

B S R & Co. LLP

Chartered Accountants

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Independent Auditor's Report To the Members of Narayana Hospitals Private Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Narayana Hospitals 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 the 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 provision 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 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 Hospitals 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.

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 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 written representations received from the Directors as on 31 March 2016, and 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 Hospitals Private Limited
Independent Auditor's Report (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) there were no pending litigations which would impact the financial position of the Company;
 - (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 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") 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 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, 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 Company is a service company, primarily in the business of rendering hospital management services. Accordingly, it does not hold any physical inventories.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ("the Act"). Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees and securities granted in respect of which provisions of Section 185 and 186 of the Act are applicable. Accordingly, the provisions of clause 3(iv) of the Order is not applicable.
- (v) The Company has not accepted any deposits. Accordingly, paragraph 3(v) of the Order is not applicable.
- (vi) According to the information and explanations given to us, as per Companies (Cost records and Audit) Rules, 2014, the Central Government has not specified 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 accounts in respect of undisputed statutory dues including Service Tax, Income tax and any 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 in respect of Provident Fund, Employees' State Insurance, Sales Tax, Value Added Tax and Excise Duty.

According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income tax, Service tax, and other material statutory dues that 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 in respect of Service tax, Income tax, and other material statutory dues which have not been deposited on account of any dispute.

87

Narayana Hospitals Private Limited

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

- (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) The Company did not raise any 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 any managerial remuneration during the year. Accordingly, paragraph 3(xi) of the Order is not applicable.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, 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 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. Hence, the requirement of section 42 of the Act is not applicable.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

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

Chartered Accountants

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

Amit Somani

Amit Somani

Partner

Membership number: 060154

Place: Bengaluru

Date : 30 May 2016

Narayana Hospitals Private Limited

Annexure – B

To the Independent Auditor's Report of even date on the financial statement of Narayana Hospitals Private Limited

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 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 applicable to an audit of Internal Financial Controls and, 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.



Narayana Hospitals 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: 060154

Place: Bengaluru

Date : 30 May 2016

Narayana Hospitals Private Limited
Balance sheet as at 31 March 2016

	Note	As at 31 March 2016	INR As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	532,614,420	532,614,420
Reserves and surplus	3	(8,977,762)	(7,915,321)
		523,636,658	524,699,099
Current liabilities			
Other current liabilities	4	320,647,605	312,455,976
Short-term provisions	5	-	5,229,000
		320,647,605	317,684,976
TOTAL		844,284,263	842,384,075
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	6	751,614,077	757,859,139
Long-term loans and advances	7	78,275,924	69,512,124
		829,890,001	827,371,263
Current assets			
Trade receivables	8	-	-
Cash and bank balances	9	2,185,656	3,516,401
Short-term loans and advances	7	12,208,606	11,496,411
		14,394,262	15,012,812
TOTAL		844,284,263	842,384,075

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 : 60154

Place: Bengaluru
Date : 30 May 2016

for and on behalf of the Board of Directors of
Narayana Hospitals Private Limited

Dr. Devi Prasad Shetty
Dr. Devi Prasad Shetty
Managing Director
DIN : 00252187

V. Kesavan
Kesavan Venugopalan
Chief Financial Officer

Place: Bengaluru
Date : 30 May 2016

Mrs. Shakuntala Shetty

Mrs. Shakuntala Shetty
Director
DIN : 00252195

Alaka Chanda
Alaka Chanda
Company Secretary

Place: Bengaluru
Date : 30 May 2016

Narayana Hospitals Private Limited
Statement of profit and loss for the year ended 31 March 2016

			INR
	Note	For the year ended 31 March 2016	For the year ended 31 March 2015
INCOME			
Revenue from operations	10	9,000,000	9,000,000
Other income	11	44,400	-
Total revenue		9,044,400	9,000,000
EXPENSE			
Other expenses	12	1,601,688	6,442,405
Finance costs	13	2,260,091	34,816
Total expenses		3,861,779	6,477,221
Earnings before interest, depreciation and amortisation and tax		5,182,621	2,522,779
Depreciation and amortisation	6	6,245,062	6,229,567
Loss before tax		(1,062,441)	(3,706,788)
Tax expense			
Current tax		-	-
Loss for the year		(1,062,441)	(3,706,788)
Loss per equity share [nominal value of share INR 10 (previous year INR 10)]			
Basic and diluted		(0.02)	(4.95)
Weighted average number of equity shares		53,261,442	749,335

