

## **Independent Auditor's Report**

### **To The Members of Narayana Health Institutions Private Limited**

#### **Report on the Indian Accounting Standards ('Ind AS') Financial Statements**

We have audited the accompanying Ind AS financial statements of Narayana Health Institutions Private Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended and a summary of the significant accounting policies and other explanatory information (herein after referred to as "Ind AS financial statements").

#### **Management's Responsibility for the Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including Ind AS prescribed under Section 133 of the Act, read with relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS 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 Ind AS financial statements based on our audit.

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

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

## **Narayana Health Institutions Private Limited**

### **Independent Auditor's Report (continued)**

#### **Auditor's Responsibility (continued)**

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

#### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, including the Ind AS, of the financial position of the Company as at 31 March 2017, and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

#### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in Section 143(11) 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, the Statement of Cash Flows and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
  - (d) in our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder;
  - (e) on the basis of the written representations received from the directors as on 31 March 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
  - (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

**Narayana Health Institutions Private Limited**

**Independent Auditor's Report (continued)**

**Report on Other Legal and Regulatory Requirements (continued)**

- (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 does not have any pending litigations which would impact its financial position;
  - 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; and
  - iv. the Company did not have any holdings or dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. Refer Note 17 to the Ind AS financial statements.

*for B S R & Co. LLP*

*Chartered Accountants*

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

**Amit Somani**

*Partner*

Membership number: 060154

Place: Bengaluru

Date: 29 May 2017



## **Narayana Health Institutions Private 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 Narayana Health Institutions Private Limited ("the Company") on the Ind AS financial statements for the year ended 31 March 2017, we report that:

- (i) The Company does not own any property, plant and equipment. Thus, paragraph 3(i) of the Companies (Auditor's Report) Order, 2016 ("the Order") is not applicable.
- (ii) The Company is a service company and proposed to engage in research and development in medical services and in establishing a research centre. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ("the Act"). Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees and securities granted in respect of which provisions of Section 185 and 186 of the Act are applicable. Accordingly, the provisions of clause 3(iv) of the Order is not applicable.
- (v) According to information and explanations given to us, the Company has not accepted any deposits. Accordingly, paragraph 3(v) of the Order is not applicable.
- (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 proposed services to be 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, the Company does not have any dues in respect of Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Duty of Excise, Duty of Customs, Value Added Tax and any other material statutory dues for the year ended 31 March 2017.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Duty of Excise, Duty of Customs, Value Added Tax and other material statutory dues were in arrears as at 31 March 2017 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 in respect of Income Tax, Sales Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax and other material statutory dues which have not been deposited with the appropriate authorities on account of any dispute.

- (viii) In our opinion and according to the information and explanations given to us, the Company did not have any outstanding dues to any financial institutions, banks, government or dues to debenture holders during the year. Accordingly, paragraph 3(viii) of the Order is not applicable.
- (ix) In our opinion and according to the information and explanations given to us, the Company has not raised money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3(ix) of the Order is not applicable.
- (x) 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.

**Narayana Health Institutions Private Limited**

**Annexure - A to the Independent Auditor's Report (continued)**

- (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 for managerial remuneration during the year. 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, the Company has not entered into any transactions on which Section 177 and 188 of the Act is applicable. Accordingly, paragraph 3(xiii) of the Order is not applicable.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- (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. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

*for B S R & Co. LLP*

*Chartered Accountants*

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

**Amit Somani**

*Partner*

Membership number: 060154

Place: Bengaluru

Date: 29 May 2017



## **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 Narayana Health Institutions Private Limited ("the Company") as of 31 March 2017 in conjunction with our audit of the Ind AS 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 ("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. 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 Ind AS 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.

## **Narayana Health Institutions Private Limited**

### **Annexure – B to the Independent Auditor's 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 Ind AS 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 procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the Ind AS 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 2017, 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**

