

B S R & Co. LLP

Chartered Accountants

Maruthi Info-Tech Centre
11-12/1 Inner Ring Road
Koramangala
Bangalore 560 071 India

Telephone: + 91 80 3980 6000
Fax: + 91 80 3980 6999

Independent Auditor's Report

To the Members of Narayana Hrudayalaya Surgical Hospital Private Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Narayana Hrudayalaya Surgical Hospital Private Limited ("the Company"), which comprise the balance sheet as at 31 March 2016, the statement of profit and loss, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements.



Narayana Hrudayalaya Surgical Hospital Private Limited
Independent Auditor's Report (continued)

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at 31 March 2016 and its loss and its cash flows for the year ended on that date.

Other matter

The financial statements of the Company for the year ended 31 March 2015, were audited by another auditor who expressed an unmodified opinion on those financial statements on 29 June 2015.

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 terms of sub-section (11) of section 143 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 and the cash flow statement dealt with by this Report are in agreement with the books of account;
 - (d) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) on the basis of the written representations received from the Directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 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



B S R & Co. LLP

**Narayana Hrudayalaya Surgical Hospital 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.

for B S R & Co. LLP

Chartered Accountants

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

Amit Somani

Amit Somani

Partner

Membership number: 060154

Place: Bengaluru

Date: 30 May 2016

Narayana Hrudayalaya Surgical Hospital 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 Hrudayalaya Surgical Hospital Private Limited ("the Company") for the year ended 31 March 2016, we report that:

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three 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, fixed assets 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 inventory has been physically verified by the Management during the year. In our opinion, the frequency of such verification is reasonable and no material discrepancies were noticed on such verification.
- (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.
- (iv) The Company has not made any loans and investments or given guarantee and security. Accordingly, paragraph 3(iv) of the Order is not applicable.
- (v) 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 explanations given to us, as per Companies (Cost records and Audit) rules, 2014, the Central Government has not prescribed the maintenance of cost records under Section 148 (1) of the Act, for any of the 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 Provident Fund, Employee's State Insurance, Income tax, Sales Tax, Service tax, Duty of Customs, Value added tax and other material statutory dues have generally been regularly deposited during the year with the appropriate authorities though the delays in deposit have not been serious. As explained to us, the Company did not have any dues on account of Duty of Excise.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employee's State Insurance, Income tax, Sales Tax, Service tax, Duty of Customs, Value added tax and other material statutory dues were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Service Tax, Duty of customs and Value added tax which have not been deposited with the appropriate authorities on account of any dispute.

B S R & Co. LLP

Narayana Hrudayalaya Surgical Hospital Private Limited
Annexure - A to the Independent Auditors' Report (continued)

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions and banks. The Company did not have any outstanding loans during the year from the government and debenture holders.
- (ix) In our opinion and according to the information and explanations given to us, the monies raised by the Company by way of term loans have been applied for the purposes for which they were raised. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments).
- (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 any 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, transactions with the related parties are in compliance with section 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards. The Company was not required to constitute an audit committee as per the provisions of the Act, hence compliance with section 177 of the Act is not applicable.
- (xiv) According to the information and explanation 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. Hence, the requirement of section 42 of the Act is not applicable to the Company.
- (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 B S R & Co. LLP

Chartered Accountants

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

Amit Somani

Amit Somani

Partner

Membership number: 60154

Place: Bengaluru

Date: 30 May 2016

Narayana Hrudayalaya Surgical Hospital 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 Hrudayalaya Surgical Hospital Private Limited ("the Company") as of 31 March 2016 in conjunction with our audit of the 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 (the "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, both issued by the ICAI. 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 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.

AS

Narayana Hrudayalaya Surgical Hospital Private Limited
Annexure - B to the Independent Auditors' 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 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 procedure 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 the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the 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 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

for B S R & Co. LLP

Chartered Accountants

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

Amit Somani

Amit Somani

Partner

Membership number: 60154

Place: Bengaluru

Date: 30 May 2016

Narayana Hrudayalaya Surgical Hospital Private Limited
Balance sheet as at 31st March 2016

	Note	As at 31 March 2016	INR As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	149,527,040	27,027,040
Reserves and surplus	3	(60,079,002)	(7,719,406)
		89,448,038	19,307,634
Non-current liabilities			
Long-term borrowings	4	360,737,994	195,362,327
Other long-term liabilities	5	2,804,279	-
Long-term provisions	6	1,754,948	1,074,200
		365,297,221	196,436,527
Current liabilities			
Short-term borrowings	7	27,287,939	35,894,024
Trade payables			
- Total outstanding dues of micro enterprises and small enterprises	32	-	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises	8	73,282,340	56,297,057
Other current liabilities	9	27,770,487	207,786,147
Short-term provisions	6	3,030,746	1,462,354
		131,371,512	301,439,582
TOTAL		586,116,771	517,183,743
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	10	482,348,558	334,689,619
Intangible assets	10	289,054	26,510
Capital work-in-progress		-	112,679,413
Long-term loans and advances	11	14,711,079	11,526,540
Other non-current assets	12	-	1,674,000
		497,348,691	460,596,082
Current assets			
Inventories	13	21,940,035	14,916,655
Trade receivables	14	54,726,781	31,196,366
Cash and bank balances	15	5,257,290	6,993,736
Short-term loans and advances	11	4,407,731	1,244,469
Other current assets	16	2,436,243	2,236,435
		88,768,080	56,587,661
TOTAL		586,116,771	517,183,743

