Parimal Ram & Pattabhi
CHARTERED ACCOUNTANTS

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STRICTLY PRIVATE AND CONFIDENTIAL

January 05, 2017

The Board of Directors
Manipal Health Enterprises Private Limited
The Annexe,
No 98/2, Rustombagh,
HAL Airport Road,
Bengaluru - 560 017

The Board of Directors
Manipal Hospitals (Jaipur) Private Limited
70, 2nd and 3rd Floor,
Grace Towers above Navnit Motors,
Millers Road,
Bengaluru – 560 052

Re: Proposed Composite Scheme of Arrangement under Sections 230 to 232 of the Companies Act, 2013 read with Section 66 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 of Manipal Hospitals (Jaipur) Private Limited and Manipal Hospitals (Whitefield) Private Limited and Manipal Health Enterprises Private Limited and their respective Shareholders and Creditors ("Scheme") for transfer of Vijayawada Unit of Manipal Health Enterprises Private Limited as a going concern by way of Slump Sale for a lump sum consideration and vesting of the same into Manipal Hospitals (Jaipur) Private Limited

Dear Sirs,

As requested by the management of **Manipal Health Enterprises Private Limited** (hereinafter referred to as "MHEPL") and **Manipal Hospitals (Jaipur) Private Limited** (hereinafter referred to as "MHJPL"), we have undertaken the exercise to arrive at the value of Vijayawada Unit of MHEPL which is proposed to be transferred to MHJPL, on a going concern basis by way of Slump Sale for a lump sum consideration with effect from the Appointed Date of January 1, 2017 pursuant to the Scheme under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013, to the extent applicable.

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1. PURPOSE

1.1. We have been informed that the Board of Directors of MHEPL and MHJPL (hereinafter collectively referred to as the "Companies") are considering a proposal to transfer the Vijayawada Unit of MHEPL on a going concern by way of Slump Sale for lump sum consideration and vesting into MHJPL with effect from the Appointed Date of January 1, 2017 pursuant to the Scheme. Subject to necessary approvals, pursuant to the Scheme, Vijayawada Unit of MHEPL (hereinafter referred to as the "Undertaking" or "Vijayawada Unit") is proposed to be transferred to MHJPL as aforesaid. In this regard we have been appointed by the management of MHEPL to review and provide the value of the Undertaking as on December 31, 2016 and by the management of MHJPL to provide the intrinsic value of its equity share.

2. BRIEF BACKGROUND OF THE COMPANIES

2.1. MANIPAL HOSPITALS (JAIPUR) PRIVATE LIMITED

2.1.1. MHJPL is a private limited company incorporated under the provisions of the Companies Act, 1956 having its registered office at # 70, 2nd and 3rd Floor, Grace Towers above Navnit Motors, Millers Road, Bengaluru - 560 052. MHJPL is engaged in the business of running hospital and providing healthcare services.

2.1.2. MHJPL is a wholly owned subsidiary of MHEPL.

2.2. MANIPAL HEALTH ENTERPRISES PRIVATE LIMITED

2.2.1. MHEPL is a private limited company incorporated under the provisions of the Companies Act, 1956 having its registered office at The Annexe, No 98/2, Rustombagh, HAL Airport Road, Bengaluru - 560 017. MHEPL is engaged in the business of running/ managing hospitals and providing healthcare services. The Company operates through various Hospitals/ Clinics providing healthcare services.

2.3. VIJAYAWADA UNIT OF MHEPL

2.3.1. Vijayawada Unit of MHEPL means whole of the undertaking of Vijayawada Unit of MHEPL on a going concern and shall mean and include, without limitation all the assets, properties whether movable or immovable, liabilities or provisions, employees and contracts of the Vijayawada Unit.

3. SOURCES

For the purposes of our exercise, we have relied upon the following sources of information:

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a) Management certified position of assets and liabilities of the Undertaking as on December 31, 2016.
b) Management certified projections of the Vijayawada Unit.
c) Draft Scheme for the proposed transfer of the Vijayawada Unit from MHEPL to MHJPL.
d) Other requisite information and explanations provided by the Management of the Companies.

4. EXCLUSIONS AND LIMITATION

4.1. Our report is subject to the scope limitations detailed hereinafter. As such the report is to be ready in totality, and not in parts, in conjunction with the relevant documents referred to herein.