*Partner*

Membership number: 060154

Place: Bengaluru

Date: 29 May 2017

Narayana Health Institutions Private Limited  
Balance sheet as at 31 March 2017

		As at 31 March 2017	As at 31 March 2016	(₹ in thousands) As at 1 April 2015
<b>ASSETS</b>				
<b>Non-current assets</b>				
Other non-current assets	4	-	-	-
<b>Total non-current assets</b>		-	-	-
<b>Current assets</b>				
<b>Financial assets</b>				
Cash and cash equivalents	5	633.13	633.13	842.67
<b>Total current assets</b>		<b>633.13</b>	<b>633.13</b>	<b>842.67</b>
<b>TOTAL ASSETS</b>		<b>633.13</b>	<b>633.13</b>	<b>842.67</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	6	11,040.40	11,040.40	11,040.40
Other equity		(11,197.31)	(11,068.44)	(10,864.94)
<b>Total equity</b>		<b>(156.91)</b>	<b>(28.04)</b>	<b>175.46</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
<b>Financial liabilities</b>				
Trade payables	7	171.48	168.19	333.43
Other financial liabilities	8	618.56	492.98	333.78
<b>Total current liabilities</b>		<b>790.04</b>	<b>661.17</b>	<b>667.21</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>633.13</b>	<b>633.13</b>	<b>842.67</b>

Significant accounting policies 3

The accompanying notes are an integral part of these financial statements.

As per our report of even date attached

for **BSR & Co. LLP**

Chartered Accountants

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

for and on behalf of the Board of Directors of  
**Narayana Health Institutions Private Limited**

**Amit Somani**

Partner

Membership number : 060154

Place: Bengaluru

Date: 29 May 2017

**Dr. Devi Prasad Shetty**

Director

DIN : 00252187

Place: Bengaluru

Date: 29 May 2017

**Dr. Ashutosh Raghuvanshi**

Director

DIN : 02775637

Place: Bengaluru

Date: 29 May 2017



Narayana Health Institutions Private Limited  
Statement of profit and loss for the year ended 31 March 2017

			(₹ in thousands)
	Note	For the year ended 31 March 2017	For the year ended 31 March 2016
Income		-	-
Expenses			
Other expenses	9	128.87	203.50
Total expenses		128.87	203.50
Loss before tax		(128.87)	(203.50)
Tax expense		-	-
Loss for the year		(128.87)	(203.50)
Other comprehensive income		-	-
Total comprehensive income for the year		(128.87)	(203.50)
Loss per share	15		
Basic and diluted (₹)		(0.12)	(0.18)

Significant accounting policies

3

The accompanying notes are an integral part of these financial statements.

As per our report of even date attached

for **BSR & Co. LLP**

Chartered Accountants

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

for and on behalf of the Board of Directors of  
**Narayana Health Institutions Private Limited**

**Amit Somani**

Partner

Membership number : 060154

Place: Bengaluru

Date: 29 May 2017

**Dr. Devi Prasad Shetty**

Director

DIN: 00252187

Place: Bengaluru

Date: 29 May 2017

**Dr. Ashutosh Raghuvanshi**

Director

DIN: 02775637

Place: Bengaluru

Date: 29 May 2017

**Narayana Health Institutions Private Limited**  
**Cash flow statement for the year ended 31 March 2017**

		(₹ in thousands)
	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>Cash flow from operating activities</b>		
Loss before tax	(128.87)	(203.50)
<b>Operating cash flow before working capital changes</b>	<u>(128.87)</u>	<u>(203.50)</u>
Changes in trade payables and other financial liabilities	128.87	(6.04)
<b>Net cash (used in) operating activities (A)</b>	<u>-</u>	<u>(209.54)</u>
<b>Cash flow from investing activities (B)</b>	<u>-</u>	<u>-</u>
<b>Cash flow from financing activities (C)</b>	<u>-</u>	<u>-</u>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<u>-</u>	<u>(209.54)</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>633.13</u>	<u>842.67</u>
<b>Cash and cash equivalents at the end of the year (refer note 5)</b>	<u><u>633.13</u></u>	<u><u>633.13</u></u>

Note:- Expenses has been paid by Narayana Hrudayalaya Limited, holding company. Hence, no cash flow transaction.

The accompanying notes are an integral part of these financial statements

As per our report of even date attached

for **BSR & Co. LLP**

Chartered Accountants

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

for and on behalf of the Board of Directors of

**Narayana Health Institutions Private Limited**

**Amit Somani**

Partner

Membership number : 060154

Place: Bengaluru

Date: 29 May 2017

**Dr. Devi Prasad Shetty**

Director

DIN:00252187

Place: Bengaluru

Date: 29 May 2017

**Dr. Ashutosh Raghuvanshi**

Director

DIN:02775637

Place: Bengaluru

Date: 29 May 2017



Narayana Health Institution Private Limited  
Statement of changes in equity for the year ended 31 March 2017

