

## **Independent Auditor's Report**

### **To The Members of Narayana Hospitals Private Limited**

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

We have audited the accompanying Ind AS financial statements of Narayana Hospitals 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 Hospitals 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 Hospitals 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 34.

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

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of property, plant and equipment.
- (b) The Company has a regular programme of physical verification of its property, plant and equipment by which all property, plant and equipment are verified in a phased manner over a period of two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, property, plant and equipment were verified during the year and no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- (ii) The Company is a service company, primarily in the business of rendering hospital management services. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable.
- (iii) The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ('the Act'). Accordingly, paragraph 3(iii) of the Order is not applicable to the Company.
- (iv) According to the information and explanations given to us, the Company has complied with the provisions of section 185 and section 186 of the Act, in respect of securities granted. There are no loans, investments and guarantees given in respect of which Section 185 and 186 of the Act are applicable.
- (v) According to the information and explanation given to us, the Company has not accepted any deposits. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.
- (vi) According to the information and explanation given to us, as per Companies (Cost records and Audit) rules, 2014, the Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act, for any of the services rendered by the Company.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Income Tax, Service Tax and other material statutory dues have generally been regularly deposited during the year with the appropriate authorities. As explained to us, the Company did not have any dues on account of Provident Fund, Employees' State Insurance, Sales Tax, Value Added Tax, Duty of Customs and Duty of Excise.

According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Service 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.

**Narayana Hospitals Private Limited**

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

- (b) According to the information and explanations given to us, there are no dues of Income Tax and Service Tax 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.
- (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. Accordingly, paragraph 3(xi) of the Order is not applicable.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, all transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the Ind AS financial statements, as required by the applicable accounting standards.
- (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.
- (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 BSR & Co. LLP*

*Chartered Accountants*

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

**Amit Somani**

*Partner*

Membership number: 060154

Place: Bengaluru

Date: 29 May 2017

## **Narayana Hospitals Private Limited**

### **Annexure - B to the Independent Auditor's Report**

#### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Narayana Hospitals 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 Hospitals 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 BSR & Co. LLP*

*Chartered Accountants*

Firm's Registration Number: 101248W/W-100022

**Amit Somani**

*Partner*

Membership number: 060154

Place: Bengaluru

Date: 29 May 2017

**Narayana Hospitals Private Limited**  
**Balance sheet as at 31 March 2017**

(₹ in thousands)

	Note	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	4 (a)	760.22	1,550.74	1,952.60
Investment property	4 (b)	2,000,245.31	2,005,500.27	2,011,089.74
Income tax assets	5	2,834.97	1,934.97	3,209.25
Other non-current assets	6 (a)	104,034.26	99,177.52	89,393.18
<b>Total non-current assets</b>		<b>2,107,874.76</b>	<b>2,108,163.50</b>	<b>2,105,644.77</b>
<b>Current assets</b>				
<b>Financial assets</b>				
Trade receivables	7	19,097.00	11,380.85	11,489.93
Cash and cash equivalents	8	2,122.63	2,185.66	3,516.40
Other financial assets	9	6.48	6.48	6.48
Other current assets	6 (b)	1,075.01	1,075.01	253.74
<b>Total current assets</b>		<b>22,301.12</b>	<b>14,648.00</b>	<b>15,266.55</b>
<b>TOTAL ASSETS</b>		<b>2,130,175.88</b>	<b>2,122,811.50</b>	<b>2,120,911.32</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	10	532,614.42	532,614.42	532,614.42
Other equity		99,372.51	78,570.86	58,324.53
<b>Total equity</b>		<b>631,986.93</b>	<b>611,185.28</b>	<b>590,938.95</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Other non-current liabilities	11 (a)	1,148,361.03	1,169,669.82	1,190,978.61
<b>Total non-current liabilities</b>		<b>1,148,361.03</b>	<b>1,169,669.82</b>	<b>1,190,978.61</b>
<b>Current liabilities</b>				
<b>Financial liabilities</b>				
Borrowings	12	20,000.00	20,000.00	20,000.00
Trade payables	13	925.78	891.77	592.48
Other financial liabilities	14	307,541.13	299,703.18	291,863.49
Other current liabilities	11 (b)	21,361.01	21,361.45	21,308.79
Provisions	15	-	-	5,229.00
<b>Total current liabilities</b>		<b>349,827.92</b>	<b>341,956.40</b>	<b>338,993.76</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,130,175.88</b>	<b>2,122,811.50</b>	<b>2,120,911.32</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 Hospitals Private Limited**

**Amit Somani**

Partner

Membership number : 060154

**Dr. Devi Prasad Shetty**

Managing Director

DIN : 00252187

Place: Bengaluru

Date: 29 May 2017

**Mrs. Shakuntala Shetty**

Director

DIN : 00252195

Place: Bengaluru

Date: 29 May 2017

Place: Bengaluru

Date: 29 May 2017

**Varsha Jain**

Company Secretary

Place: Bengaluru

Date: 29 May 2017

Narayana Hospitals 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
<b>INCOME</b>			
Revenue from operations	16	9,000.00	9,000.00
Other income	17	21,308.79	21,353.19
<b>Total income</b>		<b>30,308.79</b>	<b>30,353.19</b>
<b>EXPENSES</b>			
Other expenses	18	1,765.89	1,855.44
<b>Total expenses</b>		<b>1,765.89</b>	<b>1,855.44</b>
<b>Earnings before finance costs, depreciation and amortisation and tax</b>		<b>28,542.90</b>	<b>28,497.75</b>
Finance costs	19	2,118.00	2,260.09
Depreciation and amortisation expense	20	5,623.25	5,991.33
<b>Profit before tax</b>		<b>20,801.65</b>	<b>20,246.33</b>
<b>Tax expense</b>	24	-	-
<b>Profit for the year</b>		<b>20,801.65</b>	<b>20,246.33</b>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		<b>20,801.65</b>	<b>20,246.33</b>
<b>Earnings per share</b>			
Basic and diluted (₹)	32	0.39	0.38
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 Hospitals Private Limited**

**Amit Somani**  
Partner  
Membership number :060154

**Dr. Devi Prasad Shetty**  
Managing Director  
DIN : 00252187  
Place: Bengaluru  
Date: 29 May 2017

**Mrs. Shakuntala Shetty**  
Director  
DIN : 00252195  
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**Varsha Jain**  
Company Secretary  
Place: Bengaluru  
Date: 29 May 2017

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

	For the year ended 31 March 2017	(₹ in thousands) For the year ended 31 March 2016
<b>Cash flow from operating activities</b>		
Profit before tax	20,801.65	20,246.33
<b>Adjustments:</b>		
Finance costs	2,118.00	2,260.09
Depreciation and amortisation expense	5,623.25	5,991.33
Assets written off	422.23	-
Government grant	(21,308.79)	(21,308.79)
Interest income on income tax refund	-	(44.40)
<b>Operating cash flow before working capital changes</b>	<u>7,656.34</u>	<u>7,144.56</u>
Changes in trade receivables	(7,716.15)	109.08
Changes in other financial assets and other assets	1,075.01	(4,673.87)
Changes in trade payables and other financial liabilities	33.57	(4,877.04)
<b>Cash generated from/ (used in) operations</b>	<u>1,048.77</u>	<u>(2,297.27)</u>
Income taxes paid (net of refund)	(900.00)	1,318.68
<b>Net cash generated from/ (used in) operating activities (A)</b>	<u>148.77</u>	<u>(978.59)</u>
<b>Cash flow from investing activities (B)</b>	<u>-</u>	<u>-</u>
<b>Cash flow from financing activities</b>		
Interest and other borrowing costs paid	(211.80)	(352.15)
<b>Net cash (used in) financing activities (C)</b>	<u>(211.80)</u>	<u>(352.15)</u>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>	<u>(63.03)</u>	<u>(1,330.74)</u>
Cash and cash equivalents at the beginning of the year	2,185.66	3,516.40
<b>Cash and cash equivalents at the end of the year (refer note 8)</b>	<u><u>2,122.63</u></u>	<u><u>2,185.66</u></u>

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 Hospitals Private Limited**

**Amit Somani**  
Partner  
Membership number :060154

Place: Bengaluru  
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Managing Director  
DIN : 00252187  
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Director  
DIN : 00252195  
Place: Bengaluru  
Date: 29 May 2017

**Varsha Jain**  
Company Secretary  
Place: Bengaluru  
Date: 29 May 2017

Narayana Hospitals 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
Equity shares of ₹ 10 each issued, subscribed and fully paid up		
Balance as at 1 April 2015	53,261,442	532,614.42
Changes in equity share capital during 2015-16 (refer note 10)	-	-
Balance as at 31 March 2016	53,261,442	532,614.42
Changes in equity share capital during 2016-17 (refer note 10)	-	-
Balance as at 31 March 2017	53,261,442	532,614.42

(b) Other equity			(₹ in thousands)
Particulars	Retained earnings	Items of OCI	Total equity
Balance at 1 April 2015	58,324.53	-	58,324.53
Profit for the year	20,246.33	-	20,246.33
Other comprehensive income (OCI) (net of tax)	-	-	-
Total comprehensive income for the year	20,246.33	-	20,246.33
Balance as at 31 March 2016	78,570.86	-	78,570.86
Profit for the year	20,801.65	-	20,801.65
Other comprehensive income (net of tax)	-	-	-
Total comprehensive income for the year	20,801.65	-	20,801.65
Balance as at 31 March 2017	99,372.51	-	99,372.51

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 Hospitals Private Limited

Amit Somani

Partner

Membership number: 060154

Place: Bengaluru

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Varsha Jain

Company Secretary

Place: Bengaluru

Date: 29 May 2017

## **Narayana Hospitals Private Limited**

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

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

Narayana Hospitals Private Limited ('the Company') was incorporated on 10 May 2004 as a private limited company under the Companies Act, 1956. The Company is a wholly owned subsidiary of Narayana Hrudayalaya Limited. The Company is primarily engaged in rendering hospital management services.

#### **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 the Act and other relevant provisions of the Act.

As these are the Company's 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 36.

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**

These financial statements have been prepared on a going concern basis notwithstanding the continuing losses (without considering amortization of the government grant) and other current liabilities. The Company is considered as to operate as a going concern and meet its obligation as and when they fall due upto a period of one year from the balance sheet date i.e. 31 March 2018 based on the support letter from the holding Company, Narayana Hrudayalaya Limited

##### **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 Hospitals 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

#### 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.

##### Judgements

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

- Note 23 – leases and lease classification
- Note 35 – financial instruments

##### Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2017 is included in the following notes:

- Note 24 – recognition of deferred tax assets
- Note 21 – recognition and measurement of provisions and contingencies; key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 4 (a) - useful life of property, plant and equipment

#### 2.6. Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in the following notes:

Note 35 – financial instruments

## Narayana Hospitals Private Limited

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

#### 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.

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.

###### *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;

## Narayana Hospitals Private Limited

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

#### 3.1. Financial instruments (continued)

- 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 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 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.

### 3.1. Financial instruments (continued)

#### *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 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.

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

## Narayana Hospitals Private Limited

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

#### 3.4. Revenue recognition

##### *Rental income*

Rental income from investment property is recognised as a part of revenue from operations in profit or loss

#### 3.5. Property, Plant and Equipment

##### *Recognition and measurement*

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. The cost of an item of Property, Plant and Equipment comprises its purchase price, including import duties and other non-refundable taxes or levies, freight, any directly attributable cost of bringing the asset to its working condition for its intended use and estimated cost of dismantling and restoring onsite; any trade discounts and rebates are deducted in arriving at the purchase price. Subsequent expenditures related to an item of tangible fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance. Cost includes expenditures directly attributable to the acquisition of the asset.

##### *Depreciation and amortisation*

The Company depreciates property, plant and equipment over the estimated useful life on a straight-line basis from the date the assets are ready for intended use. Assets acquired under finance lease and leasehold improvements are amortized over the lower of estimated useful life and lease term. Freehold land is not depreciated. The estimated useful lives of assets for the current and comparative period of significant items of property, plant and equipment are as follows:

Block of assets	Useful life
Building	60 years
Medical equipment	13 years
Other equipment	15 years
Furniture and fixtures	10 years
Computers	3 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted appropriately.

