	-	-
(2)	**FOREIGN**			
(a)	Individuals (NRIs/Foreign Individuals)	6	41,34,629	24.61
(b)	Others	-	-	-
	Total	**7**	**48,47,621**	**28.85**
(B)	**PUBLIC SHAREHOLDING**			
(1)	INSTITUTIONS			
(a)	Mutual Funds	-	-	-
(b)	Alternative Investment Funds	1	3,914	0.02
(c)	Foreign Portfolio Investors Category I	6	33,632	0.20

(d)	Foreign Portfolio Investors Category II	2	16,068	0.10
(c)	Shareholding by Companies or Bodies Corporate where Central / State Government is a promoter	1	10,563	0.06
(2)	**NON-INSTITUTIONS**			
(a)	Bodies Corporate	325	17,19,799	10.24
(b)	Directors and their Relatives	5	3,57,781	2.13
(c)	Key Managerial Personnel	1	1,500	0.01
(b)	Individuals			
	(i) Individuals holding nominal share capital upto Rs.2 lakh	39,511	65,93,134	39.24
	(ii) Individuals holding nominal share capital in excess of Rs.2 lakh	40	21,03,790	12.52
(c)	Others (NBFCs)			
	Clearing Members	-	-	-
	Non Resident Indians	698	6,85,592	4.08
	Foreign Nationals	1	13,101	0.08
	Trusts	4	26,431	0.16
	HUF	909	3,89,496	2.32
	Total	**41,504**	**1,19,54,801**	**71.15**
	Grand Total	**41,511**	**1,68,02,422**	**100.00**

Dematerialization of shares and liquidity:

The company’s shares are compulsorily traded in dematerialization form. Equity shares of the Company representing 98.43% of the company’s share capital are dematerialized as on March 31, 2026.

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

Dematerialization mandatory for effecting share transfers

SEBI has vide proviso to Regulation 40(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, mandated that requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialized form with a depository. In view of the same, the Company shall not process any requests for transfer of shares in physical mode. Shareholders who desire to demat their shares can get in touch with any Depository Participant having registration with SEBI to open a demat account and follow the procedure for share transfers.

Bank Details

Shareholders holding shares in the physical form are requested to advise the Registrar Transfer Agent of change in their address / mandate / bank details to facilitate better servicing. Shareholders are advised that their bank details, or where such details are not available, their addresses, as furnished by them to the Company or to the Depository participant, will be printed on the dividend warrants as required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as a measure of protection against fraudulent encashment.

Permanent Account Number (PAN)

Shareholders holding shares in the physical form are mandatorily required to furnish copy of PAN Card in the following transactions:

i. Transfer of shares – Transferee and Transferor
ii. Transmission of shares - Legal heirs' or Nominees'
iii. Transposition of shares - Joint holders' and
iv. In case of decease of shareholder - Surviving joint holders'

As on March 31, 2026 the company did not have any outstanding GDRs /ADRs / Warrants or any convertible instruments.

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

Registrar and Transfer Agents

KFin Technologies Limited	Karvy Selenium Tower No.B, Plot No.31-32, Gachibowli,Financial District, Nanakramguda Hyderabad-500 032 | India Ph No: +91 040 67161591 E-mail: ganesh.patro@kfintech.com
Contact Person	Mr. Ganesh Chandra Patro (Sr. Manager)
Share Transfer System	The Share transfers are affected within one month from the date of lodgment for transfer, transmission, Sub-division, consolidation, renewal etc. Such modified Share certificates are delivered to the shareholders immediately.
Compliance Certificate	Certificate from Mr. D S Rao, Company Secretary in Practice, confirming compliance with the conditions of Corporate Governance as stipulated Under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is attached to the Directors' Report and forms part of this 34th Annual Report.

Secretarial Audit:

1. Mr. D S Rao, Company Secretary in Practice have conducted Secretarial Audit of the Company for the year 2025-26. His Audit Report confirms that the Company has complied with the applicable provisions of the Companies Act and the Rules made there under, SEBI Listing Regulations and

other laws applicable to the Company. The Secretarial Audit Report forms part of the Director's Report.

2. Mr. D S Rao, Company Secretary in Practice carry out a quarterly Reconciliation of Share Capital Audit, to reconcile the total admitted capital with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) and the total issued and listed capital. The audit confirms that the total issued/ paid-up capital is in agreement with the aggregate of the total number of shares in physical form and the total number of shares in dematerialized form (held with NSDL and CDSL). On the online portal of both the stock exchanges (NSE and BSE) on a quarterly basis reconciliation of share capital audit report has been filed within the prescribed time limit and the same is also placed before the Board.

3. Compliance under SEBI Listing Regulations pertaining to mandatory requirements and Practicing Company Secretaries Certificate on Corporate Governance is attached herewith.

17. COMPLIANCE OF CORPORATE GOVERNANCE CONDITIONS

The Company has generally complied with the requirements of corporate governance report as specified in Schedule V of the SEBI Listing Regulations, 2015. The Company has submitted the quarterly compliance reports on corporate governance to the stock exchanges within prescribed time as provided by the SEBI (LODR) Regulations, 2015 during the financial year 2025-26.

18. WEBSITE DISCLOSURES

The website contents of the company as required under Regulation 46 of SEBI (LODR) Regulation 2015 is being updated.

19. DISCLOSURE ON NON-MANDATORY REQUIREMENTS

The Board

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

Shareholder Rights – Quarterly/Half yearly/Annual results

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

Separate Posts of Chairman and CEO

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

Reporting of Internal Auditors

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

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

Code of Conduct

The Company has a Code of Conduct for Directors and Senior Management of the Company and has received confirmations from the directors and senior management regarding compliance with the Code for the year ended March 31, 2026. A certificate from Managing Director to this effect is attached to this Report.

Allotment of shares

During the year under review, the Company has allotted 43,000 Equity Shares Pursuant to the KMIL ESOS-2023.

Accounting treatment

The Financial Statements of the Company have been prepared in accordance with the Indian

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

Code of Conduct for Prevention of Insider Trading

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

Secretarial Standards

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

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

Place : Hyderabad Date : 13th August 2026	**Sd/-** **Sreelakshmi Manthena** *Managing Director* *DIN : 07996443*	**Sd/-** **Badari Narayana Raju Manthena** *Whole Time Director* *DIN : 07993925*	**Sd/-** **Sitarama Raju Manthena** *Whole Time Director* *DIN : 08576273*

To
The members of Kernex Microsystems (India) Limited

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

I Sreelakshmi Manthena, hereby declare that all Board members and senior management personnel have affirmed compliance with the Code of Business Conduct and Ethics formulated by the Company for the financial year ended 31st March, 2026.

For Kernex Microsystems (India) Limited

Sd/-
Sreelakshmi Manthena
Managing Director
DIN: 7996443

AUDITORS' CERTIFICATE REGARDING CORPORATE GOVERNANCE

To The Members,
KERNEX MICROSYSTEMS (INDIA) LIMITED
Hyderabad

I have examined the compliance of the conditions of Corporate Governance by Kernex Microsystems (India) Limited (hereinafter referred to as "the Company") for the year ended March 31, 2026, as stipulated in Chapter IV of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

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

I conducted my examination of the Corporate Governance Report in accordance with the established systems and procedures selected by us depending on my judgment, including an assessment of the risks associated with compliance of the Corporate Governance Report with the applicable criteria. The procedures include but are not limited to, verification of secretarial records and other information of the Company, as we deem necessary to arrive at an opinion.
Based on the procedures performed by me as mentioned above and according to the information and explanations provided to me, I am of the opinion that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations as applicable for the year ended March 31, 2026.

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

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

Date: 13-08-2026
Place: Hyderabad

CERTIFICATE GIVEN BY MANAGING DIRECTOR (MD)/ AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

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

We, Sreelakshmi Manthena, Managing Director and Pamidi Srikanth, Chief Financial Officer of the Company, to the best of our knowledge and belief, certify that:

a. We have reviewed the financial statements including cash flow statement (standalone and consolidated) for the financial year ended 31st March, 2026 and to the best of our knowledge and belief:

   i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.

   ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws, and regulations.

b. There are, to the best of our knowledge and belief, no transactions entered by the Company during the year, which are fraudulent, illegal or violate of the Company's code of conduct.

c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to address these deficiencies.

d. We have indicated to the auditors and the Audit Committee:

   i. that there are no significant changes in the internal control over financial reporting during the year;

   ii. that there are no Significant changes in the accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

   iii. that there are no instances of significant fraud of which they have become aware of and involvement therein of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For Kernex Microsystems (India) Limited

Sd/-	**Sd/-**
Sreelakshmi Manthena	**Pamidi Srikanth**
Managing Director	**Chief Financial Officer**
DIN: 07996443	

Place: Hyderabad
Date: 29.05.2026

CERTIFICATE ON NON-DISQUALIFICATION OF DIRECTORS

[Pursuant to Regulation 34(3) and Schedule V Para C Clause 10(i) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015]

To The Members,
KERNEX MICROSYSTEMS (INDIA) LIMITED
Hyderabad.

I have examined the relevant records, forms, returns and disclosures received from the directors of **KERNEX MICROSYSTEMS (INDIA) LIMITED** having CIN: L30007TG1991PLC013211 and its office at Plot No.38 to 41, Survey No.1/1, Hardware Technology Park, TSIIC Layout, Raviryal Village, Maheswaram Mandal, Hyderabad – 501 510 (hereinafter referred to as "the Company") produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with sub-clause 10(i) of Para C of Schedule V to the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Director Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and the explanations furnished to me by the Company & its officers, I hereby certify that none of the directors on the Board of the Company for the financial year ended March 31, 2026, have been debarred or disqualified from being appointed or continuing as directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any other statutory authority.

Sr.No.	Name of Director	Nature/ Category of Directorship	DIN
1	!Sreelakshmi Manthena	Managing Director	07996443
2	Adabala Seshagiri Rao	Chairman & Independent Director	09608973
3	Ayyagari Viswanadha Sarma	Independent Director	00499468
4	Pasupuleti Dinakara Rao	Independent Director	00009801
5	Anji Raju Manthena	Non-Executive Director	01022368
6	Janardhana Reddy Vinta	Non-Executive Director	02414912
7	Badari Narayana Raju Manthena	Whole-Time Director	07993925
8	Sitarama Raju Manthena	Whole-Time Director	08576273
9	@Parvathi Manthena	Non-Executive Director	11537664

! Re-designated as the Managing Director w.e.f. 23/05/2025.
@ Appointed as a Non-Executive Director w.e.f. 29/05/2026.

Ensuring eligibility for the appointment/ continuity of every Director on the Board is the responsibility of the management of the Company. My responsibility is to express an opinion on these based on my verification. This certificate is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

Date: 13-08-2026
Place: Hyderabad

COMPLIANCE CERTIFICATE

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

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

I, D.S.Rao, Practicing Company Secretary, have been appointed as the Secretarial Auditor of Kernex Microsystems (India) Limited (hereinafter referred to as 'the Company'), having CIN: L30007TG1991PLC013211 and its registered office at Plot No38 to 41, survey no 1/1, Hardware Technology Park, TSIIC Layout, Kancha Imarat, Raviryal Village, Maheswaram Mandal, Hyderabad, Telangana - 500005. This certificate is issued under Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (hereinafter referred to as 'the Regulations'), for the financial year ended 31st March 2026.

Management Responsibility:

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

Verification:

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

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

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

Certification:

In my opinion and to the best of my knowledge and according to the verifications as considered necessary and explanations furnished to me by the Company and its Officers, I certify that the Company has obtained requisite approvals to implement the ""KERNEX- Employee Stock Option Scheme 2023" ("KMIL ESOS 2023/ ESOS 2023")" in accordance with the applicable provisions of the Regulations and Special Resolution passed by the Company through Postal Ballot on 23rd August 2024. During the FY 2025-26, the Company has granted 1,200 Options to eligible employees under the KMIL ESOS 2023. The details of Options as on 31st March 2026 are as under:

Total No. of Options Under the Scheme	1,50,000
Total No. of Options Granted	44,200
Total No. of Options Vested	43,000
Total No. of Options Exercised	43,000
No. of Options Granted during the year	1,200
No. of Options Vested during the year	43,000
No. of Options Exercised during the year	43,000
Options Forfeited	0
Options Granted but not Vested	1,200
Options Vested but not Exercised	0
Balance No. of options under the scheme (Not yet granted)	1,05,800

Assumption & Limitation of Scope and Review:

1. Ensuring the authenticity of documents and information furnished is the responsibility of the Board of Directors of the Company.

2. My responsibility is to give certificate based upon my examination of relevant documents and information. It is neither an audit nor an investigation.

3. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

4. This certificate is solely for your information, and it is not to be used, circulated, quoted, or otherwise referred to for any purpose other than for the Regulations.

Sd/-
CS D.S. RAO: PCS
M. No. A12394
CP No.: 14487
UDIN: A012394H001099524
PEER REVIEW CER. No. 1817/2022

Date: 13/08/2026
Place: Hyderabad

STANDALONE FINANCIAL STATEMENTS

Independent Auditor's Report

To
The Members of
Kernex Microsystems (India) Limited,

REPORT ON THE AUDIT OF THE STANDALONE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying Standalone Financial Statements of Kernex Microsystems (India) Limited (the "Company"), which comprise the Balance Sheet as at March 31, 2026, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year ended on that date, and notes to the financial statements, including a summary of material accounting policies and other explanatory information. (hereinafter referred to as "Standalone Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements give the information required by the Companies Act, 2013 (the "Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the companies (Indian Accounting Standards) Rules, 2015, as amended,("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2026 and its profit and other comprehensive income, the changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing ("SA"s) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the "Auditor's Responsibility for the Audit of the Standalone Financial Statements" section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics.

We believe that the audit evidence obtained by us and with the consideration of report of the other auditors referred to in the 'Other Matters' section below is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Emphasis of Matter

We draw attention to the following matters in the Notes to the standalone financial statements:

a. Note 12 to the Standalone Financial Statements, which describes the Company's assessment of the recoverability of trade receivables amounting to ₹422.73 lakhs (Previous Year: ₹422.10 lakhs) due from a customer, against which an Expected Credit Loss (ECL) provision of ₹309.59 lakhs (Previous Year: ₹211.67 lakhs) has been recognized.

b. Note 14 to the Standalone Financial Statements, which describes the Company's assessment of the recoverability of margin money deposits with banks amounting to ₹265.03 lakhs placed against bank guarantees furnished to a customer, in respect of which arbitration/ conciliation proceedings are pending.

c. Note 7 to the Standalone Financial Statements, which describes the Company's assessment of the recoverability of advances, including interest accrued thereon, amounting to ₹637.87 lakhs advanced to Kernex TCAS JV, against which an Expected Credit Loss (ECL) allowance of ₹403.07 lakhs has been recognised.

d. Note 6 to the Standalone Financial Statements, which describes the impairment loss recognised by the Company during the year on its investment in Avant-Garde Infosystems Inc., USA (Wholly Owned Subsidiary), pursuant to an impairment assessment carried out in accordance with Ind AS 36 – Impairment of Assets.

Our opinion is not modified in respect of above mattes.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Standalone Financial Statements of the current period. These matters were addressed in the context of our audit of the Standalone Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No.	Key Audit Matter	How the Key Audit Matters was addressed in our audit
1	**Revenue recognition** (Refer Notes 2.5 and 27 to the standalone financial statements) The Company recognizes revenue from contracts relating to the supply of products, execution of projects, installation, commissioning and maintenance services in accordance with **Ind AS 115 - Revenue from Contracts with Customers.** Revenue recognition requires management to exercise significant judgment in evaluating contractual terms and estimating variable consideration, including contract modifications, claims and liquidated damages, where applicable. For contracts executed through consortium arrangements, revenue is recognized only to the extent of the Company's rights and obligations under the respective consortium agreements. Given the significance of revenue to the financial statements and the judgments involved in applying the requirements of Ind AS 115, we considered revenue recognition to be a Key Audit Matter.	Our audit procedures in response to this Key Audit Matter included the following: • Obtained an understanding of and evaluated the design and tested the operating effectiveness of key internal controls relating to revenue recognition, including controls over contract review, identification of performance obligations, determination of transaction price, and recognition of revenue. • Assessed the appropriateness of the Company's revenue recognition accounting policy with reference to the requirements of **Ind AS 115 - Revenue from Contracts with Customers.** • For a sample of customer contracts, inspected the underlying agreements, key terms and conditions of the agreement, amendments, purchase orders and other relevant contractual documents to evaluate the terms and conditions impacting revenue recognition. • Performed substantive testing of revenue transactions on a sample basis, including verification of supporting documentation and testing of revenue recognised during the year. • Performed cut-off procedures by testing revenue transactions recorded before and after the reporting date to assess whether revenue had been recognised in the appropriate accounting period.

Sr. No.	Key Audit Matter	How the Key Audit Matters was addressed in our audit
		• Assessed the adequacy of the disclosures relating to revenue recognition in the standalone financial statements in accordance with the applicable requirements of Ind AS 115 and Schedule III to the Companies Act, 2013.
2	**Existence and valuation of inventories** (Refer Notes 2.12 and 10 to the standalone financial statements) As at 31 March 2026, the Company has reported inventories amounting to ₹37,132.06 lakhs, comprising raw materials, work-in-progress and finished goods. Inventory represents a significant balance in the standalone financial statements. The determination of the existence and valuation of inventories involves judgment, particularly in relation to physical verification at various locations, assessment of work-in-progress and application of the Company's inventory valuation methodology in accordance with Ind AS 2 – Inventories. Accordingly, due to the significance of the inventory balance and the audit effort involved, we considered this matter to be a Key Audit Matter.	**Our audit procedures in response to this Key Audit Matter included the following:** • Obtained an understanding of and evaluated the design and tested the operating effectiveness of key controls relating to inventory management, physical verification and valuation. • Attended physical inventory verification at selected locations and performed audit procedures on management's physical verification records, including reconciliation of differences, where applicable. • Performed substantive testing of inventory on a sample basis by examining supporting documentation and reconciling inventory records with the accounting records. • Evaluated the appropriateness of the Company's inventory valuation methodology and tested the application of cost determination in accordance with Ind AS 2 – Inventories. • Assessed the basis of valuation of work-in-progress through inspection of supporting records and management's estimates. • Assessed the adequacy of the related disclosures in the standalone financial statements.

Sr. No.	Key Audit Matter	How the Key Audit Matters was addressed in our audit
3.	**Balances with statutory and government authorities** (Refer Notes 16 to the standalone financial statements) As at 31st March 2026, the Company has reported balances amounting to ₹4,194.50 lakhs lying with statutory and government authorities. These balances primarily comprise Input Tax Credit (ITC) and GST TDS receivable, the recoverability of which depends upon compliance with the applicable statutory requirements. Considering the materiality of these balances and the audit effort involved in assessing their recoverability and presentation, this matter was considered to be a Key Audit Matter.	**Our audit procedures in response to this Key Audit Matter included the following:** • Obtained an understanding of and evaluated the design and tested the operating effectiveness of key controls over the recognition, reconciliation and monitoring of balances with statutory and government authorities. • Tested, on a sample basis, the underlying supporting documentation and reconciliations maintained by the Company. • Verified the balances with the relevant statutory returns filed by the Company and, where applicable, reconciled them with the information available on the respective government portals. • Assessed management's evaluation of the recoverability of the balances based on the applicable statutory provisions. • Assessed the adequacy of the related disclosures in the standalone financial statements.

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

- The Company's Management and Board of Directors are responsible for the other information. The other information comprises the information included in the Report of the Board of Directors including Annexures thereto, Management Discussion and Analysis Report but does not include the Standalone Financial Statements and our auditor's report thereon.
- Our opinion on the Standalone Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the Standalone Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Standalone Financial Statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Standalone Financial Statements

The Company's Management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Standalone Financial Statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including Ind AS specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Standalone Financial Statements, Management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management and Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the Standalone Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Standalone Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to Standalone Financial Statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Standalone Financial Statements, including the disclosures, and whether the Standalone Financial Statements represents the

underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal financial controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Standalone Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   c. The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows 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 Ind AS specified under Section 133 of the Act.

   e. On the basis of the written representations received from the directors as on 1st April, 2026 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2026 from being appointed as a director in terms of Section 164(2) of the Act.

f. With respect to the adequacy of the internal financial controls with reference to Standalone Financial Statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls with reference to Standalone Financial Statements.

g. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

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

   i. The Company has disclosed the impact of pending litigations on its financial position in its Standalone Financial Statements;

   ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

   iii. There has been delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

   iv. a. The Management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company

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

   b. The Management has

represented that, to the best of its knowledge and belief, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

c. Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.

v. The Company has not declared or paid any dividend during the year.

vi. Based on our examination, which included test checks, the Company has used accounting software systems for maintaining its books of account for the financial year ended March 31, 2026 which have the feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the software systems. Further, during the course of our audit we did not come across any instance of the audit trail feature being tampered with and the audit trail has been preserved by the Company as per the statutory requirements for record retention.

2. As required by the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **NSVR & Associates LLP**
Chartered Accountants
Firm Reg. No.: 0008801S/S200060

V Gangadhara Rao N
Partner
Membership No. 219486
UDIN: 26219486VRSXOU3940

Place: Hyderabad
Date: May 29, 2026

Annexure – "A" to the Independent Auditor's Report

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

We have audited the internal financial controls with reference to Standalone Financial Statements of **Kernex Microsystems (India) Limited** (the "Company") as of 31 March 2026 in conjunction with our audit of the Standalone Financial Statements of the Company for the year ended on that date.

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

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to Standalone Financial Statements of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls with reference to Standalone Financial Statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to Standalone Financial Statements was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to Standalone Financial Statements.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control with reference to Standalone Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to Standalone Financial Statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial control with reference to Standalone Financial Statements and such internal financial controls with reference to Standalone Financial Statements were operating effectively as at 31st March, 2026, based on the criteria for internal financial control with reference to Standalone Financial Statements established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **NSVR & Associates LLP**
Chartered Accountants
Firm Reg. No.: 0008801S/S200060

V Gangadhara Rao N
Partner
Membership No. 219486
UDIN: 26219486VRSXOU3940

Place: Hyderabad
Date: May 29,2026.

Annexure – "B" to the Independent Auditor's Report

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

i. In respect of the Companies property, plant and equipment and intangible assets:

(a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.

(B) The Company has maintained proper records showing full particulars of intangible assets.

(b) The Company has a regular program of verification to cover all the items of fixed assets in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets.

(c) Based on our examination of the registered sale deed / transfer deed / conveyance deed provided to us, we report that, the title deeds of all the immovable properties, (other than immovable properties where the Company is the lessee and the lease agreements are duly executed in favour of the Company) disclosed in the financial statements included in (property, plant and equipment, capital work-in progress and investment property and non-current assets held for sale) are held in the name of the Company as at the balance sheet date.

(d) The Company has not revalued any of its property, plant and equipment and intangible assets during the year.

(e) According to information and explanations given to us and on the basis of our examination of the records of the Company, there are no proceedings initiated or pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder.

ii. (a) The inventories i.e.; finished goods, work in progress and raw materials have been physically verified during the year by the Management at reasonable intervals. In our opinion and according to the information and explanations given to us, the coverage and procedure of such verification by the Management is appropriate having regard to the size of the Company and the nature of its operations. No discrepancies of 10% or more in the aggregate for each class of inventories were noticed on such physical verification of inventories when compared with books of account.

(b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has been sanctioned working capital limits in excess of five crore rupees, in aggregate, from banks or financial institutions on the basis of security of current assets. In our opinion, certain discrepancies were noticed between the quarterly returns / statements of current assets and current liabilities submitted by the Company with the banks and the books of account. As stated in Note 48 (XII) to the standalone financial statements, the quarterly statements submitted to the banks were prepared based on provisional inventory values prior to the allocation of production overheads, whereas the books of account reflect the final valuation of inventories after allocation of production overheads. Accordingly, the discrepancies arose due to the difference in the basis of valuation of inventories adopted in the quarterly statements submitted to the banks and the books of account.

iii. (a) According to the information and explanations provided to us, the company has provided loans, advances in the nature of loans, stood guarantee, and/or provided security to other entities.

(A) The details of such guarantee, security, loans or advances in the nature of loans to subsidiaries, Joint Ventures and Associate are as follows:

Particulars	Guarantees (₹ Lakhs)	Security (₹ Lakhs)	Loans (₹ Lakhs)*	Advances in the nature of loans (₹ Lakhs)
Aggregate amount granted/provided during the year				
-Subsidiaries	NIL	NIL	NIL	NIL
-Joint Ventures	NIL	NIL	13.50	NIL
-Associates	NIL	NIL	NIL	NIL
Balance outstanding as at the balance sheet date in respect of the above cases				
-Subsidiaries	NIL	NIL	NIL	NIL
-Joint Ventures	121.11	NIL	637.87	NIL
-Associates	NIL	NIL	NIL	NIL

*The amounts reported are at gross amounts (including interest accrued), without considering provisions made.

(b) The investments made, guarantees provided, security given and the terms and conditions of grant of all the above-mentioned loans and advances in the nature of loans during the year are, in our opinion, prima facie, not prejudicial Company's interest.

(c) In respect of the loans granted by the Company, there is no stipulation regarding the schedule of repayment of principal and payment of interest. Accordingly, we are unable to comment on the regularity of repayment of principal and payment of interest. However, the applicable interest has been duly charged to the respective loan accounts.

(d) According to the information and explanations given to us and based on the audit procedures performed, in respect of the loans granted by the Company, there is no stipulation regarding the repayment of principal and payment of interest. Accordingly, we are unable to comment on whether any amount is overdue for more than ninety days in respect of such loans.

(e) In respect of the loans granted by the Company, no schedule has been stipulated for repayment of principal and payment of interest. Accordingly, we are unable to comment on whether any loans falling due during the year have been renewed or extended. However, no fresh loans have been granted to settle the overdue amounts of existing loans granted to the same parties.

(f) According to the information and explanations given to us and based on the audit procedures performed, the Company has granted loans or advances in the nature of loans for which no specific schedule for repayment of principal or payment of interest has been stipulated. However, as represented to us by the management, such loans are repayable on demand. Accordingly, the reporting requirements under clause 3(iii)(f) of the Order have been considered in this regard.

iv. The Company has not granted any other loans or provide any guarantees or securities to parties covered under Section 185 of the Act other than the book debts of Rs. 422.73 lakhs (excluding ECL provision of Rs. 309.59 lakhs) overdue from a company. Further, the aggregate of such loans or guarantees have not exceeded the limits specified in Sections 186 of the Companies Act, 2013.

v. The Company has neither accepted deposits from the public nor accepted any amount which are deemed to be deposits within the meaning of Sections 73 to 76 of the Act and the Rules made thereunder. Hence, reporting under clause 3(v) of the Order is not applicable.

vi. According to the information and explanations given to us, the Central Government has prescribed the maintenance of cost records under sub-section (1) of Section 148 of the Companies Act, 2013 in respect of the products manufactured by the Company.

We have broadly reviewed such records and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. However, we have not carried out a detailed examination of such records with a view to determine whether they are accurate or complete.

vii. In respect of statutory dues:

(a) According to the information and explanations given to us and the records examined by us, in our opinion, undisputed statutory dues including Goods and Services Tax, Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Duty of Customs, Duty of Excise, Value Added Tax, Cess, and other material statutory dues have been generally regularly deposited by the Company with appropriate authorities during the year. No undisputed amounts payable in respect of these statutory dues were outstanding as at March 31, 2026, for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us and the records examined by us, dues relating to Goods and Services Tax, Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Duty of Customs, Duty of Excise, Value Added Tax, Cess which have not been deposited as on March 31, 2026, on account of dispute, are as follows:

Name of the Statute	Nature of the Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount (₹ in Lakhs)
The Income-tax Act, 1961	Income Tax	Commis-sioner of Income Tax (Appeals)	AY 2017-18	785.00

viii. According to the information and explanations given to us, there are no transaction which are not recorded in the books of account which have been surrendered or disclosed as income during the year in Income-tax Assessment under the Income Tax Act, 1961. Accordingly, the requirement to report as stated under clause 3(viii) of the Order is not applicable to the Company.

ix. (a) The Company has not defaulted in repayment of loans or borrowing or in payment of interest thereon to banks. In case of loans from directors and inter corporate loans, the principal including interest are repayable on demand/as may be mutually agreed between the parties. The repayment period for inter-corporate deposits in terms of agreements entered into with the parties has since expired, and therefore classified as payable on demand. The Company has repaid some of the loans including intercorporate loans along with interest during the year.

(b) The Company has not been declared willful defaulter by any bank or financial institution or government or any government authority.

(c) The Company has not taken any

term loan during the year and there are no outstanding term loans at the beginning of the year and hence, reporting under clause 3(ix)(c) of the Order is not applicable.

(d) On an overall examination of the standalone financial statements of the Company, no funds raised on short-term basis have been used for long-term purposes by the Company.

(e) On an overall examination of the standalone financial statements of the Company, the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries and Joint venture. The Company does not have any associate.

(f) The Company has not raised loans during the year on the pledge of securities held in its subsidiaries or associate companies. Hence, the requirement to report on clause (ix)(f) of the Order is not applicable to the Company.

x. (a) The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) Accordingly, clause (x)(a) of the Order is not applicable.

(b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, clause 3(x)(b) of the Order is not applicable.

xi. (a) Based on examination of the books and records of the Company and according to the information and explanations given to us, no fraud by the Company or on the Company has been noticed or reported during the course of the audit.

(b) According to the information and explanations given to us, no report under sub-section (12) of Section 143 of the Act has been filed by the auditors in Form ADT-4 as prescribed under Rule 13 of the Companies (Audit and Auditors) Rules, 2014 with the Central Government.

(c) As represented to us by the management, there are no whistle blower complaints received by the Company during the year.

xii. According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, clause 3(xii) of the Order is not applicable.

xiii. In our opinion and according to the information and explanations given to us, the transactions with related parties are in compliance with Section 177 and 188 of the Act, where applicable, and the details of the related party transactions have been disclosed in the Note 38 standalone financial statements as required by the applicable accounting standards.

xiv. (a) Based on information and explanations provided to us and our audit procedures, in our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(b) We have considered, the internal audit reports for the year under audit, issued to the Company during the year and till date, in determining the nature, timing and extent of our audit procedures.

xv. In our opinion and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with its directors or persons connected to its directors and hence, provisions of Section 192 of the Act are not applicable to the Company.

xvi. (a) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 as the company is not engaged in the business of financing. Accordingly, clause (xvi)(a) of the Order is not applicable.

(b) In our opinion and according to the information and explanations given to us, the Company has not conducted any Non-Banking Financial or Housing Finance activities without a valid Certificate of Registration (COR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934.

(c) The Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, clause 3(xvi)(c) of the Order is not applicable.

(d) The Company is not part of any group (as per the provisions of the Core Investment Companies (Reserve Bank) Directions, 2016 as amended). Accordingly, the requirements of clause 3(xvi)(d) are not applicable.

xvii. The Company has not incurred cash losses in the current year and in the immediately preceding financial year.

xviii. There has been no resignation of the statutory auditors during the year.

xix. According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the standalone financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that the Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

(xx) The Company has incurred losses in two of the three immediately preceding financial years. The average of the net profits of those three years, computed as per section 198 of the Act for the purposes of section 135(5), is negative. Accordingly, no amount is required to be spent under section 135(5) for the current financial year and there is no unspent CSR amount requiring transfer under section 135(5) or 135(6). Reporting under clause 3(xx) of the Order is not applicable for the current financial year.

(xxi) The reporting under clause 3(xxi) of the Order is not applicable in respect of audit of standalone financial statements. Accordingly, no comment in respect of the said clause has been included in the report.

For **NSVR & Associates LLP.,**
Chartered Accountants
Firm Reg. No.: 0008801S/S200060

V Gangadhara Rao N
Partner
Membership No. 219486
UDIN: 26219486VRSXOU3940

Place: Hyderabad
Date: May 29,2026.

