



**QUALITY
HEALTHCARE**
E X P A N D I N G
R E A C H

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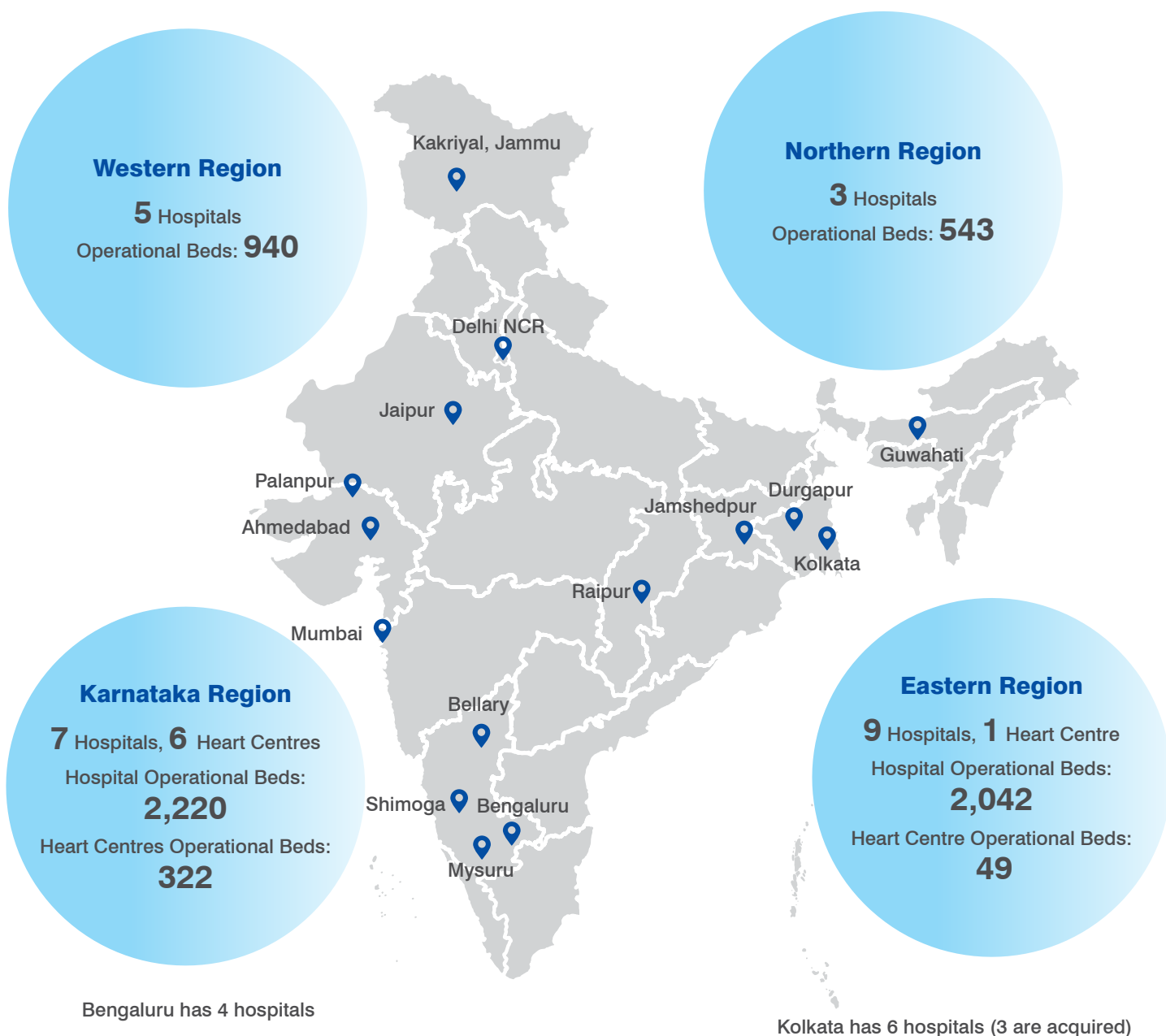
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log on to www.narayanahealth.org

NH's FOOTPRINT IN INDIA

As on 1st May 2018



Map not to Scale.

