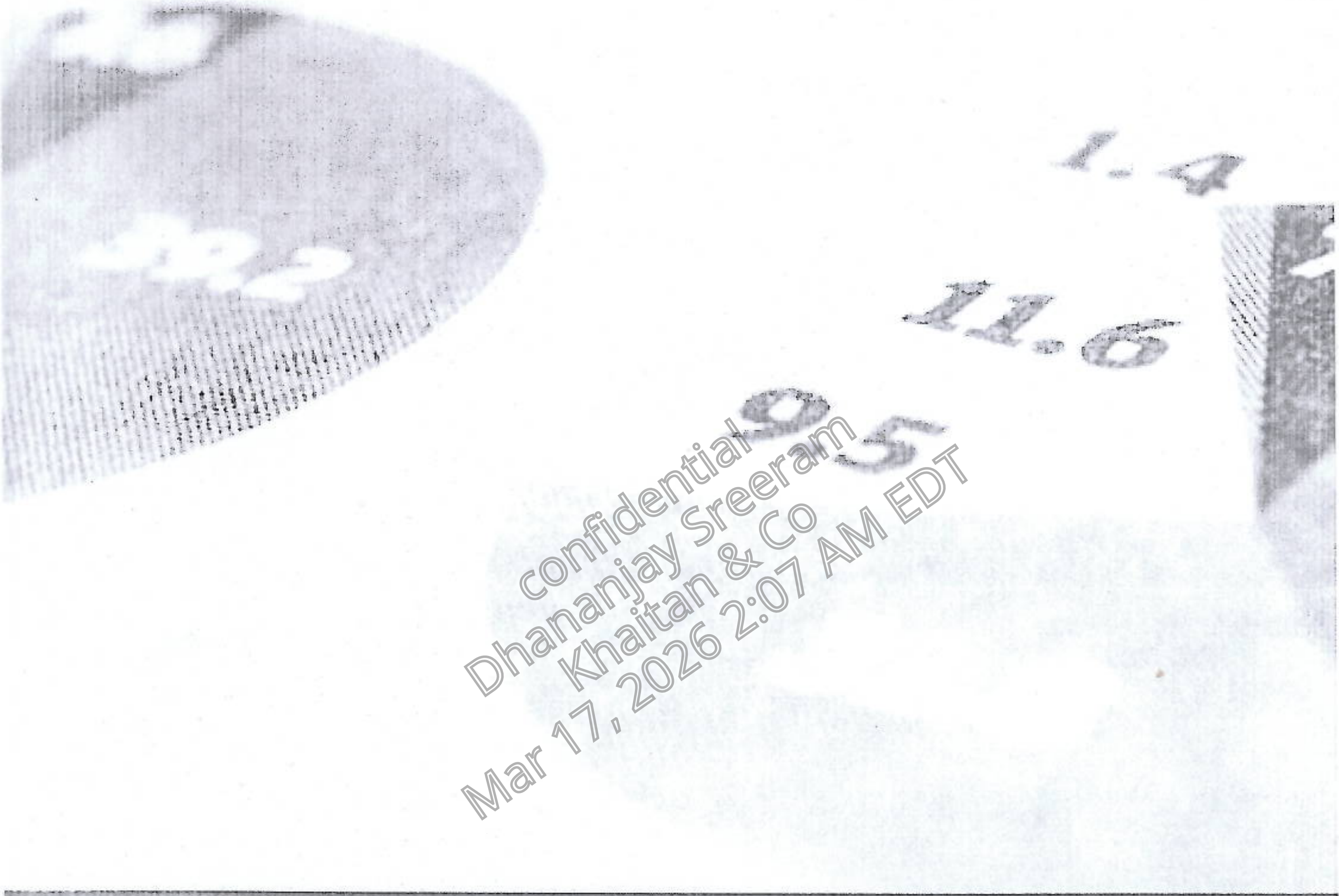


Share Valuation Report

13th October 2014

13th October 2014

The Board of Directors,
Manipal Health Systems Private Limited
70, 2 & 3 Floor, Grace Towers,
Millers Road, Above Navnit Motors
Bangalore - 560052

The Board of Directors,
Manipal Health Enterprises Private Limited
The Annexure, #98/2,
Rustom Bagh, HAL Airport Road,
Bangalore - 560017

Sub: - Recommendation of exchange ratio for issue of shares for the purpose of proposed demerger of Manipal Health Systems Private Limited into Manipal Health Enterprises Private Limited.

We refer to our engagement letter dated August 1st, 2014. You have accordingly requested our opinion on the Exchange Ratio for issue of shares of Manipal Health Enterprises Private Limited (MHEPL or Resultant Company) to the shareholders of Manipal Health Systems Private Limited (MHSPL or Demerged Company) [jointly referred to as "the Companies"]. We have arrived at the Exchange ratio in accordance with your instructions and are providing you with our assessment which is enclosed herewith, for the consideration of Board of Directors of MHEPL and MHSPL.