Standalone Balance Sheet as at March 31, 2026

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2026	As at 31 March 2025
ASSETS :			
1 Non-Current Assets			
a) Property, plant and equipment	3	2,718.13	2,498.63
b) Other intangible assets	4	658.45	0.28
c) Intangible assets under development	5	-	702.96
d) Financial assets			
(i) Investments	6	923.91	1,283.97
(ii) Loans	7	234.80	575.89
(iii) Other financial assets	8.1	1,443.77	949.88
e) Deferred tax assets (net)	9	1,229.24	1,768.66
Sub-total- Non -Current assets		**7,208.30**	**7,780.27**
2 Current Assets			
a) Inventories	10	37,132.06	5,179.82
b) Contract assets	11	6,828.32	2,975.50
c) Financial assets			
(i) Trade receivables	12	31,598.36	1,900.79
(ii) Cash and cash equivalents	13	21.11	1,469.93
(iii) Bank balances other than (ii) above	14	2,526.14	1,905.12
(iv) Other financial assets	8.2	286.52	815.04
d) Income tax assets (net)	15	512.28	521.66
e) Other current assets	16	6,427.34	1,973.39
Sub-total- Current assets		**85,332.13**	**16,741.24**
TOTAL ASSETS		**92,540.43**	**24,521.51**
EQUITY AND LIABILITIES :			
1 **Equity**			
a) Equity share capital	17	1,680.24	1,675.94
b) Other equity	18	23,950.29	15,700.90
Total Equity		**25,630.54**	**17,376.84**
2 **Liabilities**			
i **Non-Current Liabilities**			
a) Financial liabilities			
i) Borrowings	19	19.95	27.78
b) Provisions	20	1,890.00	423.03
Sub-total- Non-Current Liabilities		**1,909.96**	**450.81**
ii **Current Liabilities**			
a) Contract liabilities	11	-	16.50
b) Financial liabilities			
(i) Borrowings	21	16,172.36	3,962.60
(ii) Trade payables			
a) Total outstanding dues of micro enterprises and small enterprises	22	1,151.07	50.23
b) Total outstanding dues of creditors other than micro enterprises and small enterprises		43,100.85	1,514.22
(iii) Other financial liabilities	23	2,309.09	1,008.63
c) Other current liabilities	24	203.11	121.55
d) Provisions	20	110.07	20.13
e) Current tax liabilities (net)	25	1,953.39	-
Sub-total- Current liabilities		**64,999.94**	**6,693.86**
TOTAL LIABILITIES		**66,909.90**	**7,144.67**
TOTAL EQUITY AND LIABILITIES		**92,540.43**	**24,521.51**
CONTINGENT LIABILITIES	**26**		
NOTES FORMING PART OF THE FINANCIAL STATEMENTS	**1 to 51**		

As per our report of even date attached

FOR NSVR & ASSOCIATES LLP
Chartered Accountants
Firm Regn No. 008801S/S200060

Sd/-
V Gangadhara Rao N
Partner
Membership No: 219486
UDIN: 26219486VRSXOU3940

Hyderabad
29-05-2026

"For And On Behalf Of The Board Of Directors of Kernex Microsystems (India) Limited"

Sd/-
Sreelakshmi Manthena
Managing Director
DIN : 07996443

Sd/-
Badari Narayana Raju Manthena
Whole Time Director
DIN : 07993925

Sd/-
Sitarama Raju Manthena
Whole Time Director
DIN : 08576273

Sd/-
Pamidi Srikanth
Chief Financial Officer

Sd/-
Prasada Rao Kalluri
Company Secretary

Standalone Statement of Profit and Loss for the year ended March 31,2026

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Particulars	Note	For the Year Ended 31 March 2026	For the Year Ended 31 March 2025
Income			
I. Revenue from operations	27	42,580.96	18,965.11
II. Other income	28	276.56	218.02
III. Total Income (I+II)		**42,857.52**	**19,183.12**
IV. Expenses:			
(a) Cost of raw materials consumed	29	39,134.81	9,450.49
(b) Changes in inventories of finished goods,stock-in-trade and work-in-progress	30	(22,256.70)	433.63
(c) Project execution expenses	31	5,375.90	2,247.01
(d) Employee benefits expense	32	3,235.09	1,842.31
(e) Finance costs	33	2,814.22	677.01
(f) Depreciation and amortization expense	34	582.22	282.78
(g) Other expenses	35	3,379.76	1,323.63
(h) Amount transferred to capital expenditure	36	(350.26)	(411.16)
Total Expenses (IV)		**31,915.04**	**15,845.69**
V. Profit before exceptional items and tax (III- IV)		**10,942.47**	**3,337.43**
VI. Exceptional Items		**-**	**-**
VII. Profit before tax (V-VI)		**10,942.47**	**3,337.43**
VIII.Tax expense:			
(a) Current tax	25	2,271.38	-
(b) Adjustment of tax relating to earlier periods		48.42	-
(c) Deferred tax	9	560.16	(1,754.28)
Total Tax Expense/(Credit) net		**2,879.96**	**(1,754.28)**
IX. Net Profit after tax for the year (VII-VIII)		**8,062.52**	**5,091.71**
X. Other comprehensive income			
A Items that will not be reclassified to profit or loss			
Gain/(loss) on remeasurement of the defined benefits plan		(82.44)	(26.93)
Income tax relating to items that will not be reclassified to profit or loss		20.75	6.78
B Items that will be reclassified to profit or loss		-	-
Income tax relating to items that will be reclassified to profit or loss		-	-
Total other comprehensive income/(loss), net of tax (A+B)		**(61.69)**	**(20.15)**
XI. Total comprehensive income for the year (IX+X) (Comprising Profit and other comprehensive income for the year)		**8,000.82**	**5,071.56**
XII. Earnings per equity share (EPS) of ₹ 10 each	37		
1. Basic earnings per equity share (₹)		**48.07**	**30.38**
2. Diluted earnings per share (₹)		**48.07**	**30.35**
Face value per equity share (₹)		**10.00**	**10.00**
NOTES FORMING PART OF THE FINANCIAL STATEMENTS	**1 to 51**		

As per our report of even date attached
FOR NSVR & ASSOCIATES LLP
Chartered Accountants
Firm Regn No. 008801S/S200060

Sd/-
V Gangadhara Rao N
Partner
Membership No: 219486
UDIN: 26219486VRSXOU3940

Hyderabad
29-05-2026

"For And On Behalf Of The Board Of Directors of Kernex Microsystems (India) Limited"

Sd/-
Sreelakshmi Manthena
Managing Director
DIN : 07996443

Sd/-
Badari Narayana Raju Manthena
Whole Time Director
DIN : 07993925

Sd/-
Sitarama Raju Manthena
Whole Time Director
DIN : 08576273

Sd/-
Pamidi Srikanth
Chief Financial Officer

Sd/-
Prasada Rao Kalluri
Company Secretary

Standalone Statement of Cash Flows for the year ended March 31, 2026

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

	Particulars		For the year ended 31 March 2026	For the year ended 31 March 2025
(A)	**Cash flows from operating activities**			
	Profit before tax from continuing operations		10,942.47	3,337.43
	Profit before tax		**10,942.47**	**3,337.43**
	Adjustments to reconcile profit before tax to net cash flows :			
	Depreciation and amortisation expenses		582.22	282.78
	Share-based payment expense		247.17	126.57
	Net foreign exchange differences (unrealised)		(5.05)	10.97
	Loss on disposal of property, plant and equipment(net)		-	0.16
	Interest income		(242.99)	(88.06)
	Finance costs		2,814.22	677.01
	Sundry balances written off		-	2.44
	Provision for doubtful debts (lifetime expected credit loss)		583.76	70.10
	Loss on write-down of Inventory to NRV		30.00	100.07
	Provision for warranties		1,376.60	407.55
	Provision for Impairments		360.86	-
	Operating Profit before working capital changes		**16,689.27**	**4,927.01**
	Working capital adjustments:			
	(Increase) in Loans & advances		(61.98)	(86.19)
	Decrease/(increase) in Other financial assets		34.64	(771.80)
	(Increase)/decrease in Inventories		(31,982.24)	1,889.68
	(Increase) in Contract assets		(3,852.82)	(2,975.50)
	(Increase) in Trade receivables		(29,697.57)	(1,443.54)
	Decrease/(increase) in Income Tax Asset (net)		9.38	(230.52)
	(Increase) in Margin money towards bank guarantees with bank		(621.03)	(391.81)
	(Increase) in Other current assets		(4,453.95)	(78.15)
	Increase/(decrease) in Provisions		97.86	(8.65)
	Decrease/(increase) in Contract liabilities		(16.50)	16.50
	Increase/(decrease) in Trade payables		42,687.47	(414.19)
	Increase in Other financial liabilities		1,300.46	497.33
	Increase in Other current liabilities		81.57	62.26
	Interest received		242.99	88.06
	Cash generated from operations		**(9,723.16)**	**1,080.50**
	Less : Income tax paid		(366.40)	-
	Net cash (used in)/generated operating activities	**(A)**	**(10,089.57)**	**1,080.50**
(B)	**Cash flows from Investing activities**			
	Purchase of property plant and equipment & intangible assets		(1,459.88)	(413.12)
	Sale proceeds of property plant and equipment & intangible assets		-	0.25
	Decrease/(increase) in intangible assets under development		702.96	(471.57)
	(Increase) in Investments		(0.80)	-
	Net cash (used in) investing activities	**(B)**	**(757.72)**	**(884.44)**
(C)	**Cash flows from Financing activities**			
	Proceeds from issue of equity shares on exercise of employee stock options		4.30	-
	Securities premium		6.45	-
	Proceeds from borrowings from Directors and Others		-	1.07
	Repayment of term loan and other borrowings		(86.44)	15.29
	Proceeds from Inter corporate deposit (ICD)		1,465.47	-
	Increase in utilisation of working capital borrowings from banks		10,822.91	1,549.71
	Finance cost		(2,814.22)	(677.01)
	Net cash from financing activities	**(C)**	**9,398.46**	**889.07**

Standalone Statement of Cash Flows for the year ended March 31, 2026

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Particulars		For the year ended 31 March 2026	For the year ended 31 March 2025
Net (Decrease)/increase in cash and cash equivalents	**(A+B+C)**	**(1,448.82)**	**1,085.13**
Cash and cash equivalents at the beginning of the year		1,469.93	384.80
Cash and cash equivalents at the end of the year		**21.11**	**1,469.93**
A. Components of Cash and Cash equilvents			
Cash and cash equivalents			
Cash on hand		0.11	0.11
Balances with banks in current account		21.00	1,469.82
Total		**21.11**	**1,469.93**
B.Changes in Liabilities arising from Financing Activities			
Balance at the beginning of the year		3,990.38	2,439.59
A) Changes from financing cash flows			
(i) Proceeds from long-term borrowings			
(ii) Proceeds from short term borrowings		-	31.66
(iii) Repayment of borrowings		12,288.38	1,742.98
(iv) Interest expense paid		(86.44)	(223.85)
Total changes from financing cash flows		-	-
		12,201.94	**1,550.79**
		16,192.32	**3,990.38**

Notes :
1. Statement of Cash Flows has been prepared under the Indirect Method as set out in the Indian Accounting Standard (Ind AS) 7 "Statement of Cash Flows" as specified in the Companies (Indian Accounting Standards) Rules, 2015.
2. Previous year's figures have been regrouped/reclassified wherever applicable.
3. Property, plant and equipment, Investment property and Intangible assets are adjusted for movement of (a) capital work-in-progress for property, plant and equipment and investment property and (b) intangible assets under development during the year.

As per our report of even date attached

FOR NSVR & ASSOCIATES LLP
Chartered Accountants
Firm Regn No. 008801S/S200060

Sd/-
V Gangadhara Rao N
Partner
Membership No: 219486
UDIN: 26219486VRSXOU3940

Hyderabad
29-05-2026

"For And On Behalf Of The Board Of Directors of Kernex Microsystems (India) Limited"

Sd/-
Sreelakshmi Manthena
Managing Director
DIN : 07996443

Sd/-
Badari Narayana Raju Manthena
Whole Time Director
DIN : 07993925

Sd/-
Sitarama Raju Manthena
Whole Time Director
DIN : 08576273

Sd/-
Pamidi Srikanth
Chief Financial Officer

Sd/-
Prasada Rao Kalluri
Company Secretary

Standalone Statement of Changes in Equity for the year ended March 31, 2026

a) Equity Share Capital

For the year ended 31 March 2026

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Equity shares of INR 10 each issued, subscribed and fully paid	No of Shares	INR lakhs
As at 01 April 2025	**1,67,59,422**	**1,675.94**
Changes in equity share capital due to prior period errors	-	-
Restated balance at 01 April 2025	**1,67,59,422**	**1,675.94**
Issue of equity shares on exercise of employee stock options (Note 17)	43,000	4.30
At 31 March 2026	**1,68,02,422**	**1,680.24**

For the year ended 31 March 2025

Equity shares of INR 10 each issued, subscribed and fully paid	No of Shares	INR lakhs
As at 01 April 2024	**1,67,59,422**	**1,675.94**
Changes in equity share capital due to prior period errors	-	-
Restated balance at 01 April 2024	**1,67,59,422**	**1,675.94**
Issue of share capital	-	-
As at 31 March 2025	**1,67,59,422**	**1,675.94**

b) Other Equity

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Particulars	(Note 18)				Other Comprehensive Income	Total Other Equity
	Securities premium	General Reserve	Retained earnings	Share Based Payment Reserve	Foreign currency translation reserve	
For the year ended 31 March 2026						
As at 01 April 2025	**19,622.44**	**612.14**	**(4,288.16)**	**126.57**	**(372.08)**	**15,700.90**
Changes in accounting policy or prior period errors	-	-	-	-	-	-
Restated balance as at 01 April 2025	**19,622.44**	**612.14**	**(4,288.16)**	**126.57**	**(372.08)**	**15,700.90**
Profit for the year	-	-	8,062.52	-	-	8,062.52
Other comprehensive income	-	-	(61.69)	-	(5.05)	(66.74)
Total comprehensive income	**19,622.44**	**612.14**	**3,712.66**	**126.57**	**(377.13)**	**23,696.67**
Issue of share capital	-	-	-	-	-	-
Issue of equity shares on exercise of employee stock options	370.20	-	-	(363.75)	-	6.45
Recognition of share-based payments	-	-	-	247.17	-	247.17
Transaction costs	-	-	-	-	-	-
As at 31 March 2026	**19,992.64**	**612.14**	**3,712.66**	**9.98**	**(377.13)**	**23,950.29**
For the year ended 31 March 2025						
As at 01 April 2024	**19,622.44**	**612.14**	**(9,359.72)**	**-**	**(369.41)**	**10,505.45**
Changes in accounting policy or prior period errors	-	-	-	-	-	-
Restated balance as at 01 April 2024	**19,622.44**	**612.14**	**(9,359.72)**	**-**	**(369.41)**	**10,505.45**
Profit for the year	-	-	5,091.71	-	-	5,091.71
Other comprehensive income	-	-	(20.15)	-	(2.67)	(22.83)
Total comprehensive income	**19,622.44**	**612.14**	**(4,288.16)**	**-**	**(372.08)**	**15,574.33**
Issue of share capital	-	-	-	-	-	-
Issue of equity shares on exercise of employee stock options	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	126.57	-	126.57
Transaction costs	-	-	-	-	-	-
As at 31 March 2025	**19,622.44**	**612.14**	**(4,288.16)**	**126.57**	**(372.08)**	**15,700.90**

As per our report of even date attached

FOR NSVR & ASSOCIATES LLP
Chartered Accountants
Firm Regn No. 008801S/S200060

Sd/-
V Gangadhara Rao N
Partner
Membership No: 219486
UDIN: 26219486VRSXOU3940

Hyderabad
29-05-2026

"For And On Behalf Of The Board Of Directors of Kernex Microsystems (India) Limited"

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Managing Director
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Whole Time Director
DIN : 08576273

Sd/-
Pamidi Srikanth
Chief Financial Officer

Sd/-
Prasada Rao Kalluri
Company Secretary

Notes forming part of the Standalone Financial Statements for the year ended 31 March 2026

1. Corporate information

The Standalone Financial Statements comprise Financial Statements of Kernex Microsystems (India) Limited (“Kernex” or “The Company”) (CIN L30007TG1991PLC013211) for the year ended 31 March 2026. The Company is engaged in the manufacture and sale of Safety Systems and Software services for railways. The Company has business operations mainly in India and Egypt. The Company is a public limited Company incorporated and domiciled in India and has its registered office at Plot No.38 (part) to 41, Survey No.1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Hyderabad - 501510. The Company has its primary listings on the BSE Limited and National Stock Exchange in India. The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Standalone financial statements were approved for issue in accordance with a resolution passed by the Board of Directors of the Company on May 29, 2026.

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

2. Material accounting policies information

2.1 Statement of compliance

The Company’s financial statements have been prepared in accordance with the provisions of the Companies Act, 2013 and the Indian Accounting Standards (“Ind AS”) notified under the Companies (Indian Accounting Standards) Rules, 2015 and amendments thereto issued by Ministry of Corporate

Affairs under section 133 of the Companies Act, 2013. In addition, the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) are also applied except where compliance with other statutory promulgations require a different treatment. These financials statements have been approved for issue by the Board of Directors at its meeting held on May 29, 2026.

2.2 Basis of accounting

The Company maintains its accounts on accrual and going concern basis following historical cost convention, except for certain assets and liabilities that are measured at fair value in accordance with Ind AS.

Fair value measurements are categorised as below based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at measurement date;
- Level 2 inputs are inputs, other than quoted prices included in level 1, that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the valuation of assets or liabilities.

Above levels of fair value hierarchy are applied consistently and generally, there are no transfers between the levels of the fair value hierarchy unless the circumstances change warranting such transfer.

Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

2.3 Presentation of financial statements

The Balance Sheet, the Statement of Profit and Loss and the Statement of Changes in Equity are prepared and presented in the format prescribed in the Schedule III to the Companies Act, 2013 (the Act). The Statement of Cash Flows has been prepared and presented in accordance with Ind AS 7 “Statement of Cash Flows”. The disclosures with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule III to the Act, are presented by way of notes forming part of the financial statements along with the other notes required to be disclosed under Ind AS and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

Amounts in the financial statements are presented in Indian Rupee in lakhs rounded off to two decimal places as permitted by Schedule III to the Act. Per share data are presented in Indian Rupee up to two decimals places.

2.4 Operating cycle for current and non-current classification

Operating cycle for the business activities of the Company covers the duration of the specific project or contract or product line or service including the defect liability period wherever applicable and extends up to the realisation of receivables (including retention monies) within the agreed credit period normally applicable to the respective lines of business. Accordingly, assets and liabilities related to specific projects or contracts are classified as current, based on its operating cycle. Assets and liabilities other than those relating to specific project or contract or product line or service are classified as current if it is expected to realise or settle within 12 months after the balance sheet date.

2.5 Revenue recognition

i. Revenue from operations

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

The company exercises judgement for identification of performance obligations, determination of transaction price, allocation of transaction price to each distinct performance obligation and determining whether the performance obligation is satisfied at a point in time or over a period of time. These judgements have been explained in detail under the note on revenue. (refer note no. 27).

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

a. the customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs.

b. the entity’s performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

c. the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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

Timing of satisfaction of performance obligations

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

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

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

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

Warranty obligations

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

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

Refer to the accounting policy on warranty provisions in Section (k): Provisions for further details.

ii. Other income

Other items of income are accounted as and when the right to receive such income arises and it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

2.6 Exceptional items

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

2.7 Property, plant and equipment (PPE)

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

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

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

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

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

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

2.8 Intangible assets

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

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

Intangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as “intangible assets under development.

Intangible assets are amortised on straight-line basis over the estimated useful life. The method of amortisation and useful life are reviewed at the end of each financial year and the effect of any changes in the estimate being accounted for on a prospective basis.

Amortisation on impaired assets is provided by adjusting the amortisation charge in the remaining periods so as to allocate the asset’s revised carrying amount over its remaining useful life.

Research and development costs

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

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

2.9. Impairment of assets

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

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is determined:

i. in the case of an individual asset, at the higher of the fair value less costs of disposal and the value-in-use; and

ii. in the case of a cash generating unit (the smallest identifiable group of assets that generates independent cash flows), at the higher of the cash generating unit’s fair value less costs of disposal and the value-in-use.

(The amount of value-in-use is determined as the present value of estimated future cash flows from the continuing use of an asset, which may vary based on the future performance of the Company and from its disposal at the end of its useful life. For this purpose, the discount rate (post-tax) is determined based on the weighted average cost of capital of the company suitably adjusted for risks specified to the estimated cash flows of the asset).

If recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, such deficit is recognised immediately in the Statement of Profit and Loss as impairment loss and the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount.

When an impairment loss recognised earlier is subject to full or partial reversal, the carrying amount of the asset (or cash generating unit), except impairment loss allocated to goodwill, is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss is recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss (other than impairment loss allocated to goodwill) is recognised immediately in the Statement of Profit and Loss.

2.10 Employee Benefits

i. Short term employee benefits:

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

ii. Post-employment benefits:

A. Defined contribution plans: The Company’s state governed provident fund scheme, employee state insurance scheme and employee pension scheme are defined contribution plans. The contribution paid/payable under the schemes is recognised during the period in which the employee renders the service.

B. Defined benefit plans: The employees’ gratuity fund schemes and employee provident fund schemes managed by board of trustees established by the Company, the post-retirement medical care plan and the company pension plan represent defined benefit plans. The present value of the obligation under defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method.

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

Re-measurement, comprising actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability or asset) and any change in the effect of asset ceiling (if applicable) is recognised in other comprehensive income and is reflected in retained earnings and the same is not eligible to be reclassified to profit or loss.

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

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

iii. Other long-term employee benefits:

The obligation recognised in respect of other long-term benefits is measured at present value of estimated future cash flows expected to be made by the Company and is recognised in a similar manner as in the case of defined benefit plans vide (ii)(B) above.

Long-term employee benefit costs comprising current service cost and gains or losses on curtailments and settlements, re-measurements including actuarial gains and losses are recognised in the Statement of Profit and Loss as employee benefits expenses. Interest cost implicit in long-term employee benefit cost is recognised in the Statement of Profit and Loss under finance costs.

iv. Termination benefits:

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

2.11 Financial instruments

Financial assets and/or financial liabilities are recognised when the Company becomes party to a contract embodying the related financial instruments. All financial assets, financial liabilities and financial guarantee contracts are initially measured at fair value except for trade receivables not containing a significant financing component are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from as the case may be, the fair value of such financial assets or liabilities, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised in profit or loss.

In case of funding to subsidiary companies in the form of interest free or concession loans and preference shares, the excess of the actual amount of the funding over initially measured fair value is accounted as an equity investment.

A financial asset and a financial liability is offset and presented on net basis in the balance sheet when there is a current legally enforceable right to set-off the recognised amounts and it is intended to either settle on net basis or to realise the asset and settle the liability simultaneously.

(i) Financial assets:

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

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

3. Investment in debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income [FVTOCI] (unless the same are designated as fair value through profit or loss). Investment in debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income [FVTOCI] (unless the same are designated as fair value through profit or loss)
   - The asset is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and
   - The contractual terms of instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
4. Investment in equity instruments issued by subsidiary, associate and joint venture companies are measured at cost less impairment.
5. Investment in preference shares of the subsidiary companies are treated as equity instruments if the same are either convertible into equity shares or are redeemable out of the proceeds from a fresh issue of shares or from the profits of the company. Investment in preference shares not meeting the aforesaid conditions are classified as debt instruments at FVTPL.
6. Investments in equity instruments issued by other than subsidiaries are classified as at FVTPL, unless the related instruments are not held for trading and the Company irrevocably elects on initial recognition to present subsequent changes in fair value in Other Comprehensive Income.
7. Trade receivables, security deposits, cash and cash equivalents, employee and other advances - at amortised cost.

B. For financial assets that are measured at FVTOCI, income by way of interest and dividend, provision for impairment and exchange difference, if any, (on debt instrument) are recognised in profit or loss and changes in fair value (other than on account of above income or expense) are recognised in other comprehensive income and accumulated in other equity. On disposal of debt instruments at FVTOCI, the cumulative gain or loss previously accumulated in other equity is reclassified to profit or loss. In case of equity instruments at FVTOCI, such cumulative gain or loss is not reclassified to profit or loss on disposal of investments.

C. A financial asset is primarily derecognised when:

1. the right to receive cash flows from the asset has expired, or
2. the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

   On derecognition of a financial asset in its entirety, the difference between the carrying amount at the date of derecognition and the consideration received is recognised in profit or loss.

D. Impairment of financial assets: For trade receivable, the Company applies the simplified approach of Ind AS 109, which requires measurement of loss allowance at an amount equal to lifetime expected credit losses. Impairment loss on trade receivables is recognised using expected credit loss model, which involves use of a provision matrix constructed on the basis of historical credit loss experience as permitted under Ind AS 109 and is adjusted for forward looking information. Impairment loss on investments is recognised when the carrying amount exceeds its recoverable amount. For all other financial assets, expected credit losses are recognised based on the difference between the contractual cashflows and all the expected cash flows, discounted at the original effective interest rate. ECLs are measured at an amount equal to 12-month expected credit losses or at an amount equal to lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

ii. Financial liabilities:

A. Financial liabilities, including derivatives and embedded derivatives, which are designated for measurement at FVTPL are subsequently measured at fair value. Financial guarantee contracts are subsequently measured at the amount of impairment loss allowance or the amount recognised at inception net of cumulative amortisation, whichever is higher. All other financial liabilities including loans and borrowings are measured at amortised cost using Effective Interest Rate (EIR) method.

B. A financial liability is derecognised when the related obligation expires or is discharged or cancelled.

iii. The Company designates certain hedging instruments, such as derivatives, embedded derivatives and in respect of foreign currency risk, certain non-derivatives, as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted as cash flow hedges.

A. Fair value hedges: Changes in fair value of the designated portion of derivatives that qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

B. Cash flow hedges: In case of forward contracts the forward element/foreign currency basis spread and the spot element are separated and only the change in the value of the spot element is designated as hedging instrument. In case of options the intrinsic value and time value are separated and only the change in intrinsic value is designated as hedging instrument.

Accounting of spot element/intrinsic value of options: The changes in the fair value of hedge instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity as ‘hedging reserve’. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same head as the hedged item.

Accounting of forward element/foreign currency basis spread/time value of options: The changes in fair value is recognised in other comprehensive income and accumulated in equity as “cost of hedging reserve”. For a transaction related hedged item, the amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same head as the hedged item. For a time related hedged item, the time value on the date on which the hedged item affects profit or loss are reclassified to profit or loss as a reclassification adjustment on a straight-line basis over the period of the hedging instrument.

The cash flow hedges are allocated to the forecast transactions on gross exposure basis. Where the hedged forecast transaction results in the recognition of a non-financial asset, such gains/losses are transferred from hedge reserve (but not as reclassification adjustment) and included in the initial measurement cost of the non-financial asset

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised in profit or loss.

iv. Compound financial instruments issued by the Company which can be converted into fixed number of equity shares at the option of the holders irrespective of changes in the fair value of the instrument are accounted by recognising the liability and the equity components separately. The liability component is initially recognised at the fair value of a comparable liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. The directly attributable transaction costs are allocated to the liability and the equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of the compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequently.

2.12 Inventories

Inventories are valued after providing for obsolescence, as under:

i. Raw materials, components, construction materials, stores, spares and loose tools at lower of weighted average cost or net realisable value. However, these items are considered to be realisable at cost if the finished products in which they will be used, are expected to be sold at or above cost.

ii. Manufacturing work-in-progress at lower of weighted average cost including related overheads or net realisable value. In some cases, manufacturing work-in-progress are valued at lower of specifically identifiable cost or net realisable value. In the case of qualifying assets, cost also includes applicable borrowing costs vide policy relating to borrowing costs.

iii. Finished goods and stock-in-trade (in respect of goods acquired for trading) at lower of weighted average cost or net realisable value. Cost includes costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location. Taxes which are subsequently recoverable from taxation authorities are not included in the cost.

iv. Traded goods, Cost includes the cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the Weighted Average Cost method.

Assessment of net realisable value is made at each reporting period end and when the circumstances that previously caused inventories to be written-down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the write-down, if any, in the past period is reversed to the extent of the original amount written-down so that the resultant carrying amount is the lower of the cost and the revised net realisable value.

2.13 Cash and bank balances

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

2.14 Securities premium

i. Securities premium includes:

A. The difference between the face value of the equity shares and the consideration received in respect of shares issued.

B. The fair value of the stock options which are treated as expense, if any, in respect of shares allotted pursuant to Stock Options Scheme.

ii. The issue expenses of securities which qualify as equity instruments are written off against securities premium.

2.15. Borrowing Costs

Borrowing costs include finance costs calculated using the effective interest method, finance charges in respect of assets acquired on lease and exchange differences arising on foreign currency borrowings to the extent they are regarded as an adjustment to finance costs. In cases where hedging instruments are acquired for protection against exchange rate risk related to borrowings and are accounted as hedging a time-period related hedge item, the borrowing costs also include the amortisation of premium element of the forward contract and foreign currency basis spread as applicable, over the period of the hedging instrument.

Borrowing costs net of any investment income from the temporary investment of related borrowings that are attributable to the acquisition, construction or production of a qualifying asset are capitalised/ inventorised as part of cost of such asset till such time the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.16 Share-based payment arrangements

The stock options granted to employees in terms of the Company's Stock Options Schemes, are measured at the fair value of the options at the grant date. The difference between fair value and issue price of the options is treated as discount and accounted as employee compensation cost over the vesting period on a straight-line basis. The amount recognised as expense in each year is arrived at based on the number of grants expected to vest. If a grant lapses after the vesting period, the cumulative discount recognised as expense in respect of such grant is transferred to the general reserve within equity.

The fair value of the stock options granted to employees of the Company by the Company's subsidiaries is accounted as employee compensation cost over the vesting period and where such fair value is not recovered by the subsidiaries, the same is treated as dividend declared by them. The share- based payment equivalent to the fair value as on the date of grant of employee stock options granted to key managerial personnel is disclosed as a related party transaction in the year of grant.

2.17 Foreign currencies

i. The functional currency and presentation currency of the Company is Indian Rupee.

ii. Transactions in currencies other than the Company's functional currency are recorded on initial recognition using actual exchange rate or a rate that approximates with it at the transaction date. At each Balance Sheet date, foreign currency monetary items are reported at the closing spot rate. Non-monetary items that are measured in terms of historical cost in foreign currency are not translated. Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing spot rate are recognised in the

Statement of Profit and Loss in the period in which they arise except for:

A. exchange differences on foreign currency borrowings relating to assets under construction for future productive use, are included in the cost of those assets when such exchange differences are regarded as an adjustment to finance costs on those foreign currency borrowings; and

B. exchange differences on transactions entered into to hedge certain foreign currency risks.

iii. exchange rate as of the date on which the non-monetary asset or non-monetary liability is recognised on payment or receipt of advance consideration is used for initial recognition of related asset, expense or income.

iv. Financial statements of foreign operations whose functional currency is different than Indian Rupees are translated into Indian Rupees as follows:

A. assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet;

B. income and expenses for each income statement are translated at average exchange rate for the reporting period; and

C. all resulting exchange differences are recognised in other comprehensive income and accumulated in equity as foreign currency translation reserve for subsequent reclassification to profit or loss on disposal of such foreign operations.

2.18 Taxes on Income

Tax expense comprises current tax expense and deferred tax. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company reflects the effect of uncertainty for each uncertain tax treatment by using either most likely method or expected value method, depending on which method predicts better resolution of the treatment.

Deferred Tax

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

Deferred Tax Liabilities

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

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

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

Deferred Tax Assets

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

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

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

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

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

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

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

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

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

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

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- When receivables and payables are stated with the amount of tax included

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

2.19 Provisions, contingent liabilities and contingent assets

Provisions are recognised only when:

i. the Company has a present obligation (legal or constructive) as a result of a past event; and

ii. it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

iii. a reliable estimate can be made of the amount of the obligation.

Provision is measured using the cash flows estimated to settle the present obligation and when the effect of time value of money is material, the carrying amount of the provision is the present value of those cash flows. Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in case of:

i. a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

ii. a present obligation arising from past events where:

  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are disclosed where an inflow of economic benefits is probable.

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

Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contract, the present obligation under the contract is recognised and measured as a provision for onerous contract/foreseeable losses.

Warranty provisions

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

2.20 Statement of Cash Flows

Statement of Cash Flows is prepared segregating the cash flows into operating, investing and financing activities. Cash flow from operating activities is reported using indirect method, adjusting the profit before tax excluding exceptional items for the effects of:

- changes during the period in inventories and operating receivables and payables;
- non-cash items such as depreciation, provisions, unrealised foreign currency gains and losses; and
- all other items for which the cash effects are investing or financing cash flows.

Cash and cash equivalents (including bank balances) shown in the Statement of Cash Flows exclude items which are not available for general use as at the date of Balance Sheet.

2.21 Contract balances

Contract Assets

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

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

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

Trade receivables

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

Contract liabilities

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

2.22 Earnings per share

Basic earnings per share is computed using the net profit or loss after tax and weighted average number of shares outstanding during the year.

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

2.23 Key sources of estimation

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

Difference, if any, between the actual results and estimates is recognised in the period in which the results are known.

2.24 New Accounting pronouncements

The Ministry of Corporate Affairs (“MCA”) notifies new standards or amendments to the existing Indian Accounting Standards under the Companies (Indian Accounting Standards) Rules, as amended from time to time.

During the reporting period, the MCA notified amendments to certain Indian Accounting Standards through the Companies (Indian Accounting Standards) Amendment Rules, 2025 dated 7 May 2025 and the Companies (Indian Accounting Standards) Second Amendment Rules, 2025 dated 13 August 2025, which are effective for annual reporting periods beginning on or after 1 April 2025.

The Company has evaluated the impact of these amendments and the significant amendments are summarised below:

a. Ind AS 21 - The Effects of Changes in Foreign Exchange Rates

The amendments relating to lack of exchangeability clarify the determination of the exchange rate when a currency is not exchangeable. The Company has assessed the impact of the amendments and concluded that they do not have any material impact on its financial statements.

b. Ind AS 1 - Presentation of Financial Statements

The amendments relate to the classification of liabilities as current or non-current, including liabilities with covenants. The Company has assessed the impact of these amendments and concluded that they do not have any material impact on the classification of its current and non-current liabilities.

c. Ind AS 7 - Statement of Cash Flows and Ind AS 107 - Financial Instruments: Disclosures

The amendments introduce additional disclosure requirements relating to supplier finance arrangements. The Company has evaluated these amendments and concluded that they do not have any material impact on its financial statements as the Company does not have any supplier finance arrangements during the reporting period.

d. Ind AS 12 - Income Taxes

The amendments relating to the OECD Pillar Two Model Rules provide a temporary mandatory exception from accounting for deferred taxes arising from the implementation of the Pillar Two legislation and require additional disclosures. Based on its assessment, the Company has concluded that these amendments do not have any material impact on its financial statements as the Company is not within the scope of the Pillar Two Model Rules.

2.25 Regrouping / Reclassification

Previous year’s figures have been regrouped, reclassified and rearranged, wherever considered necessary, to conform to the current year’s presentation and to comply with the requirements of the Companies Act, 2013, the applicable Indian Accounting Standards and Schedule III thereto. Such regrouping and reclassification do not affect the previously reported profit, total comprehensive income or equity of the Company.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note :3
Property, plant and equipment

Particulars	Land and Land Development	Buildings	Plant and Equipments	Furniture and Fixtures	Vehicles	Office Equipments	Total
Gross carrying amount							
Balance as at 01 April 2024	**431.11**	**3,891.33**	**1,636.91**	**128.93**	**158.06**	**107.71**	**6,354.05**
Additions	-	-	349.73	15.08	46.15	2.10	**413.06**
Disposals	-	-	-	-	0.45	-	**0.45**
Balance as at 31 March 2025	**431.11**	**3,891.33**	**1,986.64**	**144.01**	**203.76**	**109.80**	**6,766.66**
Additions	-	62.56	491.38	33.95	1.15	42.91	**631.95**
Disposals	-	-	-	-	-	-	**-**
Balance as at 31 March 2026	**431.11**	**3,953.89**	**2,478.02**	**177.96**	**204.91**	**152.72**	**7,398.61**
Accumulated depreciation							
Balance as at 01 April 2024	**-**	**2,243.97**	**1,390.86**	**119.38**	**131.19**	**100.50**	**3,985.90**
Depreciation for the year	-	169.65	94.75	3.73	11.02	3.02	**282.17**
Disposals / Adjustments	-	-	-	-	0.04	-	**0.04**
Upto 31 March 2025	**-**	**2,413.61**	**1,485.62**	**123.11**	**142.17**	**103.52**	**4,268.03**
Depreciation for the year	-	154.84	210.25	16.14	19.67	11.56	**412.45**
Disposals / Adjustments	-	-	-	-	-	-	**-**
Upto 31 March 2026	**-**	**2,568.45**	**1,695.86**	**139.25**	**161.83**	**115.08**	**4,680.47**
Net carrying amount							
As at 31 March 2026	**431.11**	**1,385.43**	**782.16**	**38.72**	**43.08**	**37.64**	**2,718.13**
As at 31 March 2025	431.11	1,477.72	501.03	20.91	61.59	6.28	**2,498.63**

1. Depreciation is provided based on useful life supported by the technical evaluation considering business specific usage, the consumption pattern of the assets and the past performance of similar assets.

   a. Estimated useful life of the following assets is in line with useful life prescribed in schedule II of the Companies Act, 2013:

Sr. No.	Asset class	Minimum useful life (in years)	Maximum useful life (in years)
1	Buildings	3	60
2	Plant and equipment	8	15
3	Office equipment	4	5
4	Furniture & fixture	10	10
5	Vehicles	8	10

   b. The Company has not adopted any useful lives for property, plant and equipment that differ from those prescribed under Schedule II to the Companies Act, 2013.