(a) Equity share capital		(₹ in thousands)
Particulars	No. of Shares	Amount
<i>Equity shares of ₹ 10 each issued, subscribed and fully paid up</i>		
Balance as at 1 April 2015	11,04,040	11,040.40
Changes in equity share capital during 2015-16	-	-
Balance as at 31 March 2016	11,04,040	11,040.40
Changes in equity share capital during 2016-17	-	-
Balance as at 31 March 2017	11,04,040	11,040.40

(b) Other equity			(₹ in thousands)
Particulars	Debit in statement of profit and loss	Items of OCI	Total equity
Balance at 1 April 2015	(10,864.94)	-	(10,864.94)
Loss for the year	(203.50)	-	(203.50)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	(203.50)	-	(203.50)
Transactions recorded directly in equity	-	-	-
Balance as at 31 March 2016	(11,068.44)	-	(11,068.44)
Loss for the year	(128.87)	-	(128.87)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	(128.87)	-	(128.87)
Transactions recorded directly in equity	-	-	-
Balance as at 31 March 2017	(11,197.31)	-	(11,197.31)

The accompanying notes are an integral part of these financial statements.

As per our report of even date attached

for **BSR & Co. LLP**

Chartered Accountants

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

for and on behalf of the Board of Directors of

**Narayana Health Institutions Private Limited**

**Amit Somani**

Partner

Membership number : 060154

Place: Bengaluru

Date: 29 May 2017

**Dr. Devi Prasad Shetty**

Director

DIN: 00252187

Place: Bengaluru

Date: 29 May 2017

**Dr. Ashutosh Raghuvanshi**

Director

DIN: 02775637

Place: Bengaluru

Date: 29 May 2017

## **Narayana Health Institutions Private Limited**

### **Notes to the financial statements for the year ended 31 March 2017**

#### **1. Company overview**

Narayana Health Institutions Private Limited ('the Company') is a private limited Company incorporated under the provisions of the Companies Act, 1956 on 1 July 2008. The Company is a fully owned subsidiary of Narayana Hrudayalaya Limited. The Company proposes to engage itself in establishing medical colleges, schools and institutions to offer educational courses in medical services and engage in research and development work associated with medical science.

#### **2. Basis of preparation of the financial statements**

##### **2.1. Statement of compliance**

The financial statements have been prepared in accordance of 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 financial statements up to and for the year ended 31 March 2016 were prepared in accordance with the Companies (Accounting Standards) Rules 2006, notified under Section 133 of Companies Act 2013 (the 'Act') and other relevant provisions of the Act.

As these are the first 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 of the Company is provided in Note 19.

The financial statements were authorised for issue by the Company's Board of Directors on 29 May 2017.

Details of the accounting policies are included in Note 3.

##### **2.2. Going Concern**

The financial statements have been prepared on a going concern basis, notwithstanding the current losses and negative net worth.

The Company has received a letter of financial support from Narayana Hrudayalaya Limited, the holding company, which undertakes to provide financial and operational assistance as is necessary to enable the Company to operate as a going concern and meet its obligation as and when they fall due up to a period of one year from the balance sheet date i.e. 31 March 2018.

These financial statements, therefore, do not include any adjustments relating to recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if the Company was unable to continue as a going concern.

##### **2.3. Functional and presentation currency**

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



## Narayana Health Institutions Private Limited

### Notes to the financial statements for the year ended 31 March 2017

#### 2.4. Basis of measurement

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

Items	Measurement basis
Certain financial assets and liabilities	Fair value
Net defined benefit (asset)/ liability	Fair value of plan assets less present value of defined benefit obligations

#### 2.5. Use of estimates and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

### 3. Significant accounting policies

#### 3.1. Financial instruments

##### *a. Recognition and initial measurement*

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

##### *b. Classification and subsequent measurement*

###### *Financial assets*

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- FVTPL

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## Narayana Health Institutions Private Limited

### Notes to the financial statements for the year ended 31 March 2017

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

#### 3.1 Financial instruments (contd)

##### *Financial assets: Business model assessment*

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

##### *Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest*

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

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

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

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal



## Narayana Health Institutions Private Limited

### Notes to the financial statements for the year ended 31 March 2017

amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable

#### 3.1 Financial instruments (contd)

additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

*Financial assets: Subsequent measurement and gains and losses*

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

*Financial liabilities: Classification, subsequent measurement and gains and losses*

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

#### c. Derecognition

*Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

*Financial liabilities*

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

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified

## Narayana Health Institutions Private Limited

### Notes to the financial statements for the year ended 31 March 2017

terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

#### 3.2 Financial instruments (contd)

##### *d. Offsetting*

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

#### 3.2. Cash and cash equivalents

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

#### 3.3. Cash flow statement

Cash flows are reported using the indirect method, whereby loss 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. Bank overdrafts are classified as part of cash and cash equivalent, as they form an integral part of an entity's cash management.