Our Report, other materials generated during the engagement are intended for the sole use of Board of Directors of the two companies and for statutory and regulatory purposes in connection with demerger.

We would like to record our appreciation for the courtesy and co-operation received by us during the course of our work and look forward to continuing our professional association.

Thanking you,

For Sriramulu Naidu & Co.,

Chartered Accountants

CA S Deenadayal

Partner

Background and Terms of Engagement

There is a proposal before the Board of Directors of Manipal Health Systems Private Limited (MHSPL) and Manipal Health Enterprises Private Limited (MHEPL) to consider the demerger of MHSPL's Core Health Care Business (hereinafter referred to as 'Core Health Care Business Division' or 'Demerged Undertaking') as a going concern, and merge the same with MHEPL under a scheme of arrangement u/s. 391 to 394 of the Companies Act, 1956 ("The Scheme") for the purposes of better, efficient and economical management, control and better administration.

It is also proposed that upon the said Demerger, Equity Shares of MHEPL would be allotted to the shareholders of MHSPL.

We have been approached by MHEPL and MHSPL to recommend a fair Enterprise Value of the 'Core Health Care Business Division' and a fair Enterprise Value of MHEPL which would be the basis for determining the ratio of allotment of Equity Shares to the shareholders of MHSPL on such demerger.

The date for the proposed valuation is September 30th, 2014 ("Valuation Date").

This report ("Report") sets out the findings of our exercise.

1. Profile of MHSPL:

1.1. Manipal Health Systems Private Limited (MHSPL)

MHSPL, a company incorporated under the Companies Act, 1956 and having its registered office at No. 70, 2nd & 3rd Floor, Grace Towers, Above Navnit Motors, Millers Road, Bangalore 560 052, Karnataka.

MHSPL was incorporated on February 1, 1999, as per the provisions of the Companies Act, 1956. The company is involved in the business of establishing, promoting or otherwise carrying on the business of running of nursing homes, hospitals, ICCU, nature-cure centres, clinics for treatment, prevention, detection and cure of diseases, ailments of all kinds.

MHSPL intend to demerge its Core Health Care Business Division and merge the same with MHEPL. The rationale for the demerger is to achieve greater management focus on tapping the growth potential in the respective businesses of MHSPL and MHEPL.

1.2. **Core Health Care Business Division**

The Core Health Care Business Division is engaged in the business activities and operations/ activities comprising of:

(a) Provision of hospital management support services; and

(b) Construction and leasing / subleasing of health care infrastructure, which is intrinsically linked with the provision of health care related services.

Without prejudice and limitation to the generality of the above, the Core Health Care Businesses shall include:

(i) Manipal Hospital situated at land bearing Survey Nos. 98, 141 & 143/1 of Kodihalli, Airport Road, Bangalore. The said hospital is constructed on the aforementioned lands admeasuring 4 Acres 39 Guntas and having a super built up area of 5,74,100 square feet;

(ii) Manipal Northside Hospital situated at Corporation No.644 and Municipal No.70, 70/1, 70/2 & 71 situated at 11th Main Road, Malleshwaram, Bangalore. The said hospital is constructed on the aforementioned lands admeasuring 21,650 square feet and having a super built up area of 35,756.50 square feet;

(iii) Leasehold rights of land situated at Survey No. 264/1, Taleigao Village, Tiswadi Taluk, Donapaula Goa and the ownership rights of the building having a super built up area of 173303.78 square feet and known as Manipal Hospital Donapaula Goa;

(iv) Nursing Hostels of the Demerged Company, briefly set out herein below:

(a) Apartment Nos. B103, B202, B302, B406 of RIFCO Surya Apartments, Kodihalli, HAL Main Road Bangalore;

(b) Deepa Hostel situated at Survey No. 5, Kodihalli, HAL Main Road, Bangalore;

(c) Jyothi Hostel situated at Survey No. 8. Kodihalli, HAL Main Road, Bangalore;

(d) Apartment Nos. B-103, 105, 106, 107, 110, 111, 203, 311, 312, 405, 407, 411, 412, 503, 504, 505, 506, 507, 509, 510 & 511 of RIFCO Santosh Apartments, NAL Wind Tunnel Main Road, New Golf Course Road, Off Airport Road, Bangalore; and

(e) Apartment Nos. G-2, 6, 7, B-102, 106, 302, 406, 507, 510, 602, 607, A-105, 106, 108, 208, 506, 508, 605, 606 & 608 of SNS Arcade, Survey No. 221/1 situated at Konena Agrahara Village, Bangalore;

(v) Land and building (comprising the Demerged Undertaking's administrative office) bearing HAL Sanitary Board khata No. 640/540, New Khata No. 2 having a super built up area of 25772.44 square feet, in the land bearing Survey No. 98 of Kodihalli Village, Airport Road, Varthur Hobli. Bangalore South Taluk; and

(vi) Land and under construction building in the land bearing Survey No. RS. No. 70, T.S. No. 97 measuring 74 Cents situated at Attavar Village, Mangalore Taluk.