2. Carrying value of Property, plant and equipment hypothecated as collateral for borrowings from banks as at 31 March 2026 - 2718.13 (as at 31 March 2025- 2498.63)
3. No impairment losses recognised during the year (31st March 2025: Nil).
4. The Company conducts physical verification of its property, plant and equipment at periodic intervals, having regard to the size of the Company and the nature of its operations. Based on the physical verification carried out by the company, no material discrepancies were identified between the physical assets and the corresponding book records. Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected to arise from their continued use or disposal, in accordance with the principles of Ind AS 16 – Property, Plant and Equipment.
5. The title deeds of all immovable properties recognised as property, plant and equipment in the financial statements are held in the name of the Company.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note :4
Other intangible assets

Particulars	Technical know how & Other Software	Total
Gross carrying amount		
Balance as at 01 April 2024	151.22	151.22
Additions	0.10	0.10
Disposals	-	-
Balance as at 31 March 2025	**151.31**	**151.31**
Additions	827.93	827.93
Disposals	-	-
Balance as at 31 March 2026	**979.24**	**979.24**
Accumulated amortization		
Balance as at 01 April 2024	150.38	150.38
Amortization for the year	0.65	0.65
Disposals / Adjustments	-	-
Upto 31 March 2025	**151.03**	**151.03**
Amortization for the year	169.77	169.77
Disposals / Adjustments	-	-
Upto 31 March 2026	**320.80**	**320.80**
Net carrying amount		
As at 31 March 2026	**658.45**	**658.45**
As at 31 March 2025	**0.28**	**0.28**

Note :5
Intangible assets under development

Particulars	As at 31 March 2026	As at 31 March 2025
Opening carrying amount	702.96	231.39
Additions during the year	124.97	471.57
Assets capitalized during the year	827.93	-
Closing carrying amount	**-**	**702.96**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

a. Additions during the year

	FY 2025-26			FY 2024-25		
Particulars	**Internal development**	**Acquired - external**	**Total**	**Internal develop-ment**	**Acquired - external**	**Total**
Technical know how & Other Software	**827.93**	**-**	**827.93**	**-**	**0.10**	**0.10**
	827.93	**-**	**827.93**	**-**	**0.10**	**0.10**

b. Amortization is provided based on useful life supported by the technical evaluation considering business specific usage, the consumption pattern of the assets and the past performance of similar assets:

i. Estimated useful life of the following assets is in line with useful life prescribed in schedule II of the Companies Act, 2013:

Sr. No.	Asset class	Minimum useful life (in years)	Maximum useful life (in years)
1	Technical Know How & Other Software	2	8

ii. The Company has not adopted any useful lives for intangible assets that differ from those prescribed under Schedule II to the Companies Act, 2013.

c. During the current year, intangible assets under development amounting to ₹827.93 Lakhs has been capitalised as an Intangible asset.

i. As at 31st March 2026, company does not have any Intangible assets under development.

ii. Intangible assets under development ageing schedule as at 31st March 2025

Particulars	Less than 1 Year	1-2 Years	2-3 Years	More Than 3 Years	Total
As at 31 March 2025					
Project in progress	471.57	231.39			702.96
Projects temporarily suspended	-	-	-	-	-
Total	**471.57**	**231.39**	**-**	**-**	**702.96**

d. During the current and previous year, the company does not have projects in Intangible assets under development whose completion is overdue or projects whose cost has exceeded its costs as per its original plan.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note :6
Non-current Assets:Financial Assets-Investments

Particulars			As at 31 March 2026	As at 31 March 2025
Investments in equity instruments (Unquoted, at Cost)				
(a) Investment in Subsidiary				
Name of the entity	**Number**	**Face Value**		
Avant Garde Infosystems Inc USA	35,80,000	US $ 0.02 each	1,275.97	1,275.97
	17,99,240	US $ 0.10 each		
	62,80,000	US $ 0.25 each		
Less: Impairment allowance *			360.86	-
			915.11	**1,275.97**
(b) Investment in Joint Ventures				
Kernex TCAS JV			8.00	8.00
Kernex-VRRC JV			0.80	-
			8.80	8.00
			923.91	**1,283.97**

*During the year, the Company carried out an impairment assessment of its investment in Avant-Garde Infosystems Inc., USA, a wholly-owned subsidiary, in accordance with Ind AS 36 - Impairment of Assets. The recoverable amount was determined on the basis of value in use as per the independent valuation report obtained in this regard. Based on the assessment, the Company recognised an impairment loss of ₹360.86 lakhs in the Standalone Statement of Profit and Loss under "Other Expenses". Consequently, the carrying amount of the investment has been reduced to ₹915.11 lakhs as at 31 March 2026.

Note :6.1

Particulars	As at 31 March 2026	As at 31 March 2025
Aggregate amount of unquoted investments	1,284.77	1,283.97
Aggregate amount of impairment / diminution in value of investments	360.86	-

Note :6.2

Investee Company	Relationship	Principal place of business	Country of incorporation	Proportion of ownership interest &voting Right
Avant Garde Infosystems Inc.	Wholly-owned Subsidiary	USA	USA	100%
Kernex TCAS JV	Joint Venture	India	India	80%
Kernex VRRC JV	Joint Venture	India	India	80%

Note : 7
Non-current Assets: Financials Assets - Loans

Particulars	As at 31 March 2026	As at 31 March 2025
Loans to related parties (Unsecured, carried at amortised cost)		
Loan to joint venture - Kernex TCAS JV	637.87	575.89
Less: Allowance for expected credit loss	403.07	-
	234.80	**575.89**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Type of Borrower	Amount of loan or advance in the nature of loan outstanding as at 31 March 2026	Amount of loan or advance in the nature of loan outstanding as at 31 March 2025
Kernex TCAS JV - Joint Venture	637.87	575.89
Percentage to the total loan	100%	100%

a.The Company has extended an unsecured loan to Kernex TCAS JV, a joint venture of the Company. As at 31 March 2026, the Company assessed the recoverability of the outstanding loan in accordance with the expected credit loss model prescribed under Ind AS 109 - Financial Instruments. Based on Management's assessment, taking into consideration the financial position and expected future cash flows of the joint venture, an expected credit loss allowance of ₹403.07 lakhs has been recognised. Refer Note 38 for the disclosures relating to the Company's interest in the joint venture, including the summarised financial information, in accordance with Ind AS 112 - Disclosure of Interests in Other Entities.

Note : 8
Other financial assets

Particulars	As at 31 March 2026	As at 31 March 2025
8.1 Non-Current		
Unsecured and considered good		
Security deposits	39.24	20.46
Retention Money Receivable	1,403.01	929.11
Earnest money deposits (EMD)	14.02	12.82
Less: Considered doubtful	12.51	12.51
	1,443.77	**949.88**

Particulars	As at 31 March 2026	As at 31 March 2025
8.2 Current		
Interest accrued but not due on term deposits	64.57	46.81
Earnest money & security deposits (EMD)	221.94	768.22
	286.52	**815.04**

Note : 9
Deferred tax assets / (liabilities), net

Particulars	As at 31 March 2026	As at 31 March 2025
Property, plant and equipment	(94.93)	(330.36)
Carry forward Losses	-	1,352.18
Provision for expected credit loss (ECL)	753.22	606.30
Provision for defective liability period (Warranty)	449.03	102.57
Provision for employee benefits expense	75.09	15.74
Other temporary differences	46.83	22.22
	1,229.24	**1,768.66**

Disclosure pursuant to Ind AS 12 "Income Taxes"
Components of deferred tax (assets) and liabilities recognised in the Balance Sheet and Statement of Profit and Loss:

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

For the year ended 31 March 2026:

Particulars	As at 01 April 2025	(Charged) / credited to SPL	(Charged) / credited to OCI	As at 31 March 2026
Property, plant and equipment	(330.36)	235.43	-	(94.93)
Carry forward Losses	1,352.18	(1,352.18)	-	-
Provision for expected credit loss (ECL)	606.30	146.92	-	753.22
Provision for defective liability period (Warranty)	102.57	346.46	-	449.03
Provision for employee benefits expense	15.74	38.60	20.75	75.09
Other temporary differences	22.22	24.61	-	46.83
	1,768.66	**(560.16)**	**20.75**	**1,229.24**

For the year ended 31 March 2025:

Particulars	As at 01 April 2024	(Charged) / credited to SPL	(Charged) / credited to OCI	As at 31 March 2025
Property, plant and equipment	(365.08)	34.73	-	(330.36)
Carry forward Losses	250.12	1,102.07	-	1,352.18
Provision for expected credit loss (ECL)	-	606.30	-	606.30
Provision for defective liability period (Warranty)	-	102.57	-	102.57
Provision for employee benefits expense	-	8.96	6.78	15.74
Other temporary differences	-	22.22	-	22.22
	(114.96)	**1,876.85**	**6.78**	**1,768.66**

a. During the year ended 31 March 2025, the Company recognised a deferred tax asset in respect of unused tax losses, as Management considered it probable that future taxable profit would be available against which the unused tax losses could be utilised. During the year ended 31 March 2026, the deferred tax asset recognised in respect of such unused tax losses was fully utilised against taxable profit.

Note : 10 Current Assets: Inventories

Particulars	As at 31 March 2026	As at 31 March 2025
Raw materials	10,665.94	970.40
Work-in-progress	19,375.26	4,209.42
Finished goods	7,090.86	-
	37,132.06	**5,179.82**

Note: The Company recognised a net inventory write-down of ₹374.42 lakhs during the year (Previous year: ₹344.42 lakhs).

Note : 11 Contract assets & Liabilities

Particulars	As at 31 March 2026	As at 31 March 2025
Contract assets	6,828.32	2,975.50
Contract liabilities	-	16.50

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Movement in Contract Assets and Contract Liabilities:

Particulars	As at 31 March 2026	As at 31 March 2025
Contract Assets		
Opening balance	2,975.50	-
Add: Revenue accrued during the year	8,269.37	2,975.50
Less: Amount billed during the year	4,416.55	-
Closing balance	**6,828.32**	**2,975.50**
Contract Liabilities		
Opening balance	16.50	-
Add: Amount billed during the year	-	-
Add: Advance received during the year	-	16.50
Less: Advance adjusted during the year	-	-
Less: Released to revenue during the year	16.50	-
Closing balance	**-**	**16.50**

Note : 12
Current Assets: Financial Assets - Trade receivables

Particulars	As at 31 March 2026	As at 31 March 2025
Unsecured, considered good		
a. Trade receivable from related parties	1,119.33	1,358.06
b. Others	30,581.47	887.21
Unsecured,Credit Impaired		
a. Others	2,487.24	2,064.50
Less: Allowances for expected credit losses (ECL)	2,589.68	2,408.99
	31,598.36	**1,900.79**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

a.Trade receivable ageing schedule

Particulars	Outstanding for following periods from due date of payment						Total	Impairment Provided
	Not Due	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years		
As at 31 March 2026								
Undisputed trade receivables - considered good	20,651.17	9,615.62	1,011.54	156.63	36.32	-	31,471.28	64.93
Undisputed trade receivables - which have significant increase in credit risk	-	-	-	-	-	-	-	-
Undisputed trade receivables - credit impaired	-	-	-	-	-	229.52	229.52	82.63
Disputed trade receivables - considered good	-	-	-	-	-	-	-	-
Disputed trade receivables - which have significant increase in credit risk	-	-	-	-	-	-	-	-
Disputed trade receivables - credit impaired	-	-	1.57	3.77	3.77	2,478.14	2,487.24	2,442.13
Total	**20,651.17**	**9,615.62**	**1,013.11**	**160.39**	**40.09**	**2,707.66**	**34,188.04**	**2,589.68**
As at 31 March 2025								
Undisputed trade receivables - considered good	744.53	625.30	171.52	67.23	-	-	1,608.58	56.55
Undisputed trade receivables - which have significant increase in credit risk	-	-	-	-	-	-	-	-
Undisputed trade receivables - credit impaired	-	-	-	-	-	214.59	214.59	76.27
Disputed trade receivables - considered good	-	-	-	-	-	-	-	-
Disputed trade receivables - which have significant increase in credit risk	-	-	-	-	-	-	-	-
Disputed trade receivables - credit impaired	-	1.88	1.88	3.77	3.77	2,475.31	2,486.61	2,276.18
Total	**744.53**	**627.18**	**173.40**	**71.00**	**3.77**	**2,689.90**	**4,309.78**	**2,408.99**

b. Expected credit loss (ECL):

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit in the normal course of business. Before accepting any new customer, the Company assesses the potential customer's credit quality.

As a practical expedient, the Company uses a provision matrix to determine impairment loss of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. The ECL allowance (or reversal) during the year is recognised in the statement of profit and loss.

Movement in the allowance for trade receivables for the year ended 31 March 2026 and 31 March 2025is as follows:

Particulars	31 March 2026	31 March 2025
Opening balance at beginning of the year	2,408.99	2,338.89
Provision made/(reversed) during the year	180.69	70.10
Bad debts written off during the year	-	-
Closing balance at end of the year	**2,589.68**	**2,408.99**

Notes

	31 March 2026	31 March 2025
c. Trade receivables balance from the Company's largest customers individually representing more than 5% of total trade receivables balance.	29,788.50	2,208.91

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

d. Refer Note 38 for trade receivables from related parties
e. Trade receivables are non-interest bearing and are generally on credit terms of 30 to 60 days.
f. Refer Note 41 for fair value measurements and Note 42 for information about the Company's exposure to financial risks.

Note : 13
Current Assets : Financial Assets - Cash and cash equivalents (₹ in Lakhs)

Particulars	As at 31 March 2026	As at 31 March 2025
Cash on hand	0.11	0.11
Balances with banks in current accounts	21.00	704.82
Fixed deposits (maturity of less than three months)	-	765.00
	21.11	**1,469.93**

a. Deposits with original maturities of more than three months and less than twelve months include margin money deposits maintained with banks against performance bank guarantees. Refer Note 26 for details.

b. There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the current and previous year.

Note : 14
Current Assets: Financial Assets - Other bank balances

Particulars	As at 31 March 2026	As at 31 March 2025
Margin money deposits *	2,526.14	1,905.12
	2,526.14	**1,905.12**

*Margin money deposits are maintained as security for performance bank guarantees aggregating to ₹6,549.29 lakhs (Previous Year: ₹3,521.18 lakhs). The said bank guarantees are additionally secured by a charge over the Company's present and future current assets and collateral hypothecation of fixed assets, including land and building located at TSIIC Hardware Park.Refer Note 26 for details.

Note : 15
Income Tax Assets (net)

Particulars	As at 31 March 2026	As at 31 March 2025
Income tax assets		
Tax deducted at source	512.28	521.66
	512.28	**521.66**

a. Current tax assets primarily comprise tax deducted at source, the recoverability of which is subject to adjustment upon completion of the relevant income tax assessments. Accordingly, such balances have not been offset against the current tax provision and are presented separately in accordance with Ind AS 12 - Income Taxes.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 16
Other Current Assets

Particulars	As at 31 March 2026	As at 31 March 2025
Advance to vendors - considered good	1,664.42	901.52
Balances with statutory/government authorities*	4,194.50	912.96
Advance for expenses	156.25	21.67
Prepaid expenses	412.17	137.24
	6,427.34	**1,973.39**

*Balances with statutory/government authorities represent GST input tax credit on goods and services purchased/received/paid.

Note :17
Equity Share Capital

Particulars	As at 31 March 2026		As at 31 March 2025	
	No of Shares	Amount	No of Shares	Amount
Authorised share capital				
Equity shares face value of ₹10 each	2,50,00,000	2,500.00	2,50,00,000	2,500.00
Issued, subscribed and fully paid-up				
Equity shares face value of ₹10 each	1,68,02,422	1,680.24	1,67,59,422	1,675.94
	1,68,02,422	**1,680.24**	**1,67,59,422**	**1,675.94**

Notes:
(i) Reconciliation of the shares outstanding at the beginning and at the end of the year:

Particulars	As at 31 March 2026		As at 31 March 2025	
	No of Shares	Amount	No of Shares	Amount
At the beginning of the year	1,67,59,422	1,675.94	1,67,59,422	1,675.94
Add: Shares issued on exercise of employee stock options during the year	43,000	4.30	-	-
Outstanding at the end of the year	**1,68,02,422**	**1,680.24**	**1,67,59,422**	**1,675.94**

(ii) Terms/rights attached to equity shares

The Company has only one class of equity shares having a face value of ₹10 each. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting, except in case of interim dividend. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(iii) Details of shareholders holding more than 5% shares in the Company:

Name of the shareholder	As at 31 March 2026		As at 31 March 2025	
	No of Shares	% holding in the class	No of Shares	% holding in the class
Promoter and promoter group				
Anji Raju Manthena	**24,86,873**	**14.80%**	**24,86,873**	**14.84%**

(iv) Details of shareholding of promoters:

S. No.	Name of the promoter	As at 31 March 2026		As at 31 March 2025		% change during the year
		No of Shares	% of total shares	No of Shares	% of total shares	
1	Anji Raju Manthena	24,86,873	14.80%	24,86,873	14.84%	-0.04%
2	Sitarama Raju Manthena	7,12,992	4.24%	7,12,992	4.25%	-0.01%
3	Sreelakshmi Manthena	6,40,398	3.81%	6,40,398	3.82%	-0.01%
4	Srinivasa Raju Manthena	6,06,597	3.61%	6,06,597	3.62%	-0.01%
5	Manthena Parvathi	2,68,469	1.60%	2,68,469	1.60%	0.00%
6	Madhav Mantena	1,10,260	0.66%	1,10,260	0.66%	0.00%
7	Raju N Mantena	22,032	0.13%	29,932	0.18%	-0.05%
8	Namrata Kapoor *	-	0.00%	7,917	0.05%	-0.05%
9	Madhuvalli Lakamraju *	-	0.00%	5,480	0.03%	-0.03%
10	Venkataramamurthy Raju Lakamraju *	-	0.00%	2,883	0.02%	-0.02%
11	Venkateswara Raju Lakkamraju *	-	0.00%	1,863	0.01%	-0.01%
12	Subbaraju Venkata Lakamraju *	-	0.00%	498	0.00%	0.00%
13	Jagannadha L Raju *	-	0.00%	419	0.00%	0.00%
		48,47,621	**28.85%**	**48,74,581**	**29.09%**	**-0.23%**

* Reclassified from the Promoter/Promoter Group category to the Public category pursuant to Regulation 31A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, effective June 26, 2025, upon receipt of approvals from BSE Limited and the National Stock Exchange of India Limited.

(v) Shares under pledge/encumbered

S. No.	Name of the promoter	As at 31 March 2026		As at 31 March 2025	
		No of Shares	% of Promoter's Shareholding Pledged	No of Shares	% of Promoter's Shareholding Pledged
1	Sita Rama Raju Manthena	4,28,297	60.07%	4,28,297	60.07%
		4,28,297	**60.07%**	**4,28,297**	**60.07%**

Note: (1).The shares held by the promoter have been pledged in favour of a lender. The pledge has been created by the promoter in his personal capacity and is not in connection with any borrowing or financing arrangement of the Company.

(2). Out of the total promoter shareholding of 48,47,621 equity shares, 4,28,297 equity shares are under pledge, representing 8.83% of the total promoter shareholding (60.07% of the concerned promoter's shareholding)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(vi). Stock option schemes

a. Terms:

A. The grant of options to the employees under the stock option schemes is on the basis of their performance and other eligibility criteria, subject to the discretion of the management and fulfillment of certain conditions.

B. Options can be exercised anytime within a period of 2 years from the date of vesting and would be settled by way of issue of equity shares. Management has discretion to modify the exercise period.

b.The details of the grants under the aforesaid schemes are summarized below:

Sr.No	Series reference	2025-26	2024-25
1	Grant price	25	25
2	Grant dates	23/5/2025	14/11/2024
3	Vesting commences on	31/5/2026	22/11/2025
4	Options granted and outstanding at the beginning of the year	43,000	-
5	Options lapsed	-	-
6	Options granted	1,200	43,000
7	Options exercised	43,000	-
8	Options granted and outstanding at the end of the year, of which		
	Options vested	43,000	-
	Options yet to vest	1,200	43,000
9	Weighted average remaining contractual life of options (in years)	0.21	0.71

C. In respect of stock options granted pursuant to the Company's stock options schemes, the fair value of the options is treated as discount and accounted as employee compensation over the vesting period.

D. Expense on Employee Stock Option Schemes debited to the Statement of Profit and Loss during 2025-26 is ₹ 247.17 crore (previous year: ₹ 126.57 crore) [Note 32]. The entire amount pertains to equity-settled employee share-based payment plans.

Note : 18
Other equity - (Refer statement of changes in equity)

Particulars	As at 31 March 2026	As at 31 March 2025
Retained earnings	3,712.66	(4,288.16)
Securities premium	19,992.64	19,622.44
General reserve	612.14	612.14
Share based payment reserve	9.98	126.57
Foreign currency translation reserve	(377.13)	(372.08)
	23,950.29	**15,700.90**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Notes:

	31 March 2026	31 March 2025
Retained Earnings		
Opening balance	(4,288.16)	(9,359.72)
Add: Profit for the year	8,062.52	5,091.71
Add: Re-measurement gains/ (losses) on defined benefit plans	(61.69)	(20.15)
Closing balance	**3,712.66**	**(4,288.16)**
Securities premium		
Opening balance	19,622.44	19,622.44
Premium on issue of equity shares on exercise of employee stock options	370.20	-
Closing balance	**19,992.64**	**19,622.44**
General reserve		
Opening balance	612.14	612.14
Addition	-	-
Closing balance	**612.14**	**612.14**
Share based payment reserve		
Opening balance	126.57	-
Compensation Expenses	247.17	126.57
Issue of equity shares on exercise of employee stock options	(363.75)	-
Closing balance	**9.98**	**126.57**
Foreign currency translation reserve		
Opening balance	(372.08)	(372.08)
Addition	(5.05)	-
Closing balance	**(377.13)**	**(372.08)**

Retained earnings

Represent the cumulative undistributed profits after tax of the Company and can be utilized in accordance with the provisions of the Act.

Securities premium

Securities premium represents the amount received in excess of the face value of the equity shares. The utilisation of the securities premium is governed by the Section 52 of the Act.

Re-measurement gains/ (losses) on defined benefit plans, net of tax

Remeasurement of defined plan represents the remeasurement gains/(losses) arising from the actuarial valuation of the defined benefit plan of the Company. The remeasurement gains/(losses) are recognized in other comprehensive income and accumulated under this reserve within equity. The amounts recognized under this reserve are not reclassified to statement of profit and loss.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 19

Non-current liabilities: Financial Liabilities - Borrowings

Particulars	As at 31 March 2026	As at 31 March 2025
Vehicle loans from banks (secured)-at amortised cost		
Mahindra finance	19.95	26.27
Axis bank Ltd.	-	1.50
Total	**19.95**	**27.78**

i. Current Maturities

Particulars	As at 31 March 2026	As at 31 March 2025
Long term debt from banks (secured)		
Mahindra finance	6.00	5.38
Axis bank Ltd.	1.50	17.02
Total	**7.51**	**22.40**

ii. Current maturities of long term debt

Instalments due within 12 months from the date of balance sheet classified as current as shown above are disclosed in borrowings.

iii. Terms of borrowings

The particulars of loans drawn, nature of security, terms of repayment, rate of interest, instalments due and loan wise outstanding are as under.

Name of the Bank	Type of Loan	Amount sanctioned	Security	ROI	Repayment Terms	Amount Outstanding
Mahindra finance	Vehicle loan	32.00	Secured by Hypotheication movable property (Motor Vehicle)	10.95%	Loan amount shall be repaid together with interest in 58 equated monthly instalments amount of Rs. 71,600	25.96
Axis bank	Vehicle loan	28.97	Secured by Hypotheication movable property (Motor Vehicle)	10.75%	Loan amount shall be repaid together with interest in 47 equated monthly instalments of amount Rs. 75,775/-	0.75
Axis bank	Vehicle loan	28.97	Secured by Hypotheication movable property (Motor Vehicle)	10.75%	Loan amount shall be repaid together with interest in 47 equated monthly instalments of amount Rs. 75,775/-	0.75

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

iv. As on the balance sheet date, there were no continuing defaults in repayment of borrowings and interest.

v. The company has utilized the borrowings from banks and financial institutions for the specific purpose for which it was taken.

vi. Changes in liabilities arising from financing activities:

Particulars	As at 01 April 2025	Cash Flows	Repayment	As at 31 March 2026
Term loans from banks (including current maturities)	50.18	-	22.72	27.46
	50.18	**-**	**22.72**	**27.46**

Particulars	As at 01 April 2024	Cash Flows	Repayment	As at 31 March 2025
Term loans from banks (including current maturities)	33.81	31.66	15.29	50.18
	33.81	**31.66**	**15.29**	**50.18**

Note : 20

1. Non-current liabilities: Provisions

Particulars	As at 31 March 2026	As at 31 March 2025
Provision for employee benefits		
-Provision for earned leave encashment	46.41	3.27
-Provision for gratuity *	59.44	12.22
Provision for warranties	1,784.15	407.55
	1,890.00	**423.03**

2. Current liabilities - Provisions

Particulars	As at 31 March 2026	As at 31 March 2025
Provision for employee benefits		
-Provision for earned leave encashment	15.57	-
-Provision for gratuity *	94.49	20.13
	110.07	**20.13**

(Refer note no 32)

* Present value of obligation	264.64	121.87
Fair value of plan asset	110.71	89.52
Short fall provided for	153.94	32.35

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 21
Current liabilities: Financial Liabilities-Borrowings

	Particulars	As at 31 March 2026	As at 31 March 2025
i)	**Loans repayable on demand from banks (secured)-at amortised cost**		
	Cash credit facilities	14,412.38	3,589.47
	Total	**14,412.38**	**3,589.47**
ii)	**Other loans (unsecured) -at amortised cost**		
	Loan from directors	14.37	78.10
	Inter corporate deposits	1,725.15	259.68
	Others	12.95	12.95
	Total	**1,752.48**	**350.73**
iii)	**Current maturities of long-term debt (refer note - 19(i))**	7.51	22.40
	Total	**7.51**	**22.40**
	Total (i+ii+iii)	**16,172.36**	**3,962.60**

i.Terms of borrowings

S. No	Lender	Security Details	Other security terms	Interest Rate
1	State Bank of India	**Primary Security** Pari passu first charge on all Raw Materials, Stock in progress of manufacturing Finished goods, along with spares and other movable assets including book debts, amounts outstanding, Monies receivables claims, bills due both present and future, along with other banks under MBA. **Collateral Security:** Paripassu first charge by way of hypothecation on all the Plant& Machinery(all movable assets) both present and future consisting of all movable fixed assets now stored at or being stored or which may here after be brought into or stored at or at present installed at all locations of the company along with Land and Building situated at Plot No. 38(part), 39, 40, 41, TSIIC Hardware Park, Maheswaram Mandal, Ranga Reddy District, Hyderabad - 501510	Personal Guarantees of Promoter and Directors Dr Anji Raju, Ms Lakshmi Manthena and Sita Rama Raju Manthena	Cash Credit : 12.15% p.a 4% spread on EBLR-8.15% (External Bench Marking rate)
2	HDFC Bank	**Primary Security:** Raw Material For Railway Anticollision Device Manufacturing Including Electronic Controllers, Plcs, Receivables From Indian Railways **Collateral Security :**100 % Margin For BG, Cash Margin For BG And LC, Factory Land And Buildings At Plot No. 38(Part), 39, 40, 41, TSIIC Hardware Park, Maheswaram Mandal, Ranga Reddy District, Hyderabad - 500005.	Personal Guarantee from Directors/ Shareholders (Ms. Sreelakshmi Manthena, Mr. Anji Raju Manthena, Mr. Sitarama Raju Manthena)	Cash Credit: 11% p.a. floating (Repo rate Rate 5.25% + Spread 5.75%) WCDL (Sub-limit of CC): 10.50% p.a (Reference Rate 5.25% + Spread 5.25%)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

3	ICICI Bank	**Security Details:** First Paripassu charge on Current Assets & Movable Fixed Assets. First Paripassu charge on: Immovable Fixed Assets (Raviryal Village, Maheshwaram, Near Zen Technologies, K.V. Rangareddy, Telangana – 501359);	Personal Guarantee of Mr. Sitarama Raju Manthena	Cash Credit-10% p.a : Repo Rate (5.25%) + Spread (4.75%) WCDL (sub-limit of CC):9.5% p.a Repo Rate (5.25%) + Spread (4.25%)
4	CSB Bank	**Primary Security:** First Pari Passu charge on the entire current assets (Present and Future)of the company along with other working capital lenders. Exclusive charge on Fixed deposit held as cash margin @15% for NFB limits. **Collateral Security** First Pari Passu charge with other working capital lenders on the Industrial Land situated at - Plot Nos. 38(part), 39, 40 & 41, Survey No. 1/1, Hardware Park, Imarat Kancha of Raviryal Village, Maheshwaram Mandal, R.R. Dist - 501510, (10 acres)	Personal Guarantee of Mr. Sitarama Raju Manthena	Cash Credit-10% p.a linked Repo Rate-5.5% and Spread is 4.5%. WCDL-9.9% Linked to repo rate 5.5% and Spread is 4.4% .
5	Union Bank of India	**Primary Security :** For Cash Credit limit Paripassu first charge over stock, Work In Progress and Book debts all chargeable current assets(Both present and future): **Collateral Security :** Pari Passu 1st charge on Factory Land & Building situated at Plot Nos. 38(part), 39, 40 & 41, Survey No. 1/1, Hardware Park, Imarat Kancha of Raviryal Village, Maheshwaram Mandal, R.R. Dist — 501510, admeasuring 10 Acres, owned by Kernex Microsystems (India) Limited.	Personal Guarantee of Mr. Sitarama Raju Manthena	Cash Credit-10.25% p.a : EBLR-8.% ^ and spread 2.00 %.
6	Kotak Mahindra Bank	**Primary Security:** Movable Fixed Assets and Current Assets - Stocks, Book debts, Other current assets& Unencumbered Fixed Assets of the company . 1 St Paripassu charge with other MBA bankers- SBI, HDFC,ICICI, CSB Bank, Federal Bank, Union Bank and Yes Bank **Collateral Security:** Immovable Fixed Assets/ Commercial Property situated at Plot Nos. 38(part), 39, 40 & 41, Survey No. 1/1, Hardware Park, Imarat Kancha of Raviryal Village, Maheshwaram Mandal, R.R. Dist - 501510 . 1 St Paripassu charge with other MBA bankers- SBI, HDFC,ICICI, CSB Bank, Federal Bank, Union Bank and Yes Bank.	Personal Guarantee of Mr. Sitarama Raju Manthena	Cash Credit-10.25% p.a : Repo rate 5.5% and spread 4.75 %. WCDL: 10.25%
7	Yes Bank	**Primary Security:** First Pari-Passu Charge of Axis-Bank,Catholic SyrianBank,Federal Bank Ltd,HDFC-Bank Ltd,ICICI BankLtd,Kotak MahindraBank,State Bank of India onMFA,Stock & Book Debts 2.Property-First Pari-PassuCharge on property situated at 1/1 plot no38 to 41,situated at TSIICHardware park, KanchaImarat,Maheshawarammandal, RR district,Hyderabad,501510,Rangareddy,Telangana,5015103 along with other banks namely Axis Bank,-CatholicSyrian Bank, Federal BankLtd,HDFC Bank Ltd,ICICIBank Ltd,Kotak MahindraBank,State Bank of India under MBA.	Unconditional and Irrevocable Personal Guarantee of Mr. Sitarama Raju Manthena	Cash Credit 8.85% : Repo Rate5.25% + Spread of 3.60%

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

8	Federal Bank	**Primary Security:**Hypothecatio n of entire current assets of the company, both present and future on Pari passu basis with other banks in the MBA, **Collateral Security:** Hypothecation of plant & machinery of the company, both present and future on Pari passu basis with other banks in the MBA.EM of Industrial Building bearing Plot no 38 (part) 39,40,41 in Survey no. 1/1 situated at TSIIC Hardware Park, Kancha Imarat, Thukuguda, Maheswaram village and mandal, Rangareddy Dist, Admeasuring 10.00 acres standing in the name of M/s. Kernex Microsystems (India) Limited vide Title Deed No 3855/2009 and 2538/2006 on pari passu basis with other banks in the Multiple Banking Arrangement(MBA).	Personal Guarantee of Mr. Sitarama Raju Manthena. PDC equivalent to loan amount.	Cash Credit 9.5% p.a : Repo Rate 5.5% Spread-4% WCDL :9.10% Repo Rate 5.5% + spread 3.6%
9	Axis Bank	**Primary Security** First Pari Passu charge on the entire current assets & Fixed assets of the barrower. **Collateral Security** First Pari Passu charge on the Immovable commercial property located at industrial property at - Plot Nos. 38(part), 39, 40 & 41, Survey No. 1/1, Hardware Park, Imarat Kancha of Raviryal Village, Maheshwaram Mandal, R.R. Dist - 501510.	Personal Guarantee of Mr. Sitarama Raju Manthena , S/o Dr Anji Raju Manthena	Cash Credit 8 % p.a : Repo Rate 5.5% Spread-2.5% WCDL :8%% Repo Rate 5.5% + spread 2.4%

ii. As on the balance sheet date, there were no continuing defaults in repayment of borrowings and interest.

iii. The company has utilized the borrowings from banks and financial institutions for the specific purpose for which it was taken.

iv. Changes in liabilities arising from financing activities:

Particulars	As at 01 April 2025	Cash Flows	Repayment	As at 31 March 2026
Borrowings (including current maturities of long-term borrowings)	3,962.60	12,288.38	78.62	16,172.36
	3,962.60	**12,288.38**	**78.62**	**16,172.36**

Particulars	As at 01 April 2024	Cash Flows	Repayment	As at 31 March 2025
Borrowings (including current maturities of long-term borrowings)	2,405.78	1,742.98	186.16	3,962.60
	2,405.78	**1,742.98**	**186.16**	**3,962.60**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

v. Unsecured Loans from Directors are repayable on demand and carrying Interest at 18%.

vi. Inter corporate deposit is repayable on demand and carrying interest rate of 15% to 18%.

vii. Other Loans are Interest free and repayable on demand.

viii. Inter corporate deposits carrying personal guarantee of Whole time Directors namely Sitarama Raju Manthena and Badari Narayana Raju Manthena .

Note : 22
Current liabilities: Financial liabilities - Trade Payables

Particulars	As at 31 March 2026	As at 31 March 2025
Total outstanding dues of :		
(a) Micro enterprises and small enterprises (MSME)	1,151.07	50.23
(b) Creditors other than micro enterprises and small enterprises	43,100.85	1,514.22
	44,251.92	**1,564.45**

a. Trade payable ageing schedule

Particulars	Un-billed	Not Due	Outstanding for following periods from date of transaction					Total
			Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
As at 31 March 2026								
MSME	-	604.99	528.84	1.40	15.84	-	-	**1,151.07**
Others	-	5,970.18	23,723.90	13,386.32	20.25	0.20	-	**43,100.85**
Disputed dues - MSME	-	-	-	-	-	-	-	**-**
Disputed dues - others	-	-	-	-	-	-	-	**-**
TOTAL	**-**	**6,575.17**	**24,252.74**	**13,387.72**	**36.09**	**0.20**	**-**	**44,251.92**
As at 31 March 2025								
MSME	-	23.58	21.19	-	5.46	-	-	**50.23**
Others	-	395.29	208.69	837.90	0.21	72.13	-	**1,514.22**
Disputed dues - MSME	-	-	-	-	-	-	-	**-**
Disputed dues - others	-	-	-	-	-	-	-	**-**
TOTAL	**-**	**418.87**	**229.88**	**837.90**	**5.67**	**72.13**	**-**	**1,564.45**

b. Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006: The amount due to Micro and Small Enterprises as defined in the ‘The Micro, Small and Medium Enterprises Development Act, 2006’ has been determined to the extent such parties have been identified on the basis of information available with the Company. The disclosures relating to Micro, Small and Medium Enterprises are as under:

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Particulars	As at 31 March 2026	As at 31 March 2025
(i) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	1,180.00	52.54
(ii) Principle amount due to suppliers under MSMED Act, 2006	1,151.07	50.23
(iii) Interest accrued, due to suppliers under MSMED Act on the above amount, and unpaid	28.93	2.30
(iv) Payment made to suppliers (other than interest) beyond the appointed day during the year	-	-
(v) Interest paid to suppliers under MSMED Act (Section 16)	-	-
(vi) Interest due and payable towards suppliers under MSMED Act for payments already made	-	-
(vii) Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	-	-
(viii) Amount of further interest remaining due and payable even in the succeeding years	-	-

Note: The above information has been given only in respect of those suppliers who have informed the Company that they are registered under MSMED Act 2006. Some of these vendors were associated with the Company for long periods of time and do maintain a harmonious continuous business relationship. The Company is normally prompt in servicing these vendors' claims as per mutually agreed terms of payment. The company had not received any claim towards interest from any of the Vendors and in view of the said longstanding business relationship, does not expect or foresee any claims in future as well. The company does not have any claims for interest remaining due and payable.