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

The cost and related accumulated depreciation are eliminated from the financial statements upon sale or disposition of the asset and the resultant gains or losses are recognized in the statement of profit and loss. Amounts paid towards the acquisition of property, plant and equipment outstanding as of each reporting date are recognized as capital advance and the cost of property, plant and equipment not ready for intended use before such date are disclosed under capital work- in-progress.

## **Narayana Hospitals Private Limited**

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

#### **3.6. Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Where the Company receives non-monetary grants, the asset and the grant are accounted at fair value and recognised in the statement of profit and loss over the expected useful life of the asset.

#### **3.7. Borrowing cost**

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

#### **3.8. Leases**

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Assets held under leases that do not transfer substantially all the risks and reward of ownership are not recognized in the balance sheet.

Lease payments under operating lease are generally recognised as an expense in the statement of profit and loss on a straight line basis over the term of lease unless such payments are structured to increase in line with the expected general inflation to compensate for the lessor's expected inflationary cost increases.

Further, at the inception of above arrangement, the Company determines whether the above arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Company separates a payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### **3.9. Earnings per share**

The Earnings per share is computed by dividing the earnings 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.

### 3.10. 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.

#### *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.

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.

### 3.11. 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.

### 3.12. Impairment

#### *Impairment of non-financial assets*

The Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets that do not generate independent cash inflows are grouped together into cash-generating units (CGUs). Each CGU represents the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of a CGU (or an individual asset) is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU (or the asset).

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

### 3.13. Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes. Upon initial recognition, an investment property is measured at cost. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation.

Based on the technical evaluation and consequent advice, the Management believes a period of 60 years as representing the best estimate for the period over which investment property in the nature of Building are expected to be used which is in line with the indicative useful life mentioned in Part C of Schedule II of the Act.

Any gain or loss on disposal of an investment property is recognized in the profit or loss.

The fair value disclosed in the notes is based on the fair value as determined by the Management.

### 3.14. Measurement of Profit/ Earnings before interest, tax, depreciation and amortization (EBITDA)

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

4 (a) Property, plant and equipment

Particulars	Gross block			Accumulated depreciation			Net block	
	As at 1 April 2016	Additions	Deletions	As at 31 March 2017	As at 1 April 2016	Depreciation	As at 31 March 2017	As at 31 March 2016
<b>Tangible assets (owned)</b>								
Leasehold improvements	283.05	-	188.94	94.11	242.79	23.65	88.29	40.26
Medical equipments	4,052.45	-	1,055.33	2,997.12	2,728.88	291.62	2,270.59	1,323.57
Other equipments	154.89	-	99.91	54.98	79.02	8.69	35.32	75.87
Furniture and fixtures	504.78	-	249.47	255.31	393.74	44.33	247.10	111.04
Computers	314.25	-	-	314.25	314.25	-	314.25	-
<b>Total</b>	<b>5,309.42</b>	<b>-</b>	<b>1,593.65</b>	<b>3,715.77</b>	<b>3,758.68</b>	<b>368.29</b>	<b>2,955.55</b>	<b>1,550.74</b>

Particulars	Gross block			Accumulated depreciation			Net block	
	As at 1 April 2015	Additions	Deletions	As at 31 March 2016	As at 1 April 2015	Depreciation	As at 31 March 2016	As at 1 April 2015
<b>Tangible assets (owned)</b>								
Leasehold improvements	283.05	-	-	283.05	214.41	28.38	242.79	68.64
Medical equipments	4,052.45	-	-	4,052.45	2,416.39	312.49	2,728.88	1,323.57
Other equipments	154.89	-	-	154.89	68.65	10.37	79.02	86.24
Furniture and fixtures	504.78	-	-	504.78	343.12	50.62	393.74	161.66
Computers	314.25	-	-	314.25	314.25	-	314.25	-
<b>Total</b>	<b>5,309.42</b>	<b>-</b>	<b>-</b>	<b>5,309.42</b>	<b>3,356.82</b>	<b>401.86</b>	<b>3,758.68</b>	<b>1,952.60</b>

Narayana Hospitals Private Limited  
Notes to the financial statements for the year ended 31 March 2017 (continued)

4 (b) Investment property

Particulars	Gross block			Accumulated depreciation			Net block	
	As at 1 April 2016	Additions	Deletions	As at 31 March 2017	As at 1 April 2016	Depreciation	As at 31 March 2017	As at 31 March 2016
Owed Building**	314,668.01	-	-	314,668.01	28,527.14	5,254.96	280,885.91	286,140.87
Leases	1,723,694.48	-	-	1,723,694.48	4,335.08	-	1,719,359.40	1,719,359.40
Leasehold Land (i)	2,038,362.49	-	-	2,038,362.49	32,862.22	5,254.96	2,005,245.31	2,005,500.27
Total carrying value								
							2,677,752.25	2,467,028.79
Fair value								

Particulars	Gross block			Accumulated depreciation			Net block	
	As at 1 April 2015	Additions	Deletions	As at 31 March 2016	As at 1 April 2015	Depreciation	As at 31 March 2016	As at 1 April 2015
Owed Building**	314,668.01	-	-	314,668.01	23,257.79	5,260.35	286,140.87	291,410.22
Leases	1,723,694.48	-	-	1,723,694.48	4,014.96	320.12	1,719,359.40	1,719,679.52
Leasehold Land (i)	2,038,362.49	-	-	2,038,362.49	27,272.75	5,589.47	2,005,500.27	2,011,089.74
Total carrying value								
							2,467,028.79	2,272,893.70
Fair value								

(i) Leasehold land represents land allotted by various government authorities/ agencies in the states of Gujarat and Rajasthan. There are certain conditions including setting up of hospitals with certain capacity and within certain timelines as specified in the terms of the allotment.

\*\* The building is constructed on leasehold land received from Jaipur Development Authority.

