

TWELTH ANNUAL REPORT

2006-2007

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BAFNA PHARMACEUTICALS LTD

BAFNA PHARMACEUTICALS LTD.

BOARD OF DIRECTORS:

MR. BAFNA MAHAVEER CHAND
Chairman & Managing Director

MR. PARAS BAFNA
Whole time Director

MR. SUNIL BAFNA

MR.R. DWARAKANATHAN

MR.V. RAJAMANI

MR.A. SAHASRANAMAN

MR.R. JAYARAMAN
Company Secretary

AUDIT COMMITTEE :

MR. V. RAJAMANI
MR. DWARAKANATHAN
MR. BAFNA MAHAVEER CHAND

INVESTORS' GRIEVANCES COMMITTEE:

MR. BAFNA MAHAVEER CHAND
MR. PARAS BAFNA
MR. SUNIL BAFNA

AUDITORS:

M/s. ABHAY JAIN & CO.,
Chartered Accountants
Room No.72, 3rd Floor,
4/16, Sunkurama Street
Chennai – 600 001.

BANKERS:

State Bank of India
Siruthozil Branch,
Chennai – 600 034.

REGISTERED OFFICE:

BAFNA TOWERS,
No. 299, Thambu Chetty Street,
Chennai – 600 001.

FACTORIES:

No: 13, S.V. Koil Street,
Madhavaram,
Chennai – 600 060.

147, Madhavaram Redhills High Rd.
Grantlyon Village,
Chennai - 600 052.

BAFNA PHARMACEUTICALS LTD.

NOTICE

Notice is hereby given that the 12th Annual General Meeting of the Company will be held at our Factory at 147, Madhavaram - Redhills High Road, Grantlyon Village, Vadakarai Post, Chennai – 600 052 at 11.30 A.M. on Friday the 28th September, 2007 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit & Loss Account of the company for the Financial year ended 31.03.2007 and the Balance Sheet as at 31.03.2007 together with the Directors' Report and Auditor's Report thereon.
2. To appoint a Director in the place of Mr. Sunil Bafna who retires by rotation and being eligible offers himself for re-appointment as a Director.
3. To appoint a Director in the place of Mr. V.Rajamani, who retires by rotation and being eligible offers himself for re-appointment as a Director.
4. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT M/s. ABHAY JAIN & CO., Chartered Accountants, Chennai be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on a remuneration to be fixed by the Board of Directors of the Company."

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT pursuant to Section 16 of the Companies Act, 1956 and other applicable provisions, if any, the Authorized Share Capital of the Company be increased to Rs. 20 Crores (consisting of 2 Crores Equity shares of Rs.10/- each) from the present authorized capital of Rs.16 Crores (consisting of 1.60 Crores Equity shares of Rs.10/- each) and Clause V to the Memorandum be modified as given below and inserted in the place of existing Clause V."

"Clause V"

"The Authorised share capital of the company is Rs. 20 Crores (Rupees Twenty Crores only) divided into 2 crores equity shares of Rs.10/- (Rupees ten only) each with the rights, privileges and conditions attached thereto as may be provided by the Articles of the Company for the time being in force and with power to increase or reduce the capital of the Company, and to divide the shares in the capital for the

BAFNA PHARMACEUTICALS LTD.

time being, original or increased into several classes and to attach thereto respectively such preferential rights, privileges or conditions as to voting, conversion of preference into equity shares or otherwise as may be determined by or in accordance with the Articles of the Company and to vary, modify or abrogate such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of the Company and consolidate or subdivide the shares and issue shares of higher or lower denomination."

6. To consider and if thought fit, to pass with or without modifications, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant sections 26 to 31 and 94 of the Companies Act, 1956 and all other applicable provisions, if any, the existing articles No.1 to 204, be amended / substituted with the articles No.1 to 212 annexed to the notice and submitted to this meeting, duly initialed by the Chairman for the purpose of identification, to comply with the requirements of listing agreement and SEBI Guidelines for the purpose of issue of securities to the public by way of Initial Public Offer (IPO).

FURTHER RESOLVED that Mr.Bafna Mahaveer Chand, Managing Director, be and is hereby authorised to do all such acts and deeds to give effect to the above resolution.

