Independent Auditors' Report
To the Members of Prerana hospital Limited

Report on the Audit of the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Prerana Hospital Limited ("the Company"), which comprise the balance sheet as at 31 March 2018, the statement of profit and loss and the statement of changes in equity and the statement of cash flows for the year then ended and a summary of the significant accounting policies and other explanatory information (herein after referred to as "standalone Ind AS financial statements").

Management's responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs, profit/ loss, 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) prescribed under section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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.

Auditors' responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

Auditors' responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2018 and its profit and other comprehensive income, the changes in equity and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the said Order.

2. As required by Section 143 (3) of the Act, we report that:

   a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   c) the balance sheet, the statement of profit and loss, the cash flow statement and the statement of changes in equity dealt with by this Report are in agreement with the books of account;

   d) in our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act read with the rules issued thereunder;

   e) on the basis of the written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164 (2) of the Act;

Report on Other Legal and Regulatory Requirements (continued)

f) 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"; and

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   a. The company did not have any pending litigation which would impact its financial position.

   b. The Company did not have any long–term contracts including derivative contracts for which there were material foreseeable losses; and

   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 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 since they do not pertain to the financial year ended 31 March 2018. However amounts as appearing in the audited Standalone Ind AS financial statements for the period ended 31 March 2017 have been disclosed.

for **B S R and Associates**
Chartered Accountants
Firm's registration number: 128901W

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Rushank Muthreja
Partner
Membership number: 211386

Bangalore
14 May 2018

Prerana Hospital Limited
Annexure - A to the Independent Auditors' Report

Annexure referred to in our report to the members of Prerana Hospital Limited , ("the Company") on the standalone Ind AS financial statements for the year ended 31 March 2018, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) 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 3 years. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.

(ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. The discrepancies noticed on verification between the physical stocks and the book records were not material.

(iii) The Company has not granted any loans secured or unsecured, to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Thus paragraph 3 (iii) (a) to (c) of the Order is not applicable.

(iv) According to the information and explanations given to us, the Company has not granted loans, investments, guarantees and security to companies, firms or other parties and Section 185 and 186 of the Act is not applicable to the Company. Thus, paragraph 3 (iv) of the Order is not applicable.

(v) The Company has not accepted any deposits from the public within the meaning the directives issued by the Reserve Bank of India, provisions of Section 73 to 76 of the Act, any other relevant provisions of the Act and the relevant rules framed thereunder.

(vi) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the rules prescribed by the Central Government for the maintenance of cost records under section 148(1) of the Act and we 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 the records.

(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, sales tax, service tax, value added tax, goods and services tax, cess and other material statutory dues have been generally been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, goods and services tax, value added tax, cess and other material statutory dues were in arrears as at 31 March 2018 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of income tax, service tax, goods and services tax, sales tax and cess which have not been deposited with the appropriate authorities on account of any dispute.

(viii) The Company has not defaulted in the repayment of loans or borrowings from any banks. According to the information and explanations given to us, the Company did not have any loans or borrowings from government or debenture holders during the year.

(ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loan during the period. Accordingly, paragraph 3(ix) of the order is not applicale.

(x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.

(xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V of the Act.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Thus, paragraph 3(xii) of the Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with the Sections 177 and 188 of the Act where applicable and the details of such transactions have been disclosed in the financial statements as required by applicable accounting standards.

(xiv) In our opinion and 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.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him.

(xvi) According to the information and explanation given to us and in our opinion, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

for **B S R and Associates**
Chartered Accountants
Firm registration number: 128901W

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Rushank Muthreja
Partner
Membership number: 211386

Bangalore
14 May 2018

Prerana Hospital Limited

Annexure B to the Independent Auditors' Report

Report on the internal financial controls under clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to financial statements of Prerana Hospital Limited ("the Company") as of 31 March 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's responsibility for internal financial controls

The Company's management is responsible for establishing and maintaining internal financial controls 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 ('ICAI'). 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.

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 on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and both issued by the Institute of Chartered Accountants of India. 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 was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

Prerana Hospital Limited
Annexure B to the Independent Auditors' Report *(continued)*

Meaning of internal financial controls with reference to 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 includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with 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 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.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31 March 2018, 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.

for **B S R and Associates**
Chartered Accountants
Firm registration number: 128901W

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Rushank Muthreja
Partner
Membership number: 211386

Bangalore
14 May 2018

Prerana Hospital Limited
Balance sheet as at 31 March 2018
(All amounts in Indian rupees thousands)

	Notes	As at 31 March 2018	As at 31 March 2017
Assets			
Non-current assets			
Property, plant and equipment	4	660,958.18	664,662.96
Capital work-in-progress	4	7,064.58	1,159.99
Intangible assets	5	408.40	241.95
Financial assets			
Investments	6	10.00	10.00
Other financial assets	7	1,709.26	1,955.77
Other non-current assets	8	3,990.27	2,979.55
Income tax assets (net)	27	37,475.27	35,326.27
Total Non-current assets		**711,615.96**	**706,336.49**
Current assets			
Inventories	9	7,552.14	7,225.45
Financial assets			
Trade receivables	10	41,900.73	36,802.34
Cash and cash equivalents	11	8,560.67	6,659.18
Other bank balances	12	1,020.90	5,277.77
Other financial assets	7	8,561.52	7,487.62
Other current assets	8	4,665.13	3,514.75
Total current assets		**72,261.09**	**66,967.11**
Total assets		**783,877.05**	**773,303.60**
Equity and liabilities			
Equity			
Equity share capital	13	32,500.00	32,500.00
Compulsorily convertible cumulative preference shares	13	15,311.67	15,311.67
Other equity		113,019.09	98,679.81
		160,830.76	**146,491.48**
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	14	352,165.20	381,367.71
Provisions	16	-	165.63
Deferred tax liabilities	27	68,360.00	68,360.00
Total non-current liabilities		**420,525.20**	**449,893.34**
Current liabilities			
Financial liabilities			
Borrowings	14	45,033.56	53,262.14
Trade payables	18	28,625.34	27,740.37
Other financial liabilities	15	118,483.50	85,536.27
Provisions	16	2,097.32	3,931.52
Other current liabilities	17	8,281.37	6,448.48
Total current liabilities		**202,521.09**	**176,918.78**
Total equity and liabilities		**783,877.05**	**773,303.60**
Significant accounting policies	3		

The accompanying notes form an integral part of the balance sheet

As per our report of even date attached

for **B S R and Associates**
Chartered Accountants
Firm registration number: 128901W

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Rushank Muthreja
Partner
Membership No.: 211386

Bangalore
14 May 2018

for and on behalf of the Board of Directors of
Prerana Hospital Limited
CIN: U85110PN1996PLC104292

-sd-
Dr. U. B. Damale
Managing Director

-sd-
Dr. S. M. Navare
Whole-time Director

Kolhapur
14 May 2018

Prerana Hospital Limited
Statement of profit and loss for the year ended 31 March 2018
(All amounts in Indian rupees thousands)

	Notes	Year ended 31 March 2018	Year ended 31 March 2017
Income			
Revenue from operations	**19**	671,016.26	627,474.55
Other income	**20**	7,979.26	3,978.63
Total income		**678,995.52**	**631,453.18**
Expenses			
Purchases of medicines and consumables	**21**	188,386.26	188,896.96
Change in inventories	**22**	(579.40)	886.23
Employee benefits expense	**23**	130,880.23	126,621.83
Finance costs	**24**	52,680.35	61,752.09
Depreciation and amortisation expense	**25**	27,591.43	54,426.81
Other expenses	**26**	266,682.01	245,954.35
Total expenses		**665,640.88**	**678,538.27**
Profit /(loss) before tax		**13,354.64**	**(47,085.09)**
Current tax	**27**	-	-
Deferred tax	**27**	-	-
Profit/(loss) for the year		**13,354.64**	**(47,085.09)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of net defined benefit liability/ asset, net of tax		984.64	(1,108.45)
Total comprehensive income for the year		**14,339.27**	**(48,193.54)**
Profit/ loss per share (equity share of face value of Rs.10 each)	**29**		
Basic		2.79	(9.85)
Diluted		2.79	(9.85)
Significant accounting policies	**3**		