Note : 23
Current liabilities - Other financial liabilities

Particulars	As at 31 March 2026	As at 31 March 2025
Creditors for capital expenditure	-	1.71
Share application money pending transfer to IEPF	0.26	0.26
Advance received towards EMD	234.67	508.32
Salaries and Expenses Payable	2,074.15	498.33
	2,309.09	**1,008.63**

Note : 24
Other current liabilities

Particulars	As at 31 March 2026	As at 31 March 2025
Advance from customers	15.58	15.44
Statutory dues	187.54	106.11
	203.11	**121.55**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 25
Current tax liabilities (net)

Particulars	As at 31 March 2026	As at 31 March 2025
Current		
Provision for tax, net of advance taxes	1,953.39	-
	1,953.39	**-**

Disclosure pursuant to Ind AS 12 "Income Taxes":

(a) Major components of tax expense/(income):

Sr. No.	Particulars	2025-26	2024-25
1	**Profit or Loss section**		
	(i) Current Income tax :		
	Current income tax expense	2,271.38	-
	Tax expense of earlier years	48.42	-
	(ii) Deferred Tax:		
	Tax expense on origination and reversal of temporary differences	560.16	(1,754.28)
	Income tax expense reported in Profit or Loss [(i)+(ii)]	**2,879.96**	**(1,754.28)**
2	**Other Comprehensive Income (OCI) Section:**		
	(i) Items not to be reclassified to Profit or Loss in subsequent periods:		
	Current tax expense/(income):		
	On remeasurement of defined benefit plans	20.75	6.78
	(ii) Items to be reclassified to Profit or Loss in subsequent periods	-	-
	Income tax expense reported in the OCI section [(i)+(ii)]	**20.75**	**6.78**

(b) Reconciliation of tax expense and the accounting profit multiplied by domestic tax rate applicable in India:

Sr. No.	Particulars	2025-26	2024-25
1	**Profit before tax (including exceptional items)**	10,942.47	3,337.43
2	Corporate tax rate as per Income Tax Act, 1961	25.17%	25.17%
3	Tax on Accounting profit (3) = (1) * (2)	2,754.00	839.96
4	Tax effect of amounts which are not deductible / taxable in calculating taxable income	2,674.16	-
5	Tax expense recognised during the year	2,271.38	-
6	Effective tax Rate (6)=(5)/(1)	20.76%	0.00%

The effective tax rate for the year ended **31 March 2025** is Nil, as the Company utilised brought forward unabsorbed business losses and unabsorbed depreciation available under the Income-tax Act, 1961, to offset the taxable income. Consequently, no current tax expense was recognised for the year

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 26
Contingent Liabilities

The statutory dues that not have been deposited on account of dispute, are as follows, may account outflow of resources.

Particulars	As at 31 March 2026	As at 31 March 2025
Corporate and bank guarantees for performance obligations	6,549.29	3,521.18
Income tax liability that may arise in respect of which the Company is in appeal	785.00	1,269.65
Claims against the Company not acknowledged as debts	294.04	334.56

Note : 27
Revenue from operations

Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
A.Revenue from contracts with customers		
i. Sale of finished products & services (Gross amount)	46,131.72	20,714.83
Less: Consortium partner's share	5,920.04	6,288.81
Net amount	**40,211.68**	**14,426.02**
ii.Sale of other products & services	2,369.28	4,539.09
Total	**42,580.96**	**18,965.11**

Set out below is the disaggregation of the Company's revenue from contracts with customers and reconciliation to profit and loss account:

(i)	Timing of revenue recognition	31 March 2026	31 March 2025
	At a point in time	-	-
	Over a period of time	42,580.96	18,965.11
		42,580.96	**18,965.11**

(ii)	Primary geographical markets	31 March 2026	31 March 2025
	In India	42,512.35	18,756.46
	Outside India	68.61	208.65
		42,580.96	**18,965.11**

(iii)	Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price	31 March 2026	31 March 2025
	Revenue as per contract	48,501.00	25,253.92
	Less: Adjustment for contracts where Company acts as an agent	5,920.04	6,288.81
		42,580.96	**18,965.11**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(iv)	Assets and liabilities related to contracts with customers	31 March 2026	31 March 2025
	Trade receivables	31,598.36	1,900.79
	Contract assets	6,828.32	2,975.50
	Contract liabilities		16.50

(v)	Movement of contractual liabilites	31 March 2026	31 March 2025
	Opening Balance	**16.50**	**-**
	Received during the year	-	16.50
	Revenue recognised / Adjusted	16.50	-
	Closing Balance	**-**	**16.50**

(vi) There are no significant items of revenue to be recognised against performance obligation satisfied in previous year due to change in transaction price.

(vii)	Movement in provisions on account of impairment and credit loss	31 March 2026		31 March 2025	
		Trade receivables	Contract Assets	Trade receivables	Contract Assets
	Opening balance	2,408.99	-	2,338.89	-
	Add: Additions / expected lifetime credit loss	180.69	-	70.10	
	Less: Write off / impairment	-	-	-	-
	Less: Reversal	-	-	-	-
	Closing balance	**2,589.68**	**-**	**2,408.99**	**-**

Note : 28
Other income

	Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
a)	Interest income		
	Interest received on deposits with banks/others	142.67	102.45
	Interest on advances (from related parties)	53.67	88.06
	on others	46.64	11.36
b)	Profit on sale of asset	-	-
c)	Rental income	0.43	2.59
d)	Miscellaneous income	1.16	2.59
e)	Foreign currency fluctuation gain (net)	31.98	10.97
	Total	**276.56**	**218.02**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 29
Cost of raw material consumed

Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
Opening stocks (Net provision for obsolescence)	970.40	2416.58
Purchases of material, components & consumables	48,830.35	8004.31
	49,800.75	**10420.89**
Less : Closing stocks (Net provision for obsolescence)	10,665.94	970.40
Cost of raw material consumed	**39,134.81**	**9450.49**

Note : 30
Changes in inventories of finished goods,stock-in-trade and work-in-progress

	Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
i)	**Opening stocks**		
	Semi finished goods	4,209.42	2,078.26
	Finished goods	-	2,564.79
	TOTAL (i)	**4,209.42**	**4,643.05**
II)	**Closing stocks**		
	Semi finished goods	19,375.26	4,209.42
	Finished goods	7,090.86	-
	TOTAL (ii)	**26,466.12**	**4,209.42**
iii)	**(Increase) / Decrease (i - ii)**	**(22,256.70)**	**433.63**

Note : 31
Project Execution Expenses

Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
Survey,Design Installation Expenses	4,423.81	1,675.87
Transportation charges	110.07	41.64
Site admin expenses	142.87	137.93
Project allowance expenses	108.71	12.15
Bulding/labour cess	136.10	144.21
Consultancy charges	151.16	78.60
Travel expenses	221.44	103.40
Hotel accommodation expenses	26.61	21.20
Rent	55.13	32.02
Total	**5,375.90**	**2,247.01**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 32
Employee benefits expense:

Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
Salaries & allowances	2,392.42	1,433.56
Share based payments	247.17	126.57
Directors remuneration & allowances	235.25	137.89
Contribution to provident & other funds	98.17	55.05
Gratuity& leave encashment expense	119.46	20.60
Staff welfare expenses	142.60	68.64
Total	**3,235.09**	**1,842.31**

Employee benefit obligations:

Defined contribution plan

Eligible employees of the company receive benefits from a provident fund, which is a defined contribution plan, both the employee and company make monthly contributions to the provident fund plan equal to a specified percentage of the eligible employee's qualifying salary. The company has no further obligations under the plan beyond its monthly contributions. The company contributed INR 83.04 Lakhs (Previous year INR 48.03 Lakhs) towards provident fund plan during the years ended 31-Mar-26.

Defined benefit Plan

The company provides for gratuity, a defined benefit plan ("Gratuity Plan") covering eligible employees,the gratuity plan provides a lump sum gratuity payment to eligible employees at retirement or termination of their employment. The amount of the payment is based on the respective employee's last drawn salary and the years of employment with the company. The company does not provide the facility of leave encashment to its employees. Hence there is no plan for the latter benefits.

(i) Reconciliation of present value of defined benefit obligation

Particulars	31 March 2026	31 March 2025
Defined benefit obligation at the beginning of the year	121.87	91.66
Current service cost	52.14	12.78
Past Service Cost	-	-
Interest cost	8.32	5.90
Benefits paid	(0.78)	(16.90)
Actuarial (gain)/ loss on obligations	83.09	28.42
Present Value of obligation as at the end of the year	**264.64**	**121.87**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(ii) Reconciliation of fair value of plan asset

Particulars	31 March 2026	31 March 2025
Fair value of plan assets, beginning of the year	89.52	75.68
Interest on plan assets	6.61	3.97
Employer’s contribution	15.00	22.69
(Expenses)/income	(0.29)	2.59
Benefits paid	(0.78)	(16.90)
Return on plan assets excluding interst income	-	-
Remeasurement due to - actual return on plan assets less interest on plan assets	0.65	1.49
Fair value of plan assets as at the end of the year	**110.71**	**89.52**

(iii) Reconciliation of present value of defined benefit obligation and fair value of plan assets

Particulars	31 March 2026	31 March 2025
Fair value of plan assets	110.71	89.52
Present value of defined benefit obligation	264.64	121.87
Liability recognised in the Balance Sheet	**(153.93)**	**(32.35)**
Non current	59.44	12.22
Current	94.49	20.13

(iv) Expenses recognised in the Statement of profit and loss / OCI

Particulars	31 March 2026	31 March 2025
Recognised in statement of profit and loss		
Current service cost	52.14	12.78
Interest cost	1.71	1.94
Past Service Cost		
	53.85	**14.72**
Recognised in statement of other comprehensive income		
Actuarial loss/(gain)	82.44	26.93
	82.44	**26.93**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(v) Key actuarial assumptions

Particulars	31 March 2026	31 March 2025
Discount rate	6.96%	6.85%
Retirement age	60 Years	60 Years
Salary escalation rate	6.00%	4.00%
Withdrawal (Attrition) rate	Age 18-30: 30%; Age 31-40: 2%; Age 41 & above: 2%	Age 18-30: 30%; Age 31-40: 2%; Age 41 & above: 2%
Mortality rate	Indian Assured Lives Mortality (IALM) 2012-14 Ultimate	Indian Assured Lives Mortality (IALM) 2012-14 Ultimate

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

(vi) Maturity profile of defined benefit obligation [valued on undiscounted basis]: (₹ in Lakhs)

Particulars	31 March 2026	31 March 2025
Within 1 year	22.55	3.59
2 to 5 years	32.87	49.31
6 to 10 years	135.80	91.76
More than 11 years	314.16	273.18

(vii) Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The result of sensitivity analysis for a 1% increase/decrease of following assumptions, in the amount of defined benefit obligation is given as under:

Particulars	31 March 2026		31 March 2025	
	Decrease	Increase	Decrease	Increase
Change in discounting rate	275.26	255.03	131.50	113.46
Change in salary growth rate	230.40	305.29	111.88	132.68
Change in attrition rate	267.80	283.62	122.09	121.79
Change in mortality rate	274.98	279.32	121.96	121.88

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(viii) Share based payments

Particulars	Employee Stock option Scheme 2023
Approval of shareholders	23rd August, 2024
Administration	Nomination and Remuneration committee of the board of directors
Eligibility	The committee determines which eligible employees will receive options
Number of equity shares reserved under the scheme	1,50,000
Number of equity shares per option	1
Vesting period	1 -3 Years
Exercise period	within 2 years from the date of last vesting
Exercise price determination	The nomination and remuneration committee will determines the price on the date of approving of the grant

(ix) The fair values of the option were determined using a black scholes model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations. Expected volatility is based in the historical share price volatility over the past 5-6 years

Note :33
Finance cost

Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
Interest on bank borrowings	779.34	290.86
Interest on vehicle loans	4.38	3.31
Interest - others	1,761.16	156.91
Bank charges & commission	242.71	82.03
Other borrowing cost	26.63	143.90
Total	**2,814.22**	**677.01**

Note :34
Depreciation and amortization expense

Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
Depreciation on tangible assets	412.45	282.13
Amortisation on intangible assets	169.77	0.65
Total	**582.22**	**282.78**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 35
Other Expenses

Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
Electricity charges	104.44	78.85
Security charges	57.67	48.95
Rates and taxes	39.13	43.60
Printing and stationery	25.27	5.33
Insurance	76.20	41.92
Repairs and maintenance		
a) Buildings	197.68	32.58
b) Others	147.02	92.72
Postage, telephone and courier	24.30	14.85
Travelling and conveyance	139.81	90.88
Professional & consultancy fees	160.24	171.83
Directors sitting fees	21.60	45.60
Business promotion	33.96	15.39
Loss on foreign currency transactions and translation (net)	-	-
Miscellaneous expenses(General expenses)	18.94	9.63
Provision for doubtful debts (Lifetime expected credit loss)	583.76	70.10
Provision for warranties	1,376.60	407.55
Provision for Impairments	360.86	
Loss on sales of an asset	-	0.16
Sundry balances write off	-	2.44
Tender expenses	-	139.96
Payment to auditor*:		
For Statutory audit	9.00	5.50
For Tax audit	2.00	2.00
For Others	1.30	3.79
Total	**3,379.76**	**1,323.63**

Note :36
Amount Transferred to Capital Expenditure

Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
Employee benefit expenses	(124.97)	(236.14)
Purchase material	(225.29)	(175.02)
Total	**(350.26)**	**(411.16)**

The above amount represents directly attributable employee benefit and material costs incurred towards the construction and development of internally generated Plant and Equipment and Intangible Assets under Development. In accordance with the recognition and measurement principles prescribed under Ind AS 16 and Ind AS 38, such expenditure has been capitalised as part of the cost of the respective assets and presented separately as “Expenditure Capitalised” in the Statement of Profit and Loss.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 37

Earnings per equity share ("EPS")

Basic and diluted Earnings per Share [EPS] computed in accordance with Ind AS 33 "Earnings per Share":

Basic EPS amounts are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the period/year.

Diluted EPS amounts are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the period/year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

Particulars		31 March 2026	31 March 2025
Basic earnings per share			
Net profit after tax (₹ in Lakhs)	(A)	8,062.52	5,091.71
Weighted average number of equity shares outstanding	(B)	1,67,71,910	1,67,59,422
Basic EPS (₹)	**(A/B)**	**48.07**	**30.38**
Diluted earnings per share			
Net profit after tax (₹ in Lakhs)	(A)	8,062.52	5,091.71
Weighted average number of equity shares outstanding	(B)	1,67,71,910	1,67,59,422
Effect of dilution			
- weighted average number of potential equity shares on account of employee stock options	(C)	1,164	15,663
Weighted average number of equity shares adjusted for the effect of dilution	**(D=B+C)**	**1,67,73,073**	**1,67,75,085**
Diluted EPS(₹)	**(A/D)**	**48.07**	**30.35**
Face value per share (₹)		**10**	**10**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 38

Disclosure of related parties/related party transactions pursuant to Ind AS 24 “Related Party Disclosures”:

(a) List of related parties over which control exist and status of transactions entered during the year:

Sr. No.	Name of the Party	Nature of relationship	Transaction entered during the year (Yes/No)
1	Avant-Garde Info Systems Inc, USA	Wholly Owned Subsidiary [WOS]	Yes
2	Kernex TCAS JV	Controlled Entity (Subsidiary)	Yes
3	Kernex VRRC JV [a]	Controlled Entity (Subsidiary)	Yes
4	Kernex BHEPL JV [b]	Joint Operations	No
5	VRRC Kernex CE RVR JV	Joint Operations	Yes

[a] Incorporated on September 17, 2025

[b] Incorporated on March 07, 2026

(b) Name of key management personnel and close member of their family with whom transactions were carried out during the year:

(i) Executive Director:

Sr.No.	Name
1	Sreelakshmi Manthena [a]
2	Sitarama Raju Manthena
3	Badari Narayana Raju Manthena

(ii) Non-executive / Independent Directors:

Sr.No.	Name
1	R Sreenivasa Rao (ceased w.e.f. 29-09-2024)
2	K Soma Sekhara Rao (ceased w.e.f. 29-09-2024)
3	A V S Krishna Mohan (ceased w.e.f. 07-02-2025)
4	Narender Kumar (ceased w.e.f. 30-09-2024)
5	Rao Seshagiri Adabala (w.e.f. 06-09-2024)
6	Ayyagari Viswanadha Sarma (w.e.f. 06-09-2024)
7	Dinakara Rao Pasupuleti (w.e.f. 30-09-2024)
8	Anji Raju Manthena
9	Janardhana Reddy Vinta

(iii) Company secretary & Compliance Officer

Sr.No.	Name
1	Prasada Rao Kalluri

(iv) Chief Financial Officer

Sr.No.	Name
1	Pamidi Srikanth

[a] Non-Executive Director up to 23.05.2025; Managing Director w.e.f. 23.05.2025.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(iv) Close member of Key Management Personnel's (KMP's) family with whom transactions were carried out during the year:

Sr.No.	Name
1	Alluri Sita Rama Raju Manthena

(v) Joint Arrangement Participants and Related Entities

Sr.No.	Name
1	Venkata Ramireddy Construcitons (VRRC)
2	Bharat heavy engineering Private Limited
3	Likhil Infra Private Limited
4	Charvitha Enterprizes
5	R Venkata reddy
6	Vasista Constructions

(c) Disclosure of related party transactions:

Sr.No.	Nature of transaction/relationship/major parties	31 March 2026	31 March 2025
i	**Managerial Remuneration**		
	Sitarama Raju Manthena	67.22	47.95
	Sreelakshmi Manthena [a]	115.32	-
	Badari Narayana Raju Manthena	70.35	49.94
	Pamidi Srikanth	44.47	37.90
	Prasada Rao Kalluri	29.94	21.10
	Alluri Sita Rama Raju Manthena	21.17	17.88
ii	**Directors' sitting fees ***		
	Dr Anji Raju Manthena	3.60	6.00
	Janardhana Reddy Vinta	2.40	4.20
	Sreelakshmi Manthena [a]	1.20	5.40
	Narender Kumar	-	2.40
	R Sreenivasa Rao	-	5.40
	K Soma Sekhara Rao	-	6.60
	A V S Krishna Mohan	-	3.12
	Ayyagari Viswanadha Sarma	5.40	4.80
	Rao Seshagiri Adabala	5.40	4.80
	Dinakara Rao Pasupuleti	3.60	3.00

* Note: The above excludes reimbursements for Travelling & Conveyance expenditure.

Sr.No.	Nature of transaction/relationship/major parties	31 March 2026	31 March 2025
iii	**Sale of goods/contract revenue & services**		
	Avant-Garde Info Systems Inc, USA	-	1.83
	Kernex TCAS JV	212.57	420.00
	VRRC Kernex CE RVR JV	1,725.15	944.30
	Kernex - VRRC JV	61.41	

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

iv	**Interest Income**		
	Kernex TCAS JV	53.67	88.06
v	**Interest Expense**		
	Anji Raju Manthena	-	22.48
	Janardhana Reddy Vinta	3.89	8.48
	Badari Narayana Raju Manthena	0.60	2.39
	Likhil Infra Private Limited	-	16.54
	Bharat Heavy Engineering Private limited	13.02	
vi	**Purchases**		
	Avant-Garde Info Systems Inc, USA	-	376.95
	Bharat Heavy Engineering Private limited	975.21	-
vii	**Reimbursement of Expenses**		
	Anji Raju Manthena	10.91	15.39
	Sreelakshmi Manthena	10.91	5.88
	Janardhana Reddy Vinta	9.18	6.40
	A V S Krishna Mohan	-	0.12
viii	**Project Execution Expenses**		
	Venkata Ramireddy Construcitons (VRRC)	215.00	295.00
ix	**Advances**		
	Venkata Ramireddy Construcitons (VRRC)	-	104.27
	Avant-Garde Info Systems Inc, USA	91.49	-
x	**Others**		
	Kernex TCAS JV	226.68	19.75
	Likhil Infra Private Limited	-	995.00
	Likhil Infra Private Limited	-	1,016.65
	Kernex TCAS JV	620.00	-
	Badari Narayana Raju Manthena	16.94	6.73
	Dr Anji Raju Manthena	-	161.17
	Vinta Janardhana Reddy	50.00	-
	Kernex TCAS JV	213.00	17.00
(d)	**Balance receivable / (payable):**		
(i)	**Trade payables**		
	Vinta Janardhana Reddy	14.37	61.70
	Badari Narayana Raju Manthena	-	16.41
	Avant-Garde Info Systems Inc, USA	(91.49)	72.24
(ii)	**Trade Receivables**		
	Kernex TCAS JV	36.55	409.98
	Kernex VRRC JV	71.23	-
	Remuneration Payable		
	Sitarama Raju Manthena	15.02	1.67

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

	Badari Narayana Raju Manthena	0.28	1.52
	Pamidi Srikanth	1.65	1.04
	Prasada Rao Kalluri	1.21	1.44
	M A Sitarama Raju	1.29	0.67
	Sreelakshmi Manthena	7.58	-
(iii)	**Director sitting fee's payable**		
	Dr Anji Raju Manthena	6.45	5.88
	Janardhana Reddy Vinta	7.73	6.08
	Sreelakshmi Manthena	25.18	29.14
	Narender Kumar	-	2.61
(iv)	**Reimbursment Expenses Payable**		
	Sitarama Raju Manthena	0.99	1.41
	Badari Narayana Raju Manthena	3.38	0.15
	Pamidi Srikanth	0.26	0.40
	Prasada Rao Kalluri	0.35	0.19
	Alluri Sita Rama Raju Manthena	-	3.01
(v)	**Advances to customers**		
	Kernex TCAS JV	637.87	575.89

Details of Joint Ventures:

(i) The company entered into a partnership agreement under the name and style of "Kernex TCAS JV" on 15-04-2019 with Vasishta Constructions Pvt Ltd., for the purpose of cooperation in connection with execution of supply & commissioning of on-board TCAS equipment in South Central Railway (Project). The parties agreed to jointly execute the project and share the profits / losses in the ratio of 80%: 20%. In terms of Ind AS 111, the company treats this arrangement as a joint venture and the results of the partnership are reported in the consolidated financial statements of the group. Consequently, no adjustment is made for the results of this joint venture (given hereunder) in the stand-alone financial statements of the company.

S.No	Particulars	31 March 2026	31 March 2025
a	Total assets of the Partnership	332.34	718.55
b	Outside liabilities	3.45	32.96
c	Due to Kernex Microsystems India Ltd	674.43	985.87
	i) Loans	637.87	575.89
	ii) Trade Receivable	36.56	409.98
d	Capital of the Firm	10.00	10.00
e	Accumulated Losses	(355.54)	(322.83)
f	Loss for the year	(45.26)	(106.60)
g	Share of the Company in cumulative loss	(284.43)	(258.26)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Details of Joint Ventures:

(ii) The company entered into a agreement under the name and style of “Kernex VRRC JV” on 17-09-2025 with Venkatrami Reddy Constructions., for the purpose of cooperation in connection with execution of supply & commissioning of Kavach 4.0 by the way of Upgradation of both STCAS and LC TCAS equipment in South Central Railway (Project). The parties agreed to jointly execute the project and share the profits / losses in the ratio of 80%: 20%. In terms of Ind AS 111, the company treats this arrangement as a joint venture and the results are reported in the consolidated financial statements of the group. Consequently, no adjustment is made for the results of this joint venture (given hereunder) in the stand-alone financial statements of the company.

S.No	Particulars	31 March 2026	31 March 2025
a	Total assets of the Partnership	73.08	
b	Outside liabilities	1.32	
c	Due to Kernex Microsystems India Ltd		
	i) Loans		
	ii) Trade Receivable	72.13	
d	Capital of the Firm	1.00	
e	Accumulated Losses	(1.38)	
f	Loss for the year	(1.38)	
g	Share of the Company in cumulative loss	(1.10)	

(iii) The company entered into a partnership agreement under the name and style of “VRRC Kernex CR RVR JV ” on 06-01-2024 with M/s Venkata Rami Reddy Constructions, M/s Charvitha Enterprises & M/s R.Venkat Reddy., for the purpose of cooperation in Comprehensive Signaling and Telecommunication works for provision of Automatic Block Signalling System in Vemulapadu-Muddanur Section of Guntakal Division in South Central Railway (Project). The parties agreed to jointly execute the project and share the profits / losses in the ratio of 35%(KMIL) : 45% : 10% : 10%. In terms of Ind AS 111, the company proposes to treat this as a joint operation and the results of the partnership are reported in the consolidated financial statements of the group.

Note 39 :Segment information

In accordance with Ind AS 108, Operating Segments Reporting, the Company’s chief operating decision maker (“CODM”) has been identified as the board of directors. The company is engaged in the manufacture and sale of Safety Systems and Software services for railways. The Company has business operations mainly in India & Egypt. The Company is a public limited Company incorporated and domiciled in India.

Based on the Company’s business model, manufacture and sale of Safety Systems and Software services for railways have been considered as a single business segment for the purpose of making decision on allocation of resources and assessing its performance. Accordingly, there are no separate reportable segments in accordance with the requirements of Ind AS 108 ‘Operating segment’ and hence, there are no additional disclosures to be provided other than those already provided in the Financials Statements. Presently, the Company’s operations are confined only to India. There are individual customer contributing more than 10% of Company’s total revenue. All non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets of the Company are located in India.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note 40 :Capital Management

The company manages its capital to ensure that it will be able to continue as going concern while creating value for share holders by facilitating the meeting of long term and short term goals of the Company. The company determines the amount of capital required on the basis of annual business plan and five year's corporate plan coupled with long term and short term strategic investment and expansion plans. The Company monitors the capital structure on the basis of net debt to equity ratio on a periodical basis.

Note : 41

Disclosure pursuant to Ind AS 107 "Financial Instruments: Disclosures":

Categories of Financial instruments and their fair values:

The carrying amount of all financial assets and financial liabilities appearing in the financial statements are reasonable approximation of their fair values.

Categories of financial instruments

	Fair value hierarchy	As at 31 March 2026		As at 31 March 2025	
		Total carrying value	Amortised cost	Total carrying value	Amortised cost
Financial assets					
Investments	Level 3	923.91	923.91	1,283.97	1,283.97
Loans	-	234.80	234.80	575.89	575.89
Trade Receivables	-	31,598.36	31,598.36	1,900.79	1,900.79
Cash and Cash Equivalents	-	21.11	21.11	1,469.93	1,469.93
Other Bank Balances	-	2,526.14	2,526.14	1,905.12	1,905.12
Other Financial Assets	-	1,730.28	1,730.28	1,764.92	1,764.92
		37,034.61	**37,034.61**	**8,900.61**	**8,900.61**
Financial liabilities					
Borrowings	-	16,192.31	16,192.31	3,990.37	3,990.37
Trade payables	-	44,251.92	44,251.92	1,564.45	1,564.45
Other financial liabilities	-	2,309.09	2,309.09	1,008.63	1,008.63
		62,753.32	**62,753.32**	**6,563.45**	**6,563.45**

The Management assessed that fair value of cash and cash equivalents, trade receivables, other current financial assets, trade payables, borrowings and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or a liquidation sale.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note :42

Financial risk management objectives and policies

Financial Risk Management

The Company is exposed to various financial risks arising from its operations and the use of financial instruments. The key financial risks include market risk, credit risk and liquidity risk. The Company's risk management policies are established to identify and analyse the risks faced by the Company and seek to, where appropriate, minimize potential impact of the risk and to control and monitor such risks. The Company's risk management is coordinated by the Board of Directors and focuses on securing long term and short term cash flows. The Company does not engage in trading of financial assets for speculative purposes.

The following sections provide details regarding the Company's exposure to the financial risks associated with financial instruments held in the ordinary course of business and the objectives, policies and processes for management of these risks.

A.Credit risk

The Company's customer base primarily comprises Government entities, Indian Railways, joint ventures, engaged in infrastructure and railway signalling projects. Accordingly, the Company's exposure to credit risk is considered relatively low. The average execution cycle of the Company's projects generally ranges from 12 to 36 months, depending on the nature and complexity of the contracts. The standard payment terms under such contracts typically include mobilisation advances, milestone-based or progress-based payments, and retention amounts, which are released upon completion of contractual obligations or against submission of bank guarantees, wherever applicable. The Company has established a comprehensive monitoring and review mechanism for trade receivables and contract assets at various levels within the organisation to ensure timely recovery and effective management of credit risk.

(i) The Company is making provisions on trade receivables based on Expected Credit Loss (ECL) model. The reconciliation of ECL is disclosed in Note [41](c)

(ii) Trade receivable written off during the year but still enforceable for recovery amounts is Nill (previous year: Nil)

(iii) The Company held cash and cash equivalents of INR 21.11 Lakhs at 31 March 2026 (Previous year INR 1469.93 Lakhs). This includes the cash and cash equivalents held with the bank and the cash on hand with the company.

B. Liquidity risk

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

Management monitors rolling forecasts of the Company's liquidity position (comprising the undrawn borrowing facilities) and cash and cash equivalents on the basis of expected cash flows.

The company has obtained fund and non-fund based working capital loans from banks. The borrowed funds are generally applied for company's own operational activities.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Maturities of financial liabilities:

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

As at 31 March 2026	Carrying value in books	Up to 1 year	1 - 5 years	More than 5 year	Total contractual undiscounted cash flow
Other non current liabilities (excluding deferred tax)	1,909.96	1,909.96	-	-	**1,909.96**
Current borrowings	16,172.36	16,172.36	-	-	**16,172.36**
Trade payables	37,676.75	37,676.75		-	**37,676.75**
Other financial liabilities	2,309.09	2,309.09	-	-	**2,309.09**
Other payables	2,266.57	2,266.57	-	-	**2,266.57**
	60,334.73	**60,334.73**	**-**	**-**	**60,334.73**

As at 31 March 2025	Carrying value in books	Up to 1 year	1 - 5 years	More than 5 year	Total contractual undiscounted cash flow
Other non current liabilities (excluding deferred tax)	450.81	450.81	-	-	**450.81**
Current borrowings	3,962.60	3,962.60	-	-	**3,962.60**
Trade payables	1,145.58	1,145.58		-	**1,145.58**
Other financial liabilities	1,008.63	1,008.63	-	-	**1,008.63**
Other payables	141.68	141.68	-	-	**141.68**
	6,709.30	**6,709.30**	**-**	**-**	**6,709.30**

C.Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings, deposits, trade receivables and other financial instruments.

The sensitivity analyses in the following sections relate to the position as at March 31, 2026 and March 31, 2025. The analysis exclude the impact of movements in market variables on the carrying values of gratuity and other post retirement obligations; provisions; and non-financial assets and liabilities.

(i) Foreign currency risk:

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's foreign exchange exposure primarily arises from its foreign operations and transactions denominated in foreign currencies, including foreign currency revenues and expenses. However, the Company's exposure to fluctuations in foreign exchange rates is minimal, as it does not have any significant foreign currency receivables or payables as at the reporting date.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

The foreign currency exposures as of 31 March 2026 were as follows

Particulars	USD	Egyptian Pound
Assets		
Cash and bank balances	-	0.01
Trade receivables	1.37	59.04
Other assets	0.98	5.56
	2.35	**64.61**
Liabilities		
Trade payables	-	-
Other liabilities	-	46.19
	-	**46.19**

The foreign currency exposures as of 31 March 2025 were as follows

Particulars	USD	Egyptian Pound
Assets		
Cash and bank balances	-	1.60
Trade receivables	3.80	59.04
Other assets	-	5.63
	3.80	**66.27**
Liabilities		
Trade payables	0.85	-
Other liabilities	-	27.63
	0.85	**27.63**

Sensitivity analysis

A reasonably possible strengthening (weakening) of the Indian Rupee against US dollars and Egyptian Pounds at March 31 would have affected the measurement of financial instruments denominated in US dollars and Egyptian Pounds and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant and ignores any impact of forecast sales and purchases.

Particulars 31 March 2026	Profit or loss		Equity net of tax	
	Strengthening	**Weakening**	**Strengthening**	**Weakening**
1% movement				
US Dollar	0.02	(0.02)	-	-
Egyptian Pounds	0.18	(0.18)	-	-

Particulars 31 March 2025	Profit or loss		Equity net of tax	
	Strengthening	**Weakening**	**Strengthening**	**Weakening**
1% movement				
US Dollar	0.03	(0.03)	-	-
Egyptian Pounds	0.39	(0.39)	-	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(ii) Interest rate risk:

Interest rate risk can be either fair value interest rate risk or cash flow interest rate risk. Fair value interest rate risk is the risk of changes in fair values of fixed interest bearing investments because of fluctuations in the interest rates. The company's exposure to the risk of changes in the market interest rate relates primarily to the company's long term debt obligations with floating interest rates. The company's interest rate exposure is mainly related to variable interest rates debt obligations. The Company manages the liquidity and fund requirements for its day to day operations like working capital, suppliers/buyers credit.

Exposure to interest rate risk:

Company's interest rate risk arises from borrowings. Borrowings issued at fixed rates exposes to fair value interest rate risk. The interest rate profile of the company's interest-bearing financial instruments as reported to the management of the Company is as follows.

Particulars	31 March 2026	31 March 2025
Floating rate instruments		
Financial Liabilities - measured at amortised cost		
Working capital facilities from bank	14,412.38	3,589.47
Fixed rate instruments		
SBI-Term Loan	-	-
Vehicle loans	27.46	50.18
Unsecured loans from directors	14.37	78.10
Inter corporate deposits	1,725.15	259.68
Others	12.95	12.95
Total	**16,192.31**	**3,990.37**

Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

The risk estimates provided assume a change of 25 basis points interest rate for the interest rate benchmark as applicable to the borrowings summarised above. This calculation assumes that the change occurs at the balance sheet date and has been calculated based on risk exposures outstanding as at that date assuming that all other variables, in particular foreign currency exchange rates, remain constant. The period end balances are not necessarily representative of the average debt outstanding during the period.

Cash flow sensitivity (net)	Profit or loss	
	25 bp increase	25 bp decrease
31 March 2026		
Variable rate loan instruments	36.03	(36.03)
31 March 2025		
Variable rate loan instruments	8.97	(8.97)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note :43

Capital risk management

“Capital includes equity capital and all reserves attributable to the equity holders of the Company. The primary objective of the capital management is to ensure that it maintain an efficient capital structure and healthy capital ratios in order to support its business and maximise shareholder’s value. The Company manages its capital structure and make adjustments to it, in light of changes in economic conditions or its business requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders return capital to shareholders or issue new shares.

The Company monitors capital using a debt to capital employed ratio which is debt divided by total capital plus debt. The Company’s policy is to keep this ratio at an optimal level.

Particulars	31 March 2026	31 March 2025
Total borrowings	16,192.31	3,990.37
Less: Cash and cash equivalents & other bank balances	2,547.26	3,375.05
Net debt	**13,645.06**	**615.33**
Total equity	25,630.54	17,376.84
Capital and net debt	**39,275.59**	**17,992.17**
Net debt to equity ratio (%)	**34.74%**	**3.42%**

Note : 44

Ratios as per the Schedule III requirements

Particulars	Numerator	Denominator	31 March 2026	31 March 2025	% Change	Reason for Variance
(i) Current Ratio	Current assets	Current liabilities	1.31	2.50	-47.51%	(a)
(ii) Debt-Equity Ratio	Total Debt	Shareholder's equity	0.63	0.23	175.11%	(b)
(iii) Debt Service Coverage Ratio	Earnings for debt service = Net profit after taxes + Non-cash operating expenses like depreciation and other amortizations Interest & other adjustments like gain on disposal of property, plant and equipment, etc	Debt service = Interest & Lease Payments + Principal Repayments	4.25	8.59	-50.51%	
(iv) Return on Equity Ratio	Net profits after taxes	Average shareholder's equity	37.49%	34.45%	8.83%	
(v) Inventory Turnover Ratio	Cost of goods sold	Average inventory	1.23	2.31	-46.62%	(c)
(vi) Trade Receivables turnover ratio	Net credit Sales = Gross credit sales - sales return	Average trade receivables	2.54	15.59	-83.69%	(d)
(vii) Trade Payables turnover ratio	Net credit Purchases = Gross credit purchases - purchase returns	Average trade payables	2.17	4.85	-55.21%	(e)
(viii) Net Capital Turnover Ratio	Net Sales = Total sales - sales return	Working capital = current assets - current liabilities	2.09	1.89	10.95%	
(ix) Net profit ratio	Net profit	Net Sales = Total sales - sales return	18.93%	26.85%	-29.47%	(f)
(x) Return on Capital employed	Earnings before interest and taxes	Capital employed = Tangible net worth + Total debts + deferred tax liability	31.59%	16.73%	88.79%	(g)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Reason for Variances:

(a) The decrease in the current ratio is mainly attributable to a significant increase in trade payables and current borrowings during the year in connection with increased business operations and project execution activities, which exceeded the growth in current assets.