Significant accounting policies

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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

for and on behalf of the Board of Directors of
Narayana Hospitals Private Limited

Amit Somani

Amit Somani
Partner
Membership number : 60154

Dr. Devi Prasad Shetty
Dr. Devi Prasad Shetty
Managing Director
DIN : 00252187

V. Kesavan

Kesavan Venugopalan
Chief Financial Officer

Place: Bengaluru
Date : 30 May 2016

Mrs. Shakuntala Shetty

Mrs. Shakuntala Shetty
Director
DIN : 00252195

Alaka Chanda

Alaka Chanda
Company Secretary

Place: Bengaluru
Date : 30 May 2016

Narayana Hospitals Private Limited
Cash flow statement for the year ended 31 March 2016

		INR
	For the year ended 31 March 2016	For the year ended 31 March 2015
Cash flow from operating activities		
Loss before tax	(1,062,441)	(3,706,788)
Adjustments:		
Interest expense	2,260,091	34,816
Depreciation	6,245,062	6,229,567
Interest income on income tax refund	(44,400)	-
Operating cash flow before working capital changes	7,398,312	2,557,595
Changes in loans and advances	(4,818,537)	(1,043,786)
Changes in liabilities and provisions	(4,877,055)	2,444,826
Cash generated from operations	(2,297,280)	3,958,635
Income taxes paid, net of refunds	1,318,687	(900,000)
Net cash generated from operating activities (A)	(978,593)	3,058,635
Net cash used in investing activities (B)	-	-
Cash flow from financing activities		
Loan received from related party	-	20,000,000
Deposit received from related party	-	280,000,000
Refund of share application money	-	(300,000,000)
Interest paid	(352,152)	(34,816)
Net cash used in financing activities (C)	(352,152)	(34,816)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(1,330,745)	3,023,819
Cash and cash equivalents at the beginning of the year	3,516,401	492,582
Cash and cash equivalents at the end of the year (refer note 9)	2,185,656	3,516,401

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 : 60154

Place: Bengaluru
Date : 30 May 2016

for and on behalf of the Board of Directors of
Narayana Hospitals Private Limited

Dr. Devi Prasad Shetty
Dr. Devi Prasad Shetty
Managing Director
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V. Kesavan
Kesavan Venugopalan
Chief Financial Officer

Place: Bengaluru
Date : 30 May 2016

Mrs. Shakuntala Shetty
Mrs. Shakuntala Shetty
Director
DIN : 00252195

Alaka Chanda
Alaka Chanda
Company Secretary

Place: Bengaluru
Date : 30 May 2016

Narayana Hospitals Private Limited

Notes to financial statements for the year ended 31 March 2016

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 fully owned subsidiary of Narayana Hrudayalaya Limited (*formerly known as Narayana Hrudayalaya Private Limited*). The Company is primarily engaged in rendering hospital management services.

1. Significant accounting policies

1.1 Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis of accounting and comply with 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 adopted in the preparation of the financial statements are consistent with those followed in the previous year. The financial statements are presented in Indian Rupees (INR).

1.2 Going concern

As explained in note 29, the financial statements have been prepared on a going concern basis, notwithstanding current losses and obligation toward other current liabilities.

1.3 Use of estimates

The preparation of 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 recognised 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.



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Narayana Hospitals Private Limited

Notes to financial statements for the year ended 31 March 2016 (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 Revenue recognition

Revenue from hospital management services is recognized on accrual basis when there is certainty related to its measurability.

1.6 Tangible assets and depreciation

Tangible assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible assets includes freight, duties, taxes and other incidental expenses relating to acquisition and construction.

Consideration paid for acquiring leasehold land is amortised over the lease term. Leasehold land acquired on perpetual lease has been accounted at cost and not amortised.

Building and leasehold improvements are being depreciated over the term of the lease, or estimated useful life of the assets, whichever is lower.

Depreciation is charged on a proportionate basis for all tangible assets purchased and sold during the year.

The cost of tangible assets not ready for their intended use before such date, are disclosed as capital work in progress.

Advances paid towards acquisition or constructions of tangible assets outstanding at each balance sheet are disclosed under long-term loans and advances.



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Narayana Hospitals Private Limited

Notes to financial statements for the year ended 31 March 2016 (continued)

1.6 Tangible assets and depreciation (continued)

Block of assets	Useful life
Building	60 years
Medical equipments	13 years
Computers	3 years
Other equipments including air conditioners	15 years
Furniture and fixtures	10 years

The Company believes that the useful life as given above best represent the useful lives 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.

