

SRL Diagnostics Private Limited

Standalone Financial Statements

Statutory Audit for the period ended 31 March 2019

B S R & Co. LLP

Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Members of SRL DIAGNOSTICS PRIVATE LIMITED

Report on the Audit of Standalone Financial Statements

Qualified Opinion

We have audited the standalone financial statements of SRL Diagnostics Private Limited (hereinafter referred to as "the Company"), which comprise the standalone balance sheet as at March 31, 2019, the standalone statement of profit and loss (including other comprehensive income), standalone statement of change in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, and except for the effects / possible effects, if any, of the matters described in "Basis for Qualified Opinion" paragraphs of our report, 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 accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, of its profit, total comprehensive income, cash flows and changes in equity for the year ended on that date.

Basis for Qualified Opinion

The matters stated below were also subject matter of qualification in predecessor auditor's audit opinion on the standalone financial statements as at 31 March 2018 and for the year ended on that date:

As explained in Note 44 of the standalone financial statements, pursuant to certain events/ transactions, the erstwhile Audit and Risk Management Committee (the "ARMC") of the Fortis Healthcare Limited ("the Parent Company") had initiated an independent investigation by an external legal firm and special audits by professional firms on matters relating to systematic lapses/override of internal controls as described in Note 44 of the standalone financial statements. The report has since been submitted and is subject to the limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their Investigation report.

Additionally, different regulatory authorities are currently undertaking their own investigations, details of which are described in Note 44 and 45 of the standalone financial statements and are stated below:

- SEBI has initiated an investigation in respect of the various issues. On 17 October, 2018, 21 December 2018 and 19 March 2019, SEBI passed Orders ("Orders") and further investigations by regulatory authorities is continuing. In its Orders, SEBI observed that certain inter-corporate deposits ("ICDs") made by Fortis Hospitals Limited ("FHsL"), (a wholly owned subsidiary of the Parent Company), with certain identified entities were so structured that they seem to be prima facie fictitious and fraudulent in nature resulting, in inter alia, diversion of funds from the Fortis Group for the ultimate benefit of erstwhile promoters (and certain entities controlled by them) resulting in a misrepresentation in the financial statements of the Fortis Group in earlier period. Further, SEBI issued certain directions inter alia directing the Parent Company and FHsL to take all necessary steps to recover Rupees 40,300 lacs



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along with the due interest from erstwhile promoters and various other entities, as mentioned in the Orders. It has also directed erstwhile promoter and the said entities to repay the sums due. The aforesaid ICDs were fully provided for in the books as at 31 March 2018. SEBI, in its Orders also directed erstwhile promoters and the said entities that pending completion of investigation and till further order, they shall not dispose of or alienate any of their assets or divert any funds, except for the purposes for meeting expenses of day to day business operations, without the prior permission of SEBI. Erstwhile promoters have also been directed not to associate themselves with the affairs of the Parent Company in any manner whatsoever, till further directions. The initial directions issued by SEBI have been confirmed by SEBI in their order dated 19 March, 2019.

- Serious Fraud Investigation Office (SFIO), Ministry of Corporate Affairs, under section 217(1)(a) of the Companies Act, 2013, inter alia, has initiated an investigation and has been seeking information in relation to the Parent Company, its material subsidiaries, joint ventures and associates to which as informed to us the Parent Company and the Company have responded.

Since, the investigation and enquiries carried out by regulators as aforesaid are currently ongoing, need for additional procedures/ enquiries, if any, and an overall assessment of the impact of the investigations on the standalone financial statements of the Company is yet to be concluded.

Based on investigations carried out by an external legal firm, Orders by SEBI and other information available currently, as per the management all identified/required adjustments/ disclosures arising from the findings in the Investigation Report and the Orders by SEBI, were made in the standalone financial statements of the Company for the year ended 31 March 2018.

No additional adjustments/ disclosures were required to be made in the standalone financial statements for the year 31 March 2019 in respect of the above.

As explained in Note 36 and 44(d) of the standalone financial statements, related party relationships prior to loss of control of erstwhile promoters/directors in the year ended 31 March 2018 were identified by the management taking into account the information available with the management and including the findings and limitations in the Investigation Reports. In this regard, specific declarations from the erstwhile directors/promoters, especially considering the substance of the relationship rather than the legal form, were not available. Therefore, possibility cannot be ruled out that there may be additional related parties of erstwhile promoters/directors whose relationships may not have been disclosed to the Company and, hence, not known to the Management.

Further, as explained in Note 46 of the standalone financial statements, a Civil Suit was filed by a third party against various entities including the Company relating to "Fortis, SRL and La-Femme" brands. The Parent Company has received four demand notices aggregating to Rupees 25,344 lacs in respect to this Civil Suit. Allegations made by third party has been duly responded to by the Parent Company denying (i) execution of any binding agreement with the third party; and (ii) liability of any kind whatsoever. Based on legal advice of external legal counsel, the Management believes that the claims are without legal basis and not tenable. The matter is currently sub-judice.

Due to the ongoing nature of the various regulatory inquiries/investigations, we are unable to comment on the adjustments/ disclosures which may become necessary as a result of further findings of the ongoing regulatory investigations on the standalone financial statements including completeness/accuracy of the related party transactions which relate to or which originated before 31 March 2018, the regulatory non-compliances, if any, and the consequential impact, if any, on the standalone financial statements.

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities 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 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 thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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 Company's Annual report, but does not include the standalone financial statements and our auditors' 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 in the 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.

Management's Responsibility 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 in terms of the requirements of the Act that give a true and fair view of the state of affairs, profit/ loss and other comprehensive income, statement of changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (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 the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone 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, the management and Board of Directors of the Company 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is 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 auditors' 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 control 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 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparation of standalone financial statements 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 standalone financial statements 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 auditors' 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 represent the underlying transactions and events in a manner that achieves fair presentation.

We believe that except as stated in the "Basis for Qualified Opinion" paragraphs, the audit evidence obtained by us is sufficient and appropriate to provide a basis for our qualified audit opinion on 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 control 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.

Other Matter

The comparative financial information for the year ended 31 March 2018 prepared in accordance with Ind AS included in these standalone financial statements were audited by the predecessor auditor who expressed a qualified opinion thereon as per their report dated 6 July 2018.

Our report on the financial statements is not modified in respect of this matter.



Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, which is subject to the effects/ possible effects of the matters described in the "Basis for Qualified Opinion" paragraphs of our Audit Report and the material weakness described in the "Basis for Qualified Opinion" paragraph in our separate Report on the Internal Financial Controls with reference to financial statements.
2. A. As required by Section 143(3) of the Act, based on our audit we report, to the extent applicable, that:
 - a) We have sought and, except for the matters described in the "Basis for Qualified Opinion" paragraphs above, 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 standalone financial statements.
 - b) Except for the effects/ possible effects of the matters described in the "Basis for Qualified Opinion" paragraphs above, in our opinion, proper books of account as required by law have been kept so far as it appears from our examination of those books.
 - c) The standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the books of account.
 - d) Except for effects/ possible effects of the matters described in the "Basis for Qualified Opinion" paragraphs above, in our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under section 133 of the Act.
 - e) The matters described in the "Basis for Qualified Opinion" paragraphs, in our opinion, may have an adverse effect on the functioning of the Company.
 - f) On the basis of the written representations received from the directors of the Company as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.
 - g) The qualification relating to maintenance of accounts and other matters connected therewith are as stated in the "Basis for Qualified Opinion" paragraphs above.
 - h) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- B. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - a) Except for the effects/ possible effects of matters described in the "Basis for Qualified Opinion" paragraphs above, the Company has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its standalone financial statements - Refer Note 39 to the standalone financial statements;
 - b) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.



- c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
- d) The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in the financial statements since they do not pertain to the financial year ended 31 March 2019.

C. With respect to the matter to be included in the Auditor's report under section 197(16):

According to the information and explanations given to us, no remuneration to any director has been paid during the current year by the Company.



Place: Gurugram
Date: 23 May 2019

For **BSR & Co. LLP**

Chartered Accountants

Registration Number: 101248W/W-100022

A handwritten signature in black ink, appearing to read "Pravin Tulsyan".

Pravin Tulsyan

Partner

Membership No: 108044

Annexure A to the Independent Auditors' report on the standalone financial statements of SRL Diagnostics Private Limited for the year ended 31 March 2019

(Referred to in paragraph (1) under 'Report on Other Legal and Regulatory Requirements' section of our Audit Report of even date and except for the effects/possible effects of the matters described in the "Basis for Qualified Opinion" paragraphs of our Audit Report and the material weakness described in the "Basis for Qualified Opinion" in our separate Report on the Internal Financial Controls with reference to financial statements)

- (i) (a) According to the information and explanations given to us, the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets (Property, plant and equipment).
- (b) According to the information and explanations given to us, the Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, the discrepancies noticed on such verification were not material and have been properly adjusted in the books of account.
- (c) According to the information and explanations given to us and on the basis of our examination of the books of account, the title deeds of immovable properties of land and buildings which are freehold, are held in the name of the Company.
- (ii) According to the information and explanations given to us, the inventories have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. As informed to us, no material discrepancies were noticed on such physical verification.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 during the current year.
- (b) According to the information and explanations given to us, the schedule of repayment of principal and payment of interest has been stipulated in respect of loans granted in earlier years and repayments or receipts of principal amounts and interest have been as per the terms.
- (c) According to the information and explanations given to us, there are no loans remaining outstanding as at the year-end.
- (iv) Except for the effects/ possible effects of the matters described in Basis for Qualified Opinion section of the Audit Report, in our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits during the year under the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013. Accordingly, paragraph 3(v) of the Order is not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under sub section (1) of section 148 of the Companies Act, 2013 in respect of its services and are of the opinion that, prima facie, the prescribed



accounts and records have been made and maintained. However, we have not made a detailed examination of such records with a view to determine whether they are accurate or complete.

- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and services tax, duty of customs, cess and other material statutory dues have been regularly deposited during the year with the appropriate authorities. As explained to us, the Company did not have any dues on account of sales-tax, value added tax, duty of excise and service tax.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, goods and services tax, cess and other material statutory dues were in arrears as at 31 March 2019 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, except as stated below, there are no dues of income-tax, sales tax, service tax, duty of customs, duty of excise, value added tax and goods and services tax which have not been deposited by the Company with the appropriate authorities on account of disputes:

Name of Statute	Nature of the dues	Period to which the amount relates	Amount (Rupees in lakhs)	Forum where dispute is pending
Income Tax Act, 1961	Dispute with regard to consultation fees paid to doctors considered as referral fee and certain other disallowances.	AY 2013-14 - 2016-17	10,131.09*	CIT (Appeals)
Income Tax Act, 1961	Dispute with regard to tax deduction under section 194J instead of section 192B (classification).	AY 2016-17	159.18*	CIT (Appeals)

* Net of Rupees 3,187.95 lakhs paid under protest.

- (viii) According to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to its banks. The Company did not have any outstanding dues to debenture holders and loans or borrowings from financial institutions or government during the year.
- (ix) According to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3(ix) of the Order is not applicable.
- (x) As explained in Note 44 of the Standalone Financial Statements:
- (a) At this juncture the Board is unable to make a determination on whether a fraud has occurred on the Company in respect of the matters covered in the investigation by the external legal firm, considering the limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their Investigation Report.



- (b) Various regulatory authorities are currently undertaking their own investigation (refer Note 45 of the Standalone Financial Statements), and it is likely that they may make a determination on whether any fraud or any other non-compliance/ illegalities have occurred in relation to the matters addressed in the Investigation Report.

Subject to the above, and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

- (xi) According to the information and explanations given to us, no managerial remuneration has been paid/ accrued in the current year.
- (xii) According to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) Except for the effects / possible effects of the matter described in Basis for Qualified Opinion section, transactions with related parties are in compliance with sections 177 and 188 of the Act, where applicable, and the details of such transactions have been disclosed in the standalone financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us, and based on 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, paragraph 3(xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.



Place: Gurugram
Date: 23 May 2019

For B S R & Co. LLP
Chartered Accountants
Registration Number: 101248W/W-100022

A handwritten signature in black ink, appearing to read "Pravin Tulsyan".

Pravin Tulsyan
Partner
Membership No: 108044

Annexure B to the Independent Auditor's report on the standalone financial statements of SRL Diagnostics Private Limited for the year ended 31 March 2019.

Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph (2)(A)(h) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Qualified Opinion

We have audited the internal financial controls with reference to the standalone financial statements of SRL Diagnostics Private Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, except for the effects/ possible effects of the material weakness described below on the achievement of the objectives of the control criteria, to the best of our information and according to the explanations given to us, the Company has, in all material respects, adequate internal financial controls with reference to standalone financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to 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 (the "Guidance Note").

