

Date of submission: 05.07.2015

To Secretary Listing Department BSE Limited Department of Corporate Services Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 Scrip Code - 539551	To Secretary Listing Department National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex Mumbai – 400 050 Stock Code- NH
---	---

Dear Sir/Madam,

Sub: Dispatch of Notice of 16th Annual General Meeting & Annual Report 2015-16

With reference to the captioned subject, we hereby inform that pursuant to Section 108 of the Companies Act, 2013, and other applicable provisions of the Act, the Company on 4th July, 2016 has completed the Physical and Electronic Dispatch of the 16th Annual General Meeting (AGM) Notice dated 30th May, 2016 along with Annual report for the Financial Year 2015-16 to all the members whose names appear in the Registrar of Members / List of Beneficial Owners as on 24th June, 2016 (cutoff date). The AGM Notice and Annual report for the Financial Year 2015-16 has been uploaded to on the website of the Company as per the following details:

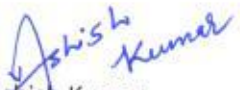
1. <http://www.narayanahealth.org/annual-report-2016.pdf>
2. <http://www.narayanahealth.org/stakeholder-relations/agm-notice>

Further please find enclosed Annual report for the Financial Year 2015-16 and kindly take the above said information on record as per the requirement of Listing Regulations.

Thanking you,

Yours faithfully,

For **NARAYANA HRUDAYALAYA LIMITED,**


Ashish Kumar
Group Company Secretary and Compliance Officer.
Encl: A/A





STRENGTHENING

OUR ECOSYSTEM OF CARE

Annual Report 2015-16

Contents

CORPORATE OVERVIEW



01-47

- 01** Widening our world of care
- 03** Enriching the services spectrum
- 04** Caregiving is a rewarding journey
- 06** Footprints across the country
- 08** Growing canvas of operations
- 10** Financial Performance
- 12** Chairman's Perspective
- 14** CEO's Insight
- 16** The reassuring hand of care
- 26** Imparting the art and science of caregiving
- 28** Director's Profile
- 32** Management Discussion and Analysis Report

STATUTORY REPORT



48-95

- 48** Directors' Report
- 60** Corporate Governance Report

FINANCIAL STATEMENTS



96-205

Standalone Financial Statements

- 96** Independent Auditor's Report
- 102** Balance Sheet
- 103** Statement of Profit and Loss
- 104** Cash Flow Statement
- 106** Notes

Consolidated Financial Statements

- 152** Independent Auditor's Report
- 156** Balance Sheet
- 157** Statement of Profit and Loss
- 158** Cash Flow Statement
- 160** Notes

REVENUE FROM OPERATIONS

₹16,075mn

(from ₹ 13,639 mn in 2014-15, showing a growth of 17.9%)

EBITDA

₹1,868mn

(from ₹ 1,298 mn in 2014-15, showing a growth of 43.9%)

NET DEBT

₹2,335mn

(from ₹ 3,325 mn in 2014-15, showing a reduction of ₹ 990 mn)

Widening our world of care



The world over, healthcare is an issue that dominates discourse across governments, society and people. Improving the quality of healthcare, and yet making it affordable and accessible is a paradox our world faces today.

VISION



To provide high quality healthcare, with care and compassion, at an affordable cost, on a large scale.

At Narayana Health (NH), we have committed ourselves to the vision of building scale, quality and affordability into our thought process and operations. What started as a 225-bed hospital in 2000, is today a 6,651 capacity-bed multi-specialty healthcare services chain that provides superior tertiary healthcare at affordable costs.

Headquartered in Bengaluru, as on May 1, 2016, we have a network of 23 hospitals (multispecialty and super speciality healthcare facilities) with 7 heart centres (super speciality units) across 18 locations in India and 1 multispecialty hospital in Cayman Islands.

In 15 years, we have demonstrated that vision and operational excellence can indeed create a healthcare service that is within the reach of all. We have done so by consistently growing our network of facilities, both through organic and inorganic routes. We have brought together quality and affordability. We have ensured that technology and accessibility coexist. And in the process, we have gained trust and credibility.

Today, we are firmly focused on strengthening this circle of care and compassion that has enabled us to serve patients, with means and without.

And, in all that we do, the objective of building an affordable and sustainable healthcare ecosystem remains at the core.

6,651

Capacity beds¹
5,347 Operational Beds¹

54

Healthcare facilities across 24
Hospitals, 7 Heart centres, 23
primary care clinics & information
centres¹

2.1mn

Patients attended
to in 2015-16,
30+ Medical Specialties

¹ As on May 1, 2016

OUR CORE VALUES



Our core values are represented by the simple acronym: '**I – CARE**':

- **Innovation and efficiency** – To continuously reduce the cost of delivery of high quality healthcare and improve our reach
- **Compassionate care** – In providing accessible service that makes a difference to our patients
- **Accountability** – To honour our commitments to our patients, employees and investors with integrity and transparency
- **Respect for all** – Recognise the contribution of every employee and respect the rights as well as the dignity of every patient and employee
- **A culture of Excellence** – Where we individually excel to

collectively ensure the highest quality of consistent and reliable service to our patients and sustainable value to all our stakeholders

OUR VALUE DRIVERS



In a challenging healthcare landscape, we have been able to grow significantly; and reach out to so many people in such a short time, thanks to the following:

- Our intellectual capital comprises 2,632 doctors and more than 13,000 employees
- Our globally affordable model leads to economies of scale, benefiting a wide cross-section of the population
- We conduct more surgeries and transplants with a significant success rate
- Our aggressive use of information technology to reach the remotest corners of the country faster, makes quality healthcare available to those in need
- Our constant effort to reach out to the masses through education initiatives, healthcare, financial support, and many other CSR initiatives facilitate holistic well-being of the nation

2,632

Full time doctors, consultants and student doctors²

13,557

Full-time Employees²
Women comprise 62% of our workforce

402

Daily average surgeries / procedures in 2015-16

² As on March 31, 2016

Enriching the services spectrum

We are engaged in a passionate journey to make quality healthcare available and affordable to all. We strive to eliminate preventable harm, optimise patient outcomes and experience and reduce cost in healthcare delivery.



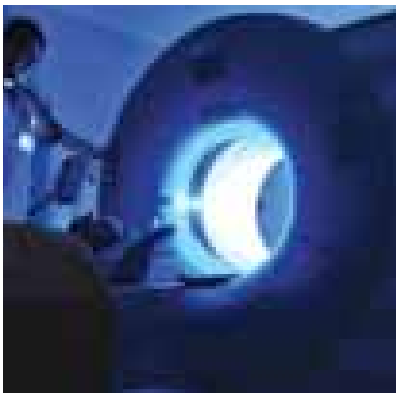
MEDICAL SERVICES

Cardiology | Critical Care medicine | Dental | Dermatology | Electrophysiology and Pacing | Family Medicine | General Medicine | Haematology | Pulmonology | Rheumatology | Medical Gastroenterology | Neurology | Nephrology | Endocrinology and Diabetology | Medical Oncology | Psychiatry and Psychology | Paediatrics | Orthopaedics | Cancer Care | Oncology Pain & Palliation | Radiation Oncology



SURGERY

Cardiac Surgery | Cosmetic Surgery | Cranio-maxillofacial Surgery | ENT | General Surgery | Neurosurgery | Ophthalmology | Obstetrics and Gynaecology | Paediatric Surgery | Surgical Gastroenterology | Urology | Vascular and Endovascular Surgery | Intervention Pulmonology | Oncology – Head and Neck Surgery | Oncology Breast & Oncoplastic | Orthopaedics | Renal Transplant | Liver Transplant | Thoracic Surgery | Paediatrics Surgery



DIAGNOSTICS AND SUPPORT

Anaesthesia | Blood Banks | Imaging and Radiology | Laboratory Services Nuclear Medicine | Nutrition and Dietetics | Physiotherapy | Yoga

Caregiving is a rewarding journey

2000

Narayana Health City, Bengaluru, founded by Dr. Devi Prasad Shetty



2008

Joined hands with the Asia Heart Foundation to run the RTIICS hospital in Kolkata and NSC



2009

- Set up a cardiac and cardiology centre at the SDM College of Medical Science & Hospital in Dharwad, Karnataka
- Instituted the 'Heart Centre' at MS Ramaiah Medical College Hospital in Bengaluru
- Established a multispecialty hospital in Jamshedpur
- Started the Multispecialty Mazumdar Shaw Cancer Centre in Bengaluru
- Set up the 'Heart Centre' at the Chinmaya Mission Hospital in Bengaluru



2010

- Started the multispecialty hospital in Hyderabad
- Set up a multispecialty hospital in Jaipur
- Set up Rotary Narayana, a super-specialty cardiac care unit in Kolkata
- Set up the 'Heart Centre' in Kolar, Karnataka

2011

- NICS received accreditation from the JCI
- Inaugurated a multispecialty hospital in Raipur



2012

- Set up the multispecialty hospital in Ahmedabad
- Established heart centres at Davangere
- The Narayana Multispecialty Hospital in Jaipur received accreditation from the JCI



2013

- Set up multispecialty hospitals at Shimoga, Mysore, Durgapur and HSR, Bengaluru
- Established a Super specialty Hospital at Whitefield, Bengaluru and Guwahati
- Started 'Heart Centres' at St. Martha's, West Bank, Suguna and Kuppam

2014

- Inclusion of the Barasat and Berhampore hospitals in the NH Group
- Received accreditation for RTIICS from the NABH
- MSMC received accreditation from the NABH
- Started operations at Health City, Cayman Islands Phase 1 with 101 operational beds



2015

- Acquired two Westbank Hospitals in Howrah
- Multispecialty hospitals set up at Palanpur, Mahua and Bellary
- 18 e-Health Centres (eHCs) were made operational across India by 2014-15
- Established a full-fledged Cancer Centre at Mysore to provide high-quality cancer treatment at an affordable cost
- Formed an association with the Shri Mata Vaishno Devi Shrine Board, through PPP, to build a 230 capacity bed hospital in Kakriyal, Jammu



2016

- The Company listed its shares on the Bombay Stock Exchange Limited and National Stock Exchange India Limited.
- Hospitals at HSR, Bengaluru, Guwahati, Ahmedabad, Mysore and Jamshedpur received NABH accreditations
- Hospital at Jaipur awarded in the category of 'Quality beyond Accreditation' at the Global Conclave of AHPI



Footprints across the country



5,347⁴

Total Operational
Bed Count

Network of Hospitals in India
As of May 1, 2016



(1) Kolkata has 6 Hospitals (3 are acquired)

(2) Bengaluru has 4 Hospitals

(3) Project at Bhubaneswar is pending acceptance of request from Government of Odisha for alternate land parcel

(4) Includes 101 beds at our Cayman Islands Hospital

Growing canvas of operations

NEW SERVICE OFFERINGS

- Rheumatology, medical oncology and neurosurgery started in Narayana Multispecialty Hospital (NMH) Ahmedabad, Gujarat
- Introduction of 24*7 cardiology services with on-site, on-call availability at NMH Barasat, West Bengal
- Minimally invasive gastro-intestinal program introduced at Health City, Cayman Islands
- Launch of comprehensive oncology services at NMH Mysore, Karnataka
- Inaugurated head & neck surgery, interventional radiology and blood bank at NMH Shimoga, Karnataka
- Chemotherapy unit started at Narayana Superspecialty Hospital (NSH) Howrah, West Bengal
- Full-fledged high dependency unit commissioned in NMH Howrah, West Bengal
- Successfully established a cardiac surgery programme at Whitefield, Bengaluru
- Started a new 6-bed dialysis centre in the heart of Jamshedpur city, Jharkhand
- Launched 2 new clinics at Electronics City and Sarjapura Road, Bengaluru
- Heart failure clinic started at M S Ramaiah Narayana Heart Centre (MSRHH), Bengaluru in July 2015



HIGH-END PROCEDURES

- First Transcatheter Aortic Valve Implantation (TAVI), robotic navigation for orthopaedics and renal denervation procedure in english-speaking Caribbean done at Health City Cayman Islands
- Successful completion of 500 bone marrow transplants at the Mazumdar Shaw Medical Centre (MSMC), Bengaluru
- 12 heart transplants conducted in 2015-16
- Performed the first renal transplant at MMI NMH Raipur, Chhattisgarh

NEW EQUIPMENT

- Installed a new catheterization laboratory in a one-month span at Davangere, Karnataka
- A new 128-slice CT scanner was commissioned at Narayana Institute of Cardiac Sciences (NICS), Bengaluru
- Installed Leica OH4 surgical microscope for complex neurosurgeries and the installation of endoscopic ultrasound and bronchial ultrasound equipment at Rabindranath Tagore International Institute of Cardiac Sciences (RTIICS), Kolkata
- Introduced laser surgery with 100W laser to handle complex laser procedures, including laser TURP at NMH Whitefield Bengaluru



NEW TIE-UPS

- Empanelment with CRPF, ECHS, Silk Board, NF Railways and ESIC for Guwahati
- Recently, NMH Jaipur empanelled with Rashtriya Bal Swasthya Karyakram (RBSK) as a preferred partner for healthcare; also, the unit was empaneled by the Government of Rajasthan to be the health partner for Rajasthan Skill Development Course
- Brahmananda NMH, Jamshedpur has been actively engaged with the State Government's scheme in participation with ICICI Lombard General Insurance for accident and emergency cases
- RL Jalappa Narayana Heart Centre, Kolar, Karnataka empanelled with all major government schemes like RAB, JSS, RBSK, Railways

- Tie-up with Karnataka State Government for NMH Mysore as a preferred healthcare provider
- Memorandum with the Government of Bhutan and Jharkhand for RTIICS Kolkata as a healthcare partner
- Empanelment with ESI and ABY for NMH Shimoga
- Tie-up with Bhutan Government and penetration in Bangladesh for oncology at NSH Howrah
- St. Martha's empanelled with Karnataka Power Corporation Limited, Bharat Earth Movers Limited, Genins India TPA and Cigna TTK Health Insurance

ACCREDITATION

- JCI re-accreditation for NMH Jaipur
- NABH accreditation for NMH Ahmedabad, NMH HSR, NMH

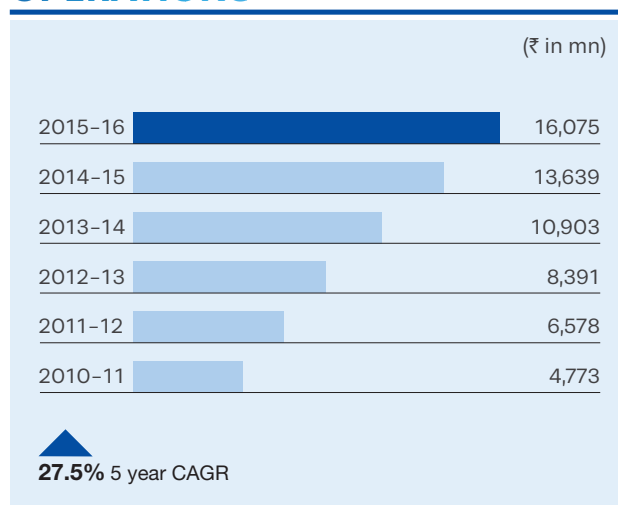
Jamshedpur, NMH Mysore NABH and NABL certification for NSH Guwahati

AWARDS AND RECOGNITION

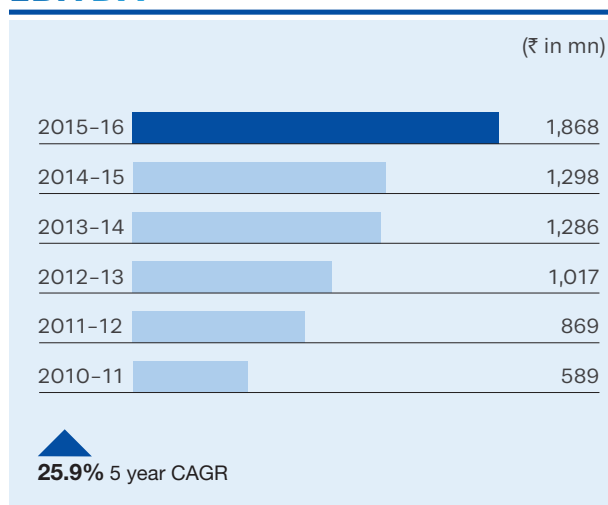
- NSH Howrah was ranked #1 in oncology care and RTIICS Kolkata was ranked #1 in cardiac care for the entire eastern India by Times Survey
- NMH Jaipur was awarded in the category of 'Quality beyond Accreditation' at the Global Conclave of Association of Healthcare Providers of India
- NSH Guwahati received 'North East Leadership award for Healthcare' in May 2015; and a 'Centre of Excellence Award' for their emergency department

Financial Performance

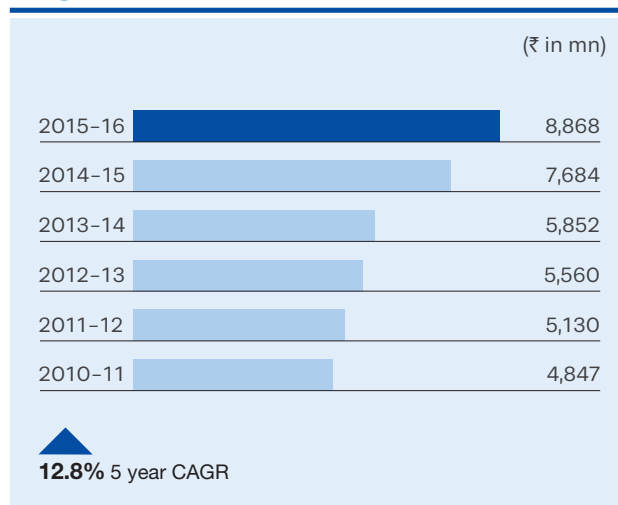
REVENUE FROM OPERATIONS



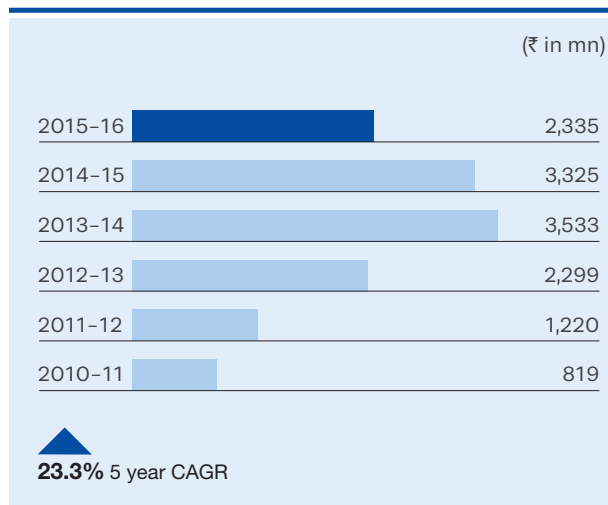
EBITDA



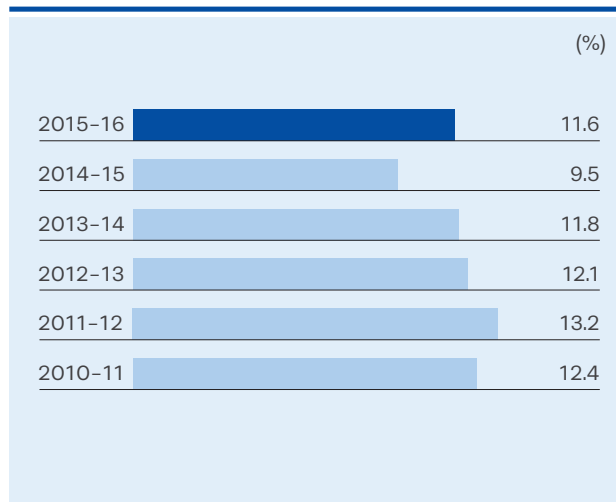
NET WORTH



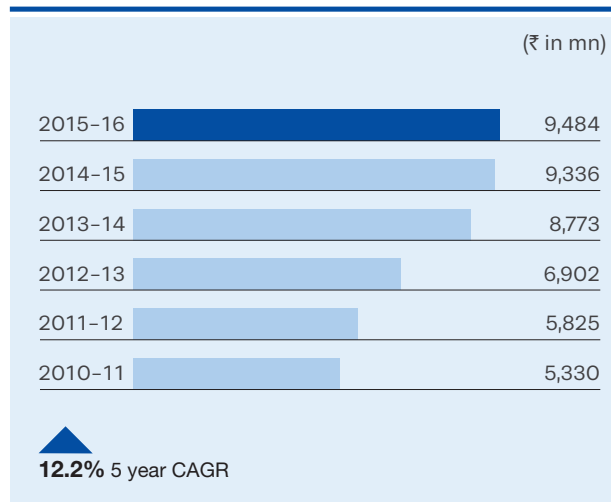
NET DEBT



EBITDA MARGIN

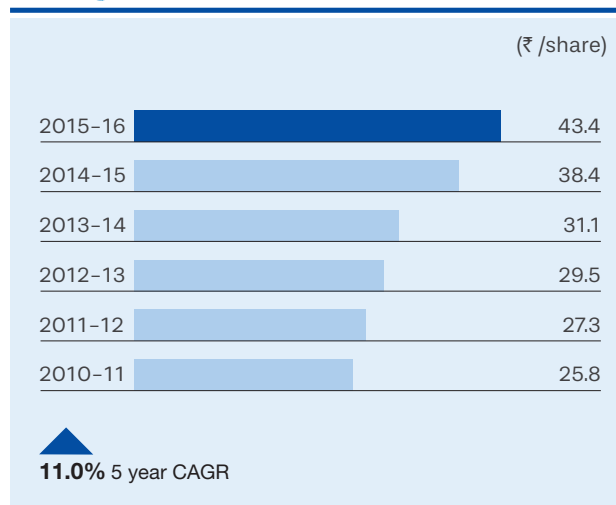


NET FIXED ASSETS*

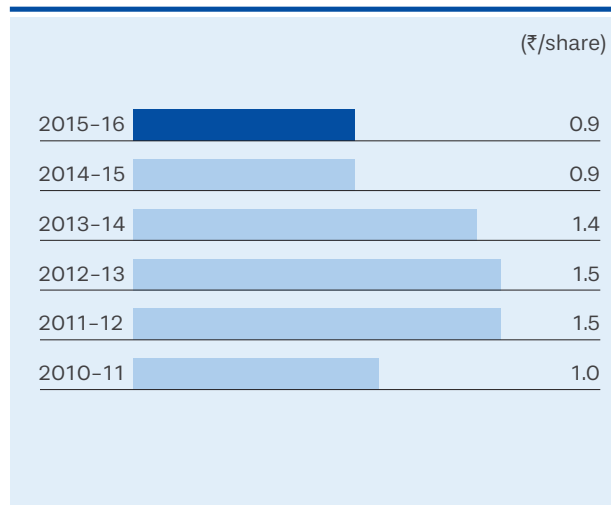


*Net Fixed Assets including goodwill and capital work-in-progress

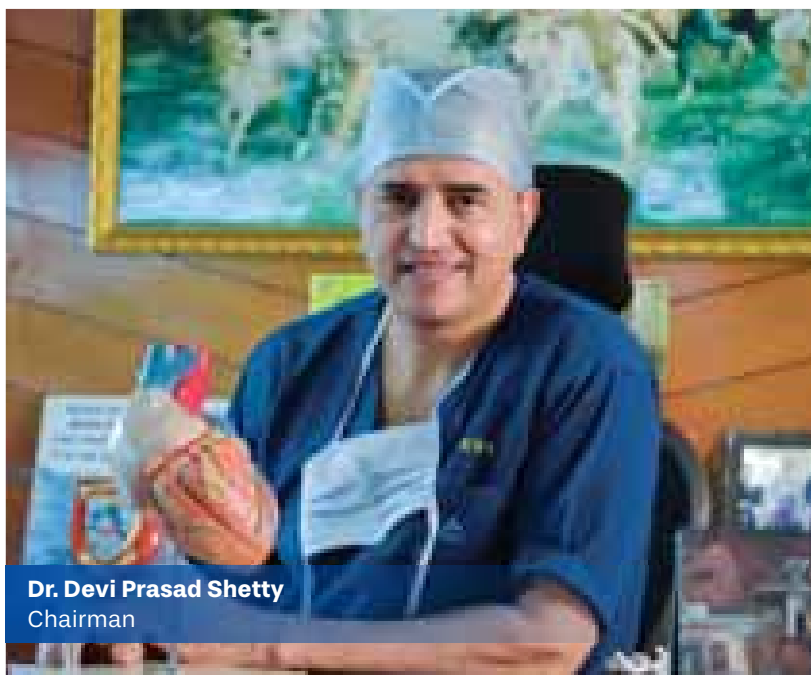
BOOK VALUE PER SHARE



EARNINGS PER SHARE



Chairman's Perspective



Dr. Devi Prasad Shetty
Chairman



We believe an 'affordable' initiative and a 'profitable' enterprise can go hand in hand. Our business model is structured to maintain focus on clinical excellence, affordability, and sequentially also ensure that the business generates sufficient cash flows to drive future growth initiatives.

To the esteemed stakeholders,

It gives me great pleasure to be communicating the performance of the year gone by. This year marks a new beginning for NH, as we had a successful listing at the stock exchanges. I would like to convey my sincere gratitude to all our shareholders, who had the confidence to buy into the NH story; and I am hoping that this journey of ours will be rich and rewarding.

The ecosystem of healthcare is evolving throughout the world, as new methodologies and technologies are coming to the fore, knowledge and awareness levels are increasing in a digitally connected society; and above all, even governments, especially in developing societies like India are rejuvenating their healthcare delivery models.

India as a nation has many fundamental attributes to drive growth in the healthcare services business. While on the one hand we are one of the most rapidly developing economies of the world, on the other hand we are miles behind on healthcare standards. Quality healthcare services as it exists today are still concentrated in a few major cities; and there is a huge dependency on these centres from the populace in the Tier II and Tier III cities and towns.

Various reports indicate that India's overall bed density is 7 per 10,000 persons (compared to a global median of 27), with a bed density of 2 in rural areas and 25 in urban areas. As per 2015 PwC report, it is estimated that India will need to add 3.6 mn beds over the next 2 decades to address the existing as well as the growth in population.

The exponential demand in the healthcare space gives us the confidence that we are moving in the right direction with the right strategies and the right talent on board. Our efficient business model is enabling us to deliver quality affordable services to every section of society.

Clinically, while we remain a dominant player across the cardiovascular services (with over 14,700 cardiac surgeries and 54,000 cardiology procedures in 2015-16) and renal sciences domain (with around 0.2 mn dialysis sessions in 2015-16), our business focus continues to evolve around multi-specialties. Emerging specialties such as cancer, neurosciences, orthopaedics and gastroenterology are garnering a greater share of our operations pie, as we continue to diversify our portfolio. Our multi

organ transplant program across the network has become very widely known with the distinction of performing 25 heart transplants, 64 liver transplants along with 2,461 renal transplants and 500+ bone marrow transplants till date.

Today, we treat close to 2 mn patients each year and are conducting over 400 surgeries and procedures daily. NH continues to attract significant patient flow from the overseas region with people from 77 countries visiting us over the last fiscal with around 1,800 patients being constituted by the paediatric segment. Much of what we do is concentrated on putting our patients first and at the very centre of our actions. We recognize that a patient feels most vulnerable when he/she arrives at a hospital. It has therefore been our constant endeavour to make our patients feel most comfortable and cared for. We aim to institutionalize the 'Care Companion' programme across our network. As a part of the programme we will deploy effective patient attendant training programme that is meant to cultivate a culture of organized learning; with specific training for customer-facing functions to ensure seamless service delivery.

Technology continues to be a major disruptor in healthcare services today. We recently commissioned the da Vinci robotic surgical system in our health city at Bengaluru to reach newer horizons in clinical superiority by improving surgical precision and outcomes. Our objective is to make the delivery of healthcare more connected, efficient, intuitive and convenient for the patient. All this is being done with the intent of expanding reach

exponentially in a cost-effective manner. We are also looking at roll out of Electronic Medical Records (EMR), Business Intelligence (BI) & centralized infrastructure monitoring systems for agile decision-making and efficiency.

Our expansion plans to address geographies as well as economies of scale continue to be on course. We are exploring opportunities in west, central and northern India, while our strongholds of Karnataka and east India continue to build scale and skill. We have recently commissioned a new facility in Jammu. This opens door to our business in north India; and we believe the facility would be a strategic fit in solving the dual purpose of accessibility and affordability to the people of Jammu and the regions close to it. I am very pleased with the progress of our upcoming facility at Haji Ali, Mahalaxmi at Mumbai which is on course to get commissioned within 2016-17 and would emerge as a premier children's hospital in the country focusing on high end tertiary care offerings.

We believe an 'affordable' initiative and a 'profitable' enterprise can go hand in hand. Our business model is structured to maintain focus on clinical excellence, affordability, and sequentially also ensure that the business generates sufficient cash flows to drive future growth initiatives. While keeping the highest level of quality and clinical excellence, we continue to pursue initiatives that keep tight control on purchases, driving down capital costs by direct negotiation with equipment suppliers; and also encouraging local companies to develop technologies in India.

Healthcare business, by its very nature, cannot be valued on the basis of profitability, but more importantly by the overall patient care and satisfaction that we bring into the lives of people we treat. Our core focus has thus always been to provide quality and affordable medical care to a wide segment of the populace. The profit that we generate from our endeavour is a measure of the respect and recall our brand enjoys in society.

We will continue to strengthen our ecosystem of care, because it benefits all sections of society; and creates enduring value for all those who have a stake in our progress.

Dr. Devi Prasad Shetty
Chairman

CEO's Insight



Dr. Ashutosh Raghuvanshi
Managing Director and Group CEO



The operating cash flows and our internal accruals have shown a positive trend as we have benefitted from the operating leverages of the business. A notable feature this fiscal was the enhanced performance from the newer or younger hospitals which led the growth along with consistent performance from our mature hospitals.

Dear Stakeholders,

At first, I would like to thank all our investors for reposing faith in our business and strategy, thereby making our Initial Public Offer a resounding success. This is certainly the beginning of a long-term association that we hope to build upon with our stakeholders. We will need the critical support and guidance of our stakeholder fraternity in our journey to build an affordable, accessible and convenient healthcare ecosystem for the nation.

Your Company had a satisfying 2015-16, both from a financial, as well as from an operational standpoint. While we improved our financial performance, more gratifying is the fact that our operating performance has shown a trajectory that will make us ready

for addressing evolving business needs. We closed 2015-16 with a 17.9% growth in revenues from ₹ 13,639 mn in 2014-15 to ₹ 16,075 mn. This was accompanied by a robust 43.9% escalation in EBITDA from ₹ 1,298 mn in 2014-15 to ₹ 1,868 mn this fiscal, translating to margins of 11.6%; an improvement of over 210 basis points vis-à-vis the previous fiscal. Our consolidated profit after tax was ₹ 191 mn, as against a loss of ₹ 168 mn in the previous year.

The enhanced profitability is a result of our investments in projects over the last few years, which have progressed based on expected milestones. The operating cash flows and our internal accruals have shown a positive trend, as we have benefitted from the operating leverages of the business. The increase in internal

accruals ensured that all capital requirements for the fiscal were funded internally.

A notable feature this fiscal was the enhanced performance from the new group of hospitals, along with consistent performance from our mature hospitals. The operational efficiency measures at our younger centres resulted in an increased contribution to the extent of ₹ 270 mn to our EBITDA this fiscal. The mature centres continue to lead the revenue growth and the top 3 flagship centres now contribute 53.6% of the total hospital revenue compared to 72.2% in fiscal 2013. Our average revenue per operational bed (ARPOB) increased from ₹ 58 lacs to ₹ 64 lacs this fiscal. Our improvements in the operational parameters, coupled with financial performance are helping us proceed towards the

strategic direction that we have set for ourselves.

On the operational front, we received the National Accreditation Board for Hospitals & Healthcare Providers (NABH) accreditation for 5 new units this fiscal viz- HSR, Guwahati, Ahmedabad, Jamshedpur and Mysore. We now have 8 hospitals in our network, which have these accreditations; and this we believe is a testimony to NH's strong brand value built over the years in the healthcare services industry. Our flagship hospital at Bengaluru achieved the milestone of 500th bone-marrow transplant procedures since its inception. Our cardiac centre at NICS carried out Transcatheter Aortic Valve Implantation (TAVI), the first of its kind in India. While we managed to maintain our stronghold in core therapies, we also expanded our expertise in other specialities. The IP revenue contribution of cardiac and renal sciences has reduced to 58.0% levels vis-à-vis 67.7% in 2012-13.

We see a multitude of factors including changing demographics that will lead to an increase in the demand for quality tertiary and other healthcare services. NH is today charting a multidisciplinary approach, with a strong focus on cancer care, neurology and neurosurgery, orthopaedics, and gastroenterology. Asia accounts for 60% of the world's population and half the global burden of cancer. Therefore we have aligned our business to service the increasing patient count and their growing health care needs. Today, we have set up one of India's largest bone marrow transplant units; and we

intend to continue technological innovations in the space.

Estimates suggest that neurosciences will contribute nearly 4-5% of India's overall healthcare delivery sector (translating to an opportunity of ₹ 200 billion). We have enhanced our focus on this segment; and today we have a presence in this segment in 19 facilities from a single facility in 2004. We have also established a neuro-rehabilitation programme for post-operative patient care; and we are one of the very few private hospitals in India, to conduct the DNB Neurosurgery accreditation for students. In a nutshell, we are leveraging our varied disciplines to strengthen the ecosystem of holistic healthcare at NH.

Moving ahead, a platform has been laid which will provide impetus to growth through a combination of levers. The opportunities in the industry for NH are varied and your Company has a well-laid strategy to address these opportunities and deliver high quality, affordable healthcare services to the broader population in India.

The cornerstone of our strategy in the medium to short term would depend on 4 broad parameters. First, we intend to capitalize on our dominating presence in Karnataka and eastern clusters and further enhance our presence in the western, central and northern regions. We would be looking at opportunities in cities, where we do not have a presence, but there is a demand for a tertiary care facility. Second, we continue to build upon the strengths in our core sub

specialities and enhance clinical quality across multiple parameters. We would continue to invest in the latest equipment, state-of-the-art technology and standardization across all hospitals to encourage innovation and best practice sharing spirit.

Third, we have always emphasized on asset-right deployment; and in the future, we would be looking at an engagement framework, which limits our capital investments to primarily medical equipment. We would maintain a judicious mix of organic and inorganic growth opportunities. Finally, with the core values of innovation and efficiency, compassionate care, and technology, we envisage to strengthen our business, going forward. Our business model revolves around the philosophy of care; and at the same time generates sustainable value for all stakeholders.

In the end, I would like to thank all our shareholders, doctors, employees and business partners for supporting our vision to create a valuable enterprise for the future.

Dr. Ashutosh Raghuvanshi

Managing Director and Group CEO

The reassuring hand of care



CARDIAC CARE

At NH, our ecosystem of healthcare provides medical support to both old and young; and even to new-borns. Because true care is non-discriminatory and all pervasive.

We have grown from a specialty cardiac hospital to a multi-specialty one. We are consolidating our varied disciplines to strengthen the ecosystem of holistic healthcare.

As per a World Health Organisation (WHO) report, cardiovascular diseases (CVDs) would be the largest cause of death and disability in India by 2020. Urban Indian population is more at the risk of being diagnosed with heart disease primarily due to unhealthy eating habits, lack of physical activity and stress. Also more and more young Indians are suffering from coronary artery disease, owing to their poor lifestyle.

At NH, we perform the world's largest number of heart surgeries and interventional cardiac treatment. Our cardiologists all over India treated a large number of patients. Last year, we performed more than 30,000 angiograms and 11,000 angioplasties. We have one of the largest facilities, dealing with

paediatric cardiology. Our trained specialists and a highly skilled group of surgeons offer patients (both adult and children, including new-borns) the advantage of superior therapies and preventive care for disorders of the heart and vascular system (blood vessels).

We are constantly upgrading our systems to be at the helm of the most cutting-edge offerings. NH was the first hospital in Karnataka to perform a heart transplant in 2008. Over the years, we have performed 25 heart transplants, of which 12 were done in the last fiscal year. Separately, we also conduct real complex work, along with cardiology procedures with us having over 25 cathlabs across the network.

HIGHLIGHTS FOR 2015-16

- Performed 40 cardiac surgeries a day, a total of 14,785 surgeries, along with 54,387 cardiology procedures
- Largest number of endovascular interventions for the treatment of diseases of Aorta (Aortic Aneurysm, Dissection of Aorta and Abdominal Aortic Aneurysm)
- Regularly performs Extracorporeal Membrane Oxygenation (ECMO), which is a system used for providing support in times of heart and respiratory failure. ECMO can be extended to up to 30 days of support
- Implanted the first Right Ventricular Assist Device (RVAD) in the country which is used to provide temporary support to the right heart
- The cardiac surgery department is known across India for its pulmonary thromboendarterectomy (PTE) program which started in 2004. The department has completed over 350 cases till now, making us the largest referral programme in Asia. PTE is a complex operation, which is performed to remove blood clots from arteries in the lung, thereby curing pulmonary hypertension
- The department of cardiology carried out the first Transcatheter Aortic Valve Implantation (TAVI) in India. TAVI is a procedure where the aortic valve is replaced via a catheter passed through the leg; in patients not fit for traditional open-heart surgery. The department has completed 23 such procedures, till date
- The department of paediatric cardiac surgery is one of the busiest in the world, which performed approximately 4,500 heart surgeries during FY 16. The department regularly performs complex heart surgeries, one of which is the Bex-Nikaidoh surgery which is performed in only a handful of centres globally.

EXTRACORPOREAL LIFE SUPPORT RESCUES A 53-YEAR-OLD

A 53-year-old man was brought to our emergency ward with a life threatening medical condition called cardiogenic shock. Upon evaluation, we discovered that he had a potentially reversible

acute failure. Our team from the heart centre of MS Ramaiah used a new and advanced modality of technology called ECMO, to successfully treat the patients. It is a procedure that uses a machine to take over the work of the lungs and sometimes the heart.

UNIQUE PROCEDURE TREATS A COMPLEX AORTIC PSUEDOANEURYSM

A 74-year-old patient was brought to us with a ruptured thoracic aorta, also called Aortic Psuedoaneurysm. This condition, a result of trauma, can be acute or chronic in nature. Our team successfully treated the patient by using a hybrid procedure, which involved insertion of a stent and conducting carotid debranching. It helped him recover quickly without any significant complication.

PACEMAKER FOR A NEW-BORN

A 35-year-old full term pregnant lady with a foetus, which had a complete heart blockage and severe biventricular dysfunction, was referred to our hospital in eastern India. Our teams worked together and not only delivered the baby, but also performed permanent dual chamber pacemaker implantation procedure within one hour of the delivery. The excellent coordination and teamwork helped save 2 precious lives.

METAL BALL HELPS PLUG A HOLE IN THE HEART

A 65-year-old man (with a hole in his heart) was treated in our hospital, following a severe heart attack. This is a rare condition that afflicts less than 10% heart attack patients; and in this case the patient also went into a cardiogenic shock. The rupture in the heart was closed by a metallic ball; a minimally invasive technique that does not require an open-heart surgery.

The reassuring hand of care



RENAL SCIENCES

At NH, the Department of Nephrology treats all types of acute and chronic kidney disorders. As part of our clinical care we cover 3 distinct areas – chronic kidney disease (CKD), dialysis and transplant (renal replacement).

Our dialysis units have a state-of-the-art equipment and treatment facilities and work 24*7 to full capacity. Apart from haemodialysis, we also perform peritoneal dialysis (this process can also be done at home). The number of dialysis cases is on the rise; and last year we performed close to 200,000 dialysis sessions. Many patients choose us during the long course of treatment, because of our competitive price and quality.

The other services we offer are continuous renal replacement therapy (CRRT), plasma dialysis (plasmapheresis), liver dialysis (MARS therapy), kidney transplant, combined kidney and liver transplant and kidney biopsy. We have fully functional departments of radiology, catheterisation laboratories and tissue typing.

At our nephrology department there is a continuous effort to develop software to measure the quality of service delivered to out-patients, creating an integrated platform for CKD and dialysis (including Electronic Medical Records). The objective is to make dialysis documentation paperless.

~200,000

No of dialysis sessions
in 2015-16

HIGHLIGHTS FOR 2015-16

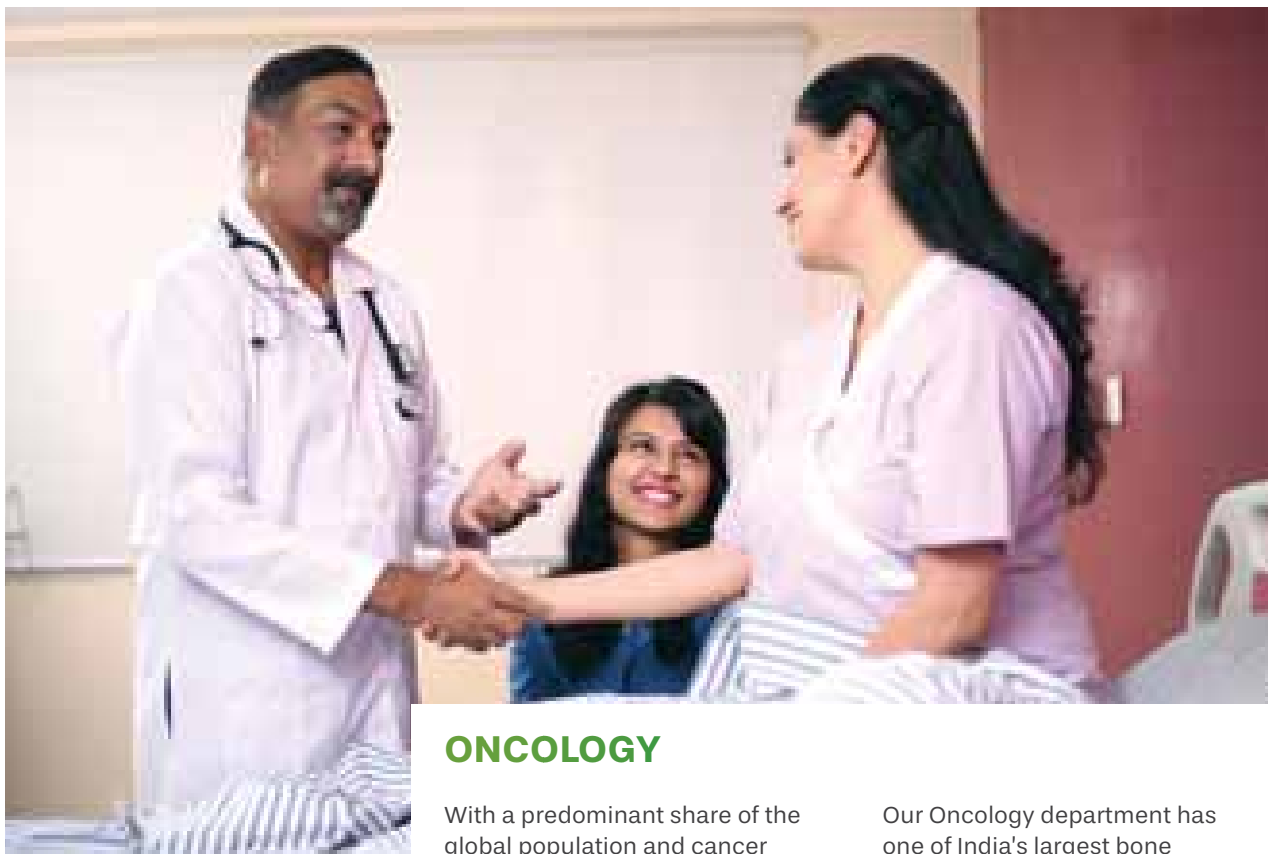
- Conducted approximately 55,000 haemodialysis (HD) sessions in RTIICS last year, which is the highest in the country. Angioplasty in the form of stenting and insertion of AV Graft, along with the help of our colleagues from cardio-thoracic vascular surgery as well as invasive radiology has helped restore not just the flow in vascular accesses of the patients on HD, but also their faith in our hospital.
- Offer Therapeutic Plasma Exchanges (TPE) (Plasmapheresis) as a modality of treatment not just to patients suffering from nephrological diseases, but also to patients suffering from other autoimmune diseases, who may not have renal dysfunction. About 180 such sessions have been carried out last year in our main unit at RTIICS.
- Insertion of various types of chronic catheters, including the one through Trans-Lumbar route has been performed recently in our unit last year.
- Our department is a leading centre for kidney transplantation, not just in this country but also in the world. Not just the numbers, it is the variety and high-risk recipients – namely, recipients with Hepatitis B infection (12) and Hepatitis C infection (23), second renal transplant recipients with cardiac and peripheral vascular diseases and poor LV systolic function, among others. At 96% graft survival in first year and 86% graft survival in 7 years, our results speak volumes about the care we provide.
- One of the areas, where we do pioneering work is transplantation across the blood group barrier (ABO-Incompatible transplantation). Ours is among the very few centres in the world, performing ABO-Incompatible kidney transplants, with a high success rate equal to ABO-Compatible ones. Since April 2013, we have done 62 ABO-Incompatible Transplants and have developed a low-cost pre-conditioning protocol, so that even the underprivileged can undergo such a transplant.
- Act as a training hub for dialysis technicians as well as India's future nephrologists. At present, we are training 20 technicians who are in different years of their training.

CASE STUDY **Bariatric surgery before renal transplant**

A 53-year-old Bangladeshi woman suffering from a chronic kidney disease was admitted to our hospital in eastern India. She was medically unfit for the transplant because of obesity. 2 weeks prior to the renal transplant a bariatric surgery was performed. Such an operation on the stomach and/or intestines helps patients with extreme obesity to lose weight. It reduced her weight by more than 15 kgs. The successful results of this surgery inspired us to take on more such cases.

Urology is one of the first specialities to use 'keyhole' surgery; and still retains the most comprehensive array of minimally invasive techniques for patients. Our doctors are leaders in handling all urological conditions, such as stone disease, birth defects, infections, tumours, obstruction of the urinary system, prostate enlargement, infertility, erectile dysfunction, urinary incontinence, kidney transplantation, among others. The urological cancer care department provides a holistic approach to cancer treatment, with strict adherence to current well-accepted, evidence-based methodologies of cure. Each patient's cancer treatment is endorsed by a multi-disciplinary tumour board. It has representation from urological surgeons, medical oncologists, radiation oncologists, pathologists, radiologists and palliative care medicine experts.

The reassuring hand of care



ONCOLOGY

With a predominant share of the global population and cancer patients, Asia is in need of quality and affordable treatment of cancer. According to BMC Medicine, the incidence of cancer cases is estimated to increase from 6.1 mn in 2008 to 10.6 mn in 2030, in part due to ageing population, lifestyle changes and socio-economic changes.

The increasing number of cancer patients in developing countries is a growing cause of concern. The situation is made worse by the lack of early detection facilities and access to treatment in these countries. Affordable treatments for cancer in developing countries, including that in children, are slated to significantly reduce mortality rates in developing nations.

Our Oncology department has one of India's largest bone marrow transplant units. The unit has completed more than 400 stem cell transplants. The Bone Marrow Transplant Unit (BMTU) established at the Bengaluru centre is among the very few transplant centres with facility for total body irradiation (TBI). Renowned haematologists, paediatric and medical oncologists, along with a highly accomplished team of clinical nurses work together to ensure patient's recovery.

The unique aspect about the Oncology unit is the multi-specialty cancer care benefits, each benefiting and adding value to the other. Inter-departmental sharing of data has helped in enriching the unit; and in its effort to reach out to patients. In addition, site-specific oncology treatment ensures quality treatment.

400+

Stem cell transplants
in 2015-16

The cancer care outreach programme has a unique set of medical social workers, who are in constant touch with patients, before, during and after treatment. The trauma of the patient is alleviated to a large extent, as they are trained to address non-treatment issues and concerns like social and financial matters.

The department has an open training programme (fellowship programme). It is one of India's more competitive programmes, with one in every 50 applicants being admitted in it. Above all, the focus is constantly on research with nearly 15-20 publications from the department over the past 4 – 5 years.

The cancer care outreach programme has a unique set of medical social workers, who are in constant touch with patients, before, during and after treatment.

CASE STUDY

16-year-old breathes easy after successful tumour operation

Our team at MS Ramaiah successfully removed a tumour weighing 3.2 kg from the chest cavity of a 16-year-old girl. The tumour was compressing one side of her lungs and heart, causing a deformity of the chest wall. The girl could breathe normally for the first time in six years, after the surgery.

Awake craniotomy for tumour resection

A 22-year-old young male with the medical history of headache and seizures was admitted to one of our hospitals. After examining him, our team found out that he had a tumour near his left motor strip. Awake craniotomy was performed on him for tumour resection, while he was still in his senses and talking. This complex surgery was successfully completed with very minimal complications.

Laparoscopic liver resection surgery on a cancer patient

A 75-year-old man with liver cancer went through a laparoscopic liver resection,

a minimally invasive technique in which operations are performed far from their location through small incisions. It reduced his duration of stay at the hospital; and also reduced distress from the normal open surgery. Our hospital in Mysore with a trained team of doctors treats such patients regularly.

Advanced thyroid gland cancer treated through a complex surgery

Our doctors demonstrated excellent teamwork when a 43-year-old man with a thyroid gland cancer was brought to our hospital. The cancer had spread to his voice box, food pipe, breathing pipe and backbone. A team of head and neck surgeons, along with cranio-maxillo facial surgeons and cardiologists worked together to provide him a new lease to his life. Integrating multiple specialists provided an outstanding treatment outcome in this case.

The reassuring hand of care



CASE STUDY

Gold-weight implantation in the eyelids cured facial deformity

A 45-year-old school teacher was brought to our hospital after she had lost the facial nerve connected to her eyelids following a brain tumour surgery. She developed an eye ulcer for not being able to close her eyelids. Our plastic surgeons in Bengaluru treat such cases with gold-weight implantations, which allow an improperly working eyelid to close with gravity. We have performed 450 gold weight implantations in the last 5 years; and it has made us one of the sought after destinations for such a complication.

NEURO SCIENCES

Neurological disorders are diseases of the central and peripheral nervous systems, including the brain, spinal cord, nerves, nerve roots, and muscles. Neurological disorders include epilepsy, dementias, cerebrovascular diseases including stroke, migraine and other headache disorders, multiple sclerosis, and Parkinson's disease, amongst others. According to CRISIL's estimates, based on the current prevalence rate of neurological disorders in India, the neurology segment constitutes nearly 4–5% of the overall healthcare delivery market in India (translating to ₹ 200,000 mn).

The neuro-sciences department (neurology and neurosurgery) was commissioned in 2004, and is now present in 19 facilities. This division has evolved into the largest

training ground in Bengaluru, along with being the biggest provider of neurological healthcare services. The Neurosurgery Division has also established a neuro-rehabilitation programme for post-operative patient care. It is one of the very few private hospitals in India, to conduct the DNB Neurosurgery. The aim is to provide top-notch treatment for neurosurgical disorders at affordable costs. The Neurosurgery Division is equipped with state-of-the-art operating rooms, dedicated neurosurgical intensive care unit and also established neuro-rehabilitation programme for post-operative patient care. The team consists of senior consultants with expertise in various dimensions of advanced micro-surgical techniques are backed with an experienced and qualified support staff team.



GASTRO INTESTINAL SCIENCES

Gastro Sciences is a highly specialized service split into gastro intestinal medicine and surgical expertise including transplants. Our centres are one of the busiest in the country, conducting more than 20,000 endoscopic procedures and 5,000 colonoscopy annually. We treat the upper digestive tract, stomach, liver, colon, intestinal problems and pancreas. Treatment here is specialized and covers most conditions of the gastro-intestinal tract, helping in early detection and prevention of gastro-intestinal diseases.

We understand the chronic and evolving nature of digestive disorders prevalent in developing countries and that is why NH is at the forefront of diagnosis and treatment of gastro-intestinal diseases through minimally invasive technology. Last year we performed more than

5,000 advanced laparoscopic procedures. 2 of our major centres in Bengaluru and Kolkata, perform large numbers of Endoscopic Retrograde Cholangiopancreatography (ERCP) (more than 1,000 numbers of which is used to treat disorders of the bile and pancreatic ducts) and Endoscopic Ultrasound (EUS) procedures.

Surgical gastroenterology provides state-of-the-art care for patients with gastrointestinal problems that need surgical approach. Last year we performed more than 6,000 cases for surgical gastroenterology and general surgery. We provide advanced laparoscopic surgical techniques to patients with various gastrointestinal conditions including gastrointestinal cancers. Some of the major laparoscopic procedures that are done in our facilities are Cholecystectomy

5,000+

Advanced laparoscopic procedures

The reassuring hand of care



(treatment of symptomatic gallstones and gallbladder conditions), hernia, among others. We have one of the best conversion rate of 0.2% from laparoscopic to open cholecystectomy. Complex liver surgeries have been conducted with intraoperative ultrasound guidance, thus making these procedures safer with better outcomes. The department has dedicated clinics to offer focused care for patients with specific surgical gastrointestinal conditions.

The special clinics are detailed below:

Liver Clinic: This clinic provides patients with chronic liver disease and liver cancers a one-stop solution. These patients are worked up based on standard protocols to get the accurate diagnosis and management of their condition. They are also given long-term care for chronic liver disease. We work

up adult and paediatric patients for liver transplantation.

Obesity Clinic: Obesity has now become an extremely common lifestyle disease. When medical management is not feasible, based on the patient's condition, surgical management is suggested. Based on the health and body type, patients are offered gastric bypass, gastric banding, sleeve gastrectomy, biliopancreatic diversion; and their long term care is looked after. The clinic is supported by nutritionists, physiotherapists, psychologists, psychiatrists, endocrinologists and medical gastroenterologists.

Colorectal Clinic: A large number of patients suffer from various colorectal problems. Colorectal malignancy is rising in our population. Our clinic helps in screening high-risk individuals. The early detection

and management of these cancers by a dedicated team of surgeons, medical gastroenterologists, medical oncologists and stoma nurses make sure these patients get the most advanced treatment. Most patients are offered laparoscopic colorectal surgery, which gives them complete oncological clearance with the ability to recover fast.

Hernia Clinic: Abdominal hernias are one of the most common conditions. Our team of surgeons offer advanced laparoscopic and open hernia repair surgeries to patients with this problem.



ORTHOPAEDICS

The demand for knee replacement surgery is increasing across Asian regions. The factors contributing to the rising demand include increasing awareness for the possible treatments, growing number of elderly population and succeeding patients with knee joint afflictions.

We provide comprehensive and world class orthopaedic services. These are offered by our team of well-trained surgeons from India and abroad. We deliver specialised care in complex trauma, poly-

trauma and related sub specialties. Some of the procedures we perform on a regular basis are joint, knee, hip and shoulder replacement, arthritis and custom implant surgeries. We also treat sports related injuries. Additionally, we also have efficient occupational therapists, physiotherapists and pain management expert, working with us towards quick rehabilitation of the patient.

