Management Discussion and Analysis

OVERVIEW

Thyrocare is one of the leading pan-India diagnostic chains that conducts an array of medical diagnostic tests and profiles of tests that center on early detection and management of disorders and diseases. As of March 31, 2018, we offered 246 tests and 86 profiles of tests to detect a number of disorders, including thyroid disorders, growth disorders, metabolism disorders, auto-immunity, diabetes, anemia, cardiovascular disorders, infertility and various infectious diseases. Our profiles of tests include 15 profiles of tests administered under our "Aarogyam" brand, which offers patients a suite of wellness and preventive health care tests. We primarily operate our testing services through a fully-automated Centralised Processing Laboratory (the "CPL") and have expanded our operations to include a network of Regional Processing Laboratories (the "RPLs"].

Through our wholly owned subsidiary, Nueclear Healthcare Limited, we operate a network of molecular imaging centers in New Delhi, Navi Mumbai, Hyderabad, Surat, Vadodra, Raipur Aurangabad and Mumbai, focused on early and effective cancer monitoring.

Our CPL, which is located in Navi Mumbai, is equipped with automated systems, diagnostic testing instruments and processes from leading international and Indian healthcare brands. The CPL is fully automated and driven by a barcoded and bi-directionally-interfaced system and Laboratory information system. The CPL meets international standards of quality and has received global accreditations from College of American Pathologists (CAP), National Accreditation Board for Testing and Calibration Laboratories (NABL) and the ISO. We commenced setting up RPLs in 2014 and currently operate 8 RPLs, one in each of New Delhi, Coimbatore, Hyderabad, Kolkata, Bangalore, Bhopal, Mumbai and Patna which process samples sourced from their respective regions.

We collect samples through a pan-India network of authorized service providers comprised of Thyrocare Service Providers (TSPs), Thyrocare Aggregators (TAGs) and Online Clients (OLCs), who in turn source these samples from local hospitals, laboratories, diagnostic centers, nursing homes, clinics and doctors that avail diagnostic services from us. As of March 31, 2018, we had a network of 3779 authorized service providers, comprised of 332 TAGs 335 TSPs and 3312 OLCs spread across 551 cities and 29 states and 6 union territories. Our wide spread network of authorized service providers has enabled us to expand the reach of the CPL and RPLs, thereby providing us with access to a larger customer base.

Through NHL, we are developing a growing network of molecular imaging centers, which focuses primarily on early and effective cancer monitoring. Each of our imaging centers use PET-CT scanners to assist in cancer diagnosis, staging, monitoring of treatment, and efficacy and evaluation of disease recurrence. We currently have 11 operating PET-CT scanners in our 9 imaging centers : two in Navi Mumbai, two in New Delhi, one each in Hyderabad, Surat, Vadodra, Raipur, Jaipur, Mumbai and Aurangabad, and intend to open imaging centers in Nashik, Bangalore and Coimbatore. NHL also owns and operates a medical cyclotron unit in Navi Mumbai, which produces the radioactive bio-marker FDG required for PET-CT scanning. We believe we have developed a platform of affordable diagnostic services and are in a position to further develop our services and enhance our test offerings.

Our key competitive strengths are :

- Portfolio of specialized tests with an emphasis on wellness and preventive healthcare.
- Multi-lab model driving volume growth and economies of scale.
- Pan-India collection network supported by logistics capabilities and information technology infrastructure.
- Capital efficiencies in our diagnostic testing business.
- Experienced senior leadership and management team.

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

The Company's standalone/ consolidated financial statements up to and for the year ended 31 March 2017 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.

As these are the Company's first standalone/ consolidated financial statements prepared in accordance with Indian Accounting Standards (Ind AS), Ind AS 101, First-time Adoption of Indian Accounting Standards has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the Company is provided in the relevant notes to the financial statements.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Indian diagnostic market is highly fragmented and roughly of the $ 7.4 billion. Though the Indian diagnostic market is a small when compared to the diagnostic market in developed countries, it is fast growing segment of the overall healthcare market. The industry is dominated by small and regional unorganized diagnostic laboratories, which controls more than 70% of the total diagnostic market. Due to significant latent demand emerging on the back of improving economic conditions in the country and a rapidly emerging urban population, though the significant chunk is getting converted from unorganized to organized, since there are no entry barriers, more and more unorganized players are entering into the space and there seems no significant shift in the share of organized players in the total diagnostic market.

According to industry estimates, the diagnostic market are anticipated to grow at 16-17%, with the general expectation that the organized chains would able to deliver growth at an even higher rate. In India's healthcare industry, diagnostic services play the role of an information intermediary, providing useful information for the accurate diagnosis and treatment of patients' diseases. The diagnostic industry in India can be classified into pathology testing services and imaging diagnostic services. Pathology testing or invitro diagnosis involves the collection of samples, in the form of blood, urine, stool, etc., and analyzing them using laboratory equipment and technology to arrive at useful clinical information, in order to assist with treatment of patents' diseases. The pathology testing segment includes biochemistry, immunology, hematology, urine analysis, molecular diagnosis and microbiology. Imaging diagnosis or radiology involves imaging procedures such as X-rays and ultrasounds, which help mark anatomical or physiological changes inside a patient's body, in order to assist doctors to diagnose patient's disease. The imaging diagnostic segment also includes more complex tests, such as CT scans and MRIs, and highly specialized tests, such as PET-CT scans.

According to the CRISIL Research Report, a majority of India's healthcare expenditure is private as opposed to public. The share of the general government expenditure on healthcare in India has improved from 27% in 2000 to 32.2% in 2013 (on a percentage of total expenditure on health basis). However, India ranks lower than other developing countries, such as Brazil, Malaysia and China on general government expenditure on health. In 2013, a significant portion of India's private healthcare expenditure was in the form of out-of-pocket expenditure, both on a percentage basis, at 85.9%, and as compared to other developing and developed countries.

The Government of India on February 1, 2018, announced two major initiatives in health sector , as part of Ayushman Bharat programme. This was aimed at making path breaking interventions to address health holistically, in primary, secondary and tertiary care systems, covering both prevention and health promotion.

The initiatives are as follows:-

(i) **Health and Wellness Centre:-** The National Health Policy, 2017 has envisioned Health and Wellness Centres as the foundation of India's health system. Under this 1.5 lakh centres will bring health care system closer to the homes of people. These centres will provide comprehensive health care, including for non-communicable diseases and maternal and child health services. These centres will also provide free essential drugs and diagnostic services. The Budget has allocated ₹1200 crore for this flagship programme. Contribution of private sector through CSR and philanthropic institutions in adopting these centres is also envisaged.

(ii) **National Health Protection Scheme:-** The second flagship programme under Ayushman Bharat is National Health Protection Scheme, which will cover over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries) providing coverage upto 5 lakh rupees per family per year for secondary and tertiary care hospitalization. This will be the world's largest government funded health care programme.

Ayushman Bharat - National Health Protection Mission will have major impact on reduction of Out of Pocket (OOP) expenditure on ground of:

- Increased benefit cover to nearly 40% of the population, (the poorest & the vulnerable)
- Covering almost all secondary and many tertiary hospitalizations. (except a negative list)
- Coverage of 5 lakh for each family, (no restriction of family size)

This will lead to increased access to quality health and medication. In addition, the unmet needs of the population which remained hidden due to lack of financial resources will be catered to. This will lead to timely treatments, improvements in health outcomes, patient satisfaction, improvement in productivity and efficiency, job creation thus leading to improvement in quality of life.

Strategy

Our strategic objective is to have sustainable productive growth by maintaining the profit margins, without compromising on the quality and the cost of the delivery of our services. In order to achieve sustainable growth, our business strategy continues to be in the following lines :

Continue to grow our wellness offerings and expand our product offering.

We will continue to focus on growth our wellness and preventive offerings and expansion of our test offerings through aggressive price rationalization. We being the leaders in preventive care diagnostic test offerings with 'Aarogyam' brand conceptualized as early as more than 12 year, recognizing the growth opportunity, in this segment we are well positioned to leverage our expertise and brand, we are focusing a significant proportion of our marketing efforts on preventive diagnostic and wellness offerings.

We intend to expand our diagnostic test offerings through the acquisition of new technologies, including both instruments and processes. We have recently launched 'Focus TB', a brand focused on affordable and quality TB diagnostics.

Continue to grow our network of RPLs and authorized service providers.

We intend to strengthen and grow our coverage of regions across India through our network of RPLs and authorized service providers. By expanding this network, we plan to simultaneously increase our customer base, generate higher volume of samples for processing, improve our turnaround time and optimize our logistic costs.

We plan on targeted expansion by continuing to open RPLs in locations in close proximity to rail or road networks and in markets that are expected to generate high volumes of samples. In order to sustain our future growth and client base, we are also focused on increasing the number and quality of the authorized service providers. We intend to use the expanded network of RPLs and authorized service providers to bolster brand visibility and increase the accessibility of our services.

Continue to develop our subsidiary business to provide affordable PET-CT scanning.

We currently have seven imaging centers operating nine PET-CT scanners : two in Navi Mumbai, two in New Delhi and one each in Hyderabad, Surat, Vadodra, Raipur and Mumbai. We intend to open molecular imaging centers in Nashik, Bangalore and Coimbatore in next six months. We believe having backward integration with our own cyclotron provides us with greater flexibility, reliability and cost effectiveness as we expand our operations. We intend to further expand the business and increase capital efficiencies, by deploying PET-CT scanners under franchisee model, whereby the PET-CT scanners will be owned by our subsidiary and operated by the franchisee.

Expand our service platform by developing new channels that leverage the strength of our brand and network.

We plan to increase the breadth of our testing and services platform through new channels that leverage our brand, multi-lab (regional processing) model and pan-India network of service providers.

We have recently introduced various channels such as Online clients (OLCs), BTECHs (Blood collection technician), Blood collection technician online clients (BOLCs) and Last mile executives (LMEs) to ensure that our offerings to our patients are reached in most cost effective and timely manner.

HUMAN RESOURCE

The Human Resources department at Thyrocare always ensure to hire fresh talents, help realize their potential and bestows right culture and capabilities amongst them. Human Resource management at Thyrocare is meticulously handled so that the employee learns during the tenure, understands the needs of the organization, reports periodically on self-development. Continual development of each employee for skillset and knowledge enhancement is the focus of training activities at Thyrocare. Thyrocare encourage employee development and education to achieve a dual goal of operational perfection and personnel enhancement. Thyrocare has ensured to set an excellent learning platform for each fresher associated with it.

The Human Resources department at Thyrocare not only ensures to hire employees for the organization but also ensures to source, train and develop resources as blood collection technicians, last mile executives and over the long run by training induce these resources to be our aggregators, online clients.

We have set up thorough employment recruitment and screening processes. Over the last year, we received 5756 applications from prospective employees, interviewed 5756 applicants, and extended offers of employment to 2232 applicants. The company has added 223 (net) employees this year, taking the total strength to 1047 from 824 at the end of the previous year.

As Thyrocare since inception ensured to recruit fresh talent, learning and training are inevitable part of the career in Thyrocare. We have separate training module for our staff to learn various processes that are organized through internal as well as external faculties. During the fiscal 2018, the total training man hours for the employee of the organization was over 32750 hours. We also encourage our employees to pursue higher studies and qualification courses by funding for their education fees.

The company, under the 2014, Employees Stock Option Plan (ESOP 2014), has granted share-based benefits to eligible employees in the month of May of the previous calendar year. The company grants share-based benefits to eligible employees with a view to attracting and retaining the talent, motivating employees to excel in their performance with company's performance, and ensures the participation of the employees as owner of the company to articulate the growth.

FINANCIAL PERFORMANCE

Beginning April 1, 2017, the Company has for the first time adopted Indian Accounting Standards (Ind AS) with a transition date of April 1, 2016. Accordingly, the audited financial statements have been prepared in compliance with Ind AS as notified by the Ministry of Corporate Affairs and prescribed under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder and other accounting pronouncements generally accepted in India and the financial statements prepared under previous GAAP have been restated accordingly.

I. Standalone Financial Performance

The management discussion and analysis given below relate to the audited standalone Ind AS financial statements of Thyrocare Technologies Limited (hereinafter referred to as Thyrocare). The discussion should be read in conjunction with the financial statements and related notes to the financial statements for the year ended March 31, 2018.

Summary

[The outsourcing arrangement for imaging services from the subsidiary were discontinued w. e. f. January 1, 2017, the revenue from imaging services for the previous year therefore represents revenue of nine months of the previous financial year with no revenue recognised for the current financial year after discontinuance of the arrangement. The figures of the previous financial year are therefore adjusted wherever mentioned for the purpose of comparison.]

Revenue from operations of Thyrocare aggregated to ₹ 3317.94 million in Fiscal 2018 as compared to ₹ 2859.79 million (adjusted) in Fiscal 2017, registering a growth of 16.02%.

Earnings before interest, tax, depreciation and amortization (EBITDA) of Thyrocare aggregated to ₹ 1386.07 million in Fiscal 2018 as compared to ₹ 1133.63 million (adjusted) in Fiscal 2017, registering a growth of 22.27%.

Profit after tax and after exceptional items (PAT) of Thyrocare aggregated to ₹ 960.38 million in Fiscal 2018 as compared to ₹ 466.68 million in Fiscal 2017, registering a growth of 23.75%, after adjusting for the Ind AS adjustment accounted under exceptional items.

Total Assets of Thyrocare after net off of current liabilities aggregated to ₹ 4538.78 million in Fiscal 2018 as compared to ₹ 4179.79 million in Fiscal 2017, registering a growth of 8.59%.

Dividend

Thyrocare has determined that as a matter of policy, the net cash surplus after providing for tax, capital expenditure expected to be incurred during the next financial year, and any other anticipated requirement of funds, may be distributed among the shareholders as dividend for the financial year concerned. The board of directors decides on interim dividend based on the performance of Thyrocare during the course of the year. Thyrocare has declared one interim dividends during the course of the current Fiscal. The interim dividends constitutes a total payout of ₹ 5.00 per equity share (50% on the face value of ₹ 10/- each) for the Fiscal 2018. The Board of Directors have recommended a payment of final dividend of ₹ 5.00 (Rupees Five only) per equity share of the face value of ₹ 10 each for the Fiscal 2018. Post approval of final dividend of ₹ 5.00 per equity share by the shareholders, the total dividend for the Fiscal 2018 including the final dividend will be ₹10/- (Rupees Ten only) per equity share.

The following table provides the details of the standalone financial performance of Thyrocare –

	Fiscal 2018			Fiscal 2017	
	₹ In million	% of Income	% growth compared to Fiscal 2017	₹ In million	% of Income
Income from Operations	**3,317.94**	**100.00**	**11.52**	**2,975.27**	**100.00**
Expenses					
Cost of Materials consumed/ traded	908.45	27.38	16.55	779.48	26.20
Employee benefits expense	324.89	9.79	7.50	302.21	10.16
Other expenses	698.55	21.05	-6.73	748.98	25.17
Total Expenses	**1,931.89**	**58.23**	**5.53**	**1,830.67**	**61.53**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**1,386.06**	**41.77**	**21.10**	**1,144.60**	**38.47**
"Other income (net) excluding dividend & income from current investments"	193.76	5.84	188.49	67.16	2.26
Dividend & income from current investments	42.60	1.28	(9.20)	46.92	1.58
Depreciation and amortization expense	120.83	3.64	3.36	116.91	3.93
"Profit before exceptional item and tax"	**1,501.57**	**45.26**	**31.51**	**1,141.77**	**38.38**
Exceptional Items	(21.93)	-0.66		(274.33)	-9.22
Profit before tax (PBT)	**1,479.64**	**44.60**	**70.58**	**867.44**	**29.15**
Tax expense	519.26	15.65	29.57	400.76	13.47
Profit for the year (PAT)	**960.38**	**28.94**	**105.79**	**466.68**	**15.69**

Revenue from operations

Revenue from operations increased from ₹ 2859.79 million (adjusted) in Fiscal 2017 to ₹ 3317.94 million in Fiscal 2018, registering a growth of 16.02% (27.61% in Fiscal 2017).

Revenue growth was attributable to a number of factors, including an increase in the volumes, as well as an expansion in the network of service providers. Revenue from operations looked subdued when compared to high base of the previous financial year. Of the total revenues for the year ended March 31, 2018, on a standalone basis, approximately 51 % were revenue from preventive care profiles.

Expenses

Cost of material consumed

	Fiscal 2018			Fiscal 2017	
	₹ In million	% of reven. from diagn. services	% growth compared to Fiscal 2017	₹ In million	% of reven. from diagn. services
Cost of materials consumed					
Opening stock	133.53			98.42	
Add: Purchases	911.46			792.58	
	1,044.99			891.00	
Less: Closing stock	164.31			133.53	
Cost of material consumed [A]	**880.68**	**26.77**	**16.27**	**757.48**	**26.74**
Material consumed comprises:					
Reagents/ Diagnostics material	796.73	24.22		686.72	24.25
Consumables	83.95	2.55		70.75	2.50
	880.68	**26.77**		**757.48**	**26.74**

Cost of material consumed increased from ₹ 757.48 million in Fiscal 2017 to ₹ 880.68 million in Fiscal 2018 and the cost of material consumed to revenue from diagnostic services was 26.77% (26.74% in Fiscal 2017). Cost of material consumed includes the cost of reagents, diagnostic materials and other consumables instrumental to processing sample. There is no any significant variation as to cost of material percentage to revenue from diagnostic services.

Cost of material traded

	Fiscal 2018			Fiscal 2017	
	₹ In million	% of reven. from sale	% growth compared to Fiscal 2017	₹ In million	% of revenue from sale
Purchase of stock-in-trade					
Glucose strips/ Gluco meter	24.10			25.61	
	24.10			**25.61**	
Changes in inventories of stock-in-trade					
Inventories at the end of the year:					
Glucose strips/ Gluco meter	0.41			4.08	
	0.41			4.08	
Inventories at the beginning of the year:					
Glucose strips/ Gluco meter	4.08			0.47	
	4.08			0.47	
Net change	3.67			(3.61)	
Cost of material traded [B]	**27.77**	**97.63**	**26.22**	**22.00**	**79.91**

Cost of material traded increased from ₹ 22.00 million in Fiscal 2017 to ₹ 27.77 million in Fiscal 2017. The cost of material traded to revenue from sale was 97.63 % (79.91 % in Fiscal 2017). Cost of material traded includes the sale of glucometers & strips. Under Ind AS the supply of consumables to service providers for collection of blood samples is reclassified to service revenue. The gross profit on sale of glucometer and strips was reduced mainly on account of the increase in discounted dispatches to service providers and dealers to promote the business and generate higher revenue.

Cost of Materials consumed/ traded

	Fiscal 2018			Fiscal 2017	
	₹ In million	% of Income	% growth compared to Fiscal 2017	₹ In million	% of Income
Cost of Materials consumed/ traded [A]+[B]	**908.45**	**27.38**	**16.55**	**779.48**	**27.26**

The overall Cost of material consumed/ traded thus has increased from ₹ 779.48 million in Fiscal 2017 to ₹ 908.65 million in Fiscal 2018. The cost of material consumed/ traded to income from operations was 27.38% (27.26% in Fiscal 2017). Thus there is very miniscule increase in the cost of material consumed/ traded to percentage of income.

Employee benefits expense

	Fiscal 2018		Fiscal 2017	
	₹ In million	% of Income	₹ In million	% of Income
Salaries, wages and bonus	252.48	7.61	228.90	8.00
Contributions to provident and other funds	24.44	0.74	18.28	0.64
Employees stock compensation expense	17.10	0.52	24.43	0.85
Gratuity	5.41	0.16	2.90	0.10
Compensated absences	13.80	0.42	17.05	0.60
Staff welfare expenses	11.66	0.35	10.65	0.37
	324.89	**9.79**	**302.21**	**10.57**

Total employee benefits expenses were ₹ 324.89 million in Fiscal 2018, increased from ₹ 302.21 million in Fiscal 2017. However, the employee's benefits expenses as percentage of income from operations were 9.79% in Fiscal 2018 (10.57% in Fiscal 2017). The hiring policies, staff training and privileges offered to the employees, have ensured that the Company controls the cost of personnel.

Other expenses

	Fiscal 2018		Fiscal 2017	
	₹ In million	% of Income	₹ In million	% of Income
Service charges	141.28	4.26	127.46	4.46
Rent	113.64	3.42	107.24	3.75
Sales incentive	95.20	2.87	70.24	2.46
Business promotion	50.94	1.54	61.93	2.17
Advertisement expenses	49.25	1.48	7.00	0.24
Power and fuel and water	48.29	1.46	46.52	1.63
Printing and stationery	31.59	0.95	43.52	1.52
Postage and courier	29.21	0.88	29.91	1.05
Others	135.09	4.07	252.60	8.83

Other expenses as percentage of revenue decreased from 22.45% in fiscal 2017 to 20.93% in fiscal 2018, mainly on account of reduction in aggressive spending on business promotion in the previous fiscal.

Earnings before interest, tax, depreciation and amortisation (EBITDA)

In Fiscal 2018 EBITDA was ₹ 1386.07 million (41.8% of income from operations) as compared to ₹ 1133.63 million (39.6% of income from operations) in Fiscal 2017. There is an improvement in EBITDA mainly because the Company has controlled the cost of consumables and personnel and reduce the promotional spending during the current fiscal.

Other income (net)

	Fiscal 2018		Fiscal 2017	
	₹ In million	% of Income	₹ In million	% of Income
Dividend income from current investment	36.34	1.10	42.29	1.42
Net gain on sale of current investments	6.25	0.19	11.84	0.40
Technical assistance/ trade mark assignment fees	6.16	0.19	1.47	0.05
Interest income	11.18	0.34	1.65	0.06
Others	176.41	5.32	56.83	1.91
	236.35	**7.12**	**114.08**	**3.83**

Depreciation and amortisation

Depreciation and amortisation increased marginally from ₹ 116.91 million in Fiscal 2017 (3.93% of income from operations) to ₹ 120.83 million in Fiscal 2018 (3.64% of income from operations). Addition to new assets in last fiscal year was mainly attributed for purchases of equipment for Regional Processing Labs (RPLs) and for introductions of newer tests and technologies.

Exceptional item

Pursuant to the IPO, in the previous year, Agalia Private Limited ('APL' or the selling shareholder) divested part of its share-holding in the Company. At the instance of APL, the Company entered into contracts for advertisements in various media with the intention to promote the 'Thyrocare' brand. Since these contracts aggregating ₹ 304.85 million were entered into at the specific instance of APL, APL has fully reimbursed the Company in respect of the payments made towards these contracts. During year ended 31 March 2018, the Company has incurred advertising costs aggregating to ₹ 21.93 million (31 March 2017 : ₹ 274.33 million) in this respect. Under Ind AS, considering the nature and size of the transactions, the expenses incurred are continued to be shown as an exceptional item, however the reimbursement received from APL has been considered as capital contribution and added to Capital Reserves to the extent of reimbursement received from APL post IPO.

Profit before tax (PBT)

In Fiscal 2018, PBT was ₹ 1479.64 million (₹ 867.47 million in Fiscal 2017). As a percentage of income from operations, adjusted PBT was at 43% in Fiscal 2018 (40% in Fiscal 2017).

Tax expense

Tax expense increased to ₹ 519.26 million in Fiscal 2018 from ₹ 400.76 million in Fiscal 2017. There is no change in the tax rates as are applicable in case of the company for Fiscal 2018.

Profit for the year (PAT)

The net profit in Fiscal 2018 was ₹ 960.38 million (27% of income from operations) as compared to ₹ 466.68 million (26% of income from operations) in Fiscal 2017.

FINANCIAL POSITION – STANDALONE

Share capital

In millions of INR		31 March 2018		31 March 2017	
		Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount
(a)	**Authorised**				
	Equity shares of ₹ 10 each with equal voting rights	100,000	1,000.00	100,000	1,000.00
(b)	**Issued, subscribed and paid-up**				
	Equity shares of ₹ 10 each with equal voting rights	53,724	537.24	53,724	537.24
	Total	**53,724**	**537.24**	**53,724**	**537.24**

The Company has a single class of equity shares of par value of ₹ 10/- each. The authorised share capital stood at ₹ 1000.00 million, divided into 100 million equity shares of ₹ 10/- each. The issued, subscribed and paid up capital stood constant at ₹ 537.24 million as at March 31, 2018 and as at March 31, 2017.

The Company has also issued share options plan for its employees, the details of the options granted as at March 31, 2018 are provided under the notes to the Standalone Financial Statement in the Annual Report.

Reserves and surplus

Reserves and surplus as at March 31, 2018 were ₹ 4001.54 million (₹ 3642.55 million as at March 31, 2017), an increase of 10%.

Capital reserve

Capital reserve as at March 31, 2018 amounted to ₹ 302.52 million (₹ 275.39 million as at March 31, 2017) after Ind AS adjustment on account of transfer of trademark by shareholder at no cost and capital contribution by reimbursement of expenses by shareholder.

Securities premium account

Securities premium as at March 31, 2018 amounted to ₹ 1272.28 million (₹ 1232.93 million as at March 31, 2017) after adjustment on account of transfer of accumulated balance in stock option premium after exercise of stock options.

Share option outstanding account

The Company has established various equity-settled share-based payment plans for certain categories of employees of the Company.

The share based payment expense recognised in statement of profit/ loss and accumulated underr outnstanding account for Fiscal 2018 and Fiscal 2017 were as follows :

In millions of INR	31 March 2018	31 March .2017
ESOS2017	6.71	-
ESOS2016	7.85	5.05
ESOS2015	2.54	3.57
ESOS2014	-	15.81
Total expense recognised in employee benefits	**17.10**	**24.43**

The balance as at March 31, 2018 was ₹ 28.13 million (As at March 31, 2017 it was ₹ 50.38 million), after adjustment on account of transfer of accumulated balance in stock option premium after exercise of stock options.

General reserve

General reserve as at March 31, 2018 were ₹ 91.67 million, which was the same as per the previous year.

Surplus in the statement of profit and loss account

Balance in the statement of profit and loss as at March 31, 2018 was ₹ 2306.94 million (₹ 1992.17 million as at March 31, 2017) after appropriation towards dividend on equity shares and tax on dividend.

Non-current liabilities

In millions of INR	Loans		Provisions		Total	
	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017
Financial liabilities						
Trade/Security deposits received	70.24	60.17	-	-	70.24	60.17
Security deposits received from related parties	9.77	-	-	-	9.77	-
Others	0.09	0.21	-	-	0.09	0.21
	80.10	**60.38**	**-**	**-**	**80.10**	**60.38**
Other than financial liabilities						
Provision for employee benefits:						
Provision for compensated absences	-	-	38.37	32.36	38.37	32.36
Provision for gratuity	-	-	12.99	11.08	12.99	11.08
	-	**-**	**51.36**	**43.44**	**51.36**	**43.44**
Total non-current liabilities	**80.10**	**60.38**	**51.36**	**43.44**	**131.46**	**103.82**

Total non-current liabilities increased to ₹ 131.46 million as at March 31, 2018 (₹ 103.82 million as at March 31, 2017). The increase was mainly on account of –

- Additional security deposits received from the new service providers added during the fiscal and security deposits received from related party towards sub-letting of part of the premises.
- Increase in provision for gratuity and leave encashment due to employees.

In millions of INR	Trade payables		Loans		Provisions		Others		Total	
	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017
Financial liabilities										
Trade payables	9.72	8.66	-	-	-	-	-	-	9.72	8.66
Security deposits received	-	-	6.31	4.54	-	-	-	-	6.31	4.54
Employees dues	-	-	-	-	-	-	19.13	17.18	19.13	17.18
Statutory dues	-	-	-	-	-	-	7.77	6.00	7.77	6.00
Expenses payable	-	-	-	-	-	-	44.67	38.20	44.67	38.20
Unclaimed dividend	-	-	-	-	-	-	0.34	-	0.34	-
Payable to related party	-	-	-	-	-	-	-	16.15	-	16.15
	9.72	**8.66**	**6.31**	**4.54**	**-**	**-**	**71.91**	**77.53**	**87.94**	**90.73**
Other than financial liabilities										
Provision for employee benefits:										
Provision for bonus	-	-	-	-	5.82	5.06	-	-	5.82	5.06
Provision for compensated absences	-	-	-	-	4.52	3.81	-	-	4.52	3.81
Provision for gratuity	-	-	-	-	0.18	0.14	-	-	0.18	0.14
Provision for refundable staff security deposits	-	-	-	-	0.06	0.38	-	-	0.06	0.38
Current tax liabilities (net)	-	-	-	-	-	-	50.61	11.98	50.61	11.98
Advances received from customer	-	-	-	-	-	-	32.74	26.30	32.74	26.30
Contribution received for expenses	-	-	-	-	-	-	-	18.86	-	18.86
Others	-	-	-	-	-	-	1.49	0.53	1.49	0.53
	-	**-**	**-**	**-**	**10.58**	**9.39**	**84.84**	**57.67**	**95.42**	**67.06**
Total current liabilities	**9.72**	**8.66**	**6.31**	**4.54**	**10.58**	**9.39**	**156.75**	**135.20**	**183.36**	**157.79**

Current liabilities

Total current liabilities increased to ₹ 183.38 million as at March 31, 2018 (₹ 157.79 million as at March 31, 2017). The increase was mainly on account of –

- Increase in expenses/ dues outstanding and payable as at the end of the financial year.
- Increase in income tax liabilities due and payable as at the end of the financial year.
- Increase in the advances received from customers against which services were provided in the next fiscal.
- Increase in provision for gratuity and leave encashment due to employees.

Property, plant and equipment, capital work-in-progress and investment property

The additions to gross block in Fiscal 2018 were:

- Freehold Land and Buildings/ Premises – ₹ 100.55 million (₹ Nil in Fiscal 2017)
- Plant and equipment ₹ 124.27 million (₹ 71.35 million in Fiscal 2017)
- Furniture and fixtures ₹ 28.38 million (₹ 3.49 million in Fiscal 2017)
- Vehicles ₹ 2.53 million (₹ Nil in Fiscal 2017)
- Office equipment ₹ 10.15 million (₹ 1.73 million in Fiscal 2017)
- Computer, printer and scanner ₹ 7.39 million (₹ 5.96 million in Fiscal 2017)

The capital work in progress on account of tangible assets was ₹ Nil as at March 31, 2018 (₹ 21.33 million as at March 31, 2017).

The estimated amount of contracts remaining to be executed on capital account and not provided for towards tangible assets aggregates to ₹ Nil as on March 31, 2018 (₹ Nil as on March 31, 2017).

A portion of the leasehold land and building was reclassified as investment property on transition to Ind AS.

Intangible assets and intangible assets under development

The additions to gross block in Fiscal 2018 were:

- Trademark – ₹ 5.20 million (₹ Nil in Fiscal 2017)
- Computer softwares – ₹ Nil (₹ 0.95 million in Fiscal 2017)

The trademark was capitalised at fair value on the date of assignment of the trademark in favour of the Company.

During the current year, vide the terms of the trademark assignment agreement, Dr. A. Velumani has transferred the rights in the trademark - "Whaters" in favour of the Company [subsequently disposed off with the water testing business], for no consideration. The fair value of the trademark on the date of assignment of the trademark in favour of the Company was capitalised by crediting the fair value to Capital Reserves as shareholder's contribution.

Equity accounted investees

The Company has acquired 30% stake in Equinox Labs Private Limited ('Equinox') vide the terms of the Share Subscription and Shareholder's agreement and Business Transfer agreement executed on 15 December 2017 and 31 January 2018 respectively, partially by subscribing to 214,592 equity shares of Equinox in cash and partially by subscribing to 214,593 equity shares of Equinox for consideration other than cash for a total purchase consideration of INR 200.00 million. The equity shareholding in Equinox is disclosed under Equity accounted investees as at 31 March 2018.

Non-current assets

In millions of INR	Investments		Loans		Others		Total	
	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017
Financial assets								
Investment in subsidiary	1,946.74	1,946.74	-	-	-	-	1,946.74	1,946.74
Loans to subsidiary	-	-	245.00	-	-	-	245.00	-
Security deposits	-	-	-	6.28	-	-	-	6.28
	1,946.74	**1,946.74**	**245.00**	**6.28**	**-**	**-**	**2,191.74**	**1,953.02**
Other than financial assets								
Deferred tax assets	-	-	-	-	4.05	0.21	4.05	0.21
Other tax assets	-	-	-	-	25.72	26.73	25.72	26.73
Prepaid expenses	-	-	-	-	2.39	1.58	2.39	1.58
Security deposits	-	-	-	-	14.34	4.72	14.34	4.72
Balance with government authorities	-	-	-	-	5.23	5.22	5.23	5.22
	-	-	-	-	51.73	38.46	51.73	38.46
Total non-current assets	**1,946.74**	**1,946.74**	**245.00**	**6.28**	**51.73**	**38.46**	**2,243.47**	**1,991.48**

Total non-current assets increased to ₹ 2243.47 million as at March 31, 2018 (₹ 1991.48 million as at March 31, 2017).

The increase was mainly on account of –

- Unsecured loans granted to the subsidiary of ₹ 245.00 million, for the purpose of business activities of the subsidiary.
- Additional security deposits paid to authorities on starting of the regional operations.

Current assets

In millions of INR	Investments		Trade receivables		Loans		Cash and bank balance		Others		Total	
	As at 31.03.2018	As at 31.03.2017	**As at 31.03.2018**	As at 31.03.2017	**As at 31.03.2018**	As at 31.03.2017	**As at 31.03.2018**	As at 31.03.2017	**As at 31.03.2018**	As at 31.03.2017	**As at 31.03.2018**	As at 31.03.2017
Financial assets												
Investments in Mutual Funds (Unquoted) measured at FVTPL	1,000.98	1,041.59	-	-	-	-	-	-	-	-	1,000.98	1,041.59
Trade receivables	-	-	92.13	59.78	-	-	-	-	-	-	92.13	59.78
Cash and cash equivalents	-	-	-	-	-	-	72.39	87.10	-	-	72.39	87.10
Other bank balances	-	-	-	-	-	-	20.37	19.10	-	-	20.37	19.10
Amount recoverable from subsidiary	-	-	-	-	-	98.04	-	-	-	-	-	98.04
Security deposits	-	-	-	-	0.24	38.04	-	-	-	-	0.24	38.04
Loans and advances to employees benefit trust	-	-	-	-	-	0.34	-	-	-	-	-	0.34
Loans and advances to employees	-	-	-	-	-	0.05	-	-	-	-	-	0.05
Interest accrued on deposits	-	-	-	-	-	-	-	-	0.67	1.36	0.67	1.36
	1,000.98	**1,041.59**	**92.13**	**59.78**	**0.24**	**136.47**	**92.76**	**106.20**	**0.67**	**1.36**	**1,186.78**	**1,345.40**
Other than financial assets												
Advances for supply of goods and services	-	-	-	-	-	-	-	-	13.22	5.25	13.22	5.25
Prepaid expenses	-	-	-	-	-	-	-	-	15.82	48.27	15.82	48.27
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**29.04**	**53.52**	**29.04**	**53.52**
Total current assets	**1,000.98**	**1,041.59**	**92.13**	**59.78**	**0.24**	**136.47**	**92.76**	**106.20**	**29.71**	**54.88**	**1,215.82**	**1,398.92**

Inventories

Inventories as a percentage of income from operations were at 4.96% as at March 31, 2018 compared to 4.81% as at March 31, 2017. Inventories comprises of reagents, diagnostic material, consumables and stock in trade.

Trade receivables

Trade receivable as a percentage of income from operations were at 2.78% as at March 31, 2018 compared to 2.09% as at March 31, 2017. Trade receivable includes recoverable from related parties of ₹ 13.29 million as at March 31, 2018 (₹ 16.11 million as at March 31, 2017).

Cash and bank balances

Cash and bank balances were ₹ 92.76 million as at March 31, 2018 (₹ 106.20 million as at March 31, 2017).

CASH FLOW – STANDALONE

Thyrocare business generates cash from operations every year that is sufficient to manage the working capital and capital expenditure requirements. As per the dividend policy, the net cash surplus after providing for tax, capital expenditure expected to be incurred during the next financial year, and any other anticipated requirement of funds, the surplus cash may be distributed among the shareholders as dividend for the financial year concerned. Thyrocare has not availed any credit/ overdraft facility from any of the bank since its inception.

Summary of cash flow statement is given below -

In millions of INR	Fiscal 2018	Fiscal 2017
Net cash flows from / (used in) :		
Operating activities	1,115.15	892.75
Investing activities	(482.56)	(396.65)
Financing activities	(647.30)	(484.96)
Net (Decrease)/ Increase in Cash and cash equiv.	**(14.71)**	**11.14**

Cash flow from operating activities -

In millions of INR	Fiscal 2018	Fiscal 2017
Operating profit before working capital changes	1,483.33	1,245.01
Adjustment for increase in working capital	111.71	48.35
Net income tax paid	(479.89)	(400.61)
Net cash flows from operating activities	**1,115.15**	**892.75**

In Fiscal 2018, Thyrocare generated net cash of ₹ 1115.15 million (₹ 892.75 million in Fiscal 2017) from operating activities. This is attributable to:

- Increase in operating profit before working capital changes to ₹ 1483.33 million in Fiscal 2018 (₹ 1245.01 million in Fiscal 2017).
- Increase in excess working capital to ₹ 111.71 million in Fiscal 2018 (₹ 48.35 million in Fiscal 2017).
- Increase in taxes paid to ₹ 479.89 million in Fiscal 2018 (₹ 400.61 million in Fiscal 2017).

Cash flows from investing activities

In millions of INR	Fiscal 2018	Fiscal 2017
Property, plant and equipment, additions to capital work in progress and capital advances (net)	(250.66)	(106.64)
Purchase of equity shares in associates	(100.00)	-
Current investments (net)	66.17	(314.02)
Loans to subsidiary	-245.00	-
Dividend received	36.34	42.29
Bank deposits	(1.27)	(18.60)
Interest received	11.86	0.32
Net cash (used in) investing activities	**(482.56)**	**(396.65)**

In Fiscal 2018, cash used in investing activities was ₹ 482.56 million (₹ 396.65 million in Fiscal 2017).

During Fiscal 20178, cash used in investing activities was primarily attributable to:

- Purchase of Property, plant and equipment (net) ₹ 250.66 million in Fiscal 2018 (₹ 106.64 million in Fiscal 2017);
- Purchase of equity shares in associates of ₹ 100 million (₹ Nil in Fiscal 2017);
- Loans to subsidiary of ₹ 245 million (₹ Nil in Fiscal 2017);
- Dividend received ₹ 36.34 million (₹ 42.29 million in Fiscal 2017).

Cash flows from financing activities

In millions of INR	Fiscal 2018	Fiscal 2017
Dividend paid on equity shares	(537.24)	(402.93)
Tax paid on dividend	(110.06)	(82.03)
Net cash (used in) financing activities	**(647.30)**	**(484.96)**

The payment of dividend in Fiscal 2018 was ₹ 647.30 million including dividend tax (₹ 484.96 million in Fiscal 2017).

II. CONSOLIDATED FINANCIAL PERFORMANCE

The Consolidated Financial Statements relate to Thyrocare Technologies Limited ('the Company'), its subsidiary company, Nueclear Healthcare Limited ('the Subsidiary), in which the Company has 100% equity holding as on 31 December 2018 (100% : 31 March 2017) and Thyrocare Employee Stock option Trust ('the Trust') (herein after referred to as the "**Group**").

These consolidated Ind AS financial statements (hereinafter referred to as 'consolidated financial statements') have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015, notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

Summary

Revenue from operations of Group aggregated to ₹ 3563.15 million in Fiscal 2017 as compared to ₹ 3043.87 million in Fiscal 2017, registering a growth of 17.06%.

Earnings before interest, tax, depreciation and amortization (EBITDA) of Group aggregated to ₹ 1442.91 million in Fiscal 2018 as compared to ₹ 1149.15 million in Fiscal 2017, registering a growth of 25.56%.

Profit after tax and after exceptional items (PAT) of Group aggregated to ₹ 932.75 million in Fiscal 2018 as compared to ₹ 428.45 million in Fiscal 2017.

Total Assets of Group after net off of current liabilities aggregated to ₹ 4432.90 million in Fiscal 2018 as compared to ₹ 4078.08 million in Fiscal 2017, registering a growth of 8.70%.

The following table provides the details of the consolidated financial performance of Group –

	Fiscal 2018			Fiscal 2017	
	₹ In million	% of Income	% growth compared to Fiscal 2017	₹ In million	% of Income
Income from Operations	**3,563.15**	**100.00**	**17.06**	**3,043.87**	**100.00**
Expenses					
Cost of Materials consumed/ traded	949.72	26.65	16.64	814.23	26.75
Employee benefits expense	353.39	9.92	10.43	320.00	10.51
Other expenses	817.12	22.93	7.45	760.48	24.98
Total Expenses	2,120.23	59.50	11.90	1,894.71	62.25
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**1,442.92**	**40.50**	**25.56**	**1,149.16**	**37.75**
Other income (net) excluding dividend & income from current investments	187.37	5.26	208.17	60.80	2.00
Dividend & income from current investments	42.59	1.20	(30.88)	61.62	2.02
Depreciation and amortisation expense	201.00	5.64	11.35	180.51	5.93
Profit before exceptional item and tax	**1,471.87**	**41.31**	**34.90**	**1,091.07**	**35.84**
Exceptional Items	(21.93)	-	-	(274.33)	-
Profit before tax (PBT)	**1,449.94**	**40.69**	**77.53**	**816.74**	**26.83**
Tax expense	517.19	14.51	33.20	388.29	12.76
Profit for the year (PAT)	**932.75**	**26.18**	**117.70**	**428.45**	**14.08**

Revenue from operations

Revenue from operations increased from ₹ 3043.87 million in Fiscal 2017 to ₹ 3563.15 million in Fiscal 2018, registering a growth of 17.06 %.

The increase in revenue from diagnostic services in Fiscal 2018, revenue growth was attributable to a number of factors, including an increase in the volumes, as well as an expansion in the network of service providers. Revenue from operations looked subdued when compared to high base of the previous financial year. Of the total revenues for the year ended March 31, 2018, approximately 51 % were revenue from preventive care profiles.

The revenue from imaging business in Fiscal 2018, has grown at rapid pace than the pathology business, mainly on account of newly added PETCT centers ramping up operations and gaining market control in the respective regions.

Expenses

Cost of material consumed

	Fiscal 2018			Fiscal 2017	
	₹ In million	% of income from operations	% growth compared to Fiscal 2017	₹ In million	% of income from operations
Cost of materials consumed					
Opening stock	715.16			524.89	
Add: Purchases	951.11			826.44	
	1,666.27			**1,351.34**	
Less: Closing stock	744.32			559.10	
Cost of material consumed [A]	**921.95**	**25.87**	**16.37**	**792.23**	**26.03**
Material consumed comprises:					
Reagents/ Diagnostics material	796.73	22.36		686.72	22.56
Radiopharmaceuticals	8.54	0.24		4.52	0.15
Consumables	116.68	3.27		100.99	3.32
	921.95	**25.87**		**792.23**	**26.03**

Cost of material consumed increased from ₹ 792.23 million in Fiscal 2017 to ₹ 921.95 million in Fiscal 2017, the cost of material consumed to revenue from operations was 25.87 % (26.03 % in Fiscal 2017). Cost of material consumed includes the cost of reagents, radiopharmaceuticals, diagnostic materials and other consumables instrumental to processing sample or manufacturing of radioactivity.

Cost of material traded

	Fiscal 2018			Fiscal 2017	
	₹ In million	% of revenue from sale	% growth compared to Fiscal 2017	₹ In million	% of revenue from sale
Purchase of stock-in-trade					
Glucose strips/ Gluco meter	24.10			25.61	
	24.10			**25.61**	
Changes in inventories of stock-in-trade					
Inventories at the end of the year:					
Glucose strips/ Gluco meter	9.56			10.28	
	9.56			**10.28**	
Inventories at the beginning of the year:					
Glucose strips/ Gluco meter	13.23			6.68	
	13.23			6.68	
Net change	3.67			(3.61)	
Cost of material traded [B]	**27.77**	**97.63**	**26.22**	**22.00**	**79.91**

The discussions about the cost of material traded is already included under the discussion on standalone financial statement of Thyrocare.

Cost of Materials consumed/ traded

	Fiscal 2018			Fiscal 2017	
	₹ In million	% of Income	% growth compared to Fiscal 2016	₹ In million	% of Income
Cost of Materials consumed/ traded [A]+[B]	949.72	26.65	16.64	814.23	26.75

The overall Cost of material consumed/ traded thus has increased from ₹ 814.23 million in Fiscal 2017 to ₹ 949.72 million in Fiscal 2018, the cost of material consumed/ traded to income from operations was 26.65 % (26.75 % in Fiscal 2017).

Employee benefits expense

	Fiscal 2018		Fiscal 2017	
	₹ In million	% of Income	₹ In million	% of Income
Salaries, wages and bonus	278.18	7.81	244.77	8.04
Contributions to provident and other funds	26.04	0.73	19.43	0.64
Employees stock compensation expense	17.10	0.48	24.43	0.80
Gratuity	5.24	0.15	3.01	0.10
Compensated absences	14.73	0.41	17.62	0.58
Staff welfare expenses	12.10	0.34	10.74	0.35
	353.39	**9.92**	**320.00**	**10.51**

Total employee benefits expenses were ₹ 353.39 million in Fiscal 2018, increased from ₹ 320.00 million in Fiscal 2017. The employees benefits expenses as percentage of income from operations were 9.92 % in Fiscal 2018 (10.51 % in Fiscal 2017).

Other expenses

	Fiscal 2018		Fiscal 2017	
	₹ In million	% of Income	₹ In million	% of Income
Service charges	141.28	3.96	124.24	4.08
Rent	134.22	3.77	151.30	4.97
Sales incentive	95.89	2.69	70.24	2.31
Legal and professional fees	66.87	1.88	35.67	1.17
Power and fuel and water	66.78	1.87	63.53	2.09
Advertisement expenses	51.87	1.46	7.05	0.23
Business promotion	50.94	1.43	61.93	2.03
Postage and courier	34.57	0.97	34.56	1.14
Printing and stationery	33.69	0.95	44.86	1.47
Repairs and maintenance - Machinery	22.13	0.62	21.44	0.70
Others	114.53	3.21	142.98	4.70

Other expenses as percentage of revenue decreased from 24.98 % in Fiscal 2018 to 22.93 % in Fiscal 2017, mainly on account of reduction in aggressive spending on business promotion in the previous fiscal.

Earnings before interest, tax, depreciation and amortisation (EBITDA)

In Fiscal 2018 EBITDA was ₹ 1442.92 million (40.50 % of income from operations) as compared to ₹ 1149.16 million (37.75 % of income from operations) in Fiscal 2017. The increase in consolidated EBITDA is mainly on account of improvement in EBITDA of both Thyrocare Technologies Limited and its subsidiary Nueclear Healthcare Limited.

Other income (net)

	Fiscal 2018		Fiscal 2017	
	₹ In million	% of Income	₹ In million	% of Income
Dividend income from current investment	36.34	1.02	48.94	1.61
Net gain on sale of current investments	6.25	0.18	12.68	0.42
Technical assistance/ trade mark assignment fees	6.16	0.17	1.47	0.05
Interest income	2.23	0.06	2.04	0.07
Profit on disposal of business undertaking	78.85	2.21	-	0.00
Others	100.13	2.81	57.29	1.88
	229.96	**6.45**	**122.42**	**4.02**

The Group, pursuant to the business transfer agreement, transferred the water testing division on 31 January 2018 on a slump sale basis and discontinued water testing operations from that date. The cost of acquisition of the plant, equipment and other assets pertaining to water testing division accordingly has been reduced from the gross block and the accumulated depreciation thereon. The profit aggregating to ₹ 78.85 million has been disclosed under other income for the year ended 31 March 2018. The depreciation on these assets charged to profit and loss account was INR 2.85 million for the current period (31 March 2017 : ₹ 4.23 million).

Depreciation and amortisation

Depreciation and amortisation increased from ₹ 180.51 million in Fiscal 2017 (5.93% of income from operations) to ₹ 201.00 million in Fiscal 2018 (5.64% of income from operations). The increase in depreciation and amortization is mainly on account of additions to property, plant and equipment during the Fiscal 2018.

Profit before tax (PBT)

In Fiscal 2018, PBT was ₹ 1449.94 million (₹ 816.74 million in Fiscal 2017). As a percentage of income from operations, PBT increased from 26.83% in Fiscal 2017 to 40.69% in Fiscal 2018. The increase is mainly due to :

- Improvement in EBITDA of the company and its subsidiary.
- Profit on disposal of business undertaking credited to profit and loss during the Fiscal 2017.

Tax expense

Tax expense increased to ₹ 517.19 million in Fiscal 2018 from ₹ 388.29 million in Fiscal 2017.

Profit for the year (PAT)

The net profit in Fiscal 2018 was ₹ 932.75 million (26.18% of income from operations) as compared to ₹ 428.45 million in Fiscal 2017.

FINANCIAL POSITION – CONSOLIDATED

Share capital

In millions of INR		31 March 2018		31 March 2017	
		Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount
(a)	Authorised				
	Equity shares of ₹ 10 each with equal voting rights	100,000	1,000.00	100,000	1,000.00
(b)	Issued, subscribed and paid-up				
	Equity shares of ₹ 10 each with equal voting rights	53,723.53	537.24	53,724	537.24
	Less : Issued, subscribed and paid-up share capital for Equity shares of ₹ 10 each with equal voting rights held by Employees Stock Option Trust consolidated on transition to Ind AS	(3.05)	(0.01)	(134.60)	(0.34)
	Total	**53,720.49**	**537.23**	**53,723.53**	**536.90**

The Company has a single class of equity shares of par value of ₹ 10/- each. The authorised share capital of the Company stood at ₹ 1000.00 million, divided into 100 million equity shares of ₹ 10/- each. The issued, subscribed and paid up capital stood constant at ₹ 537.24 million as at March 31, 2018 and as at March 31, 2017.

The Group has disclosed the issued, subscribed and paid-up capital net-off the equity shares held by the Employees Stock Option Trust, on transition to Ind AS.

The group has also issued share options plan for its employees.

Reserves and surplus

Reserves and surplus as at March 31, 2018 were ₹ 3895.67 million (₹ 3541.18 million as at March 31, 2017), an increase of 10%.

Capital reserve

Capital reserve is used to record the premium received in business combinations and to record the shareholder's contribution for consideration other than cash. Capital reserve as at March 31, 2018 amounted to ₹ 317.12 million.

Securities premium account

Securities premium is used to record the premium received on issue of shares. It is utilized in accordance with the provisions of the Companies Act, 2013. Securities premium as at March 31, 2018 amounted to ₹ 1272.28 million.

Share option outstanding account

The group has established various equity-settled share-based payment plans for certain categories of employees of the Group.

The share based payment expense recognised in statement of profit/ loss and accumulated underr outnstanding account for Fiscal 2018 and Fiscal 2017 were as follows :

In millions of INR	31 March 2018	31 March 2017
ESOS2017	6.71	-
ESOS2016	7.85	5.05
ESOS2015	2.54	3.57
ESOS2014	-	15.81
Total expense recognised in employee benefits	**17.10**	**24.43**

The balance as at March 31, 2018 was ₹ 28.13 million (As at March 31, 2017 it was ₹ 50.38 million), after adjustment on account of transfer of accumulated balance in stock option premium after exercise of stock options.

General reserve

General reserve as at March 31, 2018 were ₹ 91.67 million, which was the same as per the previous year.

Surplus in the statement of profit and loss account

Balance in the statement of profit and loss as at March 31, 2018 was ₹ 2186.47 million (₹ 1890.81 million as at March 31, 2017) after appropriation towards dividend on equity shares and tax on dividend.

Non-current liabilities

In millions of INR	Loans		Provisions		Total	
	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017
Financial liabilities						
Trade/Security deposits received	69.42	60.18	-	-	69.42	60.18
Security deposits received from related parties	31.25	12.12	-	-	31.25	12.12
Others	0.09	0.20	-	-	0.09	0.20
	100.76	**72.50**	**-**	**-**	**100.76**	**72.50**

In millions of INR	Loans		Provisions		Total	
	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017
Other than financial liabilities						
Provision for employee benefits:						
Provision for compensated absences	-	-	39.91	33.60	39.91	33.60
Provision for gratuity	-	-	13.41	11.36	13.41	11.36
Provision for claims	-	-	-	6.56	-	6.56
	-	**-**	**53.32**	**51.52**	**53.33**	**51.52**
Total non-current liabilities	**100.76**	**72.50**	**53.32**	**51.52**	**154.08**	**124.02**

Total non-current liabilities increased to ₹ 154.08 million as at March 31, 2018 (₹ 124.02 million as at March 31, 2017).

The increase was mainly on account of –

- Additional security deposits received from the new service providers added during the fiscal and security deposits received from related party towards sub-letting of part of the premises.
- Increase in provision for gratuity and leave encashment due to employees.

Current liabilities

In millions of INR	Trade payables		Loans		Provisions		Others		Total	
	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017
Financial liabilities										
Trade payables	11.60	12.96	-	-	-	-	-	-	11.60	12.96
Security deposits received	-	-	5.48	-	-	-	-	-	5.48	-
Employees dues	-	-	-	-	-	-	20.91	20.42	20.91	20.42
Statutory dues	-	-	-	-	-	-	10.08	6.40	10.08	6.40
Expenses payable	-	-	-	-	-	-	58.87	52.59	58.87	52.59
Unclaimed dividend	-	-	-	-	-	-	0.34	-	0.34	-
Payable to related party	-	-	-	-	-	-	-	16.15	-	16.15
	11.60	**12.96**	**5.48**	**-**	**-**	**-**	**90.20**	**95.56**	**107.28**	**108.52**
Other than financial liabilities										
Provision for employee benefits:	-	-	-	-						
Provision for bonus	-	-	-	-	6.36	5.37	-	-	6.36	5.37
Provision for compensated absences	-	-	-	-	4.79	4.00	-	-	4.79	4.00
Provision for gratuity	-	-	-	-	0.19	0.14	-	-	0.19	0.14
Provision for refundable staff security deposits	-	-	-	-	0.06	0.39	-	-	0.06	0.39
Current tax liabilities (net)	-	-	-	-	-	-	50.61	11.99	50.61	11.99
Advances received from customer	-	-	-	-	-	-	32.10	26.39	32.10	26.39
Contribution received for expenses	-	-	-	-	-	-	-	18.86	-	18.86
Others	-	-	-	-	-	-	1.49	0.53	1.49	0.53
	-	**-**	**-**	**-**	**11.40**	**9.90**	**84.20**	**57.76**	**95.60**	**67.67**
Total current liabilities	**11.60**	**12.96**	**5.48**	**-**	**11.40**	**9.90**	**174.40**	**153.32**	**202.88**	**176.19**

Total current liabilities increased to ₹ 202.88 million as at March 31, 2018 (₹ 176.18 million as at March 31, 2017).

The increase was mainly on account of –

- Increase in expenses/ dues outstanding and payable as at the end of the financial year.
- Increase in income tax liabilities due and payable as at the end of the financial year.
- Increase in the advances received from customers against which services were provided in the next fiscal.
- Increase in provision for gratuity and leave encashment due to employees.

Property, plant and equipment, capital work-in-progress and investment property

The additions to gross block in Fiscal 2018 were:

- Freehold Land and Buildings/ Premises – ₹ 195.92 million (₹ Nil in Fiscal 2017)
- Plant and equipment ₹ 357.62 million (₹ 164.09 million in Fiscal 2017)
- Furniture and fixtures ₹ 28.38 million (₹ 3.70 million in Fiscal 2017)
- Vehicles ₹ 2.52 million (₹ Nil in Fiscal 2017)
- Office equipment ₹ 10.22 million (₹ 1.98 million in Fiscal 2017)
- Computer, printer and scanner ₹ 7.37 million (₹ 5.99 million in Fiscal 2017)

The capital work in progress on account of tangible assets was ₹ Nil as at March 31, 2018 (₹ 174.48 million as at March 31, 2017).

The estimated amount of contracts remaining to be executed on capital account and not provided for towards tangible assets aggregates to ₹ 844.33 million as on March 31, 2018 (₹ 449.40 million as on March 31, 2017).

A portion of the leasehold land and building was reclassified as investment property on transition to Ind AS.

Intangible assets and intangible assets under development

The additions to gross block in Fiscal 2018 were:

- Trademark – ₹ 19.80 million (₹ Nil in Fiscal 2017)
- Computer softwares – ₹ Nil (₹ 0.95 million in Fiscal 2017)

The trademarks were capitalised at fair value on the date of assignment of the trademark in favour of the Company.

During the current year, vide the terms of the trademark assignment agreement, Dr. A. Velumani has transferred the rights in the trademark - “Whaters” and “Nueclear” in favour of the Company, for nominal consideration. The fair value of the trademark on the date of assignment of the trademark in favour of the Company was capitalised by crediting the fair value to Capital Reserves as shareholder’s contribution.

Equity accounted investees

The Group has acquired 30% stake in Equinox Labs Private Limited (‘Equinox’) vide the terms of the Share Subscription and Shareholder’s agreement and Business Transfer agreement executed on 15 December 2017 and 31 January 2018 respectively, partially by subscribing to 214,592 equity shares of Equinox in cash and partially by subscribing to 214,593 equity shares of Equinox for consideration other than cash for a total purchase consideration of INR 200.00 million. The equity shareholding in Equinox is disclosed under Equity accounted investees as at 31 March 2018.

Non-current assets

In millions of INR	Loans		Others		Total	
	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017
Financial assets						
Security deposits	15.41	6.28	-	-	15.41	6.28
	15.41	**6.28**	**-**	**-**	**15.41**	**6.28**
Other than financial assets						
Deferred tax assets	-	-	52.31	37.88	52.31	37.88
Other tax assets	-	-	42.08	42.40	42.08	42.40
Capital advances	-	-	20.00	10.00	20.00	10.00
Prepaid expenses	-	-	2.34	1.58	2.34	1.58
Security deposits	-	-	17.66	8.25	17.66	8.25
Balance with government authorities	-	-	5.23	5.23	5.23	5.23
Advances for supply of goods	-	-	23.47	10.16	23.47	10.16
	-	**-**	**163.09**	**115.50**	**163.09**	**115.50**
Total non-current assets	**15.41**	**6.28**	**163.09**	**115.50**	**178.50**	**121.78**

Total non-current assets increased to ₹ 178.50 million as at March 31, 2018 (₹ 121.78 million as at March 31, 2017).

The increase was mainly on account of –

- Additional security deposits paid to authorities on starting of the regional operations.
- Advances paid for supply of goods, the delivery whereof is expected only over the years.
- Increase in the provision for deferred tax.
- Capital advances given during the year for purchase of assets.

Current assets

In millions of INR	Investments		Trade receivables		Cash and bank balance		Others		Total	
	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017
Financial assets										
Investments in Mutual Funds (Unquoted) measured at FVTPL	1,000.98	1,041.59	-	-	-	-	-	-	1,000.98	1,041.59
Trade receivables	-	-	98.40	62.75					98.40	62.75
Cash and cash equivalents	-	-	-	-	98.20	98.84	-	-	98.20	98.84
Other bank balances	-	-	-	-	20.37	19.10	-	-	20.37	19.10
Security deposits	-	-	-	-	-	-	0.24	69.77	0.24	69.77
Loans and advances to employees	-	-	-	-	-	-	-	0.05	-	0.05
Interest accrued on deposits	-	-	-	-	-	-	0.67	1.36	0.67	1.36
	1,000.98	**1,041.59**	**98.40**	**62.75**	**118.57**	**117.94**	**0.91**	**71.18**	**1,218.86**	**1,293.46**
Other than financial assets										
Advances for supply of goods and services	-	-	-	-	-	-	18.52	5.82	18.52	5.82
Prepaid expenses	-	-	-	-	-	-	16.08	51.09	16.08	51.09
	-	**-**	**-**	**-**	**-**	**-**	**34.60**	**56.91**	**34.60**	**56.91**
Total current assets	**1,000.98**	**1,041.59**	**98.40**	**62.75**	**118.57**	**117.94**	**35.50**	**128.09**	**1,253.46**	**1,350.37**

Inventories

Inventories as a percentage of income from operations were at 4.78% as at March 31, 2018 compared to 4.76% as at March 31, 2017. Inventories comprises of reagents, diagnostic material, consumables and stock in trade.

Trade receivables

Trade receivable as a percentage of income from operations were at 2.76% as at March 31, 2018 compared to 2.06% as at March 31, 2017. Trade receivable includes recoverable from related parties of ₹ 13.29 million as at March 31, 2018 (₹ 16.11 million as at March 31, 2017).

CASH FLOW – CONSOLIDATED

The Group business generates cash from operations every year that is sufficient to manage the working capital and capital expenditure requirements. The Group has not availed any credit/ overdraft facility from any of the bank since its inception.

Summary of cash flow statement is given below

In millions of INR	Fiscal 2018	Fiscal 2017
Net cash flows from / (used in) :		
Operating activities	1,070.31	895.71
Investing activities	(432.19)	(415.15)
Financing activities	(638.76)	(485.19)
Net (Decrease)/ Increase in Cash and cash equiv.	**(0.64)**	**(4.63)**

Cash flow from operating activities

In millions of INR	Fiscal 2018	Fiscal 2017
Operating profit before working capital changes	1,536.71	1,244.67
Adjustment for increase in working capital	22.81	55.68
Net income tax paid	(489.21)	(404.64)
Net cash flows from operating activities	**1,070.31**	**895.71**

In Fiscal 2018, Group generated net cash of ₹ 1,070.31 million (₹ 895.71 million in Fiscal 2017) from operating activities. This is attributable to:

- Increase in operating profit before working capital changes to ₹ 1,536.71 million in Fiscal 2018 (₹ 1,244.67 million in Fiscal 2017).

Cash flows from investing activities

In millions of INR	Fiscal 2018	Fiscal 2017
Property, plant and equipment, additions to capital work in progress and capital advances (net)	(436.35)	(363.07)
Purchase of equity shares in associates	(100.00)	-
Current investments (net)	66.17	(83.34)
Dividend received	36.34	48.94
Bank deposits	(1.27)	(18.60)
Interest received	2.92	0.92
Net cash (used in) investing activities	**(432.19)**	**(415.15)**

In Fiscal 2018, cash used in investing activities was ₹ 432.19 million (₹ 415.15 million used in Fiscal 2017).

During Fiscal 2018, cash used in investing activities was primarily attributable to:

- Purchase of fixed assets (net) ₹ 436.35 million in Fiscal 2018 (₹ 363.07 million in Fiscal 2017); and
- Purchase of equity shares of Equinox Labs Private Limited.
- Dividend received ₹ 36.34 million (₹ 48.94 million in Fiscal 2017).

Cash flows from financing activities

In millions of INR	Fiscal 2018	Fiscal 2017
Dividend paid on equity shares	(537.24)	(402.93)
Tax paid on dividend	(101.52)	(82.26)
Net cash (used in) financing activities	**(638.76)**	**(485.19)**

The cash used in financing activities in Fiscal 2018 were payment of dividend ₹ 638.76 million including dividend tax (₹ 485.19 million in Fiscal 2017).

III. Segment performance

The Company has identified business segments as its primary segment. Revenue and expenses directly attributable to segments are reported under each reportable primary segment. The following table presents summary of revenue by industry segments.

	Segment revenue				
	Fiscal 2018	Fiscal 2017	(% aggregate revenue)		% Growth
			Fiscal 2018	Fiscal 2017	
Diagnostic Testing Services	3,289.49	2,832.26	92.32	93.05	16.14
Imaging Services	245.22	184.09	6.88	6.05	33.21
Others	28.44	27.52	0.80	0.90	3.35
	3,563.15	**3,043.87**	**100.00**	**100.00**	**17.06**

In Fiscal 2018, revenue from diagnostic testing services contributed the largest share to revenue (92.32%) at a growth rate of 16.14%. The other segment which contributed impressive growth rates is imaging services that is mainly contributed due to increase in the number of scans and increase in the number of centers.

Imaging services segment represent PET-CT scan and sale of radio pharmaceuticals used in imaging services. Our subsidiary has conducted 22260 scans during Fiscal 2018 (18532 scans during Fiscal 2017).

Number of scans [Centrewise] *	Fiscal 2018	Fiscal 2017	Fiscal 2016	Fiscal 2015	Fiscal 2014	Fiscal 2013	Total
Delhi PETCT Centre	7221	8176	7484	5840	294	-	29015
Navi Mumbai PETCT Centre	7397	7078	6653	4617	2056	34	27835
Hyderabad PETCT Centre	3128	2349	1766	715	-	-	7958
Surat PETCT Centre	2481	862	-	-	-	-	3343
Vadodra PETCT Centre	909	67	-	-	-	-	976
Raipur PETCT Centre	719	-	-	-	-	-	719
Mumbai PETCT Centre	293	-	-	-	-	-	293
Jaipur PETCT Centre	94	-	-	-	-	-	94
Aurangabad PETCT Centre	18	-	-	-	-	-	18
Total Scans	**22260**	**18532**	**15903**	**11172**	**2350**	**34**	**70251**

*Number of scans reported all from the date of commencement of operation and may cover only part of relevant fiscal.

IV. Related Party Transaction

These have been discussed in detail in the Notes to the Standalone Financial Statements in the Annual Report.

8. OUTLOOK, RISKS AND CONCERNS

This section lists forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with respect to, but not limited to, regulatory changes pertaining to the industry in India in which our Company operates and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our Company's exposure to market risks, general economic and political conditions in India which have an impact on its business activities or investments, the monetary and fiscal policies of India, inflation or deflation, unanticipated turbulence in any or all of interest rates or foreign exchange rates or both, equity prices and other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in the competitive environment.

Certain important factors that could cause actual results to differ materially from our Company's expectations include, but are not limited to, the following –

- operating highly-competitive and fragmented industry and our business, financial condition and results of operations may be adversely affected if we are not able to compete effectively;
- negative publicity or other harm to our reputation, brand or customer perception of our brand;
- disruption in operations of any our laboratories or offerings of particular tests;
- delay or interruption in transportation of samples to the laboratory and regional processing laboratories and our dependence on hub-and-spoke business model complemented by the regional processing laboratories;
- failure to attract and retain authorized service providers;
- failure of our equipment, information technology and other technological systems; and
- changes in technologies and/or the introduction of new technology could reduce demand for our pathology testing services.
- operational risk associated with molecular imaging business may have effect on results of operations and financial conditions.
- Changing laws, rules, regulations and government policies with reference to our businesses.

9. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The CEO and CFO certification provided in the CEO and CFO certification section of the Annual Report discusses the adequacy of our internal control systems and procedures.