We have considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the Standalone Financial Statements of the Company for the year ended 31 March 2019 and this material weakness has, inter alia, affected our opinion on the said Standalone Financial Statements and we have issued a qualified opinion on the said Standalone Financial Statements.

Basis for Qualified Opinion

As explained in "Basis for Qualified Opinion" paragraphs of our Main Audit Report on the standalone financial statements for the year ended 31 March 2019, pursuant to certain events/transactions in earlier years, the erstwhile Audit and Risk Management Committee (the "ARMC") of the Parent Company had initiated an independent investigation by an external legal firm and special audits by professional firms on matters relating to systemic lapses and override of controls. The report has since been submitted and is subject to limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their Investigation report. Further, the investigation by different regulatory authorities in these matters is still ongoing and an overall assessment of the impact of the investigations is yet to be concluded. Pending final outcome of the regulatory investigations and enquiries, completeness of identification of deficiencies cannot be ascertained.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.



Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to standalone financial statements based on the criteria established by the Company considering the essential components of internal control stated in the Guidance Note. 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 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 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to 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 financial statements were established and maintained and whether 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 financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, 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 standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained (including the written representations by the Management which was taken on record by the Board of Directors) is sufficient and appropriate to provide a basis for our qualified audit opinion on the Company's internal financial controls system with reference to financial statements.

Meaning of Internal Financial controls with Reference to Standalone Financial Statements

A company's internal financial controls with reference to 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 controls with reference to financial statements include 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 authorisations 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 with Reference to standalone Financial Statements

Because of the inherent limitations of internal financial controls with reference to 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 financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



Place: Gurugram
Date: 23 May 2019

For **BSR & Co. LLP**
Chartered Accountants
Registration Number: 101248W/W-100022

A handwritten signature in black ink, appearing to read "Pravin Tulsyan".

Pravin Tulsyan
Partner
Membership No: 108044

SRL DIAGNOSTICS PRIVATE LIMITED
BALANCE SHEET AS AT 31 MARCH 2019

	Notes	As at 31 March 2019 (Rupees in Lakhs)	As at 31 March 2018 (Rupees in Lakhs)
ASSETS			
Non-current assets			
(a) Property, plant and equipment	3	5,079.59	4,821.28
(b) Capital work-in-progress	3	-	17.49
(c) Goodwill	4	1,167.52	1,167.52
(d) Other intangible assets	4	2,665.23	3,466.09
(e) Investment in joint ventures	5	950.88	950.88
(f) Financial assets			
(i) Loans	6	527.50	546.24
(ii) Other financial assets	7	6.60	5.74
(g) Deferred tax assets (net)	8	401.27	659.40
(h) Non-current tax assets (net)	8A	1,541.14	1,292.33
(i) Other non-current assets	9	3,219.94	1,809.30
Total non-current assets		15,559.67	14,736.27
Current assets			
(a) Inventories	10	575.17	738.61
(b) Financial assets			
(i) Trade receivables	11	1,370.51	1,327.70
(ii) Cash and cash equivalents	12	2,511.82	1,145.05
(iii) Loans	13	-	1,900.00
(iv) Other financial assets	14	160.18	181.51
(c) Other current assets	15	115.62	102.33
Total current assets		4,733.30	5,395.20
Total assets		20,292.97	20,131.47
EQUITY AND LIABILITIES			
EQUITY			
(a) Equity share capital	16	395.82	395.82
(b) Other equity		2,913.71	175.29
Total equity		3,309.53	571.11
LIABILITIES			
Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	18	12,300.00	13,800.00
(ii) Other financial liabilities	19	1,031.40	1,224.47
(b) Provisions	20	400.24	376.86
(c) Other non-current liabilities	21	-	131.66
Total non-current liabilities		13,731.64	15,532.99
Current liabilities			
(a) Financial liabilities			
(i) Borrowings	22	-	510.44
(ii) Trade payables	23		
- Total outstanding dues of micro enterprises and small enterprises		12.23	1.41
- Total outstanding dues of creditors other than micro enterprises and small enterprises		1,317.55	1,246.28
(iii) Other financial liabilities	24	1,562.76	1,931.32
(b) Other current liabilities	25	189.02	187.02
(c) Provisions	26	170.23	150.90
Total current liabilities		3,251.80	4,027.37
Total liabilities		16,983.44	19,560.36
Total equity and liabilities		20,292.97	20,131.47

See accompanying notes forming part of the financial statements

1-46

In terms of our report attached

For **B S R & Co. LLP**
Chartered Accountants

Pravin Tulsyan
Partner
Membership Number: 108044



Gurugram
Date : 23 May 2019

For and on behalf of the Board of Directors
SRL Diagnostics Private Limited

Arindam Halder
Director
DIN: 07714950

Saurabh Chadha
Director
DIN: 05119073

Gurugram
Date : 23 May 2019



SRL DIAGNOSTICS PRIVATE LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Year ended 31 March 2019 (Rupees in Lakhs)	Year ended 31 March 2018 (Rupees in Lakhs)
Revenue from operations	27	28,322.02	27,920.48
Other income	28	247.46	651.33
Total Income		28,569.48	28,571.81
Expenses			
Cost of materials consumed	29	5,317.42	5,595.84
Cost of tests outsourced		845.22	854.93
Employee benefits expense	30	4,367.16	4,192.28
Finance costs	31	1,934.74	2,247.85
Depreciation and amortisation expense	32	1,856.92	1,970.53
Other expenses	33	10,063.59	10,439.23
Total expenses		24,385.05	25,300.66
Profit before tax		4,184.43	3,271.15
Tax expense			
Current tax (net)	34	1,473.06	1,066.28
Deferred tax credit	8	8.67	(24.77)
Total tax expenses		1,481.73	1,041.51
Profit for the year		2,702.70	2,229.64
Other comprehensive income			
Items that will not be reclassified to profit or loss			
(i) Remeasurements of the defined benefit plans	40	23.73	22.73
(ii) Income tax relating to items that will not be reclassified to profit or loss	8	(8.29)	(7.87)
Total other comprehensive income		15.44	14.86
Total comprehensive income for the year		2,718.14	2,244.50
Earnings per equity share			
Basic (in Rs.)	35	68.28	56.33
Diluted (in Rs.)	35	68.28	56.33
See accompanying notes forming part of the financial statements	1-46		

In terms of our report attached

For **BSR & Co. LLP**
Chartered Accountants

Pravin Tulsyan
Partner
Membership Number: 108044



Gurugram
Date : 23 May 2019

For and on behalf of the Board of Directors
SRL Diagnostics Private Limited

Arindam Halder
Director
DIN: 07714950

Saurabh Chadha
Director
DIN: 05119073



Gurugram
Date : 23 May 2019

SRL DIAGNOSTICS PRIVATE LIMITED
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Year ended 31 March 2019 (Rupees in Lakhs)	Year ended 31 March 2018 (Rupees in Lakhs)
A Cash flows from operating activities			
Profit before tax		4,184.43	3,271.15
Adjustments for :			
Depreciation and amortisation expense	32	1,856.92	1,970.53
Interest income earned on bank deposits	28	(110.83)	(319.10)
Dividend income from equity instruments	28	-	(100.00)
Profit on disposal of property, plant and equipment and intangible assets (net)	28	(8.03)	(98.86)
Liabilities/ provisions no longer required written back	27	(87.57)	(145.26)
Expense recognised in respect of equity settled share based payments	30	11.28	-
Expected credit loss allowance	33	18.20	178.88
Provision for doubtful deposit and advances	33	11.39	-
Finance costs	31	1,934.74	2,247.85
Operating profit before changes in following assets and liabilities		7,810.53	7,005.19
Decrease/ (Increase) in loans		10.43	(0.03)
Decrease/ (Increase) in inventories		163.44	(51.59)
(Increase) in trade receivables		(61.01)	(313.85)
(Increase) in other assets		(1,477.88)	(1,409.56)
(Increase)/Decrease in other financial assets		(30.49)	130.55
Increase in provisions		66.44	106.83
Increase in trade payables		169.66	279.43
(Decrease)/Increase in other financial liabilities		38.76	(171.45)
(Decrease) in other liabilities		(129.66)	(195.05)
Cash generated from operations		6,560.22	5,380.47
Income taxes paid		(1,480.70)	(588.21)
Net cash flow from operating activities		5,079.52	4,792.26
B Cash flows from investing activities			
Dividend income from equity instruments	28	-	100.00
Repayment received of Inter-corporate deposits		1,900.00	-
Proceeds from redemption of investment in joint venture		-	225.00
Interest received on inter-corporate deposits		51.82	233.50
Balances held with bank as margin money		(0.86)	7.35
Interest received on fixed deposits		107.75	34.82
Payments for purchase of property, plant and equipment and intangible assets		(1,504.77)	(1,691.36)
Proceeds from disposal of property, plant and equipment		65.92	173.65
Net cash flow used in investing activities		619.86	(917.04)
C Cash flows from financing activities (refer note 17)			
Repayment of borrowings		(1,500.00)	(2,400.00)
Finance cost paid		(2,322.17)	(1,851.42)
Net cash flow used in financing activities		(3,822.17)	(4,251.42)
Net decrease in cash and cash equivalents [A+B+C]		1,877.21	(376.20)
Cash & cash equivalents at the beginning of the year		634.61	1,010.81
Cash & cash equivalents at the end of the year	12	2,511.82	634.61

Note:

During the year, the Company paid Rs. 51.58 lakhs (31 March 2018 Rs. 3.98 lakhs) towards corporate social responsibility expenditure (refer note 41).

See accompanying notes forming part of the financial statements

1-46

In terms of our report attached

For **B S R & Co. LLP**
Chartered Accountants

Pravin Tuisyan
Partner
Membership Number: 108044



Gurugram
Date : 23 May 2019

For and on behalf of the Board of Directors
SRL Diagnostics Private Limited

Arindam Haldar
Director
DIN: 07714950

Saurabh Chadha
Director
DIN: 05119073



Gurugram
Date : 23 May 2019

SRL DIAGNOSTICS PRIVATE LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

Particular	Equity			Other equity		Total
	Equity share capital	Deemed equity contribution *	Retained earnings **	Deemed equity contribution *	Retained earnings **	
Balance as at 1 April 2017	395.82	-	(2,069.21)	-	(1,673.39)	
Profit for the year	-	-	2,229.64	-	2,229.64	
Other comprehensive income (net of income tax)	-	-	14.86	-	14.86	
Total comprehensive income for the year	-	-	2,244.50	-	2,244.50	
Balance as at 31 March 2018	395.82	-	175.29	-	571.11	
Financial guarantee and employee stock options granted by Holding Company	-	20.28	-	-	20.28	
Profit for the year	-	-	2,702.70	-	2,702.70	
Other comprehensive income (net of income tax)	-	-	15.44	-	15.44	
Total comprehensive income for the year	-	20.28	2,718.14	-	2,738.42	
Balance as at 31 March 2019	395.82	20.28	2,893.43	-	3,309.53	

* Includes financial guarantee given by holding company for cash credit facility taken from bank and employee stock option granted by holding company to employees of the Company (refer note 30)

** Retained earnings are the accumulated profits earned by the company till date.

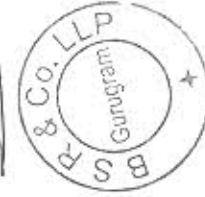
See accompanying notes forming part of the financial statements 1-46

In terms of our report attached

For **B S R & Co. LLP**
Chartered Accountants

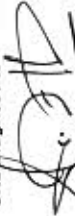


Pravin Tulsyan
Partner
Membership Number: 108044



Gurugram
Date : 23 May 2019

For and on behalf of the Board of Directors
SRL Diagnostics Private Limited



Anandam Halder
Director
DIN: 07714950




Saurabh Chadha
Director
DIN: 05119073

Gurugram
Date : 23 May 2019

SRL DIAGNOSTICS PRIVATE LIMITED
NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS

Note 1. Corporate Information

SRL Diagnostics Private Limited ("the Company" or "SRLDPL") is a public company domiciled in India and incorporated under provisions of the Companies Act, having its registered office at 74, Paschim Marg, Opposite C block market, Vasant Vihar, New Delhi - 110057, India.

The Company, is in the business of establishing, maintaining and managing clinical reference laboratories, to provide testing, diagnostics and prognostics monitoring/ screening tests services. The Company also provides laboratory support services for clinical research studies.

Note 2. Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. The accounting policies adopted are consistent with those of the previous financial year except for changes in revenue recognition due to amendment in applicable accounting guidance (also refer note 2(l)).

(a) Basis of preparation

(i) Statement of compliance

These Standalone Ind AS Financial Statements ("financial statements") have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, ("the Act") and other relevant provisions of the Act.

The financial statements have been authorized for issue by the Company's Board of Directors on 23 May 2019.

(ii) Functional and presentation currency

These financial statements are presented in Indian Rupees (Rs.), which is also the Company's functional currency. All amounts are in Indian Rupees lakhs except share data and per share data, unless otherwise stated.

(iii) Historical cost convention

The financial statements have been prepared under historical cost convention on accrual basis, unless otherwise stated. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(b) Current versus non-current classification

The Company presents assets and liabilities in the Balance Sheet based on current/ non-current classification.

An asset is treated as current when:

- It is expected to be realised or intended to be sold or consumed in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.



SRL DIAGNOSTICS PRIVATE LIMITED
NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS

The Company classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities respectively.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle for the purpose of current-non-current classification of assets and liabilities.

(c) Critical estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes.

- Leasing arrangement (classification and accounting) – Note 2 (q)
- Financial instruments - Note 2 (g)
- Fair value measurement – Note 2 (d)
- Estimated impairment of financial assets and non-financial assets – Note 2 (f,g)
- Recognition and measurement of contingency: Key assumption about the likelihood and magnitude of an outflow of resources – Note 2 (j)
- Recognition and estimation of tax expense including deferred tax– Note 2 (p)
- Assessment of useful life and residual value of property, plant and equipment and intangible asset – Note 2 (e)
- Estimation of assets and obligations relating to employee benefits (including actuarial assumptions) – Note 2 (m)
- Share-based payments – Note 2 (n)

(d) Measurement of fair values

A number of the accounting policies and disclosures require measurement of fair values, for both financial and non-financial assets and liabilities. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:



SRL DIAGNOSTICS PRIVATE LIMITED
NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has an established control framework with respect to the measurement of fair values. This includes a finance team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(e) Property, plant and equipment (PPE) and intangible assets

(i) Property, plant and equipment

Freehold land is carried at cost. All other items of property, plant and equipment are stated at cost, which includes capitalized finance costs, less accumulated depreciation and any accumulated impairment loss. The cost of an item of Property, Plant and Equipment comprises its purchase price, including import duties and other non-refundable taxes or levies, freight, any directly attributable cost of bringing the asset to its working condition for its intended use and estimated cost of dismantling and restoring onsite; any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Advances paid towards acquisition of property, plant and equipment outstanding at each Balance Sheet date, are shown under other non-current assets and cost of assets not ready for intended use before the year end, are shown as capital work-in-progress.

(ii) Intangible assets

- Internally generated goodwill is not recognised as an asset. With regard to other internally generated intangible assets:
 - Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Statement of Profit and Loss as incurred.
 - Development expenditure including regulatory cost and legal expenses leading to product registration/ market authorisation relating to the new and/or improved product and/or process



SRL DIAGNOSTICS PRIVATE LIMITED
NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS

development capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and directly attributable finance costs (in the same manner as in the case of tangible fixed assets). Other development expenditure is recognised in the Statement of Profit and Loss as incurred.

- Intangible assets that are acquired are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less accumulated amortization (for finite lives intangible assets) and any accumulated impairment loss. Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates.
- The cost of goodwill acquired in the nature of purchase is carried at cost. The goodwill is not amortised and tested for impairment annually or more frequently when there is indication that it may be impaired.
- The cost of trademark acquired in the nature of purchase is their fair value as at the date of acquisition. Following initial recognition, trademarks are carried at cost less accumulated amortisation and accumulated impairment losses
- Trademarks are amortised on a straight line basis over the estimated useful economic life. The Company uses a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use or the primary period of the business acquisition agreement, whichever is less. Such trademarks are tested for impairment annually, either individually or at the cash- generating unit level.

(iii) Depreciation and amortization methods, estimated useful lives and residual value

Depreciation is provided on straight line basis on the original cost/ acquisition cost of assets or other amounts substituted for cost of fixed assets as per the useful life specified in Part 'C' of Schedule II of the Act, read with notification dated 29 August 2014 of the Ministry of Corporate Affairs, except for certain classes of fixed assets which are depreciated based on the internal technical assessment of the management. The details of useful life are as under:

Asset	Management estimate of Useful life	Useful life as per Schedule II
Plant and equipment- Pathology	13 years	10 years
Plant and equipment- Imaging	10 years	10 years
Building	60 years	60 years
Office equipments	5- 8 years	5 years
Furniture and fixtures	10 years	10 years
Furniture and fixtures- signage	5 years	10 years
Motor vehicles	6 to 8 years	6 to 8 years
Computers	3 years	3 years



SRL DIAGNOSTICS PRIVATE LIMITED
NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS

Freehold land is not depreciated.

Leasehold improvements are depreciated over the period of the lease or 5 years (which is the expected useful life), whichever is shorter.

Estimated useful lives of the intangible assets are as follows:

Category of assets	Management estimate of Useful Life
Software	3 years
Trademarks	5- 10 years

Depreciation and amortization on property, plant and equipment and intangible assets added/ disposed off during the year has been provided on pro-rata basis with reference to the date/month of addition/disposal.

Depreciation and amortization methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

The Company uses a rebuttable presumption that the useful life of trademarks will not exceed ten years from the date when the asset is available for use or the primary period of the business acquisition agreement, whichever is less.

(iv) Derecognition

A property, plant and equipment and intangible assets is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Losses arising from retirement and gains or losses arising from disposal of a tangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss.

(f) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Company's non-financial assets other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets that do not generate independent cash inflows (i.e. corporate assets) are grouped together into cash-generating units (CGUs). Each CGU represents the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of a CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any



SRL DIAGNOSTICS PRIVATE LIMITED
NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS

goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets of the CGU (or group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not subsequently reversed. In respect of other assets for which impairment loss has been recognized in prior periods, the Company reviews at reporting date whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Financial instrument

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

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVPL)
- Equity instruments measured at fair value through other comprehensive income (FVOCI)

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if the asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss. This category generally applies to trade and other receivables.



SRL DIAGNOSTICS PRIVATE LIMITED
NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS

Debt instrument at FVOCI

A 'debt instrument' is classified as at the FVOCI if the objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and the asset's contractual cash flows represent SPPI.

Debt instruments included within the FVOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified to the Statement of Profit and Loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVPL

FVPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVOCI, is classified as at FVPL. In addition, at initial recognition, the Company may irrevocably elect to designate a debt instrument, which otherwise meets amortised cost or FVOCI criteria, as at FVPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instruments included within the FVPL category are measured at fair value with all changes recognised in the Statement of Profit and Loss.

Equity investments

Equity investments in subsidiaries, jointly controlled entities and associates are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in such entities, the difference between net disposal proceeds and the carrying amounts are recognized in the Statement of Profit and Loss.

All other equity investments which are in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVPL. For all other equity instruments in scope of Ind AS 109, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the Statement of Profit and Loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss to retained earnings.

Equity instruments included within the FVPL category are measured at fair value with all changes recognised in the Statement of Profit and Loss.



SRL DIAGNOSTICS PRIVATE LIMITED
NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS

Impairment of financial assets

The Company recognizes loss allowance using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all financial assets with contractual cash flows other than trade receivable, ECLs are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of ECL (or reversal) that is required to adjust the loss allowance at the reporting date is recognised as an impairment gain or loss in the Statement of Profit and Loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- 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 either (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.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held for trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in Statement of Profit and Loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in Statement of Profit and Loss. Any gain or loss on derecognition is also recognised in Statement of Profit and Loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.



SRL DIAGNOSTICS PRIVATE LIMITED
NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS

Derivative financial instruments

The Company uses various types of derivative financial instruments to hedge its currency and interest risk etc. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the Balance Sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(h) Inventories

The inventories of materials representing reagents, chemicals and consumables are valued at lower of cost and the net realisable value after providing for obsolescence and other losses, where considered necessary.

The Company uses weighted average method to determine cost for all categories of inventories except for goods in transit which is valued at specifically identified purchase cost. Cost includes all costs of purchase, and other costs incurred in bringing the inventories to their present location and condition inclusive of non-refundable (adjustable) taxes wherever applicable.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. The comparison of cost and net realisable value is made on an item-by-item basis.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purpose of cash flow statement, cash and cash equivalent includes cash in hand, in banks, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts that are repayable on demand and are considered part of the cash management system.

(j) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent liabilities and commitments are reviewed by the management at each balance sheet date.



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(k) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A contract is considered to be onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Company recognises any impairment loss on the assets associated with that contract.

(l) Revenue recognition

Effective April 1, 2018, the Company has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 "Revenue" and Ind AS 11 "Construction Contracts". The Company has adopted Ind AS 115 using the cumulative effect method. The effect of initially applying this standard is recognised at the date of initial application (i.e. April 1, 2018). The standard is applied retrospectively only to contracts that are not completed as at the date of initial application and the comparative information in the statement of profit and loss is not restated – i.e. the comparative information continues to be reported under Ind AS 18 and Ind AS 11. Refer note 2.4 – Significant accounting policies – Revenue recognition in the Annual report of the Company for the year ended March 31, 2018, for revenue recognition policy as per Ind AS 18 and Ind AS 11. The impact of adoption of the standard on the financial statements of the Company is as follows:

Revenue from collection centres of Rs. 490.27 lakhs has been recorded on a gross basis with the corresponding amount paid to collection centres (service charges) of Rs. 118.21 lakhs recorded under the head 'Other expenses'. These were recorded on a net basis in the previous year.

Revenue primarily comprises medical testing charges. Medical testing charges consists of fees received for various tests conducted in the field of pathology and radiology.

Contracts with customers could include promises to transfer multiple services to a customer. The Company assesses the services promised in a contract and identifies distinct performance obligation in the contract. Revenue for each distinct performance obligation is measured to at an amount that reflects the consideration which the Company expects to receive in exchange for those services and is net of tax collected from customers and remitted to government authorities and applicable discounts and allowances including claims. Further, the Company also determines whether the performance obligation is satisfied at a point in time or over a period of time. These judgements and estimations are based on various factors



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including contractual terms and historical experience.

Revenue from Medical tests is recognized as and are recognized on accrual basis when the reports are generated and released to customers, net of discounts, if any.

Revenue includes only those sales for which the Company has acted as a principal in the transaction, takes title to the products, and has the risks and rewards of ownership, including the risk of loss for collection, delivery and returns. Any revenue transaction for which the Company has acted as an agent or broker without assuming the risks and rewards of ownership have been reported on a net basis.

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as other financial assets when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms. Deferred revenue ("contract liability") is recognised as other current liability when there is billings in excess of revenues.

(m) Employee benefits

Short-term employee benefits

All employee benefits falling due within twelve months of the end of the period in which the employees render the related services are classified as short-term employee benefits, which include benefits like salaries, wages, short term compensated absences, performance incentives, etc. and are recognised as expenses in the period in which the employee renders the related service and measured accordingly.

Post-employment benefits

Post-employment benefit plans are classified into defined benefits plans and defined contribution plans as under:

a) **Gratuity**

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount based on the respective employee's salary and the tenure of employment. The liability in respect of gratuity is recognised in the books of account based on actuarial valuation by an independent actuary using the Projected Unit Credit method. The gratuity liability of the Company is funded with Life Insurance Corporation of India.

b) **Provident fund**

(i) The Company's contribution to provident fund is treated as defined contribution plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

(ii) The Company's contribution to the provident fund is charged to Statement of Profit and Loss in the periods during which the related services are rendered by employees.



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Other long-term employee benefits:

As per the Company's policy, eligible leaves can be accumulated by the employees and carried forward to future periods to either be utilised during the service, or encashed. Encashment can be made on retirement including early retirement, on withdrawal of scheme, at resignation and upon death of the employee. Accumulated compensated absences are treated as other long-term employee benefits.

Termination benefits are recognised as an expense when, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Actuarial valuation

The liability in respect of all defined benefit plans and other long term benefits is accrued in the books of account on the basis of actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the Balance Sheet date, having maturity periods approximating to the terms of related obligations.

Remeasurement gains and losses on other long term benefits are recognised in the Statement of Profit and Loss in the year in which they arise. Remeasurement gains and losses in respect of all defined benefit plans arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in other equity in the Statement of Changes in Equity and in the Balance Sheet. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost. Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs. Any differential between the plan assets (for a funded defined benefit plan) and the defined benefit obligation as per actuarial valuation is recognised as a liability if it is a deficit or as an asset if it is a surplus (to the extent of the lower of present value of any economic benefits available in the form of refunds from the plan or reduction in future contribution to the plan).

Past service cost is recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the past service cost is recognised immediately in the Statement of Profit and Loss. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

(n) Share-based payments

The grant date fair value of options granted (net of estimated forfeiture) to employees of the Company is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognized in connection with share based payment transaction is presented as a separate component in equity



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under “share option outstanding account”. The amount recognized as an expense is adjusted to reflect the actual number of stock options that vest. For the option awards, grant date fair value is determined under the option-pricing model (Black-Scholes-Merton). Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures materially differ from those estimates.

Corresponding balance of a share option outstanding account is transferred to general reserve upon expiry of grants or upon exercise of stock options by an employee.

(o) Finance costs

Finance costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Finance cost also includes exchange differences to the extent regarded as an adjustment to the finance costs. Finance costs that are directly attributable to the construction or production or development of a qualifying asset are capitalized as part of the cost of that asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. All other finance costs are expensed in the period in which they occur.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the finance costs eligible for capitalization. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Profit and Loss over the period of the borrowings using the effective interest method. Ancillary costs incurred in connection with the arrangement of borrowings are amortised over the period of such borrowings.

(p) Income tax

Income tax expense comprises current and deferred tax. It is recognised in Statement of Profit and Loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current taxes

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received after considering uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

Deferred taxes

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;



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- temporary differences related to freehold land and investments in subsidiaries, to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets (DTA) include Minimum Alternate Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

(q) Leases

At inception of an arrangement, it is determined whether the arrangement is or contains a lease. If it is a lease arrangement, it is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

The Company accounts for assets taken under lease arrangement in the following manner:

Finance leases

Assets leased by the Company in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Company are classified as finance leases. A finance lease is recognized as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit and Loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. Assets subject to operating leases are included in Property, Plant and Equipment.



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(r) Foreign currency translation

(i) Functional and presentation currency

The functional currency of the Company is the Indian rupee. These financial statements are presented in Indian rupees.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at balance sheet date exchange rates are generally recognised in Statement of Profit and Loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example translation differences on non-monetary assets such as equity investments classified as FVOCI are recognised in other comprehensive income (OCI).

(s) Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated. The company considers all highly liquid investments that are readily convertible to known amounts of cash to be cash equivalents.

(t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The Chief Financing Officer of the Company is responsible for allocating resources and assessing performance of the operating segments and accordingly identified as the chief operating decision maker.

(u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share



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to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

(v) Applicable standards issued but not yet effective

Ministry of Corporate Affairs (“MCA”) through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified the following new and amendments to Ind AS which the Company has not applied as they are effective from April 1, 2019:

Ind AS 116 – Leases

Ind AS 116 will replace the existing leases standard. Ind AS 17 Leases (Ind AS 17) and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lessee accounting model for lessees. A lessee recognises present value of the lease payment (discounted using incremental borrowing rate) as right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments and lease rent expense will be replaced with the amortization of right-of use-asset and interest accrued on lease liability. The standard also contains enhanced disclosure requirements for lessees and will have consequential impact on cash flows categories as well. The new standard substantially carries forward the lessor accounting requirements in Ind AS 17.

The Company will adopt Ind AS 116 effective annual reporting period beginning April 1, 2019 using the modified retrospective approach and elected to measure the right-of -use assets at an amount equal to the lease liability as at the date of initial application.

For nature of lease arrangement as lessee refer note 37 of the financial statements. The Company has completed an initial assessment of the potential impact on its standalone financial statements but has not yet completed its detailed assessment. The quantitative impact of adoption of Ind AS 116 on these financial statements in the period of initial application is not reasonably estimable as at present.

Ind AS 12 – Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Company does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the entity pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when



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there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Company does not expect any significant impact of the amendment on its financial statements.

Ind AS 109 – Prepayment Features with Negative Compensation

The amendments relate to the existing requirements in Ind AS 109 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. The Company does not expect this amendment to have any impact on its financial statements.

Ind AS 19 – Plan Amendment, Curtailment or Settlement

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company does not expect this amendment to have any significant impact on its financial statements.

Ind AS 23 – Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The Company does not expect any impact from this amendment.

Ind AS 28 – Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies Ind AS 109 Financial Instruments, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The Company does not expect any impact from this amendment.

Ind AS 103 – Business Combinations and Ind AS 111 – Joint Arrangements

The amendments to Ind AS 103 relating to re-measurement clarify that when an entity obtains control of a business that is a joint operation, it re-measures previously held interests in that business. The amendments to Ind AS 111 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business. The Company does not currently have joint control of a business that is a joint operation.



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3 Property, plant and equipment	Leasehold improvements	Freehold land	Plant and equipment	Buildings	Computers	Furniture and fixtures	Motor vehicles	Office equipments	Total	(Rupees in Lakhs)
										Work-in-progress
Gross carrying value										
As at 1 April 2017	182.50	5.48	6,313.40	360.32	143.87	108.54	124.27	215.80	7,454.18	4.55
Additions	310.37	-	1,030.76	-	43.96	9.16	52.12	141.17	1,587.54	195.29
Disposals/ Adjustment	-	-	320.80	-	1.40	8.80	12.27	14.21	357.48	182.35
As at 31 March 2018	492.87	5.48	7,023.36	360.32	186.43	108.90	164.12	342.76	8,684.24	17.49
Additions	101.65	-	1,185.22	-	23.14	3.79	7.28	43.97	1,365.05	42.14
Disposals/ Adjustment	2.96	-	130.39	-	3.65	3.08	4.17	6.15	150.40	59.63
As at 31 March 2019	591.56	5.48	8,078.19	360.32	205.92	109.61	167.23	380.58	9,898.89	-
Accumulated Depreciation										
As at 1 April 2017	73.48	-	2,714.70	12.98	74.20	34.63	46.42	89.39	3,045.80	-
Depreciation expense	84.23	-	883.69	6.48	33.13	23.08	21.55	47.69	1,099.85	-
Eliminated on disposal of assets	-	-	253.63	-	0.69	8.37	11.28	8.72	282.69	-
As at 31 March 2018	157.71	-	3,344.76	19.46	106.64	49.34	56.69	128.36	3,862.96	-
Depreciation expense	129.20	-	797.42	6.48	32.12	11.88	19.74	52.02	1,048.86	-
Eliminated on disposal of assets	0.95	-	80.72	-	2.53	1.39	3.22	3.71	92.52	-
As at 31 March 2019	285.96	-	4,061.46	25.94	136.23	59.83	73.21	176.67	4,819.30	-
Net carrying value										
As at 31 March 2018	335.16	5.48	3,678.60	340.86	79.79	59.56	107.43	214.40	4,821.28	17.49
As at 31 March 2019	305.60	5.48	4,016.73	334.38	69.69	49.78	94.02	203.91	5,079.59	-



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4 Goodwill and other intangible assets

(Rupees in Lakhs)

	Goodwill	Softwares	Trademarks	Total
Gross carrying value				
As at 1 April 2017	1,167.52	188.04	5,858.20	6,046.24
Additions	-	79.14	-	79.14
Disposals/ Adjustment	-	-	-	-
As at 31 March 2018	1,167.52	267.18	5,858.20	6,125.38
Additions	-	7.20	-	7.20
Disposals/ Adjustment	-	0.14	-	0.14
As at 31 March 2019	1,167.52	274.24	5,858.20	6,132.44
Accumulated Amortisation				
As at 1 April 2017	-	59.98	1,728.64	1,788.62
Amortisation expense	-	64.66	806.01	870.67
Eliminated on disposal of assets	-	-	-	-
As at 31 March 2018	-	124.64	2,534.65	2,659.29
Amortisation expense	-	68.49	739.57	808.06
Eliminated on disposal of assets	-	0.14	-	0.14
As at 31 March 2019	-	192.99	3,274.22	3,467.21
Net carrying value				
As at April 1, 2017	1,167.52	128.06	4,129.56	4,257.62
As at 31 March 2018	1,167.52	142.54	3,323.55	3,466.09
As at 31 March 2019	1,167.52	81.25	2,583.98	2,665.23

Notes:-

Acquired goodwill includes the excess consideration paid by SRL Diagnostics Private Limited on the net assets of diagnostics businesses acquired by it during previous years.

Goodwill acquired separately are tested for impairment annually at the year-end or more frequently if there are indications that goodwill might be impaired. The Company considers the whole diagnostics business of SRL Diagnostic as a single CGU and hence, the impairment of goodwill acquired separately is tested on total diagnostic business of SRL Diagnostics Private Limited.

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Company made an assessment of recoverable amount of the CGUs based on value-in-use calculations which uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using estimate rates stated below.

Particulars	As at 31 March 2019	As at 31 March 2018
Revenue growth rate for five years	5% - 10%	6% - 11%
Growth rate used for extrapolation of cash flow projections beyond five-year period	4.00%	4.00%
Discount rate	13.00%	13.00%

Management believes that any reasonable possible change in any of these assumptions would not cause the carrying amount to exceed its recoverable amount.

Sales growth rates - Average annual sales growth rate over the five year forecast period is based on past performance, current industry trend, management expectation of market development (including long term inflation forecast).

Discount rates - Management estimates discount rates using pre-tax rates that reflect current market assessments of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and its operating segments and is derived from its weighted average cost of capital (WACC).

Growth rates - The growth rates are based on industry growth forecasts. Management determines the budgeted growth rates based on past performance and its expectations of market development. The weighted average growth rates used were consistent with industry reports.



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	As at 31 March 2019 (Rupees in Lakhs)	As at 31 March 2018 (Rupees in Lakhs)
5. Investments		
Equity investments in joint ventures - at cost		
Unquoted		
250,000 (31 March 2018: 250,000) equity shares of Rs. 10 each, fully paid up in DDRC SRL Diagnostics Private Limited	950.88	950.88
Total aggregate unquoted investments	950.88	950.88
Aggregate carrying value of unquoted investments	950.88	950.88
Aggregate amount of provision for impairment in the value of investments	-	-
6. Loans		
<i>(Unsecured considered good, unless otherwise stated)</i>		
Security deposits		
- considered good	499.80	527.67
- considered doubtful	11.39	-
Less: Allowance for bad and doubtful deposits	(11.39)	-
Loan to employees	27.70	18.57
Total	527.50	546.24
7. Other financial assets		
<i>(Unsecured considered good, unless otherwise stated)</i>		
Balances with banks held as margin money	6.60	5.74
Total	6.60	5.74
8. Deferred tax assets		
Deferred tax asset	430.24	704.52
Deferred tax liability	(28.97)	(45.12)
Total	401.27	659.40

The following is the analysis of deferred tax assets/ (liabilities) presented in the financial statements:

2018-19

	As at 1 April 2018	Recognised in profit or loss	Transfer to Advance tax*	Recognised in other comprehensive income	As at 31 March 2019
Deferred tax asset					
Expenditure allowed on actual payment basis	100.58	(4.05)	-	-	96.53
Expected credit loss allowance	142.10	4.70	-	-	146.80
Provision for doubtful advances	33.80	3.96	-	-	37.76
Provision for lease equalisation	46.65	(46.65)	-	-	-
Provision for gratuity	96.36	9.92	-	(8.29)	97.99
Provision for compensated absences	43.86	7.30	-	-	51.16
MAT credit entitlement	241.17	-	(241.17)	-	-
Total deferred tax asset	704.52	(24.82)	(241.17)	(8.29)	430.24
Deferred tax liability					
Property, plant and equipment and intangible assets	(45.12)	16.15	-	-	(28.97)
Total deferred tax liability	(45.12)	16.15	-	-	(28.97)
Deferred tax asset (Net)	659.40	(8.67)	(241.17)	(8.29)	401.27

2017-18

	As at 1 April 2017	Recognised in profit or loss	Transfer to Advance tax*	Recognised in other comprehensive income	As at 31 March 2018
Deferred tax asset					
Expenditure allowed on actual payment basis	53.50	47.08	-	-	100.58
Expected credit loss allowance	155.31	(13.21)	-	-	142.10
Provision for doubtful advances	18.02	15.78	-	-	33.80
Provision for lease equalisation	52.16	(5.52)	-	-	46.65
Provision for gratuity	70.53	33.70	-	(7.87)	96.36
Provision for compensated absences	45.27	(1.41)	-	-	43.86
MAT credit entitlement	633.24	-	(392.07)	-	241.17
Total deferred tax asset	1,028.03	76.42	(392.07)	(7.87)	704.52
Deferred tax liability					
Property, plant and equipment and intangible assets	6.53	(51.65)	-	-	(45.12)
Total deferred tax liability	6.53	(51.65)	-	-	(45.12)
Deferred tax asset (Net)	1,034.56	24.77	(392.07)	(7.87)	659.40

Deferred Tax has not been recognized on temporary differences in relation to indexation benefit of investment in joint venture and freehold land amounting to Rs. 149.27 Lakhs (31 March 2018: Rs. 137.51 Lakhs) and Rs. 2.29 Lakhs (31 March 2018: 2.17 Lakhs) respectively, as the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in foreseeable future.