#### 3.4. Loss per share

The Loss per share is computed by dividing the loss 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.

#### 3.5. Income tax

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

##### *Current income tax*

Current tax comprises the expected tax payable or receivable on the taxable income for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantially enacted by the reporting dates.

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

##### *Deferred tax*

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



## **Narayana Health Institutions Private Limited**

### **Notes to the financial statements for the year ended 31 March 2017**

Deferred tax liabilities are recognized for all taxable temporary differences.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

#### **3.6. Provisions and contingencies**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. Provisions for onerous contracts are measured at the present value of lower of the expected net cost of fulfilling the contract and the expected cost of terminating the contract.

4 Other non-current assets (refer note 13)

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Capital advances	10,075.00	10,075.00	10,075.00
Less: Provision for doubtful advances	(10,075.00)	(10,075.00)	(10,075.00)
	-	-	-

5 Cash and cash equivalents

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Balance with banks			
- On current accounts	633.13	633.13	842.67
	633.13	633.13	842.67

6 Equity share capital

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Authorised</b>			
1,150,000 (31 March 2016: 1,150,000; 1 April 2015: 1,150,000) equity shares of ₹ 10 each	11,500.00	11,500.00	11,500.00
<b>Issued, subscribed and paid up</b>			
1,104,040 (31 March 2016: 1,104,040; 1 April 2015: 1,104,040) equity shares of ₹ 10 each, fully paid up	11,040.40	11,040.40	11,040.40
	11,040.40	11,040.40	11,040.40

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

Particulars	As at 31 March 2017		As at 31 March 2016	
	Number of shares	Amount	Number of shares	Amount
At the beginning of the year	11,04,040	11,040.40	11,04,040	11,040.40
At the end of the year	11,04,040	11,040.40	11,04,040	11,040.40

Rights, preference and restriction attached to equity shares

The Company has a single class of equity shares referred to as equity shares having a nominal value of ₹ 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 equity shares are entitled to receive dividend as declared from time to time. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

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.

Particulars of shareholders holding more than 5% shares

Particulars	As at 31 March 2017		As at 31 March 2016	
	Number of shares	% holding	Number of shares	% holding
Narayana Hrudayalaya Limited	11,04,034	99.99%	11,04,039	99.99%
	11,04,034	99.99%	11,04,039	99.99%

The Company has not bought back any shares during the period of five years immediately preceding the last 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 last balance sheet date.

7 Trade payables

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Total outstanding dues to micro enterprises and small enterprises (refer note 12)	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	171.48	168.19	333.43
	171.48	168.19	333.43

All trade payables are 'current'. The Company's exposure to liquidity risks related to trade payable is disclosed in note 18.

8 Other financial liabilities

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Current</b>			
To related parties (refer note 16)			
Due to reimbursement of expenses	618.56	492.98	333.78
	618.56	492.98	333.78

9 Other expenses

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Legal and professional fees (see note (i) below) #	128.87	203.47
Bank charges #	-	0.03
	128.87	203.50

# Expenses has been paid by Narayana Hrudayalaya Limited, holding company.

(i) Payment to auditors\*

As an auditor		
Audit fee	100.00	100.00
In other capacity		
Audit/Limited review fee in relation to IPO	-	50.00
Reimbursement of expenses	6.77	3.84
Reimbursement of expenses in relation to IPO	-	3.27
Less: Reimbursed by selling shareholders	-	(53.27)
	106.77	103.84

\*excluding service tax



**10 Contingent liabilities and commitments**

Estimated amounts of contracts remaining to be executed on capital account (net of advances) and other commitments and not provided for amounts to ₹ Nil (previous year: ₹ Nil).

**11 Segment reporting****Operating segments and Geographical information**

The Company has not yet commenced its operations. It intends to engage in 'Medical education services'. Hence, segment information as per Ind AS 108 – 'Operating Segments' is not disclosed.

12 According to the information available with the Company, there are no dues payable to Micro, Small and Medium Enterprises as defined under the "The Micro, Small and Medium Enterprises Development Act, 2006" as at 31 March 2017 (31 March 2016: Nil; 1 April 2015: Nil).