Significant accounting policies

1

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

for **BSR & Co. LLP**

Chartered Accountants

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

Amit Somani

Amit Somani

Partner

Membership number : 060154

Place: Bengaluru

Date: 30 May 2016

for and on behalf of the Board of Directors of

Narayana Hrudayalaya Surgical Hospital Private Limited

Dr. Devi Prasad Shetty
Dr. Devi Prasad Shetty
Chairman
DIN: 00252187

Place: Bengaluru

Date: 30 May 2016

Narayana Hrudayalaya Surgical Hospital Private Limited
Statement of profit and loss for the year ended 31st March 2016

			INR
Particulars	Note	For the year ended 31 March 2016	For the year ended 31 March 2015
INCOME			
Revenue from operations	17	455,055,672	283,366,987
Other income	18	572,118	953,301
Total revenue		455,627,790	284,320,288
EXPENSE			
Purchase of medical consumables, drugs and surgical equipments		117,421,961	80,069,393
Changes in inventories of medical consumables, drugs and surgical equipments	19	(7,023,380)	1,658,494
Employee benefits	20	90,862,631	73,471,713
Other expenses	21	234,440,418	164,260,974
Total expenses		435,701,630	319,460,574
Profit/ (loss) before interest, tax, depreciation and amortisation		19,926,161	(35,140,286)
Finance costs	22	44,293,670	28,244,832
Depreciation and amortisation	10	27,992,087	22,167,290
Loss before tax		(52,359,596)	(85,552,408)
Tax Expenses		-	-
Loss for the year		(52,359,596)	(85,552,408)
Loss per equity share [nominal value of share INR 10 (previous year INR 10)]			
Basic and diluted (refer note 33)		(14.79)	(31.65)

Significant accounting policies

1

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

for **BSR & Co. LLP**

Chartered Accountants

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

Amit Somani

Amit Somani

Partner

Membership number : 060154

Place: Bengaluru

Date: 30 May 2016

for and on behalf of the Board of Directors of

Narayana Hrudayalaya Surgical Hospital Private Limited

Dr. Devi Prasad Shetty
Dr. Devi Prasad Shetty
Chairman
DIN: 00252187

Place: Bengaluru

Date: 30 May 2016

Narayana Hrudayalaya Surgical Hospital Private Limited
Cash flow statement for the year ended 31 March 2016

	For the year ended 31 March 2016	INR For the year ended 31 March 2015
Cash flow from operating activities		
Loss before tax	(52,359,596)	(85,552,408)
Adjustments:		
Depreciation and amortisation	27,992,087	22,167,290
Interest income on bank deposit	(323,923)	(85,124)
Interest expenses	44,293,670	28,244,832
Operating cash flow before working capital changes	19,602,238	(35,225,410)
Changes in trade receivables	(23,530,415)	(14,062,392)
Changes in inventories	(7,023,380)	1,658,494
Changes in other assets	52,239	(463,814)
Changes in loan and advances	(2,863,262)	202,983
Changes in liabilities and provisions	20,916,409	28,084,398
Cash generated from operations	7,153,829	(19,805,741)
Income taxes paid, net	(5,072,539)	(4,021,463)
Net cash generated from/ (used in) operating activities (A)	2,081,290	(23,827,204)
Cash flow from investing activities		
Purchase of fixed assets and capital work in progress	(63,850,681)	(121,796,025)
Bank deposits (due to mature after 12 months from the reporting date)	1,674,000	(1,674,000)
Bank deposit (having original maturity of more than 3 months)	(2,660,276)	229,738
Interest received on bank deposit	71,876	83,521
Net cash (used in) investing activities (B)	(64,765,081)	(123,156,766)
Cash flow from financing activities		
Proceeds from issue of equity shares	122,500,000	-
Proceeds from long-term borrowings	170,000,000	281,328,135
Repayment of long-term borrowings	(179,956,478)	(24,480,281)
Change in bank overdrafts	(8,606,085)	35,894,024
Loan received from related party (refer note 29)	-	8,500,000
Repayment of loan received from related party (refer note 29)	-	(121,002,599)
Refund of share application money	-	(80,712)
Interest paid	(45,650,368)	(28,244,832)
Net cash provided by financing activities (C)	58,287,069	151,913,735
Net (decrease)/increase in cash and cash equivalents (A+B+C)	(4,396,722)	4,929,765
Cash and cash equivalents at the beginning of the year	6,399,012	1,469,247
Cash and cash equivalents at the end of the year (refer note 15)	2,002,290	6,399,012

The notes referred to above form an integral part of the financial statements

As per our report of even date attached
for **BSR & Co. LLP**

Chartered Accountants

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

Amit Somani

Amit Somani

Partner

Membership number : 060154

Place: Bengaluru

Date: 30 May 2016

for and on behalf of the Board of Directors of
Narayana Hrudayalaya Surgical Hospital Private Limited

Dr. Devi Prasad Shetty

Dr. Devi Prasad Shetty

Chairman

DIN: 00252187

Place: Bengaluru

Date: 30 May 2016

Narayana Hrudayalaya Surgical Hospital Private Limited
Notes to the financial statements for the year ended 31 March 2016

Company overview

Narayana Hrudayalaya Surgical Hospital Private Limited ('the Company') was incorporated on 11 October 2010 under the Companies Act, 1956. The Company is engaged in establishing, promoting, owning, letting, managing and maintaining hospitals, clinics, health centers, nursing home in all discipline of medicine and without limitation to run and administer healthcare schemes.

1. Significant accounting policies

1.1 Basis of preparation of the financial statements

These financial statements have been prepared in accordance with Generally Accepted Accounting Principles in India ('GAAP') under the historical cost convention and on the accrual basis of accounting and comply with the accounting standards prescribed under Section 133 of the Companies Act, 2013 ('the Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India ('ICAI'), and the provisions of the Act to the extent notified and applicable.