*The Company has paid taxes under MAT amounting to Rs. 633.24 lakhs during AY 2013-14, 2014-15 and AY 2017-18. The same has been fully utilised by the Company in books against its tax liability for AY 2018-19 and AY 2019-20. The Company is currently under litigation with income tax department for certain disallowances pertaining to AY 2013-14 and AY 2014-15. Pending closure of these litigations, the Company has currently not utilised the MAT credit in its income tax return for AY 2018-19. The management based on its internal evaluation has assessed low exposure in respect to these litigations (also refer note 39a)



SRL DIAGNOSTICS PRIVATE LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 March 2019 (Rupees in Lakhs)	As at 31 March 2018 (Rupees in Lakhs)
8A. Non-current tax assets (net)		
Advance tax and tax deducted at source*	1,541.14	1,292.33
	1,541.14	1,292.33
*Net of provision for tax	3,836.98	2,363.92
9. Other non-current assets (Unsecured considered good, unless otherwise stated)		
Capital advance	30.76	84.71
Advances other than capital advances		
- Prepaid expenses	-	2.11
- Deposit against cases with income tax authorities (refer note 39(a))	3,189.18	1,722.48
Total	3,219.94	1,809.30
10. Inventories (lower of cost and net realisable value)		
Reagents, chemicals and consumables	575.17	738.61
Total	575.17	738.61
11. Trade receivables (Unsecured considered good, unless otherwise stated)		
Secured, considered good	123.20	107.98
Unsecured, considered good	1,153.28	1,148.43
Unsecured, considered doubtful	420.10	406.72
Less: Expected credit loss allowance	(420.10)	(406.72)
Total	1,276.48	1,256.41
Due from related parties (unsecured considered good, unless otherwise stated) (refer note 36)	94.03	71.29
	1,370.51	1,327.70

Notes: -

- (a) Credit risk arising from trade receivables is managed in accordance with the Company's established policy with regard to credit limits, control and approval procedures. The concentration of credit risk is limited due to the fact that the customer base is large. The Company further limits its credit risk by establishing a maximum credit period of 7 to 90 days for all its customers (other than related parties). There are no customers which represent more than 5% of the total balance of trade receivables.
- (b) In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss towards expected risk of delays and default in collection. The company has used a practical expedient by computing the expected credit loss allowance based on a provision matrix. Management makes specific provision in cases where there are known specific risks of customer default in making the repayments. The provision matrix takes into account historical credit loss experience and adjusted for forward-looking information. The expected credit loss allowance is based on the ageing of the days the receivables are due and the rates as given in the provision matrix. The provision matrix at the end of the reporting period is as follows

	As at 31 March 2019 Expected credit loss (%)	As at 31 March 2018 Expected credit loss (%)
Ageing		
0-1 year	9.51%	13.66%
1-2 years	77.98%	100.00%
2-3 years	72.35%	100.00%
Above 3 Years	91.19%	100.00%
Age of receivables		
0-1 year	1,442.34	1,537.99
1-2 years	165.09	73.80
2-3 years	69.11	58.09
Above 3 Years	114.07	64.54
	1,790.61	1,734.42
Movement in the expected credit loss allowance		
Balance at the beginning of the year	406.72	448.79
Add: Recognised during the year	18.20	178.88
Less: Bad debts written off	(4.82)	(220.95)
Balance at end of the year	420.10	406.72



SRL DIAGNOSTICS PRIVATE LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 March 2019 (Rupees in Lakhs)	As at 31 March 2018 (Rupees in Lakhs)
12. Cash and cash equivalents		
Balances with banks		
- on current accounts	2,455.57	1,075.89
Cheques on hand	8.73	32.58
Cash on hand	47.52	36.58
Cash and cash equivalents as per balance sheet	2,511.82	1,145.05
Cash credit facilities from banks (refer note 22)	-	(510.44)
Cash and cash equivalents as per statement of cash flows	2,511.82	634.61
13. Loans		
<i>(Unsecured considered good, unless otherwise stated)</i>		
Inter-corporate deposits		
- Considered good*	-	1,900.00
- Considered Doubtful	29.50	29.50
Less: Provision for doubtful deposits	(29.50)	(29.50)
Security deposits (considered doubtful)	5.38	5.38
Less: Provision for doubtful deposits	(5.38)	(5.38)
Total	-	1,900.00
* Includes inter corporate deposit given to Fortis Healthcare Limited (Holding Company). The loan has been given to meet the working capital requirement.		
Interest Rate	-	11.50% p.a.
Loan amount	-	400.00
Repayment terms	-	On demand
* Includes inter corporate deposit given to Best Health Management Private Limited. Advance was given for obtaining services to establish labs		
Interest Rate	-	12.50% p.a.
Loan amount	-	1,500.00
Repayment terms	-	On demand
14. Other financial assets		
<i>(Unsecured considered good, unless otherwise stated)</i>		
Advances recoverable		
- Considered good *	50.03	31.50
- Considered doubtful	61.79	61.79
Less: Provision for doubtful advances	(61.79)	(61.79)
Contract asset	110.15	98.19
Interest accrued**	-	51.82
Total	160.18	181.51
* Includes advances to related party (refer note 36)	36.91	18.74
** Includes related party balance (refer note 36)	-	10.21
15. Other current assets		
<i>(Unsecured considered good, unless otherwise stated)</i>		
Prepaid expenses	103.05	77.97
Advances to suppliers	12.57	24.36
Total	115.62	102.33



SRL DIAGNOSTICS PRIVATE LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

16. Equity share capital	As at 31 March 2019		As at 31 March 2018	
	Number of shares	(Rupees in Lakhs)	Number of shares	(Rupees in Lakhs)
Authorised share capital				
Equity shares of Rs. 10 each	5,000,000	500.00	5,000,000	500.00
Total	5,000,000	500.00	5,000,000	500.00
Issued, subscribed and fully paid up share capital				
Equity shares of Rs. 10 each fully paid up	3,958,200	395.82	3,958,200	395.82
Total	3,958,200	395.82	3,958,200	395.82

(a) Reconciliation of the shares outstanding at the beginning and at the end of the year:

Equity shares	As at 31 March 2019		As at 31 March 2018	
	Number of shares	(Rupees in Lakhs)	Number of shares	(Rupees in Lakhs)
Outstanding at the beginning of the year	3,958,200	395.82	3,958,200	395.82
Issued during the year	-	-	-	-
Outstanding at the end of the year	3,958,200	395.82	3,958,200	395.82

(b) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. 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.

(c) Details of shares held by each shareholder holding more than 5% and held by holding company:

Name of share holder	As at 31 March 2019		As at 31 March 2018	
	Number of shares	% of holding	Number of shares	% of holding
Equity shares of Rs. 10 each				
SRL Limited, the holding company (including it's nominees)	3,958,200	100%	3,958,200	100%

(d) There are no equity shares issued for consideration other than cash during the period of five years immediately preceding the reporting date

17. Other equity

	As at 31 March 2019	As at 31 March 2018
	(Rupees in Lakhs)	(Rupees in Lakhs)
Retained earnings (Refer note a)	2,893.43	175.29
Deemed equity contribution (Refer note b)	20.28	-
	2,913.71	175.29
a) Retained Earnings		
Balance at the beginning of the year	175.29	(2,069.21)
Capital reserve	-	-
Profit for the year	2,702.70	2,229.64
Remeasurement of deposits	-	-
Other comprehensive income arising from remeasurement of defined benefit obligation net of	15.44	14.86
Balance at the end of the year	2,893.43	175.29
b) Deemed equity contribution		
Balance at the beginning of the year	-	-
Financial guarantee and employee stock options granted by Holding Company*	20.28	-
Balance at the end of the year	20.28	-

*includes financial guarantee given by holding company for cash credit facility taken from bank and employee stock option issued to employees of the Company

17. Changes in liabilities arising from financing activities

Particulars	Long term borrowings, non current	Long term borrowings, current	Interest accrued
As at 31 March 2017	16,200.00	1,000.00	-
Proceeds from borrowings	(2,400.00)	-	-
Repayment of borrowings	-	-	-
Finance cost	-	-	2,247.85
Finance cost paid	-	-	(1,851.42)
As at 31 March 2018	13,800.00	1,000.00	396.43
Repayment of borrowings	(1,500.00)	-	-
Finance cost	-	-	1,934.74
Finance cost paid	-	-	(2,322.17)
Transferred to equity on account of financial guarantee given by holding company	-	-	(9.00)
As at 31 March 2019	12,300.00	1,000.00	-



SRL DIAGNOSTICS PRIVATE LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 March 2019	As at 31 March 2018
	(Rupees in Lakhs)	(Rupees in Lakhs)
18. Borrowings		
Term loan		
- from related party (Unsecured)	12,300.00	13,800.00
Total	12,300.00	13,800.00
Notes:		
Loan from holding company	12% p.a.	12% p.a.
- Interest Rate	13,300.00	14,800.00
- Loan amount (Rs. in lakhs)	Rs. 1,000 Lakhs	Rs. 1,000 Lakhs
- Repayment terms	repayable by 31 March 2020 and balance on demand after 31 March 2020	repayable by 31 March 2019 and balance on demand after 31 March 2019
19. Other financial liabilities		
Payable towards purchase of other intangible assets	1,031.40	1,224.47
Total	1,031.40	1,224.47
20. Provisions		
Provisions for employee benefits		
Provision for gratuity (refer note 40)	280.41	275.72
Provision for compensated absences	119.83	101.14
Total	400.24	376.86
21. Other non-current liabilities		
Provision for lease equalisation	-	131.66
Total	-	131.66
22. Borrowings		
Loan repayable on demand (Secured)		
- Cash credit facility from bank (refer note below)	-	510.44
Total	-	510.44
Note:		
Cash credit facility is secured by way of first charge on the Company's entire current assets. They are further secured by way of a second charge on the Company's fixed assets, both present and future. Cash credit facility is also guaranteed by SRL Limited.		
Interest Rate	10.35% to 10.65%	10.35% to 10.65%
Cash credit facility (Rs. in lakhs)	1,500.00	1,500.00
Repayment terms	On demand	On demand
23. Trade payables		
- total outstanding dues to micro enterprises and small enterprises (refer note 43)	12.23	1.41
- total outstanding dues to creditors other than micro enterprises and small enterprises	1,317.55	1,246.28
Total	1,329.78	1,247.69
24. Other financial liabilities		
Deposits from customers	123.20	107.98
Current maturities of non-current borrowings (refer note no 18)	1,000.00	1,000.00
Employee benefits payable	103.58	80.05
Interest accrued and due on borrowings (refer note 36)	-	396.43
Payable towards purchase of property, plant and equipment and other intangible assets	335.98	346.86
Total	1,562.76	1,931.32
25. Other current liabilities		
Provision for lease equalisation	-	1.85
Contract liabilities	4.98	-
Statutory dues payables	184.04	185.17
Total	189.02	187.02
26. Provisions		
Provision for employee benefits		
Provision for compensated absences	26.58	24.38
Provision for contingencies		
Provision for litigation*	143.65	126.52
Total	170.23	150.90
*Opening balance	126.52	109.03
Addition during the year	17.13	17.49
Closing balance	143.65	126.52

*The company has disputed the coverage of Employees State Insurance Corporation (ESIC) for its Kolkata unit as "Pathlabs" were not covered for Employee State Insurance Corporation (ESIC). Pending outcome of the hearing, provision is recognised for the ESIC liability with respect of Company's Kolkata unit.



