

B S R & Co. LLP

Chartered Accountants

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Independent Auditor's Report

To the Members of Meridian Medical Research & Hospital Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Meridian Medical Research & Hospital Limited ("the Company"), which comprise the balance sheet as at 31 March 2016, the statement of profit and loss, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the 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 financial statements.

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



Meridian Medical Research & Hospital Limited
Independent Auditor's Report (continued)

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 2016 and its loss and its cash flows for the year ended on that date.

Emphasis of matter

We draw attention to note 35 to the financial statements which describes the prior period expense aggregating INR 4,534,443 and prior period income aggregating INR 58,401,314 accounted in the statement of profit and loss for the year ended 31 March 2016. These prior period items, as informed to us by the Management and disclosed in the said note were inadvertently not recorded in the financial statements of the previous years. We also draw attention to note 36 to the financial statements which describes that the Company inadvertently grossed up income from medical and healthcare services and hospital general expenses amounting to INR 78,452,314 in the previous year financial statements. This grossed up revenue and expenses are netted off in the current year financial year to conform with the current year presentation.

Our opinion is not modified in respect of these matters.

Other matter

The financial statements of the Company for the year ended 31 March 2015, were audited by another auditor who expressed an unmodified opinion on those financial statements on 9 June 2015.

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 the paragraphs 3 and 4 of the 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 and the cash flow statement dealt with by this Report are in agreement with the books of account;
 - (d) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) on the basis of the written representations received from the Directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Act;



B S R & Co. LLP

**Meridian Medical Research & Hospital Limited
Independent Auditor's Report (continued)**

Report on Other Legal and Regulatory Requirements (continued)

- (f) with respect to the adequacy of the internal financial controls over financial reporting 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:
 - (i) the Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer note 22 to the financial statements;
 - (ii) the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - (iii) there were no amounts during the year which were required to be transferred to the Investor Education and Protection Fund by the Company.

for B S R & Co. LLP

Chartered Accountants

Firm's registration number: 101248W/W-100022

Amit Somani

Amit Somani

Partner

Membership number: 60154

Place: Bengaluru

Date: 30 May 2016

Meridian Medical Research & Hospital Limited
Annexure - A to the Independent Auditor's Report

The Annexure referred to in paragraph 1 in Report on Other Legal and Regulatory Requirements of the Independent Auditor's Report to the members of Meridian Medical Research & Hospital Limited ("the Company") for the year ended 31 March 2016, 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 all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, fixed assets were verified during the year and no material discrepancies were noticed on such verification.
- (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 and no material discrepancies were noticed on such verification.
- (iii) The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ('the Act'). Accordingly, paragraph 3(iii) of the Order is not applicable.
- (iv) The Company has not made any loans and investments or given guarantee and security. Accordingly, paragraph 3(iv) of the Order is not applicable.
- (v) The Company has not accepted any deposits. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.
- (vi) According to the information and explanations given to us, as per Companies (Cost records and Audit) rules, 2014, the Central Government has not prescribed the maintenance of cost records under Section 148 (1) of the Act, for any of the services rendered by the Company.
- (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, Employee's State Insurance, Income tax, Sales Tax, Service tax, Duty of Customs, Value Added Tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities though the delays in deposit have not been serious. As explained to us, the Company did not have any dues on account of Duty of Excise.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employee's State Insurance, Income tax, Sales Tax, Service tax, Duty of Customs, Value Added Tax and other material statutory dues were in arrears as at 31 March 2016 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, Sales tax, Service Tax, Duty of customs and Value Added Tax which have not been deposited with the appropriate authorities on account of any dispute.



Meridian Medical Research & Hospital Limited

Annexure - A to the Independent Auditors' Report (continued)

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions and banks. The Company did not have any outstanding loans during the year from the government and debenture holders.
- (ix) In our opinion and according to the information and explanations given to us, the monies raised by the Company by way of term loans have been applied for the purposes for which they were raised. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments).
- (x) According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not paid/provided any managerial remuneration. Accordingly, paragraph 3(xi) of the Order is not applicable.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, all transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) The Company has made preferential allotment of equity shares to Narayana Hrudayalaya Limited, the holding company, during the year. The requirements of Section 42 of the Act have been complied with and in our opinion and according to the information and explanation given to us, the amount raised have been used for the purposes for which the funds were raised.
- (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 explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

for B S R & Co. LLP

Chartered Accountants

Firm's registration number: 101248W/W-100022

Amit Somani

Amit Somani

Partner

Membership number: 60154

Place: Bengaluru

Date: 30 May 2016

Meridian Medical Research & Hospital Limited

Annexure – B to the Independent Auditor's 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 over financial reporting of Meridian Medical Research & Hospital Limited ("the Company") as of 31 March 2016 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 control over financial reporting 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 (the "Guidance Note") 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 Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. 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 over financial reporting 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 system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 system over financial reporting.



B S R & Co. LLP

Meridian Medical Research & Hospital Limited
Annexure - B to the Independent Auditors' Report (continued)

Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedure 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 the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting 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 system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

for B S R & Co. LLP

Chartered Accountants

Firm's registration number: 101248W/W-100022

Amit Somani

Amit Somani

Partner

Membership number: 60154

Place: Bengaluru

Date :30 May 2016

Meridian Medical Research & Hospital Limited
Balance sheet as at 31 March 2016

	Note	As at 31 March 2016	INR As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	261,600,000	232,554,030
Reserves and surplus	3	20,067,255	(30,860,504)
		<u>281,667,255</u>	<u>201,693,526</u>
Non-current liabilities			
Long-term borrowings	4	561,212,375	277,059,553
Deferred tax liabilities (net)	33	-	51,967,441
Long-term provisions	5 & 36	1,490,761	6,703,752
		<u>562,703,136</u>	<u>335,730,746</u>
Current liabilities			
Short-term borrowings	6	49,439,512	201,651,121
Trade payables		-	-
Total outstanding dues of micro and small enterprises	32	-	-
Total outstanding dues of creditors other than micro and small enterprises	7 & 36	155,589,844	148,904,453
Other current liabilities	8 & 36	104,701,651	72,183,627
Short-term provisions	5 & 36	5,586,464	1,282,708
		<u>315,317,471</u>	<u>424,021,909</u>
TOTAL		<u><u>1,159,687,862</u></u>	<u><u>961,446,181</u></u>
ASSETS			
Non-current assets			
Fixed assets			873,231,685
Tangible assets	9	970,863,945	65
Intangible assets	9	1,029,122	-
Capital work-in-progress		10,655,963	31,004,974
Long-term loans and advances	10 & 36	44,090,352	904,236,724
		<u>1,026,639,382</u>	
Current assets			
Current investment	11	-	377,710
Inventories	12	32,629,967	11,201,534
Trade receivables	13	85,522,833	26,516,667
Cash and bank balances	14	4,357,138	7,482,531
Short-term loans and advances	10 & 36	6,860,655	7,889,567
Other current assets	15 & 36	3,677,887	3,741,448
		<u>133,048,480</u>	<u>57,209,457</u>
TOTAL		<u><u>1,159,687,862</u></u>	<u><u>961,446,181</u></u>

