

B S R & Co. LLP

Chartered Accountants

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Review report to The Board of Directors of Narayana Hrudayalaya Limited

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

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

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

We did not review the financial results of four subsidiaries and two associates included in the Statement of the Group. The subsidiaries account for INR 64 lacs and INR 106 lacs of net loss and INR 203 lacs and INR 426 lacs of aggregate of total income from operations (net) and other income for the quarter and half year ended 30 September 2016 respectively and INR 10,647 lacs of total assets as at 30 September 2016. The Statement also includes the Group's share of net loss of INR 204 lacs and INR 446 lacs for the quarter and half year ended 30 September 2016 in respect of the associates. The financial results of these subsidiaries and associates have been reviewed by the other auditors whose reports have been furnished to us by the Company's Management. Our report on the Statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, is based solely on the reports of the other auditors.



B S R & Co. LLP

Narayana Hrudayalaya Limited

Review report (continued)

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

for **B S R & Co. LLP**

Chartered Accountants

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



Amit Somani

Partner

Membership Number: 060154

Place: Bengaluru

Date: 9 November 2016

B S R & Co. LLP

Narayana Hrudayalaya Limited

Annexure I to the Review report

S. No	Entity	Subsidiary/ Associate	Country of incorporation
1	Narayana Hrudayalaya Surgical Hospital Private Limited	Subsidiary	India
2	Meridian Medical Research & Hospital Limited	Subsidiary	India
3	Narayana Health Institutions Private Limited	Subsidiary	India
4	Narayana Hospitals Private Limited	Subsidiary	India
5	Narayana Institute for Advanced Research Private Limited	Subsidiary	India
6	Narayana Vaishno Devi Specialty Hospitals Private Limited	Subsidiary	India
7	Asia Healthcare Development Limited	Subsidiary	India
8	Narayana Hrudayalaya Hospitals Malaysia Sdn. Bhd.	Subsidiary	Malaysia
9	Narayana Cayman Holdings Ltd.	Subsidiary	Cayman Islands
10	Narayana Holdings Private Limited	Subsidiary	Mauritius
11	ISO Healthcare group	Associate	Mauritius
12	Health City Cayman Islands Ltd.	Associate	Cayman Islands



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

Sl. No.	Particulars	Quarter ended					Half year ended		Previous year ended
		30-Sep-16	30-Jun-16	30-Sep-15	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15	31-Mar-16
		(Unaudited)	(Unaudited)	(Unaudited) (refer note 2)	(Unaudited)	(Unaudited) (refer note 2)	(Unaudited)	(Unaudited)	(Audited)
1.	Income from operations								
	(a) Net sales/ Income from operations	47,944.01	44,231.53	40,441.21	92,175.54	78,000.94			159,955.55
	(b) Other operating income	797.40	963.90	342.80	1,761.30	655.32			1,429.02
	Total income from operations (net)	48,741.41	45,195.43	40,784.01	93,936.84	78,656.26			161,384.57
2.	Expenses								
	(a) Purchase of medical consumables, drugs and surgical equipments	12,054.23	10,898.27	10,148.40	22,952.50	19,216.83			38,563.01
	(b) Changes in inventories of medical consumables, drugs and surgical equipments	(654.79)	(232.20)	(471.43)	(886.99)	(229.23)			147.71
	(c) Employee benefits expense	9,607.59	9,147.59	8,158.84	18,755.18	16,083.62			33,383.63
	(d) Professional fees to doctors	9,685.75	9,207.46	7,994.29	18,893.21	15,532.36			32,090.21
	(e) Other expenses	11,713.93	10,893.53	10,206.80	22,607.46	19,834.66			39,741.77
	Total expenses	42,406.71	39,914.65	36,036.90	82,321.36	70,438.24			143,926.33
3.	Earnings before other income, depreciation and amortisation, finance costs and exceptional items (1-2)	6,334.70	5,280.78	4,747.11	11,615.48	8,218.02			17,458.24
4.	Other income	475.40	310.96	445.79	786.36	742.10			1,468.90
5.	Earnings before depreciation and amortisation, finance costs and exceptional items (3+4) (EBITDA) (refer note 7)	6,810.10	5,591.74	5,192.90	12,401.84	8,960.12			18,927.14
6.	Depreciation and amortisation expense	1,970.35	1,895.32	1,772.17	3,865.67	3,583.88			7,611.56
7.	Earnings from ordinary activities before finance costs and exceptional items (5-6)	4,839.75	3,696.42	3,420.73	8,536.17	5,376.24			11,315.58
8.	Finance costs	527.37	547.33	825.64	1,074.70	1,713.91			2,944.07
9.	Earnings from ordinary activities after finance costs but before exceptional items (7-8)	4,312.38	3,149.09	2,595.09	7,461.47	3,662.33			8,371.51
10.	Exceptional items (refer note 4)	-	-	-	-	-			1,101.15
11.	Earnings from ordinary activities before tax (9-10)	4,312.38	3,149.09	2,595.09	7,461.47	3,662.33			7,270.36
12.	Tax expense	1,459.69	1,183.30	869.89	2,642.99	1,349.46			3,013.50
13.	Net profit from ordinary activities after tax (11-12)	2,852.69	1,965.79	1,725.20	4,818.48	2,312.87			4,256.86
14.	Extraordinary items	-	-	-	-	-			-
15.	Net profit for the period / year (13-14)	2,852.69	1,965.79	1,725.20	4,818.48	2,312.87			4,256.86
16.	Share of loss of associates	204.16	241.55	687.14	445.71	1,313.45			2,174.97
17.	Minority interest	3.01	0.91	0.23	3.92	41.21			40.78
18.	Net Profit after taxes, share of loss of associates and minority interest (15-16+17) (refer note 3a)	2,651.54	1,725.15	1,038.29	4,376.69	1,040.63			2,122.67
19.	Other comprehensive income	(39.49)	91.01	36.63	51.52	24.72			(79.13)
20.	Total comprehensive income, net of tax (18+19) (refer note 3a)	2,612.05	1,816.16	1,074.92	4,428.21	1,065.35			2,043.54
21.	Paid-up equity share capital (Face value of ₹ 10 each)	20,436.08	20,436.08	20,000.00	20,436.08	20,000.00			20,436.08
22.	Reserves excluding revaluation reserves i.e. 'Other Equity' as per balance sheet of previous accounting year	-	-	-	-	-			67,162.10
23.	i. Earnings per share (before extraordinary items) (of ₹ 10 each) (not annualised):								
	(a) Basic	1.31	0.85	0.52	2.16	0.52			1.06
	(b) Diluted (refer note 8)	1.31	0.85	0.52	2.16	0.52			1.06
	ii. Earnings per share (after extraordinary items) (of ₹ 10 each) (not annualised):								
	(a) Basic	1.31	0.85	0.52	2.16	0.52			1.06
	(b) Diluted (refer note 8)	1.31	0.85	0.52	2.16	0.52			1.06
	See accompanying notes to the financial results								

Narayana Hrudayalaya Limited

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

STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES AS ON 30 SEPTEMBER 2016

		(₹ in lacs)	
Sl. No.	Particulars	As at 30 September 2016 (Unaudited)	As at 31 March 2016 (Audited)
A.	ASSETS		
1.	Non-current assets		
a)	Property, plant and equipment	99,755.85	99,265.57
b)	Capital work-in-progress	1,998.34	1,380.34
c)	Goodwill	5,902.06	5,902.06
d)	Other intangible assets	399.62	282.72
e)	Investment in associates	9,687.05	8,685.38
f)	Financial assets		
i)	Investments	30.01	30.01
ii)	Loans	1,957.47	2,042.51
iii)	Others	23.81	24.63
g)	Income tax assets (net)	2,464.68	3,445.67
h)	Other non-current assets	6,477.42	6,235.32
	Sub-total- Non-current assets	128,696.31	127,294.21
2.	Current assets		
a)	Inventories	5,861.71	4,974.72
b)	Financial assets		
i)	Trade receivables	17,851.54	15,452.73
ii)	Cash and cash equivalents	1,406.08	1,377.34
iii)	Bank balances other than (ii) above	874.09	1,029.54
iv)	Loans	472.37	586.89
v)	Others	1,439.27	1,634.54
c)	Other current assets	2,622.76	2,264.78
d)	Assets held for sale	-	1,411.30
	Sub-total- Current assets	30,527.82	28,731.84
	TOTAL- ASSETS	159,224.13	156,026.05
B	EQUITY AND LIABILITIES		
1.	Equity		
a)	Equity share capital	20,436.08	20,436.08
b)	Other equity	71,985.48	67,162.10
	Sub-total- Total equity attributable to equity holders of the Company	92,421.56	87,598.18
2.	Non controlling interests	27.27	27.29
	Sub-total- Total equity (refer note 3b)	92,448.83	87,625.47
3.	Non-current liabilities		
a)	Financial liabilities		
i)	Borrowings	17,482.91	18,756.99
ii)	Other financial liabilities	204.00	204.00
b)	Provisions	1,459.83	1,298.72
c)	Deferred tax liabilities (net)	2,408.36	2,316.03
d)	Other non-current liabilities	13,681.55	13,847.30
	Sub-total- Non-current liabilities	35,236.65	36,423.04
4.	Current liabilities		
a)	Financial liabilities		
i)	Borrowings	869.48	4,457.92
ii)	Trade payables	20,400.06	16,604.65
iii)	Other financial liabilities	6,085.12	6,831.81
b)	Other current liabilities	2,932.00	2,865.16
c)	Provisions	1,246.95	1,182.44
d)	Income tax liabilities (net)	5.04	35.56
	Sub-total- Current liabilities	31,538.65	31,977.54
	TOTAL- EQUITY AND LIABILITIES	159,224.13	156,026.05

Notes :

- 1 The Statement of unaudited consolidated financial results ('the Statement') of Narayana Hrudayalaya Limited ('the Company'), its subsidiaries and associates (collectively referred to as 'the Group') for the quarter and half year ended 30 September 2016 has been reviewed by the Audit, Risk and Compliance Committee and approved by the Board of Directors on 9 November 2016.