1.7 Government grants

Government grants in the form of non-monetary assets, given at a concessional rate, are accounted for on the basis of their acquisition cost. The non-monetary asset given free of cost are recorded at a nominal value.

1.8 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.

1.9 Income tax

Income-tax expense comprises 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). Minimum Alternative Tax ("MAT") paid in accordance with the tax laws which gives rise to future economic benefits in the form of adjustments of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax in subsequent years. MAT credit entitlement can be carried forward and utilised for a period of ten years from the year in which the same is availed. Accordingly, it is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

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



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Narayana Hospitals Private Limited

Notes to financial statements for the year ended 31 March 2016 (continued)

1.10 Loss per share

The Loss per share is computed by dividing the loss attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. The Company does not have potential dilutive equity shares outstanding during the year.

1.11 Leases

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.

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.

1.12 Provisions and contingencies

Provision is recognised when, 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.

1.13 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset or a group of assets comprising a cash-generating unit may be impaired. 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.



550
 

Narayana Hospitals Private Limited

Notes to financial statements for the year ended 31 March 2016 (continued)

1.14 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 from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

1.15 Cash flow statement

Cash flows are reported using the indirect method, whereby loss before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

1.16 Measurement of Earnings / Profit before Interest, Tax and 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.



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2 Share capital

Particulars	31 March 2016	31 March 2015
Authorised		
54,000,000 equity shares (previous year: 54,000,000 equity shares) of INR 10 each	540,000,000	540,000,000
Issued, subscribed and paid up		
53,261,442 equity shares (previous year: 53,261,442 equity shares) of INR 10 each, fully paid up	532,614,420	532,614,420
	532,614,420	532,614,420

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	53,261,442	532,614,420	20,000	200,000
Shares issued during the year	-	-	53,241,442	532,414,420
Shares outstanding at the end of the year	53,261,442	532,614,420	53,261,442	532,614,420

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 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 (INR). The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by shareholders.

Particulars of shareholders holding more than 5% shares:

Particulars	31 March 2016		31 March 2015	
	Number of shares	% holding	Number of shares	% holding
Narayana Hrudayalaya Limited (formerly known as Narayana Hrudayalaya Private Limited)	53,261,441	100.00%	53,261,441	100.00%
	53,261,441	100.00%	53,261,441	100.00%

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.

3 Reserves and surplus

Particulars	As at 31 March 2016	As at 31 March 2015
Deficit (profit and loss balance)		
At the commencement of the year	(7,915,321)	(4,208,533)
Add: Net loss transferred from statement of profit and loss	(1,062,441)	(3,706,788)
At the end of the year	(8,977,762)	(7,915,321)



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Narayana Hospitals Private Limited
Notes to the financial statements for the year ended 31 March 2016 (continued)
4 Other current liabilities
INR

Particulars	As at	As at
	31 March 2016	31 March 2015
To parties other than related parties		
Creditors for capital goods (refer note 26)	17,795,237	11,863,492
Statutory liabilities	52,661	-
Other liabilities	891,768	592,484
To related parties (refer note 18)		
Deposit from Narayana Hrudayalaya Limited (formerly known as Narayana Hrudayalaya Private Limited) (refer note 20)	280,000,000	280,000,000
Unsecured loan from Narayana Hrudayalaya Limited (formerly known as Narayana Hrudayalaya Private Limited) (refer note 19)	20,000,000	20,000,000
Interest accrued but not due on loan	1,907,939	-
	320,647,605	312,455,976

5 Short-term provisions

Particulars	As at	As at
	31 March 2016	31 March 2015
Provision for others	-	5,229,000
	-	5,229,000

7 Long-term and short-term loans and advances
(Unsecured and considered good)

Particulars	Long-term loans and advances		Short term-loans and advances	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
To parties other than related parties				
Capital advances (refer note 26)	72,234,614	66,302,869	-	-
Prepaid expenses	4,106,342	-	821,269	-
Advance income tax and tax deducted at source, net	1,934,968	3,209,255	-	-
Advances recoverable in cash or in kind or for value to be received	-	-	6,480	-
To related parties (refer note 18)				
Advances recoverable in cash or in kind or for value to be received	-	-	11,380,857	11,496,411
	78,275,924	69,512,124	12,208,606	11,496,411

8 Trade receivables

Particulars	As at	As at
	31 March 2016	31 March 2015
Receivables outstanding for a period exceeding six months from the date they become due for payment		
Unsecured, considered doubtful	-	1,009,693
Less : Provision for doubtful receivables	-	(1,009,693)
	-	-