Imparting the art and science of caregiving



At NH, we believe caregiving is both an art and a science that needs to be honed to perfection. Therefore, we focus on bringing on board specific talent with industry relevant skills, who are then trained to imbibe our culture of compassionate care..

We support our team at every step, and ensure that career aspirations are met through professional growth, personality development and fair economic rewards. Our strength rests on our diverse workforce with a variety of skillsets; yet, bound by our core values.

Openness

We have an open work culture and we follow an open door policy. This allows seamless interactions between our employees and the senior leadership team. Such a

work culture also creates a sense of transparency, mutual trust and camaraderie among people. Our participative culture fosters employee engagement and promotes work-life balance.

Training and Development

Our training and development (T&D) initiatives help employees stay abreast of latest developments in the industry. A T&D calendar schedule is drawn up for every department, which is implemented regularly. Along with internal T&D programmes, we send select employees for external training and skill development.

Empowerment of Women

We have adopted a focused approach towards the empowerment of women and aim to enhance the community's

prosperity through such initiatives. We encourage entrepreneurship among women and assist them in enhancing their income. Our projects and initiatives are designed to motivate women, and enable them to be liberal and independent decision-makers. As on March 31, 2016, 62% of our workforce comprises women.

62%

Women workforce as on
March 31, 2016



Directors' Profile



DR. DEVI PRASAD SHETTY

Dr. Devi Prasad Shetty is the Chairman of our Company and also an Executive Director. He is a cardiac surgeon with around 33 years of experience. After completing his MBBS from the University of Mysore in 1978, he registered with the Karnataka Medical Council in 1979. Thereafter, in 1982, he received a Master's degree in surgery from the University of Mysore. In 2009, Dr. Shetty was granted a fellowship from the Royal College of Surgeons of England. He founded our Company in 2000. He initiated the concept of 'Micro Health Insurance Scheme' in Karnataka, which eventually led to the Karnataka government implementing the Yeshasvini Scheme, a micro health insurance scheme for rural farmers.

Dr. Shetty is a professor at Rajiv Gandhi University of Medical Sciences, Bengaluru, India and the University of Minnesota Medical School, USA. He has received a number of awards and honours, most noteworthy being 'Padma

Shri' and 'Padma Bhushan' Award in 2003 and 2012, respectively, conferred by the Government of India. Besides, in 2002, the Government of Karnataka conferred him with the Rajyotsava Award. He was also honoured with the 'Dr. B C Roy National Award' by the Dr. B C Roy National Award Fund under the category of 'Eminent Medical Person' in 2003, 'Entrepreneur of the Year Award - Start-up 2003' by Ernst & Young, India, and 'Sir M. Visveswaraya Memorial Award' conferred by the Government of Karnataka in 2003. The Rotary Bengaluru Midtown conferred him with the 'Citizen Extraordinaire' award in 2004. Dr. Shetty also received the 'Outstanding Social Entrepreneurship Award' by the Confederation of Indian Industry in 2005, 'The President's Award' by the American College of Cardiology in 2011, and the 'Economic Times Entrepreneur of the Year' in 2012. Moreover, he received the 'Indian of the Year Award' in 2012 by CNN-IBN and the 'Lifetime Achievement Award' by the Federation of Indian Chambers of Commerce and Industry.

In addition, he received 'Commendation for driving affordable quality healthcare for all 2010' at the Healthcare Awards Program presented by ICICI Lombard & CNBC TV18 in 2010 and was the winner of 'Business Process Award' at The Economist Innovation Award's 2011. He was an Honorary Fellow at the College Physicians and Surgeons of Mumbai, Doctor of Laws in 2011 and has also been awarded the Doctor of Laws by

the University of Minnesota in 2011. In 2014, he was awarded the Doctor of Science (Honoris Causa) by the Rajiv Gandhi University of Health Sciences, Bengaluru. Dr. Shetty received the '19th Nikkei Asia Prize, Economic and Business Innovation' by Nikkei Inc. in 2014. He is an active member of the European Association for Cardio-Thoracic Surgery since 1996 and a life member of the Indian Medical Association. He was also a member of the Finance Committee of the 47th Annual Conference of the Indian Association of Cardiovascular and Thoracic Surgeons. He was a member of the governing body of the Medical Council of India between 2010 and 2011.



DR. ASHUTOSH RAGHUVANSHI

Dr. Ashutosh Raghuvanshi is the Vice-Chairman, Managing Director and CEO of our Company. He is a cardiac surgeon with overall experience of 26 years and has been part of our Company's growth story since its early days. He has served as the Vice Chairman and Group CEO and Executive Director of Narayana Health group of

hospitals. Dr. Raghuvanshi did his post-graduation in cardiac surgery from the University of Bombay after completing his M.B.B.S and M.S in general surgery. Prior to joining our Company, he has worked at several renowned hospitals in Mumbai including Balabhai Nanavati Hospital, Breach Candy Hospital and Research Centre, among others; Apollo Hospitals in Chennai and Manipal Heart Foundation in Bengaluru.



MR. VIREN SHETTY

Mr. Viren Shetty is an Executive Director of our Company. He is a civil engineer who graduated from Visveswaraiah Technological University, Belgaum, Karnataka and has completed his master's in business administration from Stanford University in 2012. With 8 years of experience, he has been responsible for identifying new growth opportunities for our Company as well as our Group Companies. Viren Shetty has designed and built few hospitals for our Company including MSMC, multispecialty hospitals in Jaipur and Ahmedabad.



MRS. KIRAN MAZUMDAR SHAW

Mrs. Kiran Mazumdar Shaw is a non-Executive Director of our Company. She is the Chairperson and Managing Director of Biocon Limited. She is a first-generation entrepreneur with over 39 years' experience in the field of biotechnology. Mrs. Shaw holds a bachelor's degree in science (Zoology Honours) from Bengaluru University and a masters' degree in malting and brewing from Ballarat College, Melbourne University. She has been awarded with several honorary degrees, including Honorary Doctorate of Science from Ballarat University, National University of Ireland, Trinity College, Dublin and the University of Glasgow. Mrs. Shaw is the recipient of several national and global awards, the most noteworthy being the 'Padma Shri' and the 'Padma Bhushan' in 1989 and 2005, respectively, conferred by the Government of India. She was also honoured with the 'Ernst & Young Best Entrepreneur: Healthcare & Life Sciences Award (2002)', the 'Economic Times Business Woman of the Year Award (2004)', 'Nikkei Asia Prize for Regional Growth' by Japan's business daily, Nihon Keizai

Shimbun, (2009) and most recently, the 'Othmer Gold Medal' by the US-based Chemical Heritage Foundation and '2014 Global Economy Prize' by Germany's Kiel Institute both in 2014.

The prestigious Foreign Policy magazine has named her among the '100 Leading Global Thinkers of 2014'. She has also been named as one of the '100 Most Influential People in the World' by TIME magazine in 2010, '25 Most Influential People in Biopharma' by Fierce Biotech, Asia-Pacific's 'Heroes of Philanthropy (2013)' and '100 Most Powerful Women (2013)' by Forbes magazine. Mrs. Shaw is also an independent director on the Board of Infosys Limited, and is the chairperson of the Indian Institute of Management, Bengaluru. She is a part of the U.S. Pharmacopeial Convention (USP) Board of Trustees. She is a member of Karnataka's Vision Group on Biotechnology and currently, chairs this forum. Mrs. Shaw has setup the Association of Biotech Led Enterprises (ABLE) in 2003 and was its first president. She serves on the National Advisory Council of the Government's Department of Biotechnology. She is member of the governing body of the Indian Pharmacopoeia Commission, Ministry of Health and Family Welfare, Government of India.

Directors' Profile



MR. DINESH KRISHNA SWAMY

Mr. Dinesh Krishna Swamy is an Independent Director of our Company. He is a professional with around 34 years of experience. He received his bachelor's degree from the Government Science College, Bengaluru in 1971. Thereafter, he was granted a master's degree in mathematics from Bengaluru University, followed by his doctorate in literature from the Karnataka State Open University in 2007. In 1981, Mr. Swamy became a founding member of Infosys Limited and has held various positions such as, a board member, head of quality, information systems and head of the communication design group.



MR. MUTHURAMAN BALASUBRAMANIAN

Mr. Muthuraman Balasubramanian is an Independent Director of our Company. He is a professional with over 43 years of experience. He holds a bachelor's degree in metallurgical engineering from Indian Institute of Technology, Madras and a master's degree in business administration from the Xavier Labour Relations Institute, Jamshedpur. Mr. Balasubramanian joined Tata Steel Limited in 1966 and has held various positions in the company including Vice-President (Marketing and Sales) and Vice President (Cold Rolling Mill Projects) and Managing Director.

He served on the Board of Bosch India Limited for 6 years and was also on the Board of Tata Industries Limited. He was the chairman of the Board of Governors of the Indian Institute of Technology, Kharagpur; National Institute of Technology, Jamshedpur and Xavier's Labour Relations Institute, Jamshedpur.

Currently, Mr. Balasubramanian is also on the Board of Sundaram Fasteners Limited. He has been conferred with the prestigious 'Padma Bhushan' award in 2012, from the Government of India. He received the Tata Gold Medal in 2002 from the Indian Institute of Metals, Calcutta for his significant contribution to the metallurgical industries, particularly to iron and steel industry.



MR. ARUN SETH

Mr. Arun Seth is an Independent Director of our Company. He holds a bachelor's degree in engineering from the Indian Institute of Technology, Kanpur and a master's in business administration from the Indian Institute of Management, Kolkata. Mr. Seth was associated with Alcatel-Lucent India as a non-executive chairman from May, 2011 until May 2014. He has worked for the BT Group in India in a variety of positions for over 17 years, retiring in July 2012. Currently, Arun is on the Board of Jubilant Food works Limited, Centum Learning Limited, Usha Breco Limited and Samtel Avionics Limited. He is an active member on the Boards of various

non-governmental organisations such as Help Age India, where he chairs the resource committee; 'Katha'; 'SPIC-MACAY' and 'India Sponsor Foundation'. Mr. Seth is also a trustee of the Nasscom Foundation, which drives corporate social responsibility initiatives for the IT industry.



MR. B. N. SUBRAMANYA

Mr. B N Subramanya is an Independent Director of our Company. He holds a bachelor's degree in commerce from Bengaluru University. He became an associate member of the Indian Institute of Chartered Accountants of India in 1982. He has around 30 years of experience. Mr. Subramanya began his career with Varsons Chemicals Private Limited wherein he worked as the general manager, finance for around 4 years. He is a fellow member at ICAI since April 13, 1994. He has been a member of the Board at M.S. Ramaiah University of Applied Sciences, M.S. Ramaiah – HCG Cancer Centre and Governing Council of International Medical School, Bengaluru.



MANOHAR D CHATLANI

Mr. Manohar D Chatlani is an Independent Director of our Company. He is a businessman with over 40 years of experience in retail sector, business development and leadership roles. He received a bachelor of commerce degree from Bengaluru University in April 1972. Mr. Chatlani is the proprietor of the Men's Favorite Shop, which is part of MD Retail India Private Limited and has been working with the Group since 1972. Currently, Mr. Chatlani is a director of Arya Foundation Private Limited, Jai Shiv Shakthi Health & Education Foundation, Queen City Developers Private Limited, Soch Apparels Private Limited, Sharavati Real Estate Private Limited and the Bengaluru Commercial Association.

Management Discussion and Analysis Report



The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes thereto. The financial statements have been prepared in compliance with the requirements of the Companies Act, 2013 and Generally Accepted Accounting Principles (GAAP) in India. The Company's management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present the Company's state of affairs and profits for the year. Investors are cautioned that this discussion contains forward-looking statements that involve risks and uncertainties. When used in this discussion, words like 'will', 'shall', 'anticipate', 'believe', 'estimate', 'intend' and 'expect' and other similar expressions as they relate to the Company or its business are intended to identify such forward-looking statements. The Company undertakes no obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such statements. Factors that could cause or contribute to such differences include those described under the heading "Risk factors" in the Company's prospectus filed with the Securities and Exchange Board of India (SEBI) as well as factors discussed elsewhere in this report. Readers are cautioned not to place undue reliance on the forward-looking statements as they speak only as of their dates.

Information provided in this Management Discussion and Analysis Report (MD&A) pertains to Narayana Hrudayalaya Limited on a consolidated basis, unless otherwise stated.

INDIAN INDUSTRY LANDSCAPE

India's healthcare sector, estimated at ₹ 6.7 trillion (tn), is growing at the average rate of 20.0% year-on-year. The sector is pegged to reach ₹ 18.8 tn by 2020¹ and this growth is likely to be fuelled by the changing demographics, rising incomes, accelerated health awareness, changing disease profile (towards lifestyle diseases), increasing penetration of health insurance, medical tourism, and the increasing bed count of hospitals across multiple clusters of the country.

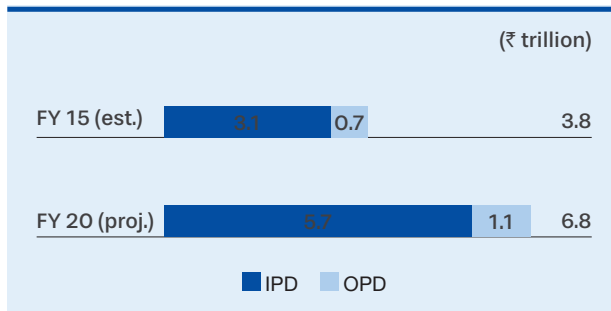
It is also estimated that the major portion of healthcare sector's growth (approximately 60.0%) will come through healthcare delivery space which broadly includes hospitals, nursing homes, and diagnostic centres. According to a CRISIL report², the size of the Indian healthcare delivery industry in 2015 is estimated at ₹ 3.8 tn which translates into over 3,400 million (mn) procedures and treatments. The healthcare delivery sector is expected to grow at a CAGR of 12.0% and reach ₹ 6.8 tn by the year 2020.

¹ Deloitte Touche Tohmatsu India Report

² Healthcare delivery sector in India by CRISIL Limited, June 2015



INDIAN HEALTHCARE DELIVERY MARKET



India, one of the fastest growing economy is gradually moving forward in the healthcare domain. Given, India falls below its global peers on healthcare benchmarks, there is a significant scope for enhancing healthcare services.

- First, the availability of specialised healthcare services is largely demographically driven. Large cities in general have multispecialty hospitals, while small towns tend to have hospitals with basic capabilities and any significant treatment are referred to larger city hospitals. There is also an under penetration of hospital network in the rural areas which accounts for 67.0% of the total Indian Population³. The urban regions are also

penetrated better in terms of distribution of medical personnel per capita. The proportion in urban to rural areas is approximately 1.3 to 0.4 doctors, 4.2 to 1.2 total health workers, and 1.6 to 0.4 nurses and midwives, respectively. (Source: WHO Strategy Report)

- Second, Indian people expenditure in healthcare is one of the lowest in the world (Approximately 4.0% as compared to 17.1% in the USA, 9.7% in Brazil, 9.1% in United Kingdom and 5.6% in China, Source: WHO Global Healthcare Expenditure Database)
- Third, from a capacity view point, India's overall bed density is 7 per 10,000 persons (compared to a global median of 27), with a bed density of 2 in rural areas and 25 in urban areas (Source: Healthcare delivery sector in India report by CRISIL Limited, June 2015). The Country will need to add 3.6 mn beds over the 2 next decades to address the existing as well as the growth in population (Source: 2015 PwC report)

Except with respect to select health programmes, the private sector principally dominates the provision of personal medical care in India with 80.0% of all out-patient care and 60.0% of all in-patient care being provided by the private sector (Source: WHO Strategy Report). As of 2013, government spending on healthcare in proportion to total spending on healthcare was only 32.2% (Source: WHO's Global Healthcare Expenditure Database). To sum up, a combination of demographic and economic factors are expected to drive growth in the healthcare delivery market in India. In addition, improvement in health awareness, changes in the disease profile (towards lifestyle-related ailments), rising penetration of health insurance and increasing opportunities from medical tourism will propel demand for healthcare facilities in India. Expansion plans by major private players are expected to be skewed towards illnesses related to the in-patient department (IPD) and hence, the share of IPD by value is expected to increase from 81.0% in 2015 to 83.0% in 2020. During the same period, the average cost for IPD treatments is expected to increase at nearly 8.0% CAGR. By 2020, the IPD market is estimated to reach ₹ 5.7 tn while the Outpatient Department (OPD) market size is estimated to reach ₹ 1.1 tn.

³ World Bank Staff estimates based on United Nations, World Urbanization Prospects (2015)

Management Discussion and Analysis Report

Advantage India

Key Growth Drivers	How is Indian Healthcare Placed?
Potential to increase bed capacities	India's overall bed density is below the global median beds as well as that of other developing nations such as Brazil, Malaysia, Vietnam, and Indonesia. There is a dearth of large facilities in the next tier cities across India.
Government spending on healthcare continues to remain low, allowing private sector to increase presence	Lower per capita spend on healthcare in India can be partially attributed to the relatively low contribution from the government. This gives enough room for private players to increase their presence and fill in the gap.
Increasing population as well as life expectancy to require greater health coverage	India's population is expected to grow to over 1.4 bn by 2026, from approximately 1.2 bn in 2011. The number of beds installed now indicate a shortfall of beds compared to the current global median and also indicate the growth expected in this space. The growth opportunity for the healthcare delivery sector in India, therefore, is immense. Growth for healthcare delivery services in India will also be augmented by factors such as increasing life expectancy and declining infant mortality in the country.
Rising income levels to make quality healthcare services more affordable	Even though healthcare is considered as non-discretionary expense, affordability of quality healthcare facilities remains a major constraint with an estimated 59.0% of households in India having an annual income of less than ₹ 0.2 mn in 2013-14. Growth in household income, and consequently, disposable incomes, is critical to the overall expansion of the healthcare delivery industry in India.
Increasing health awareness to boost hospitalisation rates <i>(percentage of people who visit a hospital when unwell)</i>	CRISIL ⁴ estimates that the hospitalisation rate for in-patient treatment will reach nearly 87.0% in 2020 from 84.0% in 2015. Factors such as increasing urbanisation and rising literacy levels are expected to enhance awareness on preventive and curative healthcare and in turn, likely to boost demand for healthcare delivery services.
Demand for NCD related healthcare services to increase over the next 5 years	Lifestyle-related, non-communicable illnesses exhibit a tendency to increase in tandem with rising income levels.
Increase in health insurance coverage to propel demand	Low health insurance penetration is one of the major impediments to the growth of the healthcare delivery industry in India as affordability of quality healthcare facilities by the lower income groups continues to remain a concern.
Growth in medical tourism to aid broadening of healthcare delivery market	Healthcare costs in India are extremely competitive compared to those in the developed countries and other Asian countries. With healthcare costs soaring in developed economies, the relatively low cost of surgery and critical care in India makes it an attractive destination for medical tourism.

Source: Report on Healthcare delivery sector in India by CRISIL Limited, June 2015

⁴ Healthcare delivery sector in India by CRISIL Limited, June 2015

COMPANY REVIEW

Founded in 2000, NH has embarked upon a journey to build an affordable, accessible and convenient healthcare ecosystem for the nation. Our brand "Narayana Health" is strongly associated with our mission to deliver high quality and affordable

healthcare services to the broader population by leveraging our economies of scale, skilled doctors, and an efficient business model. Today, NH is one of the leading healthcare service providers in India. As on May 1, 2016, the group operates a network of 23 hospitals, 7 heart centres and 23 primary care facilities



(including clinics and information centres), across India and 1 hospital at Cayman Islands with 5,347 operational beds and the potential to reach a capacity of 6,651 beds. The group operates a Pan-India network of hospitals in India with a particularly strong presence in the southern state of Karnataka and eastern India, as well as an emerging presence in western and central India. The group was founded by Dr. Devi Prasad Shetty, who has over 30 years of medical experience, including as a cardiac surgeon.

We strongly believe that India needs to improve on healthcare and as a responsible corporate within the domain, we are keen to bridge this gap. Our effort is to widen our network and continue to being committed to giving people access to affordable healthcare across segments. In this pursuit, we keep emphasising on innovation and consistent planning. We believe that with a reduction of our operational costs, we shall be attracting a large number of patients, and in due course, increase our revenues and operating incomes. Our philosophy is based on the notion that if we make healthcare services affordable, we improve

Our brand "Narayana Health" is strongly associated with our mission to deliver high quality and affordable healthcare services to the broader population by leveraging our economies of scale, skilled doctors, and an efficient business model.

the chances of patient having a better mental and emotional disposition after treatment. This makes us strive concertedly to keep the cost of our services as low as can be.

Fiscal 2016 has been very eventful for the Company. First, our Company got listed on the bourses after receiving tremendous response from investors across all categories. We are very humbled by the fact that investors have appreciated our business model and they believe in the long-term vision which the Company has set in place for its stakeholders. While we have been working on our strategy for the last many years, we believe, our fiscal performance this year would also start showing signs of inherent strengths our business has. From a financial performance perspective, we had a fiscal dedicated to consolidation of our business. We not only improved on our revenues, but also enhanced our operational performance on multiple counts. While our flagship hospitals continue to do well in their respective domains, our newer facilities also started demonstrating promising performance on the operational as well as financial front. Our consolidated income from operations during the fiscal 2016 grew from ₹ 13,639 mn to ₹ 16,075 mn thereby reflecting an increase of 17.9% which is higher than the average growth of Indian healthcare delivery sector. We believe that we have strategically progressed in the direction that we have set for the group. On the profitability front, our consolidated EBITDA margins reflected a robust growth of 43.9% over the previous year. This year we recorded a consolidated EBITDA of ₹ 1,868 mn as against ₹ 1,298 mn in the previous fiscal. This growth largely factors in performance both at the matured hospitals and also at the new hospitals which are in various stages of stabilisation. We closed this financial year with a consolidated Profit after Tax of ₹ 191 mn against a loss of ₹ 168 mn in the previous fiscal. We continued to diversify our revenue base across hospitals and medical specialties. The contribution to our total operating revenue from our top 3 hospitals (as of March 31, 2016) was 53.6% in FY16 compared to 72.2% in FY13. The contribution to our in-patient billed revenue from specialties outside of cardiac and renal sciences was 42.0% in FY16 compared to 32.3% in FY13. Our performance establishes our belief that we are on the right course towards achieving growth with affordability, accessibility and quality healthcare.

From an operational standpoint, we received National Accreditation Board for Hospitals & Healthcare

Management Discussion and Analysis Report

Providers (NABH) accreditation for 5 new units this fiscal viz.- HSR, Guwahati, Ahmedabad, Jamshedpur and Mysore. With 8 accreditations for our different hospitals from NABH, we bolster our confidence in delivering high quality healthcare services to our patients. Some of the other operational achievements during the fiscal were:

- Performed 12 heart transplants, 387 renal transplants with 4 liver transplants across the network.
- Introduced new service offerings across different units viz. oncology at Mysore, cardiac surgery at Whitefield, 24*7 on-call support for cardiology at Barasat, rheumatology & medical oncology at Ahmedabad, head & neck surgery and interventional radiology at Shimoga.
- Partnered with various state and central government entities as a preferred healthcare destination and skill development viz. Jharkhand, Karnataka, Rajasthan, ESI, ABY etc.
- Received multiple awards from the industry and media for distinguished performance, some of which are highlighted below:
 - o Rabindranath Tagore International Institute of Cardiac Sciences (RTIICS), our flagship facility at Kolkata, along with Narayana Superspecialty Hospital (NSH) at Howrah, were

awarded as No. 1 hospital for cardiac sciences & cancer care respectively in eastern India as per a survey conducted by the Times Group.

- o Narayana Multispecialty Hospital (NMH), Jaipur was rated 4th best hospital in Jaipur in 'The Week's' annual best hospital'. The hospital was also awarded in the category of 'Quality beyond Accreditation' at the Global Conclave of Association of Healthcare Providers of India (AHPI) held at Mumbai.
- o NSH, Guwahati received 'North East Leadership award for Healthcare'.

The building blocks for the next level of growth have been laid and going forward, we believe that we are well positioned to capture opportunities that the healthcare services market has on offer.

RESOURCES REVIEW

Hospital Network

We have a broader network of healthcare facilities across India with 23 hospitals, 7 heart centres and 23 primary care facilities (as of May 1, 2016) across India. We have a strong brand recognition in 2 geographical clusters in the southern state of Karnataka and eastern India, as well as an emerging presence in western and central India. We believe that our brand image and operational experience in our core markets provide us the platform to further expand our presence and operations in select locations across the country.

Cluster wise hospitals and operational beds as on March 31, 2016

Cluster	Number of facilities	Operational beds
Karnataka	7 hospitals including 1 managed hospital, 7 heart centres and 2 clinics	2,379
Eastern	10 hospitals including 1 managed hospital, 4 acquired facilities and 1 heart centre	1,952
Western and Central	5 hospitals including 2 managed hospitals	871
Others	1 hospital at Hyderabad ⁵ and 1 overseas facility at Cayman Island	296

⁵ We closed our operations in Hyderabad in April 2016

We operate our business through a combination of 5 models in order to expand our market presence while maximising the efficiency of our capital deployment.

As on May 1, 2016⁶, out of the 23 hospitals we operate in India, we own and operate 4 hospitals (freehold land and building), operate 7 hospitals on a lease basis, operate 6 hospitals on a revenue share basis, 2 hospitals in Guwahati and Jammu on a public-private partnership model, and operate 4 hospitals on a management fee basis. We have also considered a judicious mix of organic and inorganic initiatives so as to ensure efficient deployment of resources. In the eastern region, we acquired a 159 capacity bed hospital in Barasat and a 65 capacity bed hospital in Berhampore in March 2014, and 2 multispecialty hospitals with a combined capacity of 420 beds in Howrah in November 2014. With these inorganic initiatives, we have established us as one of the leading healthcare services providers in eastern India.

CLUSTER WISE NETWORK

Karnataka Cluster

Our Karnataka cluster is centred around NH Health City, located in Bommasandra, Bengaluru, which comprises Narayana Institute of Cardiac Sciences (NICS), a superspecialty hospital for cardiology and cardiac surgery, and Mazumdar Shaw Medical Center (MSMC), a multispecialty hospital for cancer care, neurology and neurosurgery, nephrology and urology, and houses what we believe, is one of India's largest bone marrow transplant units. We also have hospitals in HSR Layout and Whitefield in Bengaluru along with 1 managed hospital at JSW Bellary, 6 heart centres across different parts of state and 2 clinics.

One of our flagship hospitals – NICS (started in 2000) is a leading cardiac hospital in the world equipped with dedicated cardiac operation theatres and digital cath labs and is a hybrid capable of performing both interventional cardiac procedures as well as complex heart surgeries. It has dedicated critical care beds for



post-operative care and performs Cath Lab procedures routinely. It specialises in complex cardiac surgeries and other cardiac procedures such as pulmonary endarterectomy for chronic pulmonary embolism, aneurysm repairs, electrophysiology, endovascular interventions for aneurysms and radio frequency ablations, valve repairs and ROSS procedures, left ventricular remodelling / Dor's procedure, device closure for ASD & VSD and tetralogy of fallot amongst other complex procedures. NICS has 706 operational beds with a capacity to go up to 800 beds, the facility accounts for 18.4% of the overall hospital revenues.

MSMC (started in 2009) being our other flagship hospital – is one of India's largest and advanced cancer therapeutic facilities containing one of India's largest bone marrow transplant unit, internationally acclaimed faculty and affiliations with global cancer care centres of excellence. The hospital includes the Institute of neurosciences, Institute for kidney and renal care, Institute for gastrointestinal & liver diseases, paediatrics and neonatal care as well as obstetrics & gynaecology catering to all the healthcare needs of women and children in addition to a host of other medical, surgical and diagnostic facilities and services across a range of clinical specialities. MSMC is also a recognised centre for organ transplants offering bone marrow, kidney and liver transplants. As a part of our corporate social

We operate our business through a combination of five models in order to expand our market presence while maximising the efficiency of our capital deployment.

⁶ We closed our operations in Hyderabad and commissioned unit at Kakryal, Jammu in April 2016

Management Discussion and Analysis Report

Going forward, we intend to further enhance our economies of scale, cost efficiencies, and ultimately expand our revenue and profitability in our core regions of Karnataka by continuing to strengthen our presence and increase our share of available hospital beds.

responsibility, mobile breast cancer screening and head and neck cancer screening programmes are offered across the state of Karnataka. MSMC has 628 operational beds and contributes close to 17.8% in the total hospital business.

Besides the 2 flagship hospitals, our hospitals in Bengaluru also include Narayana Multispecialty Hospital, Whitefield, which is our first premium healthcare facility with cardiac sciences, renal sciences, neurosciences and orthopaedics accounting for bulk of in-patient billed revenue during the fiscal. The facility's primary catchment area is the affluent neighbourhood in proximity to the International Tech Park, Bengaluru. In fiscal 2016, we started cardiac surgeries in our Whitefield facility.

We also have a multispecialty tertiary care hospital in HSR Layout, Bengaluru which specialises in short stay surgeries, adult cardiology, gastroenterology, nephrology, neurology and neurosurgery. In line with our vision of affordable care to broader population, we also have established India's first low cost multispecialty hospital at Mysore. In sync with the local demand, the hospital also initiated oncology services. The hospital was recently conferred with the 'Best Hospital Design' in the 5th Medgate Annual Awards 2015. Its building design helps maximise the utilisation of natural daylight and natural cross ventilation in order to minimise electricity consumption.

In 2013, we also setup a tertiary care hospital in central Karnataka at Shimoga which has a regional monopoly in tertiary care services. The 327 capacity bedded facility is specialised in cardiology, head & neck surgery, interventional radiology and critical services. The Shimoga hospital is empanelled with many government bodies and cater to a significant number of patients under micro-insurance schemes across central and north Karnataka.

Going forward, we intend to further enhance our economies of scale, cost efficiencies, and ultimately expand our revenue and profitability in our core regions



of Karnataka by continuing to boost our presence and increase our share of available hospital beds.

Eastern Cluster

Our presence in eastern India is led by RTIICS, a multispecialty hospital located in Kolkata. Our network of 10 hospitals in eastern region includes hospitals in the greater Kolkata area encompassing Howrah, Barasat and the eastern metropolitan bypass, a multispecialty hospital in Jamshedpur (Jharkhand), a superspecialty hospital in Guwahati (Assam), and a hospital each in Durgapur and Berhampore (West Bengal), and a heart centre in Durgapur (West Bengal), totalling to 1,952 operational beds.

RTIICS, Kolkata (started in 2000), our third flagship hospital is a centre of excellence in cardiology, cardiac surgery, neurology, neurosurgery, kidney transplant, medical and surgical gastroenterology. The Hospital caters to the population of West Bengal and neighbouring districts in eastern India as well as the north eastern states apart from countries such as Bangladesh, Nepal, Bhutan, Africa and Myanmar. The Hospital performs one of the highest number of complex paediatric and adult cardiac surgeries in eastern India. It is pioneered in IVUs guided Angioplasty and offers the largest renal transplant programmes in the country. RTIICS is also the only centre in eastern India for brain pacemakers for advanced Parkinson's disease epilepsy surgery. The Hospital was also awarded as No. 1 hospital for Cardiac Sciences in eastern India as per a survey conducted by the Times of India in 2016.

Further east, our 270 bedded hospital at Guwahati is a superspecialty tertiary care hospital designed to cater to the comprehensive healthcare needs of the people of Assam and the far-east regions of India. The hospital is largely focused on emergency and trauma along with healthcare services in cardiology and cardiac surgery, neurology and neurosurgery, nephrology and urology, orthopaedics and joint replacement, gastroenterology and GI surgery, general and laparoscopic surgery, critical care, diabetology and endocrinology, internal medicine, paediatrics. We also acquired a 159 capacity bed hospital in Barasat and a 65 capacity bed hospital in Berhampore in March 2014, and 2 multispecialty hospitals with a combined capacity of 420 beds in Howrah in November 2014.

We are recognised as one of the leading healthcare services providers in eastern India and we expect to cement our position further. Going by the industry estimates, Kolkata still falls behind the other metros in terms of hospitals per person and we see this as an opportunity to further expand our network in the region. We believe we can leverage our strong brand recognition and operational experience in Kolkata to tap into this significant market opportunity.

To grow our revenues in eastern India, we expect to drive patient flow from north-east India, including from the state of Assam, into our hospital at Guwahati, Assam to serve as a gateway to north-east India. We would further develop our hospital in Barasat, West Bengal from a secondary care trauma centre into a multispecialty tertiary care unit, utilising the available freehold land and transform our Narayana Superspecialty Hospital in Howrah, West Bengal, into one of the leading full-fledged BMTU oncology hospitals in eastern India, with a particular focus on the Kolkata and Howrah districts. Besides the expansion in the existing facilities, we also expect to commission a 220 bed tertiary care facility in Bhubaneswar, Odisha⁷.

Western, Central Cluster and Others

We have an emerging presence in western and central India. The cluster is largely driven by our operations at Jaipur (Rajasthan), Raipur (Chhattisgarh), Palanpur (Gujarat), Ahmedabad (Gujarat) and Mahuva (Gujarat).

Our tertiary care facility at Ahmedabad is a pioneer in providing an affordable high quality healthcare in Gujarat. It offers paediatric & adult cardiac, neurology,

orthopaedics, nephrology and urology, obstetrics and gynaecology, general medicine, ENT, paediatrics & neonatology & pulmonology services. The hospital acts as an established location for patients from Gujarat and many other international locations. Recently, we have also expanded our services in oncology (medical & head & neck) which have received an encouraging response.

Our facility at Jaipur offers one of the most comprehensive renal transplant programme, orthopaedics services in the region including bone & joint surgeries, knee & hip replacements, spine surgery, arthroscopy and sports medicines. It also has the expertise and infrastructure to treat neurological conditions like stroke, AVMs, tumours, epilepsy and so on. The Jaipur hospital is also a leading centre for minimal access surgeries and bariatric surgery to treat metabolic disorders and weight loss. Similarly, our unit at Raipur houses the largest dialysis centre in central India. It also offers the largest cardiology and cardiac surgery programme in Chhattisgarh with other specialities including adult and paediatric cardiology and cardiac surgery, nephrology & urology, neurology & neurosurgery, plastic surgery, cranio maxillo facial surgery, dermatology & cosmetology, haemato-oncology and gastroenterology amongst others.

We aspire to improve our penetration in western and central India in order to further realise the benefits of scale. Going forward, we expect new cities within these regions to drive our growth. We intend to continue focusing on the tertiary care segment, which we believe is underserved in these regions where non-institutional hospitals are focused primarily on the secondary care market. We would continue to leverage our brand name and operational experience to identify attractive opportunities for continued expansion within India. Our evaluation criteria include location, demographics, revenue potential, competitive landscape, cost of expanding or commissioning new facilities, and reputation, amongst other factors.

We have identified Lucknow in central India and Mumbai in western India as key markets for our near-term expansion plans. In the next 12 months, we are likely to commission a 326 capacity bed multispecialty tertiary care facility in Lucknow as we believe that the city presents a significant opportunity for the entry of an institutional hospital chain such as ours, and

⁷ Project at Bhubaneswar is pending acceptance of request from Government of Odisha for alternate land piece

Management Discussion and Analysis Report

is complemented by the available pool of medical talent from its medical colleges. We are also moving forward towards commissioning of a 297 capacity bed dedicated multispecialty paediatric hospital in south Mumbai in partnership with Society for Rehabilitation of Crippled Children (SRCC) within the next 6-12 months.

While we would continue to explore new geographies in the other parts of the country, we have recently established a hospital in northern region. Our hospital Shri Mata Vaishno Devi Narayana Superspecialty Hospital at Kakryal in Jammu (J&K) is established in partnership with Shri Mata Vaishno Devi Shrine Board. The hospital is approximately 15 kilometres from Katra, the base camp for tourists of Holy Shrine of Shri Mata Vaishno Devi. It is a state-of-the-art tertiary care facility which is poised to cater to patients across 20 different specialities with special focus on cardiac sciences and oncology. This 230 bedded hospital will provide affordable quality care that Narayana stands for to the patients from Jammu and Kashmir as well as the bordering areas of Punjab and Himachal Pradesh. Going forward, the hospital is expected to have a full-fledged bone marrow transplant facility.

Operational Beds Built Up

Between April 2012 and May 2016, we have added 2,468 beds and that is not the end. Also, our calibrated model for establishing and expanding our hospitals

has allowed us to achieve a more efficient use of capital. Our "Asset Right" model for expansion of our hospital network is based on engaging with reliable partners that invest in land and building, while we invest in and own the medical equipment and operate and manage the hospital, typically on a revenue share basis. We continuously invest in medical equipment and technology and modernise our hospitals so as to offer high quality healthcare services to our patients & expand our range of healthcare services. Our asset right model has enabled a lower capital cost per bed of ₹ 2.6 mn as of March 31, 2016.

OPERATIONAL BEDS ADDITION

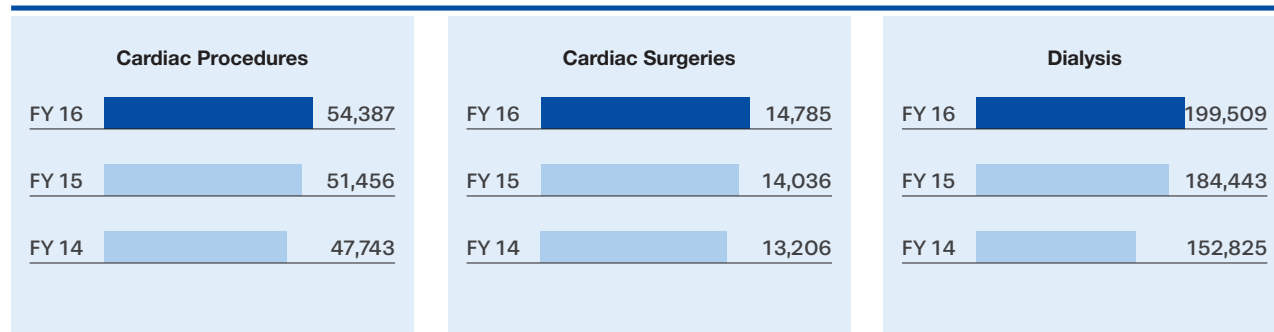
FY 16		5,498
FY 15		5,434
FY 14		4,678
FY 13		3,815
FY 12		3,263

Speciality Profile

We believe our strong reputation and clinical capabilities in cardiac and renal sciences, as well as our continuing expansion across other high value clinical specialties, position us to benefit from the increasing demand in India for quality healthcare services, particularly tertiary healthcare services. Our chain of facilities provides advanced levels of care in over 30 specialties. We have a strong legacy in cardiac and renal sciences and we believe a combination of factors, including changing demographics, increasing affluence of the Indian population, greater health awareness, and an increase in lifestyle-related diseases will lead to an increase in demand for quality tertiary and other healthcare services. We have also expanded our core specialty areas to include 4 additional areas of focus: cancer care, neurology and neurosurgery, orthopaedics, and gastroenterology.



VOLUME STATISTICS FOR OUR KEY SPECIALITIES



Brand Recognition

Narayana Health brand is widely recognised in India and internationally for the provision of high quality, compassionate and affordable healthcare services. We have received numerous national and international awards and recognitions which we believe are a testimony to our strong brand value built over many years in the healthcare services industry. We believe our strong brand equity and goodwill among patients and healthcare professionals has also positioned us as a partner-of-choice for governmental bodies, not-for-profit trusts and charities, and private organisations seeking partners to operate and manage their healthcare facilities.

Employees and Doctors

We believe our doctors and consultants are some of the most experienced within their respective specialties in India which allows our hospitals to handle complex and high intensity clinical cases. Our doctors and consultants have contributed significantly to build our "Narayana Health" brand. Going forward, we endeavour to access qualified and trained medical resources through our educational initiatives. We also believe our reputation for clinical excellence, competitive compensation packages and ethical practices enable us to attract not only patients but also quality doctors and medical support staff within India as well as Indian nationals returning home after having studied or worked overseas.

Employee Headcount

Category	As on March 31, 2016
Consultants	1,045
Employee Doctors	353
Visiting Consultant	779
Student Doctors	455
Total Doctors	2,632
Nurses, Paramedical and Administrative	10,925
Total Employees	13,557

Technology

At NH, we believe that the next big thing in healthcare will be Information Technology that will change the way healthcare is delivered and consumed. We envisage that the entire healthcare will be delivered on the IT platform. We have made significant investments on the use of technology not only in the area of providing the best treatments but also keeping our senior doctors and administrators abreast on a daily basis about the hospitals. The Company was amongst first few groups in India to put its data on the cloud network.

We have adopted HINAI, a cloud based HIS application which integrates our administrative and clinical operations across India. This software combination enables us to maintain consolidated patient records and provide real-time access to data.

Management Discussion and Analysis Report

OPERATING PERFORMANCE

Consolidated Performance

From a group perspective, we reported an improved operational performance over the previous fiscal. Following is the snapshot of Company's performance in the fiscal 2016:

Operating Metrics (FY16 vs FY15)

Particulars	FY15	FY16
No. of operational beds ⁸	5,352	5,397
Inpatient volume ⁹	1,92,345	1,97,237
Outpatient volume	17,78,252	19,07,677
ARPOB (mn)	5.8	6.4
Bed occupancy rate (%)	52.8%	54.2%
ALOS (days)	4.3	4.3
Inpatient revenue (mn)	10,592	12,537
Outpatient revenue (mn)	2,401	2,871
Total net revenue (mn)	13,639	16,075

The eastern region, however, has the highest ARPOB for NH amongst the present clusters. There has been significant improvement in the occupancy levels for the western and central cluster.

The increase in the number of beds remained flat as the Company closed some of its units considering business and economic factors. The occupancy rate improved 140 bps to 54.2% in FY 16 from 52.8% in FY 15. There has been a reduction in the Average Length of Stay (ALOS) along with close to 10.2% increase in the average revenue per operational bed (ARPOB). This improvement is in line with our focus on high growth tertiary care areas that would improve our case mix.

The split of our performance across multiple clusters is as below:

Cluster wise performance (FY16 vs FY15)

Clusters	Karnataka		East		West, Central and Others ¹⁰	
Financial year	FY 15	FY 16	FY 15	FY 16	FY 15	FY 16
No. of hospital operational beds ¹¹	1,989	2,026	1,817	1,893	1,162	1,066
Inpatient volume ¹²	77,410	84,227	59,599	60,557	35,535	36,138
Outpatient volume	751,783	800,579	439,148	449,906	268,729	319,929
ARPOB (mn)	5.9	6.6	6.2	6.7	4.7	5.5
Bed occupancy rate (%)	56.9%	54.8%	54.1%	58.1%	46.1%	52.2%
ALOS (days)	4.9	4.6	4.2	4.2	4.5	4.5
Inpatient revenue (mn)	4,769	5,270	3,272	4,430	1,687	1,953
Outpatient revenue (mn)	1,235	1,411	703	916	283	342
Total net revenue (mn)	6,222	6,965	4,125	5,539	2,095	2,447

⁸ Includes managed beds, clinics, heart centres but excludes 101 beds of Cayman Island

⁹ Does not include managed beds and Cayman Island

¹⁰ Includes unit at Hyderabad which was operational in FY16 but ceased to operate in FY17

¹¹ Includes managed beds but excludes 101 beds of Cayman Island, clinics, heart centre

¹² Does not include heart centres, managed beds and Cayman Island numbers

The Karnataka cluster contributes close to 46.6% of the hospital revenues followed by eastern cluster which is 37.0% of the hospital business. The eastern region, however, has the highest ARPOB for NH amongst the present clusters. There has been significant improvement in the occupancy levels for the western and central cluster.

Maturity wise Performance

The group's 8 units with age over 5 years include - NICS, MSMC, RTIICS and units at Jaipur, Jamshedpur, RNN and NSC. These units collectively contributed close to 71.5% of hospital revenue and account for 53.8% of the hospitals operational beds. The consolidated Earnings

before Interest Depreciation Tax and Rentals (EBITDAR) before corporate expenses for this group is 23.8% which is in line with the industry standards.

The 3-5 years group includes 4 hospitals that are our units at Raipur, Ahmedabad, Mysore and Shimoga. Together, these 4 hospitals account for 13.0% of the hospital revenue and 15.2% of the hospital operational beds. Given, these hospitals are still in the early stages of maturity, they registered an EBITDAR performance of 4.1%. The remaining 11 hospitals including 4 acquired facilities contributed over 15.5% to the hospital revenues. The synopsis of performance is given below:

Maturity wise Performance across our hospitals (FY16 vs FY15)

Particulars	Maturity over 5 years	Maturity 3-5 years	Maturity less than 3 years	Acquired Hospitals
Number of hospitals ¹³	8	4	7	4
Number of operational beds ⁷	2,680	759	1,011	535
Number of capacity beds ⁷	3,105	1,064	1,330	644
Inpatient volume	117,981	36,966	13,401	12,754
Outpatient volume	1,022,180	328,003	173,207	47,024
Total net revenue (mn)	10,695	1,939	969	1,348
EBITDAR margin (%) ¹⁴	23.8%	4.1%	2.9%	6.4%
ARPOB (mn)	7.0	4.7	7.8	3.3
Bed occupancy rate (%)	56.6%	54.5%	41.8%	59.4%
ALOS (days)	4.7	4.1	3.4	3.7

¹³ Only Number of hospitals, operational beds and capacity beds include "managed hospitals". All other particulars are excluding "managed hospitals"

¹⁴ EBITDA before rental/revenue share and before allocation of any corporate expenses

FINANCIAL HIGHLIGHTS**Consolidated Balance Sheet**

The following is the summary of balance sheet for the fiscal 2016 (FY16) and fiscal 2015 (FY15).

	FY16	FY15	Movement
Equity and Liabilities			
Shareholders' funds			
Share Capital	2,044	2,000	44
Reserves and Surplus	6,825	5,684	1,141
	8,868	7,684	1,184
Minority interest	3	7	(4)
Non-current liabilities			
Long-term borrowings	1,876	2,066	(190)
Deferred tax liabilities (net)	261	358	(97)
Other long-term liabilities	20	46	(26)
Long-term provisions	130	106	24
	2,287	2,577	(290)
Current liabilities			
Short-term borrowings	446	985	(539)
Trade payables	1,647	1,358	289
Other current liabilities	936	1,016	(80)
Short-term provisions	122	75	47
	3,150	3,434	(284)
Total Equity and Liabilities	14,308	13,702	606
ASSETS			
Non-current assets			
Goodwill	750	642	108
Fixed assets			
Tangible assets	8,568	8,458	110
Intangible assets	28	32	(4)
Capital work-in-progress	138	204	(66)
Deferred tax assets (Net)	-	-	-
Non-current investments	872	522	350
Long-term loans and advances	1,101	1,228	(127)
Other non-current assets	2	11	(9)
	11,459	11,097	362
Current assets			
Current Investments	-	0.4	(0.4)
Inventories	497	512	(15)
Trade receivables	1,527	1,429	98
Cash and bank balances	241	295	(54)
Short-term loans and advances	296	255	41
Other current assets	287	112	175
	2,849	2,604	245
Total Assets	14,308	13,702	606

Figures in ₹ mn, the sum of the sub-segment amounts may not equal the total amounts due to rounding off

Management Discussion and Analysis Report

SHAREHOLDERS' FUNDS

The movement in the shareholders' funds from ₹ 7,684 mn as on March 31, 2015 to ₹ 8,868 mn as on March 31, 2016 is explained in the below mentioned points:

1. The Company converted Optionally Convertible Debentures (OCDs) along with accrued coupon (net of tax) of CDC India Opportunities Fund (CDC India) into 4,360,804 equity shares of ₹ 10/- each on December 1, 2015, pursuant to amendment agreement dated September 25, 2015 between the Company and CDC India.
2. Increase in the surplus on account of improved operating performance across the network of hospitals. The Profit after Tax after minority interest and share in associate stood at ₹ 191 mn as compared to a loss of ₹ 168 mn in the previous year.
3. The Company introduced NH Employee Stock Option Plan 2015 (the ESOP scheme) pursuant to which 814,830 options were granted to the employees of the group and accordingly an expense of ₹ 33 mn for FY16 has been accounted as per "Guidance Note on Accounting for Employee Share-based payments".

NON-CURRENT LIABILITIES

Long-term Borrowings

The movement in the long-term borrowings from ₹ 2,066 mn as on March 31, 2015 to ₹ 1,876 mn as on March 31, 2016 is on account of:

- I. Conversion of OCDs of CDC India into equity shares equivalent to ₹ 1,000 mn (Principal amount).
- II. Repayment of existing equipment loans as well as term loans from bank along with fresh borrowings from banks for funding future growth.

Long-term Provisions

The increase in long-term provisions from ₹ 106 mn as on March 31, 2015 to ₹ 130 mn is due to increase in provision for Employee benefits due to increase in employee headcount and wages over the corresponding period.

CURRENT LIABILITIES

Short-term Borrowings

The short-term borrowings have reduced by ₹ 539 mn from ₹ 985 mn in previous fiscal to ₹ 446 mn as on March 31, 2016. During the period, the Company repaid working capital loans and overdrafts to multiple banks on account of improved working capital management.

Trade Payables

The trade payables have increased from ₹ 1,358 mn to ₹ 1,647 mn which is commensurate with the volume of business during the year.

Other Current Liabilities

The movement in other current liabilities is on account of:

- I. Reduction of ₹ 315 mn in the current maturities of long-term borrowings on account of repayments of existing term loans alongside fresh borrowings with longer tenor of repayments.
- II. Increase in the creditors for capital goods by ₹ 146 mn essentially due to purchases of certain medical equipment in March 2016 across the network

NON-CURRENT ASSETS

Non-Current Investments

The movement in non-current investments from ₹ 522 mn to ₹ 872 mn largely accounts for the Company's funding to Health City Cayman Island Limited (HCCI) which is setup as JV between our Company and Ascension Health.

CURRENT ASSETS

Inventories

The inventory has reduced to ₹ 497 mn from ₹ 512 mn in the FY15. The optimisation is mainly on account of better inventory management and controls across hospitals. A warehouse was setup in the Health City, Bengaluru premises to cater to all the Karnataka cluster hospitals which led to considerable reduction in stock holding and better fulfilment.

Trade Receivables

The trade receivables (net of provisions for doubtful receivables) went up from ₹ 1,429 mn in FY15 to ₹ 1,527 mn in FY16 which is a function of better receivable management by the Company despite a proportionately higher increase in sales and contribution from institutional business, TPAs and other businesses involving credit.

Other Current Assets

The other current assets have increased from ₹ 112 mn to ₹ 287 mn. This is on account of ₹ 141 mn of fixed

assets of our Hyderabad unit classified as held for sale as on March 31, 2016 and that were subsequently slump sold on April 5, 2016.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS
Statement of Profit and Loss Account

Below is the summary of statement of profit and loss account for FY16 and FY15:

Income	FY16	FY15	Movement
Revenue from operations	15,996	13,589	17.7%
Other Operating income	79	49	60.6%
Total revenue	16,075	13,639	17.9%
EXPENSES			
Purchase of medical consumables, drugs and surgical equipment	3,856	3,427	12.5%
Changes in inventories of medical consumables, drugs and surgical equipment	15	(20)	(175.1)%
Manpower Expenses including Prof. Fees paid to Doctors	6,559	5,399	21.5%
Other expenses	3,879	3,612	7.4%
Total expenses	14,309	12,418	15.2%
Other income	102	77	32.4%
EBITDA	1,868	1,298	43.9%
Finance costs	294	409	(28.0)%
Depreciation and amortisation	752	684	10.1%
Profit/(loss) before extraordinary items & tax	821	205	
Exceptional item	110	-	
Profit before tax	711	205	
Profit after tax before share of loss of an associate and minority interest	405	59	
Profit after tax after share of loss of an associate and minority interest	191	(168)	

Figures in ₹ mn except for %, the sum of the sub-segment amounts may not equal the total amounts due to rounding off

OPERATING INCOME

The Company's revenue from operations increased from ₹ 13,639 mn in FY15 to ₹ 16,075 mn. This increase of 17.9% is due to:

- Growth of 62.0% in the hospitals having maturity less than 5 years (including acquisitions) and 9.0% for the hospitals having maturity more than 5 years.
- Improvement in the average realisation per operational bed (ARPOB) from ₹ 5.8 mn to ₹ 6.4 mn.
- Rise of total surgeries/procedures performed across the network hospitals by 31.3%.

COST OF MATERIAL CONSUMED

The cost of material consumed (Purchase of medical consumables, drugs and surgical equipment and changes in inventories of medical consumables, drugs and surgical equipment) increased to ₹ 3,871 mn from ₹ 3,407 mn. However, as a percentage to net sales,

the cost of material consumed was 24.1% in FY16 as compared to 25.0% in the previous year. The Company's efficiency drives at the unit level have resulted in achieving optimal consumption levels. The Company would continue to keep a track of performance so that cost efficiencies are further improved in the system.

MANPOWER EXPENSES (Employee benefits + prof. fees paid to doctors)

The manpower expenses including professional fees paid to doctors have increased by 21.5% from ₹ 5,399 mn to ₹ 6,559 mn in FY16. While there was an increased investment in clinical talent at the group level, the rise in expenses also factors the initiation of oncology practice at our facility in Mysore (July 2015) along with increased salary expense at our 2 acquired facilities under MMRHL which had first full year of operations in FY16. In addition, the Company also issued employee stock options (ESOPs) which had a non-cash provisioning impact of ₹ 33 mn in FY16.

Management Discussion and Analysis Report

OTHER EXPENSES (Excluding prof. fees to doctors)

The other expenses (excluding professional fees to doctors) of the Company at the consolidated level have increased by 7.4% to ₹ 3,879 mn from ₹ 3,612 mn in the previous fiscal. Some of the key heads and the movement of expenses across each is explained below:

Hospital Management Fees and Operating Rent

The hospital management fees and operating rent increased over 22.3% from ₹ 392 mn in FY15 (2.9% of total operational revenue) to ₹ 480 mn (3.0% of total operational revenue) in FY16. The movement across these 2 heads is as below:

- I. The operating rent increased from ₹ 180 mn in FY15 to ₹ 233 mn in FY16, reflecting an increase of 29.3%.
- II. Increase in hospital management fee by 16.3% from ₹ 212 mn in FY15 to ₹ 247 mn in FY16.

This increase factors ramp up of younger hospitals that have been setup by the Company on asset-light model entailing rentals/ revenue share.

Repair and Maintenance

The repair and maintenance expenses have increased from ₹ 552 mn in FY15 to ₹ 690 mn in FY16. This increase is because of:

- I. Increase in software maintenance costs due to renewal of agreements with vendors across the network.
- II. Additional expenses on account of repair of biomedical equipment.

Power and fuel

While the overall power and fuel cost has increased from ₹ 419 mn in FY15 to ₹ 472 mn in FY16, the power and fuel cost per bed has decreased as the number of occupied beds have increased during the period under review.