Significant accounting policies

1

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

for **BSR & Co. LLP**

Chartered Accountants

Firm's registration number : 101248W/W-100022

Amit Somani

Amit Somani

Partner

Membership number : 060154

Place: Bengaluru

Date: 30 May 2016

for and on behalf of the Board of Directors of
Meridian Medical Research & Hospital Limited

V. Kesavan

Kesavan Venugopalan

Director

DIN: 02935283

Place: Bengaluru

Date: 30 May 2016

Divya Johri

Divya Johri

Chief Financial Officer

Place: Howrah

Date: 30 May 2016

Deepak Venugopalan

Deepak Venugopalan

Director

DIN: 07011297

Place: Bengaluru

Date: 30 May 2016

Bhargavi Reddy

Bhargavi Reddy

Company Secretary

Place: Bengaluru

Date: 30 May 2016

Meridian Medical Research & Hospital Limited
Statement of profit and loss for the year ended 31 March 2016

	Note	INR For the year ended 31 March 2016	INR For the year ended 31 March 2015
INCOME			
Revenue from operations	16 & 36	919,003,597	526,902,803
Other income	17 & 36	9,884,196	3,723,022
Total revenue		928,887,793	530,625,825
EXPENSES			
Purchase of medical consumables, drugs and surgical equipments	36	216,390,563	81,694,349
Changes in inventories of medical consumables, drugs and surgical equipments	18 & 36	(21,428,433)	(3,857,640)
Employee benefits	19	157,100,443	91,802,553
Other expenses	20 & 36	539,313,978	358,275,595
[(includes prior period expenses of INR 4,534,443) refer note 35]			
Total expenses		891,376,551	527,914,857
Profit before interest, tax, depreciation and amortisation		37,511,242	2,710,968
Finance costs	21 & 36	56,987,336	102,481,576
Depreciation and amortisation		62,892,318	52,696,765
[(includes prior period income of INR 6,433,873) refer note 35]			
Loss before tax		(82,368,412)	(152,467,373)
Tax expense			
Deferred tax credit	33	(51,967,441)	2,754,094
[(includes prior period income of INR 51,967,441) refer note 35]			
Loss for the year		(30,400,971)	(155,221,467)
Loss per equity share [nominal value of share INR 10 (previous year INR 10)]			
-Basic and diluted (refer note 29)		(1.24)	(9.22)

Significant accounting policies

1

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

for **BSR & Co. LLP**
Chartered Accountants
Firm's registration number : 101248W/W-100022


Amit Somani
Partner

Membership number : 060154
Place: Bengaluru
Date: 30 May 2016

for and on behalf of Board of Directors
Meridian Medical Research & Hospital Limited


Kesavan Venugopalan
Director

DIN: 02935283
Place: Bengaluru
Date: 30 May 2016


Deepak Venugopalan
Director

DIN: 07011297
Place: Bengaluru
Date: 30 May 2016


Diviya Johri
Chief Financial Officer
Place: Howrah
Date: 30 May 2016


Bhargavi Reddy
Company Secretary
Place: Bengaluru
Date: 30 May 2016

Meridian Medical Research & Hospital Limited
Cash flow statement for the year ended 31 March 2016

	INR For the year ended 31 March 2016	INR For the year ended 31 March 2015
Cash flow from operating activities	(82,368,412)	(152,467,373)
Loss before tax		
Adjustments:		
Depreciation and amortisation	62,892,318	52,696,765
Liability no longer required written back	(6,651,671)	(677,635)
Interest income on bank deposit	(7,094)	(292,538)
Profit on sale of current investment	-	(377,710)
Profit on sale of fixed assets	(746,397)	
Interest expenses	56,987,336	77,580,480
Operating cash flow before working capital changes	30,106,080	(23,538,011)
Changes in trade receivables	(59,006,166)	1,450,026
Changes in inventories	(21,428,433)	(3,857,640)
Changes in other assets	63,561	(3,804,654)
Changes in loan and advances	767,774	(6,767,945)
Changes in liabilities and provisions	23,887,481	(49,933,730)
Cash generated from operations	(25,609,703)	(86,451,954)
Income taxes paid, net	(13,026,595)	-
Net cash (used in) / generated from operating activities (A)	(38,636,298)	(86,451,954)
Cash flow from investing activities		
Purchase of fixed assets and capital work in progress	(154,550,564)	7,027,457
Proceeds from sale of current investments	377,701	377,710
Interest received on bank deposit	7,094	292,538
Proceeds from sale of fixed asset	1,504,367	21,047,808
Net cash (used in) investing activities (B)	(152,661,402)	28,745,513
Cash flow from financing activities		
Proceeds from issue of equity shares	110,374,700	238,791,234
Proceeds from long-term borrowings	339,791,737	253,889,162
Repayment of long-term borrowings	(41,701,967)	(550,873,238)
Proceeds from short-term borrowings	-	434,490,487
Repayment of short-term borrowings	(195,740,487)	(252,250,000)
Change in bank overdrafts (net)	43,528,878	1,075,253
Interest paid	(68,080,554)	(77,580,480)
Net cash provided by financing activities (C)	188,172,307	47,542,418
Net (decrease) in cash and cash equivalents (A+B+C)	(3,125,393)	(10,164,023)
Cash and cash equivalents at the beginning of the year	7,482,531	17,646,554
Cash and cash equivalents at the end of the year (refer note 14)	4,357,138	7,482,531

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

for BSR & Co. LLP
Chartered Accountants
Firm's registration number : 101248W/W-100022

Amit Somani

Amit Somani
Partner
Membership number : 060154
Place : Bengaluru
Date : 30 May 2016

for and on behalf of the Board of Directors of
Meridian Medical Research & Hospital Limited

Kesavan Venugopalan

Kesavan Venugopalan
Director
DIN : 02935283
Place : Bengaluru
Date : 30 May 2016

Deepak Venugopalan

Deepak Venugopalan
Director
DIN : 07011297
Place : Bengaluru
Date : 30 May 2016

Divya John

Divya John
Chief Financial Officer
Place : Howrah
Date : 30 May 2016

Bhargavi Reddy

Bhargavi Reddy
Company Secretary
Place : Bengaluru
Date : 30 May 2016

Meridian Medical Research & Hospital Limited
Notes to the financial statements for the year ended 31 March 2016

Company overview

Meridian Medical Research & Hospital Limited ('the Company') was incorporated on 08 May 1995 under the Companies Act, 1956. The Company is engaged in establishing, promoting, owning, managing and maintaining hospitals in all discipline of medicine and without limitation to run and administer healthcare schemes.