The accounting policies have been consistently applied by the Company. The financial statements are presented in Indian Rupees.

1.2 Going concern

These financial statements have been prepared on a going concern basis notwithstanding the continuing losses. The Company has positive net worth as at the balance sheet date on account of equity infusion by the holding company, Narayana Hrudayalaya Limited (*formerly known as Narayana Hrudayalaya Private Limited*), which continues to support the Company through equity infusion and acting as a corporate guarantor for long-term loans availed by the Company from the financial institutions and banks. 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 2017.

1.3 Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles in India requires the Management to make judgement estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognized prospectively in the current and future years.

1.4 Current and non – current classification

All assets and liabilities are classified into current and non – current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

- It is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- It is held primarily for the purpose of being traded;
- It is expected to be realised within 12 months after the reporting date; or
- It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non – current financial assets.

All other assets are classified as non – current.



Narayana Hrudayalaya Surgical Hospital Private Limited
Notes to the financial statements for the year ended 31 March 2016

1. Significant accounting policies (continued)

1.4 Current and non – current classification (continued)

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- a) It is expected to be settled in the Company's normal operating cycle;
- b) It is held primarily for the purpose of being traded;
- c) It is expected to be settled within 12 months after the reporting date; or
- d) The Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include the current portion of non – current financial liabilities.

All other liabilities are classified as non – current.

Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realizations in cash or cash equivalents.

1.5 Inventories

The inventories of medical consumables, drugs and surgical equipments are valued at lower of cost or net realizable value. In the absence of any further estimated costs of completion and estimated costs necessary to make the sale, the net realizable value is the selling price. Cost of these inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location after adjusting for value added tax wherever applicable, applying the first in first out method.

1.6 Cash and cash equivalents

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

1.7 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.

1.8 Fixed assets, depreciation and amortisation

Fixed assets are stated at the cost of acquisition or construction less accumulated depreciation.
The cost of fixed assets not ready for their use before such date, are disclosed as capital work in progress. Advances paid towards acquisition of fixed assets outstanding as of the balance sheet date are disclosed under long-term loans and advances.



A large, stylized handwritten signature in blue ink, located at the bottom right of the page.

Narayana Hrudayalaya Surgical Hospital Private Limited
Notes to the financial statements for the year ended 31 March 2016

1. Significant accounting policies (continued)

1.8 Fixed assets, depreciation and amortisation (continued)

(a) Tangible fixed assets

Tangible fixed assets are carried at cost of acquisition or construction less accumulated depreciation and/ or accumulated impairment, if any. The cost of an item of tangible fixed assets comprises its purchase price, including import duties and other non-refundable taxes or levies, freight and any directly attributable cost of bringing the asset to its working condition for its use; 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.

(b) Intangible fixed assets

Intangible assets are recorded at consideration paid for acquisition of such assets and are carried at cost less accumulated amortisation and accumulated impairment loss, if any.

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

(c) Depreciation and amortisation

Depreciation on additions and disposals during the year is provided on proportionate basis.

Depreciation is provided on the straight line method over the estimated useful life of fixed assets. The Company estimates the useful life of the fixed assets as follows:

Block of assets	Useful life
Building*	30 years
Electrical installation	10 years
Medical equipment	13 years
Office equipment	5 years
Other equipment including air conditioners	15 years
Furniture and fixtures	10 years
Computers	3 years
Computer software	3 years

* Lower of estimated useful life and lease period of land

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.



Narayana Hrudayalaya Surgical Hospital Private Limited
Notes to the financial statements for the year ended 31 March 2016

1. Significant accounting policies (continued)

1.9 Revenue recognition

Revenue from operations

Revenue from medical and healthcare services to patients is recognized as revenue when the related services are rendered unless significant future uncertainties exist. Revenue is also recognised in relation to the services rendered to the patients who are undergoing treatment/observation on the balance sheet date to the extent of services rendered. Revenue is recognized net of discounts given to the patients.

Revenue from sale of medical consumables and drugs within hospital premises is recognised when property in the goods or all significant risks and rewards of their ownership are transferred to the customer and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods and regarding its collection.

‘Unbilled revenue’ represents value to the extent of medical and healthcare services rendered to the patients who are undergoing treatment/observation on the balance sheet date and is not billed till the balance sheet date.

‘Unearned revenue’ comprises billings in excess of earnings

Interest

Interest on the deployment of funds is recognized using the time-proportion method, based on underlying interest rates.

1.10 Borrowing cost

Borrowing costs are interest and other costs incurred by the Company in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily takes a substantial period of time to get ready for their use are capitalised. Other borrowing costs are accounted as an expense in the period in which they are incurred.

1.11 Income tax

Income-tax expense comprises of current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year).

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised. Assets and liabilities representing current tax and deferred tax are disclosed on a net basis where there is a legally enforceable right to set off and where the Management intends to settle the asset and liability on a net basis.



A large, stylized handwritten signature in blue ink, located at the bottom right of the page.

Narayana Hrudayalaya Surgical Hospital Private Limited
Notes to the financial statements for the year ended 31 March 2016

1. Significant accounting policies (continued)

1.12 Employee benefits

Short term employee benefits

Employee benefits payable wholly within 12 months of receiving services are classified as short-term employee benefits. These benefits include salary and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognized as an expense as the related service is rendered by the employees.