13 The Company with an intention to start one of their project, identified land (property) at Karnataka. As per the understanding between Karnataka Industrial Area Development Board (KIADB) and the Company, it is necessary that the Company gets the consent of the owners of the said property to get the land registered in its name. The Company entered into a Memorandum of understanding on 31 July 2008 with a person to get the consent letters from the owners of the said land. The Company paid ₹10,000.00 thousands as advance to concerned person and the balance would be payable once the Company gets the consent from the owners of the land. The Company would capitalize this amount along with any other payment once the Company gets the land registered in its name. Since this is long outstanding and there has been no progress in the project, the same has been provided for during the financial year 2014-15 as the Company believes the advance paid is not recoverable.

**14 Capital management**

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

The Company has not borrowed any fund from any financial institution, therefore, the surplus remaining after accounting for all expenses is available only for the owners of the company. Accordingly, there are no additional disclosure to be provided under Ind AS 1, "Presentation of Financial Statements" other than those already provided in the financial statements.

**15 Loss per share**

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Loss for the year (₹ in thousands)	(128.87)	(203.50)
Weighted average number of equity shares outstanding for the year (Numbers)	11,04,040	11,04,040
Basic and diluted loss per share (₹)	(0.12)	(0.18)



## 16 Related party disclosures

## (a) Details of related parties

Nature of relationship	Name of related parties
Enterprise having control over the Company	Narayana Hrudayalaya Limited (Holding Company)
Fellow subsidiaries	Meridian Medical Research & Hospital Limited (MMRHL) Narayana Hrudayalaya Surgical Hospital Private Limited (NHSPL) Narayana Hospitals Private Limited (NHPL) Narayana Institute for Advanced Research Private Limited (NIARPL) Narayana Cayman Holdings Ltd (NCHL) Narayana Hrudayalaya Hospitals Malaysia SDN. BHD (NHHM) Asia Healthcare Development Limited (AHDL) (till November 2016) Narayana Vaishno Devi Specialty Hospitals Private Limited (NVDSHPL) (with effect from 5 September 2014) Narayana Holdings Private Limited (with effect from 11 April 2016)

## (b) Transactions with related party during the year

(₹ in thousands)

Transactions	Enterprise having control over the Company	Total
Reimbursement of expenses		
Narayana Hrudalaya Limited	125.58 (159.20)	125.58 (159.20)

Figures in brackets are for previous year.

## (c) Balances payable to related parties

(₹ in thousands)

Transactions	Year	Enterprise having control over the Company	Total
Other financial liabilities- Due to reimbursement of expenses			
Narayana Hrudayalaya Limited	31 March 2017 31 March 2016 01 April 2015	618.56 492.98 333.78	618.56 492.98 333.78

- 17 The Company did not have any holdings or dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016 as defined in the MCA notification G.S.R. 308(E) dated 31 March 2017 on the details of SBN held and transacted during the period from 8 November 2016 to 30 December 2016, the denomination wise SBNs and other notes as per the notification is given below :-

Particulars	SBNs	Others	Total
Closing cash in hand as on 8 November 2016	-	-	-
(+) Permitted receipts	-	-	-
(-) Permitted payments	-	-	-
(-) Amount deposited in Banks	-	-	-
Closing cash in hand as on 30 December 2016	-	-	-

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

18 Financial instruments: Fair value and risk managements

(₹ in thousands)		
A. Accounting classification and fair values		
As at 31 March 2017	Amortised cost	Total
<b>Financial assets</b>		
Cash and cash equivalents	633.13	633.13
	<b>633.13</b>	<b>633.13</b>
<b>Financial liabilities</b>		
Trade payables	171.48	171.48
Other financial liabilities	618.56	618.56
	<b>790.04</b>	<b>790.04</b>
<b>As at 31 March 2016</b>	<b>Amortised cost</b>	<b>Total</b>
<b>Financial assets</b>		
Cash and cash equivalents	633.13	633.13
	<b>633.13</b>	<b>633.13</b>
<b>Financial liabilities</b>		
Trade payables	168.19	168.19
Other financial liabilities	492.98	492.98
	<b>661.17</b>	<b>661.17</b>
<b>As at 1 April 2015</b>	<b>Amortised cost</b>	<b>Total</b>
<b>Financial assets</b>		
Cash and cash equivalents	842.67	842.67
	<b>842.67</b>	<b>842.67</b>
<b>Financial liabilities</b>		
Trade payables	333.43	333.43
Other financial liabilities	333.78	333.78
	<b>667.21</b>	<b>667.21</b>

**B. Financial risk management**

The Company's activities expose it to a variety of financial risks: credit risk, market risk and liquidity risk.