7. To consider and if thought fit, to pass with or without modifications, the following resolution as Ordinary Resolution:

RESOLVED THAT in accordance with the relevant provisions of the Memorandum and Articles of Association of the Company and recommendation of the Board of Directors, and subject to such approvals and consents as may be required in this regard, consent of the Members be and is hereby accorded to the Board of Directors of the Company for capitalization of sum of Rs. 2,31,91,420 (Rupees Two Crores Thirty One Lakhs Ninety One Thousands Four Hundred and Twenty Only) out of balance in the General Reserve of the Company and be distributed amongst the Members registered in the books of the Company as 31st March 2007, being the record date, by way of issuing 23,19,142 (Twenty Three Lakhs Nineteen Thousands One Hundred and Forty Two Only) Equity Shares of Rs.10 each (Rupees Ten only) to be credited as fully paid bonus shares to the holders of the existing Equity Shares of the Company, in proportion of 3 (Three) Equity Share for every 5 (Five) existing Equity Shares held by the them, on the footing that they become entitled thereto as capital and not as income and that such new shares, as and when issued and fully paid, shall rank pari-passu with the existing issued Equity Shares of the Company.

RESOLVED FURTHER THAT no allotment letters shall be issued to the allottees for bonus shares and the share certificate(s) for the bonus shares shall be prepared and dispatched within the period prescribed or that may be prescribed in this behalf, from time to time.

BAFNA PHARMACEUTICALS LTD.

RESOLVED FURTHER THAT fraction shares, if any, arise in the course of issue of Bonus shares, be allotted to Mr. Bafna Mahaveer Chand, Managing Director, who shall hold the said shares for and on behalf of the members who are entitled for fraction shares and that the net proceeds on sale of the fraction shares be distributed to such members in proportion to their entitlements of fraction or fractions of the new Equity shares.

RESOLVED FURTHER THAT for the purposes of giving effect to the bonus issue of Equity Shares resolved hereinbefore, the Board of director of the Company be and are hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose.

8. To consider and if thought fit, to pass with or without modifications, the following resolution as Special Resolution:

"RESOLVED THAT pursuant to Section 81(1A) and other applicable provisions of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof), and the rules and guidelines and in accordance with the provisions of the Memorandum and Articles of Association of the Company and subject to all consents and permissions as may be required under the various applicable statutes, the Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall be deemed to include any Committee constituted/to be constituted by the Board to exercise its powers, including the powers conferred by this Resolution) be and is hereby authorised on behalf of the Company to issue, offer and allot to the extent of 34,78,000 Equity Shares of Rs.10/- each for cash at par or at a premium at the discretion of the board of director's of the Company and whether to resident or otherwise from time to time, in one or more tranches on such terms and conditions as the Board may decide prior to such issue and offer thereof."

"FURTHER RESOLVED THAT subject to the terms stated herein, the Equity Shares allotted pursuant to this Resolution shall rank pari passu, inter se, as also with the existing Equity Shares of the Company, in all respects except that the new Equity Shares allotted shall qualify for dividend declared, if any, in respect of the financial year in which they have been allotted, pro rata for the period commencing from the date of allotment and on the amount paid-up thereon."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable and to settle any questions, difficulty or doubt that may arise in regard to the offering, issue, allotment and utilization of the issue proceeds, as it may in its absolute discretion, deem fit and proper."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any committee of Directors or Senior Executive(s) / Officer(s) of the Company to give effect to the above resolution".

BAFNA PHARMACEUTICALS LTD.

9. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT the consent of the Company be and is hereby accorded pursuant to Section 293 (1) (a) and others applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company to mortgage and/or charge all or any part of immovable properties of the Company wheresoever situated both present and future and whole or part of undertakings of the Company of every nature and kind whatsoever and/or creating a floating charge in all or any immovable properties of the Company and the whole of the undertakings of Company in certain events, to or in favour of Banks, Financial Institutions, any other lenders or debenture trustee to secure the amount borrowed/to be borrowed by the Company from time to time for the due payment of the principal together with interest, costs, charges, expenses and all other monies payable by the Company in respect of such borrowings upto a maximum of Rs. 150 Crores (Rupees One hundred and fifty crores only)."

10. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT the consent of the Company be and is hereby accorded, in terms of Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company for borrowing from time to time as it may consider fit upon such terms and conditions as it may deem fit, as any sums of money which together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers/Financial Institutions or any other Lenders in the ordinary course of business) may exceed the aggregate of the Paid up Share Capital and its Free Reserves, that is to say, reserves not set apart for any specific purposes, provided that such excess as determined by the amount so borrowed by the Board, shall not, at any time, exceed Rs. 150 Crores (Rupees One hundred and fifty Crores only)."

