

February 12, 2007

Kernex Microsystems India Ltd.

CMP - Rs. 172 NSE Symbol - KERNEX BSE Code -532686

Kernex Microsystems India Ltd. (Kernex) is engaged in the business of manufacturing, installing and maintaining of anti-collision systems as well as conceptualizing, designing, and developing certain railway safety and signal systems for Konkan Railways Corporation Ltd. These safety and signal systems are suitable for medium to low speed & density railway tracks like in India and other developing countries.

The company entered into technology partnership with Konkan Railway Corporation Ltd, for design, engineering and development of Anti-Collision Devices (ACDs) for providing safety to trains in Railways. The company holds exclusive license for manufacturing, installation, commissioning and maintenance of anti-collision systems in India. The company is also a technology partner for the development and implementation of Auto Driving Devices (ADDs) for Metro Sky-Bus Urban Transportation System, Advanced Railway Signal Systems and other safety systems. We hold the exclusive marketing rights of ACD systems all over the world except India.

Financials

The latest financials of the company are given as under :-

QUARTERLY - LATEST RESULTS - Kernex Microsystems (India) Ltd (Curr: Rs in Cr.)

Particulars	Quarter Ended (Dec 06)	Quarter Ended (Dec 05)	Quarter Ended (% Var)	YTD / Lates t Half (Dec 06)	YTD / Lates t Half (Dec 05)	YTD / Latest Half (% Var)	Year Ended (Mar 06) (12)	Year Ended (Mar 05) (12)	Year Ended (%Var)
Sales	5.56	8.78	-36.7	17.52	30.36	-42.3	36.73	52.48	-30
Other Income	1.58	0.17	829.4	4.61	0.41	1024.4	1.61	0.65	147.7
PBIDT	3.32	3.32	0	10.48	13.45	-22.1	15.22	16.85	-9.7
Interest	0.51	0.33	54.5	1.36	0.56	142.9	1.42	0.99	43.4
PBDT	2.81	2.99	-6	9.12	12.89	-29.2	13.8	15.86	-13
Depreciation	0.79	0.28	182.1	1.35	0.82	64.6	1.1	1.27	-13.4
PBT	2.02	2.71	-25.5	7.77	12.07	-35.6	12.7	14.59	-13
Tax	0.82	0.93	-11.8	2.11	4.04	-47.8	4.29	5.84	-26.5
Deferred Tax	0	0	-	0.17	0	0	-0.17	-0.23	26.1
PAT	1.2	1.78	-32.6	5.49	8.03	-31.6	8.58	8.98	-4.5

(Source: Capitaline)

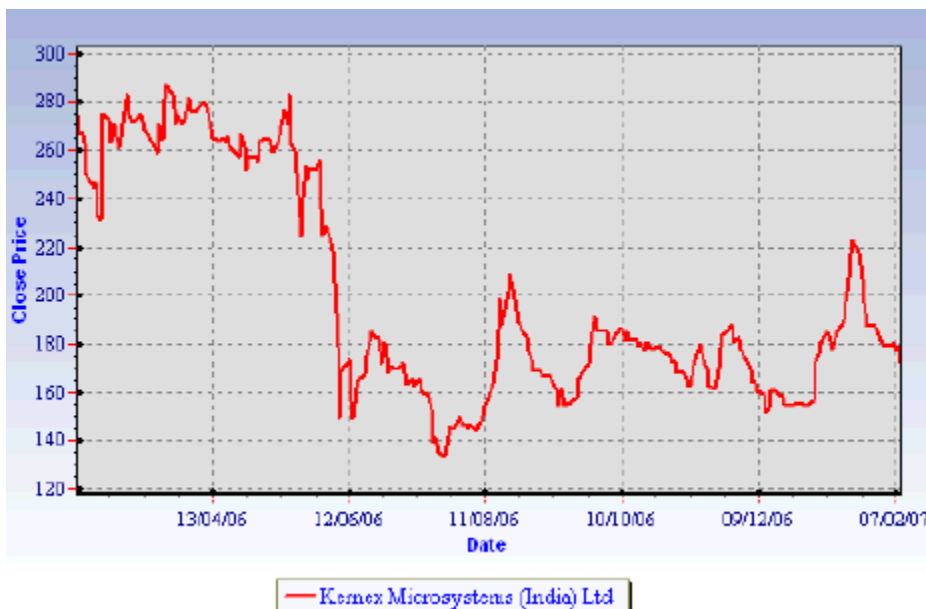
**Latest Data As On
09/02/2007**

Latest Equity(Subscribed) 11.36

Latest Reserve	109.69
Latest Bookvalue -Unit Curr.	106.56
Latest EPS -Unit Curr.	5.33
Latest Market Price -Unit Curr.	172.45
Latest P/E Ratio	32.35
52 Week High -Unit Curr.	303.85
52 Week High-Date	3/8/2006
52 Week Low -Unit Curr.	131.1
52 Week Low-Date	7/24/2006
Market Capitalisation	195.9
Stock Exchange	BSE
Dividend Yield -%	0.87

(Source: Capitaline)

The stock price chart is given below :-



(Source: Capitaline)

Conclusion

Kernex is the sole manufacturer of Anti Collision Devices in India and holds exclusive marketing rights of ACDs all over the world, except India. Kernex developed this product after five years of R&D and testing and hold the unique distinction of being the only technology company in India manufacturing and supplying ACDs to Konkan Railways, who are the agency deploying the same for the Indian Railways.

The business has significant entry barriers due to non-availability of domain knowledge and long lead time for development and testing of the product.

The Government of India has emphasized the requirement of modernization of railways with emphasis on minimization of rail accidents. The plan aims to totally eliminate rail collisions by installation of Anti Collision Devices. Kernex being the sole manufacturer of ACDs, this augurs well for Kernex.

The company is also actively exploring opportunities in the International markets in

view of the Company's product being cost effective and having advanced technological features and functional suitability. The Company has appointed marketing agents in Indonesia and USA for Latin America and North America and is also exploring the markets in Pakistan, Iran, Turkey and African countries through Middle East. The company is also participating in various exhibitions abroad for promotion and marketing of its products.

The current financials have been lackluster on account of rescheduling of railway orders - the delay may be a dampener for its stock price over the short term - for the long term though the business potential of the company remains good.

Investors can choose to accumulate the stock with a long term perspective