Post-employment benefits

Define contribution plans

A defined contribution plan is post-employment benefit plan under which an entity pays specified contributions to separate entity and has no obligation to pay any further amounts. The Company makes specified obligations towards employee provident fund and employee's state insurance to Government administered provident fund scheme and employee's state insurance scheme which is a defined contribution plan. The Company's contribution is recognised as an expense in the Statement of Profit and Loss during the year in which the employee renders the related service.

Defined benefit plans

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned and returned for services in the current and prior periods; that benefit is discounted to determine its present value. The calculation of Company's obligation under the plan is performed periodically by a qualified actuary using the projected unit credit method.

The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in the Statement of Profit and Loss. All expenses related to defined benefit plans are recognized in employee benefit expense in the Statement of Profit and Loss.

When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognized in the Statement of Profit and Loss on a straight-line basis over the average period until the benefits become vested. The Company recognizes gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

Compensated absences

The employees can carry-forward a portion of the unutilized accrued compensated absences and utilize it in future service periods or receive cash compensation on termination of employment. Since the employee has unconditional right to avail the leave, the benefit is classified as a short term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.



Narayana Hrudayalaya Surgical Hospital Private Limited
Notes to the financial statements for the year ended 31 March 2016

1. Significant accounting policies (continued)

1.13 (Loss)/ earnings per share

The basic (loss)/earnings per share is computed by dividing the net (loss)/ profit 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.

1.14 Provisions and contingencies

Provision is recognised if, as a result of obligating events, there is a present obligation that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation.

The disclosure of contingent liability is made when, as a result of obligating events, there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

No provision or disclosure is made when, as a result of obligating events, there is a possible obligation or a present obligation where the likelihood of an outflow of resources is remote.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised. when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

1.15 Impairment of assets

The Company assesses at each balance sheet date using external and internal sources, whether there is any indication that an asset or a group of assets comprising a cash-generating unit may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognised.

1.16 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.

Lease payments under operating lease are recognised as an expense in the Statement of Profit and Loss on a straight line basis over the lease term. Lease term is the non-cancellable period for which the Company has agreed to take on lease the asset together with any further periods for which the Company has the option to continue the lease and at the inception of the lease it is reasonably certain that the Company will exercise such an option.



Narayana Hrudayalaya Surgical Hospital Private Limited
Notes to the financial statements for the year ended 31 March 2016

1. Significant accounting policies (continued)

1.17 Foreign exchange transactions and translations

Foreign exchange transactions are recorded at the rate prevailing on the date of the transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the Statement of Profit and Loss for the year except for exchange difference arising on settlement of long-term foreign currency monetary items (i.e. an asset or liability which is expressed in a foreign currency and has a term of 12 months or more at the date of the origination of the asset or liability) relating to acquisition of depreciable capital asset at rates different from those at which they were initially recorded during the year, or reported in previous financial statements are added or deducted from the cost of the asset and shall be depreciated over the remaining life of the asset.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the exchange rates on that date; the resultant exchange differences are recognised in the Statement of Profit and Loss except for exchange difference arising on reporting of long-term foreign currency monetary items (i.e. an asset or liability which is expressed in a foreign currency and has a term of 12 months or more at the date of the origination of the asset or liability) relating to acquisition of depreciable capital asset at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are added or deducted from the cost of the asset and shall be depreciated over the remaining life of the asset.

1.18 Measurement of Earnings before Interest, Tax, Depreciation and Amortisation

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 expense.



INR

2 Share capital

Particulars	As at 31 March 2016	As at 31 March 2015
Authorised		
20,000,000 equity shares (previous year: 5,000,000 equity shares) of INR. 10 each	200,000,000	50,000,000
Issued, subscribed and paid up		
14,952,704 equity shares (previous year 2,702,704 equity shares) of INR. 10 each, fully paid up	149,527,040	27,027,040
	149,527,040	27,027,040

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

Particulars	As at 31 March 2016		As at 31 March 2015	
	Number of shares	Amount	Number of shares	Amount
Shares outstanding at the beginning of the year	2,702,704	27,027,040	2,702,704	27,027,040
Shares issue during the year	12,250,000	122,500,000	-	-
Shares outstanding at the end of the year	14,952,704	149,527,040	2,702,704	27,027,040

Rights, preferences and restrictions attached to equity shares:

The Company has a single class of equity shares referred to as equity shares having a nominal value of INR 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 Company declares and pays dividend in Indian rupees. 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	As at 31 Mar 2016		As at 31 March 2015	
	Number of shares	Amount	Number of shares	Amount
Equity share of INR 10 each fully paid up held by - Narayana Hrudayalaya Limited	14,952,703	149,527,030	1,999,999	19,999,990

Particulars of shareholders holding more than 5% shares:

Particulars	As at 31 Mar 2016		As at 31 March 2015	
	Number of shares	% holding	Number of shares	% holding
Narayana Hrudayalaya Limited	14,952,703	100.00%	1,999,999	74.00%
Infrastructure Development Corporation (Karnataka) Limited	-	0.00%	702,704	26.00%

The Company has not bought back any shares during the period beginning from the date of incorporation i.e. 11 October 2010 to 31st March 2016. Further, the Company has not issued any bonus shares or issued shares for consideration other than cash during the period beginning from the date of incorporation i.e. 11 October 2010 to 31 March 2016

3 Reserves and surplus

Particulars	As at 31 March 2016	As at 31 March 2015
Securities premium account		
At the commencement and at the end of the year	192,671,888	192,671,888
Deficit (profit and loss balance)		
At the commencement of the year	(200,391,294)	(114,838,886)
Add: Net loss after tax transferred from statement of profit and loss	(52,359,596)	(85,552,408)
At the end of the year	(252,750,890)	(200,391,294)
	(60,079,002)	(7,719,406)