1.3. Shareholding Pattern of MHSPL

The Authorized, Issued and Subscribed and Paid up Share Capital of MHSPL as on 30 September 2014 is as under:-

Particulars	Amount (INR in Crore)
Authorized Share Capital	
5,85,00,000 Equity shares of INR 10/ each	58.5
Issued, Subscribed and Paid-up	
5,59,50,739 Equity shares of INR 10/ each	55.95

1.4. Shareholding of MHSPL

Sl. No.	Name of the Shareholder	No. of Shares Held	% of Holding
1.	Dr. Ranjan Pai	8,50,200	1.52%
2.	Manipal Global Health Services	5,51,00,539	98.48%

1.5. Historical Financial Performance of MHSPL

The financial performance for the last three financial years are given below:-

(INR in Million)

Particulars	2011-12	2012-13	2013-14
Revenue from Operations	308.26	337.75	823.66
Total Income	503.58	493.62	990.73
Total Expenditure	291.86	436.34	1,067.71
EBITDA	382.09	222.20	525.90
Depreciation and Amortization Charges	67.64	73.84	108.32
PBT	211.72	57.27	(76.98)
PAT	106.72	455.48	(164.87)

2. Profile of MHEPL:

2.1. Manipal Health Enterprises Private Limited (MHEPL)

MHEPL, a company incorporated under the Companies Act, 1956 and having its registered office at registered office at The Annexe, #98/2, Rustom Bagh, HAL Airport Road, Bangalore 560 017, Karnataka.

MHEPL was incorporated on February 15, 2010, as per the provisions of the Companies Act, 1956. MHEPL is involved in the business of health care services, establishing, promoting and maintaining hospitals, multi-specialty health hospitals, ICCUs, health care centres for treatment, prevention, detection and cure of diseases, ailments of all kinds in India and abroad.

2.2. Shareholding Pattern of MHEPL

The Authorized, Issued and Subscribed and Paid up Share Capital of MHEPL as on 30 September 2014 is as under:-

	Particulars	Amount (INR in Crore)
Authorized Share Capital		
(i)	5,00,00,000 Equity Shares of INR 10/ each	50
(ii)	6,00,00,000 0.01% Compulsory Convertible Preference Shares of INR 10 Each fully paid up	60
Issued, Subscribed and Paid-up		
(i)	48,657,832 Equity Shares of INR 10 each fully paid up	48.66
(ii)	Nil 0.01% Compulsory Convertible Preference Shares of INR 10 Each fully paid up	-

2.3. Shareholding of MHEPL

Sl. No.	Name of the Shareholder	No of shares	% of Holding
1.	Manipal Global Health Services, Mauritius, The Holding Company	2,78,73,487	57.29%
2.	Indium IV Mauritius Holdings Limited	79,75,350	16.39%
3.	Cypress Holdings	28,72,852	5.90%
4.	India Value Fund IV	31,86,498	6.55%
5.	Manipal Education and Medical Group India Private Limited	54,65,045	11.23%
6	Faering Capital India Evolving fund	12,74,600	2.62%
7.	Dr. Ranjan Ramdas Pai	10,000	0.02%

Further to the above, the Company proposes to issue shares under the existing Employee Stock Option Plan ('ESOP'). For the purpose of the valuation of shares of MHEPL, we have considered the number of shares aggregating to 4,97,91,032 which are inclusive of the shares proposed to be issued under the ESOP.

2.4. Historical Financial Performance of MHEPL

The financial performance for the last three financial years are given below:-

(INR in Million)

Particulars	2011-12	2012-13	2013-14
Revenue from Operations	5,649.70	6,612.40	7,741.80
Total Income	5,753.00	6,738.60	7,896.80
Total Expenditure	5,632.90	6,507.50	7,698.40
EBITDA	500.40	673.60	753.70
Depreciation and Amortization Charges	380.30	442.50	555.30
PBT	120.10	231.10	199.70
PAT	76.50	152.20	137.40

For the purpose of valuation exercise, consolidated projections of MHEPL are considered which include inter-alia, the projections of Manipal Health Enterprises International (Pte) Limited, Singapore, Manipal Hospitals Sdn Bhd, Malaysia, Ankur Healthcare Private Limited, Manipal Hospitals (Jaipur) Private Limited, Manipal Hospitals (Dwaraka) Private Limited and Manipal Hospitals (Whitefield) Private Limited

3. Sources of Information Obtained

We have called for and have been supplied with various information, explanations, data, documents, accounts and statements from time to time for the purpose of arriving at a fair exchange ratio. In the course of preparing this report we conferred with the Company's management and reviewed its business history, plans & objectives & market dynamics for the Company. We also reviewed certain documents that are summarized in **Appendix A.**

4. Industry Overview

The Indian healthcare industry comprising - hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment - is growing at a tremendous pace owing to its strengthening coverage, services and increasing expenditure by public as well private players. A huge population with unmet healthcare needs and the rising awareness as well as capacity to spend on quality healthcare is are leading to the growth of the sector.