(b) The increase in the Debt-Equity Ratio is mainly attributable to the significant increase in borrowings during the year to support business expansion and project execution activities, which outpaced the growth in shareholders' equity.

(c) The decrease in the Inventory Turnover Ratio is mainly attributable to higher average inventory maintained during the year in anticipation of increased production and future sales, while the corresponding consumption of inventory did not increase proportionately.

(d) The Trade Receivables Turnover Ratio decreased primarily due to a substantial increase in the average trade receivables during the year, which exceeded the growth in credit sales. Consequently, the ratio declined compared to the previous year.

(e) The Trade Payables Turnover Ratio decreased primarily due to a significant increase in the average trade payables during the year, which exceeded the growth in purchases and other operating expenses, resulting in a lower turnover ratio compared to the previous year.

(f) The Net Profit Ratio decreased primarily because revenue from operations increased at a higher rate than net profit after tax. Further, the current year includes a normal tax expense, whereas the previous year had a net tax credit, primarily on account of deferred tax, which resulted in a comparatively higher net profit margin in the previous year.

(g) The Return on Capital Employed (Pre-cash) increased primarily due to a significant improvement in EBIT during the year, which outpaced the increase in capital employed, resulting in higher returns on the capital employed.

Note :45

The Government of India has consolidated the existing labour legislations into a unified framework comprising four Labour Codes, namely, the Code on Wages, 2019, the Code on Social Security, 2020, the Industrial Relations Code, 2020, and the Occupational Safety, Health and Working Conditions Code, 2020 (collectively referred to as the “”New Labour Codes””). The Ministry of Labour and Employment has also issued draft rules and related clarifications to facilitate the assessment of the financial impact arising from the implementation of these codes.

The Company has evaluated the implications of the New Labour Codes, including the related clarifications issued by the Institute of Chartered Accountants of India (ICAI). Based on such assessment, the Company has recognized the impact arising from the implementation of the New Labour Codes in the financial statements. Management believes that the Company is in compliance with the applicable requirements of the New Labour Codes and has appropriately accounted for the consequential impact in the financial statements.

Note :46

Other Significant Matters

(a) Konkan Railway Arbitration

The Company is involved in arbitration proceedings with Konkan Railway Corporation Limited (KRCL) in respect of contractual dues amounting to ₹1,518.00 lakhs. The arbitration proceedings are currently in progress. Further, following the unsuccessful conclusion of conciliation proceedings in respect of additional outstanding dues of ₹518.00 lakhs, the Company is in the process of initiating arbitration proceedings. Based on management's assessment of the contractual position and recoverability, a provision of ₹2,036.00 lakhs has been recognised in the financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(b) Recoverability of Assets and Estimation Uncertainty

The carrying amounts of trade receivables, contract assets, income tax receivables and balances recoverable from government authorities involve significant management judgement and estimates regarding their recoverability. These estimates are based on facts and circumstances existing as at the reporting date, historical experience, contractual terms and other relevant factors. Actual outcomes may differ from these estimates due to future events and uncertainties.

Accordingly:

(i) Recoverability of income tax receivables (TDS) amounting to ₹512.28 lakhs (Previous year: ₹521.66 lakhs) is dependent upon the completion of pending assessment proceedings.

(ii) Balances recoverable from government authorities amounting to ₹4,194.50 lakhs (Previous year: ₹912.96 lakhs), comprising primarily input tax credit under the Goods and Services Tax (GST) regime, are subject to verification, assessment and adjustment by the respective authorities.

(iii) Contract assets (unbilled revenue) amounting to ₹6828.32 lakhs (Previous year: ₹2975.50 lakhs) are subject to customer certification and acceptance in accordance with the terms of the respective contracts.

(iv) Trade receivables amounting to ₹31,598.36 lakhs (Previous year: ₹1,900.79 lakhs) are subject to customer acceptance of contractual deliverables, settlement of performance claims and counterclaims, completion of contractual milestones and the Company's continued execution of the underlying customer contracts. Management has assessed the recoverability of these balances based on the available information and believes that the carrying amounts are recoverable."

Note:47
Corporate Social Responsibility :

The Company is covered under the provisions of Section 135 of the Companies Act, 2013. The average net profit computed in accordance with Section 198 of the Act for the three immediately preceding financial years is negative. Accordingly, the Company's CSR obligation under Section 135(5) of the Act for the year ended 31 March 2026 is Nil.

As there was no CSR obligation during the year, no CSR expenditure has been recognised in the Statement of Profit and Loss and no provision or liability exists as at the reporting date.

Note :48
Additional Disclosures:

(i) The title deeds of all immovable properties disclosed in the financial statements are held in the name of the Company as at March 31, 2026 and March 31, 2025.

(ii) The Company has not revalued its Property, Plant and Equipment during the years ended March 31, 2026 and March 31, 2025.

(iii) The Company does not have any transactions with struck off companies.

(iv) The Company has not entered into any scheme of arrangement which has an accounting impact on current period.

(v) The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Company shall:

a) Directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

b) Provide any guarantee, security or the like on behalf of the Ultimate Benefit carries.

(vi) The Company has not advanced or loaned or invested funds to any other person(s) or entity(ies),

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

including foreign entities (Intermediaries) with the understanding that the Intermediary shall:

a) Directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or

b) Provide any guarantee, security or the like to or on behalf of the Ultimate Benefit carries.

(vii) No proceedings have been initiated on or are pending against the Company for holding benami property under the Benami Transactions Prohibition) Act, 1988 (45 of 1988) and Rules made thereunder.

(viii) The Company have not been declared wilful defaulter by any bank or financial institution or government or any government authority.

(ix) The Company has complied with the number of layers prescribed under the Companies Act, 2013.

(xi) The Company has not traded or invested in crypto currency or virtual currency during the current period.

(xii) The Company has been sanctioned working capital limits in excess of ₹5 crores from banks on the basis of security of current assets. Quarterly statements of current assets are submitted to the banks in accordance with the terms of the sanction letters. Certain statements submitted during the year were not in agreement with the books of account.

(xiii) There are no charges or satisfaction which are yet to be registered with the registrar of companies beyond the statutory period.

(xiv) The Company has not granted any loans or advances in the nature of loans to promoters, directors, KMPs and the related parties (as defined under the Act), either severally or jointly that are (a) repayable on demand or (b) without specifying any terms or period of repayment.

Note :49

The company has used accounting software for maintaining its books of account that has a feature of recording audit trail (edit log). Based on our examination, which included test checks, we have observed that the Company has used accounting software for maintaining its books of account with the audit trail (edit log) facility enabled, and such feature has operated throughout the relevant period for all transactions recorded in the software. Further, during the course of our examination, we did not come across any instance of the audit trail feature being tampered with, and the audit trail records have been preserved by the Company in accordance with the applicable requirements relating to record retention.

Note :50

No significant subsequent events has bee observed which may require an adjustment/disclosure to the restated financial statement.

Note :51

Previous year figures have been re-grouped/re-classified wherever necessary. The impact of the same is not material to the users of the standalone financial statements.

As per our report of even date attached
FOR NSVR & ASSOCIATES LLP
Chartered Accountants
Firm Regn No. 008801S/S200060

Sd/-
V Gangadhara Rao N
Partner
Membership No: 219486
UDIN: 26219486VRSXOU3940

Hyderabad
29-05-2026

"For And On Behalf Of The Board Of Directors of Kernex Microsystems (India) Limited"

Sd/-
Sreelakshmi Manthena
Managing Director
DIN : 07996443

Sd/-
Badari Narayana Raju Manthena
Whole Time Director
DIN : 07993925

Sd/-
Sitarama Raju Manthena
Whole Time Director
DIN : 08576273

Sd/-
Pamidi Srikanth
Chief Financial Officer

Sd/-
Prasada Rao Kalluri
Company Secretary

CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditor's Report

To
The Members of
Kernex Microsystems (India) Limited,

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying Consolidated Financial Statements of Kernex Microsystems (India) Limited (the "Company"), which comprise the Balance Sheet as at March 31, 2026, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year ended on that date, and notes to the financial statements, including a summary of material accounting policies and other explanatory information. (hereinafter referred to as "Consolidated Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated Financial Statements give theinformation required by the Companies Act, 2013 (the "Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the companies(Indian Accounting Standards)Rules, 2015, as amended,("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2026 and its profit and other comprehensive income, the changes in equity and its cash flows for the year ended on that date.

Basis for opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing ("SA"s) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the "Auditor's Responsibility for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics.

We believe that the audit evidence obtained by us and with the consideration of report of the other auditors referred to in the 'Other Matters' section below is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Emphasis of Matter

We draw attention to the following matters in the Notes to the consolidated financial statements:

a. *Note10 to the Consolidated Financial Statements, which describes the Company's assessment of the recoverability of trade receivables amounting to ₹422.73 lakhs (Previous Year: ₹422.10 lakhs) due from a customer, against which an Expected Credit Loss (ECL) provision of ₹309.59 lakhs (Previous Year: ₹211.67 lakhs) has been recognized.*

b. *Note 12to the Consolidated Financial Statements, which describes the Company's assessment of the recoverability of margin money deposits with banks amounting to ₹265.03 lakhs placed against bank guarantees furnished to a customer, in respect of which arbitration/conciliation proceedings are pending.*

Our opinion is not modified in respect of above mattes.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

S. No.	Key Audit Matter	How the Key Audit Matters was addressed in our audit
1.	**Revenue recognition** (Refer Notes 2.6 and 25 to the consolidated financial statements) The Company recognizes revenue from contracts relating to the supply of products, execution of projects, installation, commissioning and maintenance services in accordance with Ind AS 115 - Revenue from Contracts with Customers. Revenue recognition requires management to exercise significant judgment in evaluating contractual terms and estimating variable consideration, including contract modifications, claims and liquidated damages, where applicable. For contracts executed through consortium arrangements, revenue is recognized only to the extent of the Company's rights and obligations under the respective consortium agreements. Given the significance of revenue to the financial statements and the judgments involved in applying the requirements of Ind AS 115, we considered revenue recognition to be a Key Audit Matter.	**Our audit procedures in response to this Key Audit Matter included the following:** • Obtained an understanding of and evaluated the design and tested the operating effectiveness of key internal controls relating to revenue recognition, including controls over contract review, identification of performance obligations, determination of transaction price, and recognition of revenue. • Assessed the appropriateness of the Company's revenue recognition accounting policy with reference to the requirements of Ind AS 115 - Revenue from Contracts with Customers. • For a sample of customer contracts, inspected the underlying agreements, key terms and conditions of the agreement, amendments, purchase orders and other relevant contractual documents to evaluate the terms and conditions impacting revenue recognition. • Performed substantive testing of revenue transactions on a sample basis, including verification of supporting documentation and testing of revenue recognised during the year. • Performed cut-off procedures by testing revenue transactions recorded before and after the reporting date to assess whether revenue had been recognised in the appropriate accounting period. • Assessed the adequacy of the disclosures relating to revenue recognition in the consolidated financial statements in accordance with the applicable requirements of Ind AS 115 and Schedule III to the Companies Act, 2013.

<table>
<tr><th>S. No.</th><th>Key Audit Matter</th><th>How the Key Audit Matters was addressed in our audit</th></tr>
<tr><td>2.</td><td>Existence and valuation of inventories

(Refer Notes 2.13 and 8 to the consolidated financial statements)

As at 31 March 2026, the Company has reported inventories amounting to ₹37,132.06 lakhs, comprising raw materials, work-in-progress and finished goods.

Inventory represents a significant balance in the standalone financial statements. The determination of the existence and valuation of inventories involves judgment, particularly in relation to physical verification at various locations, assessment of work-in-progress and application of the Company's inventory valuation methodology in accordance with Ind AS 2 – Inventories.

Accordingly, due to the significance of the inventory balance and the audit effort involved, we considered this matter to be a Key Audit Matter.</td><td>Our audit procedures in response to this Key Audit Matter included the following:

• Obtained an understanding of and evaluated the design and tested the operating effectiveness of key controls relating to inventory management, physical verification and valuation.

• Attended physical inventory verification at selected locations and performed audit procedures on management's physical verification records, including reconciliation of differences, where applicable.

• Performed substantive testing of inventory on a sample basis by examining supporting documentation and reconciling inventory records with the accounting records.

• Evaluated the appropriateness of the Company's inventory valuation methodology and tested the application of cost determination in accordance with Ind AS 2 – Inventories.

• Assessed the basis of valuation of work-in-progress through inspection of supporting records and management's estimates.

• Assessed the adequacy of the related disclosures in the consolidated financial statements.</td></tr>
</table>

S. No.	Key Audit Matter	How the Key Audit Matters was addressed in our audit
3.	**Balances with statutory and government authorities** (Refer Notes 14 to the consolidated financial statements) As at 31st March 2026, the Company has reported balances amounting to ₹4,230.61 lakhs lying with statutory and government authorities. These balances primarily comprise Input Tax Credit (ITC) and GST TDS receivable, the recoverability of which depends upon compliance with the applicable statutory requirements. Considering the materiality of these balances and the audit effort involved in assessing their recoverability and presentation, this matter was considered to be a Key Audit Matter.	**Our audit procedures in response to this Key Audit Matter included the following:** • Obtained an understanding of and evaluated the design and tested the operating effectiveness of key controls over the recognition, reconciliation and monitoring of balances with statutory and government authorities. • Tested, on a sample basis, the underlying supporting documentation and reconciliations maintained by the Company. • Verified the balances with the relevant statutory returns filed by the Company and, where applicable, reconciled them with the information available on the respective government portals. • Assessed management's evaluation of the recoverability of the balances based on the applicable statutory provisions. • Assessed the adequacy of the related disclosures in the consolidated financial statements.

Information Other thanthe Consolidated Financial Statements and Auditor's Report Thereon ("Other Information")

- The Company's Management and Board of Directors are responsible for the other information. The other information comprises the information included in the Report of the Board of Directors including Annexures thereto, Management Discussion and Analysis Report but does not include the Consolidated Financial Statements and our auditor's report thereon.
- Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

The Company's Management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Consolidated Financial Statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including Ind AS specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, Management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management and Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design

audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to Consolidated Financial Statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial statements of such entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in section titled "Other Matters" in this audit report

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal financial controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

1. We did not audit the financial statements of **KERNEX TCAS JV,** a controlled entity (subsidiary), whose financial statements reflect total revenue of ₹223.76 lakhs, total net loss after tax of ₹45.26 lakhs, and total comprehensive loss of ₹45.26 lakhs for the year ended March 31, 2026, as considered in the consolidated financial statements. These financial statements have been audited by another auditor whose report has been furnished to us by the Management, and our opinion on the consolidated financial statements, insofar as it relates to the amounts and disclosures included in respect of this controlled entity, is based solely on the report of the other auditor and the procedures performed by us in accordance with the Standards on Auditing.

2. We did not audit the financial statements / financial information / financial results of **VRRC KERNEX CE RVR JV** (Joint Operation) whose financial statements / financial information / financial results reflect total revenues of Rs.3,210.15lakhs and total net loss after tax of Rs. 1.38 Lakhs and total comprehensive loss of Rs. 1.38 Lakhs for the year ended March, 31 2026, as considered in the consolidated financial results. These financial statements / financial information / financial results have been audited by other auditors whose reports have been furnished to us by the Management and out 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.

3. We did not audit the financial statements of **KERNEX VRRC JV,** a controlled entity (subsidiary), whose financial statements reflect total revenue of ₹61.41 lakhs, total net loss after tax of ₹1.38 lakhs, and total comprehensive loss of ₹1.38 lakhs for the year ended March 31, 2026, as considered in the consolidated financial statements. These financial statements have been audited by another auditor whose report has 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 this controlled entity, is based solely on the report of the other auditor and the procedures performed by us in accordance with the Standards on Auditing.

4. The accompanying consolidated financial statements include the unaudited financial statements of **Avant-Garde Infosystems Inc.,** a wholly owned subsidiary, whose financial statements reflect total revenue of ₹429.98 lakhs, total net profit after tax of ₹44.50 lakhs, and total comprehensive income of ₹40.13 lakhs for the year ended March 31, 2026, as considered in the consolidated financial statements. These financial statements have been furnished to us by the Management and have not been audited by us. According to the information and explanations given to us by the Management, these financial statements are not material to the Group. Our opinion on the consolidated financial statements is not modified in respect of this matter.

   Our opinion is not modified in respect of above mattes.

Report on other legal and regulatory requirements

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditors on separate financial statements and the other financial information financial information of the subsidiaries, associates, joint ventures and joint operations referred to in the Other Matters section above, we report, to the extent applicable, that:

   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

   b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

   c. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

   d. In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under Section 133 of the Act.

   e. On the basis of the written representations received from the directors of the Holding Company as on April 01, 2026 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, associate companies, joint ventures and joint operations incorporated in India, none of the directors of the Group companies, its associate companies and joint ventures incorporated in India are disqualified as on April 01, 2026 from being appointed as a director in terms of Section 164 (2) of the Act.

   f. With respect to the adequacy of internal financial controls with reference to consolidated financial statements of the Group, its associate companies, joint ventures and joint operations incorporated in India and the operating effectiveness of such controls, refer to our separate report in "Annexure A"

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 and based on the consideration of the reports of the other auditors on separate financial statements and the other financial information of the subsidiaries, associates, joint ventures and joint operations referred to in the Other Matters section above:

   i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, its associates, joint ventures and joint operations.

   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 delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

   iv. a. The respective Managements of the Holding Company and its subsidiaries, associates and joint ventures and which are companies incorporated in India whose financial statements have been audited under the Act have represented to us and the other auditors of such subsidiaries, associates, joint ventures and joint operations respectively that, to the best of their knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Holding Company or any of such subsidiaries, associates, joint ventures and joint operations to or in any other persons or entities, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Holding Company or any of such subsidiaries, associates, joint ventures and joint operations ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

   b. The respective Managements of the Holding Company and its subsidiaries, associates, joint ventures and joint operations which are companies incorporated in India whose financial statements have been audited under the Act have represented to us and the other auditors of such subsidiaries, associates, joint ventures and joint operations respectively that, to the best of their knowledge and belief, as disclosed in the consolidated financial statements, no funds have been received by the Holding Company or any of such subsidiaries, associates, joint ventures and joint operations from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Holding Company or any of such subsidiaries, associates, joint ventures and joint operations shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

c. Based on the audit procedures that have been considered reasonable and appropriate in the circumstances performed by us and that performed by the auditors of the subsidiaries, associates, joint ventures and joint operations which are companies incorporated in India whose financial statements have been audited under the Act, nothing has come to our or other auditors' notice that has caused us or the other auditors to believe that the representations under sub-clause (i) and (ii) of Rule 11(e) contain any material mis-statement.

v. The Company has not declared or paid any dividend during the year.

vi. Based on our examination, which included test checks, and based on the reports of the other auditors of the controlled entities (subsidiaries) and joint operation incorporated in India whose financial statements have been audited under the Companies Act, 2013, the Holding Company, its controlled entities (subsidiaries) and joint operation incorporated in India have used accounting software for maintaining their respective books of account for the financial year ended **March 31, 2026,** which have the feature of recording audit trail (edit log) facility, and the same has operated throughout the year for all relevant transactions recorded in the respective software. Further, during the course of our audit and based on the reports of the other auditors, we have not come across any instance of the audit trail feature having been tampered with. Additionally, the audit trail has been preserved by the Holding Company and the aforesaid entities in accordance with the statutory requirements for record retention.

In respect of **Avant-Garde Infosystems Inc.,** a wholly owned foreign subsidiary, which has been consolidated based on unaudited financial statements furnished by the Management, the reporting requirements relating to audit trail under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 are not applicable.

2. In our opinion, according to information, explanations given to us and based on the consideration of the reports of the other auditors referred to in the Other Matters section above, the remuneration paid or provided by the Holding Company and its subsidiary companies, associate companies, joint ventures and joint operations incorporated in India to its respective Directors is in accordance with the provisions of this section 197 read with Schedule V to the Act.

3. As required by the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For NSVR & Associates LLP
Chartered Accountants
Firm Regn. No.: 0008801S/S200060

V Gangadhara Rao N
Partner
Membership No. 219486
UDIN: 26219486RXFCVF6768

Place: Hyderabad
Date: May 29, 2026

Annexure – "A" to the Independent Auditor's Report

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

In conjunction with our audit of the consolidated financial statements of the Kernex Microsystems (india) Limited (hereinafter referred to as "the Holding Company") as of and for the year ended March 31, 2026, we have audited the internal financial controls with reference to consolidated financial statements of the Holding Company and it's subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), its associates, joint ventures and joint operations, which are companies incorporated in India, as of that date. In our opinion, and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on internal financial controls with reference to financial statements referred to in the Other Matters section below, the Group and its associates , joint ventures and joint operations, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls with reference to consolidated financial statements and such internal financial controls with reference to consolidated financial statements were operating effectively as at March 31, 2026, based on the internal financial controls with reference to financial statements criteria established by the Holding Company and the respective companies considering the essential components of internal control stated in the

Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI").

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

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to Consolidated Financial Statements of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls with reference to Consolidated Financial Statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to Consolidated Financial Statements was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to Consolidated Financial Statements.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control with reference to Consolidated Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to Consolidated Financial Statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial control with reference to Consolidated Financial Statements and such internal financial controls with reference to Consolidated Financial Statements were operating effectively as at 31st March, 2026, based on the criteria for internal financial control with reference to Consolidated Financial Statements established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to the consolidated financial statements, insofar as it relates to the Group's controlled entities, namely **KERNEX TCAS JV** and **KERNEX VRRC JV,** and the joint operation **VRRC KERNEX CE RVR JV,** is based on the corresponding reports of the respective independent auditors of such entities.

Further, our aforesaid report under Section 143(3)(i) of the Act, insofar as it relates to the wholly owned subsidiary **Avant-Garde Infosystems Inc., USA,** is based on the unaudited financial information furnished by the management. In our opinion, and according to the information and explanations given to us, the financial information of the said subsidiary is not material to the Group.

Our opinion on the adequacy and operating effectiveness of the internal financial controls with reference to the consolidated financial statements is not modified in respect of the above matters.

For **NSVR & Associates LLP.,**
Chartered Accountants
Firm Regn. No.: 0008801S/S200060

Sd/-
V Gangadhara Rao N
Partner
Membership No. 219486
UDIN: 26219486RXFCVF6768

Place: Hyderabad
Date: May 29,2026.

Annexure – “B” to the Independent Auditor’s Report

(Referred to in paragraph 2 under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

In terms of the information and explanations sought by us and given by the Holding Company and to the best of our knowledge and belief, we state that:

3(xxi) There are no qualifications or adverse remarks in the Companies (Auditor’s Report) Order, 2020 (“CARO”) reports issued by us in respect of the Holding Company and by the respective auditors in the CARO reports of the entities included in the Consolidated Financial Statements to which reporting under CARO is applicable. In respect of **Avant-Garde Infosystems Inc.,** a wholly owned foreign subsidiary, reporting under CARO is not applicable.

Sr. No.	Name of the Company	Corporate Identification Number	Relation
1	Kernex Microsystems (India) Limited	L30007TG1991PLC013211	Holding Company
2	Kernex TCAS JV	-	Controlled Entity (Subsidiary)
3	Kernex VRRC JV	-	Controlled Entity (Subsidiary)
4	VRRC-KERNEX-CE-RVR JV	-	Joint Operation
5	Kernex-DHEPL JV	-	Joint Operation
6	Avant-Garde Infosystems Inc.	Foreign Company	Wholly Owned Foreign Subsidiary (CARO not applicable)

For **NSVR & Associates LLP.,**
Chartered Accountants
Firm Regn. No.: 0008801S/S200060

Sd/-
V Gangadhara Rao N
Partner
Membership No. 219486
UDIN: 26219486RXFCVF6768

Place: Hyderabad
Date: May 29,2026.

Consolidated Balance Sheet as at 31 March 2026

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2026	As at 31 March 2025
ASSETS			
1 Non-Current assets			
a) Property plant and equipment	3	2,718.13	2,498.63
b) Other intangible assets	4	658.45	0.28
c) Intangible assets under development	5	-	702.96
d) Financial assets			
(i) Other financial assets	6.1	1,645.61	1,151.73
e) Deferred tax assets (net)	7	1,229.24	1,768.66
Sub-total-Non-current assets		**6,251.43**	**6,122.26**
2 Current Assets			
a) Inventories	8	37,132.06	5,258.37
b) Contract assets	9	6,828.32	2,975.50
c) Financial assets			
(i) Trade receivables	10	31,626.15	2,364.92
(ii) Cash and cash equivalents	11	145.91	1,502.12
(iii) Bank balances other than (ii) above	12	2,554.31	1,930.59
(iv) Other financial assets	6.2	286.52	816.14
d) Income tax assets (net)	13	512.28	521.66
e) Other current assets	14	6,576.55	2,153.52
Sub-total- current assets		**85,662.09**	**17,522.82**
TOTAL ASSETS		**91,913.52**	**23,645.08**
EQUITY AND LIABILITIES			
1 **Equity**			
a) Equity share capital	15	1,680.24	1,675.94
b) Other equity	16	23,131.24	14,115.11
Equity attributable to owners of the Company		**24,811.48**	**15,791.05**
Non-controlling interests		(69.18)	(60.06)
Total Equity		**24,742.30**	**15,730.99**
2. **Liabilities**			
i. **Non-current liabilities**			
a) Financial liabilities			
i) Borrowings	17	38.76	47.78
c) Provisions	18	1,890.00	423.03
Sub-total- Non-current liabilities		**1,928.76**	**470.81**
ii. **Current liabilities**			
a) Contract liabilities	9	-	16.50
b) Financial liabilities			
(i) Borrowings	19	16,172.36	3,984.49
(ii) Trade payables	20		
a) Total outstanding dues of micro enterprises and small enterprises		1,115.41	50.23
b) Total outstanding dues of creditors other than micro enterprises and small enterprises		43,140.74	1,999.76
(iii) Other financial liabilities	21	2,391.60	1,127.35
c) Other current liabilities	22	358.88	244.82
d) Provisions	18	110.07	20.13
e) Current tax liabilities (net)	23	1,953.39	-
Sub-total- current liabilities		**65,242.46**	**7,443.28**
TOTAL LIABILITIES		**67,171.22**	**7,914.09**
TOTAL EQUITY AND LIABILITIES		**91,913.52**	**23,645.08**
CONTINGENT LIABILITIES	**24**		
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS	**1 TO 50**		

As per our report of even date attached

FOR NSVR & ASSOCIATES LLP
Chartered Accountants
Firm Regn No. 008801S/S200060

Sd/-
V Gangadhara Rao N
Partner
Membership No: 219486
***UDIN:* 26219486RXFCVF6768**

Hyderabad
29-05-2026

"For And On Behalf Of The Board Of Directors of Kernex Microsystems (India) Limited"

Sd/-
Sreelakshmi Manthena
Managing Director
DIN : 07996443

Sd/-
Badari Narayana Raju Manthena
Whole Time Director
DIN : 07993925

Sd/-
Sitarama Raju Manthena
Whole Time Director
DIN : 08576273

Sd/-
Pamidi Srikanth
Chief Financial Officer

Sd/-
Prasada Rao Kalluri
Company Secretary

Consolidated Statement of Profit and Loss for the year ended 31 March 2026

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Particulars	Note	For the Year Ended 31 March 2026	For the Year Ended 31 March 2025
Income			
I. Revenue from operations	25	43,022.12	18,977.39
II. Other income	26	224.66	144.71
III. Total Income (I+II)		**43,246.78**	**19,122.10**
IV. Expenses:			
(a) Cost of raw materials consumed	27	39,476.27	9,424.86
(b) Changes in inventories of finished goods,stock-in-trade and work-in-progress	28	(22,256.70)	433.63
(c) Project execution expenses	29	5,378.54	2,036.85
(d) Employee benefits expenses	30	3,243.82	1,905.31
(e) Finance costs	31	2,815.07	691.94
(f) Depreciation and amortization expense	32	582.22	282.78
(g) Other expenses	33	2,653.56	1,507.29
(h) Amount transferred to capital expenditure	34	(350.26)	(411.16)
Total Expenses(IV)		**31,542.52**	**15,871.49**
V. Profit before exceptional items and tax (III - IV)		**11,704.26**	**3,250.61**
VI.Exceptional Items		**-**	**-**
VII. Profit before tax (V-VI)		**11,704.26**	**3,250.61**
VIII.Tax expense:			
(a) Current tax	23	2,271.38	-
(b) Adjustment of tax relating to earlier periods		48.42	-
(c) Deferred tax	7	560.16	(1,754.28)
Total Tax Expense/(Credit) net		**2,879.96**	**(1,754.28)**
IX. Net Profit after tax for the year (VII - VIII)		**8,824.30**	**5,004.88**
X. Other comprehensive income			
A. Items that will not be reclassified to profit or loss			
Gain/(loss) on remeasurement of the defined benefits plan		(82.44)	(28.10)
Income tax relating to items that will not be reclassified to profit or loss		20.75	6.78
B. Items that will be reclassified to profit or loss		(4.37)	3.57
Income tax relating to items that will be reclassified to profit or loss			
Total other comprehensive income/(loss), net of tax (A+B)		**(66.07)**	**(17.76)**
XI. Total comprehensive income for the year (IX + X) (Comprising Profit and other comprehensive income for the year)		**8,758.24**	**4,987.13**
Profit for the period attributable to:			
Owners of the Company		8,833.63	5,023.69
Non-controlling interests		(9.33)	(18.81)
Other comprehensive income for the year attributable to:			
Owners of the Company		(66.06)	(17.76)
Non-controlling interests		-	-
Total comprehensive income for the year attributable to:			
Owners of the Company		8,767.57	5,005.94
Non-controlling interests		(9.33)	(18.81)
XII. Earnings per equity share (EPS) of ₹ 10 each	35		
1. Basic earnings per equity share (₹)		**52.71**	**29.98**
2. Diluted earnings per share (₹)		**52.71**	**29.95**
Face value per equity share (₹)		**10.00**	**10.00**
NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS	**1 to 50**		

As per our report of even date attached

FOR NSVR & ASSOCIATES LLP
Chartered Accountants
Firm Regn No. 008801S/S200060

Sd/-
V Gangadhara Rao N
Partner
Membership No: 219486
UDIN: **26219486RXFCVF6768**
Hyderabad
29-05-2026

"For And On Behalf Of The Board Of Directors of Kernex Microsystems (India) Limited"

Sd/-
Sreelakshmi Manthena
Managing Director
DIN : 07996443

Sd/-
Badari Narayana Raju Manthena
Whole Time Director
DIN : 07993925

Sd/-
Sitarama Raju Manthena
Whole Time Director
DIN : 08576273

Sd/-
Pamidi Srikanth
Chief Financial Officer

Sd/-
Prasada Rao Kalluri
Company Secretary

Consolidated Statement of Cash Flows for the year ended 31 March 2026

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Particulars		For the year ended 31 March 2026	For the year ended 31 March 2025
A. Cash flows from operating activities			
Profit before tax from continuing operations		11,704.26	3,250.61
Profit befroe tax			
Adjustments to reconcile profit before tax to net cash flows :			
Depreciation and amortisation expenses		582.22	282.78
Share-based payment expense		247.17	126.57
Net foreign exchange differences (unrealised)		(9.42)	(10.97)
Loss on disposal of property, plant and equipment(net)		-	0.16
Interest Income		(191.09)	(117.18)
Finance costs		2,815.07	691.94
Sundry balances written off		-	2.44
Provision for doubtful debts (Lifetime expected credit loss)		180.69	78.63
Loss on writedown of Inventory to net realisable value		374.42	100.07
Provision for warranties		1,376.60	407.55
Operating profit before working capital changes		**17,079.92**	**4,812.58**
Working capital adjustments:			
Decrease/(increase) in other financial assets		35.74	(750.78)
(Increase)/decrease in inventories		(32,248.11)	1,811.13
(Increase) in contract assets		(3,852.82)	(2,975.50)
(Increase) in trade receivables		(30,818.52)	(1,945.51)
(Increase) in Margin money towards bank guarantees with banks		(623.72)	(398.25)
Decrease/(increase) in Income tax assets (net)		9.38	(230.34)
(Increase) in Other current assets		(4,423.03)	(98.07)
Increase/(decrease) in provisions		1,474.46	(6.26)
(Decrease)/increase in contract liabilities		(16.50)	16.50
Increase in trade payables		42,206.16	423.66
Increase in other financial liabilities		1,264.26	497.33
Increase in Other current liabilities		114.07	180.89
Interest Income		191.09	117.18
Cash generated from operations		**(9,607.63)**	**1,454.56**
Less: Income tax paid		(366.40)	-
Net cash (used in) / generated from operating activities	**(A)**	**(9,974.03)**	**1,454.56**
B. Cash flows from Investing activities			
Purchase of property, plant and equipment & intangable assets		(1,459.88)	(413.12)
Sale proceeds of Purchase of property, plant and equipment & intangable assets		-	0.25
Decrease/(increase) in Intangible assets under development		702.96	(471.57)
Net cash (used in) investing activities	**(B)**	**(756.92)**	**(884.44)**
C. Cash flows from Financing activities			
Proceeds from issuance of equity shares on exercise of employee stock options		4.30	-
Securities premium		6.45	-
Proceeds from Non Controlling Interest		0.20	-
Proceeds from borrowings from Directors and Others		(131.92)	36.36
Repayment of term loan and other borrowings		22.40	15.29
Proceeds from Inter corporate deposit (ICD)		1,465.47	-
Increase in utilisation of working capital borrowings from banks		10,822.91	1,181.44
Finance cost		(2,815.07)	(691.94)
Net cash from financing activities	**(C)**	**9,374.74**	**541.16**
Net (decrease)/increase in cash and cash equivalents	**(A+B+C)**	**(1,356.22)**	**1,111.29**
Cash and cash equivalents at the beginning of the year		1,502.12	390.83
Cash and cash equivalents at the end of the year		**145.91**	**1,502.12**

Consolidated Statement of Cash Flows for the year ended 31 March 2026

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

	Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
A	**Components of cash and cash equivalents:**		
	Cash and cash equivalents:		
	Cash on hand	0.33	0.13
	Balances with banks in current account	145.58	1,502.00
	Total	**145.91**	**1,502.12**
B	**Changes in Liabilities arising from Financing Activities**		
	Balance at the beginning of the year	4,032.26	2,814.45
	A) Changes from financing cash flows		
	(i) Proceeds from long-term borrowings	-	53.38
	(ii) Proceeds from short term borrowings	12,288.38	1,360.79
	(iii) Repayment of borrowings	(109.52)	(196.36)
	(iv) Interest expense paid	-	-
	Total changes from financing cash flows	**12,178.86**	**1,217.81**
		16,211.12	**4,032.26**

Notes:

1. Statement of Cash Flows has been prepared under the Indirect Method as set out in the Indian Accounting Standard (Ind AS) 7 “Statement of Cash Flows” as specified in the Companies (Indian Accounting Standards) Rules, 2015.
2. Previous year’s figures have been regrouped/reclassified wherever applicable.
3. Property, plant and equipment, Investment property and Intangable assets are adjusted for movement of (a) capital work-in-progress for property, Plant and equipment and investment property and (b) intangible assets under development during the year

As per our report of even date attached
FOR NSVR & ASSOCIATES LLP
Chartered Accountants
Firm Regn No. 008801S/S200060

Sd/-
V Gangadhara Rao N
Partner
Membership No: 219486
UDIN: **26219486RXFCVF6768**
Hyderabad
29-05-2026

“For And On Behalf Of The Board Of Directors of Kernex Microsystems (India) Limited”

Sd/-
Sreelakshmi Manthena
Managing Director
DIN : 07996443

Sd/-
Badari Narayana Raju Manthena
Whole Time Director
DIN : 07993925

Sd/-
Sitarama Raju Manthena
Whole Time Director
DIN : 08576273

Sd/-
Pamidi Srikanth
Chief Financial Officer

Sd/-
Prasada Rao Kalluri
Company Secretary

Consolidated Statement of Changes in Equity for the year ended 31 March 2026

a) Equity Share Capital

For the year ended 31 March 2026

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Equity shares of ₹10 each issued, subscribed and fully paid	No of Shares	INR lakhs
As at 01 April 2025	**1,67,59,422**	**1,675.94**
Changes in Equity Share Capital due to prior period errors	-	-
Restated balance at 01 April 2025	**1,67,59,422**	**1,675.94**
Issue of share on exercise of employee stock options (Note 15)	43,000	4.30
As at 31 March 2026	**1,68,02,422**	**1,680.24**

For the year ended 31 March 2025

Equity shares of ₹10 each issued, subscribed and fully paid	No of Shares	INR lakhs
As at 01 April 2024	**1,67,59,422**	**1,675.94**
Changes in equity share capital due to prior period errors	-	-
Restated balance as at 01 April 2024	**1,67,59,422**	**1,675.94**
Issue of share capital	-	-
As at 31 March 2025	**1,67,59,422**	**1,675.94**

b) Other Equity

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Particulars	(Note - 16)				Items of Other Comprehensive Income	Total Other Equity	Non-controlling interests	Total
	Securities premium	General Reserve	Retained earnings	Share Based Payment Reserve	Foreign currency translation reserve			
For the year ended 31 March 2026								
As at 01 April 2025	**19,622.44**	**612.14**	**(5,909.24)**	**126.57**	**(336.79)**	**14,115.10**	**(60.06)**	**14,055.05**
Changes in accounting policy or prior period errors	-	-	-	-	-	-	-	-
Restated balance as at 01 April 2025	**19,622.44**	**612.14**	**(5,909.24)**	**126.57**	**(336.79)**	**14,115.10**	**(60.06)**	**14,055.05**
Profit for the year	-	-	8,833.63	-	-	8,833.63	(9.13)	8,824.50
Other comprehensive income	-	-	(61.69)	-	(9.42)	(71.12)		(71.12)
Total comprehensive income	**19,622.44**	**612.14**	**2,862.69**	**126.57**	**(346.22)**	**22,877.62**	**(69.18)**	**22,808.43**
Issue of equity shares on exercise of employee stock options	370.20	-	-	(363.75)	-	6.45	-	6.45
Recognition of share-based payments	-	-	-	247.17	-	247.17	-	247.17
As at 31 March 2026	**19,992.64**	**612.14**	**2,862.69**	**9.98**	**(346.22)**	**23,131.24**	**(69.18)**	**23,062.05**
For the year ended 31 March 2025								
As at 01 April 2024	**19,622.44**	**612.14**	**(10,915.18)**	**-**	**(334.13)**	**8,985.27**	**(41.25)**	**8,944.02**
Changes in accounting policy or prior period errors	-	-	-	-	-	-	-	-
Restated balance as at 01 April 2024	**19,622.44**	**612.14**	**(10,915.18)**	**-**	**(334.13)**	**8,985.27**	**(41.25)**	**8,944.02**
Profit for the year	-	-	5,023.69	-	-	5,023.69	(18.81)	5,004.88
Other comprehensive income	-	-	(17.76)	-	(2.67)	(20.42)	-	-20.42
Total comprehensive income	**19,622.44**	**612.14**	**(5,909.24)**	**-**	**(336.79)**	**13,988.54**	**(60.06)**	**13,928.48**
Issue of equity shares on exercise of employee stock options	-	-	-	126.57	-	126.57	-	126.57
Recognition of share-based payments	-	-	-	-	-	-	-	-
As at 31 March 2025	**19,622.44**	**612.14**	**(5,909.24)**	**126.57**	**(336.79)**	**14,115.10**	**(60.06)**	**14,055.05**

As per our report of even date attached

FOR NSVR & ASSOCIATES LLP
Chartered Accountants
Firm Regn No. 008801S/S200060

Sd/-
V Gangadhara Rao N
Partner
Membership No: 219486
UDIN: **26219486RXFCVF6768**
Hyderabad
29-05-2026

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Sreelakshmi Manthena
Managing Director
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Whole Time Director
DIN : 08576273

Sd/-
Pamidi Srikanth
Chief Financial Officer

Sd/-
Prasada Rao Kalluri
Company Secretary

Notes forming part of the Consolidated Financial Statements for the year ended 31 March 2026

1. Corporate Information

The Consolidated Financial Statements comprise Financial Statements of Kernex Microsystems (India) Limited (“Kernex” or “The Company”) (CIN L30007TG1991PLC013211) for the year ended 31 March 2026. The Company is engaged in the manufacture and sale of Safety Systems and Software services for railways. The Company has business operations mainly in India, Egypt and USA. The Company is a public limited Company incorporated and domiciled in India and has its registered office at Plot No.38 (part) to 41, Survey No.1/1, Hardware Park, Raviryal Village, Maheswaram Mandal, Hyderabad - 501510. The Company has its primary listings on the BSE Limited and National Stock Exchange in India. The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Consolidated financial statements were approved for issue in accordance with a resolution passed by the Board of Directors of the Company on May 29, 2026.

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

2. Material accounting policies information

2.1 Statement of compliance

The Company’s financial statements have been prepared in accordance with the provisions of the Companies Act, 2013 and the Indian Accounting Standards (“Ind AS”) notified under the Companies (Indian Accounting Standards) Rules, 2015 and amendments thereto issued by Ministry of Corporate

Affairs under section 133 of the Companies Act, 2013. In addition, the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) are also applied except where compliance with other statutory promulgations require a different treatment. These financials statements have been approved for issue by the Board of Directors at its meeting held on May 29, 2026.

2.2 Basis of accounting and measurement

The Company maintains its accounts on accrual and going concern basis following historical cost convention, except for certain assets and liabilities that are measured at fair value in accordance with Ind AS.

Fair value measurements are categorised as below based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at measurement date;
- Level 2 inputs are inputs, other than quoted prices included in level 1, that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the valuation of assets or liabilities.

Above levels of fair value hierarchy are applied consistently and generally, there are no transfers between the levels of the fair value hierarchy unless the circumstances change warranting such transfer.

Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

2.3 Presentation of financial statements

The Balance Sheet, the Statement of Profit and Loss and the Statement of Changes in Equity are prepared and presented in the format prescribed in the Schedule III to the Companies Act, 2013 (the Act). The Statement of Cash Flows has been prepared and presented in accordance with Ind AS 7 "Statement of Cash Flows". The disclosures with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule III to the Act, are presented by way of notes forming part of the financial statements along with the other notes required to be disclosed under Ind AS and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

Amounts in the financial statements are presented in Indian Rupee in lakhs rounded off to two decimal places as permitted by Schedule III to the Act. Per share data are presented in Indian Rupee up to two decimals places.

2.4 Operating cycle for current and non-current classification

Operating cycle for the business activities of the Company covers the duration of the specific project or contract or product line or service including the defect liability period wherever applicable and extends up to the realisation of receivables (including retention monies) within the agreed credit period normally applicable to the respective lines of business. Accordingly, assets and liabilities related to specific projects or contracts are classified as current, based on its operating cycle. Assets and liabilities other than those relating to specific project or contract or product line or service are classified as current if it is expected to realise or settle within 12 months after the balance sheet date.

2.5 Basis of Consolidation

The Consolidated Financial Statements comprise the financial statements of Kernex Microsystems (India) Limited ("the Holding Company"), its wholly owned subsidiary Avant-Garde Infosystems Inc., USA, its controlled entities KERNEX TCAS JV and KERNEX VRRC JV, and its interests in the joint operations VRRC KERNEX CE RVR JV and KERNEX-BHEPL JV.

The Consolidated Financial Statements have been prepared in accordance with the requirements of Ind AS 110 – Consolidated Financial Statements, Ind AS 111 – Joint Arrangements, and other applicable Indian Accounting Standards prescribed under Section 133 of the Companies Act, 2013.

Subsidiaries

An entity is considered to be a subsidiary when the Holding Company controls the entity. Control exists when the Holding Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect those returns.

The financial statements of the subsidiaries are consolidated from the date on which control is obtained until the date on which control ceases.

The financial statements of the Holding Company and its subsidiaries are combined on a line-by-line basis by adding together like items of assets, liabilities, equity, income, expenses and cash flows. All intra-group balances, transactions, income, expenses and unrealised gains or losses arising from intra-group transactions are eliminated in full on consolidation.

The accounting policies of the subsidiaries are aligned, wherever necessary, with those adopted by the Holding Company to ensure consistency in the preparation of the Consolidated Financial Statements.

The financial statements of the foreign subsidiary, Avant-Garde Infosystems Inc., USA, are translated into Indian Rupees in accordance with Ind AS 21 – The Effects of Changes in Foreign Exchange Rates. Assets and liabilities are translated at the closing exchange rate as at the reporting date, while income and expenses are translated at the exchange rates prevailing on the dates of the transactions or at average exchange rates for the reporting period, where appropriate. Exchange differences arising on translation are recognised in Other Comprehensive Income and accumulated in the Foreign Currency Translation Reserve.

Joint Operations

The Group has interests in the following joint operations:

- VRRC KERNEX CE RVR JV
- KERNEX-BHEPL JV

These arrangements are classified as joint operations as the parties have rights to the assets and obligations for the liabilities relating to the arrangements. Accordingly, the Group recognises its share of the assets, liabilities, revenues, expenses and cash flows relating to these joint operations in accordance with the respective contractual arrangements. Such items are incorporated line-by-line in the Consolidated Financial Statements.

Controlled Entities

The Group also exercises control over KERNEX TCAS JV and KERNEX VRRC JV. Accordingly, these entities are treated as subsidiaries for the purpose of preparing the Consolidated Financial Statements and are consolidated on a line-by-line basis after eliminating all intra-group balances, transactions and unrealised gains or losses.

2.6 Revenue recognition

i. Revenue from operations

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

The company exercises judgement for identification of performance obligations, determination of transaction price, allocation of transaction price to each distinct performance obligation and determining whether the performance obligation is satisfied at a point in time or over a period of time. These judgements have been explained in detail under the note on revenue. (refer note no. 27).

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

a. the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

b. the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

c. the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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

Timing of satisfaction of performance obligations

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

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

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

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

Warranty obligations

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

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

Refer to the accounting policy on warranty provisions in Section (k): Provisions for further details.

ii. Other income

Other items of income are accounted as and when the right to receive such income arises and it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

2.7 Exceptional items

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

2.8 Property, plant and equipment (PPE)

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

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

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

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

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

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

2.9 Intangible assets

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

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

Intangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as “intangible assets under development.

Intangible assets are amortised on straight-line basis over the estimated useful life. The method of amortisation and useful life are reviewed at the end of each financial year and the effect of any changes in the estimate being accounted for on a prospective basis.

Amortisation on impaired assets is provided by adjusting the amortisation charge in the remaining periods so as to allocate the asset’s revised carrying amount over its remaining useful life.

Research and development costs

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

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

2.10 Impairment of assets

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

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is determined:

i. in the case of an individual asset, at the higher of the fair value less costs of disposal and the value-in-use; and

ii. in the case of a cash generating unit (the smallest identifiable group of assets that generates independent cash flows), at the higher of the cash generating unit’s fair value less costs of disposal and the value-in-use.

(The amount of value-in-use is determined as the present value of estimated future cash flows from the continuing use of an asset, which may vary based on the future performance of the Company and from its disposal at the end of its useful life. For this purpose, the discount rate (post-tax) is determined based on the weighted average cost of capital of the company suitably adjusted for risks specified to the estimated cash flows of the asset).

If recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, such deficit is recognised immediately in the Statement of Profit and Loss as impairment loss and the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount.

When an impairment loss recognised earlier is subject to full or partial reversal, the carrying amount of the asset (or cash generating unit), except impairment loss allocated to goodwill, is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss is recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss (other than impairment loss allocated to goodwill) is recognised immediately in the Statement of Profit and Loss.

2.11 Employee Benefits

i. Short term employee benefits:

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

ii. Post-employment benefits:

A. Defined contribution plans: The Company's state governed provident fund scheme, employee state insurance scheme and employee pension scheme are defined contribution plans. The contribution paid/payable under the schemes is recognised during the period in which the employee renders the service.

B. Defined benefit plans: The employees' gratuity fund schemes and employee provident fund schemes managed by board of trustees established by the Company, the post-retirement medical care plan and the company pension plan represent defined benefit plans. The present value of the obligation under defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method.

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

Re-measurement, comprising actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability or asset) and any change in the effect of asset ceiling (if applicable) is recognised in other comprehensive income and is reflected in retained earnings and the same is not eligible to be reclassified to profit or loss.

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

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

iii. Other long-term employee benefits:

The obligation recognised in respect of other long-term benefits is measured at present value of estimated future cash flows expected to be made by the Company and is recognised in a similar manner as in the case of defined benefit plans vide (ii)(B) above.

Long-term employee benefit costs comprising current service cost and gains or losses on curtailments and settlements, re-measurements including actuarial gains and losses are recognised in the Statement of Profit and Loss as employee benefits expenses. Interest cost implicit in long-term employee benefit cost is recognised in the Statement of Profit and Loss under finance costs.

iv. Termination benefits:

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

2.12 Financial instruments

Financial assets and/or financial liabilities are recognised when the Company becomes party to a contract embodying the related financial instruments. All financial assets, financial liabilities and financial guarantee contracts are initially measured at fair value except for trade receivables not containing a significant financing component are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from as the case may be, the fair value of such financial assets or liabilities, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised in profit or loss.

In case of funding to subsidiary companies in the form of interest free or concession loans and preference shares, the excess of the actual amount of the funding over initially measured fair value is accounted as an equity investment.

A financial asset and a financial liability is offset and presented on net basis in the balance sheet when there is a current legally enforceable right to set-off the recognised amounts and it is intended to either settle on net basis or to realise the asset and settle the liability simultaneously.

i. Financial assets:

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

1. Investments in debt instruments that are designated as fair value through profit or loss (FVTPL) - at fair value. Debt instruments at FVTPL is a residual category for debt instruments, if any, and all changes are recognised in profit or loss.
2. Investments in debt instruments that meet the following conditions are subsequently measured at amortised cost (unless the same designated as fair value through profit or loss):
   - The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
   - The contractual terms of instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
3. Investment in debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income [FVTOCI] (unless the same are designated as fair value through profit or loss). Investment in debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income [FVTOCI] (unless the same are designated as fair value through profit or loss)
   - The asset is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and
   - The contractual terms of instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
4. Investment in equity instruments issued by subsidiary, associate and joint venture companies are measured at cost less impairment.

5. Investment in preference shares of the subsidiary companies are treated as equity instruments if the same are either convertible into equity shares or are redeemable out of the proceeds from a fresh issue of shares or from the profits of the company. Investment in preference shares not meeting the aforesaid conditions are classified as debt instruments at FVTPL.

6. Investments in equity instruments issued by other than subsidiaries are classified as at FVTPL, unless the related instruments are not held for trading and the Company irrevocably elects on initial recognition to present subsequent changes in fair value in Other Comprehensive Income.

7. Trade receivables, security deposits, cash and cash equivalents, employee and other advances - at amortised cost.

B. For financial assets that are measured at FVTOCI, income by way of interest and dividend, provision for impairment and exchange difference, if any, (on debt instrument) are recognised in profit or loss and changes in fair value (other than on account of above income or expense) are recognised in other comprehensive income and accumulated in other equity. On disposal of debt instruments at FVTOCI, the cumulative gain or loss previously accumulated in other equity is reclassified to profit or loss. In case of equity instruments at FVTOCI, such cumulative gain or loss is not reclassified to profit or loss on disposal of investments.

C. A financial asset is primarily derecognised when:

1. the right to receive cash flows from the asset has expired, or

2. the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

   On derecognition of a financial asset in its entirety, the difference between the carrying amount at the date of derecognition and the consideration received is recognised in profit or loss.

D. Impairment of financial assets: For trade receivable, the Company applies the simplified approach of Ind AS 109, which requires measurement of loss allowance at an amount equal to lifetime expected credit losses. Impairment loss on trade receivables is recognised using expected credit loss model, which involves use of a provision matrix constructed on the basis of historical credit loss experience as permitted under Ind AS 109 and is adjusted for forward looking information. Impairment loss on investments is recognised when the carrying amount exceeds its recoverable amount. For all other financial assets, expected credit losses are recognised based on the difference between the contractual cashflows and all the expected cash flows, discounted at the original effective interest rate. ECLs are measured at an amount equal to 12-month expected credit losses or at an amount equal to lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

ii. Financial liabilities:

A. Financial liabilities, including derivatives and embedded derivatives, which are designated for measurement at FVTPL are subsequently measured at fair value. Financial guarantee contracts are subsequently measured at the amount of impairment loss allowance or the amount recognised at inception net of cumulative amortisation, whichever is higher. All other financial liabilities including loans and borrowings are measured at amortised cost using Effective Interest Rate (EIR) method.

B. A financial liability is derecognised when the related obligation expires or is discharged or cancelled.

iii. The Company designates certain hedging instruments, such as derivatives, embedded derivatives and in respect of foreign currency risk, certain non-derivatives, as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted as cash flow hedges.

A. Fair value hedges: Changes in fair value of the designated portion of derivatives that qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

B. Cash flow hedges: In case of forward contracts the forward element/foreign currency basis spread and the spot element are separated and only the change in the value of the spot element is designated as hedging instrument. In case of options the intrinsic value and time value are separated and only the change in intrinsic value is designated as hedging instrument.

Accounting of spot element/intrinsic value of options: The changes in the fair value of hedge instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity as ‘hedging reserve’. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same head as the hedged item.

Accounting of forward element/foreign currency basis spread/time value of options: The changes in fair value is recognised in other comprehensive income and accumulated in equity as “cost of hedging reserve”. For a transaction related hedged item, the amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same head as the hedged item. For a time related hedged item, the time value on the date on which the hedged item affects profit or loss are reclassified to profit or loss as a reclassification adjustment on a straight-line basis over the period of the hedging instrument.

The cash flow hedges are allocated to the forecast transactions on gross exposure basis. Where the hedged forecast transaction results in the recognition of a non-financial asset, such gains/ losses are transferred from hedge reserve (but not as reclassification adjustment) and included in the initial measurement cost of the non-financial asset

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised in profit or loss.

iv. Compound financial instruments issued by the Company which can be converted into fixed number of equity shares at the option of the holders irrespective of changes in the fair value of the instrument are accounted by recognising the liability and the equity components separately. The liability component is initially recognised at the fair value of a comparable liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. The directly attributable transaction costs are allocated to the liability and the equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of the compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequently.

2.13 Inventories

Inventories are valued after providing for obsolescence, as under:

i. Raw materials, components, construction materials, stores, spares and loose tools at lower of weighted average cost or net realisable value. However, these items are considered to be realisable at cost if the finished products in which they will be used, are expected to be sold at or above cost.

ii. Manufacturing work-in-progress at lower of weighted average cost including related overheads or net realisable value. In some cases, manufacturing work-in-progress are valued at lower of specifically identifiable cost or net realisable value. In the case of qualifying assets, cost also includes applicable borrowing costs vide policy relating to borrowing costs.

iii. Finished goods and stock-in-trade (in respect of goods acquired for trading) at lower of weighted average cost or net realisable value. Cost includes costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location. Taxes which are subsequently recoverable from taxation authorities are not included in the cost.

iv. Traded goods, Cost includes the cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the Weighted Average Cost method.

Assessment of net realisable value is made at each reporting period end and when the circumstances that previously caused inventories to be written-down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the write-down, if any, in the past period is reversed to the extent of the original amount written-down so that the resultant carrying amount is the lower of the cost and the revised net realisable value.

2.14 Cash and bank balances

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

2.15 Securities premium

i. Securities premium includes:

A. The difference between the face value of the equity shares and the consideration received in respect of shares issued.

B. The fair value of the stock options which are treated as expense, if any, in respect of shares allotted pursuant to Stock Options

Scheme

ii. The issue expenses of securities which qualify as equity instruments are written off against securities premium.

2.16 Borrowing Costs

Borrowing costs include finance costs calculated using the effective interest method, finance charges in respect of assets acquired on lease and exchange differences arising on foreign currency borrowings to the extent they are regarded as an adjustment to finance costs. In cases where hedging instruments are acquired for protection against exchange rate risk related to borrowings and are accounted as hedging a time-period related hedge item, the borrowing costs also include the amortisation of premium element of the forward contract and foreign currency basis spread as applicable, over the period of the hedging instrument.

Borrowing costs net of any investment income from the temporary investment of related borrowings that are attributable to the acquisition, construction or production of a qualifying asset are capitalised/ inventorised as part of cost of such asset till such time the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.17 Share-based payment arrangements

The stock options granted to employees in terms of the Company’s Stock Options Schemes, are measured at the fair value of the options at the grant date, the difference between fair value and issue price of the options is treated as discount and accounted as employee compensation cost over the vesting period on a straight-line basis. The amount recognised as expense in each year is arrived at based on the number of grants expected to vest. If a grant lapses after the vesting period, the cumulative discount recognised as expense in respect of such grant is transferred to the general reserve within equity.

The fair value of the stock options granted to employees of the Company by the Company’s subsidiaries is accounted as employee compensation cost over the vesting period and where such fair value is not recovered by the subsidiaries, the same is treated as dividend declared by them. The share- based payment equivalent to the fair value as on the date of grant of employee stock options granted to key managerial personnel is disclosed as a related party transaction in the year of grant.

2.18 Foreign currencies

i. The functional currency and presentation currency of the Company is Indian Rupee.

ii. Transactions in currencies other than the Company’s functional currency are recorded on initial recognition using actual exchange rate or a rate that approximates with it at the transaction date. At each Balance Sheet date, foreign currency monetary items are reported at the closing spot rate. Non-monetary items that are measured in terms of historical cost in foreign currency are not translated. Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing spot rate are recognised in the Statement of Profit and Loss in the period in which they arise except for:

   A. exchange differences on foreign currency borrowings relating to assets under construction for future productive use, are included in the cost of those assets when such exchange differences are regarded as an adjustment to finance costs on those foreign currency borrowings; and

   B. exchange differences on transactions entered into to hedge certain foreign currency risks.

iii. exchange rate as of the date on which the non-monetary asset or non-monetary liability is recognised on payment or receipt of advance consideration is used for initial recognition of related asset, expense or income.

iv. Financial statements of foreign operations whose functional currency is different than Indian Rupees are translated into Indian Rupees as follows:

   A. assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet;

   B. income and expenses for each income statement are translated at average exchange rate for the reporting period; and

   C. all resulting exchange differences are recognised in other comprehensive income and accumulated in equity as foreign currency translation reserve for subsequent reclassification to profit or loss on disposal of such foreign operations.

2.19 Taxes on Income

Tax expense comprises current tax expense and deferred tax. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income. Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company reflects the effect of uncertainty for each uncertain tax treatment by using either most likely method or expected value method, depending on which method predicts better resolution of the treatment.

Deferred Tax

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

Deferred Tax Liabilities

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

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

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

Deferred Tax Assets

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

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

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

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

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

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

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

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

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

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

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- When receivables and payables are stated with the amount of tax included

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

2.20 Provisions, contingent liabilities and contingent assets

Provisions are recognised only when:

i. the Company has a present obligation (legal or constructive) as a result of a past event; and

ii. it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

iii. a reliable estimate can be made of the amount of the obligation.

Provision is measured using the cash flows estimated to settle the present obligation and when the effect of time value of money is material, the carrying amount of the provision is the present value of those cash flows. Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in case of:

i. a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

ii. a present obligation arising from past events where:

  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are disclosed where an inflow of economic benefits is probable.

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

Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contract, the present obligation under the contract is recognised and measured as a provision for onerous contract/foreseeable losses.

Warranty provisions

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

2.21 Statement of Cash Flows

Statement of Cash Flows is prepared segregating the cash flows into operating, investing and financing activities. Cash flow from operating activities is reported using indirect method, adjusting the profit before tax excluding exceptional items for the effects of:

- changes during the period in inventories and operating receivables and payables;
- non-cash items such as depreciation, provisions, unrealised foreign currency gains and losses; and
- all other items for which the cash effects are investing or financing cash flows.

Cash and cash equivalents (including bank balances) shown in the Statement of Cash Flows exclude items which are not available for general use as at the date of Balance Sheet.

2.22 Contract balances

Contract Assets

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

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

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

Trade receivables

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

Contract liabilities

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

2.23 Earnings per share

Basic earnings per share is computed using the net profit or loss after tax and weighted average number of shares outstanding during the year.

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

2.24 Key sources of estimation

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

Difference, if any, between the actual results and estimates is recognised in the period in which the results are known.

2.25 New Accounting pronouncements

The Ministry of Corporate Affairs (“MCA”) notifies new standards or amendments to the existing Indian Accounting Standards under the Companies (Indian Accounting Standards) Rules, as amended from time to time.

During the reporting period, the MCA notified amendments to certain Indian Accounting Standards through the Companies (Indian Accounting Standards) Amendment Rules, 2025 dated 7 May 2025 and the Companies (Indian Accounting Standards) Second Amendment Rules, 2025 dated 13 August 2025, which are effective for annual reporting periods beginning on or after 1 April 2025.

The Company has evaluated the impact of these amendments and the significant amendments are summarised below:

a. Ind AS 21 - The Effects of Changes in Foreign Exchange Rates

The amendments relating to lack of exchangeability clarify the determination of the exchange rate when a currency is not exchangeable. The Company has assessed the impact of the amendments and concluded that they do not have any material impact on its financial statements.

b. Ind AS 1 - Presentation of Financial Statements

The amendments relate to the classification of liabilities as current or non-current, including liabilities with covenants. The Company has assessed the impact of these amendments and concluded that they do not have any material impact on the classification of its current and non-current liabilities.

c. Ind AS 7 - Statement of Cash Flows and Ind AS 107 - Financial Instruments: Disclosures

The amendments introduce additional disclosure requirements relating to supplier finance arrangements. The Company has evaluated these amendments and concluded that they do not have any material impact on its financial statements as the Company does not have any supplier finance arrangements during the reporting period.

d. Ind AS 12 - Income Taxes

The amendments relating to the OECD Pillar Two Model Rules provide a temporary mandatory exception from accounting for deferred taxes arising from the implementation of the Pillar Two legislation and require additional disclosures. Based on its assessment, the Company has concluded that these amendments do not have any material impact on its financial statements as the Company is not within the scope of the Pillar Two Model Rules.

2.26 Regrouping / Reclassification

Previous year’s figures have been regrouped, reclassified and rearranged, wherever considered necessary, to conform to the current year’s presentation and to comply with the requirements of the Companies Act, 2013, the applicable Indian Accounting Standards and Schedule III thereto. Such regrouping and reclassification do not affect the previously reported profit, total comprehensive income or equity of the Company.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note :3

Property, plant and equipment

Particulars	Land and Land Development	Buildings	Plant and Equipments	Furniture and Fixtures	Vehicles	Office Equipments	Total
Gross carrying amount							
Balance as at 01 April 2024	**431.11**	**3,891.33**	**1,636.91**	**128.93**	**158.06**	**107.71**	**6,354.05**
Additions	-	-	349.73	15.08	46.15	2.10	**413.06**
Disposals	-	-	-	-	0.45	-	**(0.45)**
Balance as at 31 March 2025	**431.11**	**3,891.33**	**1,986.64**	**144.01**	**203.76**	**109.80**	**6,766.66**
Additions	-	62.56	491.38	33.95	1.15	42.91	**631.95**
Disposals	-	-	-	-	-	-	**-**
Balance as at 31 March 2026	**431.11**	**3,953.89**	**2,478.02**	**177.96**	**204.91**	**152.72**	**7,398.61**
Accumulated depreciation							
Balance as at 01 April 2024	**-**	**2,243.97**	**1,390.86**	**119.38**	**131.19**	**100.50**	**3,985.90**
Depreciation for the year	-	169.65	94.75	3.73	11.02	3.02	**282.17**
Disposals / Adjustments	-	-	-	-	(0.04)	-	**(0.04)**
Upto 31 March 2025	**-**	**2,413.61**	**1,485.62**	**123.11**	**142.17**	**103.52**	**4,268.03**
Depreciation for the year	-	154.84	210.25	16.14	19.67	11.56	**412.45**
Disposals / Adjustments	-	-	-	-	-	-	**-**
Upto 31 March 2026	**-**	**2,568.45**	**1,695.87**	**139.25**	**161.83**	**115.08**	**4,680.48**
Net carrying amount							
As at 31 March 2026	**431.11**	**1,385.43**	**782.16**	**38.72**	**43.08**	**37.64**	**2,718.13**
As at 31 March 2025	431.11	1,477.72	501.03	20.91	61.59	6.28	**2,498.63**

1. Depreciation is provided based on useful life supported by the technical evaluation considering business specific usage, the consumption pattern of the assets and the past performance of similar assets.

   a. Estimated useful life of the following assets is in line with useful life prescribed in schedule II of the Companies Act, 2013:

Sr. No.	Asset class	Minimum useful life (in years)	Maximum useful life (in years)
1	Buildings	3	60
2	Plant and equipment	8	15
3	Office equipment	4	5
4	Furniture & fixture	10	10
5	Vehicles	8	10

b. The Company has not adopted any useful lives for property, plant and equipment that differ from those prescribed under Schedule II to the Companies Act, 2013.

2. Carrying value of Property, plant and equipment hypothecated as collateral for certain borrowings and / or commitments as at 31 March 2026 - ₹ 2718.13 Lakhs (as at 31 March 2025 -₹2498.63 Lakhs).

3. No impairment losses recognised during the year (31st March 2025: Nil).

4. The Company conducts physical verification of its property, plant and equipment at periodic intervals, having regard to the size of the Company and the nature of its operations. Based on the physical verification carried out by the company, no material discrepancies were identified between the physical assets and the corresponding book records. Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected to arise from their continued use or disposal, in accordance with the principles of Ind AS 16 – Property, Plant and Equipment.

5. The title deeds of all immovable properties recognised as property, plant and equipment in the financial statements are held in the name of the Company.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note :4
Other intangible assets

Particulars	Technical know how & Other Software	Total
Gross carrying amount		
Balance as at 01 April 2024	151.22	151.22
Additions	0.10	0.10
Disposals	-	-
Balance as at 31 March 2025	**151.31**	**151.31**
Additions	827.93	827.93
Disposals	-	-
Balance as at 31 March 2026	**979.24**	**979.24**
Accumulated amortization		
Balance as at 01 April 2024	150.38	150.38
Amortization for the year	0.65	0.65
Disposals / Adjustments	-	-
Upto 31 March 2025	**151.03**	**151.03**
Amortization for the year	169.77	169.77
Disposals / Adjustments	-	-
Upto 31 March 2026	**320.80**	**320.80**
Net carrying amount		
As at 31 March 2026	**658.45**	**658.45**
As at 31 March 2025	**0.28**	**0.28**

Note :5
Intangible assets under development

Particulars	As at 31 March 2026	As at 31 March 2025
Opening carrying amount	702.96	231.39
Additions during the year	124.97	471.57
Assets capitalized during the year	827.93	-
Closing carrying amount	**-**	**702.96**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

a. Additions during the year

	FY 2025-26			FY 2024-25		
Particulars	**Internal development**	**Acquired - external**	**Total**	**Internal develop-ment**	**Acquired - external**	**Total**
Technical know how & Other Software	**827.93**	**-**	**827.93**	**-**	**0.10**	**0.10**
	827.93	**-**	**827.93**	**-**	**0.10**	**0.10**

b. Amortization is provided based on useful life supported by the technical evaluation considering business specific usage, the consumption pattern of the assets and the past performance of similar assets:

i. Estimated useful life of the following assets is in line with useful life prescribed in schedule II of the Companies Act, 2013:

Sr. No.	Asset class	Minimum useful life (in years)	Maximum useful life (in years)
1	Technical Know How & Other Software	2	8

ii. The Company has not adopted any useful lives for intangible assets that differ from those prescribed under Schedule II to the Companies Act, 2013.

c. During the current year, intangible assets under development amounting to ₹827.93 Lakhs has been capitalised as an Intangible asset.

i. As at 31st March 2026, company does not have any Intangible assets under development.

ii. Intangible assets under development ageing schedule as at 31st March 2025

Particulars	Less than 1 Year	1-2 Years	2-3 Years	More Than 3 Years	Total
As at 31 March 2025					
Project in progress	471.57	231.39			702.96
Projects temporarily suspended	-	-	-	-	-
Total	**471.57**	**231.39**	**-**	**-**	**702.96**

d. During the current and previous year, the company does not have projects in Intangible assets under development whose completion is overdue or projects whose cost has exceeded its costs as per its original plan.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note :6
Other financial assets

Particulars	As at 31 March 2026	As at 31 March 2025
6.1 Non-current		
Unsecured and considered good		
Security deposits	241.09	222.31
Retention Money Receivable	1,403.01	929.11
Earnest money deposits (EMD)	14.02	12.82
Less: Considered doubtful	12.51	12.51
	1,645.61	**1,151.73**

Particulars	As at 31 March 2026	As at 31 March 2025
6.2 Current		
Interest accrued but not due on term deposits	64.57	47.92
Earnest money(EMD) & security deposits	221.94	768.22
	286.52	**816.14**

Note : 7
Deferred tax assets / (liabilities), net

Particulars	As at 31 March 2026	As at 31 March 2025
Property, plant& equipment	(94.93)	(330.36)
Carryforward losses	-	1,352.18
Provision for expected credit loss (ECL)	753.22	606.30
Provision for defective liability period (warranty)	449.03	102.57
Provision for employee benefit expense	75.09	15.74
Other Temporary differences	46.83	22.22
	1,229.24	**1,768.66**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Disclosure pursuant to Ind AS 12 "Income Taxes"

Components of deferred tax (assets) and liabilities recognised in the Balance Sheet and Statement of Profit and Loss:

For the year ended 31 March 2026:

Particulars	As at 01 April 2025	(Charged) / credited to SPL	(Charged) / credited to OCI	As at 31 March 2026
Property, plant and equipment	(330.36)	235.43	-	(94.93)
Carry forward Losses	1,352.18	(1,352.18)	-	-
Provision for expected credit loss (ECL)	606.30	146.92	-	753.22
Provision for defective liability period (warranty)	102.57	346.46	-	449.03
Provision for employee benefits expense	15.74	38.60	20.75	75.09
Other temporary differences	22.22	24.61	-	46.83
	1,768.66	**(560.16)**	**20.75**	**1,229.24**

For the year ended 31 March 2025:

Particulars	As at 01 April 2024	(Charged) / credited to SPL	(Charged) / credited to OCI	As at 31 March 2025
Property, plant and equipment	(365.08)	34.73	-	(330.36)
Carry forward Losses	250.12	1,102.07	-	1,352.18
Provision for expected credit loss (ECL)	-	606.30	-	606.30
Provision for defective liability period (warranty)	-	102.57	-	102.57
Provision for employee benefits expense	-	8.96	6.78	15.74
Other temporary differences	-	22.22	-	22.22
	(114.96)	**1,876.85**	**6.78**	**1,768.66**

a. During the year ended 31 March 2025, the Company recognised a deferred tax asset in respect of unused tax losses, as Management considered it probable that future taxable profit would be available against which the unused tax losses could be utilised. During the year ended 31 March 2026, the deferred tax asset recognised in respect of such unused tax losses was fully utilised against taxable profit.