OPERATIONAL AND CLINICAL H I G H L I G H T S





NH commissioned 207 capacity bedded SRCC Narayana Hospital at Haji Ali, Mumbai which is a premier one-of-its kind paediatric facility in April 2017

Successfully consummated the acquisition of the partner's entire stake in Cayman Islands Hospital, making it a wholly owned subsidiary of NH and thereby creating value for all our stakeholders

A rare case of a 5-year-old boy with fulminant hepatic failure was treated with an emergency liver transplant procedure at Mazumdar Shaw Medical Centre, Bengaluru

MSMC, Bengaluru treated a rare cancer called Alveolar Soft Part Sarcoma of Pelvic Bone. The affected part of the pelvic bone was removed and replanted after sterilising it via radiation through a technique called Extra Corporeal Radiotherapy

NH commissioned its state-of-the-art 211 capacity bedded Narayana Superspeciality Hospital, Gurugram, a world class medical facility catering to the healthcare needs of the NCR region in March 2018

Extending advanced clinical programs beyond the metros, a minimal invasive surgery like TAVI was performed at Narayana Multispeciality Hospital, Mysore, first of its kind in the city

Our hospital in Howrah successfully performed a complicated procedure involving Intra-Cardiac Repair for Tetralogy of Fallot along with a complete chest wall reconstruction on a 2-year-old girl



CHAIRMAN's MESSAGE



TO THE ESTEEMED SHAREHOLDERS,

Providing affordable, quality healthcare to masses formed the bedrock of Narayana Hrudayalaya back in 2000 and we are proud to have carried this baton all these 18 years. We are progressing towards our aim of Healthy India with our continued endeavours driven by twin engines of frugal innovation and clinical excellence and fiscal year 2018 was no exception. It turned out to be a historic year for us as we projected ourselves on Pan-India stage with our maiden entry in Delhi NCR and Mumbai markets. Our focus on opening the doors of healthcare to a broader set of population helped us serve ~2.6 mn patients in FY18. Our ethos with patients' well-being at the epicentre have led to your company revolutionising every touch point of the patient care cycle.

National Health Protection Scheme – Inching towards the Dream of Ayushman Bharat

The Union Budget presented in February 2018 saw the unveiling of a mega healthcare project, The National Health Protection Scheme (NHPS) is aimed at extending healthcare insurance to 100 mn families and raising the insurance ceiling to ₹ 5 lakhs per family. The scheme will target up to 500 million individuals from financially vulnerable households, a demographic that accounts for 41.3% of the population. The scheme of this scale will be a game changer for the Indian healthcare industry. In Rural India, 150,000 basic healthcare facilities exist only on paper and offer only maternal and child healthcare services. By providing free access to secondary and tertiary healthcare services to millions of people, it will open up avenues of growth for healthcare operators like NH which emphasises on universal healthcare coverage. We, at NH, are quite excited about this revolutionary scheme and are inclined towards working in tandem with the government agencies to progress towards this goal of universal healthcare for all.

Closing the Looming Healthcare Talent Gap – Carving Opportunities out of Problems

In the World Health Organisation's ranking of health systems of countries, India is ranked at 112, way below countries like Bangladesh, Indonesia, Iran and Iraq. This abysmal rank speaks volume about India's fragile medical infrastructure and shortage of clinical talent. A recent survey by Boston Consulting Group and Confederation of Indian Industry states that Indian healthcare sector will generate 40 mn new jobs by 2020. There is a huge opportunity in the healthcare sector as the World Bank predicts a shortage of 80 mn workers by 2030 globally and India will need 2 mn doctors and 6 mn nurses by that time. There is a dire need to create an ecosystem of skill sets built on a knowledge-based society. Private hospital operators have to work in tandem with government bodies to create a learning environment. Indian healthcare sector could turn out to be one of the largest employers and give an impetus to the economy. NH is working with various developmental agencies and other institutions, such as the National Skills Development Council, and College of Physicians and Surgeons to address this critical skills shortage. Our vision is to convert all our hospitals into training institutions that will train the healthcare workforce for the 21st century. NH is also investing in hospital management courses to prepare succession plans across all levels of the organisation.

~2.6 mn
patients treated at
NH in 2018

~60%
of deaths occur due to
Non-Communicable
Diseases in India

Stepping up the Fight against the Non-Communicable Diseases

Today, Non-Communicable Diseases (NCD) are responsible for over 60% of deaths in India with cardio vascular disease being responsible for ~20% deaths and cancer not far behind at ~10% deaths. As per experts, cancer cases will increase significantly in the coming years. By 2020, around 1.7 mn people are expected to have cancer and deaths due to cancer will increase up to 20%.