11. To consider and if thought fit, to pass with or without modifications, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT approval of the Equity Shareholders of the Company in accordance with the provisions of Section 81 (1A) and other applicable provisions, if any of the Companies Act, 1956 (including any amendment or re-enactment thereof) and the relevant provisions of the Memorandum and Articles of Association of the Company, and subject to such other approvals, consents, permissions and sanctions, if any, as may be required from the Government of India, Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and other concerned authorities, the consent of the Company be and is hereby accorded to the issue, offer and allotment of Equity Shares for an aggregate amount not exceeding Rs. 40 Crores (Rupees Forty Crores only) inclusive of such premium, if any i.e. at such price as may be determined with the Merchant Banker(s) or any other advisor(s), in one or more tranches to Promoters, Existing Shareholders, Directors, Employees, Non Resident Indians, Indian Public, Foreign Institutional Investors (FIIs), Mutual Funds, Financial Institutions, and/or any other persons or entities (whether shareholders of the Company or not) eligible to invest in the Indian Equities market by Public Issue

BAFNA PHARMACEUTICALS LTD.

including reservation on competitive basis, reservation on firm allotment basis as may be applicable, private placement, preferential allotment basis or by one or more of the above combinations at such time or times and whether with or without premium and on such other terms and conditions as may be decided by the Board in its absolute discretion deem necessary or desirable for such purpose including but without limitation to enter into underwriting, marketing, depository and any other arrangements or agreements and to remunerate all other agencies by way of commission, brokerage, fees or the like and also to seek the listing of such securities in Indian Stock Exchanges with power to act on behalf of the Company and to settle questions, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its discretion deem fit."

"RESOLVED FURTHER THAT the aforesaid issue of Equity Shares shall rank paripassu with the existing shares of the Company and shall rank at par for dividends that may be declared by the Company and that they shall be subject to Memorandum and Articles of the Company."

"RESOLVED FURTHER THAT in case of any over subscription of the issue, the Company be and is hereby authorized to retain such of the amount and issue and allot securities as may be permitted in accordance with the applicable laws, rules and provisions in consultation with the Designated Stock Exchange."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above Shri Bafna Mahaveer Chand, Chairman & Managing Director be and is hereby authorized to make such modification(s) in the aforesaid Resolution as it may be in his discretion consider necessary, expedient or desirable in the interest of the Company including change in the Price / Amount / Size of the issue etc., as may be considered necessary and / or expedient to settle any question of difficulty that may arise in connection therewith in the manner he may consider fit and appropriate."

"RESOLVED FURTHER THAT for the purpose of giving effect to these Resolutions, the Board of Directors be and are hereby authorized to appoint Lead Managers / Managers to the Issue, Registrars to the Issue, Bankers to the Issue, and if considered necessary to carry out, enter into underwriting with Brokers / Bankers / Merchant Bankers for the whole or the part of the Issue and on such terms and conditions within the broad framework of parameters as prescribed by the concerned Authorities and also to do all acts, matters and things of whatever nature and to give such directions as may be considered necessary or desirable."

By Order of the Board
for Bafna Pharmaceuticals Ltd.,

Date : 11.08.2007
PLACE: CHENNAI.

Sd/-
BAFNA MAHAVEER CHAND
CHAIRMAN & MANAGING DIRECTOR

BAFNA PHARMACEUTICALS LTD.

NOTES:

1. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. (Proxy form is annexed herewith). The proxy form duly completed must be sent so as to reach the Company, not less than 48 hours before the commencement of the meeting.**
2. Members / Proxies should bring the Attendance slip sent herewith duly filled in and signed and hand over the same at the entrance of the Hall for attending the meeting. Members are requested to bring their copies of the Annual Report with them.
3. Relevant Explanatory Statement of material facts pursuant to Section 173 [2] of the Companies Act, 1956 in respect of Special Business of the notice is annexed hereto.
4. Members are requested to notify immediately any change in their address.

EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPAINES ACT, 1956:

Item No.2 of the notice to the Members.

Mr. Sunil Bafna, was appointed as Director at the Annual General Meeting held on 23.09.06.

Mr. Sunil Bafna, holds B.A.(Corporate Secretaryship) degree from University of Madras, and he is an expert in Financial Management with about 15 years of experience to his credit.

In terms of Section 257 of the Companies Act, 1956, read with Article 120 of the Articles of Association of the Company, Mr. Sunil Bafna is retiring by rotation and being eligible is seeking reappointment at the ensuing Annual General Meeting. Mr. Sunil Bafna's knowledge and experience will greatly benefit the Company.