**(i) Risk management framework**

The Company's risk management is carried out by a central treasury department under policies approved by the Board of Directors. The Board supervises overall risk management, as well as policies covering specific areas, such as foreign exchange risk, credit risk and use of financial instruments.

**(ii) Credit risk**

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

**(iii) Liquidity risk**

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

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

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

(₹ in thousands)					
Particulars	Less than 1 year	1 - 2 years	3-5 years	more than 5 years	Total
Trade payables	171.48	-	-	-	171.48
Other financial liabilities	618.56	-	-	-	618.56
<b>Total</b>	<b>790.04</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>790.04</b>

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities as of 31 March 2016:

Particulars	Less than 1 year	1 - 2 years	3-5 years	more than 5 years	Total
Trade payables	168.19	-	-	-	168.19
Other financial liabilities	492.98	-	-	-	492.98
<b>Total</b>	<b>661.17</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>661.17</b>

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities as of 1 April 2015:

Particulars	Less than 1 year	1 - 2 years	3-5 years	more than 5 years	Total
Trade payables	333.43	-	-	-	333.43
Other financial liabilities	333.78	-	-	-	333.78
<b>Total</b>	<b>667.21</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>667.21</b>

**(iv) Market risk**

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

**Foreign currency risk**

The Company has not yet commenced its operations. Hence the Company is not exposed to foreign exchange risk.



## 19 Explanation of transition to Ind AS

As stated in Note 2.1, these are the Company's first financial statements prepared in accordance with Ind AS. For the year ended 31 March 2016, the Company has prepared its financial statements in accordance with Companies (Accounting Standards) Rules, 2006 notified under section 133 of the Act and other relevant provision of the Act ('Previous GAAP'). For the purpose of transition from Previous GAAP to Ind AS, the Company has followed the guidance prescribed under Ind AS 101- First time adoption of Indian Accounting Standards ('Ind AS- 101'), with effect from 1 April 2015 ('transition date').

The accounting policies set out in Note 3 have been applied in preparing these financial statements for the year ended 31 March 2017 including the comparative information for the year ended 31 March 2016 and the opening Ind AS balance sheet on the date of transition i.e. 1 April 2015.

In preparing its Ind AS balance sheet as at 1 April 2015 and in presenting the comparative information for the year ended 31 March 2016, the Company has adjusted amounts reported previously in financial statements prepared in accordance with the previous GAAP. This note explains how the transition from previous GAAP to Ind AS has affected the Company's financial position and financial performance.

The following reconciliation provide the effect of transition to Ind AS from previous GAAP in accordance with Ind AS 101: First time Adoption of Indian Accounting Standards

### (i) Reconciliation of total equity as on 1 April 2015:

Particulars	As at 1 April 2015
Equity under Previous GAAP	198.26
<i>Summary of Ind AS adjustments</i>	
Prior period restatement	(22.80)
<b>Equity under Ind AS</b>	<b>175.46</b>

### (ii) Reconciliation of net loss for the year ended 31 March 2016:

Particulars	For the year ended 31 March 2016
Loss after tax as per Previous GAAP	(226.30)
<i>Summary of Ind AS adjustments</i>	
Prior period reversal	22.80
<b>Loss after tax as per Ind AS</b>	<b>(203.50)</b>

#### Mandatory Exceptions

##### Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification of financial assets on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets accounted at amortised cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Company has determined the classification of financial assets based on facts and circumstances that exist on the date of transition. Measurement of the financial assets accounted at amortised cost has been done retrospectively except where the same is impracticable.

The accompanying notes are an integral part of these financial statements.

As per our report of even date attached

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

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

for and on behalf of the Board of Directors of  
**Narayana Health Institutions Private Limited**

**Amit Somani**

Partner

Membership number: 060154

Place: Bengaluru

Date: 29 May 2017

**Dr. Devi Prasad Shetty**

Director

DIN: 00252187

Place: Bengaluru

Date: 29 May 2017

**Dr. Ashutosh Raghuvanshi**

Director

DIN: 02775637

Place: Bengaluru

Date: 29 May 2017