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

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

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

(₹ in lacs)

Particulars	Quarter ended 30-Sep-15	Half year ended 30-Sep-15	Previous year ended 31-Mar-16
Profit after tax (PAT) as per previous GAAP	1,064.24	1,221.42	1,912.72
Impact of expected credit loss provision on trade receivables	(31.22)	(357.40)	(148.27)
Employee benefits expense (share based payments and actuarial loss)	(54.80)	(36.59)	115.85
Impact due to fair valuation of security deposits	(4.17)	(8.28)	(16.89)
Income on recognition of government grant	93.93	187.85	375.71
Increase in depreciation due to recognition of government grant	(40.65)	(81.31)	(162.62)
Others	(2.90)	(6.67)	(1.68)
Tax impact on the above adjustments	2.35	98.59	1.82
Tax impact due to the cost indexation of the land	11.51	23.02	46.03
PAT as per Ind AS	1,038.29	1,040.63	2,122.67
<i>Other comprehensive income (OCI)</i>			
Actuarial loss on defined benefit obligation - Gratuity, net of tax	36.63	24.72	(79.13)
Total comprehensive income	1,074.92	1,065.35	2,043.54

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

(₹ in lacs)

Equity reconciliation	As at 31-Mar-16
Total equity under previous GAAP	88,709.74
Adjustments on account of Ind AS:	
a) Impact due to goodwill reversal on acquisition of NCI related control	(1,598.18)
b) Impact due to fair valuation of security deposits, net of tax	(119.89)
c) Income on recognition of government grant	1,256.28
d) Impact on property, plant and equipment including depreciation due to recognition of government grant	(380.79)
e) Employee benefits expense (share based payments and actuarial loss), net of tax	5.16
f) Impact due to expected credit loss provision on trade receivables	(58.27)
g) Impact due to rent straight lining and others	(136.69)
h) Deferred tax on cost indexation of land	152.11
i) Impact of ESOP Trust consolidation	(204.00)
Total adjustments	(1,084.27)
Total Equity as per Ind AS	87,625.47

4 Exceptional items for the year ended 31 March 2016 represents:

(a) loss on slump sale of Hyderabad unit aggregating ₹ 959.86 lacs which has been sold as per an agreement to sell entered into by the Company on 5 April 2016.

(b) additional provision for bonus aggregating ₹ 141.29 lacs for the period from 1 April 2014 to 31 March 2015 pursuant to the retrospective application of 'The Payment of Bonus (Amendment) Act, 2015' effective 1 April 2014.

5 The Group's reportable segment is 'Medical and Healthcare Services'. Since the Group has a single reportable segment, disclosures pertaining to segments as per Regulation 33(1)(e) read with clause (L) of Part A of Schedule IV of the SEBI Regulations is not applicable.

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

(₹ in lacs)		
Particulars	Quarter ended 30-Jun-16	Previous year ended 31-Mar-16
Increase in other income	93.93	375.71
Increase in depreciation and amortisation	40.65	162.62
Net impact on profit after tax	53.28	213.09

7 As permitted by Schedule III of the Companies Act, 2013, the Group has elected to present earnings before interest, tax, depreciation and amortisation (EBITDA) as a separate line item on the face of the statement of profit and loss in the consolidated financial statements. The same classification is also followed while presenting the Statement pursuant to the requirement of the SEBI Regulations. The Group has included other income and excluded depreciation and amortisation expense, finance costs, exceptional items, tax expense, extraordinary items, share of loss of associates, minority interest for the EBITDA presentation.

8 Basic and diluted earnings per share for the quarter and half year ended 30 September 2015 and year ended 31 March 2016 are considered same since the potential equity shares (optionally convertible debenture) are anti-dilutive in nature.

9 Pursuant to the approval of the Board in their meeting held on 9 November 2016, the Company has decided to dispose investment in one of its wholly owned subsidiary, Asia Healthcare Development Limited, which does not have significant operations. The formal sale agreement is expected to be executed in November 2016.

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

Place: Bengaluru

Date: 09 November 2016


Dr. Devi Prasad Shetty
Chairman