Accordingly, an ordinary resolution as set out under Item No.2 of the notice is submitted to the meeting. Mr. Sunil Bafna does not hold any shares in the Company.

Interest of Directors

Mr. Sunil Bafna is interested in the resolution. None of the other directors are interested or concerned in the resolution.

Item No.3 of the notice to the Members.

Mr. V.Rajamani, was appointed as Director at the Annual General Meeting held on 23.09.06.

BAFNA PHARMACEUTICALS LTD.

Shri.V.Rajamani is a Graduate in Arts, FICWA and ACS. He has held many important positions in Government organization. He was Director (Finance) of NLC. He is Director in few other Companies.

In terms of Section 257 of the Companies Act, 1956, read with Article 120 of the Articles of Association of the Company, Mr. V.Rajamani is retiring by rotation and being eligible is seeking reappointment at the ensuing Annual General Meeting. Mr. V.Rajamani's knowledge and experience will greatly benefit the Company.

Accordingly, an ordinary resolution as set out under Item No.3 of the notice is submitted to the meeting. Mr. V. Rajamani does not hold any shares in the Company.

Interest of Directors

Mr. V.Rajamani is interested in the resolution. None of the other directors are interested or concerned in the resolution.

Item No.5 of the notice to the Members.

The Company proposes to increase its authorize capital from Rs.16 Crores to Rs. 20 Crores in equity shares of Rs.10/- each. This increase is required in view the proposed issue of shares to the public by way of IPO. The Changes in the Capital clause of the Memorandum of Association requires approval of the shareholders and accordingly an ordinary resolution as set out under Item No.5 of the notice is submitted to the meeting for its approval.

Interest of Directors

None of the directors of the Company are concerned or interested in this resolution.

Item No.6 of the notice to the Members.

The Company proposes to issue shares to public by way of Initial Public Offer and in this connection certain preliminary steps have already been taken. In order to have the Articles of Association to be in line with compliance of listing agreement requirements and SEBI guidelines, it is proposed to amend / substitute the Articles of Association of the Company as per the Articles annexed to this notice. As the amendment to Articles of Association requires the consent of the members by way of Special Resolution, the resolution as mentioned in Item No.6, is placed before the members of the company for approval.

None of the Directors of the Company are concerned / interested in the above resolution.

BAFNA PHARMACEUTICALS LTD.

Item No.7 of the notice to the Members.

With a view to share the surplus generated out of operations of the Company and to satisfy the expectations of esteemed Members, the Board at their meeting held on 11/08/2007 had recommended a bonus issue in the ratio of 3:5, i.e., THREE SHARES FOR EVERY FIVE SHARES HELD BY EACH EXISTING MEMBERS OF THE COMPANY. Your Directors have proposed that a sum of Rs. 2,31,91,420 (Rupees Two Crores Thirty One Lakhs Ninty One Thousand Four Hundred and Twenty) be drawn from the credit balance in the Profit and Loss Account of the Company, capitalized and transferred to Share Capital Account towards issue and allotment of bonus Equity Shares. The bonus Equity Shares will be issued to the shareholders who hold shares as on 31.03.2007, being the record date. The said bonus Equity Shares shall rank pari-passu with the existing Equity Shares. Hence the item no.7 is placed before the shareholders for their approval as an Ordinary resolution.

The Directors of the Company may be deemed to be concerned or interested in the resolution to the extent of Bonus Equity Shares that may be allotted in respect of the existing Equity Shares held by them or by Companies, Bodies Corporate or Trusts of which the directors of the Company are directors, members or beneficiaries.

Item No.8 of the notice to the Members.

The Board of Directors have decided to issue 34,78,000 Equity Shares of Rs.10/- each through Preferential Allotment to the applicants whether they are members or not in order to meet the working capital requirements of the company.

As per the provisions of Section 81 (1A) read with unlisted Public Companies (Preferential Allotment) Rules, 2003 issue of shares to any persons/ Body corporate/ individual or others whether resident or non resident of India on preferential basis requires approval of the shareholders of the Company, by way of special resolution.

Hence the resolutions in item no.8 is placed before the shareholders for their approval.

Particulars as required in pursuant to Unlisted Public Companies (Preferential Allotment) Rules, 2003 is as follows.

The proposed allotment is fixed at a price band of Rs.10/- to Rs.20 per Equity Share of face value of Rs.10 each.

The relevant date is 31.03.2007.

The intention and the object of the present issue of 34,78,000 Equity shares to the shareholders/others is in order to meet the working capital requirements of the Company.