1. Significant accounting policies

1.1 Basis of preparation of the financial statements

These financial statements have been prepared in accordance with Generally Accepted Accounting Principles in India ('GAAP') under the historical cost convention and on the accrual basis of accounting and comply with the accounting standards prescribed under Section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India ('ICAI'), and the provisions of the Act to the extent notified and applicable.

The accounting policies have been consistently applied by the Company. The financial statements are presented in Indian Rupees.

1.2 Going concern

These financial statements have been prepared on a going concern basis notwithstanding the continuing losses. The Company has positive net worth as at the balance sheet date only on account of equity infusion by the holding company, Narayana Hrudayalaya Limited (*formerly known as Narayana Hrudayalaya Private Limited*), which continues to support the Company through equity infusion and acting as a corporate guarantor for long-term loans availed by the Company from the financial institutions and banks. The Company is considered as to operate as a going concern and meet its obligation as and when they fall due upto a period of one year from the balance sheet date i.e. 31 March 2017 based on the support letter from the holding Company.

1.3 Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles in India requires the Management to make judgement estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognized prospectively in the current and future years.

1.4 Current and non – current classification

All assets and liabilities are classified into current and non – current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

- a) It is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b) It is held primarily for the purpose of being traded;
- c) It is expected to be realised within 12 months after the reporting date; or
- d) It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non – current financial assets.

All other assets are classified as non – current.



Meridian Medical Research & Hospital Limited
Notes to the financial statements for the year ended 31 March 2016

1. Significant accounting policies (continued)

1.4 Current and non – current classification (continued)

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- a) It is expected to be settled in the Company's normal operating cycle;
- b) It is held primarily for the purpose of being traded;
- c) It is expected to be settled within 12 months after the reporting date; or
- d) The Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include the current portion of non – current financial liabilities.

All other liabilities are classified as non – current.

Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realizations in cash or cash equivalents.

1.5 Inventories

The inventories of medical consumables, drugs and surgical equipments are valued at lower of cost or net realizable value. In the absence of any further estimated costs of completion and estimated costs necessary to make the sale, the net realizable value is the selling price. Cost of these inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location after adjusting for value added tax wherever applicable, applying the first in first out method.

1.6 Cash and cash equivalents

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

1.7 Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated.

1.8 Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition or construction less accumulated depreciation.

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



Meridian Medical Research & Hospital Limited
Notes to the financial statements for the year ended 31 March 2016

1. Significant accounting policies (continued)

1.8 Fixed assets, depreciation and amortisation (continued)

(a) Tangible fixed assets

Tangible fixed assets are carried at cost of acquisition or construction less accumulated depreciation and/ or accumulated impairment, if any. The cost of an item of tangible fixed assets comprises its purchase price, including import duties and other non-refundable taxes or levies, freight and any directly attributable cost of bringing the asset to its working condition for its use; any trade discounts and rebates are deducted in arriving at the purchase price. Subsequent expenditures related to an item of tangible fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

(b) Intangible fixed assets

Intangible assets are recorded at consideration paid for acquisition of such assets and are carried at cost less accumulated amortisation and accumulated impairment loss, if any.

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

(c) Depreciation and amortisation

Leasehold improvements are being amortised over the term of the lease, or estimated useful life of the assets, whichever is lower. Consideration paid for acquiring leasehold land is amortised over the lease term.

Freehold land is not depreciated.

Depreciation on additions and disposals during the year is provided on proportionate basis.

Depreciation is provided on the straight line method over the estimated useful life of fixed assets. The Company estimates the useful life of the fixed assets as follows:

Block of assets	Useful life
Building	30 years/ 60 years
Electrical installation	10 years
Medical equipment	13 years
Office equipment	5 years
Other equipment including air conditioners	15 years
Furniture and fixtures	10 years
Computers	3 years
Computer software	3 years
Vehicles	5 years

The Company believes that the useful life as given above best represent the useful life of the assets based on the internal technical assessment and these useful life are as prescribed under Part C of Schedule II of the Companies Act, 2013.

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1. Significant accounting policies (continued)

1.9 Revenue recognition

Revenue from operations

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 recognised 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 hospital premises is recognised 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 till the balance sheet date.

Other medical and health care services

Revenue from other medical and health care services are recognized as and when the services are rendered in accordance with the terms of the agreements.

Revenue from nursing school

Revenue from nursing school is recognized when the related services are rendered and the consideration is received.

‘Unearned revenue’ comprises billings in excess of earnings

Interest

Interest on the deployment of funds is recognized using the time-proportion method, based on underlying interest rates.

Dividend

Dividend income is recognised when the Company's right to receive dividend is established.

1.10 Borrowing cost

Borrowing costs are interest and other costs incurred by the Company in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily takes a substantial period of time to get ready for their use are capitalised. Other borrowing costs are accounted as an expense in the period in which they are incurred.

1.11 Income tax

Income-tax expense comprises of current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year).

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Meridian Medical Research & Hospital Limited

Notes to the financial statements for the year ended 31 March 2016

1. Significant accounting policies (continued)

1.11 Income tax (continued)

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised. Assets and liabilities representing current tax and deferred tax are disclosed on a net basis where there is a legally enforceable right to set off and where the Management intends to settle the asset and liability on a net basis.

1.12 Employee benefits

Short term employee benefits

Employee benefits payable wholly within 12 months of receiving services are classified as short-term employee benefits. These benefits include salary and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognized as an expense as the related service is rendered by the employees.

Post-employment benefits

Define contribution plans

A defined contribution plan is post-employment benefit plan under which an entity pays specified contributions to separate entity and has no obligation to pay any further amounts. The Company makes specified obligations towards employee provident fund and employee's state insurance to Government administered provident fund scheme and employee's state insurance scheme which is a defined contribution plan. The Company's contribution is recognised as an expense in the Statement of Profit and Loss during the year in which the employee renders the related service.

Defined benefit plans

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned and returned for services in the current and prior periods; that benefit is discounted to determine its present value. The calculation of Company's obligation under the plan is performed periodically by a qualified actuary using the projected unit credit method.