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

The Company registered a robust 43.9% growth in the consolidated EBITDA. The consolidated EBITDA margins were at 11.6% in FY16 as compared to 9.5% in the previous financial year. At the standalone level, Narayana Hrudayalaya's EBITDA margins were

12.5%. The Company's subsidiary MMRHL which operates a couple of facilities at Kolkata showed positive EBITDA trends. At the group level, we have started exploiting operating leverages in the business whereby incremental revenue growth is contributing to a higher profitability. The Company's improved EBITDA performance also factors enhancement in the operating margins of our younger hospitals which are ramping up across occupancies with the passage of time.

FINANCE COST

The finance cost on a year-on-year basis has reduced from ₹ 409 mn in FY15 to ₹ 294 mn in FY16. This decrease is largely on account of the reduction in overall borrowings of the Company for the period under review.

EXCEPTIONAL ITEMS

The exceptional items of ₹ 110 mn includes one-time expenses on account of slump sale loss at our Hyderabad unit and additional provision for bonus for FY 15 pursuant to retrospective application of 'The Payment of Bonus (Amendment) Act, 2015'. The Company decided to cease operations at its "Malla Reddy Narayana Multispecialty Hospital" in Hyderabad, Telangana (erstwhile Andhra Pradesh). The decision was part of Company's regular strategic business review to monitor and assess risks and costs associated with all its business units.

PROFIT AFTER TAX

In line with our improved EBITDA performance, contribution from subsidiary financials, we improved our performance by registering a Consolidated Profit after Tax after share in loss of associate and minority interest of ₹ 191 mn as against a loss of ₹ 168 mn in the previous year.

CORPORATE SOCIAL RESPONSIBILITY

We have adopted a Corporate Social Responsibility policy with the objective of promoting healthcare facilities for the upliftment of people at large and creating a positive impact by addressing issues of accessibility and affordability. We also have set out to promote educational facilities to help and assist in unfolding the talent of children and amateurs and strive for socio-economic development thereby reducing inequality between rich and poor. For a detailed note, please refer to CSR section of this annual report.

RISK & CONCERNS

Risk is a potential event or non-event, the occurrence or non-occurrence of which can adversely affect the objectives of the Company. Impact of risks could either be monetary that is impact on business profits due to increase in costs, decreasing revenue amongst others or non-monetary which is delay in securing approvals, litigation cost, reputational damage and so on. In addition, we could also be susceptible to risks arising out of our business strategy, decision on innovation or product portfolio. If there is any significant unfavourable shift in industry trend or pattern of demand, our returns on investments might get affected. We also have multiple competitors both in India and overseas and we also stride through risk associated with government policies and legal framework. As a conscientious organisation, we have adopted a risk management framework to ensure early identification and management of various critical risks, which accrue to our business model. We continue to work towards managing these risks and work towards business goals.

The risk management framework adopted by the Company ensures continuous focus on identifying, assessment and evaluation, and adequate mitigation of various risks affecting the Company. The Audit & Risk Committee reviews the Company's critical risks, overall risk exposure and timely changes to overall exposure, and status of various risk mitigation plans on a periodic basis.

INTERNAL CONTROLS

The Company is responsible for establishing and ongoing maintenance of adequate and effective internal controls and for the preparation and presentation of the financial statements, in particular, the assertions on the internal financial controls in accordance with broader criteria established by the Company. A robust, comprehensive internal control system is a prerequisite for an organisation to function ethically and in commensuration with its abilities and objectives. We have established a robust internal control system for the Company and its subsidiaries,

comprising the policies and procedures adopted by the Company 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 and presentation of reliable financial information. This internal control system is aimed at providing assurance on the Company's effectiveness and efficiency of operations, compliance with laws and regulations, safeguarding of assets and reliability of financial and management reporting. Company and its subsidiaries is staffed with experienced and qualified people who play an important role in designing, implementing, maintaining and monitoring the internal control environment. Further, an independent firm of Chartered Accountants performs periodic internal audits to provide reasonable assurance over internal control effectiveness and advice on industry wide best practices. The Audit Committee consisting of independent director's review important issues raised by the Internal and Statutory auditors thereby ensuring that the risk is mitigated appropriately with appropriate rectification measures on a periodic basis.

OUTLOOK AND STRATEGY GOING FORWARD

Looking into the future, we foresee many opportunities in the industry for players like us. Our mission is to deliver high quality, affordable healthcare services to the broader population in India. With core values of Innovation and efficiency, compassionate care, accountability on the back, we also envisage to strengthen our business model that not only cares for our patients, but also generate a sustainable financial performance. As we move ahead, we aim to further enhance our economies of scale, cost efficiencies, and ultimately expand our revenue and profitability in our identified locations. Coupled with our "Asset Right" model and effective capital deployment, we would continue our focus on investing in the latest medical technology, attracting skilled physicians and surgeons and developing our expertise in high growth tertiary care areas to serve the increasing demand for sophisticated clinical care and procedures.

As we move ahead, we intend to further enhance our economies of scale, cost efficiencies, and ultimately expand our revenue and profitability in our identified locations.

Directors' Report



Dear Shareholders,

Your Directors have immense pleasure in presenting their Sixteenth Annual Report on the business and operations of the Company and Audited Financial Statements for the Financial Year ended 31st March, 2016.

1. FINANCIAL SUMMARY, PERFORMANCE AND STATE OF AFFAIRS OF THE COMPANY:

Particulars	Standalone		Consolidated	
	2015-16	2014-15	2015-16	2014-15
(₹ in Lacs)				
Income				
Income from Operations	1,46,363.41	1,30,756.44	1,60,745.41	1,36,385.02
Other Income	997.37	1,005.33	1,024.19	773.56
Total Income	1,47,360.78	1,31,761.77	1,61,769.60	1,37,158.58
Total Expenditure	1,29,027.54	1,18,536.08	1,43,091.14	1,24,180.31
Profit before Finance Cost (including interest), Tax, Depreciation, Amortisation & Exceptional Items.	18,333.24	13,225.69	18,678.46	12,978.27
Less: Finance Cost & Depreciation	8,516.40	9,832.86	10,469.06	10,924.82
Less: Exceptional items	1,084.59	-	1,101.15	-
Profit before tax	8,732.25	3,392.83	7,108.25	2,053.45
Less: Income Tax	3,054.53	1,292.62	3,061.35	1,460.65
Profit/(Loss) After Tax	5,677.72	2,100.21	4,046.90	592.80
Less: Minority interest & Share of Profit/ (Loss) in Associate.	-	-	(2,134.18)	(2,269.21)
Net Profit/(Loss)	5,677.72	2,100.21	1,912.72	(1,676.41)
Earnings Per Share	2.82	1.10	0.95	(0.88)



2. PERFORMANCE OVERVIEW: (₹ in Lacs)

Standalone Operations:

- During the year under review the total income of the Company increased from ₹ 131,761.77/- in 2014-15 to ₹147,360.78/- in 2015-16.
- Profit Before Interest, Depreciation and Tax Increased from ₹ 13,225.69/- in 2014-15 to ₹18,333.24/- in 2015-16.
- Net Profit After Tax Increased from ₹ 2,100.21/- in 2014-15 to ₹ 5677.72/- in 2015-16.

Consolidated Operations:

- During the year under review the total income of the Company increased from ₹ 1,37,158.58/- in 2014-15 to ₹ 1,61,769.60/- in 2015-16.
- Profit Before Interest, Depreciation and Tax Increased from ₹ 12,978.27/- in 2014-15 to ₹ 18,678.46/- in 2015-16.
- Net Profit After Tax Increased from ₹ (1,676.41)/- in 2014-15 to ₹ 1,912.72/- in 2015-16.

Your Company continued its focus on Quality Parameters, Patient Care and Welfare Service resulting in significant improvement in patient satisfaction levels. Your Company continues to place greater emphasis on managing its affairs with diligence, transparency, responsibility and accountability and aiming for higher level of governance. Your Company continues to strive hard to serve the interest of the stakeholders and society at large, resulting in creation of value and wealth for all stakeholders at all times.

Business expansion:

a. Acquisition of balance 26% stake in subsidiary company:

The Company was holding 74% of shareholding in Narayana Hrudayalaya Surgical Hospital Private Limited (NHSPL) and balance 26%

Your Company continues to place greater emphasis on managing its affairs with diligence, transparency, responsibility and accountability and aiming for higher level of governance.

was held by Infrastructure Development Corporation (Karnataka) Limited (IDECK).

The Company has acquired the entire 26% from IDECK by paying ₹ 3,025.60 Lacs as total purchase consideration to make NHSPL as its wholly owned subsidiary.

Directors' Report



b. Setting up of a project in Kenya through wholly owned subsidiary:

The Company through its wholly owned subsidiary has entered into an agreement with prominent Kenyan doctors and couple of leading international financial institutions to establish a multi-specialty hospital in Nairobi, Kenya and the Company through its wholly owned subsidiary would initially own 26% equity stake in the operational entity for a consideration of USD 1.325 mn.

The multi-specialty hospital will be a state of the art tertiary care facility poised to cater to patients across different specialties. The 130 bedded hospital will provide affordable quality care that Narayana stands for, to the patients from Kenya and neighbouring African countries.

c. Establishment of Mata Vaishno Devi Superspeciality Hospital:

The Company has launched Shri Mata Vaishno Devi Narayana Superspeciality Hospital at Kakryal, the base camp for tourists of Holy Shrine of Shri Mata Vaishno Devi. The hospital is established in partnership with Shri Mata Vaishno Devi Shrine Board.

3. APPROPRIATIONS:

a. Dividend and transfer of amounts to general reserves:

Keeping in view the growth strategy of the Company, the Board of Directors of your Company have decided to plough back the profits and thus, not recommended any dividend for the financial year under review. Pursuant to Section 71 of the Companies Act, 2013, and the Companies (Share Capital and Debenture) Rules, 2014, the Company, in the year 2014-15 created Debenture Redemption Reserve (DRR) amounting to ₹ 2,500.00 Lacs for the purpose of redemption of debentures which is 25% of the value of debentures issued. The DRR was created out of the profits available for the payment of dividend. In the shareholders meeting on 01 December, 2015, a resolution was passed approving the conversion of debentures into equity shares of the Company. Hence, the amount in the Debenture Redemption Reserve has been transferred to General Reserve.

b. NH Employees Stock Option Plan, 2015:

The Company has adopted the Narayana Hrudayalaya Employee Stock Option Plan (NH ESOP), 2015 on 7th September, 2015, pursuant to the Board and Shareholders' resolutions of 12th September, 2015. The purpose of the NH ESOP, 2015 was to, inter alia, enable the Company, its subsidiaries, and associates to attract, retain and reward appropriate human talent. The Company may grant options under NH ESOP, 2015 in one or more tranches, to the employees, with each such option conferring a right upon the employee to apply for one Equity Share of the Company, in accordance with the terms and conditions of such issue.

The maximum aggregate number of Equity Shares in respect of which the options may be granted under the NH ESOP, 2015 is 20,40,000 Equity Shares. The Plan is administered by the Nomination & Remuneration Committee through Narayana Health Employees Benefit Trust.

Details of NH Employees Stock Option Plan, 2015:

Sl No. Particulars	Details relating to the particulars
1. Options granted.	8,14,830 options granted on 1st October, 2015 to the eligible employees
2. Options vested.	NIL
3. Options exercised.	NIL
4. The total number of shares arising as a result of exercise of option.	NIL
5. Options lapsed.	NIL
6. The exercise price.	NIL
7. Variation of terms of options.	NIL
8. Money realized by exercise of options.	NIL
9. Total number of options in force.	8,14,830 options
10. Employee wise details of options granted to:-	
(i) Key Managerial Personnel:	Dr. Ashutosh Raghuvanshi (Vice-Chairman, Managing Director and CEO) 5,20,000 options
(ii) Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year.	None
(iii) Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant;	None

c. Deposits:

Your Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

d. Particulars of Loans, Securities, Guarantees and Investments:

The loans given, security provided, guarantees given and Investments made by the Company under Section 186 of the Companies Act, 2013 are given in the notes to the financial statements.

and Disclosure Requirements) Regulations, 2015 and applicable accounting standards, the consolidated financial statements of the Company, prepared in accordance with the relevant accounting standards specified under Section 133 of the Companies Act, 2013 read with the rules made there under, forms part of this Annual Report. In view of the same, the financial statements and other documents of each Subsidiaries and Associate Companies are not attached to this Report.

Further, pursuant to proviso 3 and 4 of Section 136 (1) of the Companies Act, 2013:

- The Annual Report of the Company, containing therein its standalone and consolidated financial statements are available on the Company's website i.e., www.narayanahealth.org.
- The audited financial statements of Subsidiary Companies will be made available on the website of the Company i.e., www.narayanahealth.org, post approval by shareholders of the Company.

4. SUBSIDIARY AND ASSOCIATE COMPANIES: Review of performance of Subsidiaries and Associate Companies:

Pursuant to Section 129 of the Companies Act, 2013 read with Regulation 33 of SEBI (Listing Obligations

The Company has launched Shri Mata Vaishno Devi Narayana Superspeciality Hospital at Kakryal, the base camp for tourists of Holy Shrine of Shri Mata Vaishno Devi.

Directors' Report

As on 31st March, 2016, the Company has 9 Subsidiary Companies and 1 Associate Company of which none are material subsidiaries. Pursuant to the provisions of the section 133, a statement containing the salient features of the financial statements of the Company's subsidiaries and associates in Form **AOC-1**, that forms part of this Report as **Annexure-I**.

The brief details of all the Subsidiary and Associate Companies are as follows:

- 1. Narayana Hospitals Private Limited (NHPL):**
NHPL is authorised to engage in the business of operation of hospitals, clinics, health centers, nursing homes and other related activities. Further, other financial information is included in form AOC-1.
- 2. Narayana Institute for Advance Research Private Limited (NIARPL):**
NIARPL is authorised to engage in the business of research and development work connected with facilities of medicines and operation of hospitals, clinics, health centers, nursing homes and other related activities. Further, other financial information is included in form AOC-1.
- 3. Narayana Health Institutions Private Limited (NHIPL):**
NHIPL is authorised to engage in the business of running medical colleges and operation of hospitals, clinics, health centers, nursing homes and other related activities. Further, other financial information is included in form AOC-1.
- 4. Narayana Hrudayalaya Surgical Hospital Private Limited (NHSHP):**
NHSHP is authorised to engage in the business of maintaining hospitals, clinics, health centers, nursing homes and other related activities. Further, other financial information is included in form AOC-1.
- 5. Asia Healthcare Development Limited (AHD):**
AHD is authorised to engage in the business of operation of hospitals, clinics, health centers, nursing homes and other related activities. Further, other financial information is included in form AOC-1.
- 6. Meridian Medical Research and Hospital Limited (MMRHL):**
MMRHL is authorised to engage in the business of operation of hospitals, clinics, health centers, nursing homes and other related activities. Further, other financial information is included in form AOC-1.
- 7. Narayana Vaishno Devi Speciality Hospitals Private Limited (NVDSHPL):**
NVDSHPL is authorised to engage in the business of superspecialty hospital, complexes consisting of hospitals of superior quality with latest advanced technology, clinics, health centers, diagnostic centers and other related activities. Further, other financial information is included in form AOC-1.
- 8. Narayana Hrudayalaya Hospitals Malaysia Sdn Bhd (Narayana Malaysia):**
Narayana Malaysia is authorised to engage in the business of hospitals, nursing homes, medical and other research centers, maternity homes and other related activities. Further, other financial information is included in form AOC-1.
- 9. Narayana Cayman Holdings Limited (Narayana Cayman Holdings):**
Narayana Cayman Holdings has the power and authority to carry out any object not prohibited by the Companies Law of the Cayman Islands. Further, other financial information is included in form AOC-1.

Associate Company:

Health City Cayman Islands Limited ("HCCI"):
HCCI has the power and authority to carry out any object not prohibited by the Companies Law of the Cayman Islands. Further, other financial information is included in form AOC-1.

5. SHARE CAPITAL:

- a. As on 31st March 2016, the Authorized Share capital of the Company is ₹ 30,000.00 Lacs and Paid up Share Capital is ₹ 20,436.00 Lacs.
- b. The Company got its securities listed on BSE Limited and on National Stock Exchange of India Limited on 6th January, 2016. Hence question of variations in the market capitalization of the company, price earnings ratio as at the closing

date of the current financial year and previous financial year does not arise.

- c. The question of percentage increase or decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer also does not arise.
- d. The variations in the net worth of the Company as at the close of the current financial year and previous financial year was ₹16,563.54/- Lacs.

6. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

A detailed analysis of the Company's Operational and financial performance as well as the initiatives taken by the Company in its key functional areas are separately discussed in Pages No. 32-47

7. CORPORATE GOVERNANCE:

Your Company continues to place greater emphasis on managing its affairs with diligence, transparency, responsibility and accountability and is committed to adopting and adhering to best Corporate Governance practices.

Your Company understands and respects its fiduciary role and responsibility towards stakeholders and the society at large, and strives hard to serve their interests, resulting in creation of value and wealth for all stakeholders at all times.

The Board considers itself as a trustee of its shareholders and acknowledges its responsibilities towards them for creation and safeguarding their wealth. The Company has set itself the objective of expanding its capacities. As a part of its growth strategy, it is committed to high levels of ethics and integrity in all its business dealings that avoid conflicts of interest. In order to conduct business with these principles, the Company has created a corporate structure based on business needs and maintains a high degree of transparency through regular disclosures with a focus on adequate control systems.

A report on Corporate Governance and a certificate from Mr. Swayambhu Kedarnath, Practicing Company Secretary (CP No. 4422 and FCS No. 3031), Bengaluru, affirming the compliance with the various provisions of the Corporate

Governance as stipulated under Regulation 27 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms part of the Annual Report and is Annexed to Directors' Report as **Annexure – II and Annexure IIA, respectively.**

8. COMPANY'S POLICY ON APPOINTMENT AND REMUNERATION OF DIRECTORS:

As on 31st March, 2016, the Board consists of 9 members, of which 5 are Independent and Non-Executive. An appropriate mix of Executive and Independent Directors ensures greater independence of Board. The Company has been following well laid down policy on appointment and remuneration of Directors, Key Managerial Personnels (KMPs) and Senior Management Personnels.

The remuneration of executive directors comprises of basic salary and perquisites & adheres to the applicable provisions of the Companies Act, 2013 read with relevant rules as detailed in Corporate Governance Report which forms a part of this report.

Remuneration to Non-executive Directors:

The remuneration of Non-Executive Directors comprises of sitting fees and commission in accordance with the provisions of Companies Act, 2013 and reimbursement of expenses incurred in connection with attending the Board meetings, Committee meetings, General Meetings and in relation to the business of the Company and a brief of details of appointment and remuneration of Directors, KMPs and Senior Management Personnels is provided in the Corporate Governance Report which forms a part of this report.

9. DECLARATION BY INDEPENDENT DIRECTORS OF THE COMPANY:

A declaration of independence in compliance with Section 149 (6) of the Companies Act, 2013, has been taken on record from all the independent directors of the Company.

10. PERFORMANCE EVALUATION OF DIRECTORS:

Pursuant to the provisions of the Companies Act, 2013 and Regulations 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, evaluation of every Director's performance was done. The performance evaluation of Non-Independent Directors and Board as a whole, committees thereof and

Directors' Report

Chairman of the Company was carried out by the Independent Directors at their meeting held on 23rd March, 2016. Evaluation of Independent Directors was carried out by the entire Board of Directors, excluding the Director being evaluated.

A structured questionnaire was prepared, covering various aspects of the evaluation such as adequacy of the size and composition of the Board and Committee thereof with regard to skill, experience, independence, diversity, attendance and adequacy of time given by the Directors to discharge their duties. The Directors expressed their satisfaction with the evaluation process.

11. BOARD OF DIRECTORS AND COMMITTEES THEREOF:

Composition of Board of Directors and changes thereof:

Your Company's Board of Directors comprises Executive Directors, Non-executive Directors and Independent Directors and same is detailed in Corporate Governance Report which forms a part of this Report.

Whole-time Directors (WTDs)/ Key Managerial Personnels (KMPs) of the Company

Sl No.	Name of the WTDs/KMPs	Position held in the Company
1.	Dr. Devi Prasad Shetty	Chairman & Whole-time Director
2.	Dr. Ashutosh Raghuvanshi	Vice-Chairman, Managing Director & Group CEO
3.	Mr. Viren Prasad Shetty	Whole-time Director
4.	Mr. Kesavan Venugopalan	Group Chief Financial Officer
5.	Mr. Ashish Kumar	Group Company Secretary & Compliance Officer

Committees and their Constitution:

As required under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements), 2015, the Board has formed four Committees viz. Stakeholders' Relationship Committee, Audit, Risk and Compliance Committee, Nomination and Remuneration Committee and Corporate Social Responsibility Committee.

Keeping in view the requirements of the Companies Act, 2013, the Board decides the terms of reference of these Committees and the assignment of members to various committees. The recommendations, if any, of these Committees are submitted to the Board for approval.

The members of the committees after reconstitution on 16th July, 2015 are:

Sl No.	Stake holders' Relationship Committee	Audit, Risk and Compliance Committee	Nomination and Remuneration Committee	Corporate Social Responsibility Committee
1.	Mr. B Muthuraman	Mr. B N Subramanya	Mr. Arun Seth	Mr. K Dinesh
2.	Mr. B N Subramanya	Mr. K Dinesh	Ms. Kiran Mazumdar Shaw	Dr. Ashutosh Raghuvanshi
3.	Dr. Ashutosh Raghuvanshi	Mr. B Muthuraman	Mr. K Dinesh	Mr. B N Subramanya
4.	Mr. Viren Shetty	-----	-----	-----

Details of Board and Committee Meetings:

The meetings of the Board are scheduled at a regular intervals to decide and discuss on the business performance, policies, strategies and other matters of significance. The schedule of the meetings is circulated to ensure proper planning and effective participation in meetings. In certain exigencies, decisions of the Board are also accorded through circulation.

The Board during the financial year under review met Twelve (12) times. Detailed information regarding the

meetings of the Board and meetings of the committees of Board is included in the report on Corporate Governance which forms a part of Directors' Report.

12. RELATED PARTY TRANSACTIONS:

The Company has taken necessary approvals as and when required as per the Companies Act, 2013 and the details of transactions entered into the Related Parties are stated in the notes to accounts and Form AOC-2 is annexed herewith as **Annexure-III**.

13. MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THESE FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT:

There are no other material changes affecting the financial position of the company between the end of the financial year to which this financial statements relate and the date of the report.

14. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3) (m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 is provided in **Annexure -IV** to this Report.

15. AUDITORS:

a. Statutory Auditors:

M/s. B S R & Co. LLP (Firm Registration Number: 101248W/W-100022), Chartered Accountants, who are the statutory auditors of the Company, hold office until the conclusion of the ensuing AGM and are eligible for re-appointment. Members of the Company at the 15th AGM held on 8th August, 2015 had approved the appointment of M/s. B S R & Co. LLP as the Statutory Auditors till the conclusion of 17th AGM. As required by the provisions of the Companies Act, 2013, their appointment should be ratified by members each year at the AGM.

Auditor's Report:

There are no observations made in the Auditors' Report and hence, do not call for any further comments under Section 134 of the Companies Act, 2013.

b. Cost Auditors:

Pursuant to the provisions of Section 148 of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014, the Company is required to appoint a Cost Auditor to audit all the cost audit records of the Company, which is falling under the purview of Rule 3(B) the Companies (Cost Records and Audit) Rules, 2014.

The Board has approved the appointment of M/s. PSV & Associates, Cost Accountants having Firm Registration Number 000304, as the Cost Auditor of the Company for the financial year 2016-17 at remuneration of ₹ 2, 50, 000/- (Rupees Two Lacs Fifty Thousand) only, exclusive of reimbursement of service tax and all out of pocket expenses incurred, if any, in connection with the cost audit. The remuneration of the cost auditor is required to be ratified subsequently by the Members of the Company.

The Board of Directors of the Company proposes the ratification of remuneration of M/s. PSV & Associates, Cost Accountants, as the Cost Auditor of the Company at the ensuing General Meeting.

c. Secretarial Auditor:

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and Rules made there under, the Company had appointed M/s. Ganapathi and Mohan, (CP No. 4520 and FCS No. 5659) Practicing Company Secretaries to undertake the Secretarial Audit of the Company (for FY 2015-16). The Report of the secretarial audit is annexed herewith as **Annexure -V**.

There is no qualification, reservations or adverse remarks made by M/s. Ganapathi and Mohan, Practicing Company Secretaries, Secretarial Auditor of the Company in their Secretarial Audit Report.

16. INTERNAL AUDIT SYSTEMS:

Your Company has continued its engagement with M/s. Ernst & Young LLP, Chartered Accountants, to conduct internal audit across the organization. We have also strengthened the in-house internal audit team to supplement and support the efforts of Ernst & Young. Your Company conducted 6 (Six) Audit Committee meetings during the year under review.

17. SIGNIFICANT OR MATERIAL ORDERS PASSED BY THE REGULATORS/ COURTS:

There are no significant and material orders passed by the regulators or courts of tribunals impacting the going concern status and Company's operation in future.

Directors' Report

18. THE EXTRACT OF ANNUAL RETURN:

Pursuant to section 92(3) of the Companies Act, 2013 (the Act) and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of annual return is annexed herewith as **Annexure –VI**.

19. VIGIL MECHANISM/WHISTLE BLOWER POLICY:

The Company has developed a Whistle Blower Policy with a view to provide a mechanism for Directors, employees and stakeholders of the Company to report their genuine concern and no personnel has been denied access to the Audit Committee.

20. PARTICULARS OF EMPLOYEES:

The information required pursuant to Section 197

read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company is detailed in **Annexure –VII**.

21. CORPORATE SOCIAL RESPONSIBILITY:

Your Company is building a robust support structure to empower the less privileged sections of society. Through its community outreach programs, your Company is building the infrastructure necessary to bring about the changes to ensure improved health and well-being for the community. As a responsible corporate citizen, your Company undertook several social welfare initiatives. Annual report on CSR is annexed herewith as **Annexure –VIII**.

22. DISCLOSURES AS PER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:

The Company has in place a policy for Anti-Sexual Harassment of Women at workplace. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. The Company has received, resolved some complaints during the year 2015-16 and same is detailed as below:

Sl No.	Particulars	Status
1.	No of Cases received during the year	6
2.	No of Cases Disposed During the Year	6
3.	No of Cases pending for more than 90 days	0

Details Of Composition Of Internal Complaints Committee:

Name	Gender	Designation in ICC	Designation in Organization
Mrs. Anuradha Johri	Female	Presiding Officer	Senior General Manager
Dr. Mala Airun	Female	Member	Clinical Director
Dr. Debika Chatterjee	Female	Member	Consultant Doctor
Mr. Viren Prasad Shetty	Male	Member	Senior Vice President
Dr. Uttara Vidyasagar	Female	External Member	External Consultant

23. DIRECTORS RESPONSIBILITY STATEMENT:

In terms of Section 134 (5) of the Companies Act, 2013, the directors would like to state that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- The directors have selected such accounting policies and applied them consistently and made judgments and estimates that were

reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review.

- The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

- iv) The directors have prepared the annual accounts on a going concern basis.
- v) The directors had laid down internal financial controls to be followed by the company and such internal financial controls are adequate and were operating effectively.
- vi) The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

24. RISK MANAGEMENT POLICY:

During the year under review, the Board has constituted an Audit, Risk and Compliance Committee with well-defined roles and responsibilities of the Committee. The Audit, Risk and Compliance Committee evaluates internal financial controls and risk management systems. The Company has adopted Risk Management Policy.

25. DECLARATION FOR CODE OF CONDUCT:

The Company has adopted Code of Conduct for all its employees and Senior Management Personnel and Directors and the same is affirmed by all the Board Members and Senior Management Personnel

as required under Regulation 34 and Regulation 53 read with Part D of Schedule V of the SEBI (Listing Obligations and Disclosure Requirement), 2015. A declaration signed by Dr. Ashutosh Raghuvanshi, the Vice-chairman, Managing Director and Group Chief Executive Officer of the Company affirming the compliance with the Code of Conduct of the Company for the financial year 2015-16 has been annexed as part of this Report.

26. ACKNOWLEDGEMENT:

Your Directors are grateful for all the help, guidance and support extended to them by patients, bankers, suppliers and investors. Your Directors would also wish to thank the medical professionals and employees at each level for their hard work, commitment and performance during the year.

For and on behalf of the Board of Directors

Dr. Devi Prasad Shetty

Chairman

DIN: 00252187

Place: Bengaluru

Date: 30th May, 2016

DECLARATION ON CODE OF CONDUCT

To,
The Members of
M/s. Narayana Hrudayalaya Limited

I, Dr. Ashutosh Raghuvanshi, Vice-chairman, Managing Director and Chief-Executive Officer (CEO) of the Company declare that all the members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct for the Financial Year ended March 31st, 2016.

For **Narayana Hrudayalaya Limited**

Dr. Ashutosh Raghuvanshi

Vice-chairman, Managing Director and Group CEO

DIN: 02775637

Date: 30th May, 2016

Directors' Report

ANNEXURE-I TO DIRECTORS' REPORT

FORM AOC-I

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)
 Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A": Subsidiaries

Sl. No.	Name of the Subsidiary	(Information in respect of each subsidiary to be presented with amounts in ₹)								
		1	2	3	4	5	6	7	8	9
		Narayana Institute for Advanced Research Private Limited	Narayana Health Institutions Private Limited	Narayana Hospitals Private Limited	Narayana Hrudayalaya Surgical Hospital Private Limited	Asia Healthcare Development Limited	Narayana Vaishno Devi Specialty Hospitals Private Limited	Narayana Hrudayalaya Hospitals Malaysia Sdn. Bhd.	Narayana Cayman Holding Limited	Meridian Medical Research & Hospitals Limited
Reporting period for the subsidiary concerned, if different from the holding company's reporting period		31.03.2016	31.03.2016	31.03.2016	31.03.2016	31.03.2016	31.03.2016	31.03.2016	31.03.2016	31.03.2016
Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.		₹	₹	₹	₹	₹	₹	₹	₹	₹
Share capital	10,383,870	11,040,400	532,614,420	149,527,040	29,666,480	10,000,000	50,483,750	12,591	261,600,000	
Reserves & surplus	46,759,002	(11,068,440)	(8,977,762)	(60,079,002)	(14,710,047)	(10,853,221)	(32,956,498)	1,433,398,867	20,067,255	
Total assets	57,346,344	633,133	844,284,263	586,116,771	31,121,697	5,239,252	18,428,527	1,482,946,938	1,159,687,862	
Total Liabilities	203,472	661,173	320,647,605	496,668,733	16,165,264	6,092,473	901,274	49,535,481	878,020,607	
Investments	-	-	-	-	-	-	-	1,422,840,705	-	
Turnover	-	-	9,000,000	455,055,672	64,048,619	93,411	-	-	919,003,597	
Profit before taxation	(304,777)	(226,301)	(1,062,441)	(52,359,596)	(8,195,843)	(10,490,363)	(1,092,848)	(8,986,182)	(82,368,412)	
Provision for taxation	-	-	-	-	(504,427)	-	-	-	(51,967,441)	
Profit after taxation	(304,777)	(226,301)	(1,062,441)	(52,359,596)	(7,691,416)	(10,490,363)	(1,092,848)	(8,986,182)	(30,400,971)	
Proposed Dividend	-	-	-	-	-	-	-	-	-	
% of shareholding	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	99.03%

Part "B": Associate Companies

		USD
Name of Associates/Joint Ventures	Health City Cayman Islands Limited (Associate)	
Latest audited Balance Sheet Date	31/03/2016	
Shares of Associate/Joint Ventures held by the company on the year end		
No.		21,450
Amount of Investment in Associates/Joint Venture		21,450,000
Extend of Holding %		28.60%
Description of how there is significant influence		
Reason why the associate/joint venture is not consolidated	Consolidated as per AS 23	
Networth attributable to Shareholding as per latest audited Balance Sheet		12,833,439
Profit / Loss for the year		
i. Considered in Consolidation		(3,310,460)
i. Not Considered in Consolidation		(8,264,576)
1. Names of associates or joint ventures which are yet to commence operations.		
2. Names of associates or joint ventures which have been liquidated or sold during the year.		

Place: Bengaluru
Date: 30th May, 2016

Dr. Devi Prasad Shetty
Chairman
DIN: 00252187

ANNEXURE - II

Corporate Governance Report

1. CORPORATE GOVERNANCE PHILOSOPHY:

Your Company is committed to the principles of 'Accountability', 'Transparency' and 'Trusteeship' in its dealing with stakeholders. Accordingly, in its endeavor to take balanced care of stakeholders, your Company adheres to good Corporate Governance practices in its business processes. A report on Corporate Governance, in accordance with the listing regulation of Stock Exchanges, is outlined below.

independent view to the Company's Management while discharging its fiduciary responsibilities, thereby, ensuring that Management adheres to highest standards of ethics, transparency and disclosure.

The Board consists of an optimal combination of Executive and Non-Executive Independent Directors, representing a judicious mix of in-depth knowledge and experience.

2. BOARD OF DIRECTORS:

The Board of Directors ("the Board") is at the core of the Company's Corporate Governance practices and oversees how Management serves and protects the long term interest of its stakeholders. It brings in strategic guidance, leadership and an

3. COMPOSITION OF BOARD:

The Board comprises of 9 (Nine) Directors viz. 3 (Three) Executive Directors and 6 (Six) Non-Executive Directors including 5 (Five) are Independent Directors and one Woman Director (Non-executive Director).

Composition of the Board and Directorships held as on 31st March, 2016 are given below:

Name of Director	Position held in the Company	As on 31st March, 2016		
		*Total Directorship	**Committee Membership	**Committee Chairmanship
Dr. Devi Prasad Shetty	Chairman & Whole-time Director	10	-	-
Dr. Ashutosh Raghuvanshi	Vice Chairman, Managing Director and CEO	06	01	-
Mr. Viren Shetty	Whole-time Director	06	01	-
Ms. Kiran Mazumdar Shaw	Non-Executive Director	17	01	-
Mr. Manohar Dayaram Chatlani	Non-Executive Independent Director	08	-	-
Mr. K Dinesh	Non-Executive Independent Director	02	01	-
Mr. Muthuraman Balasubramanian	Non-Executive Independent Director	02	01	01
Mr. Arun Seth	Non-Executive Independent Director	16	-	-
Mr. B N Subramanya	Non-Executive Independent Director	05	02	01

* Excluding Section 8 Companies but including NHL.

** Committees considered are Audit Committee and Stakeholder Relationship Committee.

During the year 2015-16, following changes took place in the composition of the Board:

Change in designations and Appointments:

- The Company had appointed Mr. Muthuraman Balasubramanian, Mr. Arun Seth as Additional Directors of the Company on 6th May, 2015 and were regularized on 8th August, 2015.
- The Company had appointed Mr. B N Subramanya as an Additional Director of the Company on 30th June, 2015 and was regularized on 8th August, 2015.
- The Company had appointed Mr. Manohar Dayaram Chatlani as an Independent Director on 7th September, 2015 and was regularized on 12th September, 2015.

Resignations/Cessations taken place:

- Mrs. Shakuntala Shetty and Dr. Varun Shetty, Directors of the Company had resigned from the office of Director w.e.f. 6th May, 2015.
- Mr. Christopher Nicholas, Director and Ms. Anjali Patel, Alternate Director of the Company had resigned from the office of Directorship w.e.f. 30th June, 2015.
- Mr. David Michael Easton, Director of the Company had resigned w.e.f. 19th September, 2015 and Mr. Ashish Kumar Agarwal, Alternative Director had resigned from the office of Director w.e.f. 28th September, 2015.
- Mr. Harjit Singh Bhatia, Director of the Company had resigned from the office of Director w.e.f. 23rd March, 2016.

The Directors place on record their sincere appreciation for the useful contributions made by the above said Directors, during their tenure.

4. BOARD MEETINGS AND ATTENDANCE:

During the financial year under review twelve (12) Board Meetings were held on 6th May, 2015, 30th June, 2015, 16th July, 2015, 7th September, 2015, 19th September, 2015, 28th September, 2015, Three (3) Meetings on 1st December, 2015, 1st January, 2016, 8th February, 2016, and 23rd March, 2016 respectively. The gap between two

board meetings did not exceed One Hundred and Twenty (120) days as required under Section 173 of the Companies Act, 2013 read with Rule 3 & 4 of the Companies (Meetings of Board and its Powers) Rules, 2014 along with Regulation 17 (2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. These Meetings were well attended including attendance of Independent Directors.

Last Annual General Meeting (AGM):

The Fifteenth Annual General Meeting (AGM) of the Company was held on 8th August, 2015.

Details of attendance at the Board Meetings/Last AGM:

Name of Director	Number of Board Meetings		Attendance at the Last AGM
	Held	Attended	
Dr. Devi Prasad Shetty	12	11	No
Mrs. Shakuntala Shetty ¹	12	-	Yes
Dr. Varun Shetty ¹	12	01	No
Dr. Ashutosh Raghuvanshi	12	12	No
Ms. Kiran Mazumdar Shaw	12	09	No
Mr. Christopher Nicholas ²	12	-	NA
Mr. Muthuraman Balasubramanian ³	12	09	No
Mr. B N Subramanya ³	12	10	No
Mr. Manohar Dayaram Chatlani ⁴	12	06	NA
Mr. David Michael Easton ⁵	12	03	No
Mr. Harjit Singh Bhatia ⁶	12	08	No
Mr. Ashish Kumar Agrawal (Alternate Director)	12	04	NA
Ms. Anjali Patel (Alternate Director)	12	01	NA
Mr. Viren Shetty	12	10	Yes
Mr. K Dinesh	12	12	No
Mr. Arun Seth	12	08	No

Note:

- Mrs. Shakuntala Shetty and Dr. Varun Shetty resigned on 6th May, 2015.
- Mr. Christopher Nicholas resigned on 30th June, 2015.
- Mr. Muthuraman B, Mr. B N Subramanya were appointed as Independent Directors on 16th July, 2015.
- Mr. Manohar D Chatlani was appointed as Independent Director on 7th September, 2015.
- Mr. David Michael Easton resigned on 19th September, 2015.
- Mr. Harjit Singh Bhatia resigned on 23rd March, 2016

Corporate Governance Report

5. BOARD PROCEDURE:

A detailed agenda and notes thereon are sent to each Director in advance of Board and Committee Meetings. All material information is incorporated in agenda for facilitating meaningful and focused discussions at the meeting. Where it is not practicable to attach any documents of the agenda in advance, it is tabled before the meeting with specific reference to this effect in the agenda. To enable the Board to discharge its responsibilities effectively, the Board is kept abreast at every meeting on the overall performance of the Company. All the relevant reports are also presented at the Board Meetings.

The Chairman of the Board and Company Secretary, in consultation with other concerned members of the senior management, finalize the agenda for Board meetings.

6. DIRECTORS SEEKING RE-APPOINTMENT/ APPOINTMENT:

Dr. Devi Prasad Shetty (DIN: 00252187), Chairman & Whole-time Director, of the Company, being the longest in the office, retire by rotation at the forthcoming Annual General Meeting and offers himself to be eligible for re-appointment.

Brief Biography of Director seeking re-appointment is given below:

Dr. Devi Prasad Shetty:

Dr. Devi Prasad Shetty is the Chairman of our Company and also an Executive Director. He is a cardiac surgeon with around 33 years of experience. After completing his MBBS from University of Mysore in 1978, he registered himself with the Karnataka Medical Council in 1979. Thereafter, in 1982, he received a master's degree in surgery from the University of Mysore. In 2009, he was granted a fellowship from the Royal College of Surgeons of England. He founded our Company in the year 2000. He initiated the concept of "Micro Health Insurance Scheme" in Karnataka, which eventually led to the Karnataka Government implementing the Yeshasvini Scheme, a Micro Health Insurance Scheme for Rural Farmers. Dr. Shetty is a Professor at Rajiv Gandhi University of Medical Sciences, Bengaluru, India and University of Minnesota Medical School, USA. He is a recipient of a number of awards and honours most noteworthy being "Padma Shri

and Padma Bhushan" Award in 2003 and 2012 respectively, conferred by the Government of India and the Rajyotsava Award in 2002 conferred by the Government of Karnataka. He was also conferred with the 'Dr. B C Roy National Award' by the Dr. B C Roy National Award Fund under the category of 'Eminent Medical Person' in 2003, 'Entrepreneur of the Year Award - Start-up 2003' by Ernst & Young, India, and 'Sir M. Visveswaraya Memorial Award' conferred by the Government of Karnataka in 2003. The Rotary Bengaluru Midtown conferred him with the 'Citizen Extraordinaire' award in 2004. He also received the 'Outstanding Social Entrepreneurship Award' by the Confederation of Indian Industry in 2005, 'The President's Award' by the American College of Cardiology in 2011, and the 'Economic Times Entrepreneur of the Year' in 2012. Further, he received the 'Indian of the Year Award' in 2012 by CNN- IBN and the 'Lifetime Achievement Award' by the Federation of Indian Chambers of Commerce and Industry. In addition, he received 'Commendation for driving affordable quality healthcare for all 2010' at the Healthcare Awards Program presented by ICICI Lombard & CNBC TV18 in 2010 and was the winner of 'Business Process Award' at 'The Economist Innovation Award's 2011'. He was an Honorary Fellow at the College Physicians and Surgeons of Mumbai, Doctor of Laws in 2011 and has also been awarded the Doctor of Laws by the University of Minnesota in 2011. In 2014, he was awarded the Doctor of Science (Honoris Causa) by the Rajiv Gandhi University of Health Sciences, Bengaluru. He received the '19th Nikkei Asia Prize, Economic and Business Innovation' by Nikkei Inc. in 2014. He is an active member of the European Association for Cardio- Thoracic Surgery since 1996 and a life member of the Indian Medical Association. He was also a member of the Finance Committee of the 47th Annual Conference of the Indian Association of Cardiovascular and Thoracic Surgeons. He was a member of the governing body of the Medical Council of India between 2010 and 2011.

7. MEETINGS OF INDEPENDENT DIRECTORS:

The Company's Independent Directors are required to meet at least once in every Financial Year in compliance with the provisions of the Companies Act, 2013. Such meetings are conducted informally to enable Independent Directors to discuss the matters pertaining to the Company's Affairs and to put forth their views. Further, Independent

Directors also reviews the performance of the Non-Independent Directors, Chairman (after taking into account the views of Executive and Non-Executive Directors of the Company) and Board as a whole. During the Financial Year under review the Independent Directors met on 23rd March, 2016 and all the Independent Directors attended the Meeting.

8. FAMILIARIZATION PROGRAMMES FOR BOARD MEMBERS:

The Board members are provided with necessary documents/brochures, reports and internal policies to enable them to familiarize with the Company's procedures and practices.

Periodic presentations are made at the Board and Committee Meetings, on business and performance

updates of the Company, operations review, quarterly and annual results, budgets, review of internal audit reports and action taken report, statutory compliances, risk management, operations of subsidiaries and joint ventures companies, business strategy and risks involved. Such presentations and documents provides an opportunity to the Independent Directors to interact with the Senior Management Team of the Company and help them understand the Company's strategy, operations, services, organization structure, finance, human resources, technology, member relations, quality and such other areas as may arise from time to time.

The policy on the Familiarization Programmes for Independent Directors and their terms of appointment are also posted on the website of the Company and can be accessed at www.narayanahealth.org.

9. REMUNERATION TO DIRECTORS

Names of Directors	All elements of remuneration packages of the Directors				Total
	Salary and allowances	Contribution to PF and other funds	Other benefits and perquisites	Performance related pay	
Dr. Devi Prasad Shetty	3,80,49,287	-	-	-	3,80,49,287
Dr. Ashutosh Raghuvanshi	2,58,22,735	-	27,46,987	-	2,85,69,775
Mr. Viren Shetty	92,88,681	-	-	-	92,88,681

Remuneration to Non-executive, Independent Directors as on 31st March, 2016:

Names of Directors	All elements of remuneration packages of the Directors			Total
	Sitting fees	Commission	Other benefits, if any.	
Mr. Arun Seth	2,50,000	-	-	2,50,000
Ms. Kiran Mazumdar Shaw	4,25,000	-	-	4,25,000
Mr. B N Subramanya	5,25,000	-	-	5,25,000
Mr. Manohar D Chatlani	3,00,000	-	-	3,00,000
Mr. Muthuraman B	5,75,000	-	-	5,75,000
Mr. K Dinesh	6,50,000	-	-	6,50,000
Mr. Harjit Singh Bhatia*	1,00,000	-	-	1,00,000

*Harjit Singh Bhatia resigned from the Board of Directors as on 23rd March, 2016.

The remuneration of Non-Executive Directors comprises of sitting fees of ₹ 50, 000/- per Board Meeting and ₹ 25, 000/- per Committee Meeting totaling to ₹ 28,25,000 for the FY 2015-16 in accordance with the provisions of Companies Act, 2013. Also, reimbursement of expenses incurred by the Non-Executive Directors in connection with attending the Board meetings, Committee meetings, General Meetings and in relation to the business of the Company are extended to the Non-Executive Directors.

10. BOARD COMMITTEES

Audit, Risk and Compliance Committee:

The Committee's Composition meets with the requirements of Section 177 read with Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

As on 31st March, 2016, the Committee comprised of 3 Directors, all are Independent Directors and the details of the same are as follows:

Corporate Governance Report

- i. Mr. B N Subramanya – (Independent Director), Chairman.
- ii. Mr. K Dinesh – (Independent Director) and
- iii. Mr. B Muthuraman – (Independent Director.)

The Audit, Risk and Compliance Committee was first constituted on 19th March, 2009 and re-constituted by a meeting of the Board of Directors held on 16th July, 2015.

The scope and function of the Audit, Risk and Compliance Committee is in accordance with Section 177 of the Companies Act, 2013 read with Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and its terms of reference are read as follows:

"The Audit, Risk and Compliance Committee provides direction to the audit function and monitors the quality of internal and statutory audit with an objective of moving towards a regime of unqualified financial statements. The Committee functions as per the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the provisions of Companies Act. The responsibilities of the Committee include review of the quarterly and annual financial statements before submission to Board, review and approval of related party transactions, review of compliance of internal control system, overseeing the financial reporting process to ensure transparency, sufficiency, fairness and credibility of financial statements etc. The Committee also reviews the functioning of whistle blower mechanism, adequacy and effectiveness of internal audit function, risk management and control systems, review of management discussion and analysis of financial condition and results of operation."

Nomination and Remuneration Committee:

The members of the Nomination and Remuneration Committee are:

1. Mr. Arun Seth (Independent Director), Chairman;
2. Ms. Kiran Mazumdar Shaw (Non-Executive Director); and
3. Mr. K. Dinesh (Independent Director).

The Nomination and Remuneration Committee was constituted on 30th January, 2013 and was re-constituted by a meeting of the Board of Directors held on 16th July, 2015.

The scope and function of the Nomination and Remuneration Committee is in accordance with Section 178 of the Companies Act, 2013 read with Regulation 19 read with Part D of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The terms of reference of the Nomination and Remuneration Committee include:

"To determine/review the Company's policy on specific remuneration packages for the Executive Directors including pension rights and any compensation payment, oversee the framing, review and implementation of compensation policy of the Company on behalf of the Board, form a policy, procedures and schemes and to undertake overall supervision and administration of Employee Stock Option Plan (ESOP) of the Company and to review the Board structure, size and composition and make recommendation for any change. The committee also formulate evaluation criteria for directors and the board."

Stakeholders Relationship Committee:

The members of the Stakeholders' Relationship Committee are:

1. Mr. B. Muthuraman (Independent Director), Chairman;
2. Dr. Ashutosh Raghuvanshi (Managing Director);
3. Mr. B. N. Subramanya (Independent Director); and
4. Mr. Viren Shetty (Whole time Director).

The Stakeholders' Relationship Committee was constituted by our Board of Directors at their meeting held on July 16, 2015. The scope and function of the Stakeholders' Relationship Committee is in accordance with Section 178 of the Companies Act, 2013. The terms of reference of the Stakeholders' Relationship Committee of our Company include effectively resolving the grievances of the security holders of the company including complaints related to transfer of shares, non-receipt of annual reports, non-receipt of declared dividends, if any, resolving investors' complaints pertaining to share transfers, issue of duplicate share certificates, transmission of shares and other Shareholder related queries, complaints etc.

The details with regard to Stakeholders' Grievances are:

Sl No.	Particulars	Related Details
1.	Name of a Non-executive Director heading the Committee.	Mr. B. Muthuraman (Independent Director), Chairman.
2.	Name and Designation of Compliance Officer	Mr. Ashish Kumar, Group Company Secretary and Compliance Officer.
3.	No. of shareholder's complaints received as on 31st March, 2016.	1998
4.	No. not solved to the satisfaction of shareholders as on 31st March, 2016.	0
5.	No. of pending complaints as on 31st March, 2016.	1

Corporate Social Responsibility Committee:

The members of the Corporate Social Responsibility Committee are:

1. Mr.K.Dinesh (Independent Director), Chairman;
2. Dr. Ashutosh Raghuvanshi (Vice Chairman, Managing Director & CEO) Member; and
3. Mr. B. N. Subramanya (Independent Director), Member.

The Corporate Social Responsibility Committee was constituted on June 05, 2014 and was re-constituted by our Board of Directors at their meeting held on July 16, 2015.

Meetings of Committees:

Meetings of Board Committees held during the year under review are as follows:

Audit, Risk and Compliance Committee	Nomination & Remuneration Committee	CSR Committee	Stakeholders Relationship Committee
05.05.2015, 15.07.2015, 19.09.2015, 01.12.2015, 08.02.2016 and 23.03.2016.	06.05.2015, 07.09.2015, 01.12.2015 and 08.02.2016.	15.07.2015 and 08.02.2016.	08.02.2016.

The Committee owns the corporate social responsibility policy and recommends any changes to the policy (or related activities) from time to time to the Board. Committee also oversees the implementation of the policy, approves plans/programs.

IPO Committee details:

The Board had also constituted an IPO Committee on September 29, 2014 and was re-constituted on July 16, 2015 which was authorised to approve and decide upon all activities in connection with the Offer, including, but not limited to approving the Draft Herring Prospectus, Red Herring Prospectus and the Prospectus, to decide the terms and conditions of the Offer, including the Price Band and the Offer Price, to appoint various intermediaries, negotiating and executing the Offer related agreements and to submit applications and documents to relevant statutory and other authorities from time to time. The IPO Committee was dissolved on 8th February, 2016.

Risk Management Committee:

As per the Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the requirement to formulate a separate risk management committee applies only to top 100 listed entities, determined on the basis of market capitalization, as at the end of the immediate previous financial year.

Therefore, this requirement is not applicable to us. However, currently the responsibilities related to a risk management committee are being performed by our Audit, Risk and Compliance Committee.

Corporate Governance Report

Details of meetings attended by the members of all the committees:

Sl No.	Type of Committee	Name of the members attended the meeting	No. of meetings held	No. of meetings attended
1.	Audit, Risk and Compliance Committee	Mr. K Dinesh	6	6
		Mr. Ashish Kumar Agrawal*	6	2
		Mr. Muthuraman B **	6	4
		Mr. B N Subramanya**	6	3
2.	Nomination and Remuneration Committee	Ms. Kiran Mazumdar Shaw	4	4
		Ms. Anjali Patel*	4	1
		Mr. Arun Seth**	4	3
		Mr. K Dinesh**	4	3
3.	Corporate Social Responsibility Committee	Mr. K Dinesh	2	2
		Mr. B N Subramanya	2	1
		Dr. Ashutosh Raghuvanshi	2	2
		Mrs. Shakunthala Shetty*	2	0
4.	Stakeholders Relationship Committee	Mr. Muthuraman B	1	1
		Mr. B.N. Subramanya	1	1
		Dr. Ashutosh Raghuvanshi	1	1
		Mr. Viren Shetty	1	0

* Resigned on 16th July as a Member.

** Appointed on 16th July as a Member.

11. SERVICE CONTRACTS, NOTICE AND SEVERANCE FEES:

As on 31st March, 2016, the Board comprised 9 members including 3 executive directors and 6 non-executive directors of which 5 directors are Independent Directors. The executive directors are the employees of the Company and are subject to service conditions as per the Company's Policy. There is no separate provision for payment of severance fees. However, Independent Directors are subject to a notice period of 30 days but are not eligible for severance fees.

12. PECUNIARY RELATIONSHIP:

There were no pecuniary relation or transactions of non-executive directors vis-a vis the Company which has potential conflict with the interest of the Company at large.

13. CRITERIA FOR MAKING PAYMENT TO NON-EXECUTIVE DIRECTORS:

The role of the non-executive directors of the Company is not just restricted to corporate governance or outlook of the Company but they also bring along with them significant professional expertise and rich experience across the wide spectrum of functional areas such as technology, corporate strategy, finance and other

corporate functions. The Company seeks their expert advice on various matters in science, technology or intellectual property. Hence, the compensation to the non-executive directors towards the professional services to the Company is recommended.

14. DISCLOSURE OF RELATIONSHIPS BETWEEN DIRECTORS INTER-SE:

There is no inter-se relationship between any directors except Dr. Devi Prasad Shetty, Chairman and Whole-time Director and Mr. Viren Shetty, Whole-time Director of the Company.

15. NUMBER OF SHARES AND CONVERTIBLE INSTRUMENTS HELD BY NON-EXECUTIVE DIRECTORS:

Ms. Kiran Mazumdar Shaw holds 4705671 equity shares of ₹ 10 each as on 31st March, 2016.

16. COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE:

Certificate received from Mr. Swayambhu Kedarnath, Practicing Company Secretary (CP No. 4422 and Membership No. 3031) confirming compliance with the conditions of Corporate Governance as stipulated under Regulation 34 (3) and Regulation 53(f) read with Schedule V (E) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is annexed as

Annexure-II A of the Directors' Report.

17. CEO AND CFO CERTIFICATION:

The Managing Director & Chief Executive Officer ("MD & CEO") and the Chief Financial Officer (CFO) of the Company gave annual certification on financial reporting and internal controls to the Board in terms of Regulation 17(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The MD & CEO and CFO also gave quarterly certification on financial results while placing the financial results before the Board in terms of Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The annual certificate given by the MD & CEO and the CFO is annexed as Annexure-II B of Directors' Report.

18. SUBSIDIARY COMPANIES:

All subsidiary companies are managed by their Boards having the rights and obligations to manage such Companies in the best interest of their stakeholders. As on 31st March, 2016 the Company does not have any material unlisted Indian Subsidiary.

The Company monitors performance of subsidiary Companies, inter alia, by reviewing financial statements in particular investments (wherever applicable) made by unlisted subsidiary companies.

19. ACCOUNTING TREATMENT IN PREPARATION OF FINANCIAL STATEMENTS

In the preparation of the financial statements, the Company has followed Accounting Standards notified by Ministry of Corporate Affairs. The significant accounting policies which are consistently applied have been set out in the notes to the financial statements.