SRL DIAGNOSTICS PRIVATE LIMITED
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	As at 31 March 2019 (Rupees in Lakhs)	As at 31 March 2018 (Rupees in Lakhs)
27. Revenue from operations		
Sale of services (refer note 42D)	28,234.45	27,775.22
Other operating income		
- Recovery/liabilities no longer required written back	87.57	145.26
Total	28,322.02	27,920.48
28. Other income		
Interest income		
- Bank deposits	74.48	34.82
- Inter-corporate deposit	33.27	233.50
- Income tax refund	-	46.73
- Others	3.08	4.05
Dividend income	-	100.00
Profit on disposal of property, plant and equipments and other intangible assets (net)	8.03	98.86
Miscellaneous income	128.60	133.37
Total	247.46	651.33
29. Cost of materials consumed		
Reagents, chemicals and consumables		
Inventories at the beginning of the year	738.61	687.02
Add: Purchases during the year (net)	5,153.98	5,647.43
	5,892.59	6,334.45
Less: Inventories at the end of the year	575.17	738.61
Total	5,317.42	5,595.84
30. Employee benefits expense		
Salaries and wages	3,893.31	3,583.68
Contribution to provident and other funds (refer note 40)	311.01	276.16
Gratuity expense (refer note 40)	71.22	101.54
Employee share based payments*	11.28	-
Staff welfare expenses	80.34	230.90
Total	4,367.16	4,192.28
* Represents cost of employee stock option granted by the Holding Company to the employees of the Company		
31. Finance costs		
Interest cost on:		
- loans from related party	1,678.55	1,952.98
- others	137.28	178.05
- net defined benefit obligation (refer note 40)	17.22	30.75
Other costs	101.69	86.07
Total	1,934.74	2,247.85
32. Depreciation and amortisation expense		
Depreciation of property, plant and equipment	1,048.86	1,099.85
Amortisation of intangible assets	808.06	870.68
Total	1,856.92	1,970.53
33. Other expenses		
Power and fuel	602.46	627.53
Rent and hire expenses (refer note 37)	1,033.37	1,156.97
Rates and taxes	23.78	25.61
Insurance	11.98	12.13
Repairs and maintenance:		
- Plant and equipment	537.43	622.36
- Building	54.27	76.34
- Others	178.61	145.05
Donation	2.66	0.46
Advertisement and sales promotion	235.31	235.25
Postage and courier	96.71	81.87
Travelling and conveyance	343.59	350.77
Printing and stationery	431.45	415.87
Communication	92.22	101.54
Fees to collection centre (refer note 2(I))	118.21	-
Legal and professional expenses (refer note below for payment to auditors)	510.84	757.90
Professional fees to doctors	5,430.00	5,377.22
Expected credit loss allowance (refer note 11)	18.20	178.88
Provision for doubtful deposit and advances	11.39	-
Corporate social responsibility expenses (refer note 41)	51.58	3.98
Miscellaneous expenses	279.53	269.50
Total	10,063.59	10,439.23
Note: Payment to the auditors comprises (net of tax):		
i) Statutory audit	62.74	46.26
ii) Tax audit	4.00	4.00
iii) Reimbursement of expenses	2.18	1.50
	68.92	51.76
* Payments made to auditor for the current and previous year includes amounts paid to previous auditors of the Company.		



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	As at <u>31 March 2019</u> (Rupees in Lakhs)	As at <u>31 March 2018</u> (Rupees in Lakhs)
34. (a) Income taxes		
Recognised in profit or loss:		
Current tax		
-In respect of the current year	1,533.66	1,113.16
-In respect of prior years	(60.60)	(46.88)
	<u>1,473.06</u>	<u>1,066.28</u>
Deferred tax		
-In respect of the current year	8.67	(24.77)
Total	<u>1,481.73</u>	<u>1,041.51</u>
Recognised in other comprehensive income:		
Tax related to items that will not be reclassified to profit or loss	8.29	7.87
	<u>8.29</u>	<u>7.87</u>
(b) The income tax expense for the year reconciled to the accounting profit as follows:		
Profit before tax	<u>4,184.43</u>	<u>3,271.15</u>
Tax using Company's domestic tax rate @34.944%	1,462.21	1,097.87
Tax effect of:		
Non-deductible expenses	80.12	29.35
Effect of income that is exempt from taxation	-	(34.61)
	1,542.33	1,092.61
Effect due to change in future tax rate considered now in deferred tax	-	(4.22)
Effects in relation to the current tax of prior years	(60.60)	(46.88)
Income tax expense recognised in statement of profit and loss	<u>1,481.73</u>	<u>1,041.51</u>
35. Earnings per share (EPS)		
Profit for the year	2,702.70	2,229.64
Weighted average number of equity shares used in calculation of basic and diluted EPS (Nos.)	3,958,200	3,958,200
Nominal value per share (in Rupees)	10.00	10.00
Earnings per share (Basic and Diluted) (in Rupees)	<u>68.28</u>	<u>56.33</u>



SRL DIAGNOSTICS PRIVATE LIMITED
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36. Related party disclosures

A. Related parties where control exists :

(i) Enterprises having direct control over the Company

- IHH Healthcare Berhard (from 13 November 2018)
- Fortis Healthcare Limited
- SRL Limited

Nature of relationship

- Ultimate holding company
- Intermediate holding company
- Holding company

(ii) Joint venture company

- DDRC SRL Diagnostics Private Limited

B. Other related parties with whom transactions have taken place during the current and previous year

- Spectrum Voyages Private Limited (formerly known as Ligare Travels Pvt. Ltd.)*
- Fortis Charitable Foundation (upto May 28, 2018)*
- RHC Holding Private Limited (upto May 28, 2018)*
- HealthFore Technologies Limited (upto May 28, 2018)*
- Apollo Hospitals Enterprises Limited (subsidiary of ultimate holding company) (w.e.f. November 13, 2018)
- Fortis CSR Foundation (subsidiary of intermediate holding company)

* Enterprises owned or significantly controlled / influence by KMP or director or their relatives.

	Year ended 31 March 2019 (Rupees in Lakhs)	Year ended 31 March 2018 (Rupees in Lakhs)
C. Transactions with related parties during the year		
(i) Rendering of services:		
SRL Limited	496.61	328.40
DDRC SRL Diagnostics Private Limited	149.91	148.55
	646.52	476.95
(ii) Receiving of services (Cost of tests outsourced services)		
SRL Limited	498.47	526.52
Apollo Hospitals Enterprises Limited	0.59	-
RHC Holding Private Limited	-	73.89
HealthFore Technologies Limited	-	10.93
	499.06	611.34
(iii) Reimbursement of expenses to		
SRL Limited	-	34.17
(iv) Reimbursement of expenses from		
SRL Limited	23.28	3.03
(v) Purchase of intangible assets		
HealthFore Technologies Limited	-	25.60
(vi) Borrowings repaid		
SRL Limited	1,500.00	2,400.00
(vii) Repament received of loan given		
Fortis Healthcare Limited	400.00	-
(viii) Interest expense		
SRL Limited	1,678.55	1,952.98
(ix) Interest income		
Fortis Healthcare Limited	33.27	46.00
(ix) Corporate guarantee expense		
SRL Limited	9.00	-
(ix) Employee stock option expense		
SRL Limited	11.28	-
(x) Other income		
DDRC SRL Diagnostics Private Limited	126.00	126.00



SRL DIAGNOSTICS PRIVATE LIMITED
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	Year ended 31 March 2019 (Rupees in Lakhs)	Year ended 31 March 2018 (Rupees in Lakhs)
(xi) Purchase of property, plant and equipment		
SRL Limited	4.42	1.69
(xii) Corporate social responsibility expenses		
Fortis Charitable Foundation	7.86	3.98
Fortis CSR Foundation	43.72	-
D. Balances outstanding at the year end :		
(i) Borrowings		
SRL Limited	13,300.00	14,800.00
(ii) Loans		
Fortis Healthcare Limited	-	400.00
(iii) Interest receivable on inter-corporate deposits		
Fortis Healthcare Limited	-	10.21
(iv) Interest accrued and due on borrowings		
SRL Limited	-	396.43
(v) Trade receivables		
SRL Limited	80.84	59.80
DDRC SRL Diagnostics Private Limited	11.64	11.49
Apollo Hospitals Enterprises Limited	1.55	-
	94.03	71.29
(vi) Trade payables		
SRL Limited	73.71	59.07
Spectrum Voyages Private Limited (formerly known as Ligare Travels Pvt. Ltd.)	0.29	0.29
	74.00	59.36
(vii) Advances recoverable		
Fortis Healthcare Limited	18.74	18.74
RHC Holding Private Limited	-	24.97
SRL Limited	18.17	-
	36.91	43.71
(viii) Provision for doubtful advances		
RHC Holding Private Limited	-	24.97
	-	24.97

E. Other transactions

The Company has obtained working capital facility from a bank of Rs. 1,500 Lakhs as on 31 March 2019 (31 March 2018 : 1,500 Lakhs) which is guaranteed by SRL limited, the holding company. Cash credit utilised from bank is Nil (31 March 2018 : Rs. 510.44 Lakhs)

Note:-

- (a) Related party relationships are as identified by the Management taking into account the findings and limitations in the Investigation Report (Refer Notes 44 (d) below) and the information available with the Management. In this regard, in the absence of specific declarations from the erstwhile directors on their compliance with disclosures of related parties, especially considering the substance of the relationship rather than the legal form, the related parties have been identified based on the declarations by the erstwhile directors and the information available through the known shareholding pattern in the entities. Therefore, there may be additional related parties whose relationship may not have been disclosed to the Company and, hence, not known to the Management.
- (b) Closing balances as at 31 March 2019 have not been disclosed in this note for the parties which cease to be related party during the year.

F. Terms and conditions of transactions with related parties

The sale to and purchase from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year end are unsecured, and interest free and settlement occurs in cash. This assessment is undertaken each financial year through examining the financial assumptions and the market in which the related parties operates.



SRL DIAGNOSTICS PRIVATE LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

37. Leases

As lessee

Operating leases

The Company has obtained lab premises, office premises and godowns on operating lease arrangements. The lease terms varies from 11 months to 15 years, renewable at the option of the Company. There are escalation clauses in some of the lease agreements which are generally linked to the inflation rate.

	As at 31 March 2019 (Rupees in Lakhs)	As at 31 March 2018 (Rupees in Lakhs)
Lease expense for the year	1,033.37	1,156.97
Future minimum lease payments under non-cancellable lease agreements:		
-Not later than one year	686.80	251.49
-Later than one year and not later than five years	1,676.31	863.06
-Later than five years	252.68	449.06
	2,615.79	1,563.61

38. Commitments

	As at 31 March 2019 (Rupees in Lakhs)	As at 31 March 2018 (Rupees in Lakhs)
Commitments for the acquisition of property, plant and equipment	139.50	216.45

The Company has other commitments, for purchase/sales orders which are issued after considering requirements per operating cycle for purchase / sale of services, employee's benefits. However, the Company does not have any long term commitments or material non-cancellable contractual commitments/ contracts.

39. Contingent liabilities

- a. Claims against the Company, disputed by the Company, not acknowledged as debt (In addition, refer claims assessed as contingent liability described in Note 46) :

Particulars	As at	
	31 March 2019	31 March 2018
Income tax*	13,479.45	6,143.54
Medical related	31.73	34.50
Total	13,511.18	6,178.04

*The company has paid Rs. 3,189.18 Lakhs (31 March 2018: Rs.1,722.48 Lakhs) under protest.

- b. On 28 February 2019, a judgment of the Supreme Court of India interpreting certain statutory defined contribution obligations of employees and employers (the "India Defined Contribution Obligation") altered historical understandings of such obligations, extending them to cover additional portions of the employee's income to measure obligations under employees Provident Fund Act, 1952. There is significant uncertainty as to how the liability should be calculated as it is impacted by multiple variables, including the period of assessment, the application with respect to certain current and former employees and whether interest and penalties may be assessed. As such, the Company been legally advised not to consider that there is any probable obligations for periods prior to date of aforesaid judgement. The Company is further evaluating its next course of action in this matter.

Additionally, the Company is involved in other disputes, lawsuits, claims, governmental and/or regulatory inspections, inquiries, investigations and proceedings, including commercial matters that arise from time to time in the ordinary course of business.

The management based on its internal evaluation and advice obtained from its tax advisors is of the opinion that the demand is not tenable and does not expect any economic outflow. The cash flows in respect of above matters are determinable only on receipt of judgements/decisions pending at various stages/forums.



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40. Employee benefits plans

(a) Defined contribution plans

The Company makes contribution towards employees' provident fund, employees' state insurance plan scheme and superannuation fund on behalf of the employees. Under the schemes, the Company is required to contribute a specified percentage of payroll cost, as specified in the rules of the scheme. The Company has recognised Rs. 311.01 Lakhs (31 March 2018 : Rs. 276.16 Lakhs) during the year as expense towards contribution to these plans.

	Year ended 31 March 2019 (Rupees in Lakhs)	Year ended 31 March 2018 (Rupees in Lakhs)
Provident fund	232.05	202.20
Employees' state insurance scheme	78.35	73.26
Labour Welfare Fund	0.61	0.70
	311.01	276.16

(b) Defined benefit plans

The Company has a defined benefit gratuity plan, wherein every employee who has completed five years or more of service get a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service subject to maximum limit of Rs. 20 Lakhs (31 March 2018 : Rs. 20 Lakhs) in terms of Provisions of Gratuity Act, 1972. The scheme is funded with an insurance company in the form of qualifying insurance policy.

These plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds.

Interest risk A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt instruments.