The accompanying notes form an integral part of the statement of profit and loss

As per our report of even date attached

for **B S R and Associates**
Chartered Accountants
Firm registration number: 128901W

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Rushank Muthreja
Partner
Membership No.: 211386

Bangalore
14 May 2018

for and on behalf of the Board of Directors of
Prerana Hospital Limited
CIN: U85110PN1996PLC104292

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Dr. U. B. Damale
Managing Director
DIN 00333654

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Dr. S. M. Navare
Whole-time Director
DIN 00334421

Kolhapur
14 May 2018

Prerana Hospital Limited
Statement of changes in equity for the year ended 31 March 2018
(All amounts in Indian rupees thousands)

A. Equity share capital

	Note	Equity shares	Amount
Equity shares of INR 10 each share issued, subscribed and fully paid up		(thousands)	
As at 1 April 2016		3,250.00	32,500.00
Changes in equity share capital during the year	13	-	-
As at 31 March 2017		**3,250.00**	**32,500.00**
Changes in equity share capital during the year		-	-
As at 31 March 2018		**3,250.00**	**32,500.00**

B Other equity

Particulars	**Reserves and Surplus**					**Items of other comprehensive income**	**Total other equity attributable to equity holders of the Company**
	Securities premium	**Capital reserve**	**General reserve**	**Capital redemption reserve**	**Retained earnings**	**Remeasurement of defined benefit liability/ (asset), net of tax**	
Balance as at 1 April 2016	**159,864.06**	**170.54**	**255.00**	**3,000.00**	**(120,535.60)**	**-**	**42,754.01**
Total comprehensive income for the year ended 31 March 2017							
Loss for the year	-	-	-	-	(47,085.09)	-	(47,085.09)
Other comprehensive income	-	-	-	-	-	(1,108.45)	(1,108.45)
Total comprehensive income	**-**	**-**	**-**	**-**	**(47,085.09)**	**(1,108.45)**	**(48,193.54)**
Transferred to retained earnings	-	-	-	-	(1,108.45)	1,108.45	-
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Conversion of financial liability to equity	104,119.36	-	-	-	-	-	104,119.35
Balance as at 31 March 2017	**263,983.42**	**170.54**	**255.00**	**3,000.00**	**(168,729.14)**	**-**	**98,679.81**
Total comprehensive income for the year ended 31 March 2018							
Profit for the year	-	-	-	-	13,354.64	-	13,354.64
Other comprehensive income	-	-	-	-	-	984.64	984.64
Total comprehensive income	**-**	**-**	**-**	**-**	**13,354.64**	**984.64**	**14,339.28**
Transferred to retained earnings	-	-	-	-	984.64	(984.64)	-
Balance as at 31 March 2018	**263,983.42**	**170.54**	**255.00**	**3,000.00**	**(154,389.86)**	**-**	**113,019.09**

Prerana Hospital Limited
Statement of changes in equity for the year ended 31 March 2018
(All amounts in Indian rupees thousands)

B Other equity (continued)

The description of the nature and purpose of each reserve within equity is as follows:

(a) Securities premium
Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

(b) Capital reserve and capital redemption reserve
Capital reserve and capital redemption reserve is utilised in accordance with the provisions of the Companies Act, 2013.

(c) General reserve
General reserve is used from time to time to transfer profits from retained earnings for appropriate purposes.

The accompanying notes are an integral part of these standalone financial statements.
As per our report of even date attached

for **B S R and Associates**
Chartered Accountants
Firm Registration No.: 128901W

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Rushank Muthreja
Partner
Membership No.: 211386

Bangalore
14 May 2018

for and on behalf of the Board of Directors of
Prerana Hospital Limited
CIN: U85110PN1996PLC104292

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Dr. U. B. Damale
Managing Director
DIN 00333654

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Dr. S. M. Navare
Whole-time Director
DIN 00334421

Kolhapur
14 May 2018

Prerana Hospital Limited
Cash flow statement for the year ended 31 March 2018
(All amounts in Indian rupees thousands)

	For the year ended 31 March 2018	For the year ended 31 March 2017
Cash flows from operating activities		
Profit/ loss before tax for the year	13,354.64	(47,085.09)
Adjustments for:		
Depreciation and amortisation	27,591.43	54,426.81
Allowances for credit losses on financial assets	1,860.51	135.40
Net loss on sale of property, plant and equipment	-	406.50
Interest income	(462.13)	(363.00)
Finance costs	52,680.35	61,752.09
Operating profit before working capital changes	95,024.80	69,272.71
(Increase)/ Decrease in inventories	(326.69)	928.90
Increase in trade recievables	(6,958.90)	(6,410.20)
Decrease/ (Increase) in loans and advances	257.67	(4,658.90)
Increase in liabilities	23,817.85	34,535.96
Net cash generated from operating activities	111,814.72	93,668.47
Taxes paid, net of refund received	(2,149.00)	(7,352.28)
Net cash generated from operating activities (A)	**109,665.72**	**86,316.19**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(29,348.36)	(10,439.19)
Proceeds from sale of property, plant and equipment	-	515.59
Interest received	462.13	363.00
Net cash used in investing activities (B)	**(28,886.24)**	**(9,560.60)**
Cash flows from financing activities		
Decrease in bank borrowings, net	(25,464.57)	(12,539.48)
Finance charges paid	(53,413.42)	(61,752.09)
Net cash used in financing activities (C)	**(78,878.00)**	**(74,291.57)**
Net increase in cash and cash equivalents (A+B+C)	1,901.49	2,464.02
Cash and cash equivalents at beginning of the year	6,659.18	4,195.16
Cash and cash equivalents at end of the year	**8,560.67**	**6,659.18**

Refer note 11 - Cash and cash equivalents

Note: Significant non cash transactions: the Company has reclassified compulsory convertible preference shares of Rs 15,311.76 from financial liability to equity during the year ended 31 March 2017 which has not been considered in the above cash flow statement.

The accompanying notes form an integral part of the standalone cash flow statement

As per our report of even date attached

for **B S R and Associates**
Chartered Accountants
Firm Registration No.: 128901W

-sd-

Rushank Muthreja
Partner
Membership No.: 211386

Bangalore
14 May 2018

for and on behalf of the Board of Directors of
Prerana Hospital Limited

-sd-

Dr. U. B. Damale
Managing Director
DIN 00333654

-sd-

Dr. S. M. Navare
Whole-time Director
DIN 00334421

Kolhapur
14 May 2018

1. Company overview

Prerana Hospital Limited ('the Company') was incorporated on 3 December 1996 as a private limited company. The registered office of the Company is located at R. S. No 628, 'B' Ward, near Shastri Nagar KMT Workshop, Kolhapur 416012. The Company was converted into a public limited company on 12 March 2001. The Company is primarily engaged in the business of running hospitals. The Company is a subsidiary of Aster DM Healthcare Limited (formerly known as Aster DM Healthcare Private Limited) and the ultimate parent company was Union Investment Private Limited, Mauritius (till 26 February 2018).

2. Basis of preparation

A. Statement of compliance

These financial statements are 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'), as amended, and other relevant provisions of the Act.

The financial statements up to and for the year ended 31 March 2016 were prepared in accordance with the Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Act and other relevant provisions of the Act.

The financial statements were authorized for issue by the Company's Board of Directors on 14 May 2018.

Details of the Company's accounting policies are included in note 3.

B. Functional and presentation currency

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

C. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items:

Items	**Measurement basis**
Net defined benefit (asset)/ liability	Fair value of plan assets less present value of defined benefit obligations
Land	Fair value

D. Use of estimates and judgements

In preparing these financial statements, management has made 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 prospectively.

2. Basis of preparation (continued)

D. Use of estimates and judgements (continued)

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the notes:

Note 31- lease classification; and

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2018 is included in the following notes:

Note 33 – measurement of defined benefit obligations: key actuarial assumptions;

Notes 28 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;

Note 35 – financial instruments.

E. Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. Significant valuation issues are reported to the Company's board of directors.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- 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).