The lease hold land in Jaipur along with the Building, having carrying value ₹ 348,944.85 thousands ( 31 March 2016 ₹ 354,199.81 and 1 April 2015 ₹ 359,469.16 is given as an equitable mortgage for term loan ( ₹ 359,500.00 thousands) taken by Narayana Hrudayalaya Limited from HSBC Bank.

(i) Measurement of fair values

The fair value of investment property has been determined by the Management. The fair value measurement for all the investment properties has been categorised as a Level 3 fair valuation based on the inputs for the valuation technique used.

(ii) Valuation technique

The Management has used a combination of DLC rates (District Committee Rates), earlier valuation reports and valuation determined for other purposes and adjusted it using risk adjusted discount rates.

(iii) Lease arrangements

Investment property comprises leasehold land and building properties that are leased to Narayana Hrudayalaya Limited. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

(₹ in thousands)

5 Income tax assets (net)

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Advance income tax and tax deducted at source, net	2,834.97	1,934.97	3,209.25
	<b>2,834.97</b>	<b>1,934.97</b>	<b>3,209.25</b>

6 Other assets

(Unsecured and considered good, unless stated otherwise)

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
(a) Non-current			
<i>To parties other than related parties</i>			
Prepaid rent	22,582.83	22,836.57	23,090.31
Capital advances	78,166.36	72,234.61	66,302.87
Prepaid expenses	3,287.07	4,106.34	-
	<b>104,034.26</b>	<b>99,177.52</b>	<b>89,393.18</b>
(b) Current			
<i>To parties other than related parties</i>			
Prepaid rent	253.74	253.74	253.74
Prepaid expenses	821.27	821.27	-
	<b>1,075.01</b>	<b>1,075.01</b>	<b>253.74</b>

7 Trade receivables

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Trade receivables			
Unsecured, considered good	19,097.00	11,380.85	11,489.93
Unsecured, considered doubtful	-	-	1,009.69
	<b>19,097.00</b>	<b>11,380.85</b>	<b>12,499.62</b>
Loss allowance			
Unsecured, considered doubtful	-	-	1,009.69
	<b>-</b>	<b>-</b>	<b>1,009.69</b>
<b>Net trade receivables</b>	<b>19,097.00</b>	<b>11,380.85</b>	<b>11,489.93</b>
Of the above, trade receivables from related party is as follows:			
Total trade receivables from related party	19,097.00	11,380.85	11,489.93
Loss allowance	-	-	-
<b>Net trade receivables</b>	<b>19,097.00</b>	<b>11,380.85</b>	<b>11,489.93</b>

The Group's exposure to credit and currency risks and loss allowance related to trade receivables are disclosed in note 35.

8 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	2,122.63	2,185.66	3,516.40
	<b>2,122.63</b>	<b>2,185.66</b>	<b>3,516.40</b>

9 Other financial assets

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Current			
<i>To parties other than related parties</i>			
Others	6.48	6.48	6.48
	<b>6.48</b>	<b>6.48</b>	<b>6.48</b>

(₹ in thousands)			
Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>10 Equity share capital</b>			
<i>Authorised</i>			
54,000,000 (31 March 2016: 54,000,000; 1 April 2015: 54,000,000) equity shares of ₹ 10 each	540,000.00	540,000.00	540,000.00
<i>Issued, subscribed and paid up</i>			
53,261,442 (31 March 2016: 53,261,442; 1 April 2015: 53,261,442) equity shares of ₹ 10 each, fully paid up	532,614.42	532,614.42	532,614.42
	<b>532,614.42</b>	<b>532,614.42</b>	<b>532,614.42</b>

**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	53,261,442	532,614.42	53,261,442	532,614.42
At the end of the year	<b>53,261,442</b>	<b>532,614.42</b>	<b>53,261,442</b>	<b>532,614.42</b>

**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.

**Shares held by Holding Company**

Particulars	31 March 2017		31 March 2016	
	Number of shares	Amount	Number of shares	Amount
Narayana Hrudayalaya Limited	53,261,436	532,614.36	53,261,441	532,614.41
	<b>53,261,436</b>	<b>532,614.36</b>	<b>53,261,441</b>	<b>532,614.41</b>

**Particulars of shareholders holding more than 5% shares**

Particulars	31 March 2017		31 March 2016	
	Number of shares	% holding	Number of shares	% holding
Narayana Hrudayalaya Limited	53,261,436	100.00%	53,261,441	100.00%
	<b>53,261,436</b>	<b>100.00%</b>	<b>53,261,441</b>	<b>100.00%</b>

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.

**11 Other liabilities**

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>(a) Non-current</b>			
<i>To parties other than related parties</i>			
Deferred government grant *	1,148,361.03	1,169,669.82	1,190,978.61
	<b>1,148,361.03</b>	<b>1,169,669.82</b>	<b>1,190,978.61</b>
<b>(b) Current</b>			
<i>To parties other than related parties</i>			
Deferred government grant *	21,308.79	21,308.79	21,308.79
Balances with statutory/ government authorities	52.22	52.66	-
	<b>21,361.01</b>	<b>21,361.45</b>	<b>21,308.79</b>

\*The Company had been allotted land at concessional rate from Government of Rajasthan and Gujarat in the financial year 2007-08 and 2008-09 respectively for setting up hospitals. The Company has recognized all the grants as deferred income at fair value. The deferred income pertaining to land is being amortised over the life of the building.

**Summary of the government grant received by the Company and its annual amortisation:-**

Nature	Original grant amount	Annual amortisation
Land allotted at a concessional rate for setting up hospital	1,278,527.00	21,308.79

**12 Borrowings**

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Current</b>			
<i>To related parties (refer note 27)</i>			
Unsecured loan	20,000.00	20,000.00	20,000.00
	<b>20,000.00</b>	<b>20,000.00</b>	<b>20,000.00</b>

During the financial year 2014-15, the Company has received a short term unsecured loan of ₹ 20,000.00 thousands from Narayana Hrudayalaya Limited which is repayable on demand. The interest payable on such loan is @ 10.59% per annum.