[Handwritten signature]

Narayana Hrudayalaya Surgical Hospital Private Limited
Notes to the financial statements for the year ended 31 March 2016

4 Long - term borrowings	INR			
	Non-current portion		Current portion	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Particulars				
Secured				
Term loans				
- From banks	350,000,000	180,000,000	-	176,431,353
- From other	10,737,994	15,362,327	4,624,332	3,525,125
	360,737,994	195,362,327	4,624,332	179,956,478

I Term loans from banks:

(i) Term loan from Yes Bank Limited: INR 350,000,000 (previous year: INR 180,000,000) repayable in 28 (previous year 28) quarterly installments from 1 June 2018. Interest is linked to the Yes Bank Limited base rate plus 0.2% [(Base rate as on 31 March 2016 being 10.5% p.a.) (previous year base rate 10.75% p.a.)]. The loan is secured by hypothecation of movable fixed assets and corporate guarantee of Narayana Hrudayalaya Limited, holding company (formerly known as Narayana Hrudayalaya Private Limited).

(ii) Term loan from Canara Bank: INR nil (previous year: INR 176,431,353) repaid in April 2015. The loan was secured by the hypothecation of purchased equipment. Interest is linked to the base rate plus 1.75%. [(Base rate as on 31 March 2016: 9.65%) (previous year: 10.02%)]

II Term loan from other :

Equipment loan from GE Capital Services India: INR 15,362,327 (previous year: INR 18,887,452) repayable in 11 (previous year 15) quarterly installments from reporting date along with interest charged at 10.34% p.a. (previous year 10.34% p.a.). The loan is secured by hypothecation of equipments as purchased and corporate guarantee of Narayana Hrudayalaya Limited , holding company (formerly known as Narayana Hrudayalaya Private Limited).

5 Other long-term liabilities

Particulars	As at	As at
	31 March 2016	31 March 2015
Creditors for capital goods	2,804,279	-
	2,804,279	-

6 Long-term and short-term provisions

Particulars	Long-term provisions		Short-term provisions	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Provision for employee benefits				
Gratuity (refer note 30)	1,754,948	1,074,200	37,117	22,693
Compensated absences	-	-	2,923,135	1,369,167
Provision for tax	-	-	70,494	70,494
	1,754,948	1,074,200	3,030,746	1,462,354

7 Short-term borrowings

Particulars	As at	As at
	31 March 2016	31 March 2015
Secured loans repayable on demand		
- Bank overdraft	27,287,939	35,894,024
	27,287,939	35,894,024

(i) Overdraft facility from Yes Bank Limited INR 27,287,939 (previous year: INR 35,894,024) carry interest rate of 0.25% above the base rate (base rate as on 31 March 2016 being 10.5% p.a.) (previous year base rate 10.75% p.a.), to be paid on monthly basis. It is secured by current assets (both present and future), subservient charge on movable fixed assets and corporate guarantee of Narayana Hrudayalaya Limited, holding company (formerly known as Narayana Hrudayalaya Private Limited).

8 Trade payables

Particulars	As at	As at
	31 March 2016	31 March 2015
Trade payables (refer note 32)	72,530,443	52,913,171
Payable to related parties (refer note 29)	751,897	3,383,886
	73,282,340	56,297,057

9 Other current liabilities

Particulars	As at	As at
	31 March 2016	31 March 2015
Current maturities of long-term debt (refer note 4)	4,624,332	179,956,478
Interest accrued but not due on borrowings	3,106,369	-
Advance from patients	1,775,933	305,762
Statutory liabilities (value added tax, sales tax, tax deducted at source etc)	2,979,786	3,655,992
Other payables		
Accrued salaries and benefits	3,311,236	2,423,213
Creditors for capital goods	11,972,831	21,444,702
	27,770,487	207,786,147



Narayana Hrudayalaya Surgical Hospital Private Limited
Notes to the financial statements for the year ended 1 April 2015 to 31st March 2016 (continued)

10 Fixed assets

INR

Particulars	Gross block			Accumulated depreciation			Net block		
	As at 1 April 2015	Additions (refer note 35)	Deletions	As at 31 March 2016	As at 1 April 2015	Depreciation/ amortisation	Deletions	As at 31 March 2016	As at 31 March 2015
Tangible assets (owned)									
Building*	223,497,478	101,943,822	-	325,441,300	17,158,264	10,468,746	-	297,814,290	206,339,214
Electrical installation	8,313,866	22,625,601	-	30,939,467	1,344,430	2,183,005	-	27,412,032	6,969,436
Medical equipments	108,279,383	14,974,391	-	123,253,774	16,953,706	8,840,828	-	97,459,240	91,325,677
Office equipments	2,056,791	1,325,341	-	3,382,132	622,838	717,326	-	2,042,168	1,433,953
Other equipment including air conditioners	14,760,809	25,477,914	-	40,238,723	1,668,928	1,961,310	-	36,608,485	13,091,881
Furniture and fixtures	16,794,850	7,129,388	-	23,924,238	3,139,388	2,293,983	-	18,490,867	13,655,462
Computers	3,872,675	2,106,798	-	5,979,473	1,998,679	1,459,318	-	2,521,476	1,873,996
Total - A	377,575,852	175,583,455	-	553,159,307	42,886,233	27,924,516	-	482,348,558	334,689,619
Intangible assets								-	
Computer software	93,036	330,115	-	423,151	66,526	67,571	-	289,054	26,510
Total - B	93,036	330,115	-	423,151	66,526	67,571	-	289,054	26,510
Grand total (A+B)	377,668,888	175,913,570	-	553,582,458	42,952,759	27,992,087	-	482,637,612	334,716,129
Previous year	359,472,533			377,668,890	20,785,471	22,167,290		334,716,129	

* represents the cost of construction of building on the leasehold land at Mysore. The said land at Mysore has been leased to the Company for 30 years effective 1 April 2011 by the holding company, Narayana Hrudayalaya Limited.