To empower NH with all kinds of medical technology and clinical talent to fight the rapid rise of cancer, we devised a strategy to create regional Centre of Excellence (COE) across all our clusters which started off by creating state-of-the-art oncology blocks in our flagship Health City Campus at Bengaluru and our unit at Mysore, followed by acquisition of Westbank Hospital at Kolkata to strengthen the oncology play in East and subsequently forging partnership to run renowned Dharamshila Cancer Care unit in Delhi so as to equip the northern cluster with oncology expertise. In the Western cluster, we are in the process of commissioning a radiation oncology block in Raipur unit. We believe that oncology would be the next driver of growth in the Indian healthcare context and with these COEs, we, at NH, would be able to provide world-class expertise and medical opinion on oncology cases.

Digitising Healthcare, Touching Lives

The ubiquity of technology and its seamless connect is permeating almost every aspect of the economy and its revolutionising impact on healthcare services is quite evident. We, at NH, work towards a single stated objective of improving health of our patients and technology has emerged as a potent tool in this regard.

In this direction, we are incubating a technology company, Cura Tech, and are the lead sponsors in this next generation startup which is building a digital clinical assistant into the Electronic Medical Record (EMR) which will assist the physicians in making faster, smarter and more accurate diagnoses. We strongly believe that digital health will make healthcare safer, affordable and accessible and that is why I am personally

investing more and more of my time on creating software for doctors that will revolutionise their practice.

Caring for the Uncared

Since its inception, NH has taken various social responsibilities, informed by our experience and in alignment with our vision towards equitable, accessible and affordable healthcare for all. NH has sought to leverage on CSR towards realising broader system level goals and expand into different domains like healthcare, education and environment. Some of the initiatives are listed below:

E - Health Centre Program

NH is the healthcare partner in this program to operate & manage the eHealth Centre's (eHC). eHCs are fully equipped with workstations, open electronic medical records (EMR) systems, biometric patient identification and integrated diagnostic devices. 10 centres have now been established across India. Since the program's inception in December 2014, we have provided tele-consultations to ~45,000 patients and screened ~12,000 patients.

Mobile Mammography Screening

It aims to create awareness among the people about breast cancer and hence initiate early diagnosis. We have been able to screen ~20,000 women and ~5,000 women who have availed mammograms. We have detected 41 cases of breast cancer so far, with 11 women detected this year. 24 of the cases detected through these have been treated at NH facilities.

With all these endeavours, we strive to bring affordable quality healthcare within the reach of all the people. Our journey is not over until all people have universal access to quality healthcare and we will leave no stone unturned to realise this goal. At the end, I would like to thank all our stakeholders, employees and associates who have reposed trust and confidence in us.

Dr. Devi Prasad Shetty

Chairman

CEO's MESSAGE



DEAR STAKEHOLDERS,

It is a matter of great privilege for me to present the performance of your company for the FY17-18. Though the year gone by remained challenging for the Indian healthcare industry, but your company has shown resilience to the unpredictable regulatory environment and hence managed to close yet another year with commendable operational as well as financial performance.

Expanding All Arms: Unfolding Pan-India Play

With single-minded focus to serve patients across the country, we took conscious efforts to develop our operational network in Delhi NCR and Mumbai markets, where we did not have any presence until last year. NH ended fiscal year FY17-18 with one year of full operations at Dharamshila Narayana Superspeciality Hospital & Research Centre, East Delhi and SRCC Children's Hospital, Mumbai.

Beginning FY17-18, we also fortified our presence in Delhi NCR market by acquiring a near complete multi-speciality hospital in Gurugram which we have recently commissioned with the state-of-the-art medical infrastructure. Proximity of Dharamshila and Gurugram facilities in Delhi NCR will help us leverage upon the synergistic value emerging out of this well-knit cluster by encouraging the usage of shared resources and clinicians' mobility. With Northern cluster centred around Delhi NCR slowly taking shape, we are emerging as a true Pan-India quality healthcare service provider.

Treading Successfully in International Waters

By demonstrating our mettle at Cayman Islands Hospital, NH's only hospital outside India, we have taken nascent steps towards showcasing our clinical expertise and operational excellence in international geography. By earning the prestigious Gold Seal of Approval from Joint Commission International (JCI) just after a year of operations and breaking even at monthly EBITDA level in 24th month of its operations, this hospital has emerged as the premier healthcare destination in Caribbean region.