**13 Trade payables**

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Total outstanding dues of micro enterprises and small enterprises (refer note 26)	-	-	-
Total outstanding dues of creditors other than micro and small enterprises*	925.78	891.77	592.48
	<b>925.78</b>	<b>891.77</b>	<b>592.48</b>

All trade payables are 'current'. The Company's exposure to currency and liquidity risks related to trade payable is disclosed in note 35.

**14 Other financial liabilities**

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Current</b>			
<i>To parties other than related parties</i>			
Creditors for capital goods	23,726.99	17,795.24	11,863.49
<i>To related parties (refer note 27)</i>			
Interest accrued but not due on loan	3,814.14	1,907.94	-
Deposit	280,000.00	280,000.00	280,000.00
	<b>307,541.13</b>	<b>299,703.18</b>	<b>291,863.49</b>

The Company's exposure to currency and liquidity risks related to other financial liabilities are disclosed in note 35.

**15 Provisions**

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Current</b>			
Provision for others	-	-	5,229.00
	<b>-</b>	<b>-</b>	<b>5,229.00</b>

Narayana Hospitals Private Limited  
Notes to the financial statements for the year ended 31 March 2017 (continued)

16 Revenue from operations		(₹ in thousands)	
Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016	
Investment property rentals	9,000.00	9,000.00	
	<b>9,000.00</b>	<b>9,000.00</b>	
17 Other income			
Interest income on income tax refund	-	44.40	
Government grant	21,308.79	21,308.79	
	<b>21,308.79</b>	<b>21,353.19</b>	
18 Other expenses			
Rent	1,075.01	1,253.10	
Legal and professional fees (see note (i) below)	268.62	593.40	
Rates and taxes	-	8.09	
Bank charges	0.03	0.85	
Reversal of provision for loss allowance	-	(1,009.69)	
Bad debts written off	-	1,009.69	
Assets written off	422.23	-	
	<b>1,765.89</b>	<b>1,855.44</b>	
(i) Payment to auditors*			
As an auditor			
Audit fee	100.00	100.00	
In other capacity			
Audit/Limited review fee in relation to IPO	-	100.00	
Reimbursement of expenses	8.32	7.67	
Reimbursement of expenses in relation to IPO	-	11.10	
Less: Reimbursed by selling shareholders	-	(111.10)	
	<b>108.32</b>	<b>107.67</b>	
*excluding service tax			
19 Finance costs			
Interest expense on financial liabilities measured at amortised cost			
- unsecured loan	2,118.00	2,119.93	
- Others	-	140.16	
	<b>2,118.00</b>	<b>2,260.09</b>	
20 Depreciation and amortisation expense			
Depreciation of property, plant and equipment {refer note 4 (a)}	368.29	401.86	
Depreciation of investment property {refer note 4 (b)}	5,254.96	5,589.47	
	<b>5,623.25</b>	<b>5,991.33</b>	

## 21 Contingent liabilities and commitments:

### (i) Contingent liabilities:

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

### (ii) Commitments:

Estimated amounts of contracts remaining to be executed on capital account (net of advances) and other commitments and not provided for amounts to ₹ 36,442.70 thousands (previous year: ₹ 36,442.70 thousands).

## 22 Segment reporting

### Operating Segments

Ind AS 108 "Operating Segment" ("Ind AS 108") establishes standards for the way that the Company report information about operating segments and related disclosures about products and services, geographic areas and major customers. Based on the "management approach" as defined in Ind AS 108, Operating segments are to be reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM evaluates the Company's performance and allocates resources on overall basis. The Company's sole operating segment is therefore 'Hospital Management Services'. Accordingly, there are no additional disclosure to be provided under Ind AS 108, other than those already provided in the financial statements.

### Geographical information

Geographical information analyses the Company's revenue and non-current assets by the Company's country of domicile (i.e. India) and other countries. In presenting the geographical information, segment revenue has been based on the geographical location of the customers and segment assets which have been based on the geographical location of the assets. Since, the Company has only one geographical location, i.e. India, with respect to location of assets and location of customers, further details about geographical information is not applicable.

## 23 Operating leases

### A. Lease as lessee

The Company has taken land under cancellable operating leases for a period of 99 years. The escalation clause in these arrangement ranges from 0% to 5%.

#### (i) Amounts recognised in statement of profit and loss

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Cancellable	1,075.01	1,253.10
	<b>1,075.01</b>	<b>1,253.10</b>

### B. Lease as lessor

The Company leases out investment property on operating lease basis (See note 4(b)).

#### (i) Amounts recognised in statement of profit and loss

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Income from property rentals	9,000.00	9,000.00
	<b>9,000.00</b>	<b>9,000.00</b>

## 24 Unrecognised deferred tax assets

Deferred tax assets has not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Company can use the benefits thereon

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Tax Losses		
Unabsorbed depreciation	8,796.92	8,198.32
	<b>8,796.92</b>	<b>8,198.32</b>

Tax loss for which no deferred tax asset was recognised expires on follows:

Particulars	For the year ended 31 March 2017		For the year ended 31 March 2016	
	Amount	Expiry date	Amount	Expiry date
<b>Never expire</b>				
Unabsorbed depreciation	8,796.92	-	8,198.32	-

There is no current tax as the Company has a tax loss considering tax exempt income.

- 25 During the financial year 2014-15, the Company had received deposit of ₹ 2,80,000.00 thousands from Narayana Hrudayalaya Limited to indemnify the Company from the losses, if any, incurred as a result of breach of the term of agreement (operation and management agreement). The Company is liable to repay the deposit amount on expiry of this indemnity agreement or operation and management agreement whichever is expires earlier.

26 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).

## 27 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)
Key Management Personnel (KMP)	Dr. Devi Prasad Shetty- Managing Director Mrs. Shakuntala Shetty- Whole-time Director
Fellow Subsidiaries	Narayana Institute for Advanced Research Private Limited Narayana Hrudayalaya Surgical Hospital Private Limited (NHSPL) Narayana Vaishno Devi Specialty Hospitals Private Limited Narayana Health Institutions Private Limited Narayana Cayman Holdings Ltd Meridian Medical Research & Hospital Limited Narayana Hrudayalaya Hospitals Malaysia SDN. BHD Asia Healthcare Development Limited (AHDL) (till November 2016) 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
Income from property rentals	9,000.00 (9,000.00)	9,000.00 (9,000.00)
Reimbursement of expenses	1,733.85 (7,714.07)	1,733.85 (7,714.07)
Interest expenses net of taxes	1,906.20 (1,907.94)	1,906.20 (1,907.94)

Figures in brackets are for the previous year.

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

(₹ in thousands)

Transactions	Year	Enterprise having control over the Company	Total
Other financial liabilities (current)- Interest accrued but not due on loan	31 March 2017 31 March 2016 01 April 2015	3,814.14 1,907.94 -	3,814.14 1,907.94 -
Trade receivables	31 March 2017 31 March 2016 01 April 2015	19,097.00 11,380.85 11,489.93	19,097.00 11,380.85 11,489.93
Borrowings (current)- Unsecured loan	31 March 2017 31 March 2016 01 April 2015	20,000.00 20,000.00 20,000.00	20,000.00 20,000.00 20,000.00
Other financial liabilities (current)- Security deposit	31 March 2017 31 March 2016 01 April 2015	280,000.00 280,000.00 280,000.00	280,000.00 280,000.00 280,000.00
Security given	31 March 2017 31 March 2016 01 April 2015	348,944.85 354,199.81 359,469.16	348,944.85 354,199.81 359,469.16

28 Leasehold land includes 36 acres of land acquired in the year 2008 under perpetual lease from Government of Gujarat amounting to ₹ 1,652,379.67 thousands. The aforesaid land has been granted to the Company by Government of Gujarat at a concessional rate under Gujarat Health Project for construction of heart hospital with certain conditions including but not limited to the following:

-1,000 bed hospital for cardiac surgery should be built and be operational within 18 months from the date of completing legal formalities/ handing over with clear title and after obtaining all necessary permissions from all concerned departments. Self dependent 100 seat medical college under Medical Council of India (MCI) Rules should be built and be operational within 36 months. Total project including 5,000 bed super-specialty hospital should be completed within 6 years;

-Self dependent medical college, to be established by the Company, should be set up with total adherence to rules governed by MCI and Government of India.

-5% surgery in the proposed health city should be done free. Only medicines and disposable should be charged;

-20% cardiac surgeries should be performed at the subsidised rate of ₹ 65.00 thousands only, which includes every expense;

-Beneficiaries of the above said 5% and 20% surgeries will be referred by the Government of Gujarat;

-15% out-patients should be given free consultation. Diagnostics fees will be charged at 50%;

-After achieving 5,000 surgeries annually, 1,000 surgeries should be performed under concessional rate of ₹ 65.00 thousands and 250 surgeries should be performed free; and

-Number of student intake and fees for the proposed medical college should be according to the prevailing government rules.

The Company was unable to start the project on the specified date and received a show cause notice from the Government of Gujarat on 22 December 2010. Subsequent to the show cause notice, the Company replied on 19 January 2011 assuring the Government of Gujarat that the entire project will be completed by June 2016.

As per the letter dated 19 January 2011, the timelines committed by NHPL are as follows:

Commissioning timelines	
a) 500 beds multispecialty hospital	June-2012
b) 1000 beds multispecialty hospital (expansion)	June-2012
c) 100 seat Medical College	June-2013
d) 5000 bed Health City	June-2016

Narayana Hrudayalaya Limited commenced operation in its Ahmedabad unit on 3 May 2012. As of 31 March 2017, the Company is yet to achieve the above timelines. The Company based on its past projects with government and other authorities believes that the terms/ conditions of grant of leasehold land at concessional rate would be renegotiated and no liability or adjustment to recorded assets is required as at 31 March 2017.

29 In the year 2008-09, the Company was allotted 35 acres of land by Jaipur Development Authority ('JDA') for establishing a medical college at Bangra. Subsequently, Company has surrendered 25 acres of land to JDA and retained remaining 10 acres of land. However, in the year 2013-14 JDA has intimated the Company that 6000 sq meters of land will be utilized for the completion of Ring road project out of the 10 acres land retained. Subsequently, JDA gave another proposal of land allotment at Govind Pura Ropada, in lieu of 10 acres at Bangra, the Company has given its consent on same through letter dated 24 April 2015.

Since this land is given in lieu of land allotted at Bangra, the Company has requested JDA that the commercials of the land at Govind Pura Ropada to be valued the same as it was during the time of allotment of land in Bangra in March 2008.

As at March 31, 2017, the Company has paid ₹ 54,439.38 thousands (31 March 2016 : ₹ 54,439.38 thousands and 1 April 2015 : ₹ 54,439.38) to JDA and accrued the balance payable of ₹ 23,726.99 thousands (31 March 2016 : ₹ 17,795.24 thousands and 1 April 2015 : ₹ 11,863.49). The Company would capitalize this amount along with any other payment once the Company gets the land registered in its name. The Company believes that this advance towards land is recoverable from the JDA and hence provision for doubtful advance is not required as at 31 March 2017.

30 The Company has given the hospital to Narayana Hrudayalaya Limited, the holding company, for rendering medical and healthcare services. As per the addendum to the agreement dated 1 December 2010, the Company is entitled to a percentage of the gross revenue earned by Jaipur unit of Narayana Hrudayalaya Limited not exceeding ₹ 9,000.00 thousands.

31 The Company had entered into a lease agreement and obtained a 5 acre land from Siliguri Jalpaiguri Development Authority in February 2009 for construction of a hospital for a consideration of ₹ 2500.00 thousands disclosed as prepaid rent under other current and non-current assets. As per the lease agreement, the Company was required to complete the construction of the hospital by August 2009. However, no construction has been completed till date. The Company based on the past projects with Government and other authorities believes that the terms/ conditions of grant of leasehold land at concessional rate would be renegotiated and accordingly no liability or adjustment to recorded assets is required as at 31 March 2017.