Narayana Hrudayalaya Surgical Hospital Private Limited
Notes to the financial statements for the year ended 31 March 2016

11 Long-term and short-term loans and advances

(Unsecured, considered good)

	Long-term portion		Short-term portion		INR
	31 March 2016	31 March 2015	31 March 2016	31 March 2015	
Capital advances	760,412	2,348,412	-	-	
Security deposits	2,086,879	2,386,879	697,000	800,000	
Prepaid expense	-	-	450,081	-	
Balance with government authority	-	-	-	-	
Value added tax receivable	-	-	36,744	-	
Advance to vendors	-	-	3,223,906	444,469	
Tax deducted at source	11,863,788	6,791,249	-	-	
	14,711,079	11,526,540	4,407,731	1,244,469	

12 Other non-current assets

(Unsecured, considered good)

Particulars	As at 31 March 2016	As at 31 March 2015
Bank deposits (due to mature after 12 months from the reporting date) (Refer note 15)	-	1,674,000
	-	1,674,000

13 Inventories

(Valued at lower of cost or net realisable value)

Particulars	As at 31 March 2016	As at 31 March 2015
Medical consumables, drugs and surgical equipments	22,399,934	15,680,030
Less : Provision for slow and non moving	459,899	763,375
	21,940,035	14,916,655

14 Trade receivables

Particulars	As at 31 March 2016	As at 31 March 2015
Receivables outstanding for a period exceeding six months from the date they become due for payment		
Unsecured, considered good	1,140,160	12,006,303
Unsecured, considered doubtful	288,074	-
Less : Provision for doubtful receivables	288,074	-
	1,140,160	12,006,303
Other receivables		
Unsecured, considered good	53,586,621	19,190,063
	54,726,781	31,196,366

15 Cash and bank balances

Particulars	As at 31 March 2016	As at 31 March 2015
Cash and cash equivalents		
Cash on hand	123,161	686,133
Balances with banks		
- on current accounts	1,879,129	5,712,879
	2,002,290	6,399,012
Other bank balances		
- on deposits accounts (due to mature within 12 months of the reporting date)	3,255,000	594,724
	5,257,290	6,993,736
Details of bank deposits:		
Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances'	3,255,000	594,724
Bank deposits due to mature after 12 months of the reporting date included under 'Other non-current assets'	-	1,674,000
	3,255,000	2,268,724

16 Other current assets

(Unsecured considered good unless otherwise stated)

Particulars	As at 31 March 2016	As at 31 March 2015
Interest accrued on fixed deposits but not due	272,594	20,749
Unbilled revenue	2,163,649	2,030,647
Others	-	185,039
	2,436,243	2,236,435



Narayana Hrudayalaya Surgical Hospital Private Limited
Notes to the financial statements for the year ended 31 March 2016

INR

17 Revenue from operations

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Income from medical and healthcare services	432,675,740	270,561,855
Sale of medical consumables and drugs	22,379,932	12,805,132
	455,055,672	283,366,987

18 Other income

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income on bank deposits	323,923	85,124
Miscellaneous income	248,195	868,177
	572,118	953,301

19 Change in inventories of medical consumables, drugs and surgical equipments

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Inventories at the beginning of the year	14,916,655	16,575,149
Inventories at the end of the year	21,940,035	14,916,655
	(7,023,380)	1,658,494

20 Employee benefits

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	83,095,423	68,695,165
Contribution to provident and other funds	5,095,141	4,033,448
Staff welfare expense	2,672,067	743,100
	90,862,631	73,471,713



[Handwritten signature]

Narayana Hrudayalaya Surgical Hospital Private Limited
Notes to the financial statements for the year ended 31 March 2016

INR

21 Other expenses

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Hospital operating expenses		
Professional fees to doctors	106,283,900	68,243,816
Power and fuel	16,391,913	12,293,156
Hospital general expenses	9,273,607	5,389,072
Repairs and maintenance		
- Hospital equipment	6,757,639	6,178,389
- Building	1,920,991	1,038,834
- Others	5,066,828	4,043,665
Rent (refer notes 27)	26,038,518	17,767,069
House keeping expenses	12,628,205	8,799,980
Medical gas charges	2,548,129	1,656,656
Patient welfare expenses	6,140,129	4,253,876
Biomedical wastage expenses	471,791	336,279
	193,521,650	130,000,792
Administrative expenses		
Travelling and conveyance	2,224,902	2,239,747
Security charges	4,166,582	3,260,781
Printing and stationery	2,785,029	2,086,040
Rent (refer note 27)	1,982,322	1,433,825
Advertisement and publicity	15,739,863	17,598,590
Legal and professional fees (refer note 24)	1,852,110	1,056,010
Telephone and communication	1,393,012	811,491
Bank charges	741,216	430,392
Insurance	494,644	487,864
Rates and taxes	1,979,972	119,450
Provision For Doubtful Debts written off	288,074	-
Bad debts written off	6,919,130	3,799,119
Miscellaneous expenses	351,912	936,873
	40,918,768	34,260,182
	234,440,418	164,260,974

22 Finance costs

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expense on (refer note 35)		
- term loans from banks	33,470,700	13,945,464
- others	1,372,928	10,381,017
- bank overdraft	9,450,042	2,738,571
Other borrowing cost	-	1,179,780
	44,293,670	28,244,832



Narayana Hrudayalaya Surgical Hospital Private Limited
Notes to the financial statements for the year ended 31st March 2016

23. Contingent liabilities and commitments

Estimated amounts of contracts remaining to be executed on capital account (net of advances) and not provided for amounts to INR 781,062 (previous year: NIL).