Longevity risk The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The principal assumptions used for the purpose of actuarial valuation were as follows:

	As at 31 March 2019	As at 31 March 2018
Discount rate	7.47%	7.51%
Employee attrition rate		
Upto 30 years	24% p.a.	33% p.a.
30-45 years	14% p.a.	15% p.a.
45 years and above	8% p.a.	6% p.a.
Mortality rate	Indian Assured Lives 2012-14 Ultimate	Indian Assured Lives 2006-08 Ultimate
Expected rate of salary increase	6.00% p.a.	6.50% p.a.

	Year ended 31 March 2019 (Rupees in Lakhs)	Year ended 31 March 2018 (Rupees in Lakhs)
Service cost		
Current service cost	71.22	62.64
Past service cost	-	38.91
Interest cost on net defined benefit obligation	17.22	12.49
Recognised in Statement Profit or Loss	88.44	114.04
Remeasurement on the net defined benefit liability:		
Actuarial (gain) or loss arising from changes in financial assumptions	(16.21)	(23.57)
Actuarial (gains) and losses arising from changes in demographic assumptions	(2.59)	-
(Gain)/ loss of experience adjustments	6.21	(4.15)
Return on plan assets	(11.14)	4.99
Recognised in other comprehensive income	(23.73)	(22.73)
	64.71	91.31

The current service cost and the net interest expense for the year are included in the 'Employee benefits expense' and 'Finance costs' line item respectively in the Statement of profit and loss. The remeasurement of the net defined benefit liability is included in other comprehensive income.



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	As at 31 March 2019 (Rupees in Lakhs)	As at 31 March 2018 (Rupees in Lakhs)
Present value of funded defined benefit obligation	581.38	554.92
Fair value of plan assets	(300.97)	(279.20)
Net liability arising from defined benefit obligation	280.41	275.72
Movement in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	554.92	473.07
Current service cost	71.22	62.64
Past service cost	-	38.91
Total gratuity expenses (refer note 30)	71.22	101.55
Interest cost	39.00	30.75
Remeasurement (gains)/ losses		
- Actuarial (gains)/ losses arising from changes in demographic assumptions	(2.59)	-
- Actuarial (gains)/ losses arising from changes in financial assumptions	(16.21)	(23.57)
- Actuarial (gains)/ losses arising from experience adjustments	6.21	(4.15)
Benefit payments		
- Benefit payments from plan assets	(24.06)	(3.34)
- Benefit payments from employer	(47.11)	(19.39)
Closing defined benefit obligation	581.38	554.92
Movement in the fair value of the plan assets are as follows:		
Opening fair value of plan assets	279.20	269.27
Interest income	21.78	18.26
Return on plan assets (excluding interest income)	24.05	(4.99)
Contributions from the employer		
- Contributions from the employer		
- Direct benefit payments from employer	47.11	19.39
Benefit payments		
- Benefit payments from plan assets	(24.06)	(3.34)
- Benefit payments from employer	(47.11)	(19.39)
Closing fair value of plan assets	300.97	279.20

The planned assets of the Company as on the Balance sheet date are fully invested in Insurer Managed Funds. The details of investments maintained by LIC are not made available to the Company and therefore has not been disclosed.

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



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	As at 31 March 2019 (Rupees in Lakhs)	As at 31 March 2018 (Rupees in Lakhs)
If the discount rate is 100 basis points higher	552.35	523.20
If the discount rate is 100 basis points lower	613.80	590.94
If the expected salary growth increases by 1%	610.61	587.50
If the expected salary growth decreases by 1%	554.60	525.52
If attrition rate increases by 1%	583.42	556.31
If attrition rate decreases by 1%	579.07	553.29

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the Balance Sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The Company expects to make a contribution of Rs. 171.54 Lakhs (31 March 2018: 168.71 Lakhs) to the defined benefit plans during the next financial year.

The defined benefit plans shall mature after year end 31 March 2019 as follows:

Expected total benefits	(Rupees in Lakhs)	
	Defined benefit obligation	
Year 1	122.81	127.04
Year 2	61.90	54.55
Year 3	75.97	43.02
Year 4	51.23	58.15
Year 4	55.28	36.24
Next five years	186.05	162.17

The weighted average duration of the defined benefit obligation as at 31 March 2019 is 7 years (31 March 2018: 6 years).

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion and other relevant factors.

Experience adjustments

	As at 31 March 2019 (Rupees in Lakhs)	As at 31 March 2018 (Rupees in Lakhs)
Defined benefit obligation	280.41	275.72
Experience adjustments on plan liabilities - gain/ (loss)	6.21	(4.15)

41. Corporate social responsibility

As per section 135 of the Companies Act, 2013 and the rules therein, the Company is required to spend at least 2% of the average net profit of past three years towards Corporate Social Responsibility (CSR). Details of the CSR expenses, as certified by Management, are as follows:

	Year ended 31 March 2019 (Rupees in Lakhs)	Year ended 31 March 2018 (Rupees in Lakhs)
Balance to be spent as per previous year	(A) 7.86	
Amount required to be spent for the current year	(B) 43.72	11.84
Gross amount required to be spent	(A+B) 51.58	11.84
Amount spent during the year (refer note 33)	51.58	3.98
Balance unspent at the end of the year	-	7.86



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42. Financial Instruments

42A. Capital management

The Company manages its capital to ensure that Company will be able to continue as going concerns. The long-term borrowing is from its parent Company which carries rate of interest @ 12% p.a. which is considered to be on arm's length basis. The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and total equity of the Company. The Company manages its capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants.

The Company is not subject to any externally imposed capital requirements.

The Company reviews the capital structure of the Company on periodic basis. As part of this review, the Company considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at end of the reporting period was as follows:

	As at 31 March 2019 (Rupees in Lakhs)	As at 31 March 2018 (Rupees in Lakhs)
Debt *	-	510.44
Cash and cash equivalents (refer note 12)	(2,511.82)	(1,145.05)
Net debt (A)	-	-
Total equity (B)	3,309.53	571.11
Net debt to equity ratio (A/B)	0.00%	0.00%

* Debt is defined as long-term and short-term borrowings excluding debt from holding company (refer note 18, 22 and 24)

2B. Fair Value Measurements

Particulars	Notes	Carrying value as at		Fair value as at	
		As at	As at	As at	As at
		31 March 2019	31 March 2018	31 March 2019	31 March 2018
Financial assets					
Measured at amortised cost					
Loans - non current	(b)	527.50	546.24	527.50	546.24
Other financial assets - non current	(b)	6.60	5.74	6.60	5.74
Trade receivables	(a)	1,370.51	1,327.70	1,370.51	1,327.70
Cash and cash equivalents	(a)	2,511.82	1,145.05	2,511.82	1,145.05
Other financial assets - current	(a)	160.18	181.51	160.18	181.51
Total		4,576.62	3,206.25	4,576.62	3,206.25
Financial liabilities					
Measured at amortised cost					
Borrowings - non current	(b)	12,300.00	14,310.44	12,300.00	14,310.44
Other financial liabilities - non current	(b)	1,031.40	1,224.47	1,031.40	1,224.47
Trade payables	(a)	1,329.78	1,247.69	1,329.78	1,247.69
Other financial liabilities - current	(a)	1,562.76	1,931.32	1,562.76	1,931.32
Total		16,223.94	18,713.91	16,223.94	18,713.91

(a) Fair valuation of financial assets and liabilities with short term maturities is considered as approximate to respective carrying amount due to the short term maturities of these instruments.

(b) Fair valuation of non-current financial assets and liabilities has been disclosed to be the same as carrying value as there is no significant difference between carrying value and fair value.

There are no transfer between Level 1, Level 2 and Level 3 during the year ended 31 March 2019 and 31 March 2018

42C. Financial risk management objectives and policies

The Company's financial assets includes trade receivables, cash and cash equivalents and other financials assets that derive directly from its operation. The Company's principal financial liabilities comprise trade payables, other payables and borrowings. The main purpose of these financial liabilities is to finance the company's operation. The Company has exposure to the following risk arising from financial instruments.

- (a) Credit risk
- (b) Market risk
- (c) Liquidity risk

The Company's board of directors manages the financial risk of the company through internal risk report which analyse exposure by magnitude of risk.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligation and arises principally for the company receivable from customers. An impairment analysis is performed at each reporting date on an individual basis for major customers. The Company holds certain amounts as collateral in form of security deposits against certain class of receivables (primarily includes receivables from collection centres). The Company's exposure to credit risk is influenced mainly by the individual characteristics and credit worthiness of each customer. Further refer note 11 for a summary of company's most significant customers and details on provision for expected credit loss.

The Company carries other financial assets such as balances with banks, contract assets, interest accrued on deposits, advances, etc. Based on historical experience, the Company does not expect any significant risk of default.

The Company's maximum exposure to credit risk for each of the above categories of financial assets is their carrying values as at the reporting dates.

(b) Market risk

Market risk is the risk of loss of future earnings, risk of loss due to change in interest rates, fair values or future cash flows that may result from a change in the price of financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates, and other market changes that affect market risk sensitive instruments.



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Market risk includes:

- (i) Foreign currency risk
- (ii) Interest rate risk
- (iii) Other price risk

(i) Foreign currency risk

There are no foreign currency balances outstanding as at 31 March 2019.

(ii) Interest rate risk

The Company is exposed to interest rate risk because the Company borrow funds at floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings. As on 31 March 2019, the Company has borrowings from SRL Limited (holding company) at fixed interest rate. The Company has cash credit facility from bank, the interest rate fluctuation is very insignificant to the size and operations of the Company, therefore, a change in interest rate risk does not have a material impact on the Company's financial statements in relation to fair value of financial instruments.

(iii) Other price risks

The Company investment are in the group companies and are held for strategic purposes rather than for trading purposes.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligation associates with it's financial liabilities that are settled by delivering cash. The Company's ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework of the company's short-term, medium-term and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Note given below sets out details of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

The Company's principal sources of liquidity are cash and cash equivalent and cash flow that is generated from operations. In addition the Company has secured funding facilities aggregating to Rs. 1,500 Lakhs which can be drawn to meet short term financial needs. The Company management monitors rolling forecast of Company's liquidity requirement to ensure it has sufficient cash to meet operational need while maintaining sufficient headroom on it's undrawn committed borrowing facility at all times so that the Company does not breach the borrowing limits or covenants.

Financial arrangement:

The Company has access to the following undrawn borrowing facilities at the end of the reporting period.

	(Rupees in Lakhs)			
	As at 31 March 2019		As at 31 March 2018	
	Sanction limit	Limit utilised	Sanction limit	Limit utilised
Cash credit facility, Letter of credit, and Bank guarantee	1,500.00	-	1,500.00	510.44
	1,500.00	-	1,500.00	510.44

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

	(Rupees in Lakhs)			
	0-1 year	1-2 years	Total Amount	Carrying Amount
As at 31 March 2019				
Non Interest bearing instruments				
Payable towards purchase of other intangible assets	-	1,031.40	1,031.40	1,031.40
Deposits from customers	123.20	-	123.20	123.20
Trade payables	1,329.78	-	1,329.78	1,329.78
Employee benefits payable	103.58	-	103.58	103.58
Payable towards purchase of property, plant and equipment and other intangible assets	335.98	-	335.98	335.98
Fixed interest bearing instruments				
Borrowings	1,120.00	13,776.00	14,896.00	13,300.00
As at 31 March 2018				
Non Interest bearing instruments				
Payable towards purchase of other intangible assets	-	1,224.47	1,224.47	1,224.47
Trade payables	1,247.69	-	1,247.69	1,247.69
Deposits from customers	107.98	-	107.98	107.98
Employee benefits payable	80.05	-	80.05	80.05
Payable towards purchase of property, plant and equipment and other intangible assets	346.86	-	346.86	346.86
Fixed interest rate instruments				
Borrowings	1,120.00	15,456.00	16,576.00	14,800.00

The Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.



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42D Disclosure as per Ind AS 115 - Revenue from contracts with customers

i) Particulars	As at 31 March 2019	As at 31 March 2018
	(Rupees in Lakhs)	(Rupees in Lakhs)
Contract asset- unbilled revenue	110.15	98.19
Contract liability- deferred revenue	4.98	-

The revenue recognized during the current year is the balancing number for transactions with customers after adjusting opening and closing balances of contract assets and liabilities

ii (a) **Disaggregation of revenue by Geographical region**

The Company operates only in one geographical region i.e. India, hence there is no disaggregation of revenue by geography.

ii (b) **Disaggregation of revenue by sales channel**

Particulars	Year ended 31 March 2019
	(Rupees in Lakhs)
Owned labs	27,744.18
Collection centres	490.27
Total	28,234.45

42E. Operating segments

(a) Basis for segmentation

The company is engaged in the business of maintaining and managing clinical reference laboratories, to provide testing and diagnostics on human beings, in the field of both pathology and radiology. As the company's business activity primarily falls within a single business and geographical segment i.e. pathology and radiology services, there are no disclosures required to be provided in terms of Ind AS 108 on 'Segment Reporting'.