### 32 Earnings per share

#### Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the year ended 31 March 2017 was based on profit attributable to equity shareholders of ₹ 20,801.65 thousands (previous year: ₹ 20,246.33 thousands) and weighted average number of equity share outstanding 53,261,442 (Previous year: 53,261,442).

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Profit after tax (₹)	20,801.65	20,246.33
Weighted average number of equity share outstanding during the year for calculation of basic earnings per share (numbers)	53,261,442	53,261,442
Basic and diluted earnings per share (₹)	0.39	0.38

### 33 Capital management

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

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

The capital structure as of 31 March 2017, 31 March 2016 and 1 April 2015 was as follows:

Particulars	(₹ in thousands)		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Total equity attributable to the equity shareholders of the Company	631,986.93	611,185.28	590,938.95
As a percentage of total capital	97%	97%	97%
Short-term borrowings	20,000.00	20,000.00	20,000.00
Total borrowings	20,000.00	20,000.00	20,000.00
As a percentage of total capital	3%	3%	3%
Total capital (Equity and Borrowings)	651,986.93	631,185.28	610,938.95

34 During the year, the Company had no Specified Bank Notes (SBNs) or other denomination note as defined in the MCA notification G.S.R. 308(E) dated 31 March 2017. 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.

35 Financial instruments: Fair value and risk managements

(₹ in thousands)		
A. Accounting classification and fair values		
As at 31 March 2017	Amortised cost	Total
<i>Financial assets</i>		
Trade receivables	19,097.00	19,097.00
Cash and cash equivalents	2,122.63	2,122.63
Other financial assets	6.48	6.48
	<b>21,226.11</b>	<b>21,226.11</b>
<i>Financial liabilities</i>		
Borrowings	20,000.00	20,000.00
Trade payables	925.78	925.78
Other financial liabilities	307,541.13	307,541.13
	<b>328,466.91</b>	<b>328,466.91</b>
<b>As at 31 March 2016</b>	<b>Amortised cost</b>	<b>Total</b>
<i>Financial assets</i>		
Trade receivables	11,380.85	11,380.85
Cash and cash equivalents	2,185.66	2,185.66
Other financial assets	6.48	6.48
	<b>13,572.99</b>	<b>13,572.99</b>
<i>Financial liabilities</i>		
Borrowings	20,000.00	20,000.00
Trade payables	891.77	891.77
Other financial liabilities	299,703.18	299,703.18
	<b>320,594.95</b>	<b>320,594.95</b>
<b>As at 1 April 2015</b>	<b>Amortised cost</b>	<b>Total</b>
<i>Financial assets</i>		
Trade receivables	11,489.93	11,489.93
Cash and cash equivalents	3,516.40	3,516.40
Other financial assets	6.48	6.48
	<b>15,012.81</b>	<b>15,012.81</b>
<i>Financial liabilities</i>		
Borrowings	20,000.00	20,000.00
Trade payables	592.48	592.48
Other financial liabilities	291,863.49	291,863.49
	<b>312,455.97</b>	<b>312,455.97</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 Company is not exposed to credit risk as its receivables is majorly from holding company, Narayana Hrudayalaya Limited.

(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:

Particulars	Less than 1 year	1 - 2 years	3-5 years	more than 5 years	Total
Borrowings (current)	20,000.00	-	-	-	20,000.00
Trade payables	925.78	-	-	-	925.78
Other financial liabilities	307,541.13	-	-	-	307,541.13
<b>Total</b>	<b>328,466.91</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>328,466.91</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
Borrowings (current)	20,000.00	-	-	-	20,000.00
Trade payables	891.77	-	-	-	891.77
Other financial liabilities	299,703.18	-	-	-	299,703.18
<b>Total</b>	<b>320,594.95</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>320,594.95</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
Borrowings (current)	20,000.00	-	-	-	20,000.00
Trade payables	592.48	-	-	-	592.48
Other financial liabilities	291,863.49	-	-	-	291,863.49
<b>Total</b>	<b>312,455.97</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>312,455.97</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. The Company does not have any transaction in foreign currency and the interest on the borrowing is also fixed rate. Hence, the Company is not exposed to market risk.

**36 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.

**Mandatory exceptions**

In preparing these financial statements, the Company has applied the below mentioned mandatory exceptions.

**A. Mandatory exceptions**

**1 Estimates**

As per Ind AS 101, an entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with the previous GAAP unless there is objective evidence that those estimates were in error.

As per Ind AS 101, where application of Ind AS requires an entity to make certain estimates that were not required under previous GAAP, those estimates should be made to reflect conditions that existed at the date of transition (for preparing opening Ind AS balance sheet) or at the end of the comparative period (for presenting comparative information as per Ind AS).

The Company's estimates under Ind AS are consistent with the above requirement.

**2 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.

**B. Explanation of transition to Ind AS (continued)**

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 equity as at 1 April 2015**

			(₹ in thousands)
Particulars	previous GAAP*	Adjustment on transition to Ind AS	Ind AS
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	757,859.15	(755,906.55)	1,952.60
Investment property	-	2,011,089.74	2,011,089.74
Income tax assets	3,209.25	-	3,209.25
Other non-current assets	66,302.87	23,090.31	89,393.18
<b>Total non-current assets</b>	<b>827,371.27</b>	<b>1,278,273.50</b>	<b>2,105,644.77</b>
<b>Current assets</b>			
Financial assets			
Trade receivables	11,489.93	-	11,489.93
Cash and cash equivalents	3,516.40	-	3,516.40
Other financial assets	6.48	-	6.48
Other current assets	-	253.74	253.74
<b>Total current assets</b>	<b>15,012.81</b>	<b>253.74</b>	<b>15,266.55</b>
<b>TOTAL ASSETS</b>	<b>842,384.08</b>	<b>1,278,527.24</b>	<b>2,120,911.32</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	532,614.42	-	532,614.42
Other Equity	(7,915.31)	66,239.84	58,324.53
<b>Total equity</b>	<b>524,699.11</b>	<b>66,239.84</b>	<b>590,938.95</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Other non-current liabilities	-	1,190,978.61	1,190,978.61
<b>Total non-current liabilities</b>	<b>-</b>	<b>1,190,978.61</b>	<b>1,190,978.61</b>
<b>Current liabilities</b>			
Financial liabilities			
Borrowings	20,000.00	-	20,000.00
Trade payables	592.48	-	592.48
Other financial liabilities	291,863.49	-	291,863.49
Other current liabilities	-	21,308.79	21,308.79
Provisions	5,229.00	-	5,229.00
<b>Total current liabilities</b>	<b>317,684.97</b>	<b>21,308.79</b>	<b>338,993.76</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>842,384.08</b>	<b>1,278,527.24</b>	<b>2,120,911.32</b>