The gratuity fund is managed by Life Insurance Corporation of India. The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in the Statement of Profit and Loss. All expenses related to defined benefit plans are recognized in employee benefit expense in the Statement of Profit and Loss.

When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognized in the Statement of Profit and Loss on a straight-line basis over the average period until the benefits become vested. The Company recognizes gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

Compensated absences

The employees can carry-forward a portion of the unutilized accrued compensated absences and utilize it in future service periods or receive cash compensation on termination of employment. Since the employee has unconditional right to avail the leave, the benefit is classified as a short term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.



Meridian Medical Research & Hospital Limited
Notes to the financial statements for the year ended 31 March 2016

1. Significant accounting policies (continued)

1.13 Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. The Company does not have potential dilutive equity shares outstanding during the year.

1.14 Provisions and contingencies

Provision is recognised if, as a result of obligating events, there is a present obligation that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation.

The disclosure of contingent liability is made when, as a result of obligating events, there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

No provision or disclosure is made when, as a result of obligating events, there is a possible obligation or a present obligation where the likelihood of an outflow of resources is remote.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised. when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

1.15 Impairment of assets

The Company assesses at each balance sheet date using external and internal sources, whether there is any indication that an asset or a group of assets comprising a cash-generating unit may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognised.

1.16 Leases

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease payments under operating lease are recognised as an expense in the Statement of Profit and Loss on a straight line basis over the lease term. Lease term is the non-cancellable period for which the Company has agreed to take on lease the asset together with any further periods for which the Company has the option to continue the lease and at the inception of the lease it is reasonably certain that the Company will exercise such an option.



1. Significant accounting policies (continued)

1.17 Investments

Long term investments are carried at cost. Provision is made, wherever necessary, for any diminution, other than temporary, in value of investments. Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is determined separately for each individual investment.

1.18 Foreign exchange transactions and translations

Foreign exchange transactions are recorded at the rate prevailing on the date of the transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the Statement of Profit and Loss for the year except for exchange difference arising on settlement of long-term foreign currency monetary items (i.e. an asset or liability which is expressed in a foreign currency and has a term of 12 months or more at the date of the origination of the asset or liability) relating to acquisition of depreciable capital asset at rates different from those at which they were initially recorded during the year, or reported in previous financial statements are added or deducted from the cost of the asset and shall be depreciated over the remaining life of the asset.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the exchange rates on that date; the resultant exchange differences are recognised in the Statement of Profit and Loss except for exchange difference arising on reporting of long-term foreign currency monetary items (i.e. an asset or liability which is expressed in a foreign currency and has a term of 12 months or more at the date of the origination of the asset or liability) relating to acquisition of depreciable capital asset at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are added or deducted from the cost of the asset and shall be depreciated over the remaining life of the asset.

1.19 Measurement of Earnings before Interest, Tax, Depreciation and Amortisation

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956 (which is considered to be applicable even in the context of schedule III to the Companies Act, 2013) the Company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the Statement of Profit and Loss. In its measurement of EBITDA, the Company includes other income but does not include depreciation and amortization expense, finance costs and tax expense.

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INR

2 Share capital

Particulars	As at 31 March 2016	As at 31 March 2015
Authorised		
30,000,000 equity shares (previous year: 25,000,000 equity shares) of INR 10 each	300,000,000	250,000,000
Issued, subscribed and paid up		
26,160,000 equity shares (previous year: 23,255,403 equity shares) of INR 10 each, fully paid up	261,600,000	232,554,030
	261,600,000	232,554,030

Reconciliation of the equity shares outstanding at the beginning and at the end of the year:

Particulars	As at 31 March 2016		As at 31 March 2015	
	Number of shares	Amount	Number of shares	Amount
Shares outstanding at the beginning of the year	23,255,403	232,554,030	12,715,717	127,157,170
Shares issued during the year	2,904,597	29,045,970	10,539,686	105,396,860
Shares outstanding at the end of the year	26,160,000	261,600,000	23,255,403	232,554,030

Rights, preference and restrictions attached to equity shares:

The Company has a single class of equity shares referred to as equity shares having a par value of INR 10 each. Accordingly, all equity shares rank equally with regard to dividend and share in the Company's residual assets. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The equity shares are entitled to receive dividend as declared from time to time.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by shareholders.

Shares held by holding company

Particulars	As at 31 March 2016		As at 31 March 2015	
	Number of shares	Amount	Number of shares	Amount
Equity shares of INR. 10 each fully paid up held by - Narayana Hrudayalaya Limited	25,905,647	259,056,470	22,932,732	229,327,320

Particulars of shareholders holding more than 5% shares:

Particulars	As at 31 March 2016		As at 31 March 2015	
	Number of shares	% holding	Number of shares	% holding
Narayana Hrudayalaya Limited	25,905,647	99.03%	22,932,732	98.61%

The Company has not bought back any shares during the period of five years immediately preceding the balance sheet date. Further, the Company has not issued any bonus shares or shares issued for consideration other than cash during the period of five years immediately preceding the balance sheet date.

3 Reserves and surplus

Particulars	As at 31 March 2016	As at 31 March 2015
Securities premium account		
At the commencement of the year	175,951,440	-
Add: Securities premium on issue of equity shares during the year	81,328,730	175,951,440
At the end of the year	257,280,170	175,951,440
Deficit (profit and loss balance)		
At the commencement of the year	(206,811,944)	(51,204,334)
Add: Net (loss) after tax transferred from statement of profit and loss	(30,400,971)	(155,221,467)
Less: Adjustment towards depreciation	-	(386,143)
At the end of the year	(237,212,915)	(206,811,944)
Total	20,067,255	(30,860,504)



4 Long - term borrowings

Particulars	Non-current portion		Current portion	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Secured				
Term loans				
From bank	561,212,375	277,059,553	54,500,000	40,563,052
	561,212,375	277,059,553	54,500,000	40,563,052

Details of repayment terms, interest and maturity	Nature of security
Term loan from State Bank of India : INR 275,920,638 (previous year: INR 317,622,605). It is repayable in 18 quarterly installments (previous year : 22 quarterly installment) from the reporting date. Interest is linked to the base rate plus 0.35% p.a. (previous year: base rate plus 3.25% p.a) [(Base rate as on 31 March 2016: 9.30% p.a.) (previous year: 10% p.a.)]	First charge by way of hypothecation on the entire stocks of inventory, receivables, bills and other chargeable current assets of the Company including hypothecation of medical equipments, furniture/fixtures and other miscellaneous fixed assets of the Company (to be acquired from the term loan), both present and future. First charge on land together with all the assets permanently fixed to the land and buildings and plant and machineries, medical equipments etc. appearing or affixed thereto. It is further secured by corporate guarantee of Narayana Hrudayalaya Limited.
Term loan from State Bank of India : INR 249,995,960 (previous year: Nil). It is repayable in 32 quarterly installments (previous year : nil) from March 2017. Interest is linked to the base rate plus 0.35% [(Base rate as on 31 March 2016 being 9.30% p.a.) (previous year : Nil)]	
Term loan from State Bank of India : INR 89,795,777 (previous year: Nil). It is repayable in 30 quarterly installments (previous year : nil) from March 2017. Interest is linked to the base rate plus 0.35% [(Base rate as on 31 March 2016 being 9.30% p.a.) (previous year : Nil.)]	