The healthcare industry is potentially the world's largest industry with total revenues of approximately US$ 2.8 trillion. In India as well, healthcare has emerged as one of the largest service sectors offering employment to around 4 million people.

India's primary competitive advantage over its peers lies in its large pool of well-trained medical professionals. Also, India's cost advantage compared to peers in Asia and Western countries is significant - cost of surgery in India is one-tenth of that in the US or Western Europe.

The healthcare sector is growing at a 15 per cent compound annual growth rate (CAGR) and grew from US$ 45 billion in 2008 to US$ 78.6 billion in 2012 and is expected to touch US$ 158.2 billion by 2017, according to a report by Equentis Capital.

India's per capita healthcare expenditure has increased at a CAGR of 10.3 per cent from US$ 43.1 in 2008 to US$ 57.9 in 2011 and is expected to rise to $88.7 by 2015. The factors behind the growth are rising incomes, better access to high-quality healthcare facilities and greater awareness of personal health and hygiene, highlighted the report.

The private sector has emerged as a vibrant force in India's healthcare industry, lending it both national and international repute. The private sector's share in healthcare delivery is expected to increase from 66 per cent in 2005 to 81 per cent by 2015. Its share in hospitals and hospital beds is estimated at 74 per cent and 40 per cent, respectively.

Driving growth factors are rising population, increasing disposable income, increasing lifestyle related health issues, cheaper treatment costs, thrust in medical tourism, improving health insurance penetration, government initiatives and focus on public private partnership (PPP) models.

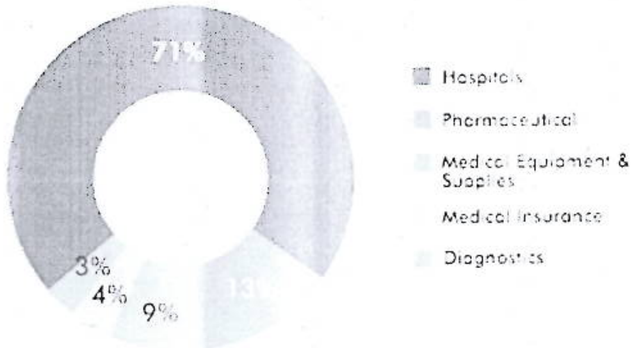
Most Indian metros have hospitals with world-class infrastructure, processes and outcomes. However, 70% of the healthcare infrastructure is confined to the top 20 cities of India. In order to reach the remaining population, innovations both in healthcare products and delivery are required. Healthcare in India today provides existing and new players with a unique opportunity to achieve innovation, differentiation and profits. In the next decade, increasing consumer awareness and demand for better facilities will redefine the country's second largest service sector employer.

Healthcare Industry in India

Latest update: June, 2014

Healthcare sector growth trend

By 2017, the healthcare industry size is expected to touch US$ 160 billion.



Market break-up by revenues

Of total healthcare revenues in the country hospitals account for 71 per cent.

5. Standard / Premise of Value

Standard of value is "Fair market value" and premise is "Going concern".

The AICPA of USA defines Fair market value as under:

"The price expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts".

6. Approach to Valuation

It is universally recognized that valuation is not an exact science and that estimating values necessarily involves selecting a method or an approach that is suitable for the purpose. Besides, Courts in India have, over a period of time, evolved certain guiding principles, the most leading case being the decision of the Supreme Court in Hindustan Lever Employee's Union vs. Hindustan Lever Limited and Others [(1995) 83 Company Cases 30].

The aforesaid decision endorses that a fair and appropriate approach for valuing the Companies would to use a combination of various methods which in that case were:

- Net Asset Value (NAV) Method or Assets Value Approach
- Market Approach
- Income Approach

Further, the decision also indicates that the reference to the net asset value may be less important, having regard to the universally acknowledged failures of financial statements to truly reflect the value of the Company's net assets (since financial statements are prepared on certain concepts and conventions).