9 Cash and cash balances

Particulars	As at	As at
	31 March 2016	31 March 2015
Balances with banks		
- On current accounts	2,185,656	3,516,401
	2,185,656	3,516,401



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Narayana Hospitals Private Limited
Notes to the financial statements for the year ended 31 March 2016 (continued)

6 Fixed assets

Description	Gross block		Accumulated depreciation / amortisation			Net block	
	As at 1 April 2015	Additions	As at 31 March 2016	As at 1 April 2015	Depreciation/ amortisation for the year	As at 31 March 2016	As at 31 March 2015
Tangible assets (owned)							
Building**	314,668,006	-	314,668,006	23,257,789	5,269,353	286,140,864	291,410,217
Leasehold improvements	283,047	-	283,047	214,405	28,382	40,260	68,642
Medical equipment	4,052,448	-	4,052,448	2,416,390	312,487	1,323,571	1,636,058
Other equipment	154,890	-	154,890	68,654	10,359	75,877	86,236
Furniture and fixtures	504,783	-	504,783	343,118	50,617	111,048	161,665
Computers	314,252	-	314,252	314,252	-	-	-
Total - A	319,977,426	-	319,977,426	26,614,608	5,671,198	287,691,620	293,362,818
Tangible assets (leased)							
Leasehold Land (i)	468,511,280	-	468,511,280	4,014,959	573,864	463,922,457	464,496,321
Total - B	468,511,280	-	468,511,280	4,014,959	573,864	463,922,457	464,496,321
Grand total (A+B)	788,488,706	-	788,488,706	30,629,567	6,245,062	751,614,077	757,859,139
Previous year	787,317,472	1,171,234	788,488,706	24,400,000	6,229,567	757,859,139	

(i) Leasehold land represents land allotted by various government authorities/ agencies in the states of Gujarat, Rajasthan and West Bengal. There are certain conditions including setting up of hospitals with certain capacity and within certain timelines as specified in the terms of the allotment. Refer note 24, 26 and 28

** The building is constructed on leasehold land received from Jaipur Development Authority with a lease period of 99 years with effect from 22 July 2007.

The lease hold land in Jaipur along with the building is given as an equitable mortgage for term loan (INR 359,500,000) taken by Narayana Hrudayalaya Limited (formerly known as Narayana Hrudayalaya Private Limited) from HSBC Bank.



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Narayana Hospitals Private Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

INR

10 Revenue from operations

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Income from hospital management services (refer note 27)	9,000,000	9,000,000
	9,000,000	9,000,000

11 Other income

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income on income tax refund	44,400	-
	44,400	-

12 Other expenses

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Rent	999,355	809,454
Legal and professional fees	593,400	193,032
Rates and taxes	8,085	5,437,461
Bank charges	848	2,458
Reversal of provision for doubtful receivables	(1,009,693)	-
Bad debts written off	1,009,693	-
	1,601,688	6,442,405

13 Finance costs

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expense on		
- unsecured loan	2,119,933	34,816
- lease rent	140,158	-
	2,260,091	34,816



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Narayana Hospitals Private Limited**Notes to the financial statements for the year ended 31 March 2016 (continued)**

14. Estimated amounts of contracts remaining to be executed on capital account (net of advances) amount to INR 36,442,704 (previous year: INR 36,442,704).

15. Deferred taxes

In view of the accumulated losses at 31 March 2016 and in accordance with Accounting Standard 22-“Accounting for taxes on income”, the Company has recognised a deferred tax asset of INR 31,071,572 (previous year 26,378,724) 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 2013. Therefore the net deferred tax liability as on 31 March 2016 is Nil (previous year Nil)

16. Auditor’s remuneration (excluding service tax) included in legal and professional fees

	INR	
	For the year ended 31 March 2016	For the year ended 31 March 2015
As an auditor		
Audit fees	100,000	130,000
In other capacity:		
Audit/Limited review fee in relation to IPO of Holding Company	100,000	-
Reimbursement of expenses	7,670	9,750
Reimbursement of expenses in relation to IPO of Holding Company	11,102	-
Less: Reimbursed by selling shareholders of Holding Company (Narayana Hrudayalaya Limited (formerly known as Narayana Hrudayalaya Private Limited)	(111,102)	-
	107,670	139,750

17. Leases

The Company leases land 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 amounted to INR 999,355 for the year ended 31 March 2016 (previous year: INR 809,454).

18. Related party transactions**(a) Holding company**

Narayana Hrudayalaya Limited (formerly known as Narayana Hrudayalaya Private Limited)

(b) Key management personnel

- Dr. Devi Prasad Shetty - Managing Director
- Kesavan Venugopalan – Chief Financial Officer (with effect from 30 September 2015)



250



Narayana Hospitals Private Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

(c) Significant related party transactions are as follows:

	INR	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Holding company - Narayana Hrudayalaya Limited <i>(formerly known as Narayana Hrudayalaya Private Limited)</i>		
Income from hospital management services	9,000,000	9,000,000
Expenses paid on behalf of the Company	7,714,074	5,111,001
Security deposit received during the year	-	280,000,000
Unsecured loan received during the year	-	20,000,000
Allotment of share out of share application money pending allotment	-	532,414,420
Refund of share application money	-	300,000,000
Repayment of advance received	-	3,026,277
Security deposit refund received on behalf of Narayana Hrudayalaya Limited <i>(formerly known as Narayana Hrudayalaya Private Limited)</i>	-	350,000
Interest expenses on unsecured loan	2,119,933	34,816

(d) The balances receivable from and payable to related parties are as follows:

	INR	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Holding company - Narayana Hrudayalaya Limited <i>(formerly known as Narayana Hrudayalaya Private Limited)</i>		
Interest on unsecured loan	1,939,273	31,334
Advance recoverable in cash or kind	11,380,857	11,489,931
Unsecured loan payable	20,000,000	20,000,000
Security deposit payable	280,000,000	280,000,000

19. During the financial year 2014-15, the Company has received a short term unsecured loan of INR 20,000,000 from Narayana Hrudayalaya Limited *(formerly known as Narayana Hrudayalaya Private Limited)* which is repayable on demand. The interest payable on such loan is @ 10.59% per annum.
20. During the financial year 2014-15, the Company has received deposit of INR 280,000,000 from Narayana Hrudayalaya Limited *(formerly known as Narayana Hrudayalaya Private 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.
21. 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 2016 (previous year: Nil).
22. The Company has not imported any goods or asset of capital nature in the current year (previous year: Nil).



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23. Segment reporting

The Company's sole business segment is 'Hospital management services' and the principal geographical segment is India. Since the relevant information is available from the balance sheet and the statement of profit and loss itself, the Company is not required to disclose segment information as per AS 17 – 'Segment Reporting'.

24. Leasehold land includes 36 acres of land acquired in the year 2008 under perpetual lease from Government of Gujarat amounting to INR 410,527,478. 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 INR 65,000 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 INR 65,000 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 the Company 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



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Narayana Hospitals Private Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

Narayana Hrudayalaya Limited (*formerly known as Narayana Hrudayalaya Private Limited*) commenced operation in its Ahmedabad unit on 3 May 2012.

As of March 31, 2016, 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 2016.

25. The Company does not have any earnings or expenditure in foreign currency in the current year (previous year: Nil).
26. 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, 2016, the Company has paid INR 54,439,377 to JDA and accrued the balance payable of INR 17,795,237 disclosed as capital advance under the head long-term loans and advances. 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 2016.

27. The Company has given the hospital to Narayana Hrudayalaya Limited (*formerly known as Narayana Hrudayalaya Private 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 (*formerly known as Narayana Hrudayalaya Private Limited*) not exceeding INR 9,000,000.
28. The Company had obtained over a 5 acre land from Siliguri Jalpaiguri Development Authority "Authority" in February 2009 for a consideration of INR 25,000,000. Under the lease deed, 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 2016.
29. These financial statements have been prepared on a going concern basis notwithstanding current losses and other current liabilities.



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Narayana Hospitals Private Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

The Company has received a letter of financial support from Narayana Hrudayalaya Limited (*formerly known as Narayana Hrudayalaya Private Limited*), which undertakes to provide financial assistance as is necessary to enable the Company to meet its other current liabilities as and when they fall due up to a period of one year from the balance sheet date i.e 31 March 2017.

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

As per our report of even date attached

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

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

Dr. Devi Prasad Shetty
Dr. Devi Prasad Shetty
Managing Director
DIN : 00252187

Mrs. Shakuntala Shetty
Mrs. Shakuntala Shetty
Director
DIN : 00252195

V. Kesavan
Kesavan Venugopalan
Chief Financial Officer

Alaka Chanda
Alaka Chanda
Company Secretary

Place: Bengaluru

Date : 30 May 2016

Place: Bengaluru

Date : 30 May 2016