5 Long-term and short-term provisions

Particulars	Long-term provisions		Short-term provisions	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Provision for employee benefits				
Gratuity (refer note 31)	1,490,761	6,703,752	279,860	-
Compensated absences	-	-	4,873,262	849,366
Provision for tax	-	-	433,342	433,342
	1,490,761	6,703,752	5,586,464	1,282,708

6 Short - term borrowings

Particulars	As at 31 March 2016	As at 31 March 2015
Secured		
Loans repayable on demand		
From banks	49,439,512	5,910,634
Unsecured		
Loans repayable on demand		
From others (refer note 30)	-	195,740,487
	49,439,512	201,651,121

From banks :

Cash credit from State Bank of India carrying interest rate at base rate plus 0.35% p.a. (previous year: base rate plus 3.25% p.a) [(Base rate as on 31 March 2016: 9.30% p.a.) (previous year: 10% p.a.)] First charge by way of hypothecation on the entire inventory, receivables and other chargeable current assets of MMRHL including hypothecation of medical equipments, furniture/ fixtures and other miscellaneous fixed assets of MMRHL (to be acquired from the term loan), both present and future. First charge on land together with all the assets permanently fixed to the land and buildings and plant and machineries, medical equipments etc. appearing or affixed thereto.

7 Trade payables

Particulars	As at 31 March 2016	As at 31 March 2015
Trade payables (refer note 32)	155,589,844	89,141,185
Payables to related party (refer note 30)	-	59,763,268
	155,589,844	148,904,453

8 Other current liabilities

Particulars	As at 31 March 2016	As at 31 March 2015
To parties other than related parties		
Current maturities of long-term borrowings (refer note 4)	54,500,000	40,563,052
Other payables		
Statutory liabilities (value added tax, sales tax, tax deducted at source etc.)	10,699,446	5,364,197
Accrued salaries and benefits	8,427,480	7,017,225
Unearned revenue	3,778,021	-
Advance from patients	1,285,752	-
Creditors for capital goods	23,585,782	6,294,809
Others liabilities	1,501,495	1,851,126
To related parties (refer note 30)		
Interest accrued but not due on short-term borrowings	-	11,093,218
Creditors for capital goods	923,675	-
	104,701,651	72,183,627



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Meridian Medical Research & Hospital Limited
Notes to the financial statements for the year ended 31 March 2016 (continued)
9. Fixed assets

Particulars	Gross block				Accumulated depreciation/amortisation			Net block	
	As at 1 April 2015	Additions (refer note 30)	Deletions	As at 31 March 2016	As at 1 April 2015	Depreciation/ amortisation (refer note 35)	Deletions	As at 31 March 2016	As at 31 March 2015
Tangible assets (owned)									
Freehold land	8,881,686		-	8,881,686	-	18,797,588	-	8,881,686	8,881,686
Building *	617,288,426	12,745,216	-	630,033,642	77,721,273	4,114,805	-	533,514,781	539,567,153
Electrical installation	26,784,388	7,976,297	671,495	34,089,190	11,996,552	23,075,571	671,495	18,649,328	14,787,836
Medical equipment	289,704,698	107,421,241	-	397,125,939	118,090,926	222,186	-	255,959,442	171,613,772
Office equipment	331,011	1,641,767	-	1,972,778	151,730	5,422,835	146,363	1,598,862	179,281
Other equipment including air conditioners	120,352,070	14,665,962	707,072	134,310,960	26,825,933	2,360,966	-	102,208,555	93,526,137
Furniture and fixtures	26,977,351	10,557,036	-	37,534,387	12,180,711	1,735,102	74,771	22,992,710	14,796,640
Computers	9,256,590	4,061,344	74,771	13,243,163	8,012,001	1,726,478	1,984,189	3,570,831	1,244,589
Vehicles	4,386,026	2,022,727	2,181,450	4,227,303	2,663,583	1,726,478	-	1,821,431	1,722,442
Total - A	1,103,962,246	161,091,590	3,634,788	1,261,419,048	257,642,709	57,455,531	2,876,818	949,197,626	846,319,536
Tangible assets (leased)									
Leasehold Land (i)	31,052,481	-	-	31,052,481	4,140,332	5,245,830	-	21,666,319	26,912,149
Total - B	31,052,481	-	-	31,052,481	4,140,332	5,245,830	-	21,666,319	26,912,149
Total tangible assets (A+B)	1,135,014,727	161,091,590	3,634,788	1,292,471,529	261,783,041	62,701,361	2,876,818	970,863,945	873,231,685
Intangible assets									
Computer software	685,287	1,220,014	-	1,905,301	685,222	190,957	-	1,029,122	65
Total - C	685,287	1,220,014	-	1,905,301	685,222	190,957	-	1,029,122	65
Grand total (A+B+C)	1,135,700,014	162,311,604	3,634,788	1,294,376,830	262,468,263	62,892,318	2,876,818	971,893,067	873,231,750
Previous year	1,143,263,369			1,135,700,014	209,921,255	52,696,765		873,231,750	

* includes cost of construction of building at leasehold land. This is being depreciated over the estimated useful life of the asset, or lease term, whichever is lower.

(i) represents land provided by the Governor of West Bengal on lease effective from 21 December 2006 for a period of 30 years. The said leasehold land is being amortised over a period of 30 years.