20. CODE FOR PREVENTION OF INSIDER TRADING PRACTICES:

During the year under review, the Company adhered to comprehensive Code of Conduct for prevention of Insider Trading for its Director and designated employees. The Code lays down guidelines, through which it advises the designated employees

or directors on procedures to be followed and disclosures to be made, while dealing with shares of the Company.

21. PROCEEDS FROM PUBLIC ISSUE THROUGH AN OFFER FOR SALE:

Initial Public Offer:

The Company filed a Draft Red Herring Prospectus (DRHP) on 29th September 2015 with the Securities and Exchange Board of India (SEBI) seeking approval for an Initial Public Offering (IPO) of upto 2,45,23,297 equity shares of face value of ₹ 10/- each through an offer for sale. Hence utilization of proceeds from IPO will not apply. The Company listed its securities on BSE limited and National Stock Exchange of India Ltd. on 6th January, 2016.

22. DETAILS OF UNCLAIMED SHARES/DIVIDENDS:

The Company has not declared / paid any dividends, hence the question of unclaimed shares/dividend does not arise.

23. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

The Company's continued focus in expanding business in newer horizon's resulted significant growth in various geographies during the Year and the same is detailed in Management Discussion and Analysis Report discussed in Pages No. 32-47

24. GENERAL BODY MEETINGS

I. Details of last three Annual General Meeting:

Financial Year Ended	Day, Date and Time of AGM	Location
31st March, 2015	Saturday, 8th August, 2015	No. 258/A, Bommasandra Industrial Area, Hosur Road, Bengaluru – 560099.
31st March, 2014	Monday, 29th September, 2014	No. 258/A, Bommasandra Industrial Area, Hosur Road, Bengaluru – 560099.
31st March, 2013	Monday, 30th September, 2013	No. 258/A, Bommasandra Industrial Area, Hosur Road, Bengaluru – 560099.

Corporate Governance Report

II. Special Resolutions passed in the previous three Annual General Meetings:

a. AGM held on 8th August, 2015:

- Appointment of Mr. David Michael Easton as Director.
- Conversion of Private Company into a Public Company.
- Adoption of revised Articles of Association.
- Approval for providing Loans, Guarantee, Security and making Investments upto ₹ 60,000.00 Lacs

b. AGM held on 29th September, 2014:

- Amendment of Memorandum and Articles of Association.

c. AGM held on 30th September, 2013:

- Appointment of Mr. Harjit Singh Bhatia as Director.

III. Postal Ballot:

There were no postal ballot resolutions passed during the financial year 2015-16.

25. MEANS OF COMMUNICATION:

a. The quarterly financial results:

The quarterly, half yearly and yearly financial results are sent to the Stock Exchanges immediately after the Board approves the same. These results were published in newspapers like Business Standard (English) and Vijaya Vani (Kannada).

- b. The results along with presentations are also posted on the website of BSE Limited and National Stock Exchange of India Limited, and Company's website i.e., www.narayanahealth.org.

f. Stock Performance

Monthly High/Low and Volumes:

Month	National Stock Exchange			Bombay Stock Exchange		
	High (₹)	Low (₹)	Monthly Volume	High (₹)	Low (₹)	Monthly Volume
January, 2016	338	328.55	7,30,61,970	360.00	291.00	4,97,71,70,861
February, 2016	285.85	277	1,42,92,250	352.80	274.90	55,94,26,084
March, 2016	288	282.9	94,14,826	309.90	272.20	8,89,93,534

26. GENERAL INFORMATION:

a. Annual General Meeting:

- **Venue:**
White Feather, No. 40/41-1, Hobli-Begur, Opposite to Metro Whole-sale and PES College, NICE Tollgate, Electronic City, Phase - I, Hosur Main Road, Bengaluru-560100.
- **Day, date and time:**
Friday, the 29th day of July, 2016 at 10.30 A.M.

b. Financial Year:

Financial Year covers the period from 1st April, 2015 to 31st March, 2016 (The Company got its securities listed on Stock Exchanges on 6th January, 2016).

c. Listing on Stock Exchanges-

Equity Shares of the Company are listed on the BSE Limited (BSE Limited), Department of Corporate Services, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 and National Stock Exchange of India Limited (NSE), Exchange plaza, Bandra Kurla Complex, Mumbai - 400 050. The requisite listing fees have been paid in full to the Stock Exchanges where the Company's Shares are listed.

d. Stock Exchange Codes:

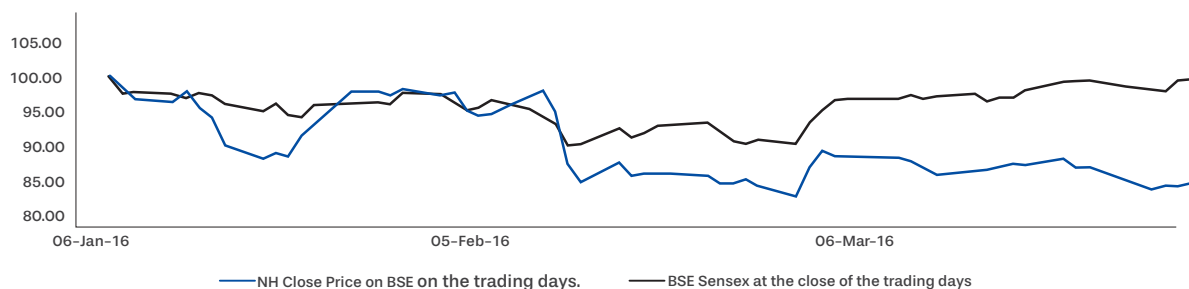
NSE: NH and BSE: 539551

e. Demat International Security Identification Number (ISIN) in NSDL and CDSL for Equity Shares:

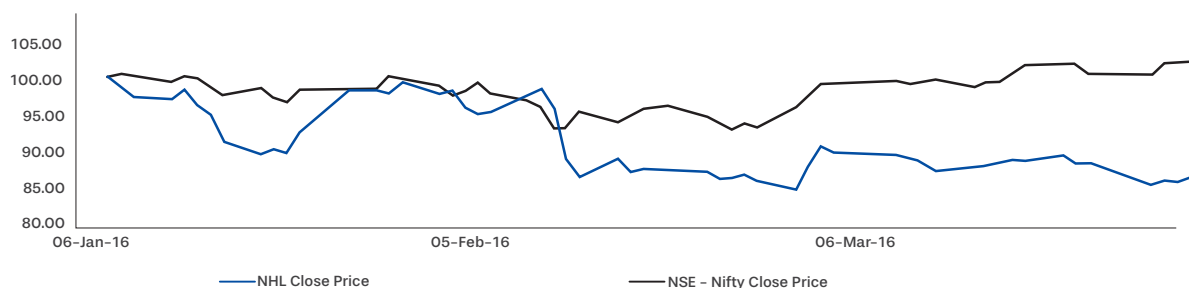
ISIN: INE410PO1011

g. Performance in comparison to BSE – Sensex and NSE-Nifty:

Narayana Hrudayalaya Limited Share Performance on BSE Versus BSE Sensex



Narayana Hrudayalaya Limited Share Performance on NSE Versus Nifty



a. Suspension of Trading:

None of the securities of the Company are suspended from trading on stock exchanges during the year under review.

b. Registrar and Share Transfer Agents:

Karvy Computershare Private Limited situated at Karvy Selenium Tower B, Plot No. 31 & 32, Financial District, Gachibowli, Hyderabad-500032.

c. Share Transfer System:

Trading in equity shares of the Company through recognized Stock Exchanges is permitted only in dematerialized form. Shares sent for transfer in physical form are registered and returned within a period of 30 days from the date of receipt of documents, provided the documents are complete and valid in all respects.

h. Distribution of shareholdings as on 31st March, 2016:-

Number of Equity Shares	No. of Shareholders	% of total Shareholders	Amount in ₹	% of total amount
Upto 1 - 5000	35320	97.93	22389460.00	1.10
5001 - 10000	407	1.13	3063800.00	0.15
10001 - 20000	151	0.42	2238550.00	0.11
20001 - 30000	56	0.16	1387080.00	0.07
30001 - 40000	20	0.06	704560.00	0.03
40001 - 50000	7	0.02	337440.00	0.02
50001 - 100000	28	0.08	2114680.00	0.10
100001 & Above	78	0.22	2011372470.00	98.42
Total	36067	100.00	2043608040.00	100.00

Corporate Governance Report

i. Dematerialization of Shares:

As on 31st March, 2016, 97.87% of the Paid up Equity Share Capital of the Company is held in dematerialized form with National Securities Depository Limited and Central Depository Services (India) Limited.

j. Address for correspondence.

Mr. Ashish Kumar, Group Company Secretary & Compliance Officer.
Narayana Hrudayalaya Limited, Corporate Office, 2nd Floor, 261/A, Bommasandra Industrial Area, Anekal Taluk, Hosur Road, Bengaluru – 560099.

27. OTHER DISCLOSURES:

a. Related Party transactions:

During 2015-16, there were no materially significant transactions entered into between the Company and its promoters, Directors or the Management, Holding Company, Subsidiaries, Associates or relatives that may have potential conflict with the interest of the Company at large except for those mentioned in the Directors' Report. Further, details of related party transactions form part of notes to the standalone accounts of the Annual Report and a policy about same is available on the Company's website i.e., www.narayanahealth.org.

b. Outstanding ADRs/GDRs Warrants or any Convertible Instruments, Conversion date and likely impact on Equity:

The Company has not issued any ADRs/GDRs Warrants or any Convertible Instruments. However, the Company has converted 10,00,000 Optionally Convertible Debentures into 43,60,804 Equity Shares of ₹ 10/- each at the Board and Shareholders Meeting held on 1st December, 2015.

c. Details of Non-compliance with respect to Capital Markets:

The Company has complied with all the requirements of regulatory authorities with respect to capital markets. There were no instances of non-compliance by the Company

and no penalties or strictures were imposed on the Company by the Stock Exchanges or SEBI or any statutory authority, on any matter related to the capital markets during the year under review.

d. Whistle Blower Policy/Vigil Mechanism:

The Company has developed a Whistle Blower Policy with a view to provide a mechanism for Directors, employees and stakeholders of the Company to report their genuine concern.

e. Compliance with mandatory requirements:

The Company has complied with all mandatory requirements to the extent applicable to the Company.

f. Link for disclosures of Material Subsidiary Company:

The Company does not have any Material Subsidiary Company and hence question of separate link for making disclosures of material subsidiary does not arise.

g. Disclosure of commodity price risk and commodity hedging activities:

Disclosure pertaining to commodity price risk and commodities hedging activities are not applicable to the Company.

For and on behalf of the Board

Dr. Devi Prasad Shetty

Chairman

DIN: 00252187

Place: Bengaluru

Date: 30th May, 2016

ANNEXURE – IIA

REPORT ON CORPORATE GOVERNANCE BY COMPANY SECRETARY IN PRACTICE

To
The Shareholders of
Narayana Hrudayalaya Limited
(Formerly known as Narayana Hrudayalaya Private Limited)
 Bengaluru.

We have examined the compliance of conditions of Corporate Governance by **Narayana Hrudayalaya Limited (Formerly known as Narayana Hrudayalaya Private Limited)** for the year ended 31st March, 2016 as stipulated under Listing Obligations and Disclosure Requirements of the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examinations were limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of provisions relating to Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations of the Management, we certify that the Company has complied in all material aspects with the conditions of Corporate Governance as stipulated in above mentioned Listing Regulations.

We state that no investor grievance is pending for a period exceeding one month except where disputed or sub-judice, as per the records the Company, Registrar and Transfer Agents and reviewed by the Board/Committee of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency of effectiveness with which the management has conducted the affairs of the Company.

For **S KEDARNATH & ASSOCIATES**
 Company Secretaries

Place: Bengaluru
 Date: 30.05.2016

S Kedarnath,
 Company Secretary
 C.P. No. 4422

CEO AND CFO CERTIFICATION

As per Regulation 17 (8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To
The Board of Directors
Narayana Hrudayalaya Limited
(Formerly known as Narayana Hrudayalaya Private Limited)
Bengaluru – 562158

Dear Sir,

We, Dr. Ashutosh Raghuvanshi, Vice Chairman, Managing Director and Group Chief Executive Officer and Mr. Venugopalan Kesavan, Chief Financial Officer, certify to the Board that:

- A. We have reviewed financial statements and Cash Flow Statements for the year ended 31st March, 2016 and that to the best of our knowledge and belief:
- i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. These statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the financial year under review which are fraudulent, illegal or violative of the Company's Code of Conduct.
- C. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D. We have indicated to the auditors and the Audit Committee:
- i. Significant changes in internal control over financial reporting during the year;
 - ii. Significant changes in Accounting Policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. There is no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting

Dr. Ashutosh Raghuvanshi
Managing Director & CEO
DIN: 02775637

Mr. Venugopalan Kesavan
Chief Financial Officer
PAN: AEMPK0751N

ANNEXURE - III

FORM NO. AOC – 2

[Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014]

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under the third proviso thereto.

1. DETAILS OF CONTRACTS OR ARRANGEMENTS OR TRANSACTIONS NOT AT ARM'S LENGTH BASIS:

Sl No.	Name(s) of the related party and nature of relationship	Names of contract/ arrangements/ transactions	Duration of the contracts/ arrangement/ transactions	Salient terms of the contracts or the contracts or arrangements including the value, if any	Justification for entering into such contracts or arrangements or transactions	Date(s) of approval by the Board	Amount paid as advances, if any	Date on which the special resolution was passed in general meeting as required under first proviso to section 188
1.	Dr. Anesh Shetty – relative of Dr. Devi Prasad Shetty and Mr. Viren Shetty	Appointment for place or office of Profit.	One time	Appointed at a Remuneration of ₹ 1,75,000/- Per Month.	-	01/12/2015	Nil	01/12/2015

2. DETAILS OF CONTRACTS OR ARRANGEMENTS OR TRANSACTIONS AT ARM'S LENGTH BASIS:

Sl No.	Name(s) of the related party and nature of relationship	Names of contract/ arrangements/ transactions	Duration of the contracts/ arrangement/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Date(s) of approval by the Board	Amount paid as advances, if any
Sale or purchase of goods or Materials						
1.	Hrudayalaya Pharmacy, Partnership firm owned by relatives of Dr. Devi Prasad Shetty	Purchase of goods or Materials	Ongoing	Purchase of Medicines and Surgical Consumables. Value is ₹ 1,25,00,000/-.	06/05/2015	Nil
2.	Amaryllis Healthcare Private Limited. Relative of Dr. Devi Prasad Shetty is Executive Director and Member	Purchase of goods or Materials	Ongoing	Supply of disposable drapes. Value is ₹ 8,00,00,000/-.	06/05/2015	Nil
3.	Biocon Limited, Ms. Kiran Mazumdar Shaw (Non-executive director and member of NHL) is the Chairman and Managing Director in Biocon Limited.	Purchase of goods or Materials	Ongoing	Purchase of Medicine, Value is ₹ 11,00,00,000/-.	06/05/2015	Nil
4.	Meridian Medical Research & Hospital Limited, Subsidiary Company.	Sale of Goods or Material	Ongoing	Transfer of inventory from NH, Cardiac Unit to Meridian Medical Research & Hospital Limited. Value is ₹ 16,00,000/-.	07/09/2015	Nil

Sl No.	Name(s) of the related party and nature of relationship	Names of contract/arrangements/transactions	Duration of the contracts/arrangement/transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Date(s) of approval by the Board	Amount paid as advances, if any
Leasing of property of any kind;						
5.	Charmakki Infrastructures, partnership firm owned by relatives of Dr. Devi Prasad Shetty	Leasing of property – payment of rent	Ongoing	Nursing Hostel Rent. Value is ₹ 70, 38, 360/-.	06/05/2015	Nil
6.	Narayana Hospitals Private Limited, Wholly Owned Subsidiary	Leasing of property – payment of rent	Ongoing	Hospital Lease rent. Value is ₹ 1,03,00,000/-.	06/05/2015	Nil
7.	Narayana Hrudayalaya Surgical Hospital Private Limited, wholly owned subsidiary	Leasing of property – payment of rent	Ongoing	Hospital Lease rent. Value is ₹ 47,88,000/-.	06/05/2015	Nil
8.	Mazumdar Shaw Medical Foundation(MSMF), Section 8 Company, Dr. Devi Prasad Shetty and Ms. Kiran Mazumdar Shaw are the directors in MSMF.	Leasing Arrangement	Ongoing	Transaction was entered into for ₹ 1, 14,000/-.	06/05/2015	Nil
Availing or rendering of any services						
9.	Akkaya Consultancy Services, Partnership firm owned by relatives of Dr. Devi Prasad Shetty	Rendering services	Ongoing	Accommodation to patients and visitors. Value is ₹ 15,00,000/-.	06/05/2015	Nil
10.	TriMedx India Private Limited Dr. Ashutosh Raghuvanshi (Managing Director of NHL) is a director in TriMedx India Private Limited.	Availing or rendering of services	Ongoing	Servicing of Bio- Medical Equipments. Value is ₹ 24,00,00,000/-	06/05/2015	Nil
11.	Mazumdar Shaw Medical Foundation(MSMF), Section 8 Company, Dr. Devi Prasad Shetty and Ms. Kiran Mazumdar Shaw are the directors in MSMF.	Payment of revenue share for BMTU.	Ongoing	Payment of revenue share for BMTU. Transaction was entered into for 5% of revenue generated by the BMTU, up to a maximum amount of ₹ 4,00,00,000	06/05/2015	Nil
12.	Mazumdar Shaw Medical Foundation (MSMF), Section 8 Company, Dr. Devi Prasad Shetty and Ms. Kiran Mazumdar Shaw are the directors in MSMF.	Availing Services	Ongoing	Diagnostic Services, Value is ₹ 50,00,000/-.	06/05/2015	Nil
13.	Meridian Medical Research & Hospital Limited, Subsidiary Company.	Rendering services	Ongoing	Meridian Medical Research & Hospital Limited will be sending the lab tests to RTIICS, a Unit of NH. Value is ₹ 15,00,000/-.	07/09/2015	Nil
14.	Meridian Medical Research & Hospital Limited, Subsidiary Company.	Availing of services	Ongoing	Transfer of patients to Meridian Medical Research & Hospital Limited. Value is ₹ 5,00,000/-.	07/09/2015	Nil
15.	Meridian Medical Research & Hospital Limited, Subsidiary Company.	Availing of services	Ongoing	Referring BPL Patients from NH Jamshedpur to Meridian Medical Research & Hospital Limited. Value is ₹ 30,00,000/-.	01/12/2015	Nil
Selling or otherwise disposing of, or buying, property of any kind;						
16.	Narayana Hrudayalaya Malaysia Sdn. Bhd, Wholly owned subsidiary	Sale /Purchase of Property & purchase of goods or Materials,	Ongoing	Sale/Purchase of Biomedical Equipments, medicines and consumables. Value is ₹ 1,00,00,000/-.	06/05/2015	Nil

Sl No.	Name(s) of the related party and nature of relationship	Names of contract/ arrangements/ transactions	Duration of the contracts/ arrangement/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Date(s) of approval by the Board	Amount paid as advances, if any
17.	Meridian Medical Research & Hospital Limited, Subsidiary Company.	Sale of Medical Equipments, Medical Furniture	One time	Transfer the Medical Equipments, Medical Furniture and other related assets to Meridian Medical Research & Hospital Limited. Value is ₹ 3,25,00,000/-.	07/09/2015	Nil
18.	Health City Cayman Islands , Associate Company	Sale / Purchase of Property & purchase of goods or Materials,	Ongoing	Sale/Purchase of Biomedical Equipments, medicines and consumables. Value is ₹ 7,50,00,000/-.	06/05/2015	Nil
19.	Meridian Medical Research & Hospital Limited	Sale of Dental Chairs	One time	value of Medical Equipment is ₹ 3,19,302 and ₹ 1,00,000	29.12.2015 and 17.03.2016	
Appointment to any office or place of profit in the company						
20.	Mr. Varun Prasad Shetty. Mr. Varun Prasad Shetty is a relative of Dr. Devi Prasad Shetty and of Mr. Viren Shetty	Appointment for place or office of Profit.	Ongoing	Payment of Professional fees for Providing Consultancy Services in Surgical Skill Lab ₹ 2,00,000/- per month and such additional fees as per invoices raised but not exceeding the limits prescribed under Section 188 of the Companies Act, 2013.	16/07/2015	Nil
Investment in Equity(details from January 6, 2016 to March 31, 2016)*						
21.	Asia Healthcare Development Limited, Wholly owned subsidiary company	Investment in equity shares	One time	Invested in equity shares. Value of Investment is ₹ 1,00,00,000	01/12/2015	Nil
22.	Narayana Hrudayalaya Surgical Hospital Private Limited Wholly owned subsidiary company	Investment in equity shares	One time	Invested in equity shares . Value of Investment is ₹ 42,51,00,000	08/02/2016	Nil

Note: Appropriate approvals have been taken for the above related party transactions

* Equity shares listed on 6th January, 2016

Place: Bengaluru
Date: 30th May, 2016

Dr. Devi Prasad Shetty
Chairman
DIN: 00252187

ANNEXURE - IV

DETAILS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

(A) CONSERVATION OF ENERGY

i	The steps taken or impact on conservation of energy;	The Company has taken initiatives to conserve energy like installation of solar street light across the Bengaluru health city campus, regular bulbs being replaced with LED light to consume less energy, water super heaters are also installed utilizing the heat generated from the chiller, among others.
ii	The steps taken by the company for utilizing alternate sources of energy;	
iii	The capital investment on energy conservation equipment;	NIL

(B) TECHNOLOGY ABSORPTION

(i) The efforts made toward technology absorption;

NH has prepared a digital transformation roadmap with the following five dominant themes:

- Reduce complexity
- Transform digitally
- Reduce cost
- Integrate successfully
- Improve productivity

NH has built a robust platform on which new and emerging technologies can be seamlessly ported. All business and system applications are hosted in the Microsoft Azure cloud environment. Cloud based infrastructure provides agility, scalability, security and disaster recovery which are crucial for the next phase of technological evolution in NH. In addition to this, the network backbone which connects all group hospitals has been re-engineered to provide improved security, reliability and resiliency.

We strongly believe that the technology transformation will be able to fundamentally improve the way in which patient care is delivered. To this end, we have launched electronic medical

record in selected units. EMR is a major step towards improving patient outcomes by simplifying tracking of patient health and providing accurate clinical data available to the physician. We have also initiated the implementation of a strong business analytics tool which would go a long way in assisting management decisions by providing near real time group wide data gathered from multiple applications.

(ii) The benefits derived like product improvement, cost reduction, product development or import substitution;

- Reduced Total Cost of Ownership by consolidation and migration to Cloud based infrastructure,
- Wide Area Network has been re-architected thereby improving redundancy, reliability, security and availability and
- Improved collaboration and communication through adoption of enterprise grade productivity tools.

(iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year)

We have added the following new technology in medical equipment in FY 2015-16:

- Green light laser – treatment of Benign Prostatic Hyperplasia (BPH),
- Leica OH 4 Neuro Microscope for the high end Neurosurgery work
- Digital Radiology Systems.
- 1.5 Tesla MRI and 128 Slice CT scan for high end radiology Imaging services

(iv) The expenditure incurred on Research and Development
NIL

(C) FOREIGN EXCHANGE EARNINGS AND EXPENDITURE

Particulars	FY 2015-16	FY 2014-15
Foreign exchange earnings	215,293,329	263,373,704
Foreign exchange expenditure	36,565,082	23,777,896
Value of imports on CIF basis	136,089,488	106,973,235

(₹)

ANNEXURE – V

FORM NO. MR-3

Secretarial Audit Report

For the financial year ended 31st March 2016

[Pursuant to Section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
M/s. Narayana Hrudalaya Limited
(Formerly known as Narayana Hrudayalaya Private Limited)
Bengaluru – 562158

We have conducted the secretarial audit of the compliance of applicable statutory provisions and adherence to good corporate practices by **"M/s. Narayana Hrudalaya Limited" (CIN: L85110KA2000PLC027497)** having its registered office at No.258/A, Bommasandra Industrial Area, Anekal.T.Q., Bengaluru – 562158 (herein after referred to as **"Company"**). The Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance- mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2016 according to the provisions of:

1. The Companies Act, 2013, (the Act) and the rules made thereunder;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
4. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') :-
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosures Requirements) Regulations, 2009;
 - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

- g) The Securities and Exchange Board Of India (Delisting of Equity Shares) Regulations, 2009; and
- h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

6. Other laws specifically applicable to the Company;

- a. Employees Provident Fund and Miscellaneous Provisions Act, 1952.
- b. Employees State Insurance Act, 1948.
- c. Environment Protection Act, 1986 and other applicable environmental laws.
- d. Indian Contract Act, 1872.
- e. Income Tax Act, 1961 and other related laws.
- f. Indian Stamp Act, 1999.
- g. Payment of Bonus Act, 1965.
- h. Payment of Gratuity Act, 1972 and such other applicable labour laws.
- i. Clinical Establishments (Registration & Regulations) Act, 2010.
- j. Karnataka Private Medical Establishments Act, 2007.
- k. Drugs and Cosmetics Act, 1940 and Rules 1945.
- l. Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002 (Ethics Regulations).
- m. Atomic Energy Act, 1962 and Rules thereunder.
- n. Narcotic Drugs and Psychotropic Substance Act, 1985.
- o. Radiation Protection Rules, 2004.
- p. Medical Termination of Pregnancy Act, 1971.
- q. Pre-Natal Diagnostic Techniques (Regulations & Preventions of Misuse) Act, 1994.
- r. Transplantation of Human Organs Act, 1994.
- s. Registration of Births and Deaths Act, 1969.
- t. Water (Prevention and Control of Pollution) Act, 1974.
- u. Air (Prevention and Control of Pollution) Act, 1981.
- v. Environment Protection Act, 1986.
- w. Bio-medical Waste (Management and Handling) Rules, 1998.
- x. Hazardous Wastes (Management, Handling and Trans boundary Movement) Rules, 2008.
- y. Pre-conception and Prenatal Diagnostic Techniques (Prohibition of Sex Selection) Rules, 1996.

We have relied on the representation made by the Company and its Officers for systems and mechanism formed by the Company for compliances under other applicable Acts, Laws, Rules and Regulations to the Company. We have also examined compliance with the applicable clauses of the following:

- a) Secretarial Standards issued by The Institute of Company Secretaries of India.
- b) The Listing Agreement entered into by the Company with Bombay Stock Exchange Limited and National Stock Exchange Limited.
- c) The SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 effective from 1st December 2015.
- d) Agreements signed with National Securities Depositories Limited and Central Securities Depositories (India) Limited.

During the period under review, the Company has largely complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that:

- i. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- ii. Adequate notice is given to all directors to schedule the Board and other Committee meetings. Agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and

obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

- iii. Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period the company has reported following events/activities having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc.:

- i. The company had completed the initial public offer through an offer for sale of 2,45,23,297 equity shares of ₹ 10/- each at a price of ₹250/- per share by the selling shareholders namely, Dr. Devi Prasad Shetty, Mrs. Shakuntala Shetty, M/s. Ashok Investments Holding Limited, M/S. Ambadevi Mauritius Holding Limited and M/s. J P Morgan Mauritius Holding IV Limited and the equity shares of the Company were listed at Bombay Stock Exchange and National Stock Exchange and admitted to dealings with effect from 6th January 2016.
- ii. Prior to the IPO, the company had:
 - a. Converted the Optionally Convertible debentures into 40,87,216 equity shares as per the terms of shareholders agreement agreed with the pre-IPO investors on 01.12.2015.
 - b. In lieu of coupon payable on Optionally Convertible debentures, issued 2,73,588 Equity shares as per the amended shareholders agreement with the pre-IPO investors on 01.12.2015.
- iii. The Company was converted from Private Limited to Public Limited Company w.e.f. 29.08.2015.
- iv. The Company has adopted restated Articles of Association consequent to conversion of Private Company to Public Company.
- v. The Company has taken approval for providing loan, guarantee and security including deposits and to make investments in securities of wholly owned subsidiaries, Subsidiary companies and other body corporate not exceeding ₹ 600 crores under Section 186 of the Companies Act, 2013.
- vi. The Company has formed Narayana Health Benefit Trust (ESOP Trust) to administer the NH Employee Stock Option plan 2015 and all subsequent share based benefit plans rolled out by the Company for its employees, employees of its subsidiaries and associates as fully described in the said Trust document.
- vii. M/s. Narayana Hrudayalaya Surgical Hospital Private Limited has become the wholly owned subsidiary of the Company by acquiring 26% of the paid up equity share capital from M/s. Infrastructure Development Corporation (Karnataka) Limited.

For **Ganapathi & Mohan**
Company Secretaries

CS. G M Ganapathi
Partner

M. No. 5659, C.P. 4520

Place: Bengaluru
Date: 30th May, 2016

ANNEXURE - VI

FORM NO. MGT 9

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

EXTRACT OF ANNUAL RETURN

As on the Financial Year ended on 31st March, 2016

I REGISTRATION & OTHER DETAILS:

1	CIN	L85110KA2000PLC027497
2	Registration Date	19-07-2000
3	Name of the Company	Narayana Hrudayalaya Limited
4	Category/Sub-category of the Company	Public Limited Company/ Limited by shares
5	Address of the Registered office & contact details	No.258/A, Bommasandra Industrial Area, Anekal Tq, Bengaluru-562158
6	Whether listed company	Yes
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot 31 – 32, Gachibowli Financial District, Nanakramguda, Hyderabad , Telangana-500032

II PRINCIPAL BUSINESS ACTIVITY OF THE COMPANY

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

Sl. No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1	Running hospitals, Diagnostic Centres, Clinical Centers or Test Laboratories.	8610	99.32%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held	Applicable Section
1	Narayana Hospitals Private Limited No. 258/A, Bommasandra Industrial Area, Hosur Road , Bengaluru -560099	U85110KA2004PTC033913	Subsidiary	100	2(87)
2	Narayana Institute for Advanced Research Private Limited No. 258/A, Bommasandra Industrial Area, Hosur Road , Bengaluru -560099	U85121KA2006PTC040989	Subsidiary	100	2(87)
3	Narayana Health Institutions Private Limited No. 258/A, Bommasandra Industrial Area, Hosur Road , Bengaluru -560099	U85110KA2008PTC046981	Subsidiary	100	2(87)
4	Narayana Hrudayalaya Surgical Hospital Private Limited No. 258/A, Bommasandra Industrial Area, Hosur Road, Bengaluru -560099	U85100KA2010PTC055453	Subsidiary	100	2(87)
5	Asia Healthcare Development Limited No. 258/A, Bommasandra Industrial Area, Hosur Road , Bengaluru -560099	U85110KA2004PLC078947	Subsidiary	100	2(87)

Sl. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held	Applicable Section
6	Narayana Vaishno Devi Specialty Hospitals Private Limited No. 258/A, Bommasadra Industrial Area, Hosur Road , Bengaluru -560099	U85110KA2014PTC076218	Subsidiary	100	2(87)
7	Meridian Medical Research & Hospitals Limited West Bank Hospitals, Andul Road, Howrah-711109	U85110WB1995PLC071440	Subsidiary	99.03	2(87)
8	Narayana Cayman Holding Limited 89, Nexus Way, Camana Bay, Grand Cayman K1-9007, Cayman Islands	OG-240427	Subsidiary	100	2(87)
9	Narayana Hrudayalaya Hospitals Malaysia Sdn. Bhd. Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan	961782-T	Subsidiary	100	2(6)
10	Health City Cayman Islands Limited 89, Nexus Way, Camana Bay, Grand Cayman K1-9007, Cayman Islands	OG-240426	Associate	28.6	2(87)

IV. SHARE HOLDING PATTERN (Equity share capital breakup as percentage of total equity)

i. Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2015]				No. of Shares held at the end of the year [As on 31-March-2016]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. PROMOTERS									
(1) Indian									
a) Individual/ HUF		13,08,70,882	13,08,70,882	65.44%			12,67,83,666	62.04%	-3.12%
b) Central Govt			-	0.00%			-	0.00%	0.00%
c) State Govt(s)			-	0.00%			-	0.00%	0.00%
d) Bodies Corp.		90,35,352	90,35,352	4.52%		57,45,672	57,45,672	2.81%	-36.41%
e) Banks / FI			-	0.00%			-	0.00%	0.00%
f) Any other			-	0.00%			-	0.00%	0.00%
Sub total (A)(1)	-	13,99,06,234	13,99,06,234	69.95%	13,25,29,338	-	13,25,29,338	64.85%	-5.27%
(2) Foreign									
a) NRI - Individual/			-	0.00%			-	0.00%	0.00%
b) Other Individuals			-	0.00%			-	0.00%	0.00%
c) Bodies Corp.			-	0.00%			-	0.00%	0.00%
d) Any Others			-	0.00%			-	0.00%	0.00%
Sub total (A)(2)	-	-	-	0.00%	-	-	-	0.00%	0.00%
TOTAL (A)	-	13,99,06,234	13,99,06,234	69.95%	13,25,29,338	-	13,25,29,338	64.85%	-5.27%
B. PUBLIC SHAREHOLDING									
1. Institutions									
a) Mutual Funds			-	0.00%		1,12,39,017	1,12,39,017	5.50%	0.00%
b) Banks / FI			-	0.00%		90,22,762	90,22,762	4.42%	0.00%

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2015]				No. of Shares held at the end of the year [As on 31-March-2016]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
c) Central Govt				- 0.00%				- 0.00%	0.00%
d) State Govt(s)				- 0.00%				- 0.00%	0.00%
e) Venture Capital Funds				- 0.00%	13,356		13,356	0.01%	0.00%
f) Insurance Companies				- 0.00%				- 0.00%	0.00%
g) FIIs				- 0.00%				- 0.00%	0.00%
h) Foreign Venture Capital Funds	2,18,11,524	1,17,65,046	3,35,76,570	16.79%	1,92,47,576		1,92,47,576	9.42%	-42.68%
i) Others (specify)				0.00%				- 0.00%	0.00%
Clearing Member				0.00%	29,526		29,526	0.01%	0.00%
Foreign Body Corporates	1,67,78,452	50,33,073	2,18,11,525	10.91%	2,13,14,922		2,13,14,922	10.43%	-2.28%
Bodies Corporates				- 0.00%	9,93,591		9,93,591	0.49%	0.00%
Sub-total (B)(1):-	3,85,89,976	1,67,98,119	5,53,88,095	27.69%	6,18,60,750	-	6,18,60,750	30.27%	11.69%
2. Non-Institutions									
a) Bodies Corp.									
i) Indian				- 0.00%				- 0.00%	0.00%
ii) Overseas				- 0.00%				- 0.00%	0.00%
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 Lacs				- 0.00%	27,69,311		27,69,311	1.36%	0.00%
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 Lacs		47,05,671	47,05,671	2.35%	49,78,777		49,78,777	2.44%	5.80%
c) Others (specify)									
Non Resident Indians				- 0.00%	82,609		82,609	0.04%	0.00%
NBFC Registered with RBI				- 0.00%	5,553		5,553	0.00%	0.00%
Employee Trusts		-	-	0.00%	20,40,000		20,40,000	1.00%	0.00%
HUF				0.00%	94,466		94,466	0.05%	0.00%
Overseas Corporate Bodies				- 0.00%				- 0.00%	0.00%
Foreign Nationals				- 0.00%				- 0.00%	0.00%
Clearing Members				- 0.00%				- 0.00%	0.00%
Trusts				- 0.00%				- 0.00%	0.00%
Foreign Bodies - DR				- 0.00%				- 0.00%	0.00%
Sub-total (B)(2):-	-	47,05,671	47,05,671	2.35%	99,70,716	-	99,70,716	4.88%	111.89%
Total Public (B)	3,85,89,976	2,15,03,790	6,00,93,766	30.05%	7,18,31,466	-	7,18,31,466	35.15%	19.53%
C. SHARES HELD BY CUSTODIAN FOR GDRS & ADRS									
				- 0.00%				0.00%	0.00%
Grand Total (A+B+C)	3,85,89,976	16,14,10,024	20,00,00,000	100.00%	20,43,60,804	-	20,43,60,804	100.00%	2.18%

(ii) Shareholding of Promoters

Sl No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Dr. Devi Prasad Shetty	6,67,44,179	33.37%	0	6,47,00,571	31.66%	0	-3.06%
2	Mrs.Shakuntala Shetty	6,41,26,703	32.06%	0	6,20,83,095	30.38%	0	-3.19%
3	Narayana Health Academy Pvt Ltd	90,35,352	4.52%	0	57,45,672	2.81%	0	-36.41%

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of shares	% of total shares	No. of shares	% of total shares
At the beginning of the year			13,99,06,234	69.95%	13,99,06,234	68.46%
Changes during the year	23.09.2015	Transfer	20,40,000	1.02%	13,78,66,234	67.46%
	24.08.2015	Transfer	6,24,840	0.31%	13,72,41,394	67.16%
	16.11.2015	Transfer	6,24,840	0.31%	13,66,16,554	66.85%
	01.01.2016*	Transfer	20,43,608	1.00%	13,45,72,946	65.85%
	01.01.2016*	Transfer	20,43,608	1.00%	13,25,29,338	64.85%
At the end of the year			13,25,29,338	64.85%	13,25,29,338	64.85%

* transferred in IP

(iv) Shareholding Pattern of top ten Shareholders**(Other than Directors, Promoters and Holders of GDRs and ADRs):**

SN	For each of the Top 10 shareholders	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	Name-CDC Group PIC						
	At the beginning of the year			1,17,65,046	5.88%	1,17,65,046	5.88%
	Changes during the year			-	0.00%	-	0.00%
	At the end of the year			1,17,65,046	5.76%	1,17,65,046	5.76%
2	Name-Ashoka Investment Holdings Limited						
	At the beginning of the year			1,67,78,452	8.39%	1,67,78,452	8.39%
	Changes during the year	24.09.2015	Transfer	4,80,656	3.14%	1,72,59,108	8.45%
		01.01.2016*	Transfer	62,87,978	3.08%	1,09,71,130	5.37%
	At the end of the year			1,09,71,130	5.37%	1,09,71,130	5.37%
3	Name-JP MORGAN MAURITIUS HOLDINGS IV LIMITED						
	At the beginning of the year			2,18,11,524	10.91%	2,18,11,524	10.91%
	Changes during the year	01.01.2016*	Transfer	1,22,61,648	6.13%	95,49,876	4.67%
	At the end of the year			95,49,876	4.67%	95,49,876	4.67%

SN	For each of the Top 10 shareholders	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
4	Name-CDC INDIA OPPURTUNITIES LIMITED						
	At the beginning of the year			-	0.00%	-	0.00%
	Changes during the year	01.12.2015	Allot	43,60,804	2.13%	43,60,804	2.13%
	At the end of the year			43,60,804	2.13%	43,60,804	2.13%
5	Name-AMBADEVI MAURITIUS HOLDING LIMITED						
	At the beginning of the year			50,33,073	2.52%	50,33,073	2.52%
	Changes during the year	24.09.2015	Transfer	1,44,184	0.07%	51,77,257	2.59%
		01.01.2016*	Transfer	18,86,455	0.92%	32,90,802	1.61%
	At the end of the year			32,90,802	1.61%	32,90,802	1.61%
6	Name- GMO EMERGING DOMESTIC OPPORTUNITIES FUND						
	At the beginning of the year			-	0.00%	-	0.00%
	Changes during the year	01.01.2016*	Allot	27,81,697	1.36%	27,81,697	1.36%
	At the end of the year			27,81,697	1.36%	27,81,697	1.36%
7	Name-MURALI KRISHNAN KN						
	At the beginning of the year			-	0.00%	-	0.00%
	Changes during the year	23.09.2015	Transfer	20,40,000	1.02%	20,40,000	1.00%
	At the end of the year			20,40,000	1.00%	20,40,000	1.00%
8	Name-ICICI PRUDENTIAL LONG TERM EQUITY FUND (TAX SAVING)						
	At the beginning of the year			-	0.00%	-	0.00%
	Changes during the year	01.01.2016*	Allot	18,29,436	0.90%	18,29,436	0.90%
	At the end of the year			18,29,436	0.90%	18,29,436	0.90%
9	Name-SBI BLUE CHIP FUND						
	At the beginning of the year			-		-	0.00%
	Changes during the year	01.01.2016*	Allot	14,18,431	0.69%	14,18,431	0.69%
	At the end of the year			14,18,431	0.69%	14,18,431	0.69%
	Name-ICICI PRUDENTIAL BALANCED ADVANTAGE FUND						
	At the beginning of the year			-	0.00%	-	0.00%
	Changes during the year	01.01.2016*	Allot	13,52,451	0.66%	13,52,451	0.66%
	At the end of the year			13,52,451	0.66%	13,52,451	0.66%

* allotted / transferred in IPO

(v) Shareholding of Directors and Key Managerial Personnel:

SN	Shareholding of each Directors and each Key Managerial Personnel	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	Name- Dr. Devi Prasad Shetty						
	At the beginning of the year			6,67,44,179	33.37%	6,67,44,179	32.66%
	Changes during the year	01.01.2016	Transfer	20,43,608	1.00%	6,47,00,571	31.66%
	At the end of the year			6,47,00,571	31.66%	6,47,00,571	31.66%
2	Name- Ms. Kiran Mazumdar Shaw						
	At the beginning of the year			47,05,671	2.35%	47,05,671	2.30%
	Changes during the year				0.00%		0.00%
	At the end of the year			47,05,671	2.30%	47,05,671	2.30%

V INDEBTEDNESS**Indebtedness of the Company including interest outstanding/accrued but not due for payment**

(Amt. ₹)				
Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtness
Indebtedness at the beginning of the financial year				
i) Principal Amount	1,88,55,24,575	1,00,00,00,000	-	2,88,55,24,575
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	42,83,578	2,53,72,603	-	2,96,56,181
Total (i+ii+iii)	1,88,98,08,153	1,02,53,72,603	-	2,91,51,80,756
Change in Indebtedness during the financial year				
* Addition	58,47,96,293	80,00,00,000	-	1,38,47,96,293
* Reduction	(1,15,26,97,964)	(1,60,00,00,000)	-	(2,75,26,97,964)
Net Change	(56,79,01,671)	(80,00,00,000)	-	1,36,79,01,671
Indebtedness at the end of the financial year				
i) Principal Amount	1,31,75,13,194	20,00,00,000	-	1,51,75,13,194
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	12,52,610	-	-	12,52,610
Total (i+ii+iii)	1,31,87,65,804	20,00,00,000	-	1,51,87,65,804

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager			Total (₹ / Lacs)
		Mr. Devi Prasad Shetty	Dr. Ashutosh Raghuvanshi	Mr. Viren Shetty	
	Designation	Chairman & WTD	Vice Chairman, MD and Group CEO	WTD	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	3,80,49,287	2,58,22,788	92,88,681	7,59,07,743
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	27,46,987	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- as % of profit	-	-	-	-
	- others, specify	-	-	-	-
5	Others, please specify	-	-	-	-
	Total (A)	3,80,49,287	2,85,69,775	92,88,681	7,59,07,743
	Ceiling as per the Act (10% of profits calculated under section 198 of the Companies Act, 2013)	The Company has obtained necessary approvals for payment of above remuneration, as the remuneration paid is over and above the 10% of profits calculated under Section 198 of the Companies Act, 2013			

* total stock options granted to Dr. Ashutosh Raghuvanshi is 5,20,000

B. Remuneration to other directors

Sl. No.	Particulars of Remuneration	Name of Directors							Total
		Mr. Harjit Singh Bhatia	Mr. Manohar D Chatlani	Mr. B N Subramanya	Mr. Arun Seth	Mr. Muthuraman B	Mr. K Dinesh	Ms. Kiran Mazumdar Shaw	
1	Independent Directors								
	Fee for attending board and committee meetings	1,00,000	3,00,000	5,25,000	2,50,000	5,75,000	6,50,000	-	24,00,000
	Commission	0	-	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-	-	-
	Total (1)		3,00,000	5,25,000	2,50,000	5,75,000	6,50,000	-	24,00,000
	Other Non-Executive Directors								
	Fee for attending board and committee meetings						4,25,000		4,25,000
2	Commission								-
	Others, please specify								-
	Total (2)		-	-	-	-	4,25,000	-	4,25,000
	Total (B)=(1+2)	-	3,00,000	5,25,000	2,50,000	5,75,000	6,50,000	4,25,000	28,25,000
	Total Managerial Remuneration								28,25,000
	Overall Ceiling as per the Act (1% of the profits calculated under section 198 of the Companies Act, 2013)								Not Applicable

C. Remuneration to Key Managerial Personnel other than MD/MANAGER/WTD

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager			Total (₹ / Lacs)
	Name	Dr. Ashutosh Raghuvanshi	Mr. V. Kesavan	Mr. Ashish Kumar	
	Designation	CEO	CFO	CS	
1	Gross salary	as given above			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	1,36,53,188	28,43,520	1,64,96,708
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	
2	Stock Option	-	-	-	
3	Sweat Equity	-	-	-	
4	Commission	-	-	-	
	- as % of profit	-	-	-	
	- others, specify	-	-	-	
5	Others, please specify	-	-	-	
	Total		1,36,53,188	28,43,520	1,64,96,708

VII PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	179 read with 185 of Companies Act, 2013 and Application was made as per Section 629 of the Companies Act, 1956.	The Company granted a loan to its wholly owned subsidiaries to the extent of ₹ 10 Crs without passing a Board Resolution	Pending with Company Law Board	Company Law Board	-
B. DIRECTORS					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. OTHER OFFICERS IN DEFAULT					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

Place: Bengaluru
Date: 30th May, 2016

Dr. Devi Prasad Shetty
Chairman
DIN: 00252187

ANNEXURE - VII

DETAILS OF EMPLOYEES WHOSE REMUNERATION EXCEEDS THE LIMITS PRESCRIBED IN RULE 5 OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Employee Name	Designation	Educational Qualification	DOB	Age	Experience (in years)	Date of Joining	%	Gross Remuneration paid	Compa Ratio CTC	Previous Employment and Designation	Other details, if any, Amount	Increase in Median Wages FY 16	Average increase in Salaries for KMP	Average increase in for employees other than KMP		
Dr. Devi Prasad Shetty	Chairman		08-05-1963	62			82%	38,049,287	275			38,188,386	139,099	10.7%	28.8%	15.1%
Dr. Ashutosh Raghuvanshi	Managing Director		11-08-1962	53			76%	28,569,775	204			28,667,718	97,943			
Kesavan Venugopalan	Chief Financial Officer		25-05-1966	49	25		10%	13,653,188	78			13,653,188	-			
Viren Prasad Shetty	Senior Vice President		18-05-1984	31			31%	9,288,681	57			9,340,240	51,559			
Ashish Kumar	Group Company Secretary and Compliance Officer	Company Secretary	14-01-1980	36	13		0%	2,84,35,20	15			2,84,35,20	-			
Arunesh Punetha	Zonal Director	MBA	30-07-1971	44	22	Jan 30, 2012	15%	7,43,03,86		Apollo Hospitals Enterprise Ltd, Vice President - Health Care Services		7,43,03,86	Director's Variable Pay			
Sumanta Ray	Chief Marketing Officer	PGDM	26-08-1971	44	18	May 28, 2012	10%	8,93,97,00		Apollo Hospitals Enterprise Ltd, Senior Vice President - Marketing		8,93,97,00	Bottom Line	60%		
Deepak Venugopalan	Business Head - Tele Radiology & Clinics	PGDHHM	16-02-1974	42	14	Sep 10, 2012	6%	8,28,78,42		Jaypee Medical Center, Noida, Chief Operating Officer		8,28,78,42	Top Line	40%		
Nagarajan Anantharaman	Senior Vice President	AICWA	19-02-1961	55	31	Apr 15, 2013	7%	7,34,14,34		Applexus Technologies Pvt. Ltd, Chief Executive Officer		7,34,14,34				
N Ravichandran	Senior Vice President & Head	MBA	29-08-1966	49	26	Jun 19, 2013	6%	9,20,81,60		The Royal Bank of Scotland NV, Director in Wealth Management	DOL - 31-03-2016	9,20,81,60				
Nitin Ramachandra Barekere	Group Head	BE EGMP	15-07-1975	40	13	Oct 15, 2013	7%	6,98,90,52		Vaatsalya Healthcare Solutions Pvt. Ltd, Vice President - Human Resources		6,98,90,52				
Dr. Shiv Prasad Singh	Chief Executive Officer & Group Advisor	MBBS, MPhil	15-06-1962	53	15	Jan 23, 2015	0%	10,01,47,76		C K Birla Hospitals, Chief Executive Officer	Vaishnodevi	10,01,47,76				
R Venkatesh	Zonal Director	B.Com, CA	09-11-1974	41	14	Aug 27, 2001	32%	5,20,46,61		NA		5,20,46,61				
Srikanth Raman	Group Head - Internal Audit	CA, CMA	05-09-1966	49	23	Mar 06, 2008	19%	5,97,27,30		OMZEST Group, Muscat, Finance Manager		5,97,27,30				

DETAILS WITH REFERENCE TO DEMAT SUSPENSE ACCOUNT/UNCLAIMED SUSPENSE ACCOUNT

Sl No.	Details
1	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year 2 investors and 120 shares
2	Number of shareholders who approached listed entity for transfer of shares from suspense account during the year. 2 investors for 120 shares
3	Number of shareholders to whom shares were transferred from suspense account during the year. 2 investors and 120 shares
4	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year Nil
5	That the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares. NA

ANNEXURE – VIII

ANNUAL REPORT ON NARAYANA HRUDAYALAYA CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES ("NH CSR")

1. BRIEF OUTLINE OF NH CSR POLICY AND OVERVIEW OF PROGRAMS UNDERTAKEN DURING THE FINANCIAL YEAR 2015-16:

1.1 Brief outline of NH CSR Policy:

1.1.1 NH CSR Policy Statement:

NH aims to make a positive difference in the lives of the people by engaging in activities that eliminates or alleviates pain and suffering to the under privileged sections of the society.

1.1.2 NH CSR Objectives:

- Promoting healthcare facilities for the upliftment of people at large and creating a positive impact by addressing issues of accessibility and affordability.
- Promoting educational facilities to help and assist in unfolding the creative potentials and talents of the children and amateurs.
- Strive for socio-economic development thereby reducing inequality between rich and poor.

1.1.3 NH CSR Focus Areas

- Healthcare
- Enhancing livelihood
- Education

1.1.4 NH CSR Projects (discussed in detail in later section of the report)

- Rajiv Gandhi Arogya Yojana (RAY)
- Railway Clinics
- Mobile Mammography Screening
- Care Companion Program
- E-Health Centers
- Udaan

1.1.5 Governance and Administration

Board of Directors has:

- Appointed CSR Committee
- Ensured that the CSR activities are in conformity to the activities mentioned in Schedule VII of the Companies Act 2013.
- Approved the CSR policy as recommended by the CSR Committee.

- Ensured that the Company spent the approved budget in the financial year to comply with Section 135 of Companies Act 2013 and Rules notified.

CSR Committee has:

- Formulated and recommended the CSR Policy for approval of the Board.
- Recommended CSR programmes and budget allocation.
- Instituted a transparent monitoring mechanism for implementation of the CSR activities and expenditure of funds.
- Taken professional support from individuals and organisations having expertise in related fields to carry out aforesaid activities.

1.1.6 Project based approach:

NH follows a project based approach for carrying out its CSR initiatives.

1.1.7 Overview of projects/programs undertaken during the financial year 2015-16

1.1.7.1 Rajiv Gandhi Arogya Yojana (RAY)

Background

This program was initiated on 25th November, 2005 in order to develop a model of rural primary health care system in Amethi. The Project currently includes 4 Primary Healthcare Clinics spread across four blocks of Amethi constituency and covers the basic healthcare needs of 202 villages, catering to a population of 57987 people residing in the region. The program focuses on the aspects of primary healthcare service delivery like free consultation, free medicines and dressing of wounds. Each clinic operates for 4 hours a day and 6 days in a week.

Program objective

The objective of the program is to provide free primary healthcare services including free of cost medicines to people from poor socio-economic background in Amethi and Raebareli.

Services provided under project

- Free primary healthcare service delivery like free consultation, free medicines and dressing of wounds.
- Local Youth is trained in delivery of primary healthcare services.
- Recruitment of trained youth under the program

Compliance with the law

Through the RAY program, NH has a healthcare service provider reaches out to multiple beneficiaries in rural areas to provide healthcare free of cost.

As mentioned in the 'General Circular No. 21/2014', enabling access to, or improving the delivery of, public health systems falls under the clauses 'promoting healthcare' or 'measures for reducing inequalities faced by socially & economically backward groups' of the Companies Act 2013. Hence, this program aligns with item (i) in Schedule VII of the Companies Act 2013, Section 135.

Target beneficiaries

The project aims to provide healthcare facilities to BPL and low-income families in 4 blocks in Amethi district.

Key outcomes

- The program till today has catered to the healthcare related needs of more than 20,34,800 individuals by providing them primary healthcare services. In 2015-16, 64,359 patients availed the services of the clinic.
- Patient footfall is around 48 patients /day.
- 54 generic medicines were provided in the clinics in the last financial year.

1.1.7.2 Railway Clinics

Background

This program was initiated on 1st of July 2011 in state of Karnataka in collaboration with the Southern Railways. Railway Clinics is a much-needed step to curb the increasing number of deaths due to railway accidents and provide timely care to the patients in railway stations. These centres provide basic medical assistance and attend to emergency needs before the patient reaches the hospital for the treatment.

Program objective

The program objective is to provide free basic and emergency healthcare services to the railway passengers.

Services provided under project

- General and Emergency medical consultations
- Trauma and dressing
- Checking vital parameters
- Trans-telephonic ECG networking platform for diagnosing and referring patients for timely medical care
- Bed rest and observation
- Ambulances on standby to fulfill emergency needs are provided by Government of Karnataka through 108 service.
- Patients who require next level of care are referred to the nearest specialty center (NH and non - NH) post diagnosis.

Compliance with the law

Through the 'Railway Clinics' program, NH provides emergency medical treatment to travelling patients and reaches out to a large number of beneficiaries on the move.

As mentioned in the 'General Circular No. 21/2014', enabling access to, or improving the delivery of, public health systems falls under the clause 'promoting healthcare' of the Companies Act 2013.

Hence, this program aligns with item (i) in Schedule VII of the Companies Act 2013, Section 135, specifically to the cause of 'promoting healthcare including preventive healthcare'.

Target beneficiaries

The project is focused on setting up clinics and treating general public at railway stations in Karnataka. Following are the railway stations which house the clinic in the state of Karnataka:

- Majestic Railway Station,
- Bangarpet Railway Station and
- Yeshwanthpur Railway Clinic.

Key outcomes

- The program has catered to the healthcare related needs of 10,448 railway passengers at all clinics since inception.
- Each of the clinics sees a turnout of 20 patients per day.
- In the year 2015-16 the Railway Clinics treated around 3648 railway passengers.