Note : 8

Current Assets: Inventories

Particulars	As at 31 March 2026	As at 31 March 2025
Raw materials	10,665.94	1,048.95
Work- in -progress	19,375.26	4,209.42
Finished goods	7,090.86	-
	37,132.06	**5,258.37**

Note: The Company recognised a net inventory write-down of ₹374.42 lakhs during the year (Previous year: ₹344.42 lakhs).

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note :9
Contract assets & Liabilities

Particulars	As at 31 March 2026	As at 31 March 2025
Contract assets	**6,828.32**	2,975.50
Contract liabilities	**-**	16.50

Movement in Contract Assets and Contract Liabilities:

Particulars	As at 31 March 2026	As at 31 March 2025
Contract Assets		
Opening balance	2,975.50	-
Add: Revenue accrued during the year	8,269.37	2,975.50
Less: Amount billed during the year	4,416.55	-
Closing balance	**6,828.32**	**2,975.50**
Contract Liabilities		
Opening balance	16.50	-
Add: Amount billed during the year	-	-
Add: Advance received during the year	-	16.50
Less: Advance adjusted during the year	-	-
Less: Released to revenue during the year	16.50	-
Closing balance	**-**	16.50

Note : 10
Current Assets: Financial Assets - Trade receivables

Particulars	As at 31 March 2026	As at 31 March 2025
Unsecured,considered good		
a. Trade receivable from related parties	1,011.54	1,358.06
b. Others	30,717.05	1,351.35
Unsecured, credit impaired		
a. Others	2,487.24	2,064.50
Less: Allowances for expected credit losses (ECL)	2,589.68	2,408.99
	31,626.15	**2,364.92**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

a. Trade receivable ageing schedule

Particulars	Outstanding for following periods from due date of payment						Total	Impairment Provided
	Not due	Less than 6 months	6 months- 1 year	1-2 years	2-3 years	More than 3 years		
As at 31 March 2026								
Undisputed trade receivables - considered good	20651.17	9,580.29	1,071.87	159.42	36.32	-	**31,499.07**	64.93
Undisputed trade receivables - which have significant increase in credit risk	-	-	-	-	-	-	**-**	-
Undisputed trade receivables - credit impaired	-	-	-	-	-	229.52	**229.52**	82.63
Disputed trade receivables - considered good	-	-	-	-	-	-	**-**	-
Disputed trade receivables - which have significant increase in credit risk	-	-	-	-	-	-	**-**	-
Disputed trade receivables - credit impaired	-	-	1.57	3.77	3.77	2,478.14	**2,487.24**	2,442.13
Total	**20,651.17**	**9,580.29**	**1,073.44**	**163.18**	**40.09**	**2,707.66**	**34,215.83**	**2,589.68**
As at 31 March 2025								
Undisputed trade receivables - considered good	744.53	1,086.88	174.07	67.23	-	-	**2,072.71**	56.55
Undisputed trade receivables - which have significant increase in credit risk	-	-	-	-	-	-	**-**	-
Undisputed trade receivables - credit impaired	-	-	-	-	-	214.59	**214.59**	76.27
Disputed trade receivables - considered good	-	-	-	-	-	-	**-**	-
Disputed trade receivables - which have significant increase in credit risk	-	-	-	-	-	-	**-**	-
Disputed trade receivables - credit impaired	-	1.88	1.88	3.77	3.77	2,475.31	**2,486.61**	2,276.18
Total	**744.53**	**1,088.76**	**175.95**	**71.00**	**3.77**	**2,689.90**	**4,773.91**	**2,408.99**

b. Expected credit loss (ECL):

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit in the normal course of business. Before accepting any new customer, the Company assesses the potential customer's credit quality.

As a practical expedient, the Company uses a provision matrix to determine impairment loss of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. The ECL allowance (or reversal) during the year is recognised in the statement of profit and loss.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Movement in the allowance for trade receivables for the year ended 31 March 2026 and 31 March 2025is as follows:

Particulars	31 March 2026	31 March 2025
Opening balance at beginning of the year	2,408.99	2,330.36
Provision made/(reversed) during the year	180.69	78.63
Bad debts written off during the year	-	-
Closing balance at end of the year	**2,589.68**	**2,408.99**

Notes:

	31 March 2026	31 March 2025
c. Trade receivables balance from the Company's largest customers individually representing more than 5% of total trade receivables balance.	29,788.50	2,208.91

d. Refer Note 36 for trade receivables from related parties

e. Trade receivables are non-interest bearing and are generally on credit terms of 30 to 60 days.

f. Refer Note 39 for fair value measurements and Note 40 for information about the Company's exposure to financial risks.

Note : 11
Current Assets : Financial Assets - Cash and cash equivalents

Particulars	As at 31 March 2026	As at 31 March 2025
Cash on hand	0.33	0.13
Balances with banks in current accounts	145.58	737.00
Fixed deposits with banks (maturity less than 3 months)	-	765.00
	145.91	**1,502.12**

a. Deposits with original maturities of more than three months and less than twelve months include margin money deposits maintained with banks against performance bank guarantees. Refer Note 24 for details.

b. There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the current and previous year.

Note : 12
Current Assets: Financial Assets - Other bank balances

Particulars	As at 31 March 2026	As at 31 March 2025
Margin money deposits *	2,554.31	1,930.59
	2,554.31	**1,930.59**

*Margin money deposits are maintained as security for performance bank guarantees aggregating to ₹6,549.29 lakhs (Previous Year: ₹3,521.18 lakhs). The said bank guarantees are additionally secured by a charge over the Company's present and future current assets and collateral hypothecation of fixed assets, including land and building located at TSIIC Hardware Park.Refer Note 24 for details

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 13
Income Tax Assets (net)

Particulars	As at 31 March 2026	As at 31 March 2025
Income tax assets		
Tax deducted at source	512.28	521.66
	512.28	**521.66**

a. Current tax assets primarily comprise tax deducted at source, the recoverability of which is subject to adjustment upon completion of the relevant income tax assessments. Accordingly, such balances have not been offset against the current tax provision and are presented separately in accordance with Ind AS 12 - Income Taxes.

Note : 14
Other Current Assets

Particulars	As at 31 March 2026	As at 31 March 2025
Advance to vendors - considered good	1,772.89	1,050.07
Balances with statutory/government authorities*	4,230.61	940.31
Advance for expenses	156.25	21.67
Payroll advances	4.62	4.22
Prepaid expenses	412.17	137.24
	6,576.55	**2,153.52**

*Balances with statutory/government authorities represent GST input tax credit on goods and services purchased/received/paid.

Note :15
Equity Share Capital

Particulars	As at 31 March 2026		As at 31 March 2025	
	No of Shares	Amount	No of Shares	Amount
Authorised share capital				
Equity shares face value of ₹10 each	2,50,00,000	2,500.00	2,50,00,000	2,500.00
Issued, subscribed and fully paid-up				
Equity shares face value of ₹10 each	1,68,02,422	1,680.24	1,67,59,422	1,675.94
	1,68,02,422	**1,680.24**	**1,67,59,422**	**1,675.94**

Note:
(i) Reconciliation of the shares outstanding at the beginning and at the end of the year:

Particulars	As at 31 March 2026		As at 31 March 2025	
	No of Shares	Amount	No of Shares	Amount
At the beginning of the year	1,67,59,422	1,675.94	1,67,59,422	1,675.94
Add: Shares issued on exercise of employee stock options during the year	43,000	4.30	-	-
Outstanding at the end of the year	**1,68,02,422**	**1,680.24**	**1,67,59,422**	**1,675.94**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(ii) Terms/rights attached to equity shares

The Company has only one class of equity shares having a face value of ₹10 each. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting, except in case of interim dividend. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(iii) Details of shareholders holding more than 5% shares in the Company:

Name of the shareholder	As at 31 March 2026		As at 31 March 2025	
	No of Shares	% holding in the class	No of Shares	% holding in the class
Promoter and promoter group				
Anji Raju Manthena	**24,86,873**	**14.80%**	**24,86,873**	**14.84%**

(iv) Details of shareholding of promoters:

S. No	Name of the promotor	As at 31 March 2026		As at 31 March 2025		% change during the year
		No of Shares	% of total shares	No of Shares	% of total shares	
1	Anji Raju Manthena	24,86,873	14.80%	24,86,873	14.84%	-0.04%
2	Sitarama Raju Manthena	7,12,992	4.24%	7,12,992	4.25%	-0.01%
3	Sreelakshmi Manthena	6,40,398	3.81%	6,40,398	3.82%	-0.01%
4	Srinivasa Raju Manthena	6,06,597	3.61%	6,06,597	3.62%	-0.01%
5	Manthena Parvathi	2,68,469	1.60%	2,68,469	1.60%	0.00%
6	Madhav Mantena	1,10,260	0.66%	1,10,260	0.66%	0.00%
7	Raju N Mantena	22,032	0.13%	29,932	0.18%	-0.05%
8	Namrata Kapoor *	-	0.00%	7,917	0.05%	-0.05%
9	Madhuvalli Lakamraju *	-	0.00%	5,480	0.03%	-0.03%
10	Venkataramamurthy Raju Lakamraju *	-	0.00%	2,883	0.02%	-0.02%
11	Venkateswara Raju Lakkamraju *	-	0.00%	1,863	0.01%	-0.01%
12	Subbaraju Venkata Lakamraju *	-	0.00%	498	0.00%	0.00%
13	Jagannadha L Raju *	-	0.00%	419	0.00%	0.00%
		48,47,621	**28.85%**	**48,74,581**	**29.09%**	**-0.23%**

* Reclassified from the Promoter/Promoter Group category to the Public category pursuant to Regulation 31A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, effective June 26, 2025, upon receipt of approvals from BSE Limited and the National Stock Exchange of India Limited.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(v) Shares under pledge/encumbered

S.No	Name of the promoter	As at 31 March 2026		As at 31 March 2025	
		No of Shares	% of promoter's share holding pledged	No of Shares	% of promoter's share holding pledged
1	Sita Rama Raju Manthena	428,297	60.07%	428,297	60.07%
		428,297	**60.07%**	**428,297**	**60.07%**

Note: (1)The shares held by the promoter have been pledged in favour of a lender. The pledge has been created by the promoter in his personal capacity and is not in connection with any borrowing or financing arrangement of the Company.

(2) Out of the total promoter shareholding of 48,47,621 equity shares, 4,28,297 equity shares are under pledge, representing 8.83% of the total promoter shareholding (60.07% of the concerned promoter's shareholding)

(vi) Stock option schemes

a. Terms:

A. The grant of options to the employees under the stock option schemes is on the basis of their performance and other eligibility criteria, subject to the discretion of the management and fulfillment of certain conditions.

B. Options can be exercised anytime within a period of 2 years from the date of vesting and would be settled by way of issue of equity shares. Management has discretion to modify the exercise period.

b.The details of the grants under the aforesaid schemes are summarized below:

Sr.No	Series reference	2025-26	2024-25
1	Grant price	25	25
2	Grant dates	23/05/2025	14/11/2024
3	Vesting commences on	31/05/2026	22/11/2025
4	Options granted and outstanding at the beginning of the year	43,000	-
5	Options lapsed	-	-
6	Options granted	1,200	43,000
7	Options exercised	43,000	-
8	Options granted and outstanding at the end of the year, of which		
	Options vested	43,000	-
	Options yet to vest	1,200	43,000
9	Weighted average remaining contractual life of options (in years)	0.21	0.71

c. In respect of stock options granted pursuant to the Company's stock options schemes, the fair value of the options is treated as discount and accounted as employee compensation over the vesting period.

d. Expense on Employee Stock Option Schemes debited to the Statement of Profit and Loss during 2025-26 is ₹ 247.17 crore (previous year: ₹ 126.57 crore) [Note 30]. The entire amount pertains to equity-settled employee share-based payment plans.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 16
Other equity - (Refer statement of changes in equity)

Particulars	As at 31 March 2026	As at 31 March 2025
Retained earnings	2,862.69	(5,909.24)
Securities premium	19,992.64	19,622.44
General reserve	612.14	612.14
Share based payment reserve	9.98	126.57
Foreign currency translation reserve	(346.22)	(336.79)
	23,131.24	**14,115.11**

Notes:

	31 March 2026	31 March 2025
Retained Earnings		
Opening balance	(5,909.24)	(10,915.18)
Add: Profit for the year	8,833.63	5,023.69
Add: Re-measurement gains/ (losses) on defined benefit plans	(61.69)	(17.76)
Closing balance	**2,862.69**	**(5,909.24)**
Securities premium		
Opening balance	19,622.44	19,622.44
Premium on issue of equity shares on exercise of employee stock options	370.20	-
Closing balance	**19,992.64**	**19,622.44**
General reserve		
Opening balance	612.14	612.14
Addition	-	-
Closing balance	**612.14**	**612.14**
Share based payment reserve		
Opening balance	126.57	-
Compensation Expenses	247.17	126.57
Issue of equity shares on exercise of employee stock options	(363.75)	-
Closing balance	**9.98**	**126.57**
Foreign currency translation reserve		
Opening balance	(336.79)	(334.13)
Addition	(9.42)	(2.67)
Closing balance	**(346.22)**	**(336.79)**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Retained earnings

Represent the cumulative undistributed profits after tax of the Company and can be utilized in accordance with the provisions of the Act.

Securities premium

Securities premium represents the amount received in excess of the face value of the equity shares. The utilisation of the securities premium is governed by the Section 52 of the Act.

Re-measurement gains/ (losses) on defined benefit plans, net of tax

Remeasurement of defined plan represents the remeasurement gains/(losses) arising from the actuarial valuation of the defined benefit plan of the Company. The remeasurement gains/(losses) are recognized in other comprehensive income and accumulated under this reserve within equity. The amounts recognized under this reserve are not reclassified to statement of profit and loss.

Note : 17
Non-current liabilities: Financial Liabilities - Borrowings

Particulars	As at 31 March 2026	As at 31 March 2025
Vehicle loans from banks (secured) - at amortised cost		
Mahindra & Mahindra Financial Services Ltd.	19.95	26.27
Axis bank ltd.	-	1.50
Unsecured Loans		
Loans from Directors	18.81	20.00
Total	**38.76**	**47.78**

i. Current Maturities

Particulars	As at 31 March 2026	As at 31 March 2025
Long term debt from banks (secured)		
Mahindra finance	6.00	5.38
Axis bank Ltd.	1.50	17.02
Total	**7.51**	**22.40**

ii. Current maturities of long term debt

Instalments due within 12 months from the date of balance sheet classified as current as shown above are disclosed in borrowings.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

iii.Terms of borrowings

The particulars of loans drawn, nature of security, terms of repayment, rate of interest, instalments due and loan wise outstanding are as under.

Name of the Bank	Type of Loan	Amount sanctioned	Security	ROI	Repayment Terms	Amount Outstanding
Mahindra finance	Vehicle loan	32.00	Secured by hypotheication movable property (Motor Vehicle)	10.95%	Loan amount shall be repaid together with interest in 58 equated monthly instalments amount of Rs.71,600	25.96
Axis bank	Vehicle loan	28.97	Secured by hypotheication movable property (Motor Vehicle)	10.75%	Loan amount shall be repaid together with interest in 47 equated monthly instalments of amount Rs. 75,775/-	0.75
Axis bank	Vehicle loan	28.97	Secured by hypotheication movable property (Motor Vehicle)	10.75%	Loan amount shall be repaid together with interest in 47 equated monthly instalments of amount Rs. 75,775/-	0.75

iv. As on the balance sheet date, there were no continuing defaults in repayment of borrowings and interest.

v. The company has utilized the borrowings from banks and financial institutions for the specific purpose for which it was taken.

vi.Changes in liabilities arising from financing activities:

Particulars	As at 01 April 2025	Cash Flows	Repayment	As at 31 March 2026
Term loans from banks (including current maturities)	70.18	-	23.91	46.27
	70.18	**-**	**23.91**	**46.27**

Particulars	As at 01 April 2024	Cash Flows	Repayment	As at 31 March 2025
Term loans from banks (including current maturities)	33.81	53.38	17.02	70.18
	33.81	**53.38**	**17.02**	**70.18**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 18

1.Non-current liabilities: Provisions

Particulars	As at 31 March 2026	As at 31 March 2025
Provision for employee benefits		
-Provision for earned leave encashment	46.41	3.27
-Provision for gratuity *	59.44	12.22
Provision for warranties	**1,784.15**	**407.55**
Total	**1,890.00**	**423.03**

2.Current liabilities - Provisions

Particulars	As at 31 March 2026	As at 31 March 2025
Provision for employee benefits		
-Provision for earned leave encashment	15.57	-
-Provision for gratuity *	94.49	20.13
Total	**110.07**	**20.13**
(Refer note no 30)		
Present value of obligation	264.64	121.87
Fair value of plan asset	110.71	89.52
Short fall provided for	153.94	32.35

Note : 19

Current liabilities: Financial Liabilities-Borrowings

	Particulars	As at 31 March 2026	As at 31 March 2025
i)	**Loans repayable on demand from banks (secured) at amortised cost**		
	Cash credit facilities	14,412.38	3,589.47
	Total	**14,412.38**	**3,589.47**
ii)	**Other loans (unsecured)- at amortised cost**		
	Loan from directors	14.37	99.99
	Inter corporate deposits	1,725.15	259.68
	Others	12.95	12.95
	Total	**1,752.48**	**372.62**
iii)	**Current maturities of long-term debt (Refer note - 17.i)**	7.51	22.40
	Total	**7.51**	**22.40**
	Total (i+ii+iii)	**16,172.36**	**3,984.49**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

i.Terms of borrowings

S. No	Lender	Security Details	Other security terms	Interest Rate
1	State Bank of India	**Primary Security** Pari passu first charge on all Raw Materials, Stock in progress of manufacturing Finished goods, along with spares and other movable assets including book debts, amounts outstanding, Monies receivables claims, bills due both present and future, along with other banks under MBA. **Collateral Security:** Paripassu first charge by way of hypothecation on all the Plant& Machinery(all movable assets) both present and future consisting of all movable fixed assets now stored at or being stored or which may here after be brought into or stored at or at present installed at all locations of the company along with Land and Building situated at Plot No. 38(part), 39, 40, 41, TSIIC Hardware Park, Maheswaram Mandal, Ranga Reddy District, Hyderabad - 501510	Personal Guarantees of Promoter and Directors Dr Anji Raju, Ms Lakshmi Manthena and Sita Rama Raju Manthena	**Cash Credit :** 12.15% p.a 4% spread on EBLR- 8.15% (External Bench Marking rate)
2	HDFC Bank	**Primary Security:** Raw Material For Railway Anticollision Device Manufacturing Including Electronic Controllers, Plcs, Receivables From Indian Railways **Collateral Security :**100 % Margin For BG, Cash Margin For BG And LC, Factory Land And Buildings At Plot No. 38(Part), 39, 40, 41, TSIIC Hardware Park, Maheswaram Mandal, Ranga Reddy District, Hyderabad - 500005.	Personal Guarantee from Directors/ Shareholders (Ms. Sreelakshmi Manthena, Mr. Anji Raju Manthena, Mr. Sitarama Raju Manthena)	**Cash Credit: 11% p.a.** floating (Repo rate Rate 5.25% + Spread 5.75%) **WCDL (Sub-limit of CC):** 10.50% p.a (Reference Rate 5.25% + Spread 5.25%)
3	ICICI Bank	**Security Details:** First Paripassu charge on Current Assets & Movable Fixed Assets. First Paripassu charge on: Immovable Fixed Assets (Raviryal Village, Maheshwaram, Near Zen Technologies, K.V. Rangareddy, Telangana – 501359);	Personal Guarantee of Mr. Sitarama Raju Manthena	**Cash Credit-10% p.a :** Repo Rate (5.25%) + Spread (4.75%) **WCDL (sub-limit of CC):**9.5% p.a Repo Rate (5.25%) + Spread (4.25%)
4	CSB Bank	**Primary Security:** First Pari Passu charge on the entire current assets (Present and Future) of the company along with other working capital lenders. Exclusive charge on Fixed deposit held as cash margin @15% for NFB limits. **Collateral Security** First Pari Passu charge with other working capital lenders on the Industrial Land situated at - Plot Nos. 38(part), 39, 40 & 41, Survey No. 1/1, Hardware Park, Imarat Kancha of Raviryal Village, Maheshwaram Mandal, R.R. Dist - 501510, (10 acres)	Personal Guarantee of Mr. Sitarama Raju Manthena	**Cash Credit-10% p.a** linked Repo Rate-5.5% and Spread is 4.5%. **WCDL-9.9%** Linked to repo rate 5.5% and Spread is 4.4% .

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

5	Union Bank of India	**Primary Security :** For Cash Credit limit Paripassu first charge over stock, Work In Progress and Book debts all chargeable current assets(Both present and future): **Collateral Security :** Pari Passu 1st charge on Factory Land & Building situated at Plot Nos. 38(part), 39, 40 & 41, Survey No. 1/1, Hardware Park, Imarat Kancha of Raviryal Village, Maheshwaram Mandal, R.R. Dist — 501510, admeasuring 10 Acres, owned by Kernex Microsystems (India) Limited.	Personal Guarantee of Mr. Sitarama Raju Manthena	Cash Credit-10.25% p.a : EBLR-8.% ^ and spread 2.00 %.
6	Kotak Mahindra Bank	**Primary Security:** Movable Fixed Assets and Current Assets - Stocks, Book debts, Other current assets& Unencumbered Fixed Assets of the company . 1 St Paripassu charge with other MBA bankers- SBI, HDFC,ICICI, CSB Bank, Federal Bank, Union Bank and Yes Bank **Collateral Security:** Immovable Fixed Assets/ Commercial Property situated at Plot Nos. 38(part), 39, 40 & 41, Survey No. 1/1, Hardware Park, Imarat Kancha of Raviryal Village, Maheshwaram Mandal, R.R. Dist - 501510 . 1 St Paripassu charge with other MBA bankers- SBI, HDFC,ICICI, CSB Bank, Federal Bank, Union Bank and Yes Bank.	Personal Guarantee of Mr. Sitarama Raju Manthena	Cash Credit-10.25% p.a : Repo rate 5.5% and spread 4.75 %. WCDL: 10.25%
7	Yes Bank	**Primary Security:** First Pari-Passu Charge of Axis-Bank,Catholic SyrianBank,Federal Bank Ltd,HDFC-Bank Ltd,ICICI BankLtd,Kotak MahindraBank,State Bank of India onMFA,Stock & Book Debts **2.Property**-First Pari-PassuCharge on property situated at 1/1 plot no38 to 41,situated at TSIICHardware park, KanchaImarat,Maheshawarammandal, RR district,Hyderabad,501510,Rangareddy,Telangana,5015103 along with other banks namely Axis Bank,CatholicSyrian Bank, Federal BankLtd,HDFC Bank Ltd,ICICIBank Ltd,Kotak MahindraBank,State Bank of India under MBA.	Unconditional and Irrevocable Personal Guarantee of Mr. Sitarama Raju Manthena	Cash Credit 8.85% : Repo Rate5.25% + Spread of 3.60%
8	Federal Bank	**Primary Security:**Hypothecatio n of entire current assets of the company, both present and future on Pari passu basis with other banks in the MBA, **Collateral Security:** Hypothecation of plant & machinery of the company, both present and future on Pari passu basis with other banks in the MBA.EM of Industrial Building bearing Plot no 38 (part) 39,40,41 in Survey no. 1/1 situated at TSIIC Hardware Park, Kancha Imarat, Thukuguda, Maheswaram village and mandal, Rangareddy Dist, Admeasuring 10.00 acres standing in the name of M/s. Kernex Microsystems (India) Limited vide Title Deed No 3855/2009 and 2538/2006 on pari passu basis with other banks in the Multiple Banking Arrangement(MBA).	Personal Guarantee of Mr. Sitarama Raju Manthena. PDC equivalent to loan amount.	Cash Credit 9.5% p.a : Repo Rate 5.5% Spread-4% WCDL :9.10% Repo Rate 5.5% + spread 3.6%

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

9	Axis Bank	**Primary Security** First Pari Passu charge on the entire current assets & Fixed assets of the barrower. **Collateral Security** First Pari Passu charge on the Immovable commercial property located at industrial property at - Plot Nos. 38(part), 39, 40 & 41, Survey No. 1/1, Hardware Park, Imarat Kancha of Raviryal Village, Maheshwaram Mandal, R.R. Dist - 501510.	Personal Guarantee of Mr. Sitarama Raju Manthena , S/o Dr Anji Raju Manthena	Cash Credit 8 % p.a : Repo Rate 5.5% Spread-2.5% WCDL :8%% Repo Rate 5.5% + spread 2.4%

ii. As on the balance sheet date, there were no continuing defaults in repayment of borrowings and interest.

iii. The company has utilized the borrowings from banks and financial institutions for the specific purpose for which it was taken.

iv. Changes in liabilities arising from financing activities:

Particulars	As at 01 April 2025	Cash Flows	Repayment	As at 31 March 2026
Borrowings (including current maturities of long-term borrowings)	3,984.49	12,288.38	100.51	16,172.36
	3,984.49	**12,288.38**	**100.51**	**16,172.36**

Particulars	As at 01 April 2024	Cash Flows	Repayment	As at 31 March 2025
Borrowings (including current maturities of long-term borrowings)	2,780.64	1,360.79	156.94	3,984.49
	2,780.64	**1,360.79**	**156.94**	**3,984.49**

v. Unsecured Loans from Directors are repayable on demand and carrying Interest at 18%.

vi. Inter corporate deposit is repayable on demand and carrying interest rate of 15% to 18%.

vii. Other Loans are Interest free and repayable on demand.

viii. Inter corporate deposits carrying personal guarantee of Whole time Directors Promoter Director Sitarama Raju Manthena Executive Director and Badari Narayan Raju Manthena.

Note : 20
Current liabilities: Financial liabilities - Trade Payables

Particulars	As at 31 March 2026	As at 31 March 2025
Total outstanding dues of :		
(a) Micro enterprises and small enterprises (MSME)	1,115.41	50.23
(b) Creditors other than micro enterprises and small enterprises	43,140.74	1,999.76
	44,256.15	**2,049.99**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

a. Trade payable ageing schedule :

Particulars	Un-billed	Not due	Outstanding for following periods from date of transaction					Total
			Less than 6 months	6 months-1 year	1-2 years	2-3 years	More than 3 years	
As at 31 March 2026								
MSME	-	604.99	493.18	1.40	15.84	-	-	**1,115.41**
Others	-	5,970.18	23,763.79	13,386.32	20.25	0.20	-	**43,140.74**
Disputed dues - MSME	-	-	-	-	-	-	-	**-**
Disputed dues - others	-	-	-	-	-	-	-	**-**
TOTAL	**-**	**6,575.17**	**24,256.97**	**13,387.72**	**36.09**	**0.20**	**-**	**44,256.15**
As at 31 March 2025								
MSME	-	23.58	21.19	-	5.46	-	-	**50.23**
Others	-	395.29	208.69	1,323.44	0.21	72.13	-	**1,999.76**
Disputed dues - MSME	-	-	-	-	-	-	-	**-**
Disputed dues - others	-	-	-	-	-	-	-	**-**
TOTAL	**-**	**418.87**	**229.88**	**1,323.44**	**5.67**	**72.13**	**-**	**2,049.99**

b. Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006: The amount due to Micro and Small Enterprises as defined in the ‘The Micro, Small and Medium Enterprises Development Act, 2006’ has been determined to the extent such parties have been identified on the basis of information available with the Company. The disclosures relating to Micro, Small and Medium Enterprises are as under:

	Particulars	As at 31 March 2026	As at 31 March 2025
(i)	The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	1,180.34	52.54
(ii)	Principle amount due to suppliers under MSMED Act, 2006	1,151.41	50.23
(iii)	Interest accrued, due to suppliers under MSMED Act on the above amount, and unpaid	28.93	2.30
(iv)	Payment made to suppliers (other than interest) beyond the appointed day during the year	-	-
(v)	Interest paid to suppliers under MSMED Act (Section 16)	-	-
(vi)	Interest due and payable towards suppliers under MSMED Act for payments already made	-	-
(vii)	Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	-	-
(viii)	Amount of further interest remaining due and payable even in the succeeding years	-	-

Note: The above information has been given only in respect of those suppliers who have informed the Company that they are registered under MSMED Act 2006. Some of these vendors were associated with the Company for long periods of time and do maintain a harmonious continuous business relationship. The Company is normally prompt in servicing these vendors’ claims as per mutually agreed terms of payment. The company had not received any claim towards interest from any of the Vendors and in view of the said longstanding business relationship, does not expect or foresee any claims in future as well. The company does not have any claims for interest remaining due and payable.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 21
Current liabilities - Other financial liabilities

Particulars	As at 31 March 2026	As at 31 March 2025
Creditors for capital expenditure	-	1.71
Share application money pending transfer to IEPF	0.26	0.26
Advance received towards EMD	234.67	508.32
Salaries & expenses payable	2,156.67	617.05
	2,391.60	**1,127.35**

Note : 22
Other current liabilities

Particulars	As at 31 March 2026	As at 31 March 2025
Advance from customers	169.90	130.00
Statutory dues	188.98	114.82
	358.88	**244.82**

Note : 23
Current tax liabilities (net)

Particulars	As at 31 March 2026	As at 31 March 2025
Current	-	-
Provision for tax, net of advance taxes	1,953.39	-
	1,953.39	**-**

Disclosure pursuant to Ind AS 12 "Income Taxes":

(a) Major components of tax expense/(income):

Sr. No.	Particulars	2025-26	2024-25
1	**Profit or Loss section**		
	(i) Current Income tax :		
	Current income tax expense	2,271.38	-
	Tax expense of earlier years	48.42	-
	(ii) Deferred Tax:		
	Tax expense on origination and reversal of temporary differences	560.16	(1,754.28)
	Income tax expense reported in Profit or Loss [(i)+(ii)]	**2,879.96**	**(1,754.28)**
2	**Other Comprehensive Income (OCI) Section:**		
	(i) Items not to be reclassified to Profit or Loss in subsequent periods:		
	Current tax expense/(income):		
	On remeasurement of defined benefit plans	20.75	6.78
	(ii) Items to be reclassified to Profit or Loss in subsequent periods	-	-
	Income tax expense reported in the OCI section [(i)+(ii)]	**20.75**	**6.78**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(b) Reconciliation of tax expense and the accounting profit multiplied by domestic tax rate applicable in India:

Sr. No.	Particulars	2025-26	2024-25
1	Profit before tax (including exceptional items)	11,704.26	3,250.61
2	Corporate tax rate as per Income Tax Act, 1961	25.17%	25.17%
3	Tax on Accounting profit (3) = (1) * (2)	2,945.73	818.11
4	Tax effect of amounts which are not deductible / taxable in calculating taxable income	2,674.16	-
5	Tax expense recognised during the year	2,271.38	-
6	Effective tax Rate (6)=(5)/(1)	19.41%	-

The effective tax rate for the year ended 31 March 2025 is Nil, as the Company utilised brought forward unabsorbed business losses and unabsorbed depreciation available under the Income-tax Act, 1961, to offset the taxable income. Consequently, no current tax expense was recognised for the year

Note : 24
Contingent Liabilities

The statutory dues that not have been deposited on account of dispute, are as follows, may account of dispute, are as follows, may account outflow of resource

Particulars	As at 31 March 2026	As at 31 March 2025
Corporate and bank guarantees for performance obligations	6,549.29	3,521.18
Income tax liability that may arise in respect of which the Company is in appeal	785.00	1,269.65
Claims against the Company not acknowledged as debts	294.04	334.56

Note : 25
Revenue from operations

Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
A.Revenue from contracts with customers		
i. Sale of finished products & services (Gross amount)	46,204.32	20,714.83
Less: Consortium partner's share	5,920.04	6,288.81
Net amount	**40,284.27**	**14,426.02**
ii.Sale of other products & services	2,737.85	4,551.37
	43,022.12	**18,977.39**

Set out below is the disaggregation of the Company's revenue from contracts with customers and reconciliation to profit and loss account:

(i)	Timing of revenue recognition	31 March 2026	31 March 2025
	At a point in time	-	-
	Over a period of time	43,022.12	18,977.39
		43,022.12	**18,977.39**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(ii)	Primary geographical markets	31 March 2026	31 March 2025
	Domestic	42,523.54	18,768.74
	Exports	498.59	208.65
		43,022.12	**18,977.39**

(iii)	Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price	31 March 2026	31 March 2025
	Revenue as per contract	48,942.17	25,266.20
	Less: Adjustment for contracts where Company acts as an agent	5,920.04	6,288.81
		43,022.12	**18,977.39**

(iv)	Assets and liabilities related to contracts with customers	31 March 2026	31 March 2025
	Trade receivables	31,626.15	2,364.92
	Contract assets	6,828.32	2,975.50
	Contract liabilities	-	16.50

(v)	Movement of contractual liabilites	31 March 2026	31 March 2025
	Opening balance	**16.50**	-
	Received during the year	-	16.50
	Revenue recognised / adjusted	16.50	-
	Closing balance	-	**16.50**

(vi) There are no significant items of revenue to be recognised against performance obligation satisfied in previous year due to change in transaction price.

(vii)	Movement in provisions on account of impairment and credit loss	31 March 2026		March 31,2025	
		Trade receivables	Contract Assets	Trade receivables	Contract Assets
	Opening balance	2,408.99	-	2,330.36	-
	Add: Additions / expected lifetime credit loss	180.69	-	78.63	
	Less: Write off / impairment	-	-	-	-
	Less: Reversal	-	-	-	-
	Closing balance	**2,589.68**	**-**	**2,408.99**	**-**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 26
Other income

	Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
a)	Interest income		
	Interest received on deposits with banks/others	142.67	105.82
	Interest on advances(from related parties)	-	-
	On others	48.41	11.36
b)	Profit on sale of asset	-	-
c)	Rental income	0.43	2.59
d)	Miscellaneous income	1.16	13.97
e)	Foreign currency fluctuation gain (net)	31.98	10.97
	Total	**224.66**	**144.71**

Note : 27
Cost of raw material consumed

Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
Opening stocks (Net provision for obsolescence)	1,049.09	2,416.58
Purchases of material, components & consumables	49,093.12	8,057.23
	50,142.21	**10,473.81**
Less : Closing stocks (Net provision for obsolescence)	10,665.94	1,048.95
Cost of raw material consumed	**39,476.27**	**9,424.86**

Note : 28
Changes in inventories of finished goods,stock-in-trade and work-in-progress

	Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
i)	**Opening stocks**		
	Semi finished goods	4,209.42	2,078.26
	Finished goods	-	2,564.79
	TOTAL (i)	**4,209.42**	**4,643.05**
ii)	**Closing stocks**		
	Semi finished goods	19,375.26	4,209.42
	Finished goods	7,090.86	-
	TOTAL (ii)	**26,466.12**	**4,209.42**
iii)	**(Increase) / Decrease (i - ii)**	**(22,256.70)**	**433.63**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 29
Project Execution Expenses

Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
Survey,Design Installation Expenses	4,426.45	1,465.71
Transportation charges	110.07	41.64
Site admin expenses	142.87	137.93
Project allowance expenses	108.71	12.15
Bulding/labour cess	136.10	144.21
Consultancy charges	151.16	78.60
Travel expenses	221.44	103.40
Hotel accommodation expenses	26.61	21.20
Rent	55.13	32.02
Total	**5,378.54**	**2,036.85**

Note : 30
Employee benefits expense:

Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
Salaries & allowances	2,401.16	1,496.56
Share based payments expense	247.17	126.57
Directors remuneration & allowances	235.25	137.89
Contribution to provident & other funds	98.17	55.05
Gratuity& leave encasment expense	119.46	20.60
Staff welfare expenses	142.60	68.64
Total	**3,243.82**	**1,905.31**

Employee benefit obligations:

Defined contribution plan

Eligible employees of the company receive benefits from a provident fund, which is a defined contribution plan, both the employee and company make monthly contributions to the provident fund plan equal to a specified percentage of the eligible employee’s qualifying salary. The company has no further obligations under the plan beyond its monthly contributions. The company contributed INR 83.04 Lakhs (Previous year INR 48.03 Lakhs) towards provident fund plan during the years ended 31-Mar-26.