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 categorized 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 recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 35: financial instruments.

F. Going concern

The paid-up share capital and the accumulated losses of the Company as at 31 March 2018 were Rs.32,500 and Rs.154,389.87 respectively. The Company was incurring losses till the year ended 31 March 2017, however the Company has made profits in the current year.

Management however believes that the Company will be able to continue its operations on a going concern basis and will meet all its liabilities as they fall due for payment in the foreseeable future atleast for the period of twelve months from the balance sheet date on the basis of financial support from the holding company and based on business strategies and operating plans which will enable the Company to generate operating cash flows in the future.

The financial statements have accordingly been prepared on a going concern basis.

G. Recent Accounting Pronouncements

Ind AS 115 , Revenue from contract with customers

On 28 March 2018, the MCA notified the Ind AS 115. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further, the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits two methods of transition:

- Retrospective approach – Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors.
- Retrospectively with cumulative effect of initially applying the standard recognised at the date of initial application (Cumulative catch up approach).

The effective date for adoption of Ind AS 115 is financial period beginning on or after 1 April 2018.

The company will adopt the standard on 1 April 2018 by using cumulative catch up transition method and accordingly, comparatives for the year ending or ended 31 March 2018 will not be retrospectively adjusted. The effect of adoption of Ind AS 115 is expected to be insignificant.

3. Significant accounting policies

3.1 Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses, if any

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials and direct labor, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

Advances paid towards the acquisition of fixed assets, outstanding at each balance sheet date are shown under long-term loans and advances. The cost of fixed assets not ready for its intended use at each balance sheet date are disclosed as capital work-in-progress.

ii.Transition to Ind AS

On transition to Ind AS, the Company has elected to fair value its freehold land as at 1 April 2015 and use that fair value as deemed cost of such property, plant and equipment.

(All amounts in Indian rupees thousands)

3.1 Property, plant and equipment (continued)

iii. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

iv. Depreciation

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the straight-line method, and is generally recognised in the profit or loss. Leasehold improvements are amortized over the lease term or useful lives of assets, whichever is lower. Freehold land is not depreciated

The estimated useful lives of items of property, plant and equipment are as follows:

Class of assets	**Previous life**	**Revised life**
Buildings	60	60
Plant and machinery	5	15
Medical equipments *	10	10-13
Vehicles *	5	5
Computer	3	3
Furniture and fittings *	5	5-10
Books*	5	5
Electrical equipments*	5	10

* For the above mentioned classes of assets, the Company believes that the useful lives as given above best represent the useful lives of these assets based on internal assessment and supported by technical advice, where necessary, which is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act, 2013.

Change in estimated useful life: With effect from 1 April 2017, based on the technical evaluation, the Company has revised the estimated useful lives of certain categories of property, plant and equipment. The change in accounting estimate is applied prospectively in accordance with Ind AS 8, 'Accounting policies, changes in accounting estimates and errors' and has an impact on the depreciation expense. The financial impact due to the change in the estimate is disclosed in Note 4. Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.2 Intangible assets:

Intangibles assets are stated at cost less accumulated amortization and impairment. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use and is included in amortization in profit or loss.

The estimated useful lives are as follows:

Class of assets	**Years**
Software	3

Amortization method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

3.3 Employee benefits

Short-term employee benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid e.g., under short-term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the amount of obligation can be estimated reliably.

Post-employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Company makes specified monthly contributions towards Government administered provident fund scheme. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which the related services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses are recognized in other comprehensive income (OCI). The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

Other long term employee benefits

The Company's net obligation in respect of long-term employee benefits other than post-employment benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The obligation is measured on the basis of an annual independent actuarial valuation using the projected unit credit method. Remeasurement gains or losses are recognized in profit or loss in the period in which they arise.

3.4 Provisions (other than for employee benefits)

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. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. Expected future operating losses are not provided for.

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 recognizes any impairment loss on the assets associated with that contract.

3.5 Revenue

Revenue from medical and healthcare services to patients is recognized as revenue when the related services are rendered unless significant future uncertainties exist. Revenue is also recognized in relation to the services rendered to the patients who are undergoing treatment/ observation on the balance sheet date to the extent of services rendered.

Revenue is recognized net of discounts given to the patients.

Revenue from sale of medical consumables and drugs within the hospital premises is recognized when property in the goods or all significant risks and rewards of their ownership are transferred to the customer and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods and regarding its collection.

‘Unbilled revenue’ represents value to the extent of medical and healthcare services rendered to the patients who are undergoing treatment/ observation on the balance sheet date and is not billed as at the balance sheet date.

Income from services rendered is recognized based on agreements / arrangements with the customers as the service is performed in proportion to the stage of completion of the transaction at the reporting date and the amount of revenue can be measured reliably.

3.6 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises purchase price, cost of conversion and other cost incurred in bringing the inventories to their present location and condition. The Company uses the weighted average method to determine the cost of inventory consisting of medicines and medical consumables.

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

3.7 Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are recognized in profit or loss.

3.8 Financial instruments

i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognize
ed when the Company becomes a party to the contractual provisions of the instrument.
A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at either at amortized cost, FVTPL or fair value in other comprehensive income (FVOCI).

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment by investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3.8 Financial instruments (continued)

Financial assets: Business model assessment
The Company makes an assessment of the objective of the business model in which a financial asset is held at investment level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for each of such investments and the operation of those policies in practice.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are not reclassified to profit or loss.

3.8 Financial instruments (*continued*)

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL 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 FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

iii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.
If the Company enters into transactions whereby it transfers assets recognized on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognizes a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

iv) 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 realize the asset and settle the liability simultaneously.

v) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

3.9 Impairment

- Impairment of financial instruments

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Presentation of allowance for expected credit losses in the balance sheet

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off

- Impairment of non- financial assets

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 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 (or an individual asset) 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU (or the asset).

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

In respect of assets for which impairment loss has been recognized in prior periods, the Company reviews at each 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

3.10 Leases

i. Determining whether an arrangement contains a lease

At inception of an arrangement, it is determined whether the arrangement is or contains a lease. At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values.

ii.Assets held under leases

Lease of property, plant and equipment that transfer to the company substantially all the risks and rewards of ownership are classified as finance lease. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of minimum lease payments.

Assets held under leases that do not transfer to the Company substantially all the risks and rewards of ownership (i.e. operating leases) are not recognized in the Balance Sheet.

iii. Lease payments

Payments made under operating leases are generally recognized in profit or loss on a straight- line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge 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.

3.11 Recognition of dividend income , interest income or interest expense

Dividend income is recognized in profit or loss on the date on which the right to receive payment is established.

Interest income or expense is recognized using the effective interest 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 amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

3.12 Income tax

Income tax comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to an item recognized directly in equity or in other comprehensive income.

3.12 Income tax (Continued)

i. Current tax

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. Minimum Alternative Tax ('MAT') under the provisions of the Income-tax Act, 1961 is recognized as current tax in the profit or loss. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

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

ii. Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognized in respect of carried forward tax losses and tax credits.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Company recognizes a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realized. Deferred tax assets – unrecognized or recognized, are reviewed at each reporting date and are recognized/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized 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 if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

3.13 Borrowing cost

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

3.14 Earnings/loss per share

The basic earnings/loss per share is computed by dividing the net profit / (loss) after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period unless issued at a later date. In computing dilutive earning per share, only potential equity shares that are dilutive i.e. which reduces earnings per share or increases loss per share are included.

3.15 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 regular revenue generating, investing and financing activities of the Company are segregated.

3.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less which are subject to insignificant risk of changes in value.