This hospital has clocked revenue of US\$ 44.6mn during FY18, which translates into a staggering CAGR of ~79% over the period of financial year 2015 to 2018 and is currently generating positive cash flows. For the FY17-18, with an average occupancy of 27%, this 4-year-old, 106 capacity bedded facility has delivered ~14% EBITDA margins, which we foresee to increase with ramp-up in occupancy. Based on the strong operational performance and prospects of Caribbean region, NH acquired the partner's entire stake in the hospital in January 2018, making it a wholly owned subsidiary of NH.

Despite the significant traction in Cayman Islands driven by our clinical excellence and efficient operations, we remain cautious and prudent on capital allocation in international territories. Buoyed by the confidence from this facility's performance and in line with our broader ambition to evolve as a quality healthcare provider at the global level, we are planning to establish our strategic entry in South-East Asia through our preferred engagement models, limiting our capital outlay.

US\$ **44.6** mn
in revenues in FY18
from Cayman Islands
Hospital

~10%
revenue contribution
from International
patients

Growing Contribution from International Patients

In addition to performing pioneering and critical work with the highest degree of clinical precision possible, we also keep exploring new avenues to maintain the growth momentum. Developing international patients' base was our well thought-through strategic call in this direction, which we believe, is an important lever of growth. With well-directed marketing activities, the share of international patients to group's revenues has increased tremendously from ~5% in FY16 to ~10% in FY18.

Strategic location and well-invested medical equipment across specialities under one roof has already helped Gurugram facility attract initial eyeballs from both doctors' fraternity and patients' community. Within ten days of its commissioning, the fact that an Iraqi patient chose our Gurugram hospital to undergo knee replacement surgery alludes to the brand pull NH has created in the minds of not only Indian patients but also their international counterparts. With these facilities and our Children's only hospital in Mumbai, we are confident that international community will play a vital role in driving the cog of NH's next phase of growth.

Exemplary Growth Led by Matured Centres

During the year just concluded, our operating revenues grew by 21.4% on a year-on-year basis at ₹ 22,809 mn. Though the growth was led by continual outperformance in its matured centres with over 5 years' vintage, but younger set of hospitals such as Whitefield, Guwahati, Jammu also provided a major thrust to Company's revenues. Our flagship Centres of Excellence continue to be the backbone of NH's performance, providing it the necessary cushion with ~50% revenue contribution. The Health City, Bengaluru continued to grow at an impressive revenue growth of close to ~16% in FY17-18. With our relentless endeavour towards performing cutting edge clinical procedures such as bone marrow transplants, minimal invasive surgeries etc., revenues of Mazumdar Shaw Medical Centre grew by ~20%. Despite being a single speciality hospital with close to 18 years in operations, Narayana Institute of Cardiac Sciences has been able

to deliver industry-leading growth of ~12% yet again, which gives us the reason to cheer upon.

On the profitability front, we are quite satisfied with our resilient margins considering the impact of price cap on cardiac stents, losses at SRCC Children's Hospital, Mumbai and pre-commissioning expenses at our recently commissioned Gurugram facility and introduction of GST. Full year consolidation of Cayman Islands' Hospital from FY19 will provide a significant uptick to group's profitability and cash flows, now that it is 100% owned by NH.

From cash flows perspective, our intention has always been on judicious utilisation of capital. This resulted in NH enjoying the healthy headroom with gearing ratio being amongst the lowest in the industry until the beginning of FY18. Leveraging upon this strong financial strength, your Company managed to bolster its footprints within India by acquiring Gurugram facility and in overseas market by acquiring partner's remaining stake in Cayman Islands Hospital. Notwithstanding these intensive capital investments, our cash flow generation is as robust as they have been in the last two years.

While in the long run, we remain devoted towards growing our footprints but in the near term, we are focussed on consolidation of operations, specifically the newer hospitals in Delhi NCR and Mumbai. We also remain committed towards maximising the return on capital for our shareholders. With faith and support which all our stakeholders have shown in NH, we believe that we will be able to take this institution to the pinnacle of success. In the end, I wish to thank everyone for believing in our cause to provide quality healthcare services to the masses.

Best Regards,

Dr. Ashutosh Raghuvanshi

Vice Chairman, Group CEO and Managing Director

HCCI-CAYMAN I S L A N D S



Setting the Ground for The Pilot

Streamlined operations and supply chain efficiencies coupled with strict control on cost have been key differentiators in our growth story. On the back of the success we have achieved in Indian landscape, we put to test our skills and expertise, we