Defined benefit Plan

The company provides for gratuity, a defined benefit plan (“Gratuity Plan”) covering eligible employees,the gratuity plan provides a lump sum gratuity payment to eligible employees at retirement or termination of their employment. The amount of the payment is based on the respective employee’s last drawn salary and the years of employment with the company. The company does not provide the facility of leave encashment to its employees. Hence there is no plan for the latter benefits.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(i) Reconciliation of present value of defined benefit obligation

Particulars	31 March 2026	31 March 2025
Defined benefit obligation at the beginning of the year	121.87	91.66
Current service cost	52.14	12.78
Past Service Cost	-	-
Interest cost	8.32	5.90
Benefits paid	(0.78)	(16.90)
Actuarial (gain)/ loss on obligations	83.09	28.42
Present value of obligation as at the end of the year	**264.64**	**121.87**

(ii) Reconciliation of fair value of plan asset

Particulars	31 March 2026	31 March 2025
Fair value of plan assets, beginning of the year	89.52	75.68
Interest on plan assets	6.61	3.97
Employer contribution	15.00	22.69
(Expenses)/income	(0.29)	2.59
Benefits paid	(0.78)	(16.90)
Return on plan assets excluding interst income	-	-
Remeasurement due to - actual return on plan assets less interest on plan assets	0.65	1.49
Fair value of plan assets, at the end of the year	**110.71**	**89.52**

(iii) Reconciliation of present value of defined benefit obligation and fair value of plan assets

Particulars	31 March 2026	31 March 2025
Fair value of plan assets	110.71	89.52
Present value of obligation	264.64	121.87
Liability recognised in the Balance Sheet	**(153.93)**	**(32.35)**
Non -Current	59.44	12.22
Current	94.49	20.13
	153.93	**32.35**

(iv) Expenses recognised in the statement of profit and loss /OCI.

Particulars	31 March 2026	31 March 2025
Recognised in statement of profit and loss		
Current service cost	52.14	12.78
Interest Cost	1.71	1.94
	53.85	**14.72**
Recognised in statement of other comprehensive income		
Actuarial loss/(gain)	82.44	26.93
	82.44	**26.93**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(v) Key actuarial assumptions

Particulars	31 March 2026	31 March 2025
Discount rate	6.96%	6.85%
Retirement age	60 Years	60 Years
Salary escalation rate	6.00%	4.00%
Withdrawal (Attrition) rate	Age 18-30: 30%; Age 31-40: 2%; Age 41 & above: 2%	Age 18-30: 30%; Age 31-40: 2%; Age 41 & above: 2%
Mortality rate	Indian Assured Lives Mortality (IALM) 2012-14 Ultimate	Indian Assured Lives Mortality (IALM) 2012-14 Ultimate

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

(vi) Maturity profile of defined benefit obligation:[valued on undiscounted basis]

Particulars	31 March 2026	31 March 2025
Within 1 year	22.55	3.59
2 to 5 years	32.87	49.31
6 to 10 years	135.80	91.76
More than 11 years	314.16	273.18

(vii) Sensitivity Analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The result of sensitivity analysis for a 1% increase/decrease of following assumptions, in the amount of defined benefit obligation is given as under:

Particulars	31 March 2026		31 March 2025	
	Decrease	Increase	Decrease	Increase
Change in discounting rate	275.26	255.03	131.50	113.46
Change in salary growth rate	230.40	305.29	111.88	132.68
Change in attrition rate	267.80	283.62	122.09	121.79
Change in mortality rate	274.98	279.32	121.96	121.88

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(viii) Share based payments

Particulars	Employee Stock option Scheme 2023
Approval of shareholders	23rd August, 2024
Administration	Nomination and Remuneration committee of the board of directors
Eligibility	The committee determines which eligible employees will receive options
Number of equity shares reserved under the scheme	1,50,000
Number of equity shares per option	1
Vesting period	1-3 years
Excersice period	within 2 years from the date of last vesting
Excersice price determination	The nomination and remuneration committee will determines the price on the date of approving of the grant

ix. The fair values of the option were determined using a black scholes model.Where relevant, the expected life used in the model has been adjusted based on management's best estmiate for the effects of non-transferability, exercise restrictions, and behavioural considerations. Expected volatility is based in the historical share price volatility over the past 5-6 years

Note : 31
Finance costs

Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
Interest on bank borrowings	779.34	290.86
Interest on vehicle loans	4.38	3.31
Interest - others (includes interest on directors loans)	1,761.16	165.42
Bank charges & commission	243.56	88.44
Other borrowing cost	26.63	143.90
Total	**2,815.07**	**691.94**

Note : 32
Depreciation and amortization expense

Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
Depreciation on tangible assets	412.45	282.13
Amortisation on intangible assets	169.77	0.65
Total	**582.22**	**282.78**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 33
Other Expenses

Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
Electricity charges	104.44	78.85
Security charges	57.67	48.95
Rates and taxes	71.51	68.40
Printing and stationery	25.60	5.33
Insurance	76.20	41.92
Repairs and maintenance	-	-
a) Buildings	197.68	32.58
b) Others	147.02	92.72
Postage, telephone and courier	25.33	14.85
Travelling and conveyance	139.99	90.88
Professional & consultancy fees	162.04	319.45
Directors sitting fees	21.60	45.60
Business promotion	33.96	15.39
Loss on foreign currency transactions and translation (net)	-	-
Miscellaneous expenses(General expenses)	18.94	11.34
Provision for doubtful debts (Lifetime expected credit loss)	180.69	78.63
Provision for warranties	1,376.60	407.55
Loss on sales of an asset	-	0.16
Sundry balances write off	-	2.44
Tender expenses	-	139.96
Payment to auditor*:		
For Statutory audit	11.00	6.50
For Tax audit	2.00	2.00
For Others	1.30	3.79
Total	**2,653.56**	**1,507.29**

Note :34
Amount Transferred to Capital Expenditure

Particulars	For the year ended 31 March 2026	For the year ended 31 March 2025
Employee benefits expense	(124.97)	(236.14)
Purchase material	(225.29)	(175.02)
Total	**(350.26)**	**(411.16)**

The above amount represents directly attributable employee benefit and material costs incurred towards the construction and development of internally generated Plant and Equipment and Intangible Assets under Development. In accordance with the recognition and measurement principles prescribed under Ind AS 16 and Ind AS 38, such expenditure has been capitalised as part of the cost of the respective assets and presented separately as “Expenditure Capitalised” in the Statement of Profit and Loss.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 35

Earnings per Equity Share

Basic and diluted Earnings per Share [EPS] computed in accordance with Ind AS 33 "Earnings per Share":

Basic EPS amounts are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the period/year.

Diluted EPS amounts are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the period/year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

Particulars		31 March 2026	31 March 2025
Basic earnings per share			
Net profit after tax (₹ in Lakhs)	**(A)**	**8,833.63**	**5,023.69**
Weighted average umber of equity Shares Outstanding	(B)	1,67,71,910	1,67,59,422
Basic EPS (₹)	(A/B)	**52.71**	**29.98**
Diluted earnings per share			
Net profit after tax (₹ in Lakhs)	**(A)**	**8,833.63**	**5,023.69**
Weighted average number of equity shares outstanding	(B)	1,67,71,910	1,67,59,422
Effect of dilution			
-Weighted average number of potential equity shares on account of employee stock options	(C)	1,164	15,663
Weighted average number of equity shares adjusted for the effect of dilution	**(D=B+C)**	**1,67,73,073**	**1,67,75,085**
Diluted EPS(₹)	(A/D)	**52.71**	**29.95**
Face value per share (₹)		**10**	**10**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 36

Disclosure of related parties/related party transactions pursuant to Ind AS 24 “Related Party Disclosures”:

(a) List of related parties over which control exist and status of transactions entered during the year:

Sr. No.	Name of the Party	Nature of relationship	Transaction entered during the year (Yes/No)
1	Avant-Garde Info Systems Inc, USA	Wholly Owned Subsidiary [WOS]	Yes
2	Kernex TCAS JV	Controlled Entity (Subsidiary)	Yes
3	Kernex VRRC JV [a]	Controlled Entity (Subsidiary)	Yes
4	Kernex BHEPL JV [b]	Joint Operations	No
5	VRRC Kernex CE RVR JV	Joint Operations	Yes

[a] Incorporated on September 17, 2025

[b] Incorporated on March 07, 2026

(b) Name of key management personnel and close member of their family with whom transactions were carried out during the year:

(i) Executive Director:

Sr.No.	Name
1	Sreelakshmi Manthena [a]
2	Sitarama Raju Manthena
3	Badari Narayana Raju Manthena

(ii) Non-executive / Independent Directors:

Sr.No.	Name
1	R Sreenivasa Rao (ceased w.e.f. 29-09-2024)
2	K Soma Sekhara Rao (ceased w.e.f. 29-09-2024)
3	A V S Krishna Mohan (ceased w.e.f. 07-02-2025)
4	Narender Kumar (ceased w.e.f. 30-09-2024)
5	Rao Seshagiri Adabala (w.e.f. 06-09-2024)
6	Ayyagari Viswanadha Sarma (w.e.f. 06-09-2024)
7	Dinakara Rao Pasupuleti (w.e.f. 30-09-2024)
8	Anji Raju Manthena
9	Janardhana Reddy Vinta

(iii) Company secretary & Compliance Officer

Sr.No.	Name
1	Prasada Rao Kalluri

(iv) Chief Financial Officer

Sr.No.	Name
1	Pamidi Srikanth

[a] Non-Executive Director up to 23.05.2025; Managing Director w.e.f. 23.05.2025.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(iv) Close member of Key Management Personnel's (KMP's) family with whom transactions were carried out during the year:

Sr.No.	Name
1	Alluri Sita Rama Raju Manthena

(v) Joint Arrangement Participants and Related Entities

Sr.No.	Name
1	Venkata Ramireddy Construcitons (VRRC)
2	Bharat heavy engineering Private Limited
3	Likhil Infra Private Limited
4	Charvitha Enterprizes
5	R Venkata reddy
6	Vasista Constructions

c) Disclosure of related party transactions:

Sr.No.	Nature of transaction/relationship/major parties	31 March 2026	31 March 2025
i	**Managerial Remuneration**		
	Sitarama Raju Manthena	67.22	47.95
	Sreelakshmi Manthena	124.06	63.00
	Badari Narayana Raju Manthena	70.35	49.94
	Pamidi Srikanth	44.47	37.90
	Prasada Rao Kalluri	29.94	21.10
	Alluri Sita Rama Raju Manthena	21.17	17.88
ii	**Directors' sitting fees ***		
	Dr Anji Raju Manthena	3.60	6.00
	Janardhana Reddy Vinta	2.40	4.20
	Sreelakshmi Manthena	1.20	5.40
	Narender Kumar	-	2.40
	R Sreenivasa Rao	-	5.40
	K Soma Sekhara Rao	-	6.60
	A V S Krishna Mohan	-	3.12
	Ayyagari Viswanadha Sarma	5.40	4.80
	Rao Seshagiri Adabala	5.40	4.80
	Dinakara Rao Pasupuleti	3.60	3.00

* Note: Tbe above excludes reimbursements Travelling & conveyance Expenditure.

Sr.No.	Nature of transaction/relationship/major parties	31 March 2026	31 March 2025
iii	**Sale of goods/contract revenue & services**		
	Avant-Garde Info Systems Inc, USA	-	1.83
	Kernex TCAS JV	212.57	420.00
	VRRC Kernex CE RVR JV	1,725.15	944.30
	Kernex - VRRC JV	61.41	

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

iv	**Interest Income**		
	Kernex TCAS JV	53.67	88.06
v	**Interest Expense**		
	Anji Raju Manthena	-	22.48
	Janardhana Reddy Vinta	3.89	8.48
	Badari Narayana Raju Manthena	0.60	2.40
	Likhil Infra Private Limited	-	16.54
	Bharat Heavy Engineering Private limited	13.02	
vi	**Purchases**		
	Avant-Garde Info Systems Inc, USA	-	376.95
	Bharat Heavy Engineering Private limited	975.21	-
vii	**Reimbursement of Expenses**		
	Anji Raju Manthena	10.91	15.39
	Sreelakshmi Manthena	10.91	5.88
	Janardhana Reddy Vinta	9.18	6.40
	A V S Krishna Mohan	-	0.12
viii	**Project Execution Expenses**		
	Venkata Ramireddy Construcitons (VRRC)	215.00	295.00
ix	**Advances**		
	Venkata Ramireddy Construcitons (VRRC)	-	104.27
	Avant-Garde Info Systems Inc, USA	91.49	-
x	**Others**		
	Kernex TCAS JV	226.68	19.75
	Likhil Infra Private Limited	-	995.00
	Likhil Infra Private Limited	-	1,016.65
	Kernex TCAS JV	620.00	-
	Badari Narayana Raju Manthena	16.94	6.73
	Dr Anji Raju Manthena	-	161.17
	Vinta Janardhana Reddy	50.00	-
	Kernex TCAS JV	213.00	17.00
(d)	**Balance receivable / (payable):**		
(i)	**Trade payables**		
	Vinta Janardhana Reddy	14.37	61.70
	Badari Narayana Raju Manthena	-	16.41
	Avant-Garde Info Systems Inc, USA	(91.49)	72.24
(ii)	**Trade Receivables**		
	Kernex TCAS JV	36.55	409.98
	Kernex VRRC JV	71.23	-

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

	Remuneration Payable		
	Sitarama Raju Manthena	15.02	1.67
	Badari Narayana Raju Manthena	0.28	1.52
	Pamidi Srikanth	1.65	1.04
	Prasada Rao Kalluri	1.21	1.44
	M A Sitarama Raju	1.29	0.67
	Sreelakshmi Manthena	7.58	-
(iii)	**Director sitting fee's payable**		
	Dr Anji Raju Manthena	6.45	5.88
	Janardhana Reddy Vinta	7.73	6.08
	Sreelakshmi Manthena	25.18	29.14
	Narender Kumar	-	2.61
(iv)	**Reimbursment Expenses Payable**		
	Sitarama Raju Manthena	0.99	1.41
	Badari Narayana Raju Manthena	3.38	0.15
	Pamidi Srikanth	0.26	0.40
	Prasada Rao Kalluri	0.35	0.19
	Alluri Sita Rama Raju Manthena	-	3.01
(v)	**Advances to customers**		
	Kernex TCAS JV	637.87	575.89

Note 37 :Segment information

"In accordance with Ind AS 108, Operating Segments Reporting, the Company's chief operating decision maker ("CODM") has been identified as the board of directors. The company is engaged in the manufacture and sale of Safety Systems and Software services for railways. The Company has business operations mainly in India, Egypt and USA. The Company is a public limited Company incorporated and domiciled in India. Based on the Company's business model, manufacture and sale of Safety Systems and Software services for railways have been considered as a single business segment for the purpose of making decision on allocation of resources and assessing its performance. Accordingly, there are no separate reportable segments in accordance with the requirements of Ind AS 108 'Operating segment' and hence, there are no additional disclosures to be provided other than those already provided in the Financials Statements. Presently, the Company's operations are confined only to India. There are individual customer contributing more than 10% of Company's total revenue. All non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets of the Company are located in India."

Note 38 : Capital Management

The company manages its capital to ensure that it will be able to continue as going concern while creating value for share holders by facilitating the meeting of long term and short term goals of the Company. The company determines the amount of capital required on the basis of annual business plan and five year's corporate plan coupled with long term and short term strategic investment and expansion plans. The Company monitors the capital structure on the basis of net debt to equity ratio on a periodical basis.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 39

Disclosure pursuant to Ind AS 107 "Financial Instruments: Disclosures":

Categories of Financial instruments and their fair values:

The carrying amount of all financial assets and financial liabilities appearing in the financial statements are reasonable approximation of their fair values.

Categories of financial instruments

	Fair value hierarchy	As at 31 March 2026		As at 31 March 2025	
		Total carrying value	Amortised cost	Total carrying value	Amortised cost
Financial assets					
Trade Receivables	-	31,626.15	31,626.15	2,364.92	2,364.92
Cash and Cash Equivalents	-	145.91	145.91	1,502.12	1,502.12
Other Bank Balances	-	2,554.31	2,554.31	1,930.59	1,930.59
Other Financial Assets	-	286.52	286.52	816.14	816.14
		34,612.88	**34,612.88**	**6,613.77**	**6,613.77**
Financial liabilities					
Borrowings	-	16,172.36	16,172.36	3,984.49	3,984.49
Trade payables	-	44,256.15	44,256.15	2,049.99	2,049.99
Other financial liabilities	-	2,391.60	2,391.60	1,127.35	1,127.35
		62,820.11	**62,820.11**	**7,161.83**	**7,161.83**

The Management assessed that fair value of cash and cash equivalents, trade receivables, other current financial assets, trade payables, borrowings and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or a liquidation sale.

Note :40

Financial risk management objectives and policies

Financial Risk Management

The Company is exposed to various financial risks arising from its operations and the use of financial instruments. The key financial risks include market risk, credit risk and liquidity risk. The Company's risk management policies are established to identify and analyse the risks faced by the Company and seek to, where appropriate, minimize potential impact of the risk and to control and monitor such risks. The Company's risk management is coordinated by the Board of Directors and focuses on securing long term and short term cash flows. The Company does not engage in trading of financial assets for speculative purposes.

The following sections provide details regarding the Company's exposure to the financial risks associated with financial instruments held in the ordinary course of business and the objectives, policies and processes for management of these risks.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

A.Credit risk

The Company's customer base primarily comprises Government entities, Indian Railways, joint ventures, and reputed private sector customers engaged in infrastructure and railway signalling projects. Accordingly, the Company's exposure to credit risk is considered relatively low. The average execution cycle of the Company's projects generally ranges from 12 to 36 months, depending on the nature and complexity of the contracts. The standard payment terms under such contracts typically include mobilisation advances, milestone-based or progress-based payments, and retention amounts, which are released upon completion of contractual obligations or against submission of bank guarantees, wherever applicable. The Company has established a comprehensive monitoring and review mechanism for trade receivables and contract assets at various levels within the organisation to ensure timely recovery and effective management of credit risk.

(i) The Company is making provisions on trade receivables based on Expected Credit Loss (ECL) model. The reconciliation of ECL is disclosed in Note [10]

(ii) Trade receivable written off during the year but still enforceable for recovery amounts is Nill (previous year: Nil)

(iii) The Company held cash and cash equivalents of INR 145.90 Lakhs at 31 March 2026 (Previous year INR 1502.12 Lakhs). This includes the cash and cash equivalents held with the bank and the cash on hand with the company.

B. Liquidity risk

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

Management monitors rolling forecasts of the Company's liquidity position (comprising the undrawn borrowing facilities) and cash and cash equivalents on the basis of expected cash flows.

The company has obtained fund and non-fund based working capital loans from banks. The borrowed funds are generally applied for company's own operational activities.

Maturities of financial liabilities:

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

As at 31 March 2026	Carrying value in books	Up to 1 year	1 - 5 years	More than 5 year	Total contractual undiscounted cash flow
Other non current liabilities (excluding deferred tax)	1,928.76	1,928.76	-	-	1,928.76
Current borrowings	16,172.36	16,172.36	-	-	16,172.36
Trade payables	37,680.98	37,644.69	36.29	-	37,680.98
Other financial liabilities	2,391.60	2,391.60	-	-	2,391.60
Other payables	468.95	468.95	-	-	468.95
	58,642.66	**58,606.37**	**36.29**	**-**	**58,642.66**

As at 31 March 2025	Carrying value in books	Up to 1 year	1 - 5 years	More than 5 year	Total contractual undiscounted cash flow
Other non current liabilities (excluding deferred tax)	470.81	470.81	-	-	470.81
Current borrowings	3,984.49	3,984.49	-	-	3,984.49
Trade payables	1,631.12	1,553.32	77.80	-	1,631.12
Other financial liabilities	1,127.35	1,127.35	-	-	1,127.35
Other payables	264.95	264.95	-	-	264.95
	7,478.72	**7,400.92**	**77.80**	**-**	**7,478.72**

C.Market risk

‘Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings, deposits, trade receivables and other financial instruments.

‘The sensitivity analyses in the following sections relate to the position as at March 31, 2026 and March 31, 2025. The analysis exclude the impact of movements in market variables on the carrying values of gratuity and other post retirement obligations; provisions; and non-financial assets and liabilities.

(i) Foreign currency risk:

‘Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company’s foreign exchange exposure primarily arises from its foreign operations and transactions denominated in foreign currencies, including foreign currency revenues and expenses. However, the Company’s exposure to fluctuations in foreign exchange rates is minimal, as it does not have any significant foreign currency receivables or payables as at the reporting date.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

The foreign currency exposures as of 31 March 2026 were as follows

Particulars	USD	Egyptian Pound
Assets		
Cash and bank balances	1.27	0.01
Trade receivables	1.40	59.04
Other assets	2.19	5.56
	4.86	**64.61**
Liabilities		
Trade payables	-	-
Other liabilities	2.74	46.19
	2.74	**46.19**

The foreign currency exposures as of 31 March 2025 were as follows

Particulars	USD	Egyptian Pound
Assets		
Cash and bank balances	0.36	1.60
Trade receivables	3.83	59.04
Other assets	2.71	5.63
	6.90	**66.27**
Liabilities		
Trade payables	-	-
Other liabilities	4.67	27.62
	4.67	**27.62**

Sensitivity analysis

A reasonably possible strengthening (weakening) of the Indian Rupee against US dollars and Egyptian Pounds at March 31 would have affected the measurement of financial instruments denominated in US dollars and Egyptian Pounds and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant and ignores any impact of forecast sales and purchases.

Particulars 31 March 2026	Profit or loss		Equity net of tax	
	Strengthening	**Weakening**	**Strengthening**	**Weakening**
1% movement				
US Dollar	0.02	(0.02)	-	-
Egyptian Pounds	0.18	(0.18)	-	-

Particulars 31 March 2025	Profit or loss		Equity net of tax	
	Strengthening	**Weakening**	**Strengthening**	**Weakening**
1% movement				
US Dollar	0.02	(0.02)	-	-
Egyptian Pounds	0.38	(0.38)	-	-

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(ii) Interest rate risk:

Interest rate risk can be either fair value interest rate risk or cash flow interest rate risk. Fair value interest rate risk is the risk of changes in fair values of fixed interest bearing investments because of fluctuations in the interest rates. The company's exposure to the risk of changes in the market interest rate relates primarily to the company's long term debt obligations with floating interest rates. The company's interest rate exposure is mainly related to variable interest rates debt obligations. The Company manages the liquidity and fund requirements for its day to day operations like working capital, suppliers/buyers credit.

Exposure to interest rate risk:

Company's interest rate risk arises from borrowings. Borrowings issued at fixed rates exposes to fair value interest rate risk. The interest rate profile of the company's interest-bearing financial instruments as reported to the management of the Company is as follows.

Particulars	31 March 2026	31 March 2025
Floating rate instruments		
Financial Liabilities - measured at amortised cost		
Working capital facilities from bank	14,412.38	3,589.47
Fixed rate instruments		
SBI-Term Loan	-	-
Vehicle loans	27.46	50.18
Unsecured loans from directors	33.18	99.99
Inter corporate deposits	1,725.15	259.68
Others	12.95	12.95
Total	**16,211.12**	**4,012.26**

Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

The risk estimates provided assume a change of 25 basis points interest rate for the interest rate benchmark as applicable to the borrowings summarised above. This calculation assumes that the change occurs at the balance sheet date and has been calculated based on risk exposures outstanding as at that date assuming that all other variables, in particular foreign currency exchange rates, remain constant. The period end balances are not necessarily representative of the average debt outstanding during the period.

Cash flow sensitivity (net)	Profit or loss	
	25 bp increase	25 bp decrease
31 March 2026		
Variable rate loan instruments	36.03	(36.03)
31 March 2025		
Variable rate loan instruments	8.97	(8.97)

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note :41

Capital risk management

Capital includes equity capital and all reserves attributable to the equity holders of the Company. The primary objective of the capital management is to ensure that it maintain an efficient capital structure and healthy capital ratios in order to support its business and maximise shareholder's value. The Company manages its capital structure and make adjustments to it, in light of changes in economic conditions or its business requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders return capital to shareholders or issue new shares.

The Company monitors capital using a debt to capital employed ratio which is debt divided by total capital plus debt. The Company's policy is to keep this ratio at an optimal level.

Particulars	31 March 2026	31 March 2025
Total borrowings	16,211.12	4,032.26
Less: Cash and cash equivalents & other bank balances	145.91	1,502.12
Net debt	**16,065.21**	**2,530.14**
Total Equity	24,742.30	15,730.99
Capital and net debt	40,807.51	18,261.13
Net debt to equity ratio (%)	**39.37%**	**13.86%**

Note: 42

Additional information pursuant to Schedule III to the Companies Act, 2013 for the year ended 31-3-2026:

Name of the entity	Net Assets, i.e., total assets minus total liabilities		Share in profit or (loss)		Share in Other comprehensive income		Share in Total comprehensive income	
	As % of consolidated net assets	Amount (₹ lakhs)	As % of consolidated profit or loss	Amount (₹ lakhs)	As % of consolidated Other comprehensive income	Amount (₹ lakhs)	As % of consolidated Total comprehensive income	Amount (₹ lakhs)
Parent company								
Kernex Microsystems (India) Limited	98.10%	24,272.53	96.31%	8,498.79	93.38%	(61.69)	96.33%	8,437.10
Indian Subsidiaries (Controlled Entities)								
Kernex TCAS JV	1.33%	328.89	2.50%	220.97	0.00%	-	2.52%	220.97
Kernex VRRC JV	0.29%	70.85	0.68%	60.03	0.00%	-	0.69%	60.03
Foreign Subsidiaries								
Avant Garde Info-Systems Inc.	0.28%	70.02	0.50%	44.50	6.62%	(4.37)	0.46%	40.13
Total Subsidiaries	**100.00%**	**24,742.29**	**100.00%**	**8,824.30**	**100.00%**	**(66.07)**	**100.00%**	**8,758.23**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

Note : 43
Ratios as per the Schedule III requirements

Particulars	Numerator	Denominator	31 March 2026	31 March 2025	% Change	Reason for Variance
(i) Current Ratio	Current assets	Current liabilities	1.31	2.35	-44.23%	(a)
(ii) Debt-Equity Ratio	Total Debt	Shareholder's equity	0.66	0.26	155.61%	(b)
(iii) Debt Service Coverage Ratio	Earnings for debt service = Net profit after taxes + Non-cash operating expenses like depreciation and other amortizations Interest & other adjustments like gain on disposal of property, plant and equipment, etc	Debt service = Interest & Lease Payments + Principal Repayments	4.51	8.37	-46.16%	
(iv) Return on Equity Ratio	Net profits after taxes	Average shareholder's equity	43.47%	37.84%	14.87%	
(v) Inventory Turnover Ratio	Cost of goods sold	Average inventory	1.25	2.29	-45.48%	(c)
(vi) Trade Receivables turnover ratio	Net credit Sales = Gross credit sales - sales return	Average trade receivables	2.53	13.23	-80.87%	(d)
(vii) Trade Payables turnover ratio	Net credit Purchases = Gross credit purchases - purchase returns	Average trade payables	2.16	4.79	-54.82%	(e)
(viii) Net Capital Turnover Ratio	Net Sales = Total sales - sales return	Working capital = current assets - current liabilities	2.11	1.88	11.90%	
(ix) Net profit ratio	Net profit	Net Sales = Total sales - sales return	20.51%	26.37%	-22.23%	
(x) Return on Capital employed	Earnings before interest and taxes	Capital employed = Tangible net worth + Total debts + deferred tax liability	8.92%	11.47%	-22.19%	(f)

Reason for Variances:

(a) The decrease in the current ratio is mainly attributable to a significant increase in trade payables and current borrowings during the year in connection with increased business operations and project execution activities, which exceeded the growth in current assets.

(b) The increase in the Debt-Equity Ratio is mainly attributable to the significant increase in borrowings during the year to support business expansion and project execution activities, which outpaced the growth in shareholders' equity.

(c) The decrease in the Inventory Turnover Ratio is mainly attributable to higher average inventory maintained during the year in anticipation of increased production and future sales, while the corresponding consumption of inventory did not increase proportionately.

(d) The Trade Receivables Turnover Ratio decreased primarily due to a substantial increase in the average trade receivables during the year, which exceeded the growth in credit sales. Consequently, the ratio declined compared to the previous year.

(e) The Trade Payables Turnover Ratio decreased primarily due to a significant increase in the average trade payables during the year, which exceeded the growth in purchases and other operating expenses, resulting in a lower turnover ratio compared to the previous year.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(f) The Net Profit Ratio decreased primarily because revenue from operations increased at a higher rate than net profit after tax. Further, the current year includes a normal tax expense, whereas the previous year had a net tax credit, primarily on account of deferred tax, which resulted in a comparatively higher net profit margin in the previous year.

(g) The Return on Capital Employed (Pre-cash) increased primarily due to a significant improvement in EBIT during the year, which outpaced the increase in capital employed, resulting in higher returns on the capital employed.

Note :44

The Government of India has consolidated the existing labour legislations into a unified framework comprising four Labour Codes, namely, the Code on Wages, 2019, the Code on Social Security, 2020, the Industrial Relations Code, 2020, and the Occupational Safety, Health and Working Conditions Code, 2020 (collectively referred to as the “New Labour Codes”). The Ministry of Labour and Employment has also issued draft rules and related clarifications to facilitate the assessment of the financial impact arising from the implementation of these codes.

The Company has evaluated the implications of the New Labour Codes, including the related clarifications issued by the Institute of Chartered Accountants of India (ICAI). Based on such assessment, the Company has recognized the impact arising from the implementation of the New Labour Codes in the financial statements. Management believes that the Company is in compliance with the applicable requirements of the New Labour Codes and has appropriately accounted for the consequential impact in the financial statements.

Note :45

Other Significant Matters

(a) Konkan Railway Arbitration

The Company is involved in arbitration proceedings with Konkan Railway Corporation Limited (KRCL) in respect of contractual dues amounting to ₹1,518.00 lakhs. The arbitration proceedings are currently in progress. Further, following the unsuccessful conclusion of conciliation proceedings in respect of additional outstanding dues of ₹518.00 lakhs, the Company is in the process of initiating arbitration proceedings. Based on management’s assessment of the contractual position and recoverability, a provision of ₹2,036.00 lakhs has been recognised in the financial statements.

(b) Recoverability of Assets and Estimation Uncertainty

The carrying amounts of trade receivables, contract assets, income tax receivables and balances recoverable from government authorities involve significant management judgement and estimates regarding their recoverability. These estimates are based on facts and circumstances existing as at the reporting date, historical experience, contractual terms and other relevant factors. Actual outcomes may differ from these estimates due to future events and uncertainties.

Accordingly:

(i) Recoverability of income tax receivables (TDS) amounting to ₹512.28 lakhs (Previous year: ₹521.66 lakhs) is dependent upon the completion of pending assessment proceedings.

(ii) Balances recoverable from government authorities amounting to ₹4,194.50 lakhs (Previous year: ₹912.96 lakhs), comprising primarily input tax credit under the Goods and Services Tax (GST) regime, are subject to verification, assessment and adjustment by the respective authorities.

(iii) Contract assets (unbilled revenue) amounting to ₹163.46 lakhs (Previous year: ₹183.46 lakhs) are subject to customer certification and acceptance in accordance with the terms of the respective contracts.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(iv) Trade receivables amounting to ₹31,598.36 lakhs (Previous year: ₹1,900.79 lakhs) are subject to customer acceptance of contractual deliverables, settlement of performance claims and counterclaims, completion of contractual milestones and the Company's continued execution of the underlying customer contracts.

Management has assessed the recoverability of these balances based on the available information and believes that the carrying amounts are recoverable.

Note:46

Corporate Social Responsibility :

The Company is covered under the provisions of Section 135 of the Companies Act, 2013. The average net profit computed in accordance with Section 198 of the Act for the three immediately preceding financial years is negative. Accordingly, the Company's CSR obligation under Section 135(5) of the Act for the year ended 31 March 2026 is Nil.

As there was no CSR obligation during the year, no CSR expenditure has been recognised in the Statement of Profit and Loss and no provision or liability exists as at the reporting date.

Note :47

Additional Disclosures:

(i) The title deeds of all immovable properties disclosed in the financial statements are held in the name of the Company as at March 31, 2026 and March 31, 2025.

(ii) The Company has not revalued its Property, Plant and Equipment during the years ended March 31, 2026 and March 31, 2025.

(iii) The Company does not have any transactions with struck off companies.

(iv) The Company has not entered into any scheme of arrangement which has an accounting impact on current period.

(v) The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Company shall:

a) Directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

b) Provide any guarantee, security or the like on behalf of the Ultimate Benefit carries.

(vi) The Company has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall:

a) Directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or

b) Provide any guarantee, security or the like to or on behalf of the Ultimate Benefit carries.

(vii) No proceedings have been initiated on or are pending against the Company for holding benami property under the Benami Transactions Prohibition) Act, 1988 (45 of 1988) and Rules made thereunder.

(viii) The Company have not been declared wilful defaulter by any bank or financial institution or government or any government authority.

(ix) The Company has complied with the number of layers prescribed under the Companies Act, 2013.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in ₹ Lakhs, except share data and where otherwise stated)

(xi) The Company has not traded or invested in crypto currency or virtual currency during the current period.

(xii) The Company has been sanctioned working capital limits in excess of ₹5 crores from banks on the basis of security of current assets. Quarterly statements of current assets are submitted to the banks in accordance with the terms of the sanction letters. Certain statements submitted during the year were not in agreement with the books of account.

(xiii) There are no charges or satisfaction which are yet to be registered with the registrar of companies beyond the statutory period.

(xiv) The Company has not granted any loans or advances in the nature of loans to promoters, directors, KMPs and the related parties (as defined under the Act), either severally or jointly that are (a) repayable on demand or (b) without specifying any terms or period of repayment.

Note :48

The company has used accounting software for maintaining its books of account that has a feature of recording audit trail (edit log). Based on our examination, which included test checks, we have observed that the Company has used accounting software for maintaining its books of account with the audit trail (edit log) facility enabled, and such feature has operated throughout the relevant period for all transactions recorded in the software. Further, during the course of our examination, we did not come across any instance of the audit trail feature being tampered with, and the audit trail records have been preserved by the Company in accordance with the applicable requirements relating to record retention.

Note :49

No significant subsequent events has bee observed which may require an adjustment/disclosure to the restated financial statement.

Note :50

Previous year figures have been re-grouped/re-classified wherever necessary. The impact of the same is not material to the users of the standalone financial statements.

As per our report of even date attached

FOR NSVR & ASSOCIATES LLP
Chartered Accountants
Firm Regn No. 008801S/S200060

Sd/-
V Gangadhara Rao N
Partner
Membership No: 219486
UDIN: **26219486RXFCVF6768**

Hyderabad
29-05-2026

"For And On Behalf Of The Board Of Directors of Kernex Microsystems (India) Limited"

Sd/-
Sreelakshmi Manthena
Managing Director
DIN : 07996443

Sd/-
Badari Narayana Raju Manthena
Whole Time Director
DIN : 07993925

Sd/-
Sitarama Raju Manthena
Whole Time Director
DIN : 08576273

Sd/-
Pamidi Srikanth
Chief Financial Officer

Sd/-
Prasada Rao Kalluri
Company Secretary