Whilst the foregoing case dealt with a full scale merger of two corporate entities, the "demerger" of the undertaking from one corporate entity is in pith and substance, a transfer by MHSPL to MHEPL of the Core Health Care Business Division against allotment by the latter to the shareholders of the former equity shares in MHEPL that corresponds to the fair value of the Core Health Care Business Division. Accordingly, we have assessed such fair value based on the generally accepted principles enunciated by the Supreme Court in the foregoing case which would be the basis for determining ratio of entitlement in terms of the scheme.

6.1. Brief Description about the Valuation Approaches

6.1.1. Net Asset Value (NAV) Method or Assets Value Approach

The general principle behind asset-based valuation methods is that the value of an enterprise is equal to the Fair market value of its assets less the Fair market value of its liabilities. The Fair market values of the component assets and liabilities may themselves be obtained or estimated using a variety of methods, including market-based or income-based methods. The asset-based approach is most useful when applied to tangible assets and to companies whose assets consist primarily of tangible assets. This approach establishes value based on the cost of reproducing or replacing each asset, less depreciation from physical deterioration and functional obsolescence.

The asset-based approach is applied primarily to enterprises in Stage 1 and some enterprises in Stage 2, before the company is likely to have built substantial intangible value. There is limited or no basis to apply a market- or income-based approach, since there are unlikely to be comparable market transactions, and the company has virtually no financial history and therefore is unable to use past results to reasonably support a forecast of future results. This valuation approach is mainly used in case where the firm is to be liquidated i.e. does not meet the "going concern" criteria or in case where the assets base dominate earnings capability.

6.1.2. Market Approach

The Market Approach measures the value of an asset through an analysis of recent sales of comparable property compared to the property being valued. When applied to the valuation of an equity interest, consideration is given to the financial condition and operating performance of the subject company compared to either publicly traded companies with similar lines of business or recent corporate acquisitions ("Guideline Companies"). Typically, the companies selected for comparison are subject to economic, political, competitive, and technological factors that correspond with those confronting the Company. The Market Approach is conceptually preferable to the other two approaches both because it uses direct comparisons to similar enterprises and because the analysis is based upon actual market transactions. However, comparables that fit perfectly rarely exist. Privately held companies are compared to publicly traded ones that are typically further along in their stage of development, have superior access to capital, and have common stock that is readily marketable. Often historical results of public companies are being compared to projected results for the private company being valued. In order to reflect these differences, data from the Guideline Companies must be appropriately adjusted. Selecting the market multiple to apply to the Company requires judgment.

6.1.3. Income Approach:-

The Income Approach measures the value of an asset by calculating the present value of its future economic benefits. When used to determine Equity value, the Income Approach develops an indication of value by discounting forecasted cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds plus the expected rate of inflation and the risks associated with the particular investment. The discount rate applied to these expected cash flows is generally based upon rates of return available from alternative investments of similar type and quality. Another discounting method calculates the company's Weighted Average Cost of Capital ("WACC") from its cost of debt and cost of equity.

Alternatively, the discounting factor can be arrived using Capital Asset Pricing Method ("CAPM") wherein Risk free rate of return, Market rate of return, Risk premium and Beta of the industry in which the company is in are considered.

For the value of businesses of MHEPL and demerged undertaking of MHSPL based on DCF approach so arrived, the amount of contingent liabilities, debt, surplus assets and carry forward loss benefit etc., if any, have been adjusted to arrive at the value available to its equity shareholders. The total value for the equity holders so arrived has then been divided by the number of equity shares in order to work out the value per equity.

7. Selection of Approach & Method

The valuation exercise was carried out using various methodologies, the relative emphasis of each was considered based on:

i. Industry to which the company belongs
ii. Ease with which the growth rate in cash flows to perpetuity can be estimated
iii. Extent to which industry and comparable company information was available
iv. The purpose for which the valuation is required which may be for determining the ratio of allotment of Equity Shares to the shareholders of MHSPL on such demerger.

Our estimate of the valuation of the company was on the basic assumption of a going concern entity and the applicability of each of the above methods in context of the given valuation is discussed as follows:-

7.1. Applicability of NAV Method:-

Health care business is an asset intensive class of business. Therefore, majority of its value flows from its tangible as well as intangible assets.

Insofar as the Core Health Care Business Division and MHEPL is concerned, book value of the said division would only give the cost of the tangible and intangible assets, which may not be considered as the value of its operations.

It would, therefore, not be correct in this scenario to rely on the asset base.

7.2. Applicability of Market Approach Method

Under this methodology, the multiples used in comparable transactions are not available due to confidentiality of the arrangements and lack of authentic information. Taking this into consideration, the value of business of Core Health Care Business Division and MHEPL is not determined under this methodology using comparable transactions approach.

7.3. Applicability of Income Approach Method

The most favored approach in valuation exercises is the approach that capitalizes future cash flows by discounting them based on a rationally selected discount rate. This method of valuation is popularly known as the Discounted Cash Flows Approach ("the DCF Approach").