24. Auditor's remuneration (excluding service tax) included in legal and professional fees

Particulars	INR	
	Year ended 31st March 2016	Year ended 31st March 2015
As an auditor		
Audit Fees	950,000	475,000
In other capacity:		
Audit/ Limited review fee in relation to IPO of Holding Company	400,000	-
Reimbursement of expenses	54,601	93,500
Reimbursement of expenses in relation to IPO of Holding Company	31,172	-
Less: Reimbursed by selling shareholders of Holding Company [Narayana Hrudayalaya Limited (formerly known as Narayana Hrudayalaya Private Limited)]	(431,172)	-
	1,004,601	568,500

25. Value of imports on CIF basis

Particulars	INR	
	Year ended 31st March 2016	Year ended 31st March 2015
Surgical equipments and medical spares	7,831,590	2,325,544
Medical consumables and drugs	2,430,732	630,870
	10,262,322	2,956,414

26. Segment reporting

The Company's sole business segment is 'Medical and Healthcare Services' and principal geographical segment is 'India'. The Company considers business segment as the primary segment and geographical segment based on location of customers as a secondary segment. Since the Company has a single business segment and a single geographical segment, disclosures pertaining to the primary and secondary segments as per Accounting Standard 17- 'Segment Reporting' have not been presented.

27. Leases

The Company has taken hospitals, office and residential premises under cancellable operating lease agreements. The Company intends to renew such leases in the normal course of business. Total rental expenses under cancellable operating leases for the year ended 31st March 2016 is INR 28,020,840 (previous year INR 19,200,894)

28. Deferred tax liability

In view of the accumulated losses as at 31 March 2016 and in accordance with AS 22- "Accounting for taxes on income", the Company has recognised a deferred tax asset of INR 98,200,798 (previous year INR 98,222,462) on carry forward business losses, unabsorbed depreciation and other temporary timing difference to the extent of deferred tax liability on excess of depreciation on fixed asset under Income-tax Act, 1961 over depreciation as per the Companies Act. Therefore the net deferred tax liability as at 31 March 2016 is Nil (previous year Nil)



29. 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. Ashutosh Raghuvanshi - Managing Director Dr. Devi Prasad Shetty - Whole-time Director Mrs. Shakuntala Shetty - Whole-time Director
Enterprises under significant influence of KMP	Trimedx India Private Limited Narayana Hrudayalaya Foundation
Enterprise under significant influence of relative of KMP	Amaryllis Healthcare Private Limited

(b) Transactions with related party during the period

Transactions	Enterprise having control over the company	Enterprises under significant influence of KMP	Enterprise under significant influence of relative of KMP	Total
Lease rental expense				
Narayana Hrudalaya Limited	4,200,000 (4,200,000)	- (-)	- (-)	4,200,000 (4,200,000)
Narayana Hrudayalaya Foundation	- (-)	1,092,000 (-)	- (-)	1,092,000 (-)
Total	4,200,000 (4,200,000)	1,092,000 (-)	- (-)	5,292,000 (4,200,000)
Unsecured loan Taken				
Narayana Hrudayalaya Limited	- (8,500,000)	- (-)	- (-)	- (8,500,000)
Interest expenses net of taxes				
Narayana Hrudayalaya Limited	- (10,381,017)	- (-)	- (-)	- (10,381,017)
Refund of advance received				
Narayana Hrudayalaya Limited	- (35,332,599)	- (-)	- (-)	- (35,332,599)
Payment of Unsecured Loan				
Narayana Hrudayalaya Limited	- (85,680,000)	- (-)	- (-)	- (85,680,000)
Reimbursement of expenses				
Narayana Hrudalaya Limited	850,000 (1,959,407)	- (-)	- (-)	850,000 (1,959,407)
Purchase of medicals and consumables				
Amaryllis Healthcare Private Limited	- (-)	- (-)	3,621,602 (2,075,895)	3,621,602 (2,075,895)
Maintenance of medical equipment				
Trimedx India Private Limited	- (-)	6,000,866 (3,487,857)	- (-)	6,000,866 (3,487,857)
Issue of equity shares				
Narayana Hrudayalaya Limited	122,500,000 (-)	- (-)	- (-)	122,500,000 (-)
Corporate guarantee given by holding company				
Narayana Hrudayalaya Limited	- (294,132,958)	- (-)	- (-)	- (294,132,958)



c) The balances receivable from and payable to related parties

Transactions	Enterprise having control over the company	Enterprises under significant influence of KMP	Enterprise under significant influence of relative of KMP	Total
Trade payables				
Amaryllis Healthcare Private Limited	- (-)	- (-)	164,472 (338,930)	164,472 (338,930)
Trimedx India Private Limited	- (-)	341,725 (3,044,956)	- (-)	341,725 (3,044,956)
Narayana Hrudayalaya Foundation	- (-)	245,700 (-)	- (-)	245,700 (-)
TOTAL	- (-)	587,425 (3,044,956)	164,472 (338,930)	751,897 (3,383,886)
Corporate guarantee given by the holding company				
Narayana Hrudayalaya Limited	392,650,265 (411,212,829)	- (-)	- (-)	392,650,265 (411,212,829)



30. Employee benefits

Defined contribution plan

The amount recognised as an expense towards contribution to Provident Fund and Employee State Insurance for the year aggregated to INR 5,095,141 (previous year: INR 4,033,448)

Defined benefit plan

The Company operates post-employment defined benefit plan that provide gratuity. The gratuity plan entitles an employee, who has rendered atleast five years of continuous service, to receive one-half month's salary for each year of completed service at the time of retirement/exit. This scheme is non-funded. The Company accrued gratuity under the provisions of the Payment of Gratuity Act, 1972 as applicable as at the balance sheet date and accordingly the maximum payment is restricted to INR 1,000,000.