1.1.7.3 Mobile Mammography Screening

Background

Breast cancer is the commonest cancer in urban Indian women and second most common in rural women, with 140,000 new breast cancer patients being diagnosed annually (Indian Council of Medical Research, 2001; Ferlay, et al., 2013). Ubiquitous realities such as lack of organized screening programs, paucity of diagnostic aids, patriarchal mind-set, illiteracy and lack of awareness have resulted in majority of women being diagnosed at a locally advanced stage (Agarwal, Pradeep, Aggarwal, Yip, & Cheung, 2007). In resource constrained settings, physical examination by trained personnel has been considered a viable option (Mittra, et al., 2010). In Bengaluru, as per reports from Population Based Cancer Registry (2009–2011), the age adjusted incidence rate for breast cancer in women (34–65 years) rose from 15.9 per 100,000 population (1982–83) to 36.6 per 100,000 population in 2008–2009 and was the leading site of cancer. Keeping in mind the rapidly rising incidence of breast cancer, the mobile mammography screening unit was inaugurated on February 4th, 2014.

Program objective

- Creating awareness among the people about breast cancer
- Early diagnosis, as the outcome is much better if treated earlier
- Provide comprehensive breast cancer screening services
- Decrease breast cancer morbidity and mortality, and increase survival rates for those diagnosed with breast cancer.

Services provided under project

- Information dissemination on Breast Cancer to the patients.
- Screening, consultation and physical examination of all the participants
- After screening, positive cases are being referred to visit nearby cancer speciality hospital for further investigations i.e. breast ultrasound and FNAC (biopsy) etc.
- Joining hands with various community based organizations, Government schools and other platforms (i.e. Air force station) for increased participation.

Compliance with the law

Through the 'Mobile Mammography Unit' program, NH is creating awareness among the people about breast cancer diagnosis and treatment. As mentioned in the 'General Circular No. 21/2014', enabling access to, or improving the delivery of, public health systems falls under the clause 'promoting healthcare' of the Companies Act 2013.

Hence, this program aligns with item (i) in Schedule VII of the Companies Act 2013, Section 135, specifically to the clause of 'promoting healthcare including preventive healthcare'.

Target beneficiaries

The project caters to the population in and around Bengaluru, Karnataka and a few nearby locations in the state of Tamil Nadu.

Key outcomes

- 174 camps have been conducted from inception to March 2016.
- Totally 6217 women were screened, 1573 mammograms were performed and 4 women were confirmed and treated successfully in Narayana Health facilities.

1.1.7.4 Care Companion Program

Background

The Care Companion Program (CC Program) was set up in 2013 at NH hospital in Mysore. The program was started in direct response to the needs of patients and to recognize patient's care givers as an untapped existing resource. This program is designed to educate patient's care givers with low or no prior medical knowledge for attending to the needs of patients.

Program objective

The program objective is to harness patient attendant capabilities by creating a position for them within the current hospital personnel framework and, through a training process, to become additional in-hospital Care Companions (CC).

The program aims to achieve the following objectives:

- Improved quality of care
- Reduction in hospital re-admission rates
- Reduction in post-surgery complication

Services provided under project

- In-hospital education-cum-training program for patients' family members
- Multi-lingual group teaching sessions by using interactive videos for identifying warning signs of illness, checking temperature, pulse, blood pressure, providing cardiac care, timely medications etc. These sessions are conducted in Hindi, Tamil, English, Telugu, Bengali, Assamese and Kannada. Currently educational sessions have been initiated for oncology in Mysore, which deals with side effects of radiation therapy and chemotherapy, stoma care, screening, nutrition, exercise and positive psychology.
- Practical skills testing under the supervision of the nursing staff to build confidence.
- Training on daily activities that aid recovery of the patients and reduce risk.

Compliance with the law

Through this program, NH as healthcare service provider ensures that their patients not only receive quality care within their hospitals but also long after they are discharged.

As mentioned in the 'General Circular No. 21/2014', enabling access to, or improving the delivery of, public health systems falls under the clause 'promoting healthcare' of the Companies Act 2013. Hence this program aligns with item (i) in Schedule VII of the Companies Act 2013, Section 135, specifically to the clause of 'promoting healthcare including preventive healthcare'.

Target beneficiaries

The 'Care Companion' program has been implemented in NH Hospitals in Mysore, Bengaluru, Jaipur, Shimoga, Hyderabad, Ahmedabad, Dharwad, Davangere, Jamshedpur, Kolkata and Raipur. The program focuses on training family members or friends of patients admitted at NH hospitals, and hence it provides direct and indirect benefits to people at large.

- Direct: The family members of patients who receive caregiving training.
- Indirect: The patients who are in turn benefited with continuous and better care.

Key outcomes

Total number of families covered under the care companion program during the last financial year is 10,219.

1.1.7.5 E - Health Centre Program

Background

Narayana Health is the healthcare partner in this program to implement, operate, run & manage the eHealth Centre's (eHC). eHC's are designed to fit and deploy within a standard shipping container, or are retrofitted to work with a pre-existing clinic, depending on a community's existing infrastructure. They are fully equipped with workstations, open electronic medical records (EMR) systems, biometric patient identification and integrated diagnostic devices. The HP cloud enabled technology allows for data, both clinical and administrative, to be monitored across sites via an admin dashboard. The first eHealth Centre programme was launched in Pyradanga in April, 2014. 11 centres have now been established across India with centres in Karnataka, West Bengal, Tamil Nadu, Gujarat and Rajasthan.

Program objective:

The objective of the programme is to deliver quality and affordable primary health care to people living in resource-deprived locations of India using appropriate technologies. The eHealth Centre's serve communities that often lack qualified doctors, functional clinics, internet access, or even electricity.

Services provided under project

- Reaching semi-urban and rural population with technology enabled healthcare
- Provision of primary healthcare with minimal charges
- Use of information systems including EMR with integrated medical diagnostic services including basic vital (Blood pressure, Temperature, pulse oximeter), dry chemistry based tests as well as tele-ECG.
- Cloud solutions for collection and analysis of health care data.
- Continuity of health care through telemedicine

Compliance with the Law

Since we have AYUSH as physicians at most eHCs, an important measure in lieu of legal and

clinical oversight of the programme has been the concept of having 'Physician mentors' (MBBS or above) from regional NH hospitals linked to the eHealth centres. As mentioned in the 'General Circular No. 21/2014', enabling access to, or improving the delivery of, public health systems falls under the clause 'promoting healthcare' of the Companies Act 2013.

Hence, this program aligns with item (i) in Schedule VII of the Companies Act 2013, Section 135, specifically to the clause of 'promoting healthcare including preventive healthcare'.

Target beneficiaries

The eHC India program caters to lower socio-economic population in semi-urban and rural areas of Karnataka, Rajasthan, Gujarat, West Bengal and Tamil Nadu.

Key Outcomes

From December 2015 to March 2016, approximately 3,300 patients have visited the centres 48.4 percent of the respondents were female while 51.6 percent were male. Disease profile have been analysed based on data collected at sites. Acute respiratory infections, Hypertension, Diabetes Mellitus, Diseases of the genetic-urinary system and Disease of oesophagus stomach and Duodenum were the top five diagnosis profiles across the regions. In addition, 3,314 patients have been screened in 41 camps held across the EHCs. Both general screening and specialty camps have been held across the EHCs. Several community outreach programmes have also been conducted to educate the local population on life style diseases. This has been done in tandem with local officials, NGOs and philanthropic organisations..

1.1.7.6 Udaan

Background

The Indian public healthcare system faces a mammoth 76 percent shortage in doctors. While the shortage of doctors is one problem, their unwillingness to work in the rural hinterland is another. Despite the efforts of the government and incentives offered, medical students or doctors have not been showing interest in working in

rural areas. For many young students, an extra year in a village seems very hard. Apart from the problems of finances and logistics, young city-trained doctors are terrified by the actual daily challenges of working in a village.

It is important to develop a cachet of qualified medical graduates for the future, which will help India, administer its healthcare system more effectively for the common man.

Children from our Udaan program can be motivated to use their medical education in improving health care systems in their villages and small towns. One doctor in the family will help in lifting the whole family out of the poverty trap. The student also becomes a role model in the community inspiring others to pursue this path.

Program objective

1. TO INSPIRE:

- Inspire students in high school so that they consider the option of wanting to become future doctor's and serving society.

2. TO SELECT

- To select 50 bright students from poor rural backgrounds, who want to become doctor's.

3. TO COACH

- To support the students with academic inputs:
- To deepen their conceptual understanding
- To Help them get higher grades in their school exams
- To help them get higher scores in the competitive medical entrance examination and get a seat in a medical college

4. NH HOSPITAL VISITS

- Regular visits to NH multispecialty hospitals to keep them motivated and inspired. To interact with doctor's who will provide them the encouragement and motivation to pursue their dream of becoming future doctor's

5. TO MONITOR/TRACK

- Monitoring academic performance at regular intervals, to encourage the student to perform better and set higher benchmarks.

Compliance with the Law

Udaan is a comprehensive program that starts with inspiring students to take up the medical profession and those who get selected as part of the program are provided guidance coaching and support to help them achieve this dream. As mentioned in the 'General Circular No. 21/2014', educating the masses falls under the clause 'promoting education' of the Companies Act 2013.

Hence, this program aligns with item (ii) in Schedule VII of the Companies Act 2013, Section 135, specifically to the clause of 'promoting education.'

Target beneficiaries

Government schools across the district of rural Kanakapura were identified as the target beneficiary group. From this we selected 56 students for the program with the objective of inspiring, coaching and mentoring bright students from underprivileged rural backgrounds and helping them achieve their dream of becoming future doctor. The Social and economic background of the students was evaluated before they become part of our program.

Key outcomes

This is a long term program with a 9 year tenure. The first milestone is the class 10 result and admission into Science College which is coming up in June 2016.

What we were able to achieve:

- Udaan project launch went very well, the children and parents visited both Mind tree and NH campuses. NH and Mind tree team visited

the homes, met the families of the children. They built a positive rapport with the families

- We were able to identify committed trainers who were very passionate and experienced in teaching Science, Mathematics, and English
- We conducted coaching classes in the summer vacation, every Sunday, and 15 days during the dusherra break.
- We observe positive changes in the children in their attitudes, academic performance, and specifically their overall confidence
- We could conduct 4 successful mentoring sessions at NH campus that inspired the children. Senior doctors of NH many others involved themselves and lot of effort was put in to motivate and inspire the students
- We conducted a basic health and eye examination for every child and identified health risks in advance and appropriate advice and treatment was provided.

(To know more details about the CSR projects and CSR policy document please visit <http://www.narayanahealth.org/csr-at-narayana-health>)

2. Composition of CSR Committee

Mr. K. Dinesh	Chairman
Dr. Ashutosh Raghuvanshi	Member
Mr. B N Subramanya	Member

3. Average Net Profit (before tax) for last three financial years is ₹ 47,64,26,276/-

4. Prescribed CSR expenditure (i.e. 2% of the amount mentioned in point 3 above) is ₹ 95,28,526/-

5. Details of CSR spent during FY 2016

							(in Lacs)
Sl. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where the projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on projects or programs Sub-heads: (1) Direct Expenditure on projects or programs (2) Overheads	Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
1.	Rajiv Gandhi Arogya Yojana (RAY)	Healthcare and Enhancing livelihood	Amethi and Raebareli, Uttar Pradesh	42.55	Direct – 42.44 Overheads – 2.46	44.90	Direct
2.	Railway Clinics	Healthcare	Karnataka	12.63	Direct – 10.86 Overheads – 3.17	14.03	Direct
3.	Mobile Mammography Screening	Healthcare	Karnataka	9.33	Direct – 10.24 Overheads – 13.5	23.73	Direct
4.	Care Companion Program	Healthcare and Enhancing livelihood	PAN India	2.40	Direct – 2.40	2.40	Direct
5.	Udaan – A Scholarship Programme	Promoting Education	Karnataka	3.15	Direct – 2.34 Overheads – 0.60	2.94	Direct – 0.60 Implementing Agency* – 2.34
6.	E-Health Center	Healthcare and Enhancing livelihood	PAN India	34.75	Direct – 7.35 Overheads – 3.67	11.02	Direct
				104.81	99.02	99.02	

*Implementing Agency – Siva Sri Charitable Trust

6. OUR RESPONSIBILITY STATEMENT

We hereby affirm that the CSR Policy, as approved by the Board, has been implemented and the CSR Committee monitors the implementation of CSR projects and activities in compliance with our CSR objectives.

Place: Bengaluru
Date: 30th May, 2016

Dr. Devi Prasad Shetty
Chairman
DIN: 00252187

Independent Auditor's Report

To
The Members of

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

REPORT ON THE STANDALONE FINANCIAL STATEMENTS

We have audited the accompanying standalone financial statements of Narayana Hrudayalaya 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 STANDALONE 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 standalone 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 standalone 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 standalone financial statements.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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 profit 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 the paragraphs 3 and 4 of the Order.

Independent Auditor's Report

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 standalone 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

- (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 has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer note 24(i) to the standalone financial statements;
 - (ii) the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
 - (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 **BSR & Co. LLP**
Chartered Accountants
Firm's registration number:
101248W/W-100022

Amit Somani

Partner

Membership number: 60154

Place: Bengaluru
Date: 30 May 2016

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 Limited ("the Company") for the year ended 31 March 2016, we report that:

- | | |
|--|--|
| <p>(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(iii) The Company in the previous year has granted unsecured loans to companies covered in the register maintained under Section 189 of the Companies Act, 2013 ('the Act'). However, no loan, secured or unsecured, has been granted by the Company to firms or other parties covered in the register maintained under Section 189 of the Act. Further, there are no LLPs covered in the register maintained under Section 189 of the Act.</p> <p>(a) The Company has not granted / renewed any loan during the year to parties covered in the register maintained under Section 189 of the Act. Accordingly, paragraph 3(iii)(a) of the Order is not applicable.</p> <p>(b) The loans granted in the previous years are repayable on demand and the Company has not sought repayment of the loan during the current year. Accordingly, para 4(iii)(b) of the</p> | <p>Order in respect of the receipt of the principal amounts of such loans is not applicable to the Company. The interest on such loans has been received regularly during the year.</p> <p>(c) There are no overdue amounts in relation to the principal and the interest on such loans.</p> <p>(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act, in respect of loans, investments, guarantees and security made.</p> <p>(v) The Company has not accepted any deposits. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.</p> <p>(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government of India for maintenance of cost records under sub-section (1) of section 148 of the Act in respect of services rendered and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the accounts and records.</p> <p>(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, Sales Tax, Duty of Customs, Value Added Tax, Service Tax, Income 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.</p> |
|--|--|

ANNEXURE - A to the Independent Auditor's Report

According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Provident Fund, Employee's State Insurance, 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 Sales Tax, Value Added Tax, Service Tax and Duty of Customs which have not been deposited with the appropriate authorities on account of any dispute. The following dues of Income Tax have not been deposited by the Company on account of disputes.

Name of the Statute	Nature of the dues	Amount (₹)	Period to which the Amount relates	Forum where dispute is pending
Income tax Act, 1961	Income tax	2,171,570*	Assessment year 2009-2010	High Court of Karnataka

* The amounts disclosed above is net of ₹ 10,000,000 paid under protest.

(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, banks, and dues to debenture holders. The Company did not have any outstanding loans during the year from the Government.

(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 the initial public offer during the year by way of an offer for sale by the existing equity shareholders which did not result in any monies raised by the Company.

(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 give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, all transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the standalone financial statements, as required by the applicable accounting standards.

(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. The equity shares issued against the optionally convertible debentures during the year did not result in any monies received by the Company. Accordingly, para 4(xiv) of the Order in respect of the utilisation of funds is not applicable to the Company.

ANNEXURE – A to the Independent Auditor's Report

(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.

for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number:
101248W/W-100022

(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.

Place: Bengaluru
Date: 30 May 2016

Amit Somani
Partner
Membership number: 60154

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 Limited ("the Company") as of 31 March 2016 in conjunction with our audit of the standalone 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

ANNEXURE – B to the Independent Auditor's Report

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.

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 standalone 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 standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the standalone 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 **BSR & Co. LLP**
Chartered Accountants
Firm's registration number:
101248W/W-100022

Place: Bengaluru
Date: 30 May 2016

Amit Somani
Partner
Membership number: 60154

Balance Sheet (Standalone)

as at 31 March 2016

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	2,043,608,040	2,000,000,000
Reserves and surplus	3	7,562,447,067	5,949,699,669
		9,606,055,107	7,949,699,669
Non-current liabilities			
Long-term borrowings	4	953,749,025	1,593,359,534
Deferred tax liabilities (net)	34	245,900,627	291,806,689
Other long-term liabilities	5	19,887,956	46,220,064
Long-term provisions	6	124,918,493	97,784,758
		1,344,456,101	2,029,171,045
Current liabilities			
Short-term borrowings	7	369,064,559	943,467,595
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	8	1,195,004	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	8	1,415,346,442	1,222,047,641
Other current liabilities	9	835,756,401	778,735,425
Short-term provisions	6	109,976,771	65,900,686
		2,731,339,177	3,010,151,347
Total		13,681,850,385	12,989,022,061
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	10	6,345,573,860	6,479,489,912
Intangible assets	10	26,953,646	31,629,357
Capital work-in-progress		127,314,316	88,537,483
Non-current investments	11	3,335,885,437	2,408,208,210
Long-term loans and advances	12	1,239,859,096	1,465,145,874
Other non-current assets	13	1,947,380	8,760,499
		11,077,533,735	10,481,771,335
Current assets			
Inventories	14	439,117,094	482,629,368
Trade receivables	15	1,384,440,681	1,430,648,435
Cash and bank balances	16	181,941,859	233,704,945
Short-term loans and advances	12	316,764,075	241,250,672
Other current assets	17	282,052,941	119,017,306
		2,604,316,650	2,507,250,726
Total		13,681,850,385	12,989,022,061
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 **B S R & Co. LLP**

Chartered Accountants

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

for and on behalf of the Board of Directors of

Narayana Hrudayalaya Limited

(formerly known as Narayana Hrudayalaya Private Limited)

Amit Somani

Partner

Membership number: 60154

Place: Bengaluru

Date: 30 May 2016

Dr. Devi Prasad Shetty

Chairman

DIN: 00252187

Ashish Kumar

Company Secretary

Kesavan Venugopalan

Chief Financial Officer

Place: Bengaluru

Date: 30 May 2016

Statement of Profit and Loss (Standalone)

for the year ended 31 March 2016

	Note	For the year ended 31 March 2016	For the year ended 31 March 2015
(₹)			
INCOME			
Revenue from operations	18	14,636,341,441	13,075,644,035
Other income	19	99,736,887	100,533,474
Total revenue		14,736,078,328	13,176,177,509
EXPENSES			
Purchase of medical consumables, drugs and surgical equipments		3,503,932,907	3,286,358,452
Changes in inventories of medical consumables, drugs and surgical equipments	20	43,512,274	(8,757,797)
Employee benefits	21	3,071,436,214	2,640,635,279
Other expenses	22	6,283,872,536	5,935,372,876
Total expenses		12,902,753,931	11,853,608,810
Earnings before interest, depreciation and amortisation, exceptional items and tax		1,833,324,397	1,322,568,699
Finance costs	23	198,284,770	347,072,597
Depreciation and amortisation	10	653,355,189	636,212,890
Profit before exceptional items and tax		981,684,438	339,283,212
Exceptional items	50	108,459,366	
Profit before tax		873,225,072	339,283,212
Tax expense			
Current tax		351,359,486	137,000,000
Deferred tax (credit)	34	(45,906,062)	(7,737,867)
Net tax expense		305,453,424	129,262,133
Profit for the year		567,771,648	210,021,079
Earnings per equity share [nominal value of share ₹ 10 (previous year ₹ 10)]			
Basic and diluted (refer note 42)		2.82	1.10
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 **B S R & Co. LLP**

Chartered Accountants

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

Amit Somani

Partner

Membership number: 60154

Place: Bengaluru

Date: 30 May 2016

for and on behalf of the Board of Directors of

Narayana Hrudayalaya Limited

(formerly known as Narayana Hrudayalaya Private Limited)

Dr. Devi Prasad Shetty

Chairman

DIN: 00252187

Ashish Kumar

Company Secretary

Kesavan Venugopalan

Chief Financial Officer

Place: Bengaluru

Date: 30 May 2016

Cash Flow Statement (Standalone)

for the year ended 31 March 2016

	For the year ended 31 March 2016	For the year ended 31 March 2015
		(₹)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	873,225,072	339,283,212
Adjustments:		
Unrealised foreign exchange gain, net	(2,898,031)	(1,085,638)
Depreciation and amortisation	653,355,189	636,212,890
Provision for other than temporary diminution in long-term investments	2,687,929	41,305,899
Interest income	(24,518,357)	(32,118,577)
Interest expense and other borrowing costs	198,284,770	347,072,597
Expense on employee stock option (ESOP) scheme	33,096,290	-
Loss on slump sale	3,198,686	-
Loss on sale of fixed assets	7,087,820	2,577,037
Exceptional items	108,459,366	-
Operating cash flow before working capital changes	1,851,978,734	1,333,247,420
Changes in trade receivables	47,122,444	(26,622,418)
Changes in inventories	43,234,583	(8,757,797)
Changes in other assets	(30,015,634)	26,050,325
Changes in loans and advances	(155,737,927)	(268,189,577)
Changes in liabilities and provisions	344,067,419	(246,411,306)
Cash generated from operations	2,100,649,619	809,316,647
Income taxes paid, net of refund	(327,455,369)	(199,830,093)
Net cash generated from operating activities (A)	1,773,194,250	609,486,554
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (including Capital work-in-progress)	(752,854,695)	(803,068,874)
Proceeds from slump sale	23,201,556	-
Proceeds from sale of fixed assets	73,337,258	10,106,960
Investment in equity shares of subsidiaries	(559,580,049)	(500,000)
Share application money paid during the year	(359,920,830)	(376,880,833)
Refund of share application money received	-	300,000,000
Payment for acquisition of long-term equity investment in a subsidiary	-	(883,949,755)
Unsecured loan given to related parties	-	(224,240,517)
Proceeds from repayment of loan by a related party	195,740,517	85,680,000
Redemption of investment in debentures	55,211,500	-
Bank deposits (due to mature after 12 months from the reporting date)	6,708,910	2,387,850
Bank deposits (having original maturity of more than 3 months)	(12,168,403)	(50,595,763)
Interest received	32,732,491	18,432,049
Net cash (used in) investing activities (B)	(1,297,591,745)	(1,922,628,883)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	584,796,292	985,804,042
Repayment of long-term borrowings	(378,294,928)	(2,744,061,219)
Proceeds from working capital loan	-	300,000,000
Repayment of working capital loan	(250,000,000)	(50,000,000)
Repayment of commercial paper	(600,000,000)	-

Cash Flow Statement (Standalone)

for the year ended 31 March 2016

	For the year ended 31 March 2016	For the year ended 31 March 2015
		(₹)
Proceeds from commercial paper	800,000,000	-
Changes in bank overdrafts (net)	(524,403,036)	171,297,012
Proceeds from issue of debentures	-	1,000,000,000
Expenses paid in relation to issue of debentures	-	(16,854,000)
Proceeds from issue of equity shares	-	2,000,061,460
Expenses paid in relation to issue of equity shares	(11,450,000)	(56,180,000)
Interest and other borrowing costs paid	(160,252,987)	(316,951,512)
Net cash (used in) / provided by financing activities (C)	(539,604,659)	1,273,115,783
Net decrease in cash and cash equivalents (A+B+C)	(64,002,154)	(40,026,546)
Cash and cash equivalents at the beginning of the year	146,974,580	187,001,126
Effects of exchange gain on restatement of foreign currency cash and cash equivalent	70,665	-
Cash and cash equivalents at the end of the year (refer note 16)	83,043,091	146,974,580

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 Hrudayalaya Limited

(formerly known as Narayana Hrudayalaya Private Limited)

Amit Somani

Partner

Membership number: 60154

Place: Bengaluru

Date: 30 May 2016

Dr. Devi Prasad Shetty

Chairman

DIN: 00252187

Ashish Kumar

Company Secretary

Kesavan Venugopalan

Chief Financial Officer

Place: Bengaluru

Date: 30 May 2016

Notes

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

COMPANY OVERVIEW

Narayana Hrudayalaya Limited (formerly known as Narayana Hrudayalaya Private Limited) ('the Company') was incorporated on 19 July 2000 under the Companies Act, 1956. The Company, headquartered in Bengaluru is engaged in providing economical healthcare services. The Company was rebranded as 'Narayana Health' in 2013. It has a network of multispecialty and superspecialty hospitals spread across multiple locations. The Company owns and operates certain hospitals and also enters into management agreements with hospitals under which the Company acquires the operating control of the hospitals.

During the year ended 31 March 2016, the Company completed the Initial Public Offering (IPO) through an offer for sale by existing shareholders to the extent of 24,523,297 equity shares of face value of ₹ 10 each for a cash price of ₹ 250 per equity share including a premium of ₹ 240 per equity share, of 6,287,978 equity shares by Ashoka Investment Holdings Limited, 1,886,455 equity shares by Ambadevi Mauritius Holdings Limited, 12,261,648 equity shares by JP Morgan Mauritius Holdings IV Limited, 2,043,608 equity shares by Dr. Devi Prasad Shetty and 2,043,608 equity shares by Shakuntala Shetty aggregating to ₹ 6,130.82 million and the equity shares of the Company were listed on the BSE Limited and the National Stock Exchange of India Limited on 6 January 2016.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation of standalone financial statements

These standalone 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 standalone financial statements are consistent with those followed

in the previous year. The standalone financial statements are presented in Indian Rupees (₹).

1.2 Use of estimates

The preparation of standalone 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.

1.3 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:

- (a) It is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- (b) It is held primarily for the purpose of being traded;
- (c) It is expected to be realised within 12 months after the reporting date; or
- (d) 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.
- (e) Current assets include the current portion of non – current financial assets.
- (f) All other assets are classified as non – current.

Notes

to the standalone financial statements for the year ended 31 March 2016 (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.

1.4 Inventories

The inventories of medical consumables, drugs and surgical equipments are valued at lower of cost or net realisable value. In the absence of any further estimated costs of completion and estimated costs necessary to make the sale, the net realisable 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.

1.5 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.

1.6 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.

1.7 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) 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

Notes

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

less accumulated amortization 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 amortization

Leasehold improvements are being amortised over the term of the lease, or estimated useful life of the assets, whichever is lower. Consideration paid for acquiring leasehold land is amortized over the lease term.

Freehold land is not depreciated.

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:

	Useful life
Block of assets	Useful life
Block of assets	Useful life
Building	60 years
Electrical installation	10 years
Medical equipments	13 years
Office equipments	5 years
Other equipment including air conditioners	15 years
Furniture and fixtures	10 years
Computers	3 years
Computer software	3 years
Vehicles	5 years

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 except vehicles where useful life considered by management is lower. Fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realizable value and are shown under "other current assets"

1.8 Revenue recognition

Revenue from operations

Revenue from medical and healthcare services to patients is recognised 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 recognised net of discounts given to the patients.

Revenue from sale of medical consumables and drugs within the 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.

The Company has entered into management agreements with certain trusts, under which, the Company has a right over the management, operation and utilisation of hospital facilities owned by the trusts. As a consideration towards the aforesaid arrangement, the Company is obligated to offer discounts to patients nominated by the trusts at free of cost/ concession as per the terms of the agreement. The discounts thus offered have been recognised as revenue with a corresponding charge to rent expense.

'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 as at the balance sheet date. 'Unearned revenue' comprises billings in excess of earnings.

Interest

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

Notes

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

Dividend

Dividend income is recognised when the Company's right to receive dividend is established.

Learning and development income

Revenue is recognized on pro-rata basis on the completion of such services over the duration of the program.

1.9 Government grants

Government grants available to the Company are recognised

- (i) where there is reasonable assurance that the Company will comply with the conditions attached to them; and
- (ii) where such benefits have been earned by the Company and it is reasonably certain that the ultimate collection will be made.

Government grants related to the acquisition or construction of fixed assets are shown as a deduction from the gross value of the respective fixed assets.

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 Investments

Long term investments are carried at cost. Provision is made, wherever necessary, for any diminution, other than temporary, in value of investments.

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is determined separately for each individual investment.

1.12 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). Minimum Alternate Tax ("MAT") paid in accordance with the tax laws which gives rise to future economic benefits in the form of adjustment 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 10 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.

1.13 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

Notes

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

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

Defined 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 recognized 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 gratuity benefit of the company is administered by a trust formed for this purpose through the gratuity scheme. The Company's obligation in respect of the gratuity plan, which is a defined benefit plan, is provided for based on actuarial valuation carried out by an independent actuary using the projected unit credit method. The Company recognizes actuarial gains and losses periodically 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 in 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 actuarial valuation carried out by an independent actuary using the projected unit credit method.

Employee Stock Option Plan (ESOP)

The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense, if any, is amortised over each vesting period on a straight line basis.

1.14 Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed by dividing the net profit attributable to equity shareholders for the year relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share.

Notes

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

1.15 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.

1.16 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.

The Company has entered into management agreements with certain trusts, under which, the Company has a right over the management, operation and utilisation of hospital facilities owned by the trusts. As a consideration towards the aforesaid arrangement, the Company is obligated to offer discounts to patients nominated by the trusts at free of cost/concession as per the terms of the agreement. The discounts thus offered have been recognised as revenue with a corresponding charge to rent expense.

1.17 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 if, 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 if, 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.

Notes

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

1.18 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.

1.19 Share and debenture issue expenses

Share and debenture issue expenses are adjusted against the securities premium account as permissible under Section 52 of the Companies Act, 2013, to the extent any balance is available for utilisation in the securities premium account.

1.20 Measurement of Earnings before Interest, Tax, Depreciation and Amortization

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 amortisation expense, finance costs, exceptional items and tax expense.

Notes

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

2 SHARE CAPITAL

Particulars	As at	
	31 March 2016	31 March 2015
Authorised		
300,000,000 equity shares (previous year: 300,000,000 equity shares) of ₹ 10 each	3,000,000,000	3,000,000,000
Issued, subscribed and paid up		
204,360,804 equity shares (previous year: 200,000,000 equity shares) of ₹ 10 each, fully paid up	2,043,608,040	2,000,000,000
	2,043,608,040	2,000,000,000

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	200,000,000	2,000,000,000	325,414	3,254,140
Shares issued during the year (refer note 41)	4,360,804	43,608,040	20,339	203,390
Bonus shares issued during the year (refer note 45)	-	-	199,654,247	1,996,542,470
Shares outstanding at the end of the year	204,360,804	2,043,608,040	200,000,000	2,000,000,000

Rights, preferences and restrictions attached to equity shares (refer note 46):

The Company has a single class of equity shares referred to as equity shares having a nominal value of ₹ 10 each. Accordingly, all equity shares rank equally with regard to dividend and share in the Company's residual assets. Each holder of equity shares is entitled to one vote per share. The equity shares are entitled to receive dividend as declared from time to time. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

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

Particulars of shareholders holding more than 5% equity shares:

Particulars	As at 31 March 2016		As at 31 March 2015	
	Number of shares	% Holding	Number of shares	% Holding
Dr Devi Prasad Shetty	64,700,571	31.66%	66,744,179	33.37%
Shakuntala Shetty	62,083,095	30.38%	64,126,703	32.06%
J P Morgan Mauritius Holdings IV Limited	9,549,876	4.67%	21,811,524	10.91%
Ashoka Investment Holdings Limited	10,971,130	5.37%	16,778,452	8.39%
CDC Group PLC	11,765,046	5.76%	11,765,046	5.88%
	159,069,718	77.84%	181,225,904	90.61%

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 shares for consideration other than cash during the period of five years immediately preceding the last balance sheet date except, the issue of 199,654,247 bonus shares on 25 March 2015 and conversion of Optionally Convertible Debentures along with accrued interest into 4,360,804 equity shares on 1 December 2015.

Notes

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

During the year ended 31 March 2016, pursuant to the shareholders' agreement dated 28 January 2008, Narayana Health Academy Private Limited (NHAPL) transferred 480,656 equity shares of the Company to Ashoka Investment Holdings Limited, 144,184 equity shares to Ambadevi Mauritius Holdings Limited, 624,840 shares to J P Morgan Mauritius Holdings VIII Limited and 2,040,000 equity shares (refer note 49) to Narayana Health Employees Benefit Trust.

3 RESERVES AND SURPLUS

Particulars	(₹)	
	As at 31 March 2016	As at 31 March 2015
Securities premium account		
At the commencement of the year	3,889,363,759	3,959,082,159
Add: Securities premium on issue of equity shares during the year	1,023,329,460	1,999,858,070
Less: Utilised during the year for:		
Share issue and debenture issue expenses (refer note 40)	11,450,000	73,034,000
Issuing bonus shares (refer note 45)	-	1,996,542,470
At the end of the year	4,901,243,219	3,889,363,759
Capital reserve		
At the commencement and at the end of the year	1,538,145	1,538,145
General reserve		
At the commencement of the year	-	-
Add: Transfer from debenture redemption reserve (refer note 48)	250,000,000	-
At the end of the year	250,000,000	-
Debenture redemption reserve (refer note 48)		
At the commencement of the year	250,000,000	-
Add: Amount transferred from surplus (profit and loss balance) during the year		250,000,000
Less: Transfer to general reserve	(250,000,000)	-
At the end of the year	-	250,000,000
Share options outstanding account (refer note 49)		
At the commencement of the year	-	-
Add: Amounts recorded on grants during the year	33,096,290	-
At the end of the year	33,096,290	-
Surplus (profit and loss balance)		
At the commencement of the year	1,808,797,765	1,855,052,564
Add: Net profit after tax transferred from statement of profit and loss	567,771,648	210,021,079
Less: Transfer to debenture redemption reserve (refer note 48)	-	250,000,000
Less: Adjustment towards depreciation, net of tax (refer note 44)	-	6,275,878
At the end of the year	2,376,569,413	1,808,797,765
	7,562,447,067	5,949,699,669

Notes

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

4 LONG-TERM BORROWINGS

Particulars	Non – current portion		Current maturities	
	As at	As at	As at	As at
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Secured				
Term loans				
From banks	953,749,025	591,250,756	194,699,610	311,331,720
From others	-	2,108,778	-	37,365,726
	953,749,025	593,359,534	194,699,610	348,697,446
Unsecured				
Debentures				
Nil (previous year : 10,000,000) 10.5% optionally convertible debentures of ₹ 100 each fully paid up (refer note 41)	-	1,000,000,000	-	-
	953,749,025	1,593,359,534	194,699,610	348,697,446

I Term loans from banks :

Details of repayment terms, interest and maturity	Nature of security
(i) Term loan from Canara Bank : ₹ NIL (previous year: ₹ 154,589,736). It was fully repaid on 19th March 2016. Interest was 9.65% p.a. (previous year 10.20% p.a.).	Prime security: exclusive first charge on machineries/ equipments purchased out of the term loan. Collateral security (1)charge on land and building located over Kittiganahalli Attibele Hobli, Anekal Taluk Bengaluru. Collateral security (2)charge on commercial land measuring 1 acre and 6 gunta for land and building situated in Kittiganahalli Attibele Hobli, Anekal Taluk Bengaluru. .
(ii) Term loan from HSBC Bank: ₹ 165,000,000 (previous year: ₹ 231,000,000). It is repayable in 10 quarterly instalments from the reporting date, (previous year: 14 quarterly instalments). Interest is 9.50% p.a. (previous year 10.25% p.a.)	
(iii) Term loan from HSBC Bank: ₹ 137,500,000 (previous year: ₹ 187,500,000). It is repayable in 11 quarterly instalments from the reporting date, (previous year: 15 quarterly instalments). Interest is 9.50% p.a. (previous year 10.25% p.a.)	Secured via mortgage of title deeds on the immovable property of Narayana Hospitals Private Limited
(iv) Term loan from HSBC Bank: ₹ 57,000,000 (previous year: ₹ 76,000,000). It is repayable in 12 quarterly instalments from the reporting date, (previous year: 16 quarterly instalments). Interest is 9.50% p.a., (previous year 10.25% p.a.)	
(v) Term loan from ICICI Bank: ₹ 580,000,000 (previous year: ₹ NIL). Repayable in 96 monthly instalments after 3 years moratorium from date of 1st disbursement i.e., beginning 31 January 2019. Interest is 9.65% p.a.(previous year: NIL)	Movable fixed assets bought from the loan
(vi) Foreign currency loan taken from EXIM Bank : ₹ 208,948,635 [previous year : ₹ 253,492,740]. It is repayable in 14 quarterly instalments from the reporting date (previous year 18 quarterly instalments). Interest is linked to Libor (6 month) + 340 basis points [previous year Libor (6 month) + 375 basis points].	Exclusively charge on land and building located over Sy NO:135/1 and 135/2 Kittiganahalli Attibele Hobli, Anekal Bengaluru.

Notes

to the standalone financial statements for the year ended 31 March 2016

II Term loans from others:

Details of repayment terms, interest and maturity	Nature of security
(i) Equipment loan from Philips Electronics India Private Limited : ₹ NIL (previous year : ₹ 6,102,822). It was fully repaid on 11 September 2015 along with interest at 7.26% p.a. (previous year: 7.26% p.a.)	NIL (previous year: Term loan from other parties were secured by hypothecation of equipments as purchased)
(ii) Equipment loan from SREI Equipment Finance Private Limited : ₹ NIL (previous year : ₹ 5,795,964). It was fully repaid on 1 July 2015 along with interest at 7.25% p.a. (previous year: 7.25% p.a.)	
(iii) Equipment loan from Wipro GE Healthcare Private Limited : ₹ NIL (previous year: ₹ 27,575,718). It was fully repaid on 10 January 2016 along with interest at 7.25% p.a. (previous year : 7.25% p.a.)	

5 OTHER LONG-TERM LIABILITIES

Particulars	As at 31 March 2016	As at 31 March 2015
Unearned revenue	19,887,956	20,847,461
Interest accrued but not due on debentures (net of tax deducted at source)	-	25372603
	19,887,956	46,220,064

6 LONG-TERM AND SHORT-TERM PROVISIONS

Particulars	Long-term provisions		Short-term provisions	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
Provision for employee benefits				
Gratuity (refer note 35)	124,918,493	97,784,758	14,027,269	3,031,744
Compensated absences	-	-	95,949,502	62,868,942
	124,918,493	97,784,758	109,976,771	65,900,686

7 SHORT-TERM BORROWINGS

Particulars	As at 31 March 2016	As at 31 March 2015
Secured		
Loans repayable on demand		
Bank overdrafts (refer note (i) below)	169,064,559	693,467,595
Working capital loan (refer note (ii) below)	-	250,000,000
Unsecured		
Commercial papers (refer note (iii) below)	200,000,000	-
	369,064,559	943,467,595

- (i) Overdraft facilities from banks carry interest ranging between 9% p.a. – 12% p.a. (previous year : 10% p.a. – 12% p.a.) computed on a monthly basis on the actual amount utilised and are repayable on demand. These are secured by pari passu charge by way of hypothecation of stock, book debts and specific charge on fixed assets of the Company.
- (ii) Working capital loan from Kotak Bank : ₹ NIL (previous year : ₹ 250,000,000). The original loan amount was repaid in 10 monthly instalments during the current year. Interest was 10.40% p.a. (previous year : 10.40% p.a.). Working

Notes

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

capital loan from Kotak Bank were secured by subservient charge over current assets (both present and future) of the Company.

- (iii) Commercial papers have been issued to HDFC Bank. These are for a period of 137 days at interest rate of 8.60% p.a. (previous year: Nil)

8 TRADE PAYABLES

Particulars	(₹)	
	As at 31 March 2016	As at 31 March 2015
Total outstanding dues of micro enterprises and small enterprises (refer note 36)	1,195,004	-
Total outstanding dues of creditors other than micro enterprises and small enterprises*	1,415,346,442	1,222,047,641
	1,416,541,446	1,222,047,641

*includes payables to related parties (refer note 31)

9 OTHER CURRENT LIABILITIES

Particulars	(₹)	
	As at 31 March 2016	As at 31 March 2015
To parties other than related parties		
Current maturities of long-term borrowings (refer note 4)	194,699,610	348,697,446
Interest accrued but not due on borrowings	1,252,610	4,283,578
Other payables		
Book overdraft	4,819,822	1,015,658
Advance from patients	130,734,379	83,526,855
Accrued salaries and benefits	161,511,921	130,005,160
Unearned revenue	1,251,733	1,242,042
Rent equalisation reserve	9,406,960	5,643,690
Creditors for capital goods	179,521,798	55,752,813
Statutory liabilities (value added tax, sales tax, tax deducted at source etc.)	81,942,663	67,599,168
Other liabilities	3,393,952	18,545,507
To related parties (refer note 31)		
Creditors for capital goods	58,034,388	58,034,388
Accrued salaries and benefits	9,086,565	4,389,120
Other payables	100,000	-
	835,756,401	778,735,425

Notes

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

10 FIXED ASSETS

Particulars	Gross block			Accumulated depreciation / amortisation			Net block	
	As at 1 April 2015	Additions/ adjustments	Deletions/ adjustments	Reclassification to assets held for sale (refer note 50(a))	As at 1 April 2015	Depreciation/ Amortisation for the year	As at 31 March 2016	As at 31 March 2015
								(₹)
Tangible assets (owned)								
Freehold land (i)(ii)	344,104,996	11,729,019	-	-	-	-	-	355,834,015
Land (ii)	17,330,808	-	17,330,808	-	4,910,174	691,615	-	12,102,225
Building (ii)	391,906,011	4,923,154	-	-	116,157,427	10,669,468	-	270,002,270
Building	917,555,624	37,171,565	-	-	61,959,310	15,651,785	-	877,116,094
Building (iii)	987,474,696	57,913,067	-	-	126,041,515	33,656,606	-	885,689,642
Leasehold improvements	162,671,560	38,947,871	1,280,630	37,060,152	42,814,442	18,643,567	102,450	861,433,181
Electrical installation	621,207,311	36,502,381	4,150,401	18,788,161	240,490,294	70,048,196	1,255,360	119,857,118
Medical equipments	3,728,701,504	475,535,127	131,261,838	258,068,464	1,265,806,395	294,762,693	33,406,080	380,717,017
Office equipments	126,627,863	14,277,408	972,640	3,736,311	55,439,317	21,138,148	378,085	2,462,895,099
Other equipment including air conditioners	920,812,877	101,777,540	1,604,434	66,618,629	307,831,484	68,147,333	409,795	612,981,393
Furniture and fixtures	626,373,728	43,296,607	5,686,907	25,444,501	236,530,166	65,220,983	2,054,753	389,843,562
Computers	152,324,427	27,489,081	2,657,601	8,042,623	125,012,200	24,067,843	2,019,351	27,312,227
Vehicles	22,070,248	433,609	46,878	375,824	15,766,916	2,396,245	46,878	6,303,332
Total - A	9,019,161,653	849,996,429	164,992,137	418,134,665	2,598,759,640	625,094,482	45,274,542	6,420,083,594
Tangible assets (leased)								
Leasehold land (iv)	68,022,269	-	-	-	68,022,269	2,105,877	-	59,406,318
Total - B	68,022,269	-	-	-	68,022,269	2,105,877	-	59,406,318
Total tangible assets (A+B)	9,087,183,922	849,996,429	164,992,137	418,134,665	2,666,781,909	627,200,359	45,274,542	6,479,489,912

Notes

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

Particulars	Gross block			Accumulated depreciation / amortisation			Net block	
	As at 1 April 2015	Additions/ deletions/ adjustments	Reclassification to assets held for sale (refer note 50(a))	As at 1 April 2015	Depreciation/ Amortisation for the year	Reclassification to assets held for sale (refer note 50(a))	As at 31 March 2016	As at 31 March 2015
Intangible assets								
Computer software	152,252,393	21,675,441	248,042	120,623,036	26,154,830	853,950	145,750,438	31,629,357
Total - C	152,252,393	21,675,441	248,042	120,623,036	26,154,830	853,950	145,750,438	31,629,357
Grand total (A+B+C)	9,239,436,315	871,671,870	165,240,179	419,110,373	653,355,189	181,994,077	3,154,230,127	6,511,119,269
Previous year	8,463,351,448	822,871,262	46,786,395	2,116,699,078	636,212,890	-	2,728,317,036	6,511,119,269

i) includes land in possession and occupation of the Company to the extent of 9 acre 26 guntas out of total 17 acres 44 guntas in Bengaluru allotted by Karnataka Industrial Areas Development Board ('KIADB') to the Company on lease cum sale basis for which the Company is yet to execute the sale deed as at 31 March 2016.

ii) pursuant to clause 7.7 of the Investment Agreement and Clause 3.1(d) of the Shareholders' Agreement (together, 'agreements') signed in January 2008 between the Company, Promoters and Investors, a Promoter of the Company had the right but not the obligation to require the Company to transfer the land and building ('NH land') at no consideration to him. On exercise of the right, the promoter was obligated to lease the asset to the Company for an initial term of 15 years with an extension of 10 years in accordance with the terms of the aforesaid agreements at no consideration. The said land and building was being amortized over a period of 25 years based on the Management's estimate of the lease term for the above arrangement. As per the letter dated 26 November, 2015 by the Promoter, the above right was waived off by him and accordingly he will not be entitled to exercise the right stated in Clause 3.1(d) of the said Shareholders' Agreement. The waiver was subject to the completion of the public offering within a period of one year from the date of receipt of the final observation letter from the Securities and Exchange Board of India on the Draft Red Herring Prospectus filed by the Company. The waiver was to be effective from the date of listing of the Company's shares on the stock exchanges. To this effect, the said Shareholders' Agreement was amended and duly executed by all Shareholders of the Company. On the Company's shares being listed on the Bombay Stock Exchange and the National Stock Exchange on 6 January, 2016, the Promoter's right to NH Land ceases to exist thereof.

iii) represents the cost of construction of building on the leasehold premises at Kolkata, Ahmedabad, Jaipur and Jamshedpur. The land and building at Jaipur has been leased to Company for 96 years effective 1 July 2010 by a subsidiary, Narayana Hospitals Private Limited. This amount is being depreciated over the estimated useful life of the asset, or lease term, whichever is lower.

iv) includes land provided by Mysore Urban Development Authority (MUDA) on lease effective 1 September 2010 for an initial period of 30 years. The said leasehold land is being amortised over a period of 30 years.

Notes

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

11 NON-CURRENT INVESTMENTS

(Unquoted, valued at cost, unless stated otherwise)

Particulars	(₹)	
	As at 31 March 2016	As at 31 March 2015
Investment in equity instruments		
Subsidiaries (Trade investments)		
Narayana Institute for Advanced Research Private Limited	57,600,000	57,600,000
[1,038,387 equity shares (previous year: 1,038,387 equity shares) of ₹ 10 each fully paid up along with a premium of ₹ 45.47 per share on 1,038,387 equity shares]		
Narayana Hrudayalaya Surgical Hospital Private Limited	445,057,852	20,000,000
[14,952,704 equity shares (previous year: 2,000,000 equity shares) of ₹ 10 each fully paid up with a premium of ₹ 420.56 per equity share on 702,704 equity shares]		
Narayana Hospitals Private Limited	532,614,420	532,614,420
[53,261,442 equity shares (previous year: 53,261,442 equity shares) of ₹ 10 each fully paid up]		
Narayana Health Institutions Private Limited	-	198,261
[1,104,040 equity shares (previous year: 1,104,040 equity shares) of ₹ 10 each fully paid up [Net-off provision for other than temporary diminution ₹ 11,040,400 (previous year: ₹ 10,842,139)]]		
Narayana Cayman Holdings Ltd	1,237,368,875	811,372,268
[20,496 equity shares (previous year: 13,615 equity shares) of USD 0.01 each fully paid up with a premium of USD 999.99 per share]*		
Narayana Hrudayalaya Hospitals Malaysia SDN. BHD.	17,530,322	20,019,990
[2,585,136 equity shares (previous year: 2,585,136 equity shares) of MYR 1 each fully paid up [Net-off provision other than temporary diminution ₹ 32,953,428 (previous year: ₹ 30,463,760)]] (refer note 47)		
Asia Healthcare Development Limited	35,741,516	23,741,516
[2,966,648 equity shares (previous year: 1,766,648 equity shares) of ₹ 10 each fully paid up with a premium of ₹ 3.44 per share on 1,766,648 equity shares]		
Meridian Medical Research & Hospital Limited	996,971,952	883,949,755
[25,905,647 equity shares (previous year: 22,933,232 equity shares) of ₹ 10 each fully paid up with a premium of ₹ 28.75 per share on 16,717,070 equity shares and ₹ 28 per share on 9,188,577 equity shares (previous year: at a premium of ₹ 28.75 per share on 16,649,252 equity shares and ₹ 28 per share on 6,283,980 equity shares)]		
Narayana Vaishno Devi Speciality Hospitals Private Limited	10,000,000	500,000
[1,000,000 equity shares (previous year: 50,000 equity shares) of ₹ 10 each fully paid up]		
Others (Non-trade investment)		
TriMedx India Private Limited	3,000,500	3,000,500
[30,005 equity shares (previous year: 30,005 equity shares) of ₹ 100 each fully paid up]		

Notes

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

Particulars	As at 31 March 2016	As at 31 March 2015
Investment in debentures		
Subsidiary (Trade investment)		
Narayana Hrudayalaya Hospitals Malaysia SDN. BHD.	–	55,211,500
[Nil 6% partly convertible debentures (previous year: 2,960,786) of 1 MYR each fully paid up]		
	3,335,885,437	2,408,208,210
Aggregate value of unquoted investments	3,379,879,265	2,449,514,109
Aggregate provision for diminution in value of investments	43,993,828	41,305,899
Net investments	3,335,885,437	2,408,208,210

*Transfer/ sale of shares is subject to approval of Exim Bank, as loan is obtained to make investment in this subsidiary.

12 LONG-TERM AND SHORT-TERM LOANS AND ADVANCES

(Unsecured and considered good)

Particulars	Long-term portion		Short-term portion	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
To parties other than related parties				
Capital advances	14,601,930	36,697,934	–	–
Security deposits	153,886,954	166,279,338	55,322,100	23,780,816
Prepaid expenses (refer note 37)	77,296,636	71,380,224	60,694,413	28,156,693
Balances with government authorities				
Value added tax receivable	–	–	4,439,184	4,439,184
Advance income tax and tax deducted at source, net	280,412,725	304,316,842	–	–
Income-tax paid under protest	10,000,000	10,000,000	–	–
Advance to vendors	–	3,514,923	60,548,354	67,046,010
Other loans and advances	–	–	23,376,626	56,614,781
To related parties (refer note 31)				
Prepaid expense (refer note 37)	242,870,444	150,349,912	15,272,168	8,864,000
Unsecured loan (refer note 33)	20,000,000	215,740,517	–	–
Security deposits	420,000,000	420,000,000	–	–
Due for reimbursement of expenses	–	–	97,111,230	52,349,188
Share application money pending allotment (refer note 33)	20,790,407	86,866,184	–	–
	1,239,859,096	1,465,145,874	316,764,075	241,250,672

Notes

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

13 OTHER NON-CURRENT ASSETS

(Unsecured and 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 16)	1,800,000	8,508,910
Interest accrued but not due on fixed deposits	147,380	251,589
	1,947,380	8,760,499

14 INVENTORIES

(valued at lower of cost and net realisable value)

Particulars	As at 31 March 2016	As at 31 March 2015
Medical consumables, drugs and surgical equipments	446,508,127	492,750,062
Less: Provision for slow and non-moving	7,391,033	10,120,694
	439,117,094	482,629,368

15 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	170,317,090	295,410,654
Unsecured, considered doubtful	172,273,342	186,570,277
Less: Provision for doubtful receivables	172,273,342	186,570,277
	170,317,090	295,410,654
Other receivables		
Unsecured, considered good*	1,214,123,591	1,135,237,781
	1,384,440,681	1,430,648,435

*includes receivable from related parties (refer note 31)

16 CASH AND BANK BALANCES

Particulars	As at 31 March 2016	As at 31 March 2015
Cash and cash equivalents		
Cash on hand	7,541,026	20,095,670
Cheques on hand	-	3,100,903
Balance with banks		
- On current accounts	75,502,065	123,778,007
	83,043,091	146,974,580
Other bank balances		
- On deposit accounts (due to mature within 12 months of the reporting date)*	98,898,768	86,730,365
	181,941,859	233,704,945

*The above deposits includes deposit given against bank guarantee

56,047,717

51,480,000

Notes

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

Details of bank deposits:

Particulars	As at 31 March 2016	As at 31 March 2015
Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances'	98,898,768	86,730,365
Bank deposits due to mature after 12 months of the reporting date included under 'Other non-current assets'	1,800,000	8,508,910
	100,698,768	95,239,275

17 OTHER CURRENT ASSETS

(Unsecured and considered good)

Particulars	As at 31 March 2016	As at 31 March 2015
Interest accrued on fixed deposits but not due	6,699,904	4,678,729
Interest accrued on debentures *	-	1,739,829
Interest accrued on unsecured loan*	1,939,273	11,124,551
Interest accrued on security deposit	1,804,867	1,010,860
Unbilled revenue	123,756,701	100,463,337
Fixed assets classified as held for sale (refer note 10 and 50(a))	141,129,926	-
Other assets	6,722,270	-
	282,052,941	119,017,306

*dues from related parties (refer note 31)

18 REVENUE FROM OPERATIONS

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Income from medical and healthcare services	14,020,172,563	12,532,766,803
Sale of medical consumables and drugs	549,185,325	493,701,580
Other operating revenue:		
Learning and development income	34,945,740	29,955,331
Teleradiology income	13,671,723	9,923,445
Revenue share income	18,366,090	9,296,876
	14,636,341,441	13,075,644,035

19 OTHER INCOME

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Donations received	1,382,742	1,811,159
Foreign exchange gain, net	-	10,108,530
Interest income on		
- Bank deposits	14,411,686	7,329,789
- Unsecured loan	7,945,369	22,855,656
- Others	2,161,302	1,933,132
Guarantee commission	16,117,728	13,150,412
Miscellaneous income	57,718,060	43,344,796
	99,736,887	100,533,474

Notes

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

20 CHANGES IN INVENTORIES OF MEDICAL CONSUMABLES, DRUGS AND SURGICAL EQUIPMENTS

Particulars	For the year ended 31 March 2016	(₹) For the year ended 31 March 2015
Inventory at the beginning of the year	482,629,368	473,871,571
Inventory at the end of the year	439,117,094	482,629,368
	43,512,274	(8,757,797)

21 EMPLOYEE BENEFITS

Particulars	For the year ended 31 March 2016	(₹) For the year ended 31 March 2015
Salaries, wages and bonus	2,757,550,380	2,461,597,131
Contribution to provident and other funds (refer note 35)	213,325,273	148,569,138
Expense on employee stock option scheme (refer note 49)	33,096,290	-
Staff welfare expenses	67,464,271	30,469,010
	3,071,436,214	2,640,635,279

22 OTHER EXPENSES

Particulars	For the year ended 31 March 2016	(₹) For the year ended 31 March 2015
Hospital operating expenses		
Professional fees to doctors	2,841,130,175	2,500,249,549
Power and fuel	416,748,002	397,109,015
Hospital general expenses	177,451,004	166,948,249
House keeping expenses	322,475,405	284,103,771
Patient welfare expenses	197,276,605	222,816,430
Rent (refer notes 30 and 38)	212,677,033	171,793,879
Hospital management fees (refer note 39)	246,625,157	211,984,905
Medical gas charges	52,578,398	48,347,313
Biomedical wastage expenses	10,142,134	9,457,010
Repairs and maintenance		
- Hospital equipments	275,013,508	258,046,096
- Buildings	53,886,808	52,871,926
- Others	298,243,015	215,504,621
	5,104,247,244	4,539,232,764
Administrative expenses		
Traveling and conveyance	133,284,621	130,556,218
Security charges	130,763,658	115,284,737
Printing and stationery	92,658,529	81,702,387
Rent (refer note 38)	64,313,589	72,861,716
Advertisement and publicity	215,276,217	270,745,112
Legal and professional fees (refer note 25)	115,872,193	142,816,320
Business promotion	140,559,815	115,919,107
Telephone and communication	44,836,395	39,505,705
Bank charges	35,950,141	35,011,241
Insurance	35,121,364	31,582,962
Corporate social responsibility (refer note 43)	9,902,238	10,598,929
Rates and taxes	23,673,183	61,229,468

Notes

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

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Books and periodicals	8,386,262	7,441,215
Provision for doubtful debts	(14,296,935)	66,154,668
Bad debts written off	87,337,872	163,813,270
Donations paid	1,580,100	-
Loss on sale of fixed assets	7,087,820	2,577,037
Foreign exchange loss, (net)	4,335,301	-
Advances written off	19,547,078	-
Provision for other than temporary diminution in long-term investments (refer note 33)	2,687,929	41,305,899
Loss on slump sale	3,198,686	-
Miscellaneous expenses	17,549,236	7,034,121
	1,179,625,292	1,396,140,112
	6,283,872,536	5,935,372,876

23 FINANCE COSTS

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expense on		
- term loans from banks	66,488,978	166,051,260
- bank overdraft	42,780,385	82,415,060
- debentures	50,558,219	28,191,781
- commercial papers	18,573,855	-
- others	1,172,501	48,929,647
Other borrowing costs	5,982,915	10,671,706
Net loss on foreign currency transactions and translation to the extent regarded as borrowing costs	12,727,917	10,813,143
	198,284,770	347,072,597

24 CONTINGENT LIABILITIES AND COMMITMENTS

Particulars	As at 31 March 2016	As at 31 March 2015
(i) Contingent liabilities		
Claims against the Company not acknowledged as debts in respect of:-		
a) Entry tax (see note (a) below)	-	2,154,819
b) Income tax (see note (b) below)	12,171,570	12,171,570
Guarantees:		
a) Bank guarantee	547,237,649	553,965,866
b) Corporate guarantee	1,057,802,152	734,746,068

Notes:

- The Company has received a show cause notice proposing levy of special entry tax @ 4% on import of elevators under Karnataka Special Tax on Entry of Certain Goods Act, 2004. The Company filed a writ petition in the Honourable High Court of Karnataka. During the current financial year the Honourable High Court of Karnataka had declared this levy as void and unenforceable.