We find that the future earnings capacity of Core Health Care Business Division and MHEPL is relevant in this case and hence we have used DCF approach in order to arrive at the fair value of the said division.

To the value of Demerged Undertaking and MHEPL so arrived, the amount of debt and surplus assets, if any have been adjusted to arrive at the value available to the equity shareholders. The total value for the equity holders so arrived has then been divided by the number of equity shares in order to work out the value per equity share of Demerged Undertaking and MHEPL.

For the purpose we have looked at the projections given to us by the Managements. We have applied checks to the same for accepting the same for the purpose of our exercise. The broad steps adopted for the valuation based on DCF approach are given in **Appendix B** hereto.

8. Valuation and Conclusion

Based on the foregoing, we have carried out the relative equity value analysis of both Demerged Undertaking and MHEPL as at the valuation date (September 30, 2014) as a going concern, for arriving at the exchange ratio. We have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of report.

Based on our analysis, as described in the valuation report, and subject to the assumptions presented herein, we have computed the value per equity share of the Demerged Undertaking at INR 98.78 and value per equity share of MHEPL at INR 610.

9. Share Exchange Ratio

Exchange Ratio is defined as the number of equity shares of MHEPL to which a shareholder of MHSPL would be entitled to in proportion to his/ hers/its existing shareholding in MHSPL.

<u>Calculation of fair exchange ratio of equity shares of Demerger of MHSPL into MHEPL</u>

Method	MHEPL	MHSPL	Exchange Ratio
	Value per share	Value per share	
Discounted Cash Flow	610.00 Annexure I	98.78 Annexure II	6.18

Accordingly the indicative ratio for allotment to the equity shareholders of MHSPL on the date of this report is,

"For every 247 equity shares, each having a face value of Rs. 10/-, in the Demerged Company, 40 fully paid up equity shares, each having a face value of Rs. 10/-, of the Resultant Company."

10. Restriction on Use

10.1. This report is prepared for the managements of MHSPL and MHEPL and may be produced before the Shareholders, Registrar of Companies, Honorable High Courts and any other government authorities in connection with the proposed purpose outlined above. Therefore, the report may not be disclosed, in whole or in part, to any third party or used for any purpose whatsoever other than those indicated in the Engagement and in the report itself, provided that the report may be transmitted to the experts appointed in compliance with the law and its content may be disclosed publicly where required by regulations of Indian authorities. Any other use, in whole or in part, of the Final Report will have to be previously agreed and authorized in writing by Sriramulu Naidu & Co.

10.2. Our report is not intended for general circulation or publication. Our restricted use appraisal report, analysis and conclusion should not be reproduced nor used for any purposes other than that stated in this letter. Neither all nor any part of the contents of this report should be disseminated to the public through advertising media, public relations, news media, mail, direct transmittal, or any other means of communication without the prior written consent and approval of Sriramulu Naidu & Co. While due care has been exercised in carrying out the engagement, we shall not accept any responsibility or liability to third parties to whom our Report may have been shown or into whose hands it may come. Such parties are advised to carry out their own independent assessment or to obtain professional advice before taking relevant decisions.

11. Caveats

11.1. As you are aware, by its very nature, valuation work cannot be regarded as an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose. In this valuation, it is not the absolute values but the relative values, which are of concern.

11.2. Also, the valuation conclusions arrived at in many cases are by their very nature subjective and dependent on the exercise of individual judgement. Given the same set of facts and using the same assumptions, expert opinions may differ due to the number of separate judgement decisions which have to be made. There can therefore be no standard formulae to establish an indisputable value, although certain formulae are helpful in assessing reasonableness.

11.3. It may be pointed out that valuations are based on estimates of future financial performance or opinions that represent reasonable expectations at a particular point in time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, that events will occur or that a particular price will be offered or accepted. Actual results achieved during the period covered by the prospective financial analysis will vary from these estimates, and the variations that may be material.

11.4. In preparing the Report, we have relied upon and assumed, without independent verification, the truthfulness, accuracy and completeness of the information and the financial data provided by the management of MHSPL and MHEPL. We have therefore relied upon all specific information as received and declines any responsibility should the results presented be affected by the lack of completeness or truthfulness of such information.

11.5. We have based our assessment on information provided by and supplemented by limited industry and financial analysis. While we have endeavoured to access and analyze relevant information in the public domain, we are unable to make any representations or give any assurances for the same. Accordingly, while our work has involved an analysis of financial information, our engagement does not include an audit of the existing business records. Further, we assume no responsibility and make no representations with respect to accuracy or completeness of any information provided by the management.