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Meridian Medical Research & Hospital Limited
Notes to the financial statements for the year ended 31 March 2016 (continued)

10 Long-term and short-term loans and advances

(Unsecured, considered good)

INR

Particulars	Long-term portion		Short-term portion	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
To parties other than related parties				
Capital advances	1,189,016	1,391,371	-	-
Security deposits	5,666,143	5,405,005	2,019,096	1,481,596
Prepaid expense	-	-	1,958,457	2,576,384
Advance income tax and tax deducted at source ,net	37,235,193	24,208,598	-	-
Advance to vendor	-	-	93,084	630,967
Other loans and advance	-	-	2,240,018	3,200,620
To related parties (refer note 30)				
Other loans and advance	-	-	550,000	-
	44,090,352	31,004,974	6,860,655	7,889,567

11 Current investments

(at the lower of cost and fair value)

Particulars	As at	As at
	31 March 2016	31 March 2015
Non - trade (quoted)		
Investment in mutual funds		
Nil units (previous year 124.88 units) of SBI Magnum Insta Cash Fund	-	377,710
	-	377,710
Quoted current investment		
Aggregate book value	-	377,701
Aggregate market value	-	384,627

12 Inventories

(valued at lower of cost and net realisable value)

Particulars	As at	As at
	31 March 2016	31 March 2015
Medical consumables, drugs and surgical equipments	32,629,967	11,201,534
	32,629,967	11,201,534

13 Trade receivables

Particulars	As at	As at
	31 March 2016	31 March 2015
Receivables outstanding for a period exceeding six months from the date they become due for payment		
Unsecured, considered good	4,672,831	5,396,144
Unsecured, considered doubtful	7,043,493	3,734,062
Less : Provision for doubtful receivables	7,043,493	3,734,062
	4,672,831	5,396,144
Other receivables		
Unsecured, considered good *	80,850,002	21,120,523
	85,522,833	26,516,667

* includes receivables from related parties (refer note 30)

14 Cash and bank balances

Particulars	As at	As at
	31 March 2016	31 March 2015
Cash and cash equivalents		
Cash on hand	105,413	1,667,779
Balances with banks		
- on current accounts	4,251,725	5,814,752
	4,357,138	7,482,531

15 Other current assets

(Unsecured, considered good unless otherwise stated)

Particulars	As at	As at
	31 March 2016	31 March 2015
Unbilled revenue	3,677,887	3,741,448
	3,677,887	3,741,448



Meridian Medical Research & Hospital Limited
Notes to the financial statements for the year ended 31 March 2016 (continued)

16	Revenue from operations	INR	
		For the year ended 31 March 2016	For the year ended 31 March 2015
	Particulars		
	Income from medical and healthcare services	889,467,082	510,466,820
	Sale of medical consumables and drugs	17,533,781	3,416,208
	Other operating revenue		
	- Other medical and health care services	6,713,505	6,542,275
	- Revenue from nursing school	5,289,229	6,477,500
		919,003,597	526,902,803
17	Other income		
		For the year ended 31 March 2016	For the year ended 31 March 2015
	Particulars		
	Interest income on bank deposits	7,094	85,124
	Profit on sale of fixed asset	746,397	-
	Miscellaneous income	2,479,034	2,960,263
	Liabilities no longer required written back	6,651,671	677,635
		9,884,196	3,723,022
18	Change in inventories of medical consumables, drugs and surgical equipments		
		For the year ended 31 March 2016	For the year ended 31 March 2015
	Particulars		
	Inventory at the beginning of the year	11,201,534	7,343,894
	Inventory at the end of the year	32,629,967	11,201,534
		(21,428,433)	(3,857,640)
19	Employee benefits		
		For the year ended 31 March 2016	For the year ended 31 March 2015
	Particulars		
	Salaries, wages and bonus	140,643,200	83,098,689
	Contribution to provident and other funds	13,498,365	8,653,157
	Staff welfare expense	2,958,878	50,707
		157,100,443	91,802,553

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Meridian Medical Research & Hospital Limited
Notes to the financial statements for the year ended 31 March 2016 (continued)

20 Other expenses		INR
Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Hospital operating expenses		
Professional fees doctors	250,464,967	162,743,018
Power and fuel, net	35,822,425	26,505,046
Hospital general expenses	44,964,343	28,229,462
Repairs and maintenance		
- Hospital equipment	35,043,129	14,375,244
- Building	3,737,434	7,743,603
- Others (refer note 35)	8,584,975	5,231,981
House keeping expenses	33,895,587	21,545,076
Patient welfare expenses	21,848,637	22,278,291
Rent (refer note 26)	2,803,001	2,803,001
Biomedical wastage expenses	624,504	617,065
	437,789,002	292,071,787
Administrative expenses		
Advertisement and publicity	55,203,248	8,605,257
Bank charges	2,649,431	1,622,363
Printing and stationery	1,968,502	179,872
Security charges	10,859,157	7,725,046
Legal and professional fees (refer note 23)	2,325,397	4,515,898
Business promotion	1,387,529	300,186
Travelling and conveyance	9,541,179	2,627,009
Rent (refer note 26)	3,299,571	2,595,928
Insurance	1,395,891	705,349
Telephone and communication	2,741,205	2,002,380
Rates and taxes	2,903,420	15,057,925
Books and periodicals	162,253	167,031
Bad debts written off	3,734,062	16,129,381
Provision for doubtful debts	3,309,431	3,734,062
Miscellaneous expenses	44,700	236,121
	101,524,976	66,203,808
	539,313,978	358,275,595
<hr/>		
21 Finance cost		
Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expense on		
- term loans from bank	48,926,171	64,758,746
- bank overdraft	1,797,606	905,937
- others	6,263,559	12,325,797
- Foreign currency fluctuation	-	24,491,096
	56,987,336	102,481,576



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Meridian Medical Research & Hospital Limited
Notes to the financial statements for the year ended 31 March 2016 (continued)

22. Contingent liabilities and commitments

(i) Contingent liabilities

Particulars	INR	
	As at 31 March 2016	As at 31 March 2015
<i>Claims against the company not acknowledged as debts in respect of:</i>		
a) Customer Claims	3,497,974	3,497,974

a) These pertain to customer claim of INR 13,497,974 for deficiency in services & medical negligence, net of insurance coverage of INR 10,000,000, pending before district consumer forum and state consumer forum. The Company believes that it has a strong case and will not have any material adverse effect on the financial statements.

The Company believes that other disputes, lawsuits and claims, including commercial matters which arise from time to time in the ordinary course of business will not have any material adverse effect on its financial statements in any given period.

(ii) Commitments

Estimated amounts of contracts remaining to be executed on capital account (net of advances) and not provided for amounts to INR 3,014,695 (previous year: INR Nil).