(All amounts in Indian rupees thousands)

4 Property, plant and equipment

Particulars	Freehold land	Buildings	Leasehold improvements	Furniture and fixtures	Electrical Fixtures	Plant and machinery	Computers	Medical equipments	Books	Vehicles	Total (A)	Capital work- in - progess (B)	Total
Gross carrying value													
Balance at 1 April 2016	333,000.00	240,120.05	1,328.68	60,716.19	46,374.78	64,400.54	7,798.40	227,599.21	83.94	1,703.42	983,125.21	525.31	983,650.52
Additions	-	-	-	938.60	226.20	464.74	673.58	6,635.06	-	866.33	9,804.51	634.68	10,439.18
Deletions	-	-	-	-	-	(332.80)	-	(2,930.00)	-	(544.81)	(3,807.61)	-	(3,807.61)
Balance at 31 March 2017	333,000.00	240,120.05	1,328.68	61,654.79	46,600.98	64,532.48	8,471.98	231,304.27	83.94	2,024.94	989,122.11	1,159.99	**990,282.10**
Balance at 1 April 2017	333,000.00	240,120.05	1,328.68	61,654.79	46,600.98	64,532.48	8,471.98	231,304.27	83.94	2,024.94	989,122.11	1,159.99	990,282.10
Additions	-	-	10,055.05	911.59	270.03	556.56	549.58	11,367.72	-	-	23,710.53	15,959.64	39,670.17
Deletions	-	-	-	-	-	-	-	-	-	-	-	(10,055.05)	(10,055.05)
Balance at 31 March 2018	333,000.00	240,120.05	11,383.73	62,566.38	46,871.01	65,089.04	9,021.56	242,671.99	83.94	2,024.94	1,012,832.64	7,064.58	**1,019,897.23**
Accumulated Depreciation													
Balance at 1 April 2016	-	27,708.06	1,328.68	50,859.92	38,188.94	54,714.95	7,017.41	92,669.62	79.52	723.17	273,290.28	-	273,290.28
Depreciation	-	4,003.57	-	8,685.15	7,872.81	9,434.88	431.65	23,293.52	4.20	328.61	54,054.39	-	54,054.39
Deletions	-	-	-	-	-	(332.80)	-	(2,073.65)	-	(479.07)	(2,885.52)	-	(2,885.52)
Balance at 31 March 2017	-	31,711.63	1,328.68	59,545.07	46,061.75	63,817.03	7,449.06	113,889.49	83.72	572.71	324,459.15	-	**324,459.15**
Balance at 1 April 2017	-	31,711.63	1,328.68	59,545.07	46,061.75	63,817.03	7,449.06	113,889.49	83.72	572.71	324,459.15	-	324,459.15
Depreciation		4,002.00	1,304.91	155.14	111.55	83.33	564.42	20,800.45	0.22	393.29	27,415.31	-	27,415.31
Deletions	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2018	**-**	**35,713.63**	**2,633.59**	**59,700.21**	**46,173.30**	**63,900.36**	**8,013.48**	**134,689.94**	**83.94**	**966.00**	**351,874.46**	**-**	**351,874.46**
Net carrying value as at 31 March 2018	**333,000.00**	**204,406.42**	**8,750.14**	**2,866.17**	**697.71**	**1,188.68**	**1,008.08**	**107,982.05**	**(0.00)**	**1,058.94**	**660,958.18**	**7,064.58**	**668,022.77**
Net carrying value as at 31 March 2017	333,000.00	208,408.42	-	2,109.72	539.23	715.45	1,022.92	117,414.78	0.21	1,452.23	664,662.96	1,159.99	665,822.95

a) Hospital machinery includes asset taken under finance lease - gross block Rs 25,000 (previous year Rs 25,000) accumulated depreciation Rs 9,317.23 (previous year Rs 7,573.32) and Net block Rs 15,682.76 (previous year Rs 17,426.63)

b) For details of property, plant and equipment pledged, refer Note 14

c) With effect from 1 April 2017, the Group has revised the useful lives of certain property, plant and equipment. The change in accounting estimate is applied prospectively in accordance with Ind AS 8; 'Accounting policies, changes in accounting estimates and errors. The effect of these changes on the depreciation charge in the current and future years is as follows:

For the year ended	31 March 2018	31 March 2019	31 March 2020	31 March 2021	31 March 2022
Decrease in depreciation charge	5,625.00	5,610.00	5,225.00	4,735.00	2,004.00

(All amounts in Indian rupees thousands)

5 Intangibles assets

	Software
Gross carrying value	
Balance at 1 April 2016	3,533.97
Additions	-
Deletions	-
Balance at 31 March 2017	**3,533.97**
Balance at 1 April 2017	3,533.97
Additions	342.59
Deletions	-
Balance at 31 March 2018	**3,876.56**
Accumulated amortisation	
Balance at 1 April 2016	2,919.60
Amortisation	372.42
Balance at 31 March 2017	**3,292.02**
Balance at 1 April 2017	3,292.02
Amortisation	176.14
Balance at 31 March 2018	**3,468.16**
Carrying amounts (net)	
At 31 March 2018	**408.40**
At 31 March 2017	**241.95**

(All amounts in Indian rupees thousands)

		As at 31 March 2018	As at 31 March 2017
6	**Investments**		
	Non-current investments		
	Unquoted shares		
	Shares at fair value through profit or loss		
	Janata Sahakari Bank Limited, Pune	10.00	10.00
	(1,000 equity shares of Rs. 10 each)		
		10.00	**10.00**
	Aggregate book value of quoted and unquoted investments	10.00	10.00
	Aggregate market value of quoted and unquoted investments	-	-
7	**Other financial assets**		
	Non-current		
	Unsecured, considered good		
	Rent and other deposits	1,709.26	1,955.77
		1,709.26	**1,955.77**
	Current		
	Unsecured, considered good		
	Un-billed revenue	8,561.52	7,487.62
		8,561.52	**7,487.62**
		10,270.78	**9,443.39**
8	**Other assets**		
	Non-current		
	Prepayments	2,979.55	2,979.55
	Capital Advance	1,010.72	-
		3,990.27	**2,979.55**
	Current		
	Prepayments	3,958.65	2,709.77
	Payment to vendors for supply of goods and services	483.40	804.98
	Gratuity fund with Life Insurance Corporation of India	223.08	-
		4,665.13	**3,514.75**
		8,655.40	**6,494.30**
9	**Inventories**		
	(Valued at lower of cost and net realisable value)		
	Stock in trade including medical consumables	7,122.22	6,542.82
	Stores and spares	429.92	682.63
		7,552.14	**7,225.45**
	For details of inventories pledged, refer Note 14.		
10	**Trade receivables**		
	Current		
	Unsecured		
	considered good	40,837.02	36,802.34
	considered doubtful	9,864.11	6,939.89
		50,701.13	**43,742.23**
	Loss allowance		
	Considered doubtful	(8,800.40)	(6,939.89)
	Net trade receivables	**41,900.73**	**36,802.34**

For details of trade receivables pledged, refer Note 14
The Company's exposure to credit and currency risks and loss allowances related to trade receivables are disclosed in Note 35

		As at 31 March 2018	As at 31 March 2017
11	**Cash and cash equivalents**		
	Balance with banks	7,958.97	5,480.92
	Cash on hand	601.70	1,178.26
	Cash and cash equivalents in balance sheet	**8,560.67**	**6,659.18**
	Book and bank overdrafts used for cash management purposes	-	-
	Cash and cash equivalents in the statement of cash flows	**8,560.67**	**6,659.18**
12	**Other bank balances**		
	In deposit accounts (with original maturity of more than 3 months)	1,020.90	5,277.77
		1,020.90	**5,277.77**

		As at 31 March 2018		As at 31 March 2017	
13	**Share capital**	**Number of shares**	**Amount**	**Number of shares**	**Amount**
	Authorised	(thousands)			
	Equity shares	3,400.00	34,000.00	3,400.00	34,000.00
	Compulsory convertible preference shares	1,600.00	16,000.00	1,600.00	16,000.00
		5,000.00	**50,000.00**	**5,000.00**	**50,000.00**
	Issued, subscribed and paid-up				
	Equity shares	3,250.00	32,500.00	3,250.00	32,500
	Compulsory convertible preference shares	1,531.17	15,311.67	1,531.17	15,312
		4,781.17	**47,811.67**	**4,781.17**	**47,811.67**
	Reconcilation of shares outstanding at the beginning and at the end of the reporting period				
	Equity shares of Rs.10 each fully paid-up				
	At the beginning of the year	3,250.00	32,500,000	3,250.00	32,500,000
	Add: issued during the year	-	-	-	-
	At the end of the year	**3,250.00**	**32,500,000**	**3,250.00**	**32,500,000**
	Preference shares of Rs.10 each fully paid-up				
	Compulsory convertible preferance preference share capital				
	At the beginning of the year	1,531.17	15,311,670	-	-
	Conversion of financial liability to equity	-	-	1,531.17	15,311,670
	At the end of the year	**1,531.17**	**15,311,670**	**1,531.17**	**15,311,670**
	Total	**4,781.17**	**47,811,670**	**4,781.17**	**47,811,670**

*The Company has a single class of equity shares. All equity shares rank equally with regard to dividends and share in the Company’s residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to shareholders' share of the paid-up equity capital of the Company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid.
On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

** The CCPS holder have the right to receive, in priority to the holders of any other class of shares in the capital of the Company, a cumulative preference dividend on the face value of the CCPS, such dividend to be apportioned and paid up on the CCPS during any portion or portions of the period in respect of which the preference dividend is paid. On a distribution of capital in the event of liquidation, dissolution or winding up of the Company or otherwise, the CCPS shall have a preferred right over such distribution in accordance with the applicable law.
Each holder of a CCPS shall be entitled to convert the CCPS into shares as per the terms mentioned in the agreement. The conversion price will be adjusted based on future bonus issue, issuances arising from exercise of any stock options, share splits, consolidation, reorganization and other situations mentioned in the agreement. The right to convert CCPS shall be exercisable by the holder at any time prior to the expiry of the CCPS term by delivering to the Company a notice in writing of its desire to convert any CCPS, provided that such notice shall specify the number of CCPS that the holder desires to convert.

Note: 1,531,167 compulsory convertible preference shares of Rs. 10 each issued during the financial year 2014-15 were initially classified as financial liablility (see Note 14). Upon meeting the fixed to fixed criteria of conversion of compulsory convertible preference shares on 31 March 2017, the instrument is classified as equity.

(a) Shares held by ultimate holding company/ holding company and their subsidiaries/ associates

	As at 31 March 2018		As at 31 March 2017	
	Number of shares	**Amount**	**Number of shares**	**Amount**
Equity shares of Rs. 10 each fully paid-up held by				
Union Investment Private Limited, Mauritius, ultimate holding company (till 26 February 2018)	-	-	-	-
Aster DM Healthcare Limited, India, the holding company	2,626.10	26,261.00	2,626.10	26,261.00

(b) Details of shareholders holding more than 5% shares of the Company

	As at 31 March 2018		As at 31 March 2017	
	Number of shares	**Amount**	**Number of shares**	**Amount**
Equity shares of Rs. 10 each fully paid -up held by				
Aster DM Healthcare Limited, the holding company	2,626.10	80.80%	2,626.10	80.80%

(c) Details of shareholders holding more than 5% preference capital of the Company

	As at 31 March 2018		As at 31 March 2017	
	Number of shares	**%**	**Number of shares**	**%**
Preference shares of Rs.10 each fully paid-up held by				
Aster DM Healthcare Private Limited, the holding company	1,531.17	100%	1,531.17	100%

(d) Details of buyback, bonus shares, issue for consideration other than for cash for past 5 years

The Company has not allotted any fully paid-up equity shares by way of bonus shares nor has bought back any class of equity shares nor has there been any issue for consideration other than for cash during the period of five years immediately preceding the balance sheet date.

Prerana Hospital Limited

Notes to the financial statements (continued)

(All amounts in Indian rupees thousands)

	As at 31 March 2018	As at 31 March 2017
14 Borrowings		
Non-current		
Term loans from banks - *Secured*	344,801.53	368,902.19
Long-term maturities of finance lease obligations - *Secured*	7,363.67	12,465.52
	352,165.20	**381,367.71**
Current		
Secured		
Cash credit and overdraft from banks	45,033.56	53,262.14
	45,033.56	**53,262.14**
Amount included under 'other financial liabilities'	25,760.06	13,793.54
Total borrowings	**422,958.82**	**448,423.39**

Information about the Company's exposure to interest rate and liquidity risks are included in note 35

Note 1: Term loan from Yes Bank was availed and is repayable in 32 quarterly instalments starting from December 2016. The loan carries an interest of Yes Bank base rate plus 2% per annum. The term loan is secured by equitable mortgage on immovable fixed assets, exclusive charge on all current and movable fixed assets, both present and future, personal guarantee of Dr. U. B. Damale, Managing Director and Dr. S. M. Navare, corporate guarantee of Aster DM Healthcare Limited, the holding company.

Note 2: Cash credit and overdraft facility from banks are availed and carries and interest of Yes Bank base rate plus 2 % per annum. The facility is secured by way of an equitable mortgage of immovable assets, exclusive chagre on all current and movable assets, both present and future, personal guarantee of Dr. U.B Damale, Managing Director and Dr. S.M Navare, corporate guarantee of Aster DM Healthcare Limited, the holding company.

A Finance leases

The finance lease obligations are payable as follows:

The Company has taken medical equipment under finance lease. Future minimum lease payments under finance leases are as follows :

Particulars	31 March 2018			31 March 2017		
	Future minimum lease payments	**Interest element of minimum lease payments**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest element of minimum lease payments**	**Present value of minimum lease payments**
Within less than one year	6,703.07	1,155.51	5,547.56	6,586.20	1,743.91	4,842.29
Between 1 and 5 years	7,768.60	404.92	7,363.68	14,025.95	1,560.43	12,465.52
After more than 5 years	-	-	-	-	-	-
Total	**14,471.66**	**1,560.43**	**12,911.23**	**20,612.15**	**3,304.34**	**17,307.81**

The Company has obtained medical equipments on finance lease basis. The legal title of these items vests with the lessor. The lease term of such medical equipments is 16 years with the equated monthly payments beginning from the 13 month subsequent to the commencement of lease.

B Changes in liabilities and financial assets arising from financing activities

Particulars	As at 31 March 2017	Cash flows	Non cash changes			As at 31 March 2018
			Acquisition	**Exchange Movement**	**Fair Value changes**	
Non-current borrowings	395,161.25	(17,235.99)	-	-	-	377,925.26
Current borrowings	53,262.14	(8,228.58)	-	-	-	45,033.56
Total	**448,423.39**	**(25,464.57)**	**-**	**-**	**-**	**422,958.82**

Prerana Hospital Limited

Notes to the financial statements (continued)

(All amounts in Indian rupees thousands)

		As at 31 March 2018	As at 31 March 2017
15	**Other financial liabilties**		
	Current		
	Current maturities of long-term borrowings* (refer note 14)	20,212.50	8,951.25
	Current maturities of finance lease obligations* (refer note 14)	5,547.56	4,842.29
	Dues to holding company	43,742.88	26,529.30
	Accrued salaries and benefits	16,525.41	18,868.77
	Dues to creditors for capital goods	438.89	840.27
	Dues to other creditors	24,820.65	18,032.70
	Interest accrued but not due on borrowings*	3,266.70	3,999.77
	Security and other deposits	3,928.91	3,471.92
		118,483.50	**85,536.27**

* The details of interest rates, repayment and other terms are disclosed in note 14

The Company's exposure to currency and liquidity risk related to the above financial liabilities is disclosed in note 35.

		As at 31 March 2018	As at 31 March 2017
16	**Provisions**		
	Non-current		
	Provision for employee benefits		
	Net defined benefit liability - gratuity*	-	165.63
		-	**165.63**
	Current		
	Provision for employee benefits		
	Net defined benefit liability - gratuity *	-	2,238.14
	Compensated absences	2,097.32	1,693.38
		2,097.32	**3,931.52**
		2,097.32	**4,097.15**

* Also refer note 33

		As at 31 March 2018	As at 31 March 2017
17	**Other liabilities**		
	Current		
	Advances from patients	4,861.15	3,095.56
	Statutory dues payables	3,420.22	3,352.92
		8,281.37	**6,448.48**
18	**Trade payables**		
	Dues to micro and small enterprises	-	-
	Dues to trade creditors	28,625.35	27,740.37
		28,625.35	**27,740.37**

Disclosures as required under the Micro, Small and Medium Enterprises Development Act, 2006 ("the Act") based on the information available with the Company are given below:

	As at 31 March 2018	As at 31 March 2017
The principal amount remaining unpaid to any supplier as at the end of the year	-	-
The interest due on the principal remaining outstanding as at the end of the 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 the Act	-	-
The amount of interest accrued and remaining unpaid at the end of the year	-	-
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 the Act	-	-

Prerana Hospital Limited
Notes to the financial statements (continued)
(All amounts in Indian rupees thousands)

		Year ended 31 March 2018	Year ended 31 March 2017
19	**Revenue from operations**		
	Income from hospital services	641,006.66	598,962.43
	Sale of medicines	30,009.60	28,512.11
		671,016.26	**627,474.55**
20	**Other income**		
	Interest income on bank deposits	462.13	363.00
	Other non-operating income	7,517.13	3,615.63
		7,979.26	**3,978.63**
21	**Purchases of stock-in-trade**		
	Medicines and consumables	188,386.26	188,896.96
		188,386.26	**188,896.96**
22	**Change in inventories**		
	Medicines and medical consumables:		
	Opening stock	6,542.82	7,429.05
	Closing stock	7,122.22	6,542.82
		(579.40)	**886.23**
23	**Employee benefits expense**		
	Salaries and allowances	115,158.20	107,741.57
	Contribution to provident and other funds	10,840.28	13,183.42
	Staff welfare expenses	4,881.75	5,696.84
		130,880.23	**126,621.83**
24	**Finance cost**		
	Interest on bank borrowings	48,031.04	56,601.13
	Interest on compulsory convertible preference shares	1,799.12	1,799.12
	Loan processing charges and other borrowing cost	2,850.19	3,351.84
		52,680.35	**61,752.09**
25	**Depreciation and amortisation**		
	Depreciation	27,415.31	54,054.39
	Amortisation	176.14	372.42
		27,591.45	**54,426.81**
26	**Other expenses**		
	Professional fee paid to doctors	145,315.60	135,393.09
	Canteen	12,957.38	12,162.70
	Power and fuel	19,919.55	17,816.05
	Rent	869.53	2,002.99
	Insurance expenses	968.94	995.25
	Repairs and maintenance:		
	- Buildings	1,545.73	2,118.55
	- Others	38,218.26	35,911.95
	Communication	2,183.23	2,002.47
	Advertising and promotional expenses	9,622.01	8,454.16
	Lab outsourcing charges	6,797.43	5,737.74
	Rates and taxes	2,678.28	2,105.63
	Legal, professional and other consultancy	2,418.89	4,206.66
	Allowances for credit losses on financial assets	1,860.51	135.40
	Travelling and conveyance	806.85	254.66
	Net loss on sale of property, plant and equipment	-	406.50
	Consultancy fee paid to parent company	18,300.18	14,534.31
	Miscellaneous expenses	2,219.64	1,716.24
		266,682.01	**245,954.35**

Prerana Hospital Limited
Notes to the financial statements (continued)
(All amounts in Indian rupees thousands)

27 Income taxes

Particulars	**As at 31 March 2018**	**As at 31 March 2017**
Income tax assets/(liability)		
Income tax assets	37,475.27	35,326.27
Income tax liabilities	-	-
Net income tax assets/(liability) at the end	**37,475.27**	**35,326.27**

(i) Tax expense recognised in statement of profit and loss	**Year ended 31 March 2018**	**Year ended 31 March 2017**
Current tax	-	-

(ii) Reconciliation of effective tax rate

Particulars	**Year ended 31 March 2018**	**Year ended 31 March 2017**
Profit/loss before income taxes	13,354.64	(47,085.09)
Enacted tax rates in India	30.90%	30.90%
Tax expenes /(asset)	4,126.58	(14,549.29)
Other temporary differences	(14,131.25)	9,689.10
Un-recognised deferred tax assets	10,004.67	4,860.19
Income tax expense	**-**	**-**

B. Recognised deferred tax assets and (liabilities)

(i) Deferred tax assets and liabilities are attributable to the followings:

Particulars	**As at 31 March 2018**	**As at 31 March 2017**
Deferred tax asset		
Provision for doubtful debts and advances	2,719.32	2,144.43
Provision for employee benefits	648.07	1,266.02
Unabsorbed depreciation and business loss	6,637.28	1,449.74
Total deferred tax asset	10,004.67	4,860.19
Deferred tax liabilities		
On account of fair valuation land *	68,360.00	68,360.00
Excess of depreciation on fixed asset under Income Tax Act, 1961 over depreciation under Companies Act.	10,004.67	4,860.19
Total deferred tax liability	78,364.67	73,220.19
Deferred tax (liability) net	**(68,360.00)**	**(68,360.00)**

* The deferred tax liability arising on the fair valuation is recognised based on tax rates applicable to the long-term capital gains.

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority. Company has recognised deferred tax assets arising out of tax losses (unabsorbed depreciation) to the extent of net deferred tax liability on account of taxable temporary differences.

Prerana Hospital Limited
Notes to the financial statements (continued)
(All amounts in Indian rupees thousands)

27 Income taxes (continued)

(ii) Movement in temporary differences

Movement during the year ended 31 March 2018	As at 1 April 2016	Credit/ (Charge) in the Statement of Profit and Loss	As at 31 March 2017
Provision for doubtful debts and advances	2,102.58	41.84	2,144.43
Provision for employee benefits	627.09	638.93	1,266.02
Unabsorbed depreciation and business loss	7,129.09	(5,679.35)	1,449.74
On account of fair valuation land *	(68,360.00)	-	(68,360.00)
Excess of depreciation on fixed asset under Income Tax Act, 1961 over depreciation under Companies Act.	(9,858.76)	4,998.57	(4,860.19)
	(68,360.00)	**-**	**(68,360.00)**

Movement during the year ended 31 March 2018	As at 1 April 2017	Credit/ (Charge) in the Statement of Profit and Loss	As at 31 March 2018
Provision for doubtful debts and advances	2,144.43	574.90	2,719.32
Provision for employee benefits	1,266.02	(617.95)	648.07
Unabsorbed depreciation and business loss	1,449.74	5,187.54	6,637.28
On account of fair valuation land *	(68,360.00)	-	(68,360.00)
Excess of depreciation on fixed asset under Income Tax Act, 1961 over depreciation under Companies Act.	(4,860.19)	(5,144.48)	(10,004.67)
	(68,360.00)	**-**	**(68,360.00)**

* The deferred tax liability arising on the fair valuation is recognised based on tax rates applicable to the long-term capital gains.

(iii) Unrecognised deferred tax assets

Particulars	31 March 2018		31 March 2017	
	Gross amount	Unrecognised tax effect	Gross amount	Unrecognised tax effect
Tax losses (business loss)	236,563.40	73,098.09	251,642.77	77,757.62
Tax losses (unabsorbed depreciation)	181,967.38	56,227.92	181,967.38	56,227.92
Total deferred tax asset	**418,530.78**	**129,326.01**	**433,610.16**	**133,985.54**

(iv) Tax losses carried forward

Particulars	As at 31 March 2018	Expiry date	As at 31 March 2017	Expiry date
Brought forward losses - allowed to carry forward for specified period	236,563.40	Various dates	251,642.77	Various dates
Brought forward losses - allowed to carry forward for infinite period	181,967.38		181,967.38	-
Total deferred tax asset	**418,530.78**		**433,610.16**	

Prerana Hospital Limited
Notes to the financial statements (continued)
(All amounts in Indian rupees thousands)

28 Contingent liabilities and commitments

Particulars	As at 31 March 2018	As at 31 March 2017
Contingent liabilities	-	-
Commitments		
Estimated amount of contracts remaining to be executed on capital account (net of advance) and not provided for	2.03	-