11.6. Prospective financial information approved by the management of MHSPL and MHEPL has been used in our work. We have not examined or compiled the prospective financial information and therefore, do not express an audit opinion or any such assurance on the prospective financial information or other related assumptions. Events and circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material.

11.7. For the purpose of arriving at the exchange ratio, we have essentially relied on the information provided to us by the management of MHSPL and MHEPL and which we believe to be reliable and our conclusions are dependent on such information being complete and accurate in all material respects.

11.8. Our report is subject to scope of limitations detailed hereinafter. The conclusions contained in this Report are based on the whole of the valuations contained herein and therefore no part of the Report may be used apart from the document in its entirety.

11.9. The information represented in the Report does not reflect the outcome of any due diligence procedures. The reader is cautioned that the outcome of that process could change the information herein and, therefore, the valuation materially.

11.10. No investigation of the Company's claim to title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature. The report is not, nor should it be construed, as our opinion or certifying the compliance with the provisions of any law including company and taxation laws or as regards any legal, accounting or taxation implications or issues.

11.11. Therefore the Final Report is based on our interpretation of the information which MHSPL and MHEPL, as well as its representatives and advisers, have supplied to us to date. In the execution of the Engagement, we have elaborated our own analyses based on the methodologies illustrated herein for reaching the conclusions.

11.12. The Report and the Opinion are necessarily based on economic, market and other conditions as of the date hereof, and the written and oral information made available to us until 30th September 2014. It is understood that subsequent developments may affect the conclusions of the Report and of the Opinion and that, in addition, Sriramulu Naidu & Co has no obligation to update, revise, or reaffirm the Opinion.

12. Statement of Limitations and Disclaimers:-

The undersigned certifies that, to the best of their knowledge and belief:

- The reported analysis, opinions, and conclusions are limited only by the reported assumptions and terms of use, and are his personal, unbiased professional analyses, opinion, and conclusions.

- This report is an independent analysis of value of the equity shares pertaining to the Company and the valuators have not invested in the Company. This engagement is not contingent upon delivering or reporting predetermined results.

- Compensation is not contingent on an action or event resulting from the analysis, opinions, or conclusions in, or the use of, this report.

- The analysis, opinions, and conclusions were reasonably developed in accordance with general guidance principles.

- No one provided significant external professional assistance to the person signing this report unless specifically referred to herein.

13. Gratitude

We are grateful to the Managements for making information and particulars available to us, often at a short notice, without which our assignment would not have been concluded in a time-bound manner.

Sriramulu Naidu & Co
Bangalore

Dated: 13th October 2014

APPENDIX A: BROAD SUMMARY OF DATA OBTAINED

1. Brief history and brief note on the business profile of the Demerged Undertaking and MHEPL.
2. Draft Scheme of Arrangement under sections 391 to 394 of the Companies Act, 1956 between MHEPL and MHSPL and their respective shareholders and creditors.
3. Projections of Demerged undertaking & MHEPL along with key assumptions.
4. Unaudited financial statements of MHEPL and MHSPL as on 31st March 2014.
5. Shareholding pattern of MHEPL and MHSPL as on 30th September 2014.
6. Answers to specific questions and issues raised by us after examining the foregoing data.

APPENDIX B: - BROAD DESCRIPTION OF THE STEPS FOR ARRIVING AT VALUE UNDER DCF APPROACH

1. We have taken the earnings before tax, to which we have added back depreciation and interest. Further such earning was adjusted for non-operating incomes and expenses so as to arrive at operating Earnings before Interest Depreciation and Tax (EBITDA).
2. Considered projected EBITDA arrived in step 1 above for the future 8 years to end on March 31, 2022.
3. The EBITDA as envisaged in Step 2 have been adjusted by capital outlays, as also the increase or decrease in working capital and the income tax liability so as to arrive at the Free Cash Flows in the respective future years.
4. These Free Cash Flows are discounted at the Weighted Average Cost of Capital ("WACC") to arrive at the Net Present Value ("NPV") thereof.
5. The Weighted Average Cost of Capital is computed at 13.10% for MHEPL and 13% for MHSPL respectively.
6. The estimated Free Cash Flows for the financial year to end on March 31, 2022 have been capitalized using WACC with a perpetual growth rate of 2.5% and 6.5% for MHEPL and MHSPL respectively and thereafter discounted to arrive at the Terminal Value.
7. The NPV of Free Cash Flows and Terminal Value is aggregated to arrive at the Enterprise Value as at 30th September 2014.
8. The enterprise value arrived at Step 6 is then increased by the amount of investments if any as surplus assets.
9. The enterprise value as adjusted in the Step 7 is reduced by financial indebtedness as at 30th September 2014.
10. The value so arrived is divided by the number of equity shares and value per equity share is determined. The number of equity shares is arrived on dilutive basis considering pending ESOPs.