The following table sets out the status of the gratuity plan as required under Accounting standard (AS) 15 "Employee Benefits" prescribed by Companies Act 2013 :

Movement in present values of defined benefit obligation

Particulars	INR	
	As at 31st March 2016	As at 31 March 2015
Defined benefit obligation at 1 April	1,096,893	469,193
Current service cost	559,838	444,259
Interest cost	96,170	31,807
Benefits settled	(58,563)	(70,921)
Actuarial gain	97,727	222,555
Defined benefit obligations at 31 March	1,792,065	1,096,893

Particulars	INR	
	As at 31st March 2016	As at 31 March 2015
Reconciliation of present value of obligation and fair value of plan assets:		
Fair value of the plan assets at the end of the year	-	-
Present value of defined benefit obligation at the end of the year	1,792,065	1,096,893
Liability recognized in the balance sheet	1,792,065	1,096,893
Current	37,117	22,693
Non-current	1,754,948	1,074,200

Expense recognised in the statement of profit and loss

Particulars	INR	
	For the Year Ended 31 March 2016	For the Year Ended 31 March 2015
Current service cost	559,838	444,259
Interest on obligation	96,170	31,807
Expected return on plan assets	-	-
Net actuarial (gain) / loss recognised in the year	97,727	222,555
Total included in 'Employee benefits'	753,735	698,621

Principal actuarial assumptions

Particulars	INR	
	As at 31st March 2016	As at 31 March 2015
The following are the principal actuarial assumptions at the reporting date(expressed as weighted averages):		
Attrition rate	57.36%	54.00%
Discount rate	8%	8%
Expected rate of return on plan assets	-	-
Future salary increases	35.80% for the first year 6% thereafter	6%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.



30. Employee benefits (continued)

Five year information*

Amounts for the current financial year and previous three financial years are as follows:

	INR			
	As at	As at	As at	As at
Experience history	31st March 2016	31 March 2015	31 March 2014	31 March 2013
Defined benefit obligation	1,792,065	1,096,893	447,615	78,878
Fair value of plan assets	-	-	-	-
(Surplus) / deficit in the plan	1,792,065	1,096,893	447,615	78,878
Experience (gain) / loss adjustments on plan liabilities	(363,374)	64,993	-	-
Experience adjustments arising on plan assets	-	-	-	-

* Information available only for current and past 3 years

31. Change in useful life of fixed assets

Pursuant to the notification of Schedule II to the Companies Act 2013 with effect from 1 April 2014, the Company during the previous year ended 31 March 2015 based on the internal technical evaluation revised the estimated useful life of office equipment and electrical installation. The useful life of all other assets other than the office equipment and electrical installation is unchanged.

32. Due to Micro, Small and Medium Enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31st March 2016 has been made in the financial statements based on information received and available with the Company. Further in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 ('Act') is not expected to be material. The Company has not received any claim for interest from any supplier.

	INR	
	As at	As at
Particulars	31st March 2016	31 March 2015
The amounts remaining unpaid to micro and small suppliers as at the end of the year		
-Principal	-	-
-Interest	-	-
The amount of interest paid by the buyer as per the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006)	-	-
The amount of payments made to micro and small suppliers beyond the appointed day during the accounting year;	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006;	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED Act, 2006	-	-



Narayana Hrudayalaya Surgical Hospital Private Limited
Notes to the financial statements for the year ended 31 March 2016

33. Loss per share

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended 31st March 2016 was based on loss attributable to equity shareholders of INR 52,359,596 (Previous year loss: INR 85,552,408) and weighted average number of equity share outstanding 14,952,704 (Previous year: 2,702,704).

Particulars	Units	Year ended 31st March 2016	Year ended 31st March 2015
Loss after tax	INR	(52,359,596)	(85,552,408)
Weighted average number of equity share outstanding during the year for calculation of basic loss per share	Numbers	3,539,453	2,702,704
Basic and diluted loss per share	INR	(14.79)	(31.65)

34. The Company does not have any earnings or expenditure in foreign currency in the current year and previous year.

35. Borrowing cost capitalized during the year as fixed assets amounts to INR 4,463,067 (previous year INR 4,099,219)

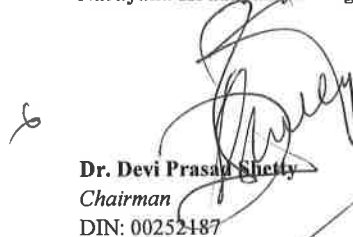
As per our report of even date attached
for **BSR & Co. LLP**
Chartered Accountants
Firm's registration number : 101248W/W-100022



Amit Somani
Partner
Membership Number : 060154

Place: Bengaluru
Date: 30 May 2016

for and on behalf of the Board of Directors of
Narayana Hrudayalaya Surgical Hospital Private Limited


Dr. Devi Prasad Shetty
Chairman
DIN: 00252187

Place: Bengaluru
Date: 30 May 2016