23. Auditor's remuneration (excluding service tax) included in legal and professional fees

Particulars	INR	
	For the year ended 31 March 2016	For the year ended 31 March 2015
As an auditor		
Audit Fees	1,300,000	120,000
In other capacity:		
Audit/ Limited review fee in relation to IPO of Holding Company	550,000	-
Other services fees	-	35,000
Reimbursement of expenses	58,500	-
Reimbursement of expenses in relation to IPO of Holding Company	40,783	-
Less: Reimbursed by selling shareholders of Holding Company [Narayana Hrudayalaya Limited (formerly known as Narayana Hrudayalaya Private Limited)]	(590,783)	-
	1,358,500	155,000

24. Value of imports on CIF basis

Particulars	INR	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Surgical equipment and medical spares	13,348,852	-
	13,348,852	-

25. Segment reporting

The Company's sole business segment is 'Medical and Healthcare Services' and principal geographical segment is 'India'. The Company considers business segment as the primary segment and geographical segment based on location of customers as a secondary segment. Since the Company has a single business segment and a single geographical segment, disclosures pertaining to the primary and secondary segments as per Accounting Standard 17- 'Segment Reporting' have not been presented.

26. Leases

The Company has taken residential premises and leasehold land under cancellable operating lease agreements. The Company intends to renew such leases in the normal course of business. Total rental expenses under cancellable operating leases for the period from 1 April 2015 to 31 March 2016 is INR 6,102,572 (previous year INR 5,398,929).

27. Change in useful life of fixed assets

Pursuant to the enactment of Companies Act 2013, the Company has applied the estimated useful lives as specified in Schedule II, except, in respect of certain assets as disclosed in accounting policy of fixed assets, depreciation and amortisation. Accordingly the unamortized carrying value as on 1 April 2014 is being depreciated/ amortized over the revised/ remaining useful lives. The written down value of fixed assets whose lives had expired as at 1 April 2014 had been adjusted in the previous year in the opening balance of deficit (profit and loss balance) amounting to INR 386,143.



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Meridian Medical Research & Hospital Limited
Notes to the financial statements for the year ended 31 March 2016 (continued)

28. Unhedged foreign currency exposure

Particulars	As at 31 March 2016			As at 31 March 2015		
	Currency	Amount in foreign currency	Amount in INR	Currency	Amount in foreign currency	Amount in INR
Other current liabilities <i>Creditor for capital good</i>	EURO	3,102	221,328	-	-	-

29. Loss per share

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended 31 March 2016 was based on loss attributable to equity shareholders of INR 30,400,971 (previous year : INR 155,221,467) ; and weighted average number of equity shares outstanding 24,503,425 (previous year : 16,828,192). The company does not have any potential diluted equity shares.

Particulars	Units	For the year ended 31 March 2016	For the year ended 31 March 2015
Loss after tax	INR	(30,400,971)	(155,221,467)
Weighted average number of equity share outstanding during the year for calculation of basic loss per share	Numbers	24,503,425	16,828,192
Basic and diluted loss per share	INR	(1.24)	(9.22)

30. Related party disclosures

(a) Details of related parties

Nature of relationship	Name of related parties
Holding company	Narayana Hrudayalaya Limited

(b) Transactions with related party during the year

Transactions	INR Holding company
Refund of unsecured loan taken	195,740,487
	(-)
Interest expense	5,242,894
	(11,093,218)
Purchase of medical consumables and drugs	1,633,796
	(-)
Purchase of assets #	77,347,043
	(-)
Issue of equity shares	110,374,700
	(238,791,234)
Rendering of Health care services	151,227
	(-)
Corporate guarantee taken	341,618,648
	(537,029,064)

(c) The balances receivable from and payable to related parties

Transactions	INR Holding company
Creditors for capital goods	923,675
	(-)
Trade payables	-
	(59,763,268)
Unsecured loan	(-)
	(195,740,487)
Corporate guarantee	665,151,887
	(323,533,239)
Interest payable	-
	(11,093,218)
Other loans and advance	550,000
	(-)
Receivable from Health care services	151,227
	(-)

* Figures in bracket are previous year numbers

During the year ended 31-March-2016 the Company has purchased assets from Narayana Hrudayalaya Limited at book value which are being depreciated in the books of the Company over the remaining useful life.



31. Employee benefits

Defined contribution plan

The amount recognised as an expense towards contribution to Provident Fund and Employee State Insurance for the year aggregated to INR 11,324,390 (previous year : INR 8,653,157).

Defined benefit plan

The Company operates post-employment defined benefit plan that provide gratuity. The gratuity plan entitles an employee, who has rendered atleast five years of continuous service, to receive one-half month's salary for each year of completed service at the time of retirement/exit. The gratuity fund is managed by Life Insurance Corporation of India. The Company's obligation in respect of the gratuity plan, which is a defined benefit plan, is provided for based on actuarial valuation carried out by an independent actuary using the projected unit credit method. The Company recognizes actuarial gains and losses immediately in the statement of profit and loss. The Company accrued gratuity under the provisions of the Payment of Gratuity Act, 1972 as applicable as at the balance sheet date and accordingly the maximum payment is restricted to INR 1,000,000.

The following table sets out the status of the gratuity plan as required under Accounting standard (AS) 15 "Employee Benefits" prescribed by Companies Act, 2013

Movement in present values of defined benefit obligation			INR
Particulars	As at 31 March 2016	As at 31 March 2015	
Defined benefit obligation at 1 April	6,703,752	5,192,842	
Current service cost	1,596,311	1,510,910	
Interest cost	574,026	-	
Benefits settled	(228,223)	-	
Actuarial (gain) / loss	2,641,375	-	
Defined benefit obligations at the year end	11,287,241	6,703,752	
Change in fair value of plan assets during the year			INR
Particulars	As at 31 March 2016	As at 31 March 2015	
Plan assets at beginning of the year	-	-	
Expected return on plan assets	355,988	-	
Contributions	9,850,271	-	
Actuarial loss	(408,505)	-	
Benefits paid	(281,134)	-	
Plan assets at the end of the year	9,516,620	-	
Reconciliation of present value of obligation and fair value of plan assets:			INR
Particulars	As at 31 March 2016	As at 31 March 2015	
Fair value of the plan assets	9,516,620	-	
Present value of obligation	11,287,241	6,703,752	
Liability recognized in the balance sheet	1,770,621	6,703,752	
Current	279,860	-	
Non-current	1,490,761	6,703,752	
Expense recognised in the statement of profit and loss			INR
Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015	
Current service cost	1,596,311	454,256	
Interest on obligation	574,026	82,954	
Expected return on plan assets	(355,988)	-	
Net actuarial (gain) / loss recognised during the year	3,049,880	1,158,619	
Total included in 'Employee benefits'	4,864,229	1,695,829	



31. Employee benefits (continued)

Principal actuarial assumptions

Particulars	As at 31 March 2016	As at 31 March 2015
The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):		
Attrition rate	34.73%	12%
Discount rate	8%	7.85%
Expected rate of return on plan assets	8%	9%
Future salary increases	13.30% for the first year 5% thereafter	5%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Five year information*

Amounts for the current financial year and previous financial year are as follows:

Experience history	As at 31 March 2016	As at 31 March 2015
Defined benefit obligation	11,287,241	6,703,752
Fair value of plan assets	9,516,620	-
(Surplus) / deficit in the plan	1,770,621	6,703,752
Experience (gain) / loss adjustments on plan liabilities	1,370,443	-
Experience adjustments arising on plan assets	-	-

* Information is available only for past current and past one year

32. Due to Micro, Small and Medium Enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Further in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 ('Act') is not expected to be material. The Company has not received any claim for interest from any supplier.