Notes

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

- b) For assessment year 2009–2010 the Company had received an assessment order under section 143(3) of the Income Tax Act, 1961 on 28 December 2011 with a demand of ₹ 12,171,570. Against this demand, the Company had paid ₹ 10,000,000 under protest and filed an appeal with the Commissioner of Income Tax (Appeals) (CITA). CIT(A) had issued an order in favour of the Company. The department then filed an appeal with the Income Tax Appellate Tribunal (ITAT) against the order of CIT(A). On 23 January 2015, ITAT had issued an order in favour of the Company. Subsequently, the department has filed an appeal with High Court of Karnataka challenging the order of ITAT.

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

The Company has given letter of support to its subsidiary companies, namely Narayana Hrudayalaya Surgical Hospital Private Limited, Narayana Hospitals Private Limited, Meridian Medical Research & Hospital Limited, Narayana Health Institutions Private Limited, Narayana Institute for Advanced Research Private Limited, and Narayana Vaishno Devi Speciality Hospital Private Limited. Under the letter of support, the Company is committed to provide operational and financial assistance as is necessary for the subsidiary companies to enable them to operate as going concern for a period of at least one year from the balance sheet date i.e. 31 March 2017.

(ii) Commitments

Estimated amounts of contracts remaining to be executed on capital account (net of advances) and other commitments and not provided for amounts to ₹ 45,819,155 (previous year: ₹ Nil).

25 AUDITOR'S REMUNERATION (EXCLUDING SERVICE TAX) INCLUDED IN LEGAL AND PROFESSIONAL FEES

Particulars	(₹)	
	For the year ended 31 March 2016	For the year ended 31 March 2015
As an auditor		
Audit fee	6,350,000	2,200,000
Limited review	750,000	-
In other capacity:		
Audit/Limited review fee in relation to IPO	10,700,000	-
Other services (certification fees)	350,000	260,000
Reimbursement of expenses	454,260	157,996
Reimbursement of expenses in relation to IPO	706,692	-
Less: Reimbursed by selling shareholders	(11,406,692)	-
	7,904,260	2,617,996

26 UNHEDGED FOREIGN CURRENCY EXPOSURE

Foreign currency exposures on account of receivables / payables not hedged by derivative instruments are as follows:

Particulars	Currency	As at 31 March 2016		As at 31 March 2015	
		Amount in foreign currency	Amount in ₹	Amount in foreign currency	Amount in ₹
Long-term borrowings Term loans from banks	USD	3,150,000	208,948,635	4,050,000	253,492,740
Trade payables Trade payables	USD	230,143	15,669,434	-	-
	EURO	-	-	531,151	33,245,154

Notes

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

Particulars	Currency	As at 31 March 2016		As at 31 March 2015	
		Amount in foreign currency	Amount in ₹	Amount in foreign currency	Amount in ₹
Other current liabilities Interest accrued but not due on borrowings	USD	11,541	765,558	12,651	791,866
Short-term loans and advances Due for reimbursement of expenses	USD	755,065	50,085,666	745,474	46,659,798
	MYR	796	13,535	796	13,406
Trade receivables Receivables from related parties	USD	501,190	33,245,357	460,911	28,848,817
Cash and bank balances Balances with banks on EEFC accounts (earners exchange foreign currency account)	USD	125,595	8,331,057	60,117	3,762,789
	EURO	800	60,076	-	-
	GBP	50	4,754	-	-

27 EXPENDITURE IN FOREIGN CURRENCY

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Business promotion	9,391,848	12,589,257
Advertisement and publicity	5,407,642	-
Repairs and maintenance on hospital equipments and others	1,969,276	789,174
Interest expenses	9,614,358	10,399,465
Books and periodicals	1,707,093	-
Legal and professional fees	101,796	-
Others (Hospital general expenses)	8,373,069	-
	36,565,082	23,777,896

28 EARNINGS IN FOREIGN CURRENCY

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Income from medical and healthcare services (cash basis)	121,969,396	187,294,819
Sale of medical consumables and drugs	64,171,792	55,518,486
Learning and development income	5,169,746	-
Guarantee commission	16,117,727	13,150,412
Software licence fees (Miscellaneous income)	7,864,668	7,409,987
	215,293,329	263,373,704

29 VALUE OF IMPORTS ON CIF BASIS

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Surgical equipments and medical spares	48,025,676	46,577,839
Medical consumables and drugs	64,452,638	57,438,982
	112,478,314	104,016,821

Notes

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

30 MANAGEMENT AGREEMENT

The Company has management agreement for the management, operation and utilization of their hospital facilities. As a consideration towards the aforesaid arrangement, the Company is obligated to offer discounts to patients nominated by the trust at free of cost / concession as per the terms of the agreement. The discounts thus offered have been recognised as revenue amounting to ₹ 12,107,024 (previous year: ₹ 18,000,000) with a corresponding charge to rent expense.

31 RELATED PARTY DISCLOSURES

(a) Details of related parties

Nature of relationship	Name of related parties
Subsidiaries	Narayana Institute for Advanced Research Private Limited (NIARPL)
	Narayana Hrudayalaya Surgical Hospital Private Limited (NHSHPL)
	Narayana Hospitals Private Limited (NHPL)
	Narayana Health Institutions Private Limited (NHIPL)
	Narayana Cayman Holdings Ltd (NCHL)
	Narayana Hrudayalaya Hospitals Malaysia SDN. BHD (NHHM)
	Asia Healthcare Development Limited (AHDL)
	Meridian Medical Research & Hospital Limited (MMRHL) (with effect from 24 November 2014)
	Narayana Vaishno Devi Speciality Hospital Private Limited (NVDSHPL) (with effect from 5 September 2014)
	Dr. Devi Prasad Shetty- Chairman
Key Management Personnel (KMP)	Dr. Ashutosh Raghuvanshi - Managing Director
	Mr. Viren Shetty - Whole-time Director
	Mrs. Shakuntala Shetty - Whole-time Director (up till 5 May 2015)
	Mr. Kesavan Venugopalan - Chief Financial Officer (with effect from 16 July 2015)
	Dr. Varun Shetty - Whole-time Director (up till 5 May 2015)
Relatives of KMP	Dr. Varun Shetty (with effect from 6 May 2015)
	Dr. Anesh Shetty (with effect from 1 December 2015)
	Mrs. Shakuntala Shetty - (with effect from 6 May 2015)
Associate of a subsidiary, (Narayana Cayman Holdings Limited)	Health City Cayman Islands Ltd (HCCI)
Enterprises under significant influence of KMP	Narayana Health Academy Private Limited (NHAPL)
	Kateel Software Private Limited
	Hrudayalaya Pharmacy
	Charmakki Infrastructures
	Amaryllis Healthcare Private Limited (AHPL)
	Narayana Hrudayalaya Foundation (NHF)
	TriMedx India Private Limited (TriMedx)
Enterprises under significant influence of KMP	Mazumdar Shaw Medical Foundation (MSMF)
	Daya Drishti Charitable Trust
	Narayana Hrudayalaya Charitable Trust (NHCT)
Enterprises under significant influence of a relative of KMP	Asia Heart Foundation (AHF)
	Akkayya Hospitality Services (AHS) (formerly known as Akkayya Consultancy Services)
Enterprises where control of Company exists	Narayana Hrudayalaya Private Limited Employees Group Gratuity Trust

Notes

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

31 RELATED PARTY DISCLOSURES(CONTINUED) (b) Transactions with related party during the year ended 31 March 2016

Transactions	Subsidiaries	Key Management Personnel (KMP)	Relatives of KMP	Associate Subsidiary (NCHL)	Enterprises under significant influence of KMP	Enterprises under significant influence of KMP	Total
							(₹)
Payment of share application money							
NCHL	359,920,830 (375,141,087)	- (-)	- (-)	- (-)	- (-)	- (-)	359,920,830 (375,141,087)
NHPL	(799,996)	-	-	-	-	-	-
TriMedx	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(939,758)	(-)	(939,758)
TOTAL	359,920,830 (375,941,083)	- (-)	- (-)	- (-)	- (939,758)	- (-)	359,920,830 (376,880,841)
Donations given							
NHF	(-)	-	-	-	1,350,000	-	1,350,000
Unsecured loan							
NHPL	(20,000,000)	(-)	(-)	(-)	(-)	(-)	(20,000,000)
MMRHL	(195,740,517)	(-)	(-)	(-)	(-)	(-)	(195,740,517)
NHSHPL	(8,500,000)	(-)	(-)	(-)	(-)	(-)	(8,500,000)
TOTAL	(224,240,517)	(-) (-)	(-) (-)	(-) (-)	(-) (-)	(-) (-)	(224,240,517)
Security deposit							
NHPL	(280,000,000)	(-)	(-)	(-)	(-)	(-)	(280,000,000)
Advance on account of discount entitlement							
AHF	(-)	-	-	-	101,000,000	-	101,000,000
Sale / transfer of medical consumables and drugs							
HCCI	(-)	-	-	64,171,792 (55,269,619)	- (-)	- (-)	64,171,792 (55,269,619)

Notes

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

	Subsidiaries	Key Management Personnel (KMP)	Relatives of KMP	Associate of Subsidiary (NCHL)	Enterprises under significant influence of KMP	Enterprises under significant influence of relative of KMP	Total
Transactions							(₹)
MMRHL	1,633,796	-	-	-	-	-	1,633,796
	(-)	(-)	(-)	(-)	(-)	(-)	-
TOTAL	1,633,796	-	-	64,171,792	-	-	65,805,588
	(-)	(-)	(-)	(55,269,619)	(-)	(-)	(55,269,619)
Lab outsourcing expense							
MSMF	-	-	-	-	4,005,150	-	4,005,150
	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Rent expense							
NHPL	9,405,000	-	-	-	-	-	9,405,000
	(9,212,400)	(-)	(-)	(-)	(-)	(-)	(9,212,400)
Charmakki Infrastructures	-	-	-	-	4,959,881	-	4,959,881
	(-)	(-)	(-)	(-)	(6,032,537)	(-)	(6,032,537)
AHF	-	-	-	-	10,064,004	-	10,064,004
	(-)	(-)	(-)	(-)	(10,064,004)	(-)	(10,064,004)
TOTAL	9,405,000	-	-	-	15,023,885	-	24,428,885
	(9,212,400)	(-)	(-)	(-)	(16,096,541)	(-)	(25,308,941)
Discount entitlement (excluding tax)							
AHF	-	-	-	-	12,107,024	-	12,107,024
	(-)	(-)	(-)	(-)	(18,000,000)	(-)	(18,000,000)
Reimbursement of expenses							
NHPL	7,714,074	-	-	-	-	-	7,714,074
	(1,758,378)	(-)	(-)	(-)	(-)	(-)	(1,758,378)
NVDSHPL	25,425,558	-	-	-	-	-	25,425,558
	(1,601,876)	(-)	(-)	(-)	(-)	(-)	(1,601,876)
HCCI	-	-	-	26,798,881	-	-	26,798,881
	(-)	(-)	(-)	(2,824,664)	(-)	(-)	(2,824,664)
AHF	-	-	-	-	50,401	-	50,401
	(-)	(-)	(-)	(-)	(6,706,494)	(-)	(6,706,494)
AHDL	7,492,090	-	-	-	-	-	7,492,090
	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Hrudayalaya Pharmacy	-	-	-	-	21,526	-	21,526
	(-)	(-)	(-)	(-)	(-)	(-)	(-)

Notes

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

Transactions	Subsidiaries	Key Management Personnel (KMP)	Relatives of KMP	Associate of Subsidiary (NCHL)	Enterprises under significant influence of KMP	Enterprises under significant influence of KMP	(₹) Total
NHSHPL	850,000 (1,959,407)	- (-)	- (-)	- (-)	- (-)	- (-)	850,000 (1,959,407)
MMRHL	- (5,795,796)	- (-)	- (-)	- (-)	- (-)	- (-)	- (5,795,796)
Others	361,627 (9,653)	- (-)	- (-)	- (-)	- (310,545)	- (-)	361,627 (320,198)
TOTAL	41,843,349 (11,125,110)	- (-)	- (-)	26,798,881 (2,824,664)	71,927 (7,017,039)	- (-)	68,714,157 (20,966,813)

Transactions	Subsidiaries	Key Management Personnel (KMP)	Relatives of KMP	Associate of Subsidiary (NCHL)	Enterprises under significant influence of KMP	Enterprises under significant influence of KMP	(₹) Total
Revenue from healthcare services							
NHCT	- (-)	- (-)	- (-)	- (-)	7,581,076 (15,512,918)	- (-)	7,581,076 (15,512,918)
NHF	- (-)	- (-)	- (-)	- (-)	11,000 (-)	- (-)	11,000 (-)
TOTAL	- (-)	- (-)	- (-)	- (-)	7,592,076 (15,512,918)	- (-)	7,592,076 (15,512,918)
Advance given for payment to employees							
HCCI	- (-)	- (-)	- (-)	791,852 (-)	- (-)	- (-)	791,852 (-)
Hospital management fees income							
MMRHL	- (455,901)	- (-)	- (-)	- (-)	- (-)	- (-)	- (455,901)
Hospital management fees reversal							

Notes

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

Transactions	Subsidiaries	Key Management Personnel (KMP)	Relatives of KMP	Associate of Subsidiary (NCHL)	Enterprises under significant influence of KMP	Enterprises under significant influence of KMP	Enterprises under significant influence of KMP	Total
								(₹)
NHSHPL	-	-	-	-	-	-	-	-
	(2,426,975)	(-)	(-)	(-)	(-)	(-)	(-)	(2,426,975)
Rental income								
NHSHPL	4,389,000	-	-	-	-	-	-	4,389,000
	(4,299,120)	(-)	(-)	(-)	(-)	(-)	(-)	(4,299,120)
Interest income net of tax								
NHHM	476,242	-	-	-	-	-	-	476,242
	(1,739,829)	(-)	(-)	(-)	(-)	(-)	(-)	(1,739,829)
MMRHL	5,242,894	-	-	-	-	-	-	5,242,894
	(11,093,216)	(-)	(-)	(-)	(-)	(-)	(-)	(11,093,216)
NHPL	1,907,938	-	-	-	-	-	-	1,907,938
	(31,335)	(-)	(-)	(-)	(-)	(-)	(-)	(31,335)
NHSHPL	-	-	-	-	-	-	-	-
	(9,342,915)	(-)	(-)	(-)	(-)	(-)	(-)	(9,342,915)
TOTAL	7,627,074	-	-	-	-	-	-	7,627,074
	(22,207,295)	(-)	(-)	(-)	(-)	(-)	(-)	(22,207,295)
Hospital management fees (excluding tax)								
MSMF	-	-	-	-	-	25,000,000	-	25,000,000
	(-)	(-)	(-)	(-)	(-)	(25,000,000)	(-)	(25,000,000)
Investment in debentures								
NHHM	-	-	-	-	-	-	-	-
	(55,211,500)	(-)	(-)	(-)	(-)	(-)	(-)	(55,211,500)
Investment in equity instruments								
MMRHL	113,031,697	-	-	-	-	-	-	113,031,697
	(883,949,755)	(-)	(-)	(-)	(-)	(-)	(-)	(883,949,755)
NVDSHPL	9,500,000	-	-	-	-	-	-	9,500,000
	(500,000)	(-)	(-)	(-)	(-)	(-)	(-)	(500,000)
AHDL	12,000,000	-	-	-	-	-	-	12,000,000
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
NHSHPL	425,057,852	-	-	-	-	-	-	425,057,852
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)

Notes

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

	Subsidiaries	Key Management Personnel (KMP)	Relatives of KMP	Associate of Subsidiary (NCHL)	Enterprises under significant influence of KMP	Enterprises under significant influence of relative of KMP	Total
Transactions							(₹)
NCHL	425,996,607	-	-	-	-	-	425,996,607
	(-)	(-)	(-)	(-)	(-)	(-)	(-)
TOTAL	985,586,156	-	-	-	-	-	985,586,156
	(884,449,755)	(-)	(-)	(-)	(-)	(-)	(884,449,755)
Sale of fixed assets							
MMRHL	77,347,043	-	-	-	-	-	77,347,043
	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Guarantee commission							
HCCI	-	-	-	16,117,728	-	-	16,117,728
	(-)	(-)	(-)	(13,150,412)	(-)	(-)	(13,150,412)
Software license fees							
HCCI	-	-	-	7,864,668	-	-	7,864,668
	(-)	(-)	(-)	(7,409,987)	(-)	(-)	(7,409,987)
Purchases of medical stores							
Hrudayalaya Pharmacy	-	-	-	-	838,473	-	838,473
	(-)	(-)	(-)	(-)	(9,925,123)	(-)	(9,925,123)
AHPL	-	-	-	-	68,559,670	-	68,559,670
	(-)	(-)	(-)	(-)	(61,704,662)	(-)	(61,704,662)
TOTAL	-	-	-	-	69,398,143	-	69,398,143
	(-)	(-)	(-)	(-)	(71,629,785)	(-)	(71,629,785)
Maintenance of medical equipment							
TriMedx	-	-	-	-	255,012,825	-	255,012,825
	(-)	(-)	(-)	(-)	(267,798,801)	(-)	(267,798,801)
Travelling and conveyance							
AHS	-	-	-	-	-	639,509	639,509
	(-)	(-)	(-)	(-)	(-)	(249,554)	(249,554)
Nomination deposit							
Dr. Devi Prasad Shetty	-	100,000	-	-	-	-	100,000
	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Guarantees given							
HCCI	-	-	-	-	-	-	-
	(-)	(-)	(-)	(537,029,064)	(-)	(-)	(537,029,064)

Notes

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

Transactions	Subsidiaries	Key Management Personnel (KMP)	Relatives of KMP	Associate of Subsidiary (NCHL)	Enterprises under significant influence of KMP	Enterprises under significant influence of KMP	(₹) Total
NHSHPL	- (411,212,829)	- (-)	- (-)	- (-)	- (-)	- (-)	- (411,212,829)
MMRHL	341,618,648 (323,533,239)	- (-)	- (-)	- (-)	- (-)	- (-)	341,618,648 (323,533,239)
TOTAL	341,618,648 (734,746,068)	- (-)	- (-)	- (537,029,064)	- (-)	- (-)	341,618,648 (1,271,775,132)

Balances	Subsidiaries	Key Management Personnel (KMP)	Relatives of KMP	Associate of Subsidiary (NCHL)	Enterprises under significant influence of KMP	Enterprises under significant influence of KMP	(₹) Total
Security given							
NHSHPL	320,000,000 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	320,000,000 (-)
Payment of remuneration*							
Dr. Devi Prasad Shetty	- (-)	34,310,157 (26,400,000)	- (-)	- (-)	- (-)	- (-)	34,310,157 (26,400,000)
Mrs. Shankuntala Shetty	- (-)	149,194 (1,500,000)	- (-)	- (-)	- (-)	- (-)	149,194 (1,500,000)
Mr. Viren Shetty	- (-)	9,078,151 (6,352,452)	- (-)	- (-)	- (-)	- (-)	9,078,151 (6,352,452)
Dr. Varun Shetty	- (-)	312,710 (2,807,385)	2,083,000 (-)	- (-)	- (-)	- (-)	2,395,710 (2,807,385)
Dr. Anesh Shetty	- (-)	- (-)	609,033 (-)	- (-)	- (-)	- (-)	609,033 (-)
Dr. Ashutosh Raghuvanshi	- (-)	29,060,915 (17,120,508)	- (-)	- (-)	- (-)	- (-)	29,060,915 (17,120,508)
Mr. Kesavan Venugopalan	- (-)	13,653,188 (-)	- (-)	- (-)	- (-)	- (-)	13,653,188 (-)
TOTAL	- (-)	86,564,315 (54,180,345)	2,692,033 (-)	- (-)	- (-)	- (-)	89,256,348 (54,180,345)

* the amounts are determined as per section 17 (2) of the Income tax Act, 1961 read with the related Rules.

Notes

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

c) The balances receivable from and payable to related parties

Balances	Subsidiaries	Key Management Personnel (KMP)	Relatives of KMP	Associate of Subsidiary (NCHL)	Enterprises under significant influence of KMP	Enterprises under significant influence of relative of KMP	Total
							(₹)
Short-term loans and advances - Due for reimbursement of expense							
NHIPL	492,979 (333,781)	- (-)	- (-)	- (-)	- (-)	- (-)	492,979 (333,781)
NCHL	29,335,792 (27,680,844)	- (-)	- (-)	- (-)	- (-)	- (-)	29,335,792 (27,680,844)
NVDSHPL	22,853,589 (1,601,876)	- (-)	- (-)	- (-)	- (-)	- (-)	22,853,589 (1,601,876)
NHHM	13,535 (13,406)	- (-)	- (-)	- (-)	- (-)	- (-)	13,535 (13,406)
NIARPL	713,428 (510,999)	- (-)	- (-)	- (-)	- (-)	- (-)	713,428 (510,999)
HCCI	- (-)	- (-)	- (-)	20,749,874 (18,979,016)	- (-)	- (-)	20,749,874 (18,979,016)
Hrudayalaya Pharmacy	- (-)	- (-)	- (-)	- (-)	1,610,660 (933,334)	- (-)	1,610,660 (933,334)
NHF	- (-)	- (-)	- (-)	- (-)	956,743 (956,743)	- (-)	956,743 (956,743)
AHS	- (-)	- (-)	- (-)	- (-)	- (-)	- (179,822)	- (179,822)
Daya Drishti Charitable Trust	- (-)	- (-)	- (-)	- (-)	- (60,110)	- (-)	- (60,110)
MMRHL	923,675 -	- (-)	- (-)	- (-)	- (-)	- (-)	923,675 (-)
AHF	- (-)	- (-)	- (-)	- (-)	14,018,983 (1,099,257)	- (-)	14,018,983 (1,099,257)
AHDL	4,466,647 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	4,466,647 (-)
TriMedx	- (-)	- (-)	- (-)	- (-)	975,326 (-)	- (-)	975,326 (-)
TOTAL	58,799,645 (30,140,906)	- (-)	- (-)	20,749,874 (18,979,016)	17,561,712 (3,049,444)	- (179,822)	97,111,230 (52,349,188)

Notes

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

	Subsidiaries	Key Management Personnel (KMP)	Relatives of KMP	Associate of Subsidiary (NCHL)	Enterprises under significant influence of KMP	Enterprises under significant influence of KMP	Total
Balances							(₹)
Long-term loans and advances – Unsecured Loan							
NHPL	20,000,000 (20,000,000)	- (-)	- (-)	- (-)	- (-)	- (-)	20,000,000 (20,000,000)
MMRHL	- (195,740,517)	- (-)	- (-)	- (-)	- (-)	- (-)	- (195,740,517)
TOTAL	20,000,000 (215,740,517)	- (-)	- (-)	- (-)	- (-)	- (-)	20,000,000 (215,740,517)
Other current liabilities – Creditors for capital goods							
NIARPL	58,034,388 (58,034,388)	- (-)	- (-)	- (-)	- (-)	- (-)	58,034,388 (58,034,388)
Long-term loans and advances – Share application money pending allotment							
NCHL	18,983,943 (85,059,720)	- (-)	- (-)	- (-)	- (-)	- (-)	18,983,943 (85,059,720)
TriMedx	- (-)	- (-)	- (-)	- (-)	1,806,464 (1,806,464)	- (-)	1,806,464 (1,806,464)
TOTAL	18,983,943 (85,059,720)	- (-)	- (-)	- (-)	1,806,464 (1,806,464)	- (-)	20,790,407 (86,866,184)

Notes

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

	Subsidiaries	Key Management Personnel (KMP)	Relatives of KMP	Associate of Subsidiary (NCHL)	Enterprises under significant influence of KMP	Enterprises under significant influence of relative of KMP	Total
Balances							(₹)
Long-term loans and advances - Prepaid expense							
AHF	-	-	-	-	242,870,444	-	242,870,444
	(-)	(-)	(-)	(-)	(150,349,912)	(-)	(150,349,912)
Short-term loans and advances - Prepaid expense							
AHF	-	-	-	-	15,272,168	-	15,272,168
	(-)	(-)	(-)	(-)	(8,864,000)	(-)	(8,864,000)
Long-term loans and advances - Security deposit							
NHPL	280,000,000	-	-	-	-	-	280,000,000
	(280,000,000)	(-)	(-)	(-)	(-)	(-)	(280,000,000)
Charmakki Infrastructures	-	-	-	-	140,000,000	-	140,000,000
	(-)	(-)	(-)	(-)	(140,000,000)	(-)	(140,000,000)
TOTAL	280,000,000	-	-	-	140,000,000	-	420,000,000
	(280,000,000)	(-)	(-)	(-)	(140,000,000)	(-)	(420,000,000)
Trade payables							
NHPL	11,380,857	-	-	-	-	-	11,380,857
	(11,489,931)	(-)	(-)	(-)	(-)	(-)	(11,489,931)
HCCI	-	-	-	-	-	-	-
	(-)	(-)	(-)	(278,951)	(-)	(-)	(278,951)
AHPL	-	-	-	-	7,978,176	-	7,978,176
	(-)	(-)	(-)	(-)	(4,939,683)	(-)	(4,939,683)
TriMedx	-	-	-	-	23,761,183	-	23,761,183
	(-)	(-)	(-)	(-)	(26,879,038)	(-)	(26,879,038)
Charmakki Infrastructures	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(466,673)	(-)	(466,673)
MSMF	-	-	-	-	26,958,063	-	26,958,063
	(-)	(-)	(-)	(-)	(20,000,000)	(-)	(20,000,000)
AHS	-	-	-	-	-	61,731	61,731
	(-)	(-)	(-)	(-)	(-)	(-)	(-)

Notes

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

	Subsidiaries	Key Management Personnel (KMP)	Relatives of KMP	Associate of Subsidiary (NCHL)	Enterprises under significant influence of KMP	Enterprises under significant influence of KMP	Total
Balances							
Daya Drishti Charitable Trust	-	-	-	-	60,110	-	60,110
	(-)	(-)	(-)	(-)	-	(-)	(-)
TOTAL	11,380,857	-	-	-	58,757,532	61,731	70,200,120
	(11,489,931)	(-)	(-)	(278,951)	(52,285,394)	(-)	(64,054,276)

	Subsidiaries	Key Management Personnel (KMP)	Relatives of KMP	Associate of Subsidiary (NCHL)	Enterprises under significant influence of KMP	Enterprises under significant influence of KMP	Total
Balances							
Trade receivables							
MMRHL	(59,763,268)	(-)	(-)	(-)	(-)	(-)	(59,763,268)
HCCI	-	-	-	33,245,357	-	-	33,245,357
	(-)	(-)	(-)	(28,848,817)	(-)	(-)	(28,848,817)
NHF	-	-	-	-	315,179	-	315,179
	(-)	(-)	(-)	(-)	(304,179)	(-)	(304,179)
NHCT	-	-	-	-	1,263,281	-	1,263,281
	(-)	(-)	(-)	(-)	(1,710,000)	(-)	(1,710,000)
AHF	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(305,003)	(-)	(305,003)
TOTAL	(59,763,268)	(-)	(-)	33,245,357	1,578,460	-	34,823,817
				(28,848,817)	(2,319,182)	(-)	(90,931,267)

Notes

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

	Subsidiaries	Key Management Personnel (KMP)	Relatives of KMP	Associate of Subsidiary (NCHL)	Enterprises under significant influence of KMP	Enterprises under significant influence of relative of KMP	Total
Balances							(₹)
Other current assets							
- Interest accrued on debentures							
NHHM	- (1,739,829)	- (-)	- (-)	- (-)	- (-)	- (-)	- (1,739,829)
Other current assets							
- Interest accrued on unsecured loan							
MMRHL	- (11,093,216)	- (-)	- (-)	- (-)	- (-)	- (-)	- (11,093,216)
NHPL	1,939,273 (31,335)	- (-)	- (-)	- (-)	- (-)	- (-)	1,939,273 (31,335)
TOTAL	1,939,273 (11,124,551)	- (-)	- (-)	- (-)	- (-)	- (-)	1,939,273 (11,124,551)
Other current liabilities -							
Other payables							
Dr Devi Prasad Shetty	- (-)	100,000 -	- (-)	- (-)	- (-)	- (-)	100,000 -
Other current liabilities							
- Accrued salaries and benefits							
Dr. Devi Prasad Shetty	- (-)	3,878,229 -	- (-)	- (-)	- (-)	- (-)	3,878,229 -
Mr. Viren Shetty	- (-)	1,532,649 (1,270,560)	- (-)	- (-)	- (-)	- (-)	1,532,649 (1,270,560)
Dr. Anesh Shetty	- (-)	- (-)	84,597 -	- (-)	- (-)	- (-)	84,597 (-)
Dr. Ashutosh Raghuvanshi	- (-)	2,725,362 (3,118,560)	- (-)	- (-)	- (-)	- (-)	2,725,362 (3,118,560)
Mr. Kesavan Venugopalan	- (-)	865,728 -	- (-)	- (-)	- (-)	- (-)	865,728 (-)
TOTAL	- (-)	9,001,968 (4,389,120)	84,597 (-)	- (-)	- (-)	- (-)	9,086,565 (4,389,120)

Notes

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

	Subsidiaries	Key Management Personnel (KMP)	Relatives of KMP	Associate of Subsidiary (NCHL)	Enterprises under significant influence of KMP	Enterprises under significant influence of KMP	Total
Balances							
Guarantees outstanding							
MMRHL	665,151,887 (323,533,239)	- (-)	- (-)	- (-)	- (-)	- (-)	665,151,887 (323,533,239)
NHSHPL	392,650,265 (411,212,829)	- (-)	- (-)	- (-)	- (-)	- (-)	392,650,265 (411,212,829)
HCCI	- (-)	- (-)	- (-)	523,889,948 (537,029,064)	- (-)	- (-)	523,889,948 (537,029,064)
TOTAL	1,057,802,152 (734,746,068)	- (-)	- (-)	523,889,948 (537,029,064)	- (-)	- (-)	1,581,692,100 (1,271,775,132)
Security outstanding							
NHSHPL	320,000,000 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	320,000,000 (-)

Figures in brackets are for the previous year.

Notes

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

32 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.

33 INVESTMENTS, LOANS, GUARANTEES AND SECURITY

(a) The Company has paid the following amounts towards share application money for allotment of equity shares:

Entity	As at 31 March 2015	Payment during the year	Allotment during the year	As at 31 March 2016
Narayana Cayman Holdings Ltd	85,059,720	359,920,830	425,996,607	18,983,943
TriMedx India Private Limited	1,806,464	-	-	1,806,464
	86,866,184	359,920,830	425,996,607	20,790,407

(b) The Company has made investment in the following Companies:

Entity	As at 31 March 2015	Allotment / Purchases during the year	Sold during the year	Provision for diminution	As at 31 March 2016
Investment in equity instruments					
Narayana Institute for Advanced Research Private Limited	57,600,000	-	-	-	57,600,000
Narayana Hrudayalaya Surgical Hospital Private Limited *	20,000,000	425,057,852	-	-	445,057,852
Narayana Hospitals Private Limited	532,614,420	-	-	-	532,614,420
Narayana Health Institutions Private Limited	198,261	-	-	(198,261)	-
Narayana Cayman Holdings Ltd	811,372,268	425,996,607	-	-	1,237,368,875
Narayana Hrudayalaya Hospitals Malaysia SDN. BHD.	20,019,990	-	-	(2,489,668)	17,530,322
Asia Healthcare Development Limited	23,741,516	12,000,000	-	-	35,741,516
Meridian Medical Research & Hospital Limited	883,949,755	113,031,697	9,500	-	996,971,952
Narayana Vaishno Devi Speciality Hospital Private Limited	500,000	9,500,000	-	-	10,000,000
TriMedx India Private Limited	3,000,500	-	-	-	3,000,500
Investment in debentures					
Narayana Hrudayalaya Hospitals Malaysia SDN. BHD.	55,211,500	(55,211,500)	-	-	-
	2,408,208,210	930,374,656	9,500	(2,687,929)	3,335,885,437

* The Board of Directors of the Company vide their meeting held on 19 September, 2015 approved the purchase of 26% equity shares, held by Infrastructure Development Corporation (Karnataka) Limited (IDECK) in Narayana Hrudayalaya Surgical Hospital Private Limited (NHSPL), by the Company. The purchase of equity shares has been done at a price which gave IDECK 11.25% pre-tax rate of return on compounded basis. On 2 February 2016, the company has paid an amount of ₹ 302,557,862 towards purchase of 26% stake held by IDECK in NHSPL. As a consequence NHSPL has become a wholly owned subsidiary of the Company.

Notes

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

(c) The Company has given unsecured loans to its following subsidiaries:

Entity	As at 31 March 2015	Movement	As at 31 March 2016	Purpose of loans
Narayana Hospitals Private Limited	20,000,000	-	20,000,000	Financial assistance
Meridian Medical Research & Hospital Limited	195,740,517	(195,740,517)	-	Working capital requirement
	215,740,517	(195,740,517)	20,000,000	

During financial year 2014-15 the Company had given a loan of ₹ 195,740,517 to Meridian Medical Research & Hospital Limited ("MMRHL") in which it had 98.62% equity share holding. The Company based on external legal advice, believes that loan advanced to MMRHL was in compliance with Section 185 of the Act. The same has been repaid by MMRHL during the year ended 31 March 2016.

(d) The Company has provided the guarantees to the following entities:

Entity	As at 31 March 2015	Movement	As at 31 March 2016	Purpose of loans
Health City Cayman Islands Ltd	537,029,064	(13,139,116)	523,889,948	Bank guarantee through Canara Bank given to Bank of America to give term loan to Health City Cayman Islands Limited
Narayana Hrudayalaya Surgical Hospital Private Limited	411,212,829	(18,562,564)	392,650,265	Corporate guarantee given to Yes Bank, Canara Bank and GE Capital Services for giving term loan/working capital loan/equipment loan to Narayana Hrudayalaya Surgical Hospital Private Limited
Meridian Medical Research & Hospital Limited	323,533,239	341,618,648	665,151,887	Corporate guarantee given to State Bank of India for giving term loan/working capital loan to Meridian Medical Research & Hospital Limited
	1,271,775,132	309,916,968	1,581,692,100	

(e) The Company has provided the security to the following entity:

Entity	As at 31 March 2015	Movement	As at 31 March 2016	Purpose of loans
Narayana Hrudayalaya Surgical Hospital Private Limited	-	320,000,000	320,000,000	Security given to Yes Bank for giving term loan to Narayana Hrudayalaya Surgical Hospital Private Limited
	-	320,000,000	320,000,000	

Notes

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

34 DEFERRED TAX LIABILITY (NET)

Deferred tax liability included in the balance sheet comprise of the following:

Particulars	As at 31 March 2015	Credit / (Charge) for the year	As at 31 March 2016
Deferred tax asset			
Provision for doubtful receivables	63,415,237	(3,794,879)	59,620,358
Provision for gratuity	34,267,524	13,821,604	48,089,128
Provision for compensated absences	21,369,153	11,838,970	33,208,123
Provision for diminution in the long term investment	14,039,875	1,185,509	15,225,384
Other current liabilities	9,703,994	4,523,202	14,227,196
	142,795,783	27,574,406	170,370,189
Deferred tax liability			
Excess of depreciation on fixed asset under Income Tax Act, 1961 over depreciation under Companies Act.	(434,602,472)	18,331,656	(416,270,816)
Deferred tax liability (net)	(291,806,689)	45,906,062	(245,900,627)

35 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 ₹ 164,992,584 (previous year: ₹ 148,569,138)

Defined benefit plan

The Company operates post-employment defined benefit plan that provide gratuity. The gratuity plan entitles an employee, who has rendered at least five years of continuous service, to receive one-half month's salary for each year of completed service at the time of retirement/exit. The gratuity fund is administered by a trust formed for this purpose and is managed by Kotak Life Insurance from the current year. The Company's obligation in respect of the gratuity plan, which is a defined benefit plan, is provided for based on actuarial valuation carried out by an independent actuary using the projected unit credit method. The Company recognizes actuarial gains and losses immediately in the statement of profit and loss. The Company accrues gratuity as per 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 ₹ 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 obligations

Particulars	As at 31 March 2016	As at 31 March 2015
Defined benefit obligation as at 1 April	100,816,502	64,053,120
Current service cost	31,077,031	24,667,578
Interest cost	8,583,931	4,490,850
Benefits settled	(12,306,733)	(5,628,512)
Actuarial /loss	9,318,648	13,233,466
Defined benefit obligations as at 31 March*	137,489,379	100,816,502

* The above amount does not include ₹ 8,250,118 pertaining to employees who left the organisation but full and final settlement was not done till 31 March 2016. The same was computed on actual basis.

Notes

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

Particulars	As at 31 March 2016	(₹) As at 31 March 2015
Change in fair value of plan assets during the year		
Plan assets at beginning of the year	-	-
Expected return on plan assets	66,006	-
Contributions	18,453,547	-
Actuarial gain	580,915	-
Benefits settled	(12,306,733)	-
Plan assets at the end of the year	6,793,735	-

Particulars	As at 31 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	6,793,735	-
Present value of obligation	137,489,379	100,816,502
Liability recognized in the balance sheet	130,695,644	100,816,502
Current	5,777,151	3,031,744
Non-current	124,918,493	97,784,758

Expense recognised in Statement of Profit and Loss

Particulars	Year ended 31 March 2016	(₹) Year ended 31 March 2016
Current service cost	31,077,031	24,667,578
Interest cost	8,583,931	4,490,850
Expected return on plan assets	(66,006)	-
Net actuarial loss recognised during the year	8,737,733	13,233,466
Total included in 'Employee benefits'	48,332,689	42,391,894

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

Principal actuarial assumptions	As at 31 March 2016	As at 31 March 2015
Attrition rate	46%	46%
Discount rate	8%	8%
Expected rate of return on plan assets	8%	-
Future salary increases	18% for the first year 6% thereafter	6%

The data for the expected contributions to the fund during the year ending 31 March 2017 is not available with the Company.

Notes

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

Five year information*

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

	As at 31 March 2016	As at 31 March 2014	As at 31 March 2013	As at 31 March 2013
Experience history				
Present value of defined benefit obligation	137,489,379	100,816,502	64,053,120	58,312,625
Fair value of plan assets	(6,793,735)	-	-	-
(Surplus) / deficit in the plan	130,695,644	100,816,502	64,053,120	58,312,625
Experience (gain) / loss adjustments on plan liabilities	(9,883,901)	(2,931,505)	2,579,183	(23,170,354)
Experience adjustments arising on plan assets	-	-	-	-

* Information available only for 4 years.

36 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 31 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 ('The MSMED Act') is not expected to be material. The Company has not received any claim for interest from any supplier.

Particulars	As at 31 March 2016	As at 31 March 2015
The amounts remaining unpaid to micro and small suppliers as at the end of the year		
-Principal	1,193,786	-
-Interest	1,218	-
The amount of interest paid by the buyer as per the MSMED Act	-	-
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 the MSMED Act;	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	1,218	-
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	-	-

37 PREPAID EXPENSES

Prepaid expense to related party represents rent paid to Asia Heart Foundation amounting to ₹ 258,142,612 (previous year: ₹ 159,213,912). During the year ended 31 March 2016, the Company had entered into an agreement with Asia Heart Foundation to pay ₹ 108,908,592 by converting the future outflow of ₹ 1,000,000 p.m. towards discount entitlement of 214 months into present value. Against ₹ 108,908,592 the Company has paid ₹ 101,000,000 till 31 March 2016. This is being amortized over the period of 214 months beginning from 1 April 2015.

Notes

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

Prepaid expense includes rent paid to Modern Medical Institute amounting to ₹ 70,788,195 (previous year: ₹ 75,413,195) which is being amortized over a period of 20 years from August 2011.

38 LEASES

The Company has taken medical equipments, 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 amounted to ₹ 216,759,149 for the year ended 31 March 2016 (previous year: ₹ 191,930,854).

The Company is obligated under non-cancellable operating leases for hospital / office premises. The total rental expenses under non-cancellable operating leases amounted to ₹ 60,231,473 for the year ended 31 March 2016 (previous year: ₹ 52,724,741).

Future minimum lease payments under non-cancellable operating leases are as follows:

	(₹)
	As at
	31 March 2016
Principal actuarial assumptions	As at 31 March 2015
Not later than 1 year	61,371,017
Later than 1 year and not later than 5 years	237,200,444
Later than 5 years	557,488,932
	682,900,563

39 HOSPITAL MANAGEMENT FEES

Hospital management fees represents management fees paid under agreements entered into with certain trusts and companies, under which, the Company has a right over the management, operation and utilization of hospital facilities.

40 ADJUSTMENT OF SHARES AND DEBENTURES ISSUE EXPENSES WITH SECURITIES PREMIUM

During the financial year 2015-16, the Company paid fees amounting to ₹ 11,450,000 (previous year ₹ 73,034,000) for professional services in connection with the funds raised from CDC Group PLC and CDC India Opportunities Limited. The same has been adjusted from securities premium account as per Section 52(2) of the Companies Act, 2013.

41 INVESTMENT BY CDC IN EQUITY SHARES AND DEBENTURES

During the financial year 2014-15, the Company had issued 20,339 equity shares of ₹ 10 each at a premium of ₹ 98,326 per share to CDC Group PLC on 24 December 2014 (face value of ₹ 10 per share) aggregating ₹ 2,000,061,460. The Company had also issued 10,000,000, 10.50% optionally convertible debentures (OCD) aggregating ₹ 1,000,000,000 to CDC India Opportunities Limited :

As per the amended agreement dated 25 September 2015, the above mentioned debentures are convertible as per the terms of the agreement.

The shareholders of the Company in their meeting dated 1 December 2015, passed a resolution approving the conversion of OCDs along with accrued coupon into the said number of equity shares. Hence, the OCDs along with accrued interest got converted into 4,360,804 equity shares.

42 EARNINGS PER SHARE (EPS)

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 March 2016 was based on profit attributable to equity shareholders of ₹ 567,771,648 (previous year ₹ 210,021,079) and weighted average number of equity shares outstanding 201,453,601 (includes 2,040,000 equity shares with Narayana Health Employees Benefit Trust) (previous year 190,910,293) (refer note 49).

Notes

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

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 March 2016 was based on profit attributable to equity shareholders of ₹ 600,832,679 (previous year ₹ 228,630,474) and weighted average number of equity shares outstanding after adjustment for effects of all the dilutive potential equity shares 204,360,804 (includes 2,040,000 equity shares with Narayana Health Employees Benefit Trust) (previous year 192,285,674) (refer note 49).

	(₹)
	As at
Earnings	31 March 2016
Profit after tax	567,771,648
Add: Interest on debenture, net of tax	33,061,031
Net profit adjusted for effects of dilutive potential equity shares for calculation of diluted EPS	600,832,679

	(₹)
	As at
Shares	31 March 2016
Weighted average number of equity shares outstanding during the year for calculation of basic EPS	201,453,601
Effects of dilutive potential equity shares in respect of optionally convertible debentures	2,907,203
Weighted average number of equity shares for calculation of dilutive EPS	204,360,804
Basic and Diluted earnings per share	2.82
Since the potential equity shares are anti-dilutive in nature therefore basic and dilutive earnings per shares are the same.	1.10
Basic and Diluted earnings per share	2.82

43 CORPORATE SOCIAL RESPONSIBILITY

Consequent to the requirements of Section 135 of the Companies Act 2013, the Company has made contributions as stated below. The same is in line with activities specified in Schedule VII of the Companies Act, 2013.

- Gross amount required to be spent by the Company during the year is ₹ 9,528,526 (previous year: ₹ 8,760,950)
- Amount spent during the year ended 31 March 2016 on corporate social responsibility activities:

	(₹)
Particulars	In cash Yet to be paid Total
	in cash
Construction/acquisition of any asset	- - -
	(-) (-) (-)
On purposes other than above	9,902,238 - 9,902,238
	(10,339,406) (259,523) (10,598,929)
Figures in brackets are for the previous year.	

Notes

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

44 CHANGE IN USEFUL LIFE OF FIXED ASSETS

Pursuant to the notification of Schedule II to the Companies Act 2013, the Company in the financial year 2014-15, based on the internal technical evaluation, revised the estimated useful life of office equipments and electrical installations. The useful life of all other assets, other than the office equipment and electrical installation is unchanged.

The amount adjusted through surplus (profit and loss balance), net of tax due to change in useful lives in the previous year was ₹ 6,275,878.

45 BONUS SHARES

During the financial year 2014-2015, the Company had issued 577,4476 fully paid up equity shares of ₹ 10 each for every 1 fully paid up equity share of ₹ 10 each to the existing shareholders whose name appeared in the register of members as on 25 March 2015, subject to the fractional shares being rounded off the nearest number. As per Section 63(1) of the Companies Act 2013, the bonus shares have been issued by utilising securities premium account. The bonus shares rank pari passu in all respects including dividend with the existing equity shares of the Company.

Name of the shareholder	Number of shares before bonus issue	Number of bonus shares issued during the year 2014-2015	(₹)
			Number of shares after bonus issue
Dr. Devi Prasad Shetty	115,385	66,628,794	66,744,179
Mrs. Shakuntala Shetty	110,860	64,015,843	64,126,703
Narayana Health Academy Private Limited	15,620	9,019,732	9,035,352
Ashoka Investments Holdings Private Limited	29,006	16,749,446	16,778,452
Ambadevi Mauritius Holdings Limited	8,701	5,024,372	5,033,073
JP Morgan Mauritius Holdings IV Limited	37,707	21,773,817	21,811,524
Kiran Mazumdar Shaw	8,135	4,697,536	4,705,671
CDC Group PLC	20,339	11,744,707	11,765,046
Total	345,753	199,654,247	200,000,000

46 SHAREHOLDERS AND INVESTMENT AGREEMENT

Pursuant to the Shareholders and Investment Agreement dated 28 January 2008 (the agreement) entered amongst the Company; Ashoka Investments Holdings Private Limited, Ambadevi Mauritius Holdings Limited, JP Morgan Mauritius Holdings IV Limited (hereinafter collectively referred to as "Investors"); Dr. Devi Shetty and Mrs. Shakuntala Shetty, (hereinafter collectively referred to as 'Sponsors') and Narayana Health Academy Private Limited; the Investors invested in 75,414 equity shares (aggregates 43,623,049 equity shares including 43,547,635 bonus equity shares allotted on 25 March 2015). The terms of the agreement inter alia provided for certain exit options to the Investors before 4 August 2015. All the aforesaid parties have entered into an amendment agreement dated 16 July 2015 vide which the time to comply with the exit options was extended to 31 December 2015. The time limit to comply with the exit option was further extended to 31 January 2016 vide amended agreement dated 17 December 2015. The equity shares of the Company got listed on NSE and BSE on 6 January 2016. Hence, the Company has adhered to the time limits as per the Shareholders and Investment Agreement.

47 INVESTMENT IN NARAYANA HRUDAYALAYA HOSPITALS MALAYSIA SDN. BHD

The Company has aggregate investment of ₹ 50,483,750 (previous year: ₹ 105,695,250) in Narayana Hrudayalaya Hospitals Malaysia SDN. BHD ("NHMH"). The amount has been invested as ₹ 50,483,750 (previous year: ₹ 50,483,750) in equity shares and ₹ Nil (previous year: ₹ 55,211,500) in 6% partly convertible debentures. The

Notes

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

6% partly convertible debenture were redeemed during the current financial year. Based on the net assets of Narayana Hrudayalaya Hospitals Malaysia SDN. BHD as at 31 March 2016, the Company has recorded provision other than temporary diminution in the value of investment aggregating ₹ 32,953,428 (previous year: ₹ 30,463,760).

48 DEBENTURE REDEMPTION RESERVE

As per Section 71 of the Companies Act 2013, and Companies (Share Capital and Debenture) Rules, 2014 the Company, in the year 2014-2015 created Debenture Redemption Reserve (DRR) amounting to ₹ 250,000,000 for the purpose of redemption of debentures, which is 25 % of the value of the debentures issued. The DRR was created out of the profits of the company available for the payment of dividend. In the shareholders meeting on 1 December 2015, a resolution was passed approving the conversion of debentures into equity shares of the Company. Hence the amount in the debenture redemption reserve has been transferred to the general reserve.

49 EMPLOYEE STOCK OPTION PLAN (ESOP)

During the year ended 31 March 2016, the Company introduced the NH ESOP 2015 ("NH ESOP") for the benefit of the employees of the Company, its subsidiaries and an associates, as approved by the Board of Directors in its meeting held on 12 September 2015. NH ESOP 2015 provides for the creation and issue of 2,040,000 share options that would eventually convert into equity shares of ₹ 10 each in the hands of the employees of the Company, its subsidiaries and associate. The options are to be granted to the eligible employees as per the eligibility criteria as determined by the Nomination and Remuneration Committee at its sole discretion. The share options vest in a graded manner over a period of four years and are exercisable in one or more tranches within a period of four years from the date of first vesting, failing which the options shall lapse.

Pursuant to NH ESOP, the Company granted 805,670 shares options till 31 March 2016 (previous year: Nil). The Stock compensation cost is computed under the intrinsic value method. For the year ended 31 March 2016, the Company has recorded stock compensation expenses of ₹ 33,096,290 (previous year: Nil).

The activity in this stock option plan is summarized below:

Particulars	As at 31 March 2016	As at 31 March 2015
Outstanding as at the beginning of the year	-	-
Option granted during the year	805,670	-
Forfeited during the year	-	-
Exercised during the period	-	-
Expired during the period	-	-
Outstanding at the end of the year	805,670	-
Exercisable at the end of the year	-	-

The weighted average remaining contractual life for the stock options outstanding as at 31 March 2016 is 4.50 years (previous year: Nil). The exercise price for the stock options outstanding as at 31 March 2016 is ₹ 10 (previous year : Nil).

Notes

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

Fair value presentation

Options have been valued based on fair value of method as described under guidance note on Accounting for Employees Shared-based Payment using Black Scholes valuation options-pricing model, using the fair value of the Company's shares as on the grant date.

Particulars	As at 31 March 2016	As at 31 March 2015
No. of options granted	805,670	-
Date of grant	1 October 2015	-
Vesting period (years)	4	-
Expected life of option (years)	5	-
Expected volatility	35%	-
Risk free rate	7.63%	-
Expected dividends expressed as a dividend yield	-	-
Weighted-average fair values of options per shares (₹)	208.73	-

Had the compensation for the Scheme been determined based on fair value approach, the Company's net profit and earnings per share would have been as per the pro-forma amounts indicated below:

Particulars	As at 31 March 2016	As at 31 March 2015
Net profit (as reported)	567,771,648	-
Less: Stock based compensation expenses under fair value based method (without considering tax impact)	510,795	-
Net profit (pro-forma) considered for computing EPS (pro-forma)	567,260,853	-
Basic and diluted earnings per shares (as reported)	2.82	-
Basic and diluted earnings per shares (pro-forma)	2.82	-

50 EXCEPTIONAL ITEMS

Exceptional items amounting to ₹ 108,459,366 represents loss on slump sale of Hyderabad unit of ₹ 95,986,383 and provision for bonus of ₹ 12,472,983.

- (a) The Company entered into a business transfer agreement on 1 April 2016 ('the Agreement') with Chandramma Educational Society for sale of its business on a slump sale basis, without values being assigned to the individual assets and liabilities.

As per the terms of the agreement, the Company had sold the following assets and liabilities pertaining to health care business of Hyderabad unit for an aggregate consideration of ₹ 157,500,000. The shortage of the aggregate value of the assets and liabilities sold over the sales consideration has been accounted as an exceptional item in the standalone statement of profit and loss account. As per the requirement of Accounting Standard (AS)-10, the fixed assets held for sale have been stated at the net realisable value of ₹ 141,129,926.