\*The previous GAAP figure have been reclassified to confirm to Ind AS presentation requirements for the purpose of this note

(ii) Explanation of transition to Ind AS (continued)

Reconciliation of equity as at 31 March 2016

(₹ in thousands)

Particulars	previous GAAP*	Adjustment on transition to Ind AS	Ind AS
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	751,614.09	(750,063.35)	1,550.74
Investment property	-	2,005,500.27	2,005,500.27
Income tax assets	1,934.97	-	1,934.97
Other non-current assets	76,340.95	22,836.57	99,177.52
<b>Total non-current assets</b>	<b>829,890.01</b>	<b>1,278,273.49</b>	<b>2,108,163.50</b>
<b>Current assets</b>			
<b>Financial assets</b>			
Trade receivables	11,380.85	-	11,380.85
Cash and cash equivalents	2,185.66	-	2,185.66
Others financial assets	6.48	-	6.48
Other current assets	821.27	253.74	1,075.01
	<b>14,394.26</b>	<b>253.74</b>	<b>14,648.00</b>
<b>TOTAL ASSETS</b>	<b>844,284.27</b>	<b>1,278,527.23</b>	<b>2,122,811.50</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	532,614.42	-	532,614.42
Other equity	(8,977.76)	87,548.62	78,570.86
<b>Total equity</b>	<b>523,636.66</b>	<b>87,548.62</b>	<b>611,185.28</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Other non-current liabilities	-	1,169,669.82	1,169,669.82
<b>Total non-current liabilities</b>	<b>-</b>	<b>1,169,669.82</b>	<b>1,169,669.82</b>
<b>Current liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	20,000.00	-	20,000.00
Trade payables	891.77	-	891.77
Other financial liabilities	299,703.18	-	299,703.18
Other current liabilities	52.66	21,308.79	21,361.45
<b>Total current liabilities</b>	<b>320,647.61</b>	<b>21,308.79</b>	<b>341,956.40</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>844,284.27</b>	<b>1,278,527.23</b>	<b>2,122,811.50</b>

\*The previous GAAP figure have been reclassified to confirm to Ind AS presentation requirements for the purpose of this note.

## Explanation of transition to Ind AS (continued)

## (iii) Reconciliation of total comprehensive income for the year ended 31 March 2016

(₹ in thousands)

Particulars	previous GAAP*	Adjustment on transition to Ind AS	Ind AS
<b>INCOME</b>			
Revenue from operations	9,000.00	-	9,000.00
Other income	44.40	21,308.79	21,353.19
<b>Total income</b>	<b>9,044.40</b>	<b>21,308.79</b>	<b>30,353.19</b>
<b>EXPENSES</b>			
Other expenses	1,601.70	253.74	1,855.44
<b>Total expenses</b>	<b>1,601.70</b>	<b>253.74</b>	<b>1,855.44</b>
Earnings before finance costs, depreciation and amortisation and tax	7,442.70	21,055.05	28,497.75
Finance costs	2,260.09	-	2,260.09
Depreciation and amortisation expense	6,245.07	(253.74)	5,991.33
<b>Profit before exceptional items and tax</b>	<b>(1,062.46)</b>	<b>21,308.79</b>	<b>20,246.33</b>
Exceptional items	-	-	-
<b>(Loss)/ Profit before tax</b>	<b>(1,062.46)</b>	<b>21,308.79</b>	<b>20,246.33</b>
Tax expense	-	-	-
<b>(Loss)/ Profit for the year</b>	<b>(1,062.46)</b>	<b>21,308.79</b>	<b>20,246.33</b>
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>(1,062.46)</b>	<b>21,308.79</b>	<b>20,246.33</b>

\*The previous GAAP figure have been reclassified to confirm to Ind AS presentation requirements for the purpose of this note.

## (iv) Reconciliation of total equity as on 31 March 2016 and 1 April 2015:

Particulars	Note	As at 31 March 2016	As at 1 April 2015
Equity under previous GAAP		523,636.66	524,699.11
<b>Summary of Ind AS adjustments</b>			
a) Income on recognition of government grant	1	87,548.62	66,239.84
<b>Total Ind AS adjustments</b>		<b>87,548.62</b>	<b>66,239.84</b>
<b>Equity under Ind AS</b>		<b>611,185.28</b>	<b>590,938.95</b>

Narayana Hospitals Private Limited

Notes to the financial statements for the year ended 31 March 2017 (continued)

Explanation of transition to Ind AS (continued)

(iv) The net profit reconciliation for the year ended 31 March 2016 are presented below: (₹ in thousands)

Particulars	Note	As at 31 March 2016
Loss after tax as per previous GAAP		(1,062.46)
Summary of Ind AS adjustments		
Income on recognition of government grant	1	21,308.79
Total Ind AS adjustments		21,308.79
Profit after tax as per Ind AS		20,246.33
Other comprehensive income:		-
Total comprehensive income		20,246.33

(v) Notes to the reconciliation:

1. This represents amortisation of grant recognised as deferred income at fair value.

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 Hospitals Private Limited

Amit Somani

Partner

Membership number: 060154

Place: Bengaluru

Date: 29 May 2017

Dr. Devi Prasad Shetty

Managing Director

DIN: 00252187

Place: Bengaluru

Date: 29 May 2017

Mrs. Shakuntala Shetty

Director

DIN: 00252195

Place: Bengaluru

Date: 29 May 2017

Varsha Jain

Company Secretary

Place: Bengaluru

Date: 29 May 2017