(b) Geographical information

The Company provides services to customers in India. Further, there are no non-current assets located outside India.

(c) Major customer

The Company does not derive revenue from one customer which would amount to 10 per cent or more of the entity's revenue.

42F. Accounting on Reagent Rental Equipments

The Company has entered in various agreements with equipment manufacturer suppliers. As per agreements, SRL will get equipments free of cost and reagents have to be purchased from those specific vendors only. These equipments can be replaced at any point of time as per the discretion of the respective vendors.



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	As at 31 March 2019 (Rs. in Lakhs)	As at 31 March 2018 (Rs. in Lakhs)
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43. Details of dues to Micro and Small Enterprises as per MSMED Act, 2006

The principal amount remaining unpaid as at the end of the year	12.23	1.41
Interest due on above principal and remaining unpaid as at the end of the year	2.06	-
The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	1.06	0.24
The amount of interest accrued and remaining unpaid at the end of each accounting year	3.12	0.24
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	-	-

44. Investigation initiated by the Audit and Risk Management Committee of Fortis Healthcare Limited (Parent Company)

- (a) During the previous year, there were reports in the media and enquiries from, inter alia, the stock exchanges received by the Parent Company about certain inter-corporate loans ("ICDs") given by a wholly owned subsidiary of the Parent Company. The erstwhile Audit and Risk Management Committee of the Parent Company in its meeting on 13 February, 2018 decided to carry out an independent investigation through an external legal firm on this matter.
- (b) The terms of reference of the investigation, inter alia, comprised (i) ICDs amounting to a total of Rs. 49,414 Lakhs (principal), placed by the Parent Company's wholly owned subsidiary, Fortis Hospitals Limited, with three borrowing companies as on 1 July 2017; (ii) the assignment of these ICDs to a third party and the subsequent cancellation thereof as well as evaluation of legal notice (now a civil suit) received from such third party (refer note-45); (iii) review of intra-group transactions for the period commencing FY 2014-15 and ending on 31 December 2017 (refer note-46); (iv) investments made in certain overseas funds by the overseas subsidiaries of the Parent Company (i.e. Fortis Asia Healthcare Pte. Ltd, Singapore and Fortis Global Healthcare (Mauritius) Limited); (v) certain other transactions involving acquisition of Fortis Healthstaff Limited ("Fortis Healthstaff") from an erstwhile promoter group company, and subsequent repayment of loan by said subsidiary to the erstwhile promoter group company.
- (c) The investigation report ("Investigation Report") was submitted to the re-constituted Board of Parent Company on 8 June, 2018.
- (d) The re-constituted Board of the Parent Company discussed and considered the Investigation Report and noted certain significant findings of the external legal firm in relation to the Company, which are subject to the limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their investigation report. In this regard, the investigation pointed out that in internal correspondence, transactions with certain entities have been referred to as related party transactions which were not related party transactions as disclosed by the Company. However, no further conclusions have been made in this regard. The investigation did not cover all related party transactions during the period under investigation and focused on identifying undisclosed parties having direct/indirect relationship with the erstwhile promoter group, if any.
- (e) Other matters:
- i. Related party relationships as required under Ind AS 24 – Related Party Disclosures and the Companies Act, 2013 were as identified by the Management taking into account the findings and limitations in the Investigation Report (Refer Note 44d above) and the information available with the Management. In this regard, in the absence of specific declarations from the erstwhile directors on their compliance with disclosures of related parties, especially considering the substance of the relationship rather than the legal form, the related parties were identified based on the declarations by the erstwhile directors and the information available through the known shareholding pattern in the entities up to March 31, 2018. Therefore, the possibility cannot be ruled out that there may have been additional related parties whose relationship may not have been disclosed to the Group and, hence, not known to the Management.
 - ii. With respect to the other matters identified in the Investigation Report, the Board initiated specific improvement projects to strengthen the process and control environment. The projects include revision of authority levels, both operational and financial and oversight of the Board, review of Financial Reporting processes, assessment of secretarial documentation w.r.t compliance to regulatory requirements and systems design & control enhancement. The assessment work is being done and corrective action plans are being implemented. Board continues to evaluate other areas to strengthen processes and build a robust governance framework. Towards this end, it is also evaluating internal organizational structure and reporting lines, the roles of authorized representatives and terms of reference of executive committees and their functional role. The Parent Company's Board of Director have also initiated an enquiry of the management of the certain entities in the Group that were impacted in respect of the matters investigated by the external legal firm.



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iii. It is in the above backdrop, that it is pertinent to mention that during the previous year the Parent Company received a communication dated February 16, 2018 from the Securities and Exchange Board of India (SEBI), confirming that an investigation has been instituted by SEBI in the matter of the Parent Company. In the aforesaid letter, SEBI required the Parent Company under section 11C (3) of the SEBI Act, 1992 to furnish by February 26, 2018 certain information and documents relating to the short-term investments of Rs. 47,300 Lakhs reported in the media. SEBI had appointed forensic auditors to conduct a forensic audit, of collating information from the Parent Company and certain of its subsidiaries. The Parent Company / its subsidiaries have furnished all requisite information and documents requested by SEBI.

In furtherance of the above, on October 17, 2018 SEBI passed an ex-parte Interim Order ("Order") whereby it observed that certain transactions were structured by some identified entities over a certain duration, and undertaken through the Parent Company, which were prima facie fictitious and fraudulent in nature and which resulted in inter alia diversion of funds from the Parent Company for the ultimate benefit of erstwhile promoters (and certain entities controlled by them) and misrepresentation in financial statements of the Parent Company. Further, it issued certain interim directions that inter alia directed the Parent Company shall take all necessary steps to recover Rs. 40,300 Lakhs along with due interest from erstwhile promoters and various other entities, as mentioned in the Order. More importantly, the said entities had also been directed to jointly and severally repay Rs. 40,300 Lakhs (approx.) along with due interest to Parent Company within three months of the order. Incidentally, the order also included Fortis Hospitals Limited ("FHSL") as one of the entities directed to repay the due sums. Pursuant to this, FHSL's beneficial owner account had been suspended for debits by the National Securities Depository Limited and Central Depository Services (India) Limited. Further, SEBI has directed the said entities that pending completion of investigation and till further order, they shall not dispose of or alienate any of their assets or divert any funds, except for the purposes for meeting expenses of day-to-day business operations, without the prior permission of SEBI. Erstwhile-promoters have also been directed not to associate themselves with the affairs of the Parent Company in any manner whatsoever, till further directions. Parties named in the Order had been granted opportunity for filing their respective replies/objections within 21 days.

The Parent Company and its wholly owned subsidiary i.e. Fortis Hospitals Limited (FHSL) had then filed applications for modification of the order, for deletion of name of FHSL from the list of entities against whom the directions were issued. Pursuant to this SEBI, vide order dated December 21, 2018, modified its previous order dated October 17, 2018 deleting FHSL from the list of entities against whom the Order was directed. Pursuant to this, the suspension order by National Securities Depository Limited for debits in beneficial owner account of FHSL was accordingly removed. Vide Order dated 19 March 2019 SEBI has confirmed the directions issued vide ad interim ex-parte order dated October 17, 2018 read with order dated December 21, 2018, till further orders. SEBI also directed the Parent Company and FHSL to take all necessary steps to recover Rs. 40,300 Lakhs along with due interest from erstwhile-promoters and various other entities, as mentioned in the Order.

The Parent Company and its wholly owned subsidiary ("FHSL") have filed all necessary applications in this regard including an application with the Recovery Officer, SEBI, under Section 28A of the Securities and Exchange Board of India Act 1992, for the recovery of the amounts owed by the erstwhile-promoters and various other entities to the Parent Company and FHSL.

The matter before SEBI is sub-judice and the investigation is on going, in as much as it has observed that a detailed investigation would be undertaken to ascertain the role of each entity in the alleged diversion and routing of funds. The Board of Directors is committed to fully co-operating with the relevant regulatory authorities to enable them to make a determination on these matters and to undertake remedial action, as may be required, and to ensure compliance with applicable laws and regulations. In the aforesaid context, proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting fraud and other irregularities.

iv. As per the assessment of the Board, based on the investigation carried out through the external legal firm, SEBI order and the information available at this stage, all identified/required adjustments/disclosures arising from the findings in the Investigation Report, are made in the Consolidated Financial statements for the year ended March 31, 2019. Any further adjustments/disclosures, if required, would be made in books of accounts as and when the outcome of the above investigations is known.

45. Investigation by Various Other Regulatory Authorities

- (a) During the previous year ended 31 March 2018, the Registrar of Companies (ROC) under section 206(1) of the Companies Act, 2013, inter alia, had also sought information in relation to the Parent Company. All requisite information in this regard has been duly shared by the Parent Company with the ROC.
- (b) The Serious Fraud Investigation Office (SFIO), Ministry of Corporate Affairs under section 217(1)(a) of the Companies Act, 2013, inter alia, initiated an investigation and sought information in relation to the Parent Company, its material subsidiaries (including the Company), joint ventures and associates. The Parent Company has submitted all requisite information in this regard with SFIO as requested from time to time.
- (c) The Investigation Report of the external legal firm has been submitted by the Parent Company with the Securities and Exchange Board of India, the Serious Frauds Investigation Office ("SFIO") on 12 June, 2018.

The Parent Company, its material subsidiaries (including the Company), joint ventures and associates are fully co-operating with the regulators in relation to the ongoing investigations. Any further adjustments/disclosures, if required, would be made in the books of accounts as and when the outcome of the above investigations is known.



SRL DIAGNOSTICS PRIVATE LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

46. Claims assessed as contingent liability and not provided for, unless otherwise stated :

A third party ("Assignee" or "Claimant") has filed a Civil Suit before the District Court, Delhi in February 2018 against various group entities (together "the defendants") and have, inter alia, claimed implied ownerships of brands "SRL" ("Fortis" and "La-Femme" of the Parent company) in addition to certain financial claims and for passing a decree that consequent to a term sheet dated 6 December 2017 ("Term sheet") with certain party ("Party"), the defendants are liable for claims owed by the claimant to the Party. In connection with this, the District Court passed an ex-parte order directing that any transaction undertaken by defendants, in favour of any other party, affecting the interest of the Claimant shall be subject to orders passed in the said suit (also refer note 44).

The Parent Company has filed written statement denying all allegations made against it and prayed for dismissal of the Civil Suit on various legal and factual grounds. The Parent Company has in its written statement also stated that it has not signed the alleged Term Sheet with the Party.

In addition to the above, the Parent Company has also received four notices from the Claimant claiming (i) Rupees 1,800 lacs as per notices dated May 30, 2018 and June 1, 2018 (ii) Rupees 21,582 lacs as per notice dated June 4, 2018; and (iii) Rupees 1,962 lacs as per notice dated June 4, 2018. All these notices have been responded to by the Parent Company denying any liability whatsoever.

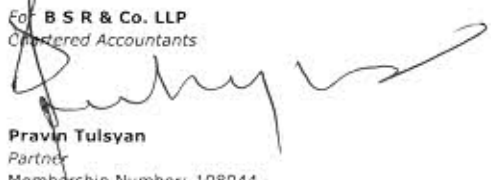
Separately, the Party has also alleged rights to invest in the Parent Company. It has also alleged failure on part of the Parent Company to abide by the aforementioned Term Sheet and has claimed ownership over the brands as well. Subsequently, an application has been filed in the civil suit, by a different entity claiming itself to be representative of the Party and is seeking substitution of its name in place of Assignee as plaintiff.

Allegations made by the Party has been duly responded to by the Parent Company denying (i) execution of any binding agreement with the Party and (ii) liability of any kind whatsoever. Parent Company has also filed caveats before Hon'ble High Court of Delhi in this regard.

During the quarter ended June 30, 2018, the Party also filed an application for being impleaded as party to the Civil Suit by the Claimant. The matter is pending adjudication before District Court, Delhi.

Based on advice of external legal counsel, the Management believes that the claims are without legal basis and are not tenable and accordingly no adjustment is required in these Consolidated Financial Statements with respect to these claims.

For **B S R & Co. LLP**
Chartered Accountants


Pravin Tulsyan
Partner
Membership Number: 108044

For and on behalf of the Board of Directors
SRL Diagnostics Private Limited


Arjunem Haldar
Director
DIN: 07714950


Saurabh Chadha
Director
DIN: 05119073

Place : Gurugram
Date : 23 May 2019

Gurugram
Date : 23 May 2019