Notes

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

Particulars	Amount	(₹) Amount
Assets		
Fixed assets	237,116,309	
Inventories	8,416,786	
Short-term loans and advances	10,659,191	
Total Assets A		256,192,286
Liabilities		
Trade payables B		(2,705,903)
Net assets C = A+B		253,486,383
Sales consideration D		157,500,000
Net loss on slump sale recorded as an exceptional item C - D		95,986,383

(b) Provision for bonus

Exceptional item also represents additional provision for bonus amounting to ₹ 12,472,983 for the period from 1 April 2014 to 31 March 2015 pursuant to the retrospective application of "The Payment of Bonus (Amendment) Act, 2015" effective 1 April 2014.

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 Hrudayalaya Limited

(formerly known as Narayana Hrudayalaya Private Limited)

Amit Somani

Partner

Membership number: 60154

Place: Bengaluru

Date: 30 May 2016

Dr. Devi Prasad Shetty

Chairman

DIN: 00252187

Ashish Kumar

Company Secretary

Kesavan Venugopalan

Chief Financial Officer

Place: Bengaluru

Date: 30 May 2016

Independent Auditor's Report

To
The Members of

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

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Narayana Hrudayalaya Limited ("the Holding Company"), its subsidiaries and an associate (collectively referred to as "the Group") which comprise the consolidated balance sheet as at 31 March 2016, the consolidated statement of profit and loss, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group 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. The respective Board of the Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group 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 the 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, which have been used for

the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

While conducting the 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated 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 Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraphs (i) and (ii) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Independent Auditor's Report

OPINION

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

OTHER MATTERS

- (i) We did not audit the financial statements of three subsidiaries included in the consolidated financial statements. These subsidiaries account for INR 978,194,050 of total assets as at 31 March 2016, total revenues and other income of INR 64,574,704 and net cash inflow of INR 3,615,518 for the year ended on that date, as considered in these consolidated financial statements. Of the above:
 - (a) The audited financial statements of a subsidiary incorporated outside India as drawn up in accordance with the generally accepted accounting principles in India has been audited by the other auditor whose report has been furnished to us by the Management of the Holding Company. This subsidiary accounts for INR 928,643,826 of total assets as at 31 March 2016, INR 51,638 of aggregate of total revenues and other income and net cash inflow of INR 21,138,626 for the year ended on that date as shown in the consolidated financial statements. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary and our report in terms of sub-section (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, is based solely on the report of the other auditor;
 - (b) The audited financial statements of a subsidiary incorporated in India has been audited by the other auditor whose report has been furnished to us by the Management of the Holding Company. This subsidiary accounts for INR 31,121,697 of total assets as at 31 March 2016, INR 64,523,066 of aggregate of total revenues and other income and net cash inflow of INR 2,313,334 for the year ended on that date as shown in the consolidated financial statements. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary and our report in terms of sub-section (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, is based solely on the report of the other auditor; and
 - (c) The audited financial statements of a subsidiary incorporated outside India as drawn up in accordance with the generally accepted accounting principles of that country ('local GAAP') has been audited by other auditor duly qualified to act as auditor in that country whose report has been furnished to us by the Management of the Holding Company. For the purpose of preparation of the consolidated financial statements, the aforesaid local GAAP financial statements have been restated by the Management of the Holding Company so that they conform to the generally accepted accounting principles in India. This subsidiary accounts for INR 18,428,527 of total assets as at 31 March 2016, INR Nil of aggregate of total revenues and other income and net cash outflow of INR 19,836,442 for the year ended on that date as shown in the consolidated financial statements. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary and our

Independent Auditor's Report

report in terms of sub-section (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary, is based solely on the restated local GAAP financial statements provided to us by the Management of the Holding Company and the report of the other auditor.

- (ii) The consolidated financial statements also include the Group's share of net loss of INR 217,496,263 for the year ended 31 March 2016 in respect of an associate incorporated outside India which is not audited by us. The audited financial statements of the associate as drawn up in accordance with the generally accepted accounting principles in India has been audited by other auditor whose report has been furnished to us by the Management of the Holding Company. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this associate and our report in terms of sub-section (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid associate, is based solely on the report of the other auditor.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the Management.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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 of the aforesaid consolidated financial statements;

- (b) in our opinion proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;
- (c) the consolidated balance sheet, the consolidated statement of profit and loss and the consolidated cash flow statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
- (d) in our opinion, the aforesaid consolidated 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 of the Holding Company as on 31 March 2016 taken on record by the Board of Directors of the Holding Company and the report of the auditor of the subsidiaries company incorporated in India, none of the directors of the Holding Company and its subsidiaries incorporated in India 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 Group and the operating effectiveness of such controls, refer to our separate report in "Annexure A"; and

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:

Independent Auditor's Report

- (i) the consolidated financial statements disclose the impact of pending litigations on the financial position of the Group. Refer note 25(i) to the consolidated financial statements;
- (ii) the Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
- (iii) there were no amounts during the year which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiaries incorporated in India.

for **BSR & Co. LLP**
Chartered Accountants
Firm's registration number:
101248W/W-100022

Place: Bengaluru
Date: 30 May 2016

Amit Somani
Partner
Membership number: 60154

Balance Sheet (Consolidated)

as at 31 March 2016

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	2,043,608,040	2,000,000,000
Reserves and surplus	3	6,824,636,948	5,683,921,764
		8,868,244,988	7,683,921,764
Minority interest	45	2,729,149	6,806,721
Non-current liabilities			
Long-term borrowings	4	1,875,699,394	2,065,781,414
Deferred tax liabilities (net)	28	261,126,014	358,318,433
Other long-term liabilities	5	19,887,956	46,220,064
Long-term provisions	6	129,871,888	106,281,182
		2,286,585,252	2,576,601,093
Current liabilities			
Short-term borrowings	7	445,792,010	985,272,253
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	8	1,195,004	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	8	1,645,784,518	1,358,393,992
Other current liabilities	9	935,686,009	1,015,663,216
Short-term provisions	6	121,799,690	75,085,461
		3,150,257,231	3,434,414,922
TOTAL		14,307,816,620	13,701,744,500
ASSETS			
Non-current assets			
Goodwill	56	750,023,665	642,173,449
Fixed assets			
Tangible assets	10	8,568,101,641	8,458,226,578
Intangible assets	10	28,272,185	31,665,955
Capital work-in-progress		138,034,227	204,066,896
Non-current investments	11	871,538,093	521,814,829
Long-term loans and advances	12	1,100,785,256	1,228,451,083
Other non-current assets	13	2,462,950	10,849,132
		11,459,218,017	11,097,247,922
Current assets			
Current investments	14	-	377,701
Inventories	15	497,472,445	512,243,846
Trade receivables	16	1,527,245,332	1,429,269,410
Cash and bank balances	17	240,686,579	295,205,814
Short-term loans and advances	12	296,180,822	254,902,163
Other current assets	18	287,013,425	112,497,644
		2,848,598,603	2,604,496,578
TOTAL		14,307,816,620	13,701,744,500
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 **B S R & Co. LLP**

Chartered Accountants

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

for and on behalf of the Board of Directors of

Narayana Hrudayalaya Limited

(formerly known as Narayana Hrudayalaya Private Limited)

Amit Somani

Partner

Membership number: 60154

Place: Bengaluru

Date: 30 May 2016

Dr. Devi Prasad Shetty

Chairman

DIN: 00252187

Ashish Kumar

Company Secretary

Kesavan Venugopalan

Chief Financial Officer

Place: Bengaluru

Date: 30 May 2016

Statement of Profit and Loss (Consolidated)

for the year ended 31 March 2016

	Note	For the year ended 31 March 2016	For the year ended 31 March 2015
(₹)			
INCOME			
Revenue from operations	19	16,074,541,740	13,638,501,913
Other income	20	102,419,083	77,355,806
Total revenue		16,176,960,823	13,715,857,719
EXPENSES			
Purchase of medical consumables, drugs and surgical equipments		3,856,301,199	3,426,570,483
Changes in inventories of medical consumables, drugs and surgical equipments	21	14,771,401	(19,676,523)
Employee benefits	22	3,349,848,520	2,769,335,853
Other expenses	23	7,088,193,475	6,241,801,385
Total expenses		14,309,114,595	12,418,031,198
Earnings before interest, depreciation and amortisation, exceptional items and tax		1,867,846,228	1,297,826,521
Finance costs	24	294,406,913	408,898,710
Depreciation and amortisation	10	752,498,947	683,583,281
Profit before exceptional items and tax		820,940,368	205,344,530
Exceptional items	57	110,115,132	-
Profit before tax		710,825,236	205,344,530
Tax expense			
Current tax		351,359,486	137,053,784
Deferred tax (credit)/ charge	28	(45,224,978)	9,010,969
Net tax expense		306,134,508	146,064,753
Profit after tax, before share in loss of an associate and minority interest		404,690,728	59,279,777
Share in loss of an associate	11	(217,496,263)	(251,313,548)
Share in loss attributable to minority interest	45	4,077,572	24,392,359
Profit/ (Loss) for the year		191,272,037	(167,641,412)
Earnings/ (loss) per equity share [nominal value of share ₹ 10 (previous year ₹ 10)]			
Basic and diluted (Refer note 50)		0.95	(0.88)
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 **B S R & Co. LLP**

Chartered Accountants

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

for and on behalf of the Board of Directors of

Narayana Hrudayalaya Limited

(formerly known as Narayana Hrudayalaya Private Limited)

Amit Somani

Partner

Membership number: 60154

Place: Bengaluru

Date: 30 May 2016

Dr. Devi Prasad Shetty

Chairman

DIN: 00252187

Ashish Kumar

Company Secretary

Kesavan Venugopalan

Chief Financial Officer

Place: Bengaluru

Date: 30 May 2016

Cash Flow Statement (Consolidated)

for the year ended 31 March 2016

	For the year ended 31 March 2016	For the year ended 31 March 2015
		(₹)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	710,825,236	205,344,530
Adjustments :		
Unrealised foreign exchange loss, net	(1,869,851)	2,326,273
Depreciation and amortisation	752,498,947	683,583,281
Interest income	(17,099,086)	(8,037,377)
Interest expense and other borrowing costs	294,406,913	408,898,710
Expenses on employee stock option (ESOP) scheme	33,499,290	-
Loss on slump sale	3,198,686	-
Loss on sale of fixed assets	7,087,820	20,679,279
Exceptional items	110,115,132	-
Operating cash flow before working capital changes	1,892,663,087	1,312,794,696
Changes in trade receivables	(97,060,963)	(1,844,957)
Changes in inventories	14,493,710	(12,979,773)
Changes in other assets	(30,301,635)	21,894,029
Changes in loans and advances	(147,358,904)	(38,594,336)
Changes in liabilities and provisions	437,704,648	(290,907,514)
Cash generated from operations	2,070,139,943	990,362,145
Income tax paid, net of refund	(349,971,725)	(223,041,589)
Net cash generated from operating activities (A)	1,720,168,218	767,320,556
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (including capital work-in-progress)	(904,512,628)	(981,502,288)
Proceeds from sale of fixed assets	3,322,933	66,460,087
Proceeds from slump sale	23,201,557	-
Investment in equity shares of a subsidiary	(302,557,852)	-
Share application money paid during the year	(307,927,676)	(384,572,315)
Payment for acquisition of long-term equity investment in a subsidiary	-	(883,949,755)
Investment in mutual fund	-	(377,701)
Proceeds from sale of mutual fund	377,701	-
Bank deposits (due to mature after 12 months from the reporting date)	8,281,973	1,214,033
Bank deposits (having original maturity of more than 3 months)	(16,203,403)	(41,115,763)
Interest received on bank deposits	14,119,075	8,177,183
Net cash used in investing activities (B)	(1,481,898,320)	(2,215,666,519)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	1,094,587,760	1,277,947,437
Repayment of long-term borrowings	(599,953,367)	(2,854,139,145)
Proceeds from working capital loan	-	300,000,000
Repayment of working capital loan	(250,000,000)	(50,000,000)
Proceeds from commercial papers	800,000,000	-
Repayment of commercial papers	(600,000,000)	-
Changes in bank overdrafts and cash credit (net)	(489,480,243)	191,458,098
Proceeds from issue of equity shares during the year	-	2,000,061,460

Cash Flow Statement (Consolidated)

for the year ended 31 March 2016

	For the year ended 31 March 2016	For the year ended 31 March 2015
		(₹)
Proceeds from issue of debentures during the year	-	1,000,000,000
Repayment of share application money pending allotment	-	(80,712)
Expenses paid in relation to issue of debentures	-	(16,854,000)
Expenses paid in relation to issue of equity shares	(11,450,000)	(56,180,000)
Interest and other borrowing costs paid	(252,767,352)	(389,590,032)
Net cash (used in) / provided by financing activities (C)	(309,063,202)	1,402,623,106
Net decrease in cash and cash equivalents (A+B+C)	(70,793,304)	(45,722,857)
Cash and cash equivalents at the beginning of the year	208,455,449	267,146,260
Cash and cash equivalents acquired from Meridian Medical Research & Hospital Limited (refer note 1.1)	-	19,209,095
Cash and cash equivalents of Health City Cayman Islands Limited, as an associate (refer note 33)	-	(32,177,049)
Effects of exchange gain on restatement of foreign currency cash and cash equivalents	70,665	-
Cash and cash equivalents at the end of the year (refer note 17)	137,732,811	208,455,449

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

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

Partner

Membership number: 60154

Place: Bengaluru

Date: 30 May 2016

for and on behalf of the Board of Directors of

Narayana Hrudayalaya Limited

(formerly known as Narayana Hrudayalaya Private Limited)

Dr. Devi Prasad Shetty

Chairman

DIN: 00252187

Ashish Kumar

Company Secretary

Kesavan Venugopalan

Chief Financial Officer

Place: Bengaluru

Date: 30 May 2016

Notes

to the consolidated financial statements for the year ended 31 March 2016

GROUP OVERVIEW

Narayana Hrudayalaya Limited (formerly known as Narayana Hrudayalaya Private Limited) ('the Company' or 'the Holding company') together with its subsidiaries and an associate (collectively referred to as 'Narayana Hrudayalaya Group' or 'the Group') is primarily engaged in business of rendering medical and healthcare services. Narayana Hrudayalaya Limited, the flagship company of the Group, was incorporated on 19 July 2000 under the Companies Act, 1956 with its registered office in Bengaluru. The Group was rebranded as 'Narayana Health' in 2013. It has a network of multispecialty and superspecialty hospitals spread across multiple locations. The Group owns and operates certain hospitals and also enters into management agreements with hospitals under which the Group acquires the operating control of the hospitals.

During the year ended 31 March 2016, the Company completed the Initial Public Offering (IPO) through an offer for sale by the existing shareholders to the extent of 24,523,297 equity shares of face value of ₹ 10 each for a cash price of ₹ 250 per equity share including a premium of ₹ 240 per equity share, of 6,287,978 equity shares by Ashoka Investment Holdings Limited, 1,886,455 equity shares by Ambadevi Mauritius Holdings Limited, 12,261,648 equity shares by JP Morgan Mauritius Holdings IV Limited, 2,043,608 equity shares by Dr. Devi Prasad Shetty and 2,043,608 equity shares by Shakuntala Shetty aggregating to ₹ 6130.82 million and the equity shares of the Company were listed on the BSE Limited and the National Stock Exchange of India Limited on 6 January 2016.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation of the consolidated financial statements

These consolidated financial statements have been prepared in accordance with Indian Generally Accepted Accounting Principles ('GAAP') under the historical cost convention and on the accrual basis of accounting and 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 consolidated financial statements are consistent with those followed in the previous years. The consolidated financial statements are presented in Indian Rupees (₹).

The consolidated financial statements include the financial statements of the Company, its subsidiaries and an associate.

The consolidated financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of the consolidated financial statements as laid down under the Accounting Standard (AS) 21 - 'Consolidated financial statements' and in accordance with AS 23 - "Accounting for Investments in Associates in Consolidated financial statements", issued under Companies (Accounting Standards) Rules, 2014.

The consolidated financial statements have been prepared on the following basis:

The consolidated financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting unrealised gain/loss. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent company and its share in the post-acquisition increase/decrease in the relevant reserves of subsidiaries.

The consolidated financial statements include the profit/loss of the associate which has been accounted for using equity method as per AS 23 'Accounting for Investments in Associates in consolidated financial statements'. Accordingly, the share of profit/loss of the associate (the loss being restricted to the cost of investment) has been added to/deducted from the cost of investments.

Notes

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

The Group accounts for its share in the change in the net assets of the associate, post-acquisition, after eliminating unrealised profits and losses resulting from transaction between the parent company or its subsidiaries with its associate to the extent of its share, through its statement of profit and loss to the extent such change is attributable to associates' statement of profit and loss and through its reserves for the balance, based on available information.

The excess of cost to the Company of its investment in subsidiaries over its portion of equity in the subsidiaries at the respective dates on which investment in subsidiaries was made is recognised in the consolidated financial statements as goodwill. When the cost to the Company of its investment in subsidiaries is less than its portion of equity

of the subsidiaries, at the date on which investment in the subsidiaries was made, the difference is treated as a capital reserve in the consolidated financial statements. The Company's portion of equity in the subsidiaries is determined on the basis of the net assets as per the financial statements of the subsidiaries as on the date of investment.

Minority interests represent that part of the net profit or loss and net assets of subsidiaries that are not, directly or indirectly, owned or controlled by the Company.

The consolidated financial statements are prepared by applying uniform accounting policies for similar transactions and other events in similar circumstances across the Group.

List of subsidiaries with percentage of equity holding

Name of the subsidiaries	Country of incorporation	Proportion of ownership/ voting power as at 31 March 2016 (in %)	Proportion of ownership/ voting power as at 31 March 2015 (in %)
Narayana Hospitals Private Limited ('NHPL')	India	100	100
Narayana Institute for Advanced Research Private Limited ('NIARPL')	India	100	100
Narayana Health Institutions Private Limited ('NHIPL')	India	100	100
Narayana Hrudayalaya Surgical Hospital Private Limited ('NHSPL')*	India	100	74
Narayana Cayman Holdings Ltd ('NCHL')	Cayman Islands	100	100
Narayana Hrudayalaya Hospitals Malaysia SDN.BHD ('NHHM')	Malaysia	100	100
Asia Healthcare Development Limited ('AHDL')	India	100	100
Meridian Medical Research & Hospital Limited ('MMRHL')**	India	99.03	98.62
Narayana Vaishno Devi Specialty Hospitals Private Limited ('NVDSHPL')***	India	100	100

*On 2 February 2016, the Company paid an amount of ₹ 302,557,862 towards purchase of 26% held by IDECK in NHSPL. As a consequence, NHSPL became a wholly owned subsidiary of the Company.

**During the previous year, the Company had invested a sum of ₹ 883,949,755 for purchase of 98.62% equity shares of MMRHL. MMRHL has become a subsidiary with effect from 24 November 2014.

***The Company was incorporated as wholly owned subsidiary with effected from 5 September 2014.

Notes

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

List of associate with percentage of equity holding (refer note 33):

Name of the Associate	Country of incorporation	Proportion of ownership interest as at 31 March 2016	Proportion of ownership interest as at 31 March 2015
Health City Cayman Island Ltd	Cayman Islands	28.60% (accounted as an associate)	28.60% (accounted as an associate)

1.2 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 Group'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.

Liabilities

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

- It is expected to be settled in the Group's normal operating cycle;
- It is held primarily for the purpose of being traded;
- It is expected to be settled within 12 months after the reporting date; or

- The Group 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.

1.3 Use of estimates

The preparation of the consolidated 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 Inventories

The inventories of medical consumables, drugs and surgical equipments are valued at lower of cost or net realisable value. In the absence of any further estimated costs of completion and estimated costs necessary to make the

Notes

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

sale, the net realisable 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

1.5 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.

1.6 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 Group are segregated.

1.7 Revenue recognition

Revenue from operations

Revenue from medical and healthcare services to patients is recognised 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 recognised net of discounts given to the patients.

Revenue from sale of medical consumables and drugs within the 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.

The Group has entered into management agreements with certain trusts, under which, the Group has a right over the management, operation and utilisation of hospital facilities owned by the trusts. As a consideration towards the aforesaid arrangement, the Group is obligated to offer discounts to patients nominated by the trusts at free of cost/ concession as per the terms of the agreement. The discounts thus offered have been recognised as revenue with a corresponding charge to rent expense.

'Unbilled revenue' represents value to the extent of medical and healthcare services rendered to the patients who are undergoing treatment/observation on the consolidated balance sheet date and is not billed as at the consolidated balance sheet date. 'Unearned revenue' comprises billings in the excess of earnings.

Interest

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

Dividend

Dividend income is recognised when the Group's right to receive dividend is established.

Learning and development income

Revenue is recognized on pro-rata basis on the completion of such services over the duration of the program.

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.

Notes

to the consolidated financial statements for the year ended 31 March 2016 (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.

Goodwill arising on consolidation represents the excess of cost to the Group of its investment in a subsidiary company over the Group's portion of net worth of the subsidiary and associates at the date on which investment in the subsidiary is made.

(c) Depreciation and amortisation

Leasehold improvements are being amortised over the term of the lease, or estimated useful life of the assets, whichever is lower. Consideration paid for acquiring leasehold land is amortised over the lease term.

Freehold land is not depreciated.

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 Group estimates the useful life of the fixed assets as follows:

Block of assets	Useful life
Building	60 years
Electrical installation	10 years
Medical equipments	13 years
Office equipments	5 years
Other equipment including air conditioners	15 years
Furniture and fixtures	10 years
Computers	3 years
Computer software	3 years
Vehicles	5 years

The Group 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 except vehicles where useful life considered by management is lower. Fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown under "other current assets".

Goodwill arising on consolidation is tested for impairment periodically.

1.9 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 consolidated 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

Notes

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

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 consolidated balance sheet date are translated at the exchange rates on that date; the resultant exchange differences are recognised in the consolidated 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.

Integral and non-integral foreign operations

(a) Integral foreign operations

The financial statements of integral foreign operations are translated into Indian rupees as follows:

- Items of income and expenditure are translated at the respective monthly average rates;
- Monetary items are translated using the closing rate;
- Non-monetary items are translated using the monthly average rate which is expected to approximate the actual rate on the date of transaction; and
- The net exchange difference resulting from the translation of items

in the financial statements of integral foreign operations is recognised as foreign exchange gain/(loss).

(b) Non-integral foreign operations

The financial statements of non-integral foreign subsidiaries and associate are translated into Indian rupees as follows:

- All assets and liabilities, both monetary and non-monetary (excluding share capital and reserves and surplus) are translated using the year end exchange rates.
- Share capital and opening reserves and surplus are carried at historical cost.
- Items in the consolidated statement of profit and loss are translated at the respective yearly average exchange rates.
- The resulting net exchange difference is credited or debited to the foreign currency translation reserve.
- Contingent liabilities are translated at the closing exchange rate.

Exchange differences which have been deferred in the foreign currency translation reserve are not recognised as income or expenses until the disposal of that entity.

1.10 Government grants

Government grants available to the Group are recognized:

- (i) where there is reasonable assurance that the Group will comply with the conditions attached to them; and
- (ii) where such benefits have been earned by the Group and it is reasonably certain that the ultimate collection will be made.

Notes

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

Government grants related to the acquisition or construction of fixed assets are shown as a deduction from the gross value of respective fixed assets.

1.11 Employee benefits

Short term employee benefits

Employee benefits payable wholly within twelve 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

Defined 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 Group makes specified obligations towards employee provident fund and employee state insurance to Government administered provident fund scheme and ESI scheme which is a defined contribution plan. The Group's contributions are recognized as an expense in the consolidated statement of profit and loss during the year in which the employee renders the related service.

Defined benefit plans

The Group's gratuity benefit scheme is a defined benefit plan. The Group'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 Group has partially funded the scheme through the gratuity fund administered by a trust formed for this purpose and managed by Kotak Life Insurance and Life Insurance Corporation of India directly. The Company's obligation in respect of the gratuity plan, which is a defined benefit plan, is provided for based on actuarial valuation carried out by an independent actuary using the projected

unit credit method. The Group recognizes all actuarial gains and losses arising from defined benefit plans immediately in the consolidated statement of profit and loss. All expenses related to defined benefit plans are recognized in employee benefit expense in the consolidated 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 consolidated statement of profit and loss on a straight-line basis over the average period until the benefits become vested. The Group recognizes gains and losses in 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 Group 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 actuarial valuation carried out by an independent actuary using the projected unit credit method.

Employee Stock Option Plan (ESOP)

The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense, if any, is amortised over the vesting period of the option on a straight line basis.

1.12 Borrowing cost

Borrowing costs are interest and other costs incurred by the Group 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.

Notes

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

1.13 Leases

Leases under which the Group 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 consolidated statement of profit and loss on a straight line basis over the lease term. Lease term is the non-cancellable period for which the Group has agreed to take on lease the asset together with any further periods for which the group has the option to continue the lease and at the inception of the lease it is reasonably certain that the Group will exercise such an option.

The Group has entered into management agreements with certain trusts, under which, the Group has a right over the management, operation and utilisation of hospital facilities owned by the trusts. As a consideration towards the aforesaid arrangement, the Group is obligated to offer discounts to patients nominated by the trusts at free of cost/concession as per the terms of the agreement. The discounts thus offered have been recognised as revenue with a corresponding charge to rent expense.

1.14 Earnings/ (loss) per share

The basic earnings/ (loss) per share is computed by dividing the consolidated net profit/loss attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year.

Diluted earnings/ (loss) per share is computed by dividing the consolidated net profit/loss attributable to equity shareholders for the year relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings/ (loss) per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity

shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share or increase the net loss per share from continuing ordinary operations.

1.15 Income tax

The 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 consolidated balance sheet when it is probable that the future economic benefit associated with it will flow to the Group 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 realization 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.

Notes

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

1.16 Impairment of assets

The Group assesses at each balance sheet date using external and internal sources, whether there is any indication that an asset or a group of assets including goodwill 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 Group 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.

1.17 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 if, 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 if, 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.

1.18 Share and debenture issue expenses

Share and debenture issue expenses are adjusted against the securities premium account as permissible under Section 52 of the Companies Act, 2013, to the extent any balance is available for utilisation in the securities premium account.

1.19 Investments

Non-current investments are carried at cost. Provision is made, wherever necessary, for any diminution, other than temporary, in value of investments.

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is determined separately for each individual investment.

1.20 Measurement of Earnings before interest, tax, depreciation and amortization (EBITDA)

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

Notes

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

2 SHARE CAPITAL

Particulars	(₹)	
	As at 31 March 2016	As at 31 March 2015
Authorised		
300,000,000 equity shares (previous year: 300,000,000 equity shares) of ₹ 10 each	3,000,000,000	3,000,000,000
	3,000,000,000	3,000,000,000
Issued, subscribed and paid up		
204,360,804 equity shares (previous year: 200,000,000 equity shares) of ₹ 10 each, fully paid up	2,043,608,040	2,000,000,000
	2,043,608,040	2,000,000,000

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

Particulars	(₹)		As at 31 March 2015	
	As at 31 March 2016		Number of shares	Amount
	Number of shares	Amount		
Shares outstanding at the beginning of the year	200,000,000	2,000,000,000	325,414	3,254,140
Shares issued during the year (refer note 47)	4,360,804	43,608,040	20,339	203,390
Bonus shares issued during the year (refer note 35)	-	-	199,654,247	1,996,542,470
Shares outstanding at the end of the year	204,360,804	2,043,608,040	200,000,000	2,000,000,000

Rights, preference and restriction attached to equity shares (refer note 36):

The Company has a single class of equity shares referred to as equity shares having a nominal value of ₹ 10 each. Accordingly, all equity shares rank equally with regard to dividend and share in the Company's residual assets. Each holder of equity shares is entitled to one vote per share. The equity shares are entitled to receive dividend as declared from time to time. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

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

Particulars of shareholders holding more than 5% equity shares:

Particulars	As at 31 March 2016		As at 31 March 2015	
	Number of shares	% Holding	Number of shares	% Holding
Dr. Devi Prasad Shetty	64,700,571	31.66%	66,744,179	33.37%
Mrs. Shakuntala Shetty	62,083,095	30.38%	64,126,703	32.06%
Ashoka Investment Holdings Limited	10,971,130	5.37%	16,778,452	8.39%
CDC Group Plc	11,765,046	5.76%	11,765,046	5.88%
J P Morgan Mauritius Holdings IV Limited	9,549,876	4.67%	21,811,524	10.91%
	159,069,718	77.84%	181,225,904	90.61%

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

Notes

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

Further, the Company has not issued any shares for consideration other than cash during the period of five years immediately preceding the last balance sheet date except, the issue of 199,654,247 bonus shares on 25 March 2015 and conversion of Optionally Convertible Debentures along with accrued interest into 4,360,804 equity shares on 1 December 2015.

During the year ended 31 March 2016, pursuant to the shareholders' agreement dated 28 January 2008, Narayana Health Academy Private Limited (NHAPL) transferred 480,656 equity shares of the Company to Ashoka Investment Holdings Limited, 144,184 equity shares to Ambadevi Mauritius Holdings Limited, 624,840 shares to J P Morgan Mauritius Holdings VIII Limited and 2,040,000 equity shares (refer note 46) to Narayana Health Employees Benefit Trust.

3 RESERVES AND SURPLUS

Particulars	(₹)	
	As at 31 March 2016	As at 31 March 2015
Securities premium account		
At the commencement of the year	3,889,363,759	3,959,082,159
Add: Securities premium on issue of equity shares during the year	1,023,329,460	1,999,858,070
Less: Utilised during the year:		
Share issue and debenture issue expenses (refer note 51)	11,450,000	73,034,000
Issuing bonus shares (refer note 35)	-	1,996,542,470
At the end of the year	4,901,243,219	3,889,363,759
Foreign currency translation reserve		
At the commencement of the year	55,662,415	31,807,199
Add: Additions during the year	46,905,305	23,855,216
At the end of the year	102,567,720	55,662,415
General reserve		
At the commencement of the year	-	-
Add: Transfer from debenture redemption reserve (refer note 52)	250,000,000	-
At the end of the year	250,000,000	-
Debenture redemption reserve (refer note 52)		
At the commencement of the year	250,000,000	-
Add: Amount transferred from surplus (profit and loss balance) during the year		250,000,000
Less: Transfer to general reserve (refer note 52)	(250,000,000)	-
At the end of the year	-	250,000,000
Share options outstanding account (refer note 46)		
At the commencement of the year	-	-
Add: Amount recorded on grants during the year	33,499,290	-
At the end of the year	33,499,290	-
Surplus (profit and loss balance)		
At the commencement of the year	1,344,516,537	1,713,264,090
Add: Net profit / (loss) after tax transferred from statement of profit and loss	191,272,037	(167,641,412)
Add: Adjustment towards accounting for associate (refer note 33)		55,586,612
Less: Transfer to debenture redemption reserve (refer note 52)		250,000,000
Less: Adjustment towards depreciation, net of tax	-	6,692,753
At the end of the year	1,535,788,574	1,344,516,537
Capital reserve		
At the commencement of the year	144,379,053	144,379,053
Less: Adjustment towards IDECK stake purchase (refer note 56)	(142,840,908)	
At the end of the year	1,538,145	144,379,053
	6,824,636,948	5,683,921,764

Notes

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

4 LONG-TERM BORROWINGS

Particulars	Non – current portion		Current maturities	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
Secured				
Term loans				
From banks	1,864,961,400	1,048,310,309	249,199,610	528,326,125
From others	10,737,994	17,471,105	4,624,332	40,890,851
	1,875,699,394	1,065,781,414	253,823,942	569,216,976
Unsecured				
Debentures				
Nil (Previous year: 10,000,000) 10.5% optionally convertible debentures of ₹ 100 each fully paid up (refer note 47)	–	1,000,000,000	–	–
	1,875,699,394	2,065,781,414	253,823,942	569,216,976

I Term loans from banks:

Sl No.	Details of repayment terms, interest and maturity	Nature of security
(i)	Term loan from Canara Bank: ₹ NIL (previous year: ₹ 154,589,736). It was fully repaid on 19 March 2016. Interest was 9.65% p.a. (previous year: 10.20% p.a.).	Prime security: Exclusive first charge on machineries/ equipments purchased out of the term loan of the Company. Collateral security (1) Charge on land and building located over Kittiganahalli Attibele Hobli, Anekal Taluk Bengaluru of the Company. Collateral security (2) Charge on commercial land measuring 1 acre and 6 gunta for land and building situated in Kittiganahalli Attibele Hobli, Anekal Taluk Bengaluru of the Company.
(ii)	Term loan from HSBC Bank: ₹ 165,000,000 (previous year: ₹ 231,000,000). It is repayable in 10 quarterly instalments from the reporting date, (previous year: 14 quarterly instalments). Interest is 9.50% p.a. (previous year: 10.25% p.a.)	
(iii)	Term loan from HSBC Bank: ₹ 137,500,000 (previous year: ₹ 187,500,000). It is repayable in 11 quarterly instalments from the reporting date, (previous year: 15 quarterly instalments). Interest is 9.50% p.a. (previous year: 10.25% p.a.)	Secured via mortgage of title deeds on the immovable property of Narayana Hospitals Private Limited
(iv)	Term loan from HSBC Bank: ₹ 57,000,000 (previous year: ₹ 76,000,000). It is repayable in 12 quarterly instalments from the reporting date, (previous year: 16 quarterly instalments). Interest is 9.50% p.a. (previous year: 10.25% p.a.)	
(v)	Term loan from ICICI Bank: ₹ 580,000,000 (previous year: ₹ NIL). Repayable in 96 monthly instalments after 3 years moratorium from date of first disbursement i.e. beginning 31 January 2019. Interest is 9.65% p.a. (previous year: Nil)	Movable fixed assets bought from the loan of the Company

Notes

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

Sl No.	Details of repayment terms, interest and maturity	Nature of security
(vi)	Foreign currency loan taken from EXIM Bank: ₹ 208,948,635 (previous year: ₹ 253,492,740). It is repayable in 14 quarterly instalments from the reporting date (previous year: 18 quarterly instalments). Interest is linked to Libor (6 months) + 340 basis points [previous year: Libor (6 months) + 375 basis points]	Exclusively charge on land and building located over SY No. 135/1 and 135/2, Kittiganahalli Attibele Hobli, Anekal Bengaluru of the Company.
(vii)	Term loan from Yes Bank Limited: ₹ 350,000,000 (previous year: ₹ 180,000,000) repayable in 28 quarterly instalments (previous year: 28 quarterly instalments) 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 of the Company.
(viii)	Term loan from Canara Bank: ₹ Nil (previous year: ₹. 176,431,353) repaid in April 2015. Interest is linked to the base rate plus 1.75%. [(Base rate as on 31 March 2016: 9.65%) (previous year: 10.02%)]	The loan was secured by the hypothecation of purchased equipment of NHSHPL.
(ix)	Term loan from State Bank of India: ₹ 275,920,638 (previous year: ₹ 317,622,605). It is repayable in 18 quarterly instalments (previous year: 22 quarterly instalments) from the reporting date. Interest is linked to the base rate plus 0.35% [(Base rate as on 31 March 2016: 9.30% p.a.) (previous year: 13.5% p.a.)]	First charge by way of hypothecation on the entire inventory, receivables and other chargeable current assets of the MMRHL including hypothecation of medical equipments, furniture/ fixtures and other miscellaneous fixed assets of the MMRHL (to be acquired from the term loan), both present and future. First charge on land together with all the assets permanently fixed to the land and buildings and plant and machineries, medical equipments etc. appearing or affixed thereto.
(x)	Term loan from State Bank of India: ₹ 249,995,960 (previous year: Nil). It is repayable in 32 quarterly instalments (previous year: Nil) from March 2017. Interest is linked to the base rate plus 0.35% (previous year: base rate plus 3.25% p.a.) [(Base rate as on 31 March 2016: 9.30% p.a.) (previous year: 10% p.a.)]	
(xi)	Term loan from State Bank of India: ₹ 89,795,777 (previous year: Nil). It is repayable in 30 quarterly instalments (previous year: Nil) from March 2017. Interest is linked to the base rate plus 0.35% [(Base rate as on 31 March 2016: 9.30% p.a.) (previous year: Nil.)]	

II Term loans from others:

Sl No.	Details of repayment terms, interest and maturity	Nature of security
(i)	Equipment loan from Philips Electronics India Private Limited: ₹ Nil (previous year: ₹ 6,102,822). It was fully repaid on 11 September 2015 along with interest at 7.26% p.a. (previous year: 7.26% p.a.)	
(ii)	Equipment loan from SREI Equipment Finance Private Limited: ₹ Nil (previous year: ₹ 5,795,964). It was fully repaid on 1 July 2015 along with interest at 7.25% p.a. (previous year: 7.25% p.a.)	Nil (previous year: Term loan from other parties were secured by hypothecation of equipments of the Company as purchased)
(iii)	Equipment loan from Wipro GE Healthcare Private Limited: ₹ Nil (previous year: ₹ 27,575,718). It was fully repaid on 10 January 2016 along with interest at 7.25% p.a. (previous year: 7.25% p.a.)	
(iv)	Equipment loan from GE Capital Services India: ₹ 15,362,326 (previous year: ₹. 18,887,452) repayable in 11 (previous year 15) quarterly instalments 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 of NHSHPL as purchased.

Notes

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

5 OTHER LONG- TERM LIABILITIES

Particulars	As at 31 March 2016	As at 31 March 2015
Unearned revenue	19,887,956	20,847,461
Interest accrued but not due on debentures (net of tax deducted at source)	-	25,372,603
	19,887,956	46,220,064

6 LONG- TERM AND SHORT- TERM PROVISIONS

Particulars	Long-term provisions		Short-term provisions	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
Provision for employee benefits				
Gratuity (refer note 37)	129,169,393	106,281,182	14,354,916	3,063,740
Compensated absences	-	-	103,888,677	65,564,926
Provision for tax (net)	-	-	3,556,097	6,247,295
Provision for others	702,495	-	-	209,500
	129,871,888	106,281,182	121,799,690	75,085,461

7 SHORT-TERM BORROWINGS

Particulars	As at 31 March 2016	As at 31 March 2015
Secured		
Loans repayable on demand		
Cash credit and Bank overdrafts (refer note i, ii and iii below)	245,792,010	735,272,253
Working capital loan (refer note iv below)	-	250,000,000
Unsecured		
Commercial papers (refer note v below)	200,000,000	-
	445,792,010	985,272,253

- (i) Overdraft facilities from banks carry interest ranging between 9% p.a. – 12% p.a. (previous year: 10% p.a. – 12% p.a.) computed on a monthly basis on the actual amount utilised and are repayable on demand. These are secured by pari passu charge by way of hypothecation of stock, book debts and specific charge on fixed assets of the Company.
- (ii) Cash credit from State Bank of India carrying interest rate at base rate plus 0.35% p.a. (previous year: base rate plus 3.25% p.a.) [(Base rate as on 31 March 2016: 9.30% p.a.) (previous year: 10% p.a.)] First charge by way of hypothecation on the entire inventory, receivables and other chargeable current assets of MMRHL including hypothecation of medical equipments, furniture/ fixtures and other miscellaneous fixed assets of MMRHL (to be acquired from the term loan), both present and future. First charge on land together with all the assets permanently fixed to the land and buildings and plant and machineries, medical equipments etc. appearing or affixed thereto.
- (iii) Overdraft facility from Yes Bank Limited ₹ 27,287,939 (previous year: ₹ 35,894,024) carry interest rate of 0.25% above the base rate (base rate as on 31 March 2016 being 10.50% 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 of NNSHPL.

Notes

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

- (iv) Working capital loan from Kotak Bank: ₹ Nil (previous year: ₹ 250,000,000). The original loan amount was repaid in 10 monthly instalments during the current year. Interest was 10.40% p.a. (previous year: 10.40% p.a.). Working capital loan from Kotak Bank were secured by subservient charge over current assets (both present and future) of the Company.
- (v) Commercial papers have been issued to HDFC Bank . These are for a period of 137 days at interest rate of 8.60% p.a. (previous year: Nil)

8 TRADE PAYABLES

Particulars	(₹)	
	As at 31 March 2016	As at 31 March 2015
Total outstanding dues of micro enterprises and small enterprises (refer note 38)	1,195,004	-
Total outstanding dues of creditors other than micro enterprises and small enterprises*	1,645,784,518	1,358,393,992
	1,646,979,522	1,358,393,992

*includes payables to related parties (refer note 32)

9 OTHER CURRENT LIABILITIES

Particulars	(₹)	
	As at 31 March 2016	As at 31 March 2015
To parties other than related parties		
Current maturities of long-term borrowings (refer note 4)	253,823,942	569,216,976
Interest accrued but not due on borrowings	4,358,979	4,284,315
Other payables		
Book overdraft	4,819,822	1,015,658
Advance from patients	133,796,064	83,832,617
Accrued salaries and benefits	174,632,375	141,698,120
Unearned revenue	5,029,754	1,242,042
Rent equalisation reserve	9,406,960	5,643,690
Creditors for capital goods	235,432,571	89,787,133
Statutory liabilities (valued added tax, sales tax, tax deducted at source etc.)	96,566,003	76,619,357
Other liabilities	8,632,974	37,934,188
To related parties (refer note 32)		
Accrued salaries and benefits	9,086,565	4,389,120
Other payable	100,000	-
	935,686,009	1,015,663,216

Notes

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

10 FIXED ASSETS

Particulars	Gross block			Accumulated depreciation				Net block			
	As at 1 April 2015	Additions/ adjustments	Deletions/ adjustments	Reclassification to assets held for sale [refer note 57 (a)]	As at 31 March 2016	As at 1 April 2015	Depreciation /Amortisation for the year	Deletions	Reclassification to assets held for sale [refer note 57 (a)]	As at 31 March 2016	As at 31 March 2015
Tangible assets											
(owned)											
Freehold land (i)(ii)	351,525,963	11,729,019	-	-	363,254,982	-	-	-	-	363,254,982	351,525,963
Land (ii)	17,330,808	-	17,330,808	-	-	4,910,175	691,615	5,601,790	-	-	12,102,225
Building (iii)	1,292,861,321	43,005,970	-	-	1,335,867,291	109,460,187	10,057,095	-	-	119,517,282	1,183,401,134
Building(iii)	559,268,628	57,913,067	-	-	617,181,695	53,535,337	33,656,606	-	-	87,191,943	529,989,752
Building (ii)	391,906,011	4,923,154	-	-	396,829,165	116,157,427	10,669,468	-	-	126,826,895	270,002,270
Building (iii)	223,497,478	102,092,667	-	-	325,590,145	17,158,264	10,468,746	-	-	27,627,010	297,963,135
Building (iii)	987,474,696	6,910,811	-	-	994,385,507	126,041,515	29,927,744	-	-	155,969,259	838,416,248
Leasehold improvements	162,954,607	37,769,691	-	37,060,152	163,664,146	43,028,847	18,671,949	-	10,934,759	50,766,037	112,898,109
Electrical installation	656,379,766	67,022,063	4,673,856	18,788,161	699,939,802	253,895,202	76,448,641	1,902,341	9,215,856	319,225,646	402,484,563
Medical equipments	4,140,105,163	537,043,517	45,338,755	258,068,464	4,373,741,461	1,403,806,889	327,943,355	12,917,247	108,863,945	1,609,969,052	2,736,298,275
Office equipments	129,398,338	16,790,684	387,477	37,36,311	142,065,234	56,194,941	22,190,104	270,672	2,565,703	75,548,670	66,516,564
Other equipment including air conditioners	1,056,554,448	142,460,188	1,970,970	66,618,629	1,130,425,037	336,540,835	75,665,540	435,971	263,303,073	385,467,331	744,957,706
Furniture and fixtures	671,374,287	58,957,337	1,749,950	25,444,501	703,137,173	252,363,097	70,117,566	791,617	14,578,041	307,111,005	419,011,190
Computers	166,117,331	33,648,870	1,306,290	8,042,623	190,417,288	135,412,405	27,519,206	1,257,895	8,358,115	153,315,601	37,101,687
Vehicles	26,471,948	2,456,336	2,228,328	375,824	26,324,132	18,446,192	4,122,723	2,031,067	320,635	20,217,213	6,106,919
Total - A	10,833,220,793	1,122,723,364	74,986,434	418,134,665	11,462,823,058	2,926,951,313	718,150,358	25,208,600	181,140,127	3,438,752,944	8,024,070,114
Tangible assets											
(leased)											
Leasehold land (iv) and (v)	100,535,469	-	-	-	100,535,469	12,756,284	7,351,707	-	-	20,107,991	80,427,478
Leasehold land (vi)	468,511,280	-	-	-	468,511,280	4,333,367	573,864	-	-	4,907,231	463,604,049
Total - B	569,046,749	-	-	-	569,046,749	17,089,651	7,925,571	-	-	25,015,222	544,031,527
										552,275,506	
(₹)											

Notes

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

Particulars	Gross block			Accumulated depreciation				Net block	
	As at 1 April 2015	Additions/ adjustments	Deletions/ adjustments	Reclassification to assets held for sale [refer note 57 (a)]	As at 31 March 2016	As at 1 April 2015 / Amortisation for the year	Deletions to assets held for sale [refer note 57 (a)]	As at 31 March 2016	As at 31 March 2015
Total tangible assets (A+B)	11,402,267,542	1,122,723,364	74,986,434	418,134,665	12,031,869,807	726,075,929	181,140,127	3,463,768,166	8,458,226,578
Intangible assets									
Computer software	153,073,830	23,151,006	32,125	975,708	175,217,003	26,423,018	32,125	146,944,819	31,665,955
Total - C	153,073,830	23,151,006	32,125	975,708	175,217,003	26,423,018	32,125	146,944,819	31,665,955
Grand total (A+B+C)	11,555,341,372	1,145,874,370	75,018,559	419,110,373	12,207,086,810	752,498,947	211,994,077	3,610,712,985	8,489,892,533
Previous Year	9,618,686,928	849,289,070	46,786,395	-	11,555,341,372	683,583,281	34,102,398	3,065,448,839	8,489,892,533

- (i) Includes land in possession and occupation of the Company to the extent of 9 acre 26 guntas out of total 17 acres 44 guntas in Bengaluru allotted by Karnataka Industrial Areas Development Board ('KIADB') to the Company on lease cum sale basis for which the Company is yet to execute the sale deed as at 31 March 2016.
- (ii) pursuant to clause 7.7 of the Investment Agreement and Clause 3.1(d) of the Shareholders' Agreement (together, 'agreements') signed in January 2008 between the Company, Promoters and Investors, a Promoter of the Company had the right but not the obligation to require the Company to transfer the land and building ('NH land') at no consideration to him. On exercise of the right, the promoter was obligated to lease the asset to the Company for an initial term of 15 years with an extension of 10 years in accordance with the terms of the aforesaid agreements at no consideration. The said land and building was being amortized over a period of 25 years based on the Management's estimate of the lease term for the above arrangement.
- As per the letter dated 26 November, 2015 by the Promoter, the above right was waived off by him and accordingly he will not be entitled to exercise the right stated in Clause 3.1(d) of the said Shareholders' Agreement. The waiver was subject to the completion of the public offering within a period of one year from the date of receipt of the final observation letter from the Securities and Exchange Board of India on the Draft Red Herring Prospectus filed by the Company. The waiver was to be effective from the date of listing of the Company's shares on the stock exchanges. To this effect, the said Shareholders' Agreement was amended and duly executed by all Shareholders of the Company. On the Company's shares being listed on the Bombay Stock Exchange and the National Stock Exchange on 6 January, 2016, the Promoter's right to NH Land ceases to exist thereof.
- (iii) Represents the cost of construction of building on the leasehold premises at Mysore, Kolkata, Ahmedabad, Jaipur and Jamshedpur. These amounts are being depreciated over the estimated useful life of the asset, or lease term, whichever is lower.
- (iv) Includes land provided by Mysore Urban Development Authority (MUDA) on lease effective 1 September 2010 for an initial period of 30 years. The said leasehold land is being amortised over a period of 30 years.
- (v) Represents land provided by the Governor of West Bengal on lease effective from 21 December 2006 for a period of 30 years. The said leasehold land is being amortised over a period of 30 years.
- (vi) 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. Also refer note 39 and 41.

Notes

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

11 NON- CURRENT INVESTMENTS

(unquoted and valued at cost)

Particulars	As at 31 March 2016	As at 31 March 2015
Others (Non-trade investment)		
Trimedx India Private Limited	3,000,500	3,000,500
[30,005 equity shares (previous year: 30,005 equity shares) of ₹ 100 each fully paid up]		
Others (Trade investment)		
Health City Cayman Island Ltd., Cayman Islands (refer note 33)	1,329,003,513	803,450,559
[21,450 equity shares (previous year: 13,323 equity shares) of \$ 0.01 each fully paid up]		
Add: Goodwill on consolidation	14,798,681	14,798,681
Less: Share of opening accumulated losses	(307,442,880)	(56,129,332)
Less: Share of current year loss	(217,496,263)	(251,313,548)
Add: Impact on account of foreign currency translation	49,674,542	8,007,969
	871,538,093	521,814,829

12 LONG- TERM AND SHORT- TERM LOANS AND ADVANCES

(Unsecured and considered good, unless stated otherwise)

Particulars	Long-term portion		Short-term portion	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
To parties other than related parties				
<i>Considered good</i>				
Capital advances	88,785,972	106,740,596	-	-
Security deposits	161,664,976	174,208,409	58,038,196	26,042,412
Prepaid expenses (refer note 44)	82,224,247	71,380,224	63,339,975	30,758,084
Balances with government authorities				
Value added tax receivable	-	-	4,475,928	4,439,184
Advance income tax and tax deducted at source, net	334,519,932	338,544,008	650,518	705,401
Income-tax paid under protest	10,000,000	10,000,000	-	-
Minimum alternative tax credit entitlement	47,450	47,450	-	-
Advance to vendors	-	4,145,703	63,865,344	67,046,010
Other loans and advances	19,894,563	-	52,227,107	94,838,790
<i>Considered doubtful</i>				
Capital advances	10,075,000	10,075,000	-	-
Less: Provision for doubtful advances	(10,075,000)	(10,075,000)	-	-
To related parties (refer note 32)				
Prepaid expenses (refer note 44)	242,870,444	150,349,912	15,272,168	8,864,000
Security deposit	140,000,000	140,000,000	-	-
Due for reimbursement of expenses	-	-	38,311,586	22,208,282
Share application money pending allotment (refer note 34)	20,777,672	233,034,781	-	-
	1,100,785,256	1,228,451,083	296,180,822	254,902,163

Notes

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

13 OTHER NON - CURRENT ASSETS

(Unsecured and 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 17)	2,315,570	10,597,543
Interest accrued but not due on fixed deposits	147,380	251,589
	2,462,950	10,849,132

14 CURRENT INVESTMENT

(valued at lower of cost and fair value)

Particulars	As at 31 March 2016	As at 31 March 2015
Non- trade investment (quoted)		
Investment in mutual funds		
Nil units (previous year: 125 units) of SBI Magnum Insta Cash Fund	-	377,701
	-	377,701

The aggregate book value and market value of quoted current investments are as follows :

Particulars	As at 31 March 2016	As at 31 March 2015
Aggregate book value	-	377,701
Aggregate market value	-	384,627

15 INVENTORIES

Valued at lower of cost and net realisable value)

Particulars	As at 31 March 2016	As at 31 March 2015
Medical consumables, drugs and surgical equipments	505,323,377	522,364,540
Less: Provision for slow and non-moving	7,850,932	10,120,694
	497,472,445	512,243,846

16 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	178,685,118	301,063,523
Unsecured, considered doubtful	179,873,465	191,383,122
Less: Provision for doubtful receivables	(179,873,465)	(191,383,122)
	178,685,118	301,063,523
Other receivables		
Unsecured, considered good*	1,348,560,214	1,128,205,887
	1,527,245,332	1,429,269,410

*includes receivable from related parties (refer note 32)

Notes

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

17 CASH AND BANK BALANCES

Particulars	(₹)	
	As at 31 March 2016	As at 31 March 2015
Cash and cash equivalents		
Cash on hand	7,918,705	23,196,373
Cheques on hand	-	3,100,903
Balance with banks		
On current accounts	129,814,106	181,563,449
On deposit accounts (with original maturity of 3 months or less)		594,724
	137,732,811	208,455,449
Other bank balances		
On deposit accounts (due to mature within 12 months of the reporting date)*	102,953,768	86,750,365
	240,686,579	295,205,814
*The above deposits includes deposit given against bank guarantee		
	56,047,717	51,480,000

Details of bank deposits:

Particulars	(₹)	
	As at 31 March 2016	As at 31 March 2015
Bank balances available on demand/deposits with original maturity of 3 months or less included under 'Cash and cash equivalents'	-	594,724
Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances'	102,953,768	86,750,365
Bank deposits due to mature after 12 months of the reporting date included under 'Other non-current assets' (refer note 13)	2,315,570	10,597,543
	105,269,338	97,942,632

18 OTHER CURRENT ASSETS

(Unsecured and considered good)

Particulars	(₹)	
	As at 31 March 2016	As at 31 March 2015
Interest accrued on fixed deposits but not due	7,030,871	4,792,983
Interest accrued on unsecured loan	52,325	-
Interest accrued on security deposit	1,804,867	1,010,860
Unbilled revenue	130,273,119	106,508,760
Fixed assets classified as held for sale [refer note 10 and 57(a)]	141,129,926	-
Other assets	6,722,317	185,041
	287,013,425	112,497,644

Notes

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

19 REVENUE FROM OPERATIONS

Particulars	For the year ended 31 March 2016	(₹) For the year ended 31 March 2015
Income from medical and healthcare services	15,380,459,698	13,060,409,037
Sale of medical consumables and drugs	615,095,755	528,917,224
Other operating revenue:		
Learning and development income	34,945,740	29,955,331
Teleradiology income	13,671,723	9,923,445
Revenue share income	25,079,595	9,296,876
Revenue from nursing school	5,289,229	-
	16,074,541,740	13,638,501,913

20 OTHER INCOME

Particulars	For the year ended 31 March 2016	(₹) For the year ended 31 March 2015
Donations received	1,382,742	1,811,159
Foreign exchange gain, net	-	10,055,701
Interest income on		
-Bank deposits	14,893,213	8,037,377
-Others	2,205,873	-
Guarantee commission	16,117,728	13,150,412
Liabilities no longer required written back	6,651,670	-
Miscellaneous income	61,167,857	44,301,157
	102,419,083	77,355,806

21 CHANGES IN INVENTORIES OF MEDICAL CONSUMABLES, DRUGS AND SURGICAL EQUIPMENTS

Particulars	For the year ended 31 March 2016	(₹) For the year ended 31 March 2015
Inventory at the beginning of the year	512,243,846	498,621,386
Inventory at the end of the year	497,472,445	512,243,846
Inventory of associate included at the beginning of the year	-	6,054,063
	14,771,401	(19,676,523)

22 EMPLOYEE BENEFITS

Particulars	For the year ended 31 March 2016	(₹) For the year ended 31 March 2015
Salaries, wages and bonus	3,007,425,814	2,580,284,056
Contribution to provident and other funds (refer note 37)	234,607,623	157,809,849
Expense on employee stock option scheme (refer note 46)	33,499,290	-
Staff welfare expenses	74,315,793	31,241,948
	3,349,848,520	2,769,335,853

Notes

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

23 OTHER EXPENSES

Particulars	For the year ended 31 March 2016	(₹) For the year ended 31 March 2015
Hospital operating expenses		
Professional fees to doctors	3,209,021,053	2,629,502,947
Power and fuel	471,627,159	418,614,900
Hospital general expenses	233,064,517	216,210,959
House keeping expenses	374,857,753	303,749,588
Patient welfare expenses	228,370,401	236,313,929
Rent (refer notes 29 and 30)	233,259,911	180,352,319
Hospital management fees (refer note 40)	246,625,157	211,984,905
Medical gas charges	56,306,154	50,135,906
Biomedical wastage expenses	11,319,844	10,103,480
Repairs and maintenance		
– Hospital equipments	317,561,418	268,462,714
– Building	60,244,579	58,819,982
– Others	312,279,741	225,124,639
	5,754,537,687	4,809,376,268
Administrative expenses		
Traveling and conveyance	150,935,074	135,189,149
Security charges	147,232,686	122,126,185
Printing and stationery	97,781,492	83,914,571
Rent (refer notes 29 and 30)	69,781,097	76,994,874
Advertisement and publicity	287,003,957	291,031,722
Legal and professional fees (refer note 26)	123,756,201	146,914,943
Business promotion	141,960,592	116,213,425
Telephone and communication	49,620,773	41,117,444
Bank charges	39,538,771	36,196,305
Insurance	37,157,548	32,482,842
Corporate social responsibility (refer note 48)	9,902,238	10,598,929
Rates and taxes	28,748,441	68,208,675
Books and periodicals	8,561,682	7,538,480
Provision for doubtful debts	(11,509,659)	50,263,743
Bad debts written off	99,000,757	183,731,479
Loss on sale of fixed assets	7,087,820	20,679,279
Advances written off	19,547,078	-
Donations paid	1,580,100	-
Foreign exchange loss, (net)	4,336,640	-
Loss on slump sale	3,198,686	-
Miscellaneous expenses	18,433,814	9,223,072
	1,333,655,788	1,432,425,117
	7,088,193,475	6,241,801,385

Notes

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

24 FINANCE COSTS

Particulars	(₹)	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expense on		
– term loans from banks	146,765,916	179,996,724
– bank overdraft	54,028,033	82,415,060
– debentures	50,558,219	28,191,781
– commercial papers	18,573,855	–
– others	5,770,058	71,253,445
Other borrowing costs	5,982,915	11,737,461
Net loss on foreign currency transactions and translation to the extent regarded as borrowing costs	12,727,917	35,304,239
	294,406,913	408,898,710

25 CONTINGENT LIABILITIES AND COMMITMENTS

Particulars	(₹)	
	As at 31 March 2016	As at 31 March 2015
(i) Contingent liabilities:		
Claims against the Group not acknowledged as debts in respect of:		
a) Entry tax (see note (a) below)	–	2,154,819
b) Income tax (see note (b) below)	12,171,570	12,171,570
c) Customer claim (see note (c) below)	3,497,974	8,570,000
Guarantees:		
a) Bank guarantee	547,237,649	555,061,366

Notes:

- The Company has received a show cause notice proposing levy of special entry tax @ 4% on import of elevators under Karnataka Special Tax on Entry of Certain Goods Act, 2004. The Company filed a writ petition in the Honourable High Court of Karnataka. During the current financial year, the Honourable High Court of Karnataka has declared this levy as void and unenforceable.
- For assessment year 2009–2010 the Company had received an assessment order under section 143(3) of the Income Tax Act, 1961 on 28 December 2011 with a demand of ₹ 12,171,570. Against this demand, the Company had paid ₹ 10,000,000 under protest and filed an appeal with the Commissioner of Income Tax (Appeals) {CIT(A)}. CIT(A) had issued an order in favour of the Company. The department then filed an appeal with the Income Tax Appellate Tribunal (ITAT) against the order of CIT(A). On 23 January 2015, ITAT had issued an order in favour of the Company. Subsequently, the department has filed an appeal with the High Court of Karnataka challenging the order of ITAT.
- These pertains to customer claim of ₹ 13,497,974 for deficiency in services and medical negligence, net of insurance coverage of ₹ 10,000,000, pending before district consumer forum and state consumer forum.