ANNEXURE 1:

(INR in Millions)

	2014-15 - H1	2014-15 - H2	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Total Revenue	5,296	6,245	17,262	22,067	26,228	28,085	29,906	31,369	32,930
Total EBITDA	706	1,077	2,650	4,210	5,763	6,257	6,712	7,035	7,371
Less: Depreciation as per WDV method (MHEPL & Ankur)	221	221	476	474	472	470	469	467	467
EBIT	485	856	2,174	3,736	5,291	5,787	6,244	6,568	6,904
Less: Interest & Bank Charges (MHEPL & Ankur)	163	163	456	483	489	489	489	489	489
Total Tax	91	206	598	1,009	1,406	1,508	1,576	1,656	1,716
PAT before minority interest adjustment	231	487	1,120	2,244	3,396	3,789	4,179	4,422	4,699
Less: Minority Interest In Ankur Healthcare Private Limited	4	9	55	82	105	109	113	118	123
PAT after minority interest	227	478	1,065	2,162	3,291	3,680	4,065	4,304	4,576
Add:- Depreciation	221	221	476	474	472	470	469	467	467
Add: Interest	163	163	456	483	489	489	489	489	489
Less:- Capital Expenditure	(1,538)	(4,613)	(1,249)	(705)	(231)	(231)	(231)	(231)	(231)
Add:- Loan drawdown	1,566	4,699	714	-	-	-	-	-	-
Less/Add:-Changes in Working Capital		(2)	(303)	(214)	(41)	(41)	(41)	(41)	(41)
Less: Contingent liabilities	-	(24)	-	-	-	-	-	-	-
Free Cash Flow	640	924	1,159	2,200	3,981	4,368	4,752	4,989	5,260
Terminal Value									50,868
Free Cash Flow & Terminal Value	640	924	1,159	2,200	3,981	4,368	4,752	4,989	56,128
Period	-	0.5	1	2	3	4	5	6	7
Discounting Factor	1.0000	0.9385	0.8298	0.7337	0.6487	0.5736	0.5071	0.4484	0.3965
Discounted value of Unlevered FCFs	640	867	962	1,614	2,583	2,506	2,410	2,237	22,253

Particulars		Amount
Sum of FCFs		36,071
Less:- Net Debts as on 30/09/2014		
Loan	6,225	
Cash Surplus	(523)	5,702
DCF Value		30,369
No. of equity shares*		4,97,91,032
Value per Equity share (INR)		610

***Number of equity shares represents fully diluted equity shares as on 30/09/2014**

ANNEXURE 2:

(INR in lakhs)

Particulars	2014-15 - H1	2014-15 - H2	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue	191.15	219.40	533.42	595.54	649.71	725.89	813.28	912.91	1,027.01
EBITDA	183.79	218.55	522.75	583.63	636.71	711.38	797.02	894.65	1,006.47
Less: Depreciation (WDV Method)	83.92	83.92	185.33	166.79	150.11	135.10	121.59	109.43	98.49
EBIT	99.87	134.63	337.43	416.84	486.60	576.27	675.42	785.22	907.98
Less: Interest	114.84	121.77	257.84	248.87	238.22	226.84	203.59	171.87	140.15
PBT	-14.97	12.87	79.59	167.97	248.38	349.44	471.83	613.35	767.83
Less: Taxes @ 33.99%					18.78	118.77	160.38	208.48	260.99
PAT	-14.97	12.87	79.59	167.97	229.59	230.66	311.46	404.87	506.85
Add:- Depreciation	83.92	83.92	185.33	166.79	150.11	135.10	121.59	109.43	98.49
Add:Interest	114.84	121.77	257.84	248.87	238.22	226.84	203.59	171.87	140.15
Less:- Capital Expenditure	-87.61	-369.38	-	-	-	-	-	-	-
Add: Loan drawdown	87.61	369.38	-	-	-	-	-	-	-
Free Cash Flow	183.79	218.55	522.75	583.63	617.93	592.60	636.64	686.17	745.48
Terminal Value									12,214.45
Free Cash Flow & Terminal Value	183.79	218.55	522.75	583.63	617.93	592.60	636.64	686.17	12,959.93
Period		1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00
Discounting Factor	1.00	0.94	0.83	0.74	0.65	0.58	0.51	0.45	0.40
Discounted value of Unlevered FCFs	183.79	205.21	434.38	429.17	402.12	341.27	324.45	309.47	5,172.54

Particulars		Amount
Sum of FCFs		7,802
Less:- Net Debts as on 30/09/2014		
Loans & Liabilities	2,400.45	
Other Assets	-515.35	
Contingent Liabilities towards IT Appeal Pending From 2005-2012	390	2,275
DCF Value		5,527
No. of dilutive equity shares		5,59,50,739
Value per Equity share (INR)		98.78