4.2. No investigation on the Undertaking claims to title of assets has been made for the purpose of this report and their claim to such rights has been assumed to be valid. Therefore, no responsibility is assumed for matters of a legal nature.

4.3. Our work does not constitute certification of the historical financial statements including the working results of the Undertaking referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. The valuation and results are specific to this purpose and the date mentioned in the report is as per agreed terms of our engagement. It may not be valid or used for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

4.4. We have not carried out due diligence or audit of the information provided for the purpose of this engagement. We assume no responsibility for any errors in the above information furnished by the Companies and consequential impact on the present exercise.

4.5. Our report is not, nor should it be construed as our opining or certifying the compliance of the proposed transfer with the provisions of any law including companies, taxation and capital market related loss or as regards any legal implications or issues arising from such proposed transfer.

4.6. Any third person / party intending to provide finance / invest in the shares / businesses of any of the Companies / Undertaking, shall do so, after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. It is to be noted that any reproduction, copying or otherwise quoting of this report or any part there of other than in connection with the proposed transfer as aforesaid or pursuant to a legal or regulatory requirement, can be done only with our prior permission in writing.

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4.7. This report is prepared only in connection with the proposed transfer, exclusively for the use of the Companies for submission to any regulatory or statutory authority as may be required under any law.

4.8. It is clarified that the value of the Undertaking detailed in Annexure 1 is for the purpose of computing lumpsum value of the Undertaking and values therein should not be construed as values assigned to individual assets and liabilities of the Undertaking.

4.9. Parimal Ram & Pattabhi, Chartered Accountants, nor its partners, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in this report.

5. VALUATION METHODOLOGY AND RATIONALE

5.1. VIJAYAWADA UNIT OF MHEPL

5.1.1 As mentioned earlier, the management of the Companies intends to transfer the Undertaking as a going concern basis by way of slump sale with effect from the Appointed Date and considering the facts involved, we have thought fit to arrive at the value of the Undertaking based on "Net Asset Value" approach. In consideration of the said transfer, a lump sum consideration will be discharged by way of issue/ allotment of its equity shares by MHJPL to MHEPL.

5.1.2 MHJPL is a wholly owned subsidiary of MHEPL and hence the shareholders of MHEPL are ultimate beneficial holders of the Undertaking. The draft Scheme therefore does not affect the interest of members or the creditors of MHEPL and MHJPL. In view of this, the transfer of the Undertaking as aforesaid at a value arrived at based on "Net Asset Value" approach is fair and reasonable.

5.1.3 In case of the "Net Asset Value" approach, the net asset value is determined by considering the net assets of a company / relevant undertaking. Since the Undertaking is proposed to be transferred on a going concern basis as a slump sale with effect from the Appointed Date of January 1, 2017 and an actual realization of the operating assets is not contemplated, we have considered it appropriate not to determine the realisable or replacement value of the assets. The operating assets of the Undertaking have therefore been considered at their book values.

5.1.4 The net asset value as arrived above is the value of the Undertaking proposed to be transferred as per the "Net Asset Value" approach.

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5.1.5 Based on the above, the value of the Undertaking works out to INR 48,55,89,440/- (Forty Eight Crore and Fifty Five Lakhs Eighty Nice Thousand Four Hundred and Forty only) as on December 31, 2016. The workings for the same are attached as Annexure 1 to this report.

5.2. MHJPL

5.2.1 MHJPL proposes to adopt "Discounted Cash Flow" (DCF) approach of valuation for valuing its equity share as the same would enable the management of MHJPL to discover its intrinsic value.

5.2.2 DCF Method is a complicated method under which the free cash flows attributable to equity shareholders for a predetermined numbers of future years are considered and discounted to their present value. The free cash flows attributable to the equity shareholders are the cash flows from operating activities as reduced by the estimated/ planned capital expenditure in each of the future years. The cash flow projections and the estimations of the capital expenditure are based on the management's view of the future business prospects of the company and the anticipated economic condition in relation to the industry in which company operates.

5.2.3 The discount rate is another variable based on which the value of shares are dependent upon. The rate can be the market rate or the rate determined as per Capital Asset Pricing Model ("CAPM"). CAPM model is considered as a more scientific approach for arriving at a discount rate compared to the market rate of return. Discount rate under the CAPM model is based on the following formula:

Return on equity = $R_f + \beta (R_m - R_f)$ where

R_f – Risk free rate of return

R_m – Market rate of return

5.2.4 Based on the above, the value of the MHJPL works out to INR 10/- (Rupees Ten only) per share as on December 31, 2016. The workings for the same are attached as Annexure 2 to this report.

6. SHARE EXCHANGE RATIO

6.1. Based on the above, the consideration for the purposes of Slump Sale would be as under (Refer Annexures for detailed workings):

"4,85,58,944 (Four crore eighty five lakh fifty eight thousand nine hundred and forty four) fully paid-up equity share of Rs. 10/- each of MHJPL shall be issued and allotted to MHEPL at par"

Thank you,

Yours Faithfully
For Parimal Ram & Pattabhi,
Pattabhi. B.N
B.N. Pattabhi
Partner
Membership No. 210278

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Chartered Accountants
Bengalore

Place: Bengaluru

Annexure 1

MANIPAL HEALTH ENTERPRISES PRIVATE LIMITED

VIJAYAWADA UNIT

NET ASSET VALUE APPROACH

(Amount in INR)

Assets	
Depreciable Assets	35,09,10,795
Intangible Assets	10,71,718
Capital Work-in-Progress	18,41,21,219
Loans and Advances	4,28,88,091
Current Assets	11,49,60,824
Total Assets – A	**69,39,52,647**
Liabilities	
Current Liabilities and Provisions	15,26,24,600
Other Liabilities	5,57,38,604
Total Liabilities - B	**20,83,63,205**
Net Asset Value of Vijayawada Unit as on December 31, 2016 (A-B)	**48,55,89,442**

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Annexure 2

MANIPAL HOSPITALS (JAIPUR) PRIVATE LIMITED

DISCOUNTED CASH FLOW

Discounted Cash Flow Value

Yearly Cash Flows

INR in millions

Particulars	31 March 2017 (Q4)	31 March 2018	31 March 2019	31 March 2020	31 March 2021	31 March 2022	31 March 2023	31 March 2024	31 March 2025
PBT	(133)	(348)	(256)	(172)	(84)	51	141	238	344
Add: Depreciation	113	412	432	447	462	462	462	462	462
Total Inflows	**(20)**	**64**	**177**	**275**	**378**	**513**	**603**	**700**	**806**
Less: Outflows									
Incremental Working Capital	(12)	(75)	(20)	(19)	(3)	(3)	(3)	(3)	(3)
Capital Expenditure	7	30	31	49	51	51	51	51	51
Tax Provision	-	-	17	46	76	123	154	188	224
Total Outflows	**(5)**	**(45)**	**28**	**75**	**124**	**171**	**202**	**236**	**272**
Free Cash Flows	**(15)**	**109**	**148**	**200**	**254**	**342**	**401**	**464**	**533**
Discount rate	13.60%	13.60%	13.60%	13.60%	13.60%	13.60%	13.60%	13.60%	13.60%
Discounting factor	0.22	0.77	0.68	0.60	0.53	0.47	0.41	0.36	0.32
Discounted Cash Flows	**-3**	**84**	**101**	**120**	**134**	**159**	**164**	**167**	**169**
NPV of Explicit Period									**1,096**

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Perpetuity Value

INR in millions

Particulars	Amount	Amount
PBDIT of 2025		806
Growth Rate		5%
PBDIT for perpetuity		848
Less:		
Tax	34.61%	(293)
Gross Capex	-51	
Less: Tax Benefit	18	(34)
Incremental Working Capital		0
Net Cash Flow for Perpetuity		*521*
Capitalised Value for Perpetuity		**6,238**
Discounting Factor		0.32
Present Value of Perpetuity		**1,980**

Value per Share

INR in millions

Particulars	Amount
NPV of Explicit Period	1,096
Surplus cash	
Present Value of Perpetuity	1,980
Enterprise Value	**3,076**
Add/(Less): Adjustments	
Total Loans	(2,120)
Contingent Liability	-
Total Value attributable to the Equity Shareholders of the company	**956**
No. of Equity Shares*	10,00,10,000
Value per Share	**9.55**
Rounded-off to Face Value	**10.00**

* We have made adjustment to the number of equity shares, based on the allotment of shares in meeting of Board of Directors held on October 24, 2016.

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