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

Notes

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

(ii) Commitments:

Estimated amounts of contracts remaining to be executed on capital account (net of advances) and other commitments not provided for amounts to ₹ 86,057,616 (previous year: ₹ 36,442,704).

26. AUDITORS' REMUNERATION (EXCLUDING SERVICE TAX) INCLUDED IN LEGAL AND PROFESSIONAL FEES

		(₹)
Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
As an auditor		
Audit fee	9,173,386	3,115,000
Limited review	750,000	-
In other capacity:		
Audit/Limited review fee in relation to IPO	12,114,094	-
Other services (certification fees)	735,250	325,112
Reimbursement of expenses	627,162	267,988
Reimbursement of expenses in relation to IPO	802,881	-
Less: Reimbursed by selling shareholders	(12,881,931)	-
	11,320,842	3,708,100

*The above amount include auditor's remuneration of the company, its subsidiaries and associates.

27 UNHEDGED FOREIGN CURRENCY EXPOSURE

Foreign currency exposures on account of receivables / payables not hedged by derivative instruments are as follows:

Particulars	Currency	As at 31 March 2016		As at 31 March 2015	
		Amount in foreign currency	Amount in ₹	Amount in foreign currency	Amount in ₹
Long-term borrowings	USD	3,150,000	208,948,635	4,050,000	253,492,740
Term loans from banks					
Trade payables	USD	230,143	15,669,434	-	-
Trade payables	EURO	-	-	531,151	33,245,154
Other current liabilities	USD	11,541	765,558	12,651	791,866
Interest accrued but not due on borrowings					
Creditors for capital goods	EURO	3,102	221,328	-	-
Short-term loans and advances	USD	312,814	20,749,874	303,223	18,979,016
Due for reimbursement of expenses					
Trade receivables Receivables from related parties	USD	501,190	33,245,357	460,911	28,848,817
Cash and bank balances	USD	125,595	8,331,057	60,117	3,762,789
Balances with banks on EEFC accounts (earners exchange foreign currency account)	EURO	800	60,076	-	-
	GBP	50	4,754	-	-

Notes

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

28 DEFERRED TAX LIABILITY (NET)

(a) Deferred tax liability included in the balance sheet comprise of the following:

(₹)				
Particulars	As at 31 March 2015	Credit (Charge) for the year ended 31 March 2016	Adjustment for prior period**	As at 31 March 2016
Deferred tax asset				
Provision for doubtful receivables	67,170,648	(3,733,245)	(1,339,979)	62,097,424
Provision for gratuity	41,196,158	13,903,029	(6,101,918)	48,997,269
Provision for compensated absences	22,366,051	11,912,152	807,056	35,085,259
Other current liabilities	9,703,992	4,523,202	-	14,227,194
Unabsorbed depreciation and business loss	-	451,083	78,161,018	78,612,101
	140,436,850	27,056,221	71,526,177	239,019,247
Deferred tax liability				
Excess of depreciation on fixed assets under Income Tax Act, 1961 over depreciation under Companies Act.	(498,755,283)	18,168,758	(19,558,736)	(500,145,261)
Deferred tax liability (net)	(358,318,433)	45,224,978	51,967,441	(261,126,014)

** refer note 53 and 56

- (b) In view of the accumulated losses of Narayana Hrudayalaya Surgical Hospitals Private Limited and Narayana Hospitals Private Limited as at 31 March 2016 and in accordance with AS 22- "Accounting for taxes on income", the Group has recognised a deferred tax asset of ₹ 129,272,370 (previous year ₹ 124,601,186) 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 assets under Income-tax Act, 1961 over depreciation as per the Companies Act, 2013. Therefore the net deferred tax liability as at 31 March 2016 for the above subsidiaries is ₹ Nil (previous year: ₹ Nil).

29 LEASES

The Group has taken hospitals, office, residential premises and medical equipments under cancellable operating lease agreements. The Group intends to renew such leases in the normal course of business. Total rental expenses under cancellable operating leases amounted to ₹ 242,809,535 for the year ended 31 March 2016. (previous year: ₹ 204,622,452)

The Group is obligated under non-cancellable operating leases for hospital / office premises. The total rental expenses under non-cancellable operating leases amounted to ₹ 60,231,473 for the year ended 31 March 2016. (previous year: ₹ 52,724,741)

Future minimum lease payments under non-cancellable operating leases are as follows:

(₹)		
Particulars	As at 31 March 2016	As at 31 March 2015
Not later than 1 year	61,371,017	57,589,000
Later than 1 year and not later than 5 years	237,200,444	236,688,839
Later than 5 years	557,488,932	682,900,563

Notes

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

30 MANAGEMENT AGREEMENTS

The Company has management agreement for the management, operation and utilization of their hospital facilities. As a consideration towards the aforesaid arrangement, the company is obligated to offer discounts to patients nominated by the trusts at free of cost / concession as per the terms of the agreement. The discounts thus offered have been recognised as revenue amounting to ₹ 12,107,024 (previous year: ₹ 18,000,000) with a corresponding charge to rent expense.

31 SEGMENT REPORTING

The Group's sole business segment is 'Medical and Healthcare Services' and principal geographical segment is 'India'. The Group considers business segment as the primary segment and geographical segment based on location of customers as a secondary segment. Since the Group 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.

32 RELATED PARTY DISCLOSURES

(a) Details of related parties:

Nature of relationship	Name of related parties
Enterprise where control of the Company exists	Narayana Hrudayalaya Private Limited Employees Group Gratuity Trust Dr. Devi Prasad Shetty- Chairman Dr. Ashutosh Raghuvanshi - Managing Director Mr. Viren Shetty - Whole-time Director
Key Management Personnel (KMP)	Mr. Tapani Ghosh - Whole-time Director (uptill 27 December 2015) Mrs. Shakuntala Shetty - Whole-time Director (uptill 5 May 2015) Dr. Varun Shetty - Whole-time Director (uptill 5 May 2015) Mr. Kesavan Venugopalan - Group Chief Financial Officer (Appointed w.e.f. 16 July 2015)
Relatives of KMP	Dr. Varun Shetty (with effect from 6 May 2015) Dr. Anesh Shetty (with effect from 1 December 2015) Mrs. Shakuntala Shetty (with effect from 6 May 2015)
Associate of a subsidiary (Narayana Cayman Holdings Ltd)	Health City Cayman Islands Ltd (HCCI)
Enterprises under significant influence of KMP	Narayana Health Academy Private Limited (NHAPL) Kateel Software Private Limited Hrudayalaya Pharmacy Charmakki Infrastructures Amaryllis Healthcare Private Limited (AHPL) Narayana Hrudayalaya Foundation (NHF) TriMedx India Private Limited (TriMedx) Mazumdar Shaw Medical Foundation (MSMF) Daya Drishti Charitable Trust Narayana Hrudayalaya Charitable Trust (NHCT) Asia Heart Foundation (AHF)
Enterprises under significant influence of relative of KMP	Akkayya Hospitality Services (AHS) (formerly known as Akkayya Consultancy Services)

Notes

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

32 RELATED PARTY DISCLOSURES (b) Transactions with related parties during the year ended 31 March 2016

Transactions	Key Management Personnel	Relative of KMP	Associate of Subsidiary	Enterprises under significant influence of KMP	Enterprises under significant influence of KMP	Total
Rent expense						
NHF	-	-	-	1,092,000	-	1,092,000
	(-)	(-)	(-)	(-)	(-)	(-)
AHF	-	-	-	10,064,004	-	10,064,004
	(-)	(-)	(-)	(10,064,004)	(-)	(10,064,004)
Charmakki Infrastructures	-	-	-	4,959,881	-	4,959,881
	(-)	(-)	(-)	(6,032,537)	(-)	(6,032,537)
TOTAL	-	-	-	16,115,885	-	16,115,885
	(-)	(-)	(-)	(16,096,541)	(-)	(16,096,541)
Reimbursement of expenses						
HCCI	-	-	35,771,891	-	-	35,771,891
	(-)	(-)	(2,824,664)	(-)	(-)	(2,824,664)
AHF	-	-	-	50,401	-	50,401
	(-)	(-)	(-)	(6,706,494)	(-)	(6,706,494)
Hrudayalaya Pharmacy	-	-	-	21,526	-	21,526
	(-)	(-)	(-)	(-)	(-)	(-)
Others	-	-	-	-	-	-
	(-)	(-)	(-)	(310,545)	(-)	(310,545)
TOTAL	-	-	35,771,891	71,927	-	35,843,818
	(-)	(-)	(2,824,664)	(7,017,039)	(-)	(9,841,703)
Payment of share application money						
HCCI	-	-	307,927,676	-	-	307,927,676
	(-)	(-)	(383,632,557)	(-)	(-)	(383,632,557)
TriMedx	-	-	-	-	-	-
	(-)	(-)	-	(939,758)	(-)	(939,758)
TOTAL	-	-	307,927,676	-	-	307,927,676
	(-)	(-)	(383,632,557)	(939,758)	(-)	(384,572,315)
Advance received towards payment of advance to employees						
HCCI	-	-	791,852	-	-	791,852
	(-)	(-)	(-)	(-)	(-)	(-)

Notes

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

Transactions	Key Management Personnel	Relative of KMP	Associate of Subsidiary	Enterprises under significant influence of KMP	Enterprises under significant influence of relative of KMP	Total
						(₹)
Revenue from healthcare services						
NHCT	-	-	-	7,581,076	-	7,581,076
	(-)	(-)	(-)	(15,512,918)	(-)	(15,512,918)
NHF	-	-	-	11,000	-	11,000
	(-)	(-)	(-)	(-)	(-)	(-)
Total	-	-	-	7,592,076	-	7,592,076
	(-)	(-)	(-)	(15,512,918)	(-)	(15,512,918)
Hospital management fees (excluding tax)						
MSMF	-	-	-	25,000,000	-	25,000,000
	(-)	(-)	(-)	(25,000,000)	(-)	(25,000,000)
Sales of medical consumables and drugs						
HCCI	-	-	64,171,792	-	-	64,171,792
	(-)	(-)	(55,269,619)	(-)	(-)	(55,269,619)
Guarantee commission						
HCCI	-	-	16,117,728	-	-	16,117,728
	(-)	(-)	(13,150,412)	(-)	(-)	(13,150,412)
Software license fees						
HCCI	-	-	7,864,668	-	-	7,864,668
	(-)	(-)	(7,409,987)	(-)	(-)	(7,409,987)
Donations given						
NHF	-	-	-	1,350,000	-	1,350,000
	(-)	(-)	(-)	(-)	(-)	(-)
Advance on account of discount entitlement						
AHF	-	-	-	101,000,000	-	101,000,000
	(-)	(-)	(-)	(-)	(-)	(-)
Nomination deposit						
Dr. Devi Prasad Shetty	100,000	-	-	-	-	100,000
	(-)	(-)	(-)	(-)	(-)	(-)
Purchases of medical consumables and drugs						
Hrudayalaya Pharmacy	-	-	-	838,473	-	838,473
	(-)	(-)	(-)	(9,925,123)	(-)	(9,925,123)

Notes

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

Transactions	Key Management Personnel	Relative of KMP	Associate of Subsidiary	Enterprises under significant influence of KMP	Enterprises under significant influence of KMP	Total
AHPL	-	-	-	72,181,272	-	72,181,272
	(-)	(-)	(-)	(63,780,557)	(-)	(63,780,557)
Total	-	-	-	73,019,746	-	73,019,746
	(-)	(-)	(-)	(73,705,680)	(-)	(73,705,680)
Maintenance of medical equipments						
TriMedx	-	-	-	261,013,691	-	261,013,691
	(-)	(-)	(-)	(271,286,658)	(-)	(271,286,658)
Travelling and conveyance						
AHS	-	-	-	-	639,509	639,509
	(-)	(-)	(-)	(-)	(249,554)	(249,554)
Lab outsourcing expenses						
MSMF	-	-	-	4,005,150	-	4,005,150
	(-)	(-)	(-)	(-)	(-)	(-)
Discount entitlement (excluding tax)						
AHF	-	-	-	12,107,024	-	12,107,024
	(-)	(-)	(-)	(18,000,000)	(-)	(18,000,000)
Payment of remuneration*						
Dr. Devi Prasad Shetty	34,310,157	-	-	-	-	34,310,157
	(26,400,000)	(-)	(-)	(-)	(-)	(26,400,000)
Mrs. Shankuntala Shetty	149,194	-	-	-	-	149,194
	(1,500,000)	(-)	(-)	(-)	(-)	(1,500,000)
Mr. Viren Shetty	9,078,151	-	-	-	-	9,078,151
	(6,352,452)	(-)	(-)	(-)	(-)	(6,352,452)
Dr. Varun Shetty	312,710	2,083,000	-	-	-	2,395,710
	(2,807,385)	(-)	(-)	(-)	(-)	(2,807,385)
Dr. Anesh Shetty	-	609,033	-	-	-	609,033
	(-)	(-)	(-)	(-)	(-)	(-)

Notes

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

Transactions	Key Management Personnel	Relative of KMP	Associate of Subsidiary	Enterprises under significant influence of KMP	Enterprises under significant influence of relative of KMP	Total
						(₹)
Dr. Ashutosh Raghuvarshi	29,060,915	-	-	-	-	29,060,915
	(17,120,508)	(-)	(-)	(-)	(-)	(17,120,508)
Mr. Kesavan Venugopalan	13,653,188	-	-	-	-	13,653,188
	(-)	(-)	(-)	(-)	(-)	(-)
Total	86,564,315	2,692,033	-	-	-	89,256,348
Guarantee given	(54,180,345)	(-)	(-)	(-)	(-)	(54,180,345)
HCCI	-	-	-	-	-	-
	(-)	(-)	(537,029,064)	(-)	(-)	(537,029,064)

*The amounts are determined as per Section 17(2) of the Income Tax Act, 1961 read with related rules.

32 Related party disclosures

(c) The balances receivable from and payable to related parties:

Balances	Key Management Personnel	Relative of KMP	Associate of Subsidiary	Enterprises under significant influence of KMP	Enterprises under significant influence of relative of KMP	Total
						(₹)
Short term loans and advances- Due for reimbursement of expense						
HCCI	-	-	20,749,874	-	-	20,749,874
	(-)	(-)	(18,979,016)	(-)	(-)	(18,979,016)
Hrudayalaya Pharmacy	-	-	-	1,610,660	-	1,610,660
	(-)	(-)	(-)	(933,334)	(-)	(933,334)
NHF	-	-	-	956,743	-	956,743
	(-)	(-)	(-)	(956,743)	(-)	(956,743)
AHS	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(179,822)	(179,822)
Daya Drishti Charitable Trust	-	-	-	-	-	-
	(-)	(-)	(-)	(60,110)	(-)	(60,110)
TriMedx	-	-	-	975,326	-	975,326
	(-)	(-)	(-)	(-)	(-)	(-)
AHF	-	-	-	14,018,983	-	14,018,983
	(-)	(-)	(-)	(1,099,257)	(-)	(1,099,257)

Notes

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

	Key Management Personnel	Relative of KMP	Associate of Subsidiary	Enterprises under significant influence of KMP	Enterprises under significant influence of KMP	Total
						(₹)
Balances						
TOTAL	-	-	20,749,874	17,561,712	-	38,311,586
	(-)	(-)	(18,979,016)	(3,049,444)	(179,822)	(22,208,282)
Long term loans and advances - Share application money pending allotment						
TriMedx	-	-	-	1,806,464	-	1,806,464
	(-)	(-)	(-)	(1,806,464)	(-)	(1,806,464)
HCCI	-	-	18,971,208	-	-	18,971,208
	(-)	(-)	(231,228,317)	(-)	(-)	(231,228,317)
TOTAL	-	-	18,971,208	1,806,464	-	20,777,672
	(-)	(-)	(231,228,317)	(1,806,464)	(-)	(233,034,781)
Long term loans and advances - Prepaid Expenses						
AHF	-	-	-	242,870,444	-	242,870,444
	(-)	(-)	(-)	(150,349,912)	(-)	(150,349,912)
Long term loans and advances - Security deposit						
Charmakki Infrastructures	-	-	-	140,000,000	-	140,000,000
	(-)	(-)	(-)	(140,000,000)	(-)	(140,000,000)
Short term loans and advances - Prepaid Expenses						
AHF	-	-	-	15,272,168	-	15,272,168
	(-)	(-)	(-)	(8,864,000)	(-)	(8,864,000)
Trade payables						
HCCI	-	-	1,215,749	-	-	1,215,749
	(-)	(-)	(278,951)	(-)	(-)	(278,951)
AHPL	-	-	-	8,142,648	-	8,142,648
	(-)	(-)	(-)	(5,278,613)	(-)	(5,278,613)
TriMedx	-	-	-	24,102,908	-	24,102,908
	(-)	(-)	(-)	(29,923,994)	(-)	(29,923,994)
Charmakki Infrastructures	-	-	-	-	-	-
	(-)	(-)	(-)	(466,668)	(-)	(466,668)
NHF	-	-	-	245,700	-	245,700
	(-)	(-)	(-)	(-)	(-)	(-)
Daya Drishti Charitable Trust	-	-	-	60,110	-	60,110
	(-)	(-)	(-)	(-)	(-)	(-)
AHS	-	-	-	-	61,731	61,731
	(-)	(-)	(-)	(-)	(-)	(-)

Notes

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

	Key Management Personnel	Relative of KMP	Associate of Subsidiary	Enterprises under significant influence of KMP	Enterprises under significant influence of relative of KMP	Total
Balances						
MSMF	-	-	-	26,958,063	-	26,958,063
	(-)	(-)	(-)	(20,000,000)	(-)	(20,000,000)
TOTAL	-	-	1,215,749	59,509,429	61,731	60,786,909
	(-)	(-)	(278,951)	(55,669,275)	(-)	(55,948,226)
Trade receivables						
HCCI	-	-	33,245,357	-	-	33,245,357
	(-)	(-)	(28,848,817)	(-)	(-)	(28,848,817)
AHF	-	-	-	-	-	-
	(-)	(-)	(-)	(305,003)	(-)	(305,003)
NHCT	-	-	-	1,263,281	-	1,263,281
	(-)	(-)	(-)	(1,710,000)	(-)	(1,710,000)
NHF	-	-	-	315,179	-	315,179
	(-)	(-)	(-)	(304,179)	(-)	(304,179)
TOTAL	-	-	33,245,357	1,578,460	-	34,823,817
	(-)	(-)	(28,848,817)	(2,319,182)	(-)	(31,167,999)
Other current liabilities -						
Accrued salaries and benefits						
Dr. Devi Prasad Shetty	3,878,229	-	-	-	-	3,878,229
	(-)	(-)	(-)	(-)	(-)	(-)
Mr. Viren Shetty	1,532,649	-	-	-	-	1,532,649
	(1,270,560)	(-)	(-)	(-)	(-)	(1,270,560)
Dr. Anesh Shetty	-	84,597	-	-	-	84,597
	(-)	(-)	(-)	(-)	(-)	(-)
Dr. Ashutosh Raghuvanshi	2,725,362	-	-	-	-	2,725,362
	(3,118,560)	(-)	(-)	(-)	(-)	(3,118,560)
Mr. Kesavan Venugopalan	865,728	-	-	-	-	865,728
	(-)	(-)	(-)	(-)	(-)	(-)
TOTAL	9,001,968	84,597	-	-	-	9,086,565
	(4,389,120)	(-)	(-)	(-)	(-)	(4,389,120)
Other current liabilities - Other payables						
Dr. Devi Prasad Shetty	100,000	-	-	-	-	100,000
	(-)	(-)	(-)	(-)	(-)	(-)
Guarantee outstanding						
HCCI	-	-	523,889,948	-	-	523,889,948
	(-)	(-)	(537,029,064)	(-)	(-)	(537,029,064)

* Figures in brackets are for previous year.

Notes

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

33 INVESTMENT IN ASSOCIATE

The Company entered into an agreement with Ascension Health Ventures, LLC (AHVL) through its 100% subsidiary Narayana Cayman Holding Ltd. (NCHL) to set up an integrated hospital in Cayman Islands. For this purpose, Health City Cayman Islands Ltd (HCCI) was incorporated in Cayman Islands. NCHL holds 28.6% of the total share capital of HCCI and balance 71.4% is held by AHVL. The hospital is operational effective April 2014.

During the previous financial year, the Company re-assessed the terms of agreement between NCHL and AHVL. The contractual arrangement between NCHL and AHVL do not give significant participating rights to NCHL, such that they jointly control the financial and operating policies of HCCI in the ordinary course of business. The contractual arrangement allows AHVL to unilaterally control certain financial activities of HCCI. Based on the aforesaid evaluation, the Company has concluded that investment in HCCI through NCHL will not be a jointly controlled operation in accordance with the provisions of the Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures". However, since NCHL holds more than 20% of the voting power and it has the right to participate in policy making processes and vote as a shareholder, the Company has concluded HCCI as an 'Associate' of NCHL with effect from 1 April 2014. Accordingly, investment in HCCI has been accounted for under the equity method in accordance with AS 23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued under the Companies (Accounting Standards) Rules 2014.

34 INVESTMENTS AND GUARANTEES

(a) The Group has paid the following amounts towards share application money for allotment of equity shares:

(₹)					
Entity	As at 31 March 2015	Payment during the year	Allotment during the year	Foreign currency translation impact	As at 31 March 2016
Trimedx India Private Limited (by NHL)	1,806,464	-	-	-	1,806,464
Health City Cayman Island Ltd (by NCHL)	231,228,317	307,927,676	525,552,954	5,368,169	18,971,208
	233,034,781	307,927,676	525,552,954	5,368,169	20,777,672

(b) The Group has made investment in the following entities:

(₹)			
Entity	As at 31 March 2015	Allotment during the year	As at 31 March 2016
Investment in equity instruments			
Trimedx India Private Limited (by NHL)	3,000,500	-	3,000,500
Health City Cayman Island Ltd (by NCHL)	818,249,241	525,552,954	1,343,802,195
	821,249,741	525,552,954	1,346,802,695

Notes

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

(c) The Group has provided guarantees to the following entity:

Entity	As at 31 March 2015	Movement	As at 31 March 2016	Purpose of guarantees
Health City Cayman Island Ltd (HCCI)	537,029,064	(13,139,116)	523,889,948	Bank guarantee given to Bank of America through Canara Bank for term loan taken by HCCI.
	537,029,064	(13,139,116)	523,889,948	

35 BONUS SHARES

During the financial year 2014–2015, the Company had issued 577.4476 fully paid up equity shares of ₹ 10 each for every 1 fully paid up equity share of ₹ 10 each to the existing shareholders whose name appeared in the register of members as on 25 March 2015, subject to the fractional shares being rounded off to the nearest number. As per Section 63(1) of the Companies Act 2013, the bonus shares have been issued by utilising securities premium account. The bonus shares rank pari passu in all respects including dividend with the existing equity shares of the Company.

Name of the shareholder	Number of shares before bonus issue	Number of bonus shares issued during the year 2014–15	Number of shares after bonus issue
Dr. Devi Prasad Shetty	115,385	66,628,794	66,744,179
Mrs. Shakuntala Shetty	110,860	64,015,843	64,126,703
Narayana Health Academy Private Limited	15,620	9,019,732	9,035,352
Ashoka Investments Holdings Private Limited	29,006	16,749,446	16,778,452
Ambadevi Mauritius Holdings Limited	8,701	5,024,372	5,033,073
JP Morgan Mauritius Holdings IV Limited	37,707	21,773,817	21,811,524
Kiran Mazumdar Shaw	8,135	4,697,536	4,705,671
CDC Group PLC	20,339	11,744,707	11,765,046
Total	345,753	199,654,247	200,000,000

36 SHAREHOLDERS AND INVESTMENT AGREEMENT

Pursuant to the Shareholders and Investment Agreement dated 28 January 2008 (the agreement) entered amongst the Company; Ashoka Investments Holdings Private Limited, Ambadevi Mauritius Holdings Limited, JP Morgan Mauritius Holdings IV Limited (hereinafter collectively referred to as "Investors"); Dr. Devi Prasad Shetty and Mrs. Shakuntala Shetty, (hereinafter collectively referred to as 'Sponsors') and Narayana Health Academy Private Limited; the Investors invested in 75,414 equity shares (aggregates 43,623,049 equity shares including 43,547,635 bonus equity shares allotted on 25 March 2015). The terms of the agreement inter alia provided for certain exit options to the Investors before 4 August 2015. All the aforesaid parties have entered into an amendment agreement dated 16 July 2015 vide which the time to comply with the exit options was extended to 31 December 2015. The time limit to comply with the exit option was further extended to 31 January 2016 vide amended agreement dated 17 December 2015. The equity shares of the Company got listed on NSE and BSE on 6 January 2016. Hence, the Company has adhered to the time limits as per the Shareholders and Investment Agreement.

Notes

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

37 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 ₹ 180,153,504 (previous year : ₹ 157,809,849).

Defined benefit plan

The Group operates post-employment defined benefit plan that provide gratuity. The gratuity plan entitles an employee, who has rendered at least five years of continuous service, to receive one-half month's salary for each year of completed service at the time of retirement/exit. During the previous year, scheme was non funded. The Group has partially funded the scheme through the gratuity fund administered by a trust formed for this purpose and managed by Kotak Life Insurance and Life Insurance Corporation of India directly. The Group's obligation in respect of the gratuity plan, which is a defined benefit plan, is provided for based on actuarial valuation carried out by an independent actuary using the projected unit credit method. The Group recognizes actuarial gains and losses immediately in the consolidated statement of profit and loss. The Group accrues 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 ₹ 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 (Accounting Standards) Rules, 2014, ('the Rules'):

Movement in present values of defined benefit obligation

Particulars	(₹)	
	As at 31 March 2016	As at 31 March 2015
Defined benefit obligation as at 1 April	109,344,922	64,938,005
Defined benefit obligation acquired from MMRHL	-	4,371,214
Current service cost	33,460,196	27,587,462
Interest cost	9,314,413	4,553,744
Benefits settled	(12,808,900)	(5,730,572)
Actuarial loss	12,273,915	13,625,069
Defined benefit obligations as at 31 March*	151,584,546	109,344,922

* The above amount does not include ₹ 8,250,118 pertaining to employees who left the organisation but full and final settlement was not done till 31 March 2016. The same was computed on actual basis.

Change in fair value of plan assets during the year

Particulars	(₹)	
	As at 31 March 2016	As at 31 March 2015
Plan assets at the beginning of the year	-	-
Expected return on plan assets	421,994	-
Contributions	28,303,638	-
Actuarial gain	172,410	-
Benefits settled	(12,587,867)	-
Plan assets at the end of the year	16,310,175	

Notes

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

Particulars	As at 31 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	16,310,175	-
Present value of obligation	151,584,546	109,344,922
Liability recognized in the consolidated balance sheet	(135,274,371)	(109,344,922)
Current	6,104,798	(3,063,740)
Non-current	129,169,393	(106,281,182)

Expense recognised in consolidated statement of profit and loss

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Current service cost	33,460,196	27,587,462
Interest cost	9,314,413	4,553,744
Expected return on plan assets	(421,994)	-
Net actuarial (gain) / loss recognised during the year	12,101,504	13,625,069
Total included in 'Employee benefits'	54,454,119	45,766,275

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

Principal actuarial assumptions	As at 31 March 2016	As at 31 March 2015
Attrition rate	1.68%– 57.36%	16%–54%
Discount rate	8%	8%
Expected rate of return on plan assets	8%	-
Future salary increases	13.30% – 35.80% for the first year 5%– 6% thereafter	5%–6%

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

Five year information*

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

Experience history	As at 31 March 2016	As at 31 March 2014	As at 31 March 2013	As at 31 March 2013
Present value of defined benefit obligation	151,584,546	109,344,922	64,938,005	59,028,172
Fair value of plan assets	(16,310,175)	-	-	-
(Surplus) / deficit in the plan	135,274,371	109,344,922	64,938,005	59,028,172
Experience (gain) / loss adjustments on plan liabilities	(8,867,007)	(2,799,387)	3,111,392	(23,170,354)
Experience adjustment arising on plan assets	-	-	-	-

* Information available only for 4 years.

Notes

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

38 DUES 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 31 March 2016 has been made in the consolidated financial statements based on information received and available with the Group. 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 ('The MSMED Act') is not expected to be material. The Group has not received any claim for interest from any supplier.

Particulars	(₹)	
	As at 31 March 2016	As at 31 March 2015
The amounts remaining unpaid to micro and small suppliers as at the end of the year		
–Principal	1,193,786	–
–Interest	1,218	–
The amount of interest paid by the buyer as per the MSMED Act	–	–
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;	–	–
The amount of interest accrued and remaining unpaid at the end of each accounting year	1,218	–
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	–	–

39 Leasehold land includes 36 acres of land acquired by Narayana Hospitals Private Limited ("NHPL") in the year 2008 under perpetual lease from Government of Gujarat amounting to ₹ 410,527,478. The aforesaid land has been granted to NHPL 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 NHPL, should be set up with total adherence to rules governed by MCI and Government of India;
- 5% surgery in the proposed health city should be done free. Only medicines and disposable should be charged;
- 20% cardiac surgeries should be performed at the subsidised rate of ₹ 65,000 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%;

Notes

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

–After achieving, 5,000 surgeries annually, 1,000 surgeries should be performed under concessional rate of ₹ 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.

NHPL 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 NHPL replied on 19 January 2011 assuring the Government of Gujarat that the entire project will be completed by June 2016.

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

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

The Company commenced operations in its Ahmedabad unit on 3 May 2012. As of 31 March 2016, the Group is yet to achieve the above timelines. The Group 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.

40 HOSPITAL MANAGEMENT FEES

Hospital management fees represents management fees paid under agreements entered into with certain trusts and companies, under which, the Company has a right over the management, operation and utilization of hospital facilities.

41 NHPL had entered into a lease agreement and obtained a 5 acre land from Siliguri Jalpaiguri Development Authority in February 2009 for construction of a hospital for a consideration of ₹ 25,000,000 disclosed under leasehold land. As per the lease agreement, NHPL was required to complete the construction of the hospital by August 2009. However, no construction has been completed till date. The Group 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.

42 Narayana Vaishno Devi Specialty Hospitals Private Limited ("NVDSHPL") entered into a Concession Agreement with Shri Mata Vaishno Devi Shrine Board ("the trust") to operate, maintain and manage a 230 bed multi specialty hospital on public private partnership model. NVDSHPL is required to pay concession fees to trust as mutually agreed, during the period of agreement. The trust has invested and incurred capital costs to set up/ establish 230 bed multi specialty hospital and has reimbursed costs incurred by NVDSHPL for providing technical assistance during the refurbishment and commissioning period to the extent of ₹ 5,000,000.

As per the terms of agreement, NVDSHPL was required to commence the hospital operations within 10 months from compliance date (compliance date being 29 November 2014) but the operations did not commence within 10 months. However the operations commenced post 31 March 2016.

43 In the year 2008–09, NHPL was allotted 35 acres of land by Jaipur Development Authority ('JDA') for establishing a medical college at Bangra. Subsequently, NHPL has surrendered 25 acres of land to JDA and retained 10 acres of land. However, in the year 2013–14 JDA intimated NHPL that 6,000 sq meters of land out of the 10 acres land retained will be utilised for the completion of ring road project. Subsequently, JDA gave another proposal of land allotment at Govind Pura Ropada, in lieu of 10 acres at Bangra, NHPL gave its consent on the same through letter dated 24 April 2015.

Notes

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

Since this land is given in lieu of land allotted at Bangra, NHPL has requested JDA that 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 31 March 2016, NHPL has paid ₹ 54,439,377 to JDA and accrued the balance payable of ₹ 17,795,237. NHPL would capitalize this amount along with any other payment once NHPL gets the land registered in its name. NHPL 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.

44 PREPAID EXPENSES

Prepaid expense to related party represents rent paid to Asia Heart Foundation amounting to ₹ 258,142,612 (previous year: ₹ 159,213,912). During the year ended 31 March 2016, the Company had entered into an agreement with Asia Heart Foundation to pay ₹ 108,908,592 by converting the future outflow of ₹ 1,000,000 p.m. towards discount entitlement of 214 months into present value. Against ₹ 108,908,592, the Company has paid ₹ 101,000,000 till 31 March 2016. This is being amortized over the period of 214 months beginning from 1 April 2015.

Prepaid expense includes rent paid to Modern Medical Institute amounting to ₹ 70,788,195 (previous year: ₹ 75,413,195) which is being amortized over a period of 20 years from August 2011.

45 MINORITY INTEREST CONSIST OF SHARE IN EQUITY AND RESERVES ATTRIBUTABLE TO MINORITY STAKEHOLDERS AS DETAILED BELOW:

Particulars	As at 31 March 2015	Share of (loss)/ profit allocated to Minority Interest	(₹) As at 31 March 2016
Narayana Hrudayalaya Surgical Hospital Private Limited	5,574,403	(5,574,403)	-
Meridian Medical Research & Hospital Limited	1,232,318	1,496,831	2,729,149
	6,806,721	(4,077,572)	2,729,149

46 EMPLOYEE STOCK OPTION PLAN (ESOP)

During the year ended 31 March 2016, the Company introduced the NH ESOP 2015 ("NH ESOP") for the benefit of the employees of the Company, its subsidiaries and an associates, as approved by the Board of Directors in its meeting held on 12 September 2015. NH ESOP 2015 provides for the creation and issue of 2,040,000 share options that would eventually convert into equity shares of ₹ 10 each in the hands of the employees of the Group. The options are to be granted to the eligible employees as per the eligibility criteria as determined by the Nomination and Remuneration Committee at its sole discretion. The share options vest in a graded manner over a period of four years and are exercisable in one or more tranches within a period of four years from the date of first vesting, failing which the options shall lapse.

Pursuant to NH ESOP, the Company granted 814,830 shares options till 31 March 2016 (previous year: Nil). The Stock compensation cost is computed under the intrinsic value method. For the year ended 31 March 2016, the Company has recorded stock compensation expenses of ₹ 33,499,290 (previous year: Nil).

The activity in this stock option plan is summarized below:

Particulars	As at 31 March 2016	As at 31 March 2015
Outstanding as at the beginning of the year	-	-
Options granted during the year	814,830	-
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	814,830	-
Exercisable at the end of the year	-	-

Notes

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

The weighted average remaining contractual life for the stock options outstanding as at 31 March 2016 is 4.50 years (previous year: Nil). The exercise price for the stock options outstanding as at 31 March 2016 is ₹ 10 (previous year : Nil).

Fair value presentation

Options have been valued based on fair value method as described under guidance note on Accounting for Employees Shared-based Payment using Black Scholes valuation options-pricing model, using the fair value of the Company's shares as on the grant date.

Particulars	As at 31 March 2016	As at 31 March 2015
Number of options granted	814,830	-
Date of grant	1 October 2015	-
Vesting period (years)	4	-
Expected life of option (years)	5	-
Expected volatility	35%	-
Risk free rate	7.63%	-
Expected dividends expressed as a dividend yield	-	-
Weighted-average fair values of options per share (₹)	208.73	-

Had the compensation for the Scheme been determined based on fair value approach, the Group's net profit and earnings per share would have been as per the pro-forma amounts indicated below:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Net Profit (as reported)	191,272,037	-
Less: Stock based compensation expenses under fair value based method (without considering tax impact)	516,602	-
Net profit (pro-forma) considered for computing EPS (pro-forma)	190,755,435	-
Basic and diluted earnings per shares (as reported)	0.95	-
Basic and diluted earnings per shares (pro-forma)	0.95	-

47 INVESTMENT BY CDC IN EQUITY SHARES AND DEBENTURES

During the financial year 2014-15, the Company had issued 20,339 equity shares of ₹ 10 each at a premium of ₹ 98,326 per share to CDC Group PLC on 24 December 2014 (face value of ₹ 10 per share) aggregating ₹ 2,000,061,460. The Company had also issued 10,000,000 10.50% optionally convertible debentures (OCD) aggregating ₹ 1,000,000,000 to CDC India Opportunities Limited (CDC India):

As per the amended agreement dated 25 September 2015, the above mentioned debentures are convertible as per the terms of the agreement.

The shareholders of the Company in their meeting dated 1 December 2015, passed a resolution approving the conversion of OCDs along with accrued coupon into the said number of equity shares. Hence, the OCDs along with accrued interest got converted into 4,360,804 equity shares.

Notes

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

48 CORPORATE SOCIAL RESPONSIBILITY

Consequent to the requirements of Section 135 of the Companies Act 2013, the Group has made contributions as stated below. The same is inline with activities specified in Schedule VII of the Companies Act, 2013.

- Gross amount required to be spent by the Group during the year is ₹ 9,528,526. (previous year: ₹ 8,760,950)
- Amount spent during the current year ended 31 March 2016 on corporate social responsibility activities:

Particulars			(₹)
	In cash	Yet to be paid in cash	Total
Construction/ acquisition of any asset	-	-	-
	(-)	(-)	(-)
On purposes other than above	9,902,238	-	9,902,238
	(10,339,406)	(259,523)	(10,598,929)

*Figures in brackets are for previous year.

49 CHANGE IN USEFUL LIFE OF FIXED ASSETS

Pursuant to the notification of Schedule II to the Companies Act 2013, the Group in the financial year 2014-15, based on the internal technical evaluation, revised the estimated useful life of office equipments and electrical installations. The useful life of all other assets, other than the office equipment and electrical installations are unchanged.

The amount adjusted through surplus (profit and loss balance) net of tax due to change in useful lives in the previous year was ₹ 6,692,753.

50 EARNINGS/ (LOSS) PER SHARE (EPS)

Basic earnings per share

The calculation of basic earnings/ (loss) per share for the year ended on 31 March 2016 was based on profit/ (loss) attributable to equity shareholders of ₹ 191,272,037 {previous year: ₹ (167,641,412)} and weighted average number of equity shares outstanding 201,453,601 (includes 2,040,000 equity shares with Narayana Health Employees Benefit Trust) (refer note 46) (previous year: 190,910,293).

Diluted earnings/ (loss) per share

The calculation of diluted earnings/ (loss) per share for the year ended 31 March 2016 was based on profit/ (loss) attributable to equity shareholders of ₹ 224,333,068 {previous year: ₹ (149,032,017)} and weighted average number of equity shares outstanding after adjustment for effects of all the dilutive potential equity shares 204,360,804 (includes 2,040,000 equity shares with Narayana Health Employees Benefit Trust) (refer note 46) (previous year: 192,285,674).

Earnings			(₹)
	For the year ended 31 March 2016	For the year ended 31 March 2015	
Profit/ (loss) after tax	191,272,037	(167,641,412)	
Add: Interest on debenture, net of tax	33,061,031	18,609,395	
Net profit/ (loss) adjusted for effects of dilutive potential equity shares for calculation of diluted EPS	224,333,068	(149,032,017)	

Notes

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

		(₹)
Shares	For the year ended 31 March 2016	For the year ended 31 March 2015
Weighted average number of equity shares outstanding during the year for calculation of basic EPS	201,453,601	190,910,293
Effects of dilutive potential equity shares in respect of optionally convertible debentures	2,907,203	1,375,381
Weighted average number of equity shares for calculation of dilutive EPS	204,360,804	192,285,674
Basic earnings/ (loss) per share	0.95	(0.88)
Since the potential equity shares are anti-dilutive in nature therefore basic and dilutive earnings per shares is the same.		
Basic and diluted earnings/ (loss) per share	0.95	(0.88)

51 ADJUSTMENT OF SHARES AND DEBENTURES ISSUE EXPENSES WITH SECURITIES PREMIUM

During the financial year 2015-16, the Company paid fees amounting to ₹ 11,450,000 (previous year: ₹ 73,034,000) for professional services in connection with the funds raised from CDC Group PLC and CDC India Opportunities Limited. The same has been adjusted from securities premium account as per Section 52(2) of the Companies Act, 2013.

52 DEBENTURE REDEMPTION RESERVE

As per Section 71 of the Companies Act 2013 and Companies (Share Capital and Debenture) Rules, 2014, the Company in the year 2014-2015 created Debenture Redemption Reserve (DRR) amounting to ₹ 250,000,000 for the purpose of redemption of debentures, which is 25 % of the value of the debentures issued. The DRR was created out of the profits of the Company available for the payment of dividend. In the shareholders meeting on 1 December 2015, a resolution was passed approving the conversion of debentures into equity shares. Hence the amount in the debenture redemption reserve has been transferred to the general reserve.

53 PRIOR PERIOD INCOME

Meridian Medical Research & Hospital Limited (MMRHL) had created deferred tax liability on excess of depreciation on fixed assets under Income Tax Act, 1961 over depreciation as per Companies Act, 2013. But deferred tax asset on carried forward unabsorbed depreciation was not recorded to the extent of deferred tax liability then. This resulted in higher deferred tax liability as at 31 March 2015. During the year ended 31 March 2016, MMRHL recorded deferred tax asset on unabsorbed depreciation to the extent of deferred tax liability, which resulted in reversal of the entire deferred tax liability as at 31 March 2016 aggregating ₹ 51,967,441.

54 The Board of Directors of the Company vide their meeting held on 19 September 2015 approved the purchase of 26% equity shares, held by Infrastructure Development Corporation (Karnataka) Limited (IDECK) in Narayana Hrudayalaya Surgical Hospital Private Limited (NHSHP) by the Company. The purchase of equity shares has been done at a price which gave IDECK 11.25% pre-tax rate of return on compounded basis. On 2 February 2016, the Company paid an amount of ₹ 302,557,852 towards purchase of 26% stake held by IDECK in NHSHP. As a consequence, NHSHP became a wholly owned subsidiary of the Company.

55 Asia Healthcare Development Limited ("AHD") has taken on lease, a diagnostic cum medical care center from Murshidabad Zilla Parishad for a period of 21 years. As per the terms of the agreement, lease payment is based on the monthly revenue generated by the lessee during the lease period.

56 During the financial year 2014-15, the Group had recorded goodwill on consolidation amounting to ₹ 633,441,052 on acquisition of Meridian Medical Research & Hospital Limited (MMRHL). During the year ended 31 March 2016, the Company adjusted prior period amount of ₹ 51,967,441 (refer note

Notes

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

53) towards recording of deferred tax asset. Accordingly the goodwill recorded as at 31 March 2015 is adjusted for this prior period amount. Further, there has been an increase in goodwill recognised during the year on account of acquisition of further 0.34% equity share in MMRHL by the Company. The Company recorded a goodwill on purchase of 26% stake held by IDECK in NHHPL. The Company has netted off the capital reserve amounting to ₹ 142,840,908. The capital reserve was recorded in the past on dilution of stake on NHHPL.

(₹)				
Entity	As at 31 March 2015	Additions for increase in stake	Adjustment for prior period	As at 31 March 2016
Meridian Medical Research & Hospital Limited (MMRHL)	633,441,052	1,935,068	(51,967,441)	583,408,679
Asia Healthcare Development Limited (AHDL)	8,732,397	-	-	8,732,397
Narayana Hrudayalaya Surgical Hospital Private Limited (NHHPL)	-	157,882,589	-	157,882,589
Total	642,173,449	159,817,657	(51,967,441)	750,023,665

57 EXCEPTIONAL ITEMS

Exceptional items amounting to ₹ 110,115,132 represents loss on slump sale of Hyderabad unit of ₹ 95,986,383 and provision for bonus of ₹ 14,128,749.

- (a) The Company entered into a business transfer agreement on 1 April 2016 ('the Agreement') with Chandramma Educational Society for sale of its business on a slump sale basis, without values being assigned to the individual assets and liabilities. As per the terms of the agreement, the Company had sold the following assets and liabilities pertaining to health care business of Hyderabad unit for an aggregate consideration of ₹ 157,500,000. The shortage of the aggregate value of the assets and liabilities sold over the sales consideration has been accounted as an exceptional item in the consolidated statement of profit and loss account. As per the requirement of Accounting Standard (AS)-10, the fixed assets held for sale have been stated at the net realisable value of ₹ 141,129,926.

(₹)		
Particulars	Amount	Amount
Assets		
Fixed assets	237,116,309	
Inventories	8,416,786	
Short term loans and advances	10,659,191	
Total Assets A		256,192,286
Liabilities		
Trade Payables		(2,705,903)
Net Assets C = A+B		253,486,383
Sales consideration D		157,500,000
Net Loss on Slump sale recorded as exceptional item C - D		95,986,383

- (b) Provision for bonus
 Exceptional item also represents additional provision for bonus amounting to ₹ 14,128,749 for the period from 1 April 2014 to 31 March 2015 pursuant to the retrospective application of "The Payment of Bonus (Amendment) Act, 2015" effective 1 April 2014.

Notes

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

58 ADDITIONAL INFORMATION PURSUANT TO PARA 2 OF GENERAL INSTRUCTIONS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Name of the entity	Net Assets, i.e., total assets minus total liabilities as on 31 March 2016		Share in profit or loss for the year ended 31 March 2016	
	As a % of consolidated net assets	Amount	As a % of consolidated profit or loss	Amount
Holding Company				
Narayana Hrudayalaya Limited	75.79	6,721,474,358	295.98	566,127,696
Subsidiaries				
Indian subsidiaries				
Narayana Hospitals Private Limited	9.18	814,195,073	(4.15)	(7,942,508)
Narayana Institute for Advanced Research Private Limited	(0.01)	(891,516)	(0.16)	(304,777)
Narayana Health Institutions Private Limited	0.01	464,938	(0.12)	(226,301)
Narayana Hrudayalaya Surgical Hospital Private Limited	1.01	89,448,039	(22.26)	(42,585,194)
Asia Healthcare Development Limited	0.22	19,423,079	(4.02)	(7,691,415)
Narayana Vaishno Devi Specialty Hospitals Private Limited	(0.01)	(699,632)	(5.48)	(10,490,363)
Meridian Medical Research & Hospital Limited	3.12	277,132,632	(40.02)	(76,542,977)
Foreign subsidiaries				
Narayana Cayman Holdings Ltd.	16.71	1,481,731,194	(4.70)	(8,986,182)
Narayana Hrudayalaya Hospital Malaysia Sdn.Bhd.	0.20	17,540,787	(0.57)	(1,092,848)
Associate				
Foreign associate				
Health City Cayman Islands Ltd.	(6.25)	(554,303,112)	(113.71)	(217,496,263)
Minority interests				
Meridian Medical Research & Hospital Limited	0.03	2,729,149	(0.78)	(1,496,831)
	100	8,868,244,988	100	191,272,037

Notes

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

Name of the entity	Net Assets, i.e., total assets minus total liabilities as on 31 March 2015		Share in profit or loss for the year ended 31 March 2015	
	As a % of consolidated net assets	Amount	As a % of consolidated profit or loss	Amount
Holding Company				
Narayana Hrudayalaya Limited	72.34	5,558,698,842	129.72	217,471,482
Subsidiaries				
Indian subsidiaries				
Narayana Hospitals Private Limited	10.58	813,209,178	(7.58)	(12,706,788)
Narayana Institute for Advanced Research Private Limited	(0.00)	(75,740)	(0.06)	(105,758)
Narayana Health Institutions Private Limited	0.01	532,042	(0.19)	(315,807)
Narayana Hrudayalaya Surgical Hospital Private Limited	0.11	8,158,828	(42.34)	(70,971,391)
Asia Healthcare Development Limited	0.14	10,647,848	(2.63)	(4,403,270)
Narayana Vaishno Devi Specialty Hospitals Private Limited	0.02	1,739,018	(0.22)	(362,858)
Meridian Medical Research & Hospital Limited	6.06	465,746,331	(23.36)	(39,165,550)
Foreign subsidiaries				
Narayana Cayman Holdings Ltd.	13.84	1,063,522,648	(5.36)	(8,986,182)
Narayana Hrudayalaya Hospital Malaysia Sdn.Bhd.	0.91	70,018,932	(13.50)	(22,623,859)
Associate				
Foreign associate				
Health City Cayman Islands Ltd.	(4.10)	(315,082,885)	(149.05)	(249,863,789)
Minority interests				
Meridian Medical Research & Hospital Limited	0.02	1,232,318	1.28	2,148,703
Narayana Hrudayalaya Surgical Hospital Private Limited	0.07	5,574,403	13.27	22,243,656
	100	7,683,921,764	(100)	(167,641,412)

Notes

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

59 PREVIOUS YEAR'S FIGURES HAVE BEEN REGROUPED AND RECLASSIFIED, WHEREVER NECESSARY TO CONFORM TO THE CURRENT PERIOD'S CLASSIFICATION IN RESPECT OF ONE OF THE SUBSIDIARY OF THE COMPANY (MMRHL)

Particulars	(₹) Amount
Provision for taxes under short-term provision regrouped to Advance income tax and tax deducted at source, net under long-term loans and advances	3,052,261
Accrued salaries and benefits regrouped from Trade payables to Other current liabilities	6,367,318
Creditor for capital goods regrouped from Trade Payable to Other current liabilities	6,294,809
Other liabilities regrouped from Other long term liabilities to Other current liabilities	1,325,000
Long-term security deposit regrouped from short-term loans and advances to long-term loans and advances	5,405,005
Trade payables to Advance to vendors	630,967
Advance income tax and tax deducted at source, net regrouped from long-term loans and advances to short-term loans and advances	664,350

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

As per our report of even date attached

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

Chartered Accountants

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

for and on behalf of the Board of Directors of

Narayana Hrudayalaya Limited

(formerly known as Narayana Hrudayalaya Private Limited)

Amit Somani

Partner

Membership number: 60154

Place: Bengaluru

Date: 30 May 2016

Dr. Devi Prasad Shetty

Chairman

DIN: 00252187

Ashish Kumar

Company Secretary

Kesavan Venugopalan

Chief Financial Officer

Place: Bengaluru

Date: 30 May 2016

ANNEXURE A to the Independent Auditor's Report on the consolidated financial statement

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

In conjunction with our audit of the consolidated financial statement of Narayana Hrudayalaya Limited ("the Holding Company"), its subsidiaries and an associate as at and for the year ended 31 March 2016, we have audited the internal financial controls over financial reporting of the Holding Company and its subsidiaries which are companies incorporated in India ("Indian subsidiaries") as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company and its Indian subsidiaries are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company and its Indian subsidiaries 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 the respective 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 Companies Act, 2013 ("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 and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's and its Indian subsidiaries' internal financial controls system over financial reporting.

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 procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
2. provide reasonable assurance that 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 authorisations of management and directors of the Company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the 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 Holding Company and its Indian subsidiaries have, 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 and its Indian subsidiaries considering the essential components of internal control stated in the Guidance Note issued by ICAI.

Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to one subsidiary, which is a company incorporated in India, is based on the corresponding report of the auditors of such company incorporated in India.

for **BSR & Co. LLP**

Chartered Accountants

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

Amit Somani

Partner

Place: Bengaluru

Date: 30 May 2016

Membership number: 60514

Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



Narayana Hrudayalaya Limited

258/A, Bommasandra Industrial Area
Bengaluru - 562158

www.narayanahealth.org