



BAFNA PHARMACEUTICALS LIMITED

17th Annual Report

Financial Year 2011-12

Raricap*

turns

42

**Since 1971... The Legacy
Continues...**

**Par excellence in treating
Iron Deficiency Anaemia**



CONTENTS

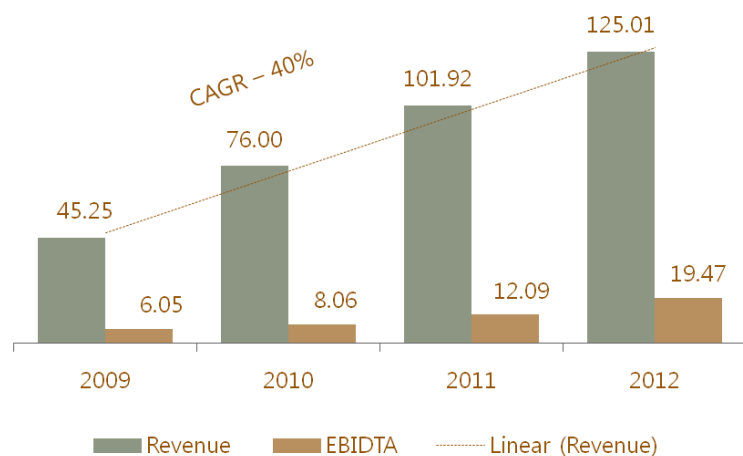
Contents	1
Key financial Indicators	3
Company Snapshot	4
Board of directors / CEO – Brief profile.....	5
Key message from CMD	7
Directors' Report	10
Corporate Governance	18
CEO/CFO Certification	28
Management Discussion and Analysis	29
GENERAL SHAREHOLDERS' INFORMATION.....	33
Auditor's Certificate on Compliance	36
Auditor's REPORT	37
Balance Sheet as at 31 st March 2012	43
STATEMENT OF PROFIT & LOSS.....	46
Cash Flow Statement	48
Notes On Financial Statements.....	50
Fixed Assets.....	66
Related Party Disclosures	68
Auditor's REPORT- Consolidated	72

Balance Sheet – Consolidated.....	73
STATEMENT OF PROFIT & LOSS – Consolidated	75
Cash Flow Statement – Consolidated	77
notes - Consolidated.....	79
Fixed Assets - Consolidated.....	90
Related Party Disclosures - Consolidated	91
STATEMENT PURSUANT TO SECTION 212	95
Subsidiary M/S. BAFNA LIFESTYLES REMEDIES LIMITED.....	96
COMPLIANCE CERTIFICATE.....	100
AUDITORS REPORT	105
SUBSIDIARY FINANCIALS	110
Balance Sheet.....	111
PROFIT AND LOSS STATEMENT.....	113
CASH FLOW STATEMENT.....	115
SIGNIFICANT ACCOUNTING POLICIES.....	117
Details of Subsidiary.....	132
Notice.....	134
Attendane slip	142

KEY FINANCIAL INDICATORS¹

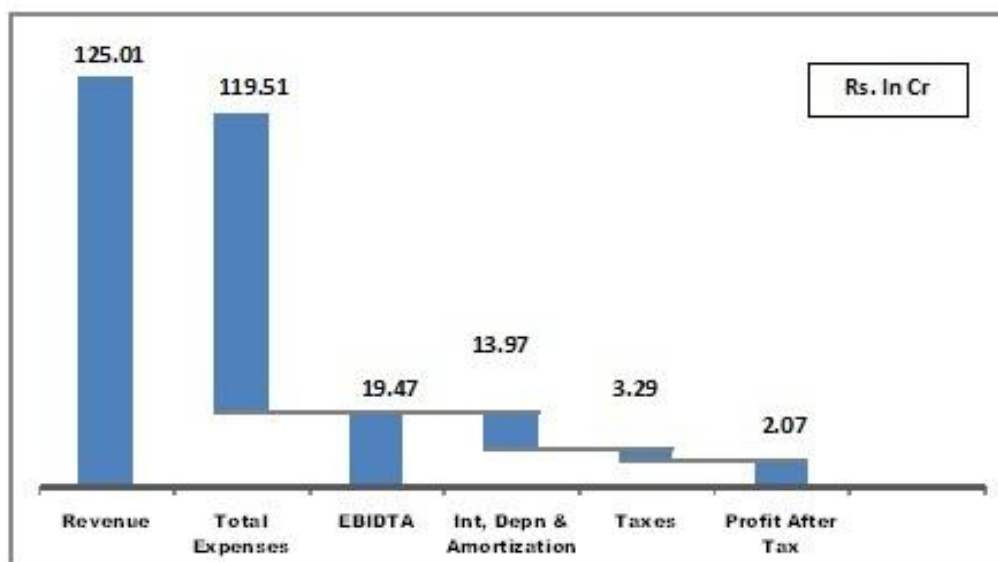
Revenue Growth

Rupees in Crores



- Sales for FY 12 has grown by 23% to Rs 125.01 Cr over the last year sales of Rs. 101.92 Cr
- EBIDTA margins have increased by 61% in spite of increase in expenses due to brand launches. Revenue from R&D services of Rs. 2.97 Cr is the major driver for the boost in EBIDTA
- Impressive growth in revenue with a CAGR of 40%

Profitability Statement



¹ Financial figures depicted in the graphs are from standalone financials of Bafna Pharmaceuticals Limited as FY 12 is the first year for consolidated financials of Bafna Pharmaceuticals Limited.

COMPANY SNAPSHOT

Name of Company	:	Bafna Pharmaceuticals Limited
Incorporation	:	1995
Initial Public Offering	:	2008
Total Revenue	:	Rs. 125.01 Cr
Net Profit	:	Rs. 2.07 Cr
Listing	:	Bombay Stock Exchange

Registered Office

Bafna Towers
New No. 68, Old No.299,
Thambu Chetty Street
Chennai – 600001

Bankers

State Bank of India
Export – Import Bank of India
IDBI Bank
DBS Bank Ltd

Share Transfer Agents

Cameo Corporate Services Limited
No.1, Club House Road
Chennai – 600002

Auditors

M/s. Abhay Jain & Co
Chartered Accountants
Room No.72, 3rd Floor, 4/16, Sunkurama Street
Chennai – 600 001

Factories

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

147, Madhavaram Redhills High Road.
Grantlyon, Redhills,
Chennai – 600 052
India

Board of Directors

Shri. Bafna Mahaveer Chand
Chairman & Managing Director

Shri. Paras Bafna
Whole time Director

Shri. Sunil Bafna
Non-Executive Independent Director

Shri. V. Rajamani
Non-Executive Independent Director

Shri. R. Dwarakanathan
Non-Executive Independent Director

Shri. A. Sahasranaman
Non-Executive Independent Director

Audit Committee

Shri. V. Rajamani
Shri. R. Dwarakanathan
Shri. Bafna Mahaveer Chand

Investