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Review report to The Board of Directors of Narayana Hrudayalaya Limited

We have reviewed the accompanying statement of unaudited standalone financial results ('Statement') of Narayana Hrudayalaya Limited ('the Company'), for the quarter and half year ended 30 September 2016 attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Regulations'). We draw attention to note 2 to the Statement, which states that the Company got listed in the month of January 2016 and that the Statement was drawn up in accordance with the SEBI Regulations for the first time for the quarter and the nine months ended 31 December 2015. Therefore, the figures for the quarter and half year ended 30 September 2015 were neither subjected to limited review nor subjected to audit and are as prepared by the Company's Management.

This Statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on this Statement based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial results are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement prepared in accordance with applicable accounting standards i.e. Ind AS prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of SEBI Regulations and SEBI Circular dated 5 July 2016 including the manner in which it is to be disclosed, or that it contains any material misstatement.

for B S R & Co. LLP

Chartered Accountants

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



Amit Somani

Partner

Membership Number: 060154

Place: Bengaluru

Date: 9 November 2016

Narayana Hrudayalaya Limited

Registered office : No. 258/A, Bommasandra Industrial Area, Anekal Taluk, Bengaluru 562 158, Karnataka, India
Corporate office : 2nd Floor, No. 261/A, Bommasandra Industrial Area, Hosur Road, Bengaluru 562 158, Karnataka, India
CIN : L85110KA2000PLC027497, Website : www.narayanahealth.org, Email: investorrelations@nhhospitals.org

STATEMENT OF UNAUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2016

(₹ in lacs, except per share data)							
Sl. No.	Particulars	Quarter ended			Half year ended		Previous year ended
		30-Sep-16	30-Jun-16	30-Sep-15	30-Sep-16	30-Sep-15	31-Mar-16
		(Unaudited)	(Unaudited)	(Unaudited) (refer note 2)	(Unaudited)	(Unaudited) (refer note 2)	(Audited)
1.	Income from operations						
	(a) Net sales / Income from operations	42,229.40	39,644.11	36,952.30	81,873.51	71,663.10	145,693.58
	(b) Other operating income	363.97	400.30	313.70	764.27	610.05	1,309.00
	Total income from operations (net)	42,593.37	40,044.41	37,266.00	82,637.78	72,273.15	147,002.58
2.	Expenses						
	(a) Purchases of medical consumables, drugs and surgical equipments	10,468.39	9,755.45	9,292.51	20,223.84	17,529.89	35,039.33
	(b) Changes in inventories of medical consumables, drugs and surgical equipments	(347.64)	(94.39)	(314.53)	(442.03)	(38.57)	435.12
	(c) Employee benefits expense	8,429.12	8,099.38	7,459.29	16,528.50	14,763.51	30,633.10
	(d) Professional fees to doctors	8,201.34	7,868.41	7,111.23	16,069.75	13,883.04	28,411.30
	(e) Other expenses	10,027.37	9,386.75	9,176.23	19,414.12	17,907.56	35,465.40
	Total expenses	36,778.58	35,015.60	32,724.73	71,794.18	64,045.43	129,984.25
3.	Earnings before other income, depreciation and amortisation, finance costs and exceptional items (1-2)	5,814.79	5,028.81	4,541.27	10,843.60	8,227.72	17,018.33
4.	Other income	462.06	306.38	370.40	768.44	694.50	1,371.03
5.	Earnings before depreciation and amortisation, finance costs and exceptional items (3+4) (EBITDA) (refer note 8)	6,276.85	5,335.19	4,911.67	11,612.04	8,922.22	18,389.36
6.	Depreciation and amortisation expense	1,677.99	1,602.17	1,628.81	3,280.16	3,219.63	6,675.11
7.	Earnings from ordinary activities before finance costs and exceptional items (5-6)	4,598.86	3,733.02	3,282.86	8,331.88	5,702.59	11,714.25
8.	Finance costs	273.44	288.74	572.32	562.18	1,294.86	1,982.85
9.	Earnings from ordinary activities after finance costs but before exceptional items (7-8)	4,325.42	3,444.28	2,710.54	7,769.70	4,407.73	9,731.40
10.	Exceptional items (refer note 4)	-	-	-	-	-	1,084.59
11.	Earnings from ordinary activities before tax (9-10)	4,325.42	3,444.28	2,710.54	7,769.70	4,407.73	8,646.81
12.	Tax expense	1,457.04	1,179.16	839.47	2,636.20	1,281.11	2,978.47
13.	Net profit from ordinary activities after tax (11-12)	2,868.38	2,265.12	1,871.07	5,133.50	3,126.62	5,668.34
14.	Extraordinary items	-	-	-	-	-	-
15.	Net profit for the period/year (13-14) (refer note 3a)	2,868.38	2,265.12	1,871.07	5,133.50	3,126.62	5,668.34
16.	Other comprehensive income	(10.77)	80.55	23.56	69.78	22.42	(57.14)
17.	Total comprehensive income, net of tax (15+16)	2,857.61	2,345.67	1,894.63	5,203.28	3,149.04	5,611.20
18.	Paid-up equity share capital (Face value of ₹ 10 each)	20,436.08	20,436.08	20,000.00	20,436.08	20,000.00	20,436.08
19.	Reserve excluding revaluation reserves i.e. 'Other Equity' as per balance sheet of previous accounting year	-	-	-	-	-	75,271.64
20.	i. Earnings per share (before extraordinary items) (of ₹ 10 each) (not annualised):						
	(a) Basic	1.42	1.12	0.94	2.54	1.56	2.84
	(b) Diluted (refer note 7)	1.41	1.12	0.94	2.53	1.56	2.84
	ii. Earnings per share (after extraordinary items) (of ₹ 10 each) (not annualised):						
	(a) Basic	1.42	1.12	0.94	2.54	1.56	2.84
	(b) Diluted (refer note 7)	1.41	1.12	0.94	2.53	1.56	2.84
	See accompanying notes to the financial results						

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Narayana Hrudayalaya Limited

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CIN : L85110KA2000PLC027497, Website: www.narayanahealth.org, Email: investorrelations@nhhospitals.org

STATEMENT OF STANDALONE ASSETS AND LIABILITIES AS ON 30 SEPTEMBER 2016

		(₹ in lacs)	
Sl. No.	Particulars	As at 30 September 2016 (Unaudited)	As at 31 March 2016 (Audited)
A.	ASSETS		
1.	Non-current assets		
a)	Property, plant and equipment	65,208.42	64,705.12
b)	Capital work-in-progress	1,851.24	1,273.14
c)	Intangible assets	387.18	269.54
d)	Financial assets		
i)	Investments	35,411.28	33,358.85
ii)	Loans	3,773.15	3,782.29
iii)	Others	9.56	19.47
e)	Income tax assets (net)	1,837.28	2,904.13
f)	Other non-current assets	5,687.89	5,752.69
	Sub-total- Non-current assets	114,166.00	112,065.23
2.	Current assets		
a)	Inventories	4,833.20	4,391.17
b)	Financial assets		
i)	Trade receivables	15,674.73	13,795.60
ii)	Cash and cash equivalents	1,034.03	830.44
iii)	Bank balances other than (ii) above	838.33	988.99
iv)	Loans	452.91	553.22
v)	Others	1,893.06	2,172.93
c)	Other current assets	2,473.01	2,092.76
d)	Assets classified as held for sale	-	1,411.30
	Sub-total- Current assets	27,199.27	26,236.41
	TOTAL- ASSETS	141,365.27	138,301.64
B	EQUITY AND LIABILITIES		
1.	Equity		
a)	Equity share capital	20,436.08	20,436.08
b)	Other equity	80,811.52	75,271.64
	Sub-total- Total equity (refer note 3b)	101,247.60	95,707.72
2.	Non-current liabilities		
a)	Financial liabilities		
i)	Borrowings	8,571.88	9,537.49
ii)	Other financial liabilities	204.00	204.00
b)	Provisions	1,383.18	1,249.18
c)	Deferred tax liabilities (net)	2,232.52	2,146.97
d)	Other non-current liabilities	2,091.40	2,150.60
	Sub-total- Non-current liabilities	14,482.98	15,288.24
3.	Current liabilities		
a)	Financial liabilities		
i)	Borrowings	138.01	3,690.65
ii)	Trade payables	16,754.94	14,030.68
iii)	Other financial liabilities	5,267.69	6,099.54
b)	Other current liabilities	2,340.88	2,385.04
c)	Provisions	1,133.17	1,099.77
	Sub-total- Current liabilities	25,634.69	27,305.68
	TOTAL- EQUITY AND LIABILITIES	141,365.27	138,301.64

Notes :

1 The Statement of unaudited standalone financial results ('the Statement') of Narayana Hrudayalaya Limited ('the Company') for the quarter and half year ended 30 September 2016 has been reviewed by the Audit, Risk and Compliance Committee and approved by the Board of Directors on 9 November 2016.

The Statement has been subjected to limited review by the Statutory Auditors of the Company. The report of the Statutory Auditors is unqualified.

- 2 As the Company got listed on 6 January 2016, the Statement was drawn up in accordance with Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Regulations') for the first time for the quarter and nine months ended 31 December 2015. Therefore, figures for the quarter and half year ended 30 September 2015 are neither subjected to limited review nor subjected to audit and are as prepared by the Management.
- 3 These financial results have been prepared in accordance with Indian Accounting Standards ('Ind AS') prescribed under section 133 of the Companies Act, 2013 read with the relevant rules thereunder and in terms of SEBI Regulations and SEBI Circular dated 5 July 2016. The Company has not opted to avail the relaxation provided by Securities and Exchange Board of India ('SEBI') in respect of disclosure requirements for corresponding figures of earlier periods. Accordingly, the figures for the year ended 31 March 2016 have been presented after incorporating the applicable Ind AS adjustments in addition to the figures for the quarter and half year ended 30 September 2015.

- (a) The Company has prepared a reconciliation of the net profit for the corresponding periods under the previously applicable Generally Accepted Accounting Principles ('Previous GAAP') with the total comprehensive income as reported in these financial results under Ind AS. The net profit reconciliation for the quarter and half year ended 30 September 2015 and year ended 31 March 2016 are presented below:

(₹ in lacs)			
Particulars	Quarter ended 30-Sep-15	Half year ended 30-Sep-15	Year ended 31-Mar-16
Profit after tax (PAT) as per previous GAAP	1,917.45	3,361.73	5,677.72
Impact due to expected credit loss provision on trade receivables	(36.62)	(325.00)	(101.25)
Employee benefits expense (share based payments and actuarial loss)	(36.03)	(34.29)	82.27
Impact due to fair valuation of security deposits	(16.04)	(32.23)	(64.78)
Income on recognition of Government Grant (refer note 5)	40.65	81.31	162.62
Increase in depreciation due to recognition of Government Grant (refer note 5)	(40.65)	(81.31)	(162.62)
Others	(2.88)	(6.66)	(1.69)
Tax impact due to the above adjustments	33.68	140.05	30.03
Tax impact due to the cost indexation of the land	11.51	23.02	46.04
PAT as per Ind AS	1,871.07	3,126.62	5,668.34
Other comprehensive income (OCI):			
Actuarial loss on defined benefit obligations - Gratuity, net of tax	23.56	22.42	(57.14)
Total comprehensive income	1,894.63	3,149.04	5,611.20

- (b) The Company has also prepared an equity reconciliation between the equity for the comparative period under previous GAAP and the equity as reported in the statement of assets and liabilities under Ind AS. The equity reconciliation as on 31 March 2016 is presented below:

(₹ in lacs)	
Equity reconciliation	As at 31-Mar-16
Total equity under previous GAAP	96,060.55
Adjustments on account of Ind AS:	
a) Impact due to expected credit loss provision on trade receivables, net of tax	(18.76)
b) Employee benefits expense (share based payments and actuarial loss), net of tax	5.10
c) Impact due to fair valuation of security deposits, net of tax	(151.63)
d) Income on recognition of government grant	380.79
e) Impact on property, plant and equipment including depreciation due to recognition of government grant	(380.79)
f) Impact due to rent straight lining and others	(135.65)
g) Impact of ESOP Trust consolidation	(204.00)
h) Deferred tax on cost indexation of land	152.11
Total adjustments	(352.83)
Total equity under Ind AS	95,707.72

- 4 Exceptional items for the year ended 31 March 2016 represents,
 (a) loss on slump sale of Hyderabad unit aggregating ₹ 959.86 lacs which has been sold as per an agreement to sell entered into by the Company on 5 April 2016.
 (b) additional provision for bonus aggregating ₹ 124.73 lacs for the period from 1 April 2014 to 31 March 2015 pursuant to the retrospective application of 'The Payment of Bonus (Amendment) Act, 2015' effective 1 April 2014.

- 5 As per the clarification provided by Ind AS Transition Facilitation Group during the current quarter on the transitional provisions for presentation of Government Grants ('Grants') for capital assets, the Company has recognized Grants as Deferred Income Liability with a corresponding debit to Fixed Assets. The Deferred Income Liability is recognized in the statement of profit and loss on a systematic basis. Due to this, the amount of Other Income and Depreciation and Amortisation of the quarter ended 30 June 2016 and of the year ended 31 March 2016 presented in the June 2016 quarter has changed in the current quarter. Following table summarises the impact:

(₹ in lacs)		
Particulars	Quarter ended 30-Jun-16	Year ended 31-Mar-16
Increase in Other Income	40.65	162.62
Increase in Depreciation and Amortisation	(40.65)	(162.62)
Net impact on profit after tax	-	-

- 6 The Company's reportable segment is 'Medical and Healthcare Services'. Since the Company has a single reportable segment, disclosures pertaining to segments as per Regulation 33(1)(e) read with clause (L) of Part A of Schedule IV of the SEBI Regulations is not applicable.
- 7 Basic and diluted earnings per share for the quarter and half year ended 30 September 2015 and year ended 31 March 2016 are considered same since the potential equity shares (Optionally Convertible Debentures) are anti-dilutive in nature.
- 8 As permitted by Schedule III of the Companies Act, 2013, the Company has elected to present earnings before interest, tax, depreciation and amortisation (EBITDA) as a separate line item on the face of the statement of profit and loss in the financial statements. The same classification is also followed while presenting the Statement pursuant to the requirement of the SEBI Regulations. The Company has included other income and excluded depreciation and amortisation expense, finance costs, exceptional items, extraordinary items and tax expense for the EBITDA presentation.
- 9 Pursuant to the approval of the Board in their meeting held on 9 November 2016, the Company has decided to dispose investment in one of its wholly owned subsidiary, Asia Healthcare Development Limited, which does not have significant operations. The formal sale agreement is expected to be executed in November 2016.

for and on behalf of the Board of Directors of
Narayana Hrudayalaya Limited


Dr. Devi Prasad Shetty
 Chairman

Place: Bengaluru
 Date : 09 November 2016