Particulars	As at 31 March 2016	As at 31 March 2015
The amounts remaining unpaid to micro and small suppliers as at the end of the year		
-Principal	-	-
-Interest	-	-
The amount of interest paid by the buyer as per the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006)	-	-
The amount of payments made to micro and small suppliers beyond the appointed day during the accounting year;	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006;	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting period/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 MSMED Act, 2006	-	-



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Meridian Medical Research & Hospital Limited
Notes to the financial statements for the year ended 31 March 2016 (continued)

33. Deferred tax liability (net)

Deferred tax liability included in the balance sheet comprise of the following:

Particulars	INR	
	As at 31 March 2015	Credit /(Charge) for the year ended 31 March 2016
Deferred tax asset		
Provision for doubtful receivables	3,734,062	(1,339,979)
Provision for gratuity	6,703,752	(6,101,918)
Provision for compensated absences	849,366	807,056
Accumulated unabsorbed depreciation and business loss	-	78,161,018
Deferred tax liability		
Excess of depreciation on fixed asset under Income Tax Act, 1961 over depreciation under Companies Act.	(63,254,621)	(19,558,736)
Deferred tax liability (net)	(51,967,441)	51,967,441

In view of the unabsorbed depreciation and business loss as at 31 March 2016 and in accordance with AS 22 - "Accounting for taxes on income", the Company has recognised a deferred tax asset of INR 78,161,018 on unabsorbed depreciation and business loss and other temporary timing difference to the extent of deferred tax liability on excess of depreciation on fixed asset under Income-tax Act, 1961 over depreciation as per the Companies Act. Therefore the net deferred tax liability as at 31 March 2016 is Nil (previous year 51,967,441).

34. The Company does not have any earnings or expenditure in foreign currency in the current year and previous year.

35. Prior period (expenses)/income

Following are the (expenses)/ income of prior period recorded in the Statement of Profit and loss

Particulars	INR	
	For the year ended 31 March 2016	
Expenses		
Repairs and maintenance (others) (i)		(4,534,443)
Prior period expenses		(4,534,443)
Income		
Reversal of excess depreciation charged (ii)		6,433,873
Reversal of deferred tax liability (iii)		51,967,441
Prior period income		58,401,314
Prior period income, net		53,866,871

(i) Repairs and maintenance (others) - Trimedx India Private Limited ("Trimedx") provides maintenance services to the Company, with effect from 1 January 2015, for its medical equipment. The Company did not create provision in the books of account as at 31 March 2015 for the services rendered by Trimedx during this period. Accordingly, a prior period expense of INR 4,534,443 has been recorded in the year ended 31 March 2016.

(ii) Reversal of excess depreciation charged - During the year ended 31 March 2016 the Company has reversed the excess (net) depreciation charged as at 31 March 2015 aggregating INR 6,433,873.

(iii) Reversal of deferred tax liability - During the financial year 2014-15 the Company created deferred tax liability on excess of depreciation on fixed assets under Income Tax Act, 1961 over depreciation as per Companies Act, 2013. But, deferred tax asset on carried forward unabsorbed depreciation was not recorded then. This resulted in higher deferred tax liability as at 31 March 2015. During the year ended 31 March 2016 the Company recorded deferred tax asset on unabsorbed depreciation and business loss to the extent of deferred tax liability which resulted in reversal of the entire deferred tax liability of 31 March 2015 i.e. INR 51,967,441.



Meridian Medical Research & Hospital Limited**Notes to the financial statements for the year ended 31 March 2016 (continued)**

36. Previous year's figures have been regrouped and reclassified, wherever necessary to conform to the current period's presentation.

Particulars	INR Amount
Hospital general expenses regrouped to Income from medical and healthcare services	78,452,314
Revenue from nursing school regrouped from Other income to Other operating revenue	6,477,500
Revenue share income regrouped from Other income to Other operating revenue	6,542,275
Purchases of medical consumables, drugs and surgical equipments reclassified from cost of material consumed (INR 79,203,559) and from Other expenses (INR 2,490,790)	81,694,349
Changes in inventories of medical consumables, drugs and surgical equipments reclassified from cost of material consumed	(3,857,640)
Interest expense on bank overdraft regrouped from Other expenses to Finance cost	410,000
Provision for taxes under long-term provision regrouped to Advance income tax and tax deducted at source, net under long-term loans and advances	3,052,261
Provision for taxes under long-term provision regrouped to provision for taxes under short-term provisions	433,342
Accrued salaries and benefits regrouped from Trade payables to Other current liabilities	4,297,407
Creditor for capital goods regrouped from Trade Payable to Other current liabilities	6,294,809
Other liabilities regrouped from Other long term liabilities to Other current liabilities	1,325,000
Long-term security deposit regrouped from short-term loans and advances to long-term loans and advances	5,405,005
Prepaid expenses regrouped from other current assets to short-term loans and advances	2,576,384
Advance income tax and tax deducted at source, net regrouped from Other current liabilities	664,350

As per our report of even date attached

for and on behalf of the Board of Directors of

for BSR & Co. LLP

Chartered Accountants

Firm's registration number : 101248W/W-100022

Meridian Medical Research & Hospital Limited

Amit Somani

Amit Somani

Partner

Membership number : 060154

Place: Bengaluru

Date: 30 May 2016

V. Kesavan

Kesavan Venugopalan

Director

DIN: 02935283

Place: Bengaluru

Date: 30 May 2016

Divya Johri

Divya Johri

Chief Financial Officer

Place: Howrah

Date: 30 May 2016

Deepak Venugopalan

Deepak Venugopalan

Director

DIN: 07011297

Place: Bengaluru

Date: 30 May 2016

Bhargavi Reddy

Bhargavi Reddy

Company Secretary

Place: Bengaluru

Date: 30 May 2016