29 Earnings/ (loss) per share
A. Basic earnings/ (loss) per share

The calculation of loss attributable to equity share holders and weighted average number of equity shares outstanding for the purpose of basic profit/ (loss) per share calculations are as follows:

i) Profit/ (loss) attributable to equity share holders

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Net profit/ (loss) for the year attributable to equity share holders	13,354.64	(47,085.09)

ii) Weighted average number of equity shares (basic)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Opening balance (refer note 13)	3,250.00	3,250.00
Convertible preference shares (Refer note 13)	1,531.17	1,531.17
Weighted average number of equity shares of Rs. 10 each for the year	4,781.17	4,781.17
Earnings/ (loss) per share, basic	**2.79**	**(9.85)**

B. Diluted loss per share

The calculation of loss attributable to equity share holders and weighted average number of equity shares outstanding, after adjustment for the effects of all dilutive potential equity shares is as follows:

i) Profit / (loss) attributable to equity share holders

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
The company has elected to apply the derecogontion principles of Ind AS 109 restrospectively as reliable in format	13,354.64	(47,085.09)

ii) Weighted average number of equity shares (diluted)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Weighted average number of equity shares of Rs. 10 each for the year (basic)	4,781.17	4,781.17
Effect of dilutive instruments	-	-
Weighted average number of equity shares of Rs. 10 each for the year (diluted)	4,781.17	4,781.17
Earnings/ (loss) per share, dilutive	**2.79**	**(9.85)**

30 Auditors’ remuneration (included under legal and professional charges, net of service tax)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Statutory audit	495.00	450.00
Tax audit	165.00	150.00
Total	**660.00**	**600.00**

31 Operating leases

The Company is obligated under cancellable operating leases for its office premises which are renewable at the option of both the lessor and lessee. Total rental expenses under such leases amounted to Rs 869.53 (previous year: Rs. 2,002.99).

32 Segmental reporting

The Company is engaged in the business of rendering health care services, whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated and to assess its performance, and for which discrete financial information is available. Hence, there are no separate reportable segments, as required by the Ind AS 108 on “Operating Segment”.

(All amounts in Indian rupees thousands)

33 Employee benefits

The Company has a defined benefit gratuity plan as per the Payment of Gratuity Act, 1972 ('Gratuity Act'). Under the Gratuity Act, employee who has completed five years of service is entitled to specific benefit. The level of benefit provided depends on the employee's length of service and salary at retirement/termination age.

A Based on an actuarial valuation, the following table sets out the status of the gratuity plan and the amounts recognised in the Company's financial statements as at balance sheet date:

Particulars	As at 31 March 2018	As at 31 March 2017
Defined benefit obligation liability	19,437.60	17,670.22
Plan assets	19,660.69	15,266.45
Net defined benefit (asset)/ liability	**(223.09)**	**2,403.77**
Compensated absences	2,097.32	1,693.38
Total employee benefit (asset)/ liability	**1,874.23**	**4,097.15**

B Reconciliation of present value of defined benefit obligaiton

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Balance at beginning of the year	17,670.22	14,274.38
Benefit paid	(1,049.42)	(432.89)
Current service cost	2,238.14	1,852.94
Past service cost	336.28	
Interest cost	1,072.92	977.66
Actuarial (gain)/ loss recognised in other comprehensive income		
- changes in demographic assumptions	-	-
- changes in financial assumptions	(427.67)	580.57
- experience adjustments	(402.87)	417.56
Obligations at the end of the year	**19,437.60**	**17,670.22**

Reconciliation of present value of plan assets

Balance at beginning of the year at fair value	15,266.45	14,169.33
Contributions paid into the plan	4,303.36	600.24
Benefits paid	(1,049.41)	(432.89)
Interest Income	986.20	1,040.09
Return on plan asset recognised in other comprehensive income	154.10	(110.32)
Balance at the end of the year	**19,660.69**	**15,266.45**
Net defined benefit liability	**(223.09)**	**2,403.77**

C (i) Expenses recognised in the profit and loss account

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Current Service cost	2,238.14	1,852.94
Interest cost	1,072.92	977.66
Past service cost	336.28	-
Interest income	(986.20)	(1,040.09)
Net gratuity cost	**2,661.14**	**1,790.51**

(ii) Remeasurements recognised in other comprehensive income, net of tax

Acturial (gain)/ loss on defined benefit obligation	(830.54)	998.13
Return on plan asset excluding interest income	(154.10)	110.32
	(984.64)	**1,108.45**

D Plan Asset

Plan asset comprises of the following:

Particulars	31 March 2018	31 March 2017
Insurance policy	19,660.69	15,266.45

E Defined benefit obligation

i) Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

Particulars	31 March 2018	31 March 2017
Discount rate	7.30%	6.75%
Future salary growth	7.00%	7.00%
Attrition rate	30.00%	30.00%

Assumptions regarding future mortality experience are set in accordance with the published statistics by the Life Insurance Corporation of India.

The Company assesses these assumptions with its projected long-term plans of growth and prevalent industry standards. The discount rate is based on the government securities yield.

Gratuity is applicable only to employees drawing a salary in Indian rupees and there are no other foreign defined benefit gratuity plan.

(ii) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the acturial assumptions holding other assumptions constant would have affected the defined benefit obligation by the amounts shown below:

Particulars	31 March 2018		31 March 2017	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	(372.32)	388.00	(346.44)	361.26
Future salary growth (0.5% movement)	387.15	(375.05)	345.08	(333.84)
Withdrawal rate (30% movement)	(83.03)	86.21	(263.65)	345.35

Although the analysis does not take account of the full distribution of the cash flows expected under the plan it does provide an approximation of the sensitivity of the assumption shown.

Prerana Hospital Limited
Notes to the financial statements (continued)
(All amounts in Indian rupees thousands)

34 Related parties

A. Related Party relationships

Names of related parties and description of relationship with the Company:

I) *Enterprises where control exist*

(a)	Holding company	Aster DM Healthcare Limited, India
(b)	Ultimate holding Company	Union Investment Private Limited, Mauritius (till 26 February 2018)

II) *Other related parties with whom the group had transactions during the year*

(a) Key managerial personnel and relatives

Dr. U.B. Damale	Managing director
Dr. S.M.Navare	Whole time director
Dr. Charusheela Damale	Wife of managing director
Dr. Sujata Navare	Wife of whole time director

B. Related party transactions:

The Company has entered into the following transactions with related parties during the year ended 31 March 2018

Sl.No.	Nature of transaction	Volume of transactions	
		Year ended 31 March 2018	Year ended 31 March 2017
1	**Salaries and professional fee**		
	Dr. U.B. Damale	2,319.37	2,642.02
	Dr. S.M.Navare	7,902.04	6,593.29
	Dr.Charusheela Damale	2,968.17	3,200.32
	Dr.Sujata Navare	779.57	779.57
	Post employment defined benefit*	-	-
2	**Aster DM Healthcare Limited**		
	Consultancy fee	15,809.52	14,534.32
	Corporate guarantee received	630,127.55	630,127.55
	Interest on compulsory convertible preference shares	1,799.12	1,799.12
	Compulsory convertible preference shares**	-	119,431.03
	Guarantee commission paid	2,176.44	1,915.38

*The aforesaid amount does not include provision for gratuity and leave encashment as the same is determined for the Company as a whole based on an actuarial valuation.

**Refers to reclassification of financial liability to equity

C. Balance receivable / (payable) as at the year end

Sl.No.	Particulars	As at 31 March 2018	As at 31 March 2017
1	**Salaries and professional fee**		
	Dr. U.B. Damale	-	(175.92)
	Dr. S.M.Navare	(567.82)	(608.17)
	Dr. Charusheela Damale	(246.32)	(335.54)
	Dr. Sujata Navare	(37.72)	(38.15)
2	**Aster DM Healthcare Limited**		
	Dues to holding company	43,742.88	26,529.30

Prerana Hospital Limited
Notes to the financial statements (continued)
(All amounts in Indian rupees thousands)

35 Financial Instruments- Fair values and risk management

A Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

As at 31 March 2018

Particulars	Note	Financial assets at amortised cost	Mandatorily at FVTPL	Other financial liabilities at amortised cost	Total carrying value	Level 1	Level 2	Level 3	Total
Assets									
Financial assets not measured at fair value									
Cash and cash equivalents	11	8,560.67	-	-	8,560.67	-	-	-	-
Trade receivables	10	41,900.73	-	-	41,900.73	-	-	-	-
Other bank balances	12	1,020.90	-	-	1,020.90	-	-	-	-
Other financial assets	7	10,270.78	-	-	10,270.78	-	-	-	-
Financial assets measured at fair value									
Investments	6	-	10.00	-	10.00	-	10.00	-	**10.00**
Total		**61,753.08**	**10.00**	**-**	**61,763.08**	**-**	**10.00**	**-**	**10.00**
Liabilities									
Financial liabilities not measured at fair value									
Trade payables	18	-	-	28,625.34	28,625.34	-	-	-	-
Borrowings	14	-	-	422,958.82	422,958.82	-	-	-	-
Other financial liabilities	15	-	-	92,723.43	92,723.43	-	-	-	-
Total		**-**	**-**	**544,307.59**	**544,307.59**	**-**	**-**	**-**	**-**

As at 31 March 2017

Particulars	Note	Financial assets at amortised cost	Mandatorily at FVTPL	Other financial liabilities at amortised cost	Total carrying value	Level 1	Level 2	Level 3	Total
Assets									
Financial assets not measured at fair value									
Cash and cash equivalents	11	6,659.18	-	-	6,659.18	-	-	-	-
Trade receivables	10	36,802.34	-	-	36,802.34	-	-	-	-
Other bank balances	12	5,277.77	-	-	5,277.77	-	-	-	-
Other financial assets	7	9,443.39	-	-	9,443.39	-	-	-	-
Financial assets measured at fair value									
Investments	6	-	10.00	-	10.00	-	10.00	-	**10.00**
Total		**58,182.68**	**10.00**	**-**	**58,192.68**	**-**	**10.00**	**-**	**10.00**
Liabilities									
Financial liabilities not measured at fair value									
Trade payables	18	-	-	27,740.37	27,740.37	-	-	-	-
Borrowings	14	-		448,423.39	448,423.39	-	-	-	-
Other financial liabilities	15	-	-	71,742.73	71,742.73	-	-	-	-
Total		**-**	**-**	**547,906.49**	**547,906.49**	**-**	**-**	**-**	**-**

(All amounts in Indian rupees thousands)

35 Financial Instruments- Fair values and risk management (continued)

B Financial risk management

The Company's activities expose it to a variety of financial risks:

a) Credit Risk
b) Liquidity risk
c) Market risk

i) **Risk management framework**

The Company’s board of directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company’s audit and risk management committee oversees how management monitors compliance with the risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the audit and risk management committee.

ii) **Credit risk**

Credit risk is the risk that the counterparty will not meet its obligation under a financial instrument or customer contract, leading to financial loss. The credit risk arises principally from its operating activities (primarily trade receivables) and from its investing activities, including deposits with banks and financial institutions and other financial instruments.

Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom credit has been granted after obtaining necessary approvals for credit. The collection from the trade receivables are monitored on a continuous basis by the receivables team.

The Company establishes an allowance for credit loss that represents its estimate of expected losses in respect of trade and other receivables based on the past and the recent collection trend. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to Rs. 41,900.73 (31 March 2017: Rs. 36,802.34) and unbilled revenue amounting to Rs. 8,561.52 (31 March 2017 : 7,487.62) . The movement in allowance for credit loss in respect of trade and other receivables during the year was as follows:

Allowance for credit loss	**As at 31 March 2018**	**As at 31 March 2017**
Balance at the beginning	6,939.89	6,804.49
Impairment loss recognised/ reversed	1,860.51	135.40
Balance at the end	**8,800.40**	**6,939.89**

No single customer accounted for more than 10% of the revenue as of 31 March 2018 and 31 March 2017. There is no significant concentration of credit risk.

Credit risk on cash and cash equivalent and other bank balances is limited as the Company generally transacts with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies. Investments primarily include investment in shares.

iii) **Liquidity risk**

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived.

The table below provides details regarding the contractual maturities of significant financial liabilities as of 31 March 2018

Particulars	**Payable within 1 year**	**More than 1 year**	**Total**
Trade payables	28,625.34	-	28,625.34
Borrowings	70,793.62	352,165.20	422,958.82
Other financial liabilities	92,723.43	-	92,723.43

The table below provides details regarding the contractual maturities of significant financial liabilities as of 31 March 2017

Particulars	**Payable within 1 year**	**More than 1 year**	**Total**
Trade payables	27,740.37	-	27,740.37
Borrowings	67,055.68	381,367.71	448,423.39
Other financial liabilities	71,742.73	-	71,742.73

(All amounts in Indian rupees thousands)

35 Financial Instruments- Fair values and risk management (continued)

iv) **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates, interest rates and equity prices.

Foreign currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which transactions are denominated and the functional currency of the Company. The functional currency of company is INR. There are no transactions made in foreign currency by the Company during the year.

Cash flow and fair value interest rate risk

The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. The interest rate on the Company's financial instruments is based on market rates. The Company monitors the movement in interest rates on an ongoing basis.

(a) Interest rate risk exposure

The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

Financial liabilities (bank borrowings)	**As at 31 March 2018**	**As at 31 March 2017**
Variable rate long term borrowings including current maturities	365,014	377,853

Sensitivity

Particulars	**Impact on profit or (loss)**		**Impact on equity**	
	As at 31 March 2018	**As at 31 March 2017**	**As at 31 March 2018**	**As at 31 March 2017**
1% increase in MCLR rate	(3,650.14)	(3,778.53)	(3,650.14)	(3,778.53)
1% decrease in MCLR rate	3,650.14	3,778.53	3,650.14	3,778.53

The interest rate sensitivity is based on the closing balance of secured term loans from banks.

(All amounts in Indian rupees thousands)

36 Capital management

The Company's policy is to maintain a stable capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors capital on the basis of return on capital employed as well as the debt to total equity ratio.

For the purpose of debt to total equity ratio, debt considered is long-term and short-term borrowings. Total equity comprise of issued share capital and all other equity reserves.

The capital structure as of 31 March 2018 and 31 March 2017 was as follows:

Particulars	**As at 31 March 2018**	**As at 31 March 2017**
Total equity attributable to the equity shareholders of the Company	160,830.76	146,491.48
As a percentage of total capital	**28%**	**25%**
Long-term borrowings including current maturities	377,925.26	395,161.25
Short-term borrowings	45,033.56	53,262.14
Total borrowings	422,958.82	448,423.39
As a percentage of total capital	**72%**	**75%**
Total capital (equity and borrowings)	**583,789.58**	**594,914.87**

37 Derivatives and foreign currency exposures

The Company does not have foreign currency receivable / payable as on the balance sheet date.

38 Disclosure on specified bank notes (SBNs)

During the previous year, the Company had specified bank notes or other denomination note as defined in the MCA notification G.S.R. 308(E) dated 31 March 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from 8 November 2016 to 30 December 2016, the denomination wise SBNs and other notes as per the notification is given below:

Particulars	**Specified bank notes***	**Other denomination notes**	**Total**
Closing cash in hand as on 8 November 2016*	1,593.00	0.20	1,593.20
(+) Permitted receipts	8,443.00	16,023.58	24,466.58
(-) Permitted payments	-	-	-
(+) Not permitted receipts	327.50	-	327.50
(-) Not permitted payments	-	-	-
(-) Amount deposited in Banks	10,363.50	15,527.11	25,890.61
Closing cash in hand as on 30 December 2016*	-	**496.67**	**496.67**

* For the purposes of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the 8 November 2016.

39 Previous year Figures have been regrouped /reclassified wherever necessary to confirm to the current year's presentation.

As per our report of even date attached

for B S R and Associates
Chartered Accountants
Firm registration number: 128901W

-sd-
Rushank Muthreja
Partner
Membership No.: 211386

Bangalore
14 May 2018

for and on behalf of the Board of Directors of
Prerana Hospital Limited
CIN: U85110PN1996PLC104292

-sd-
Dr. U. B. Damale
Managing Director
DIN 00333654

-sd-
Dr. S. M. Navare
Whole-time Director
DIN 00334421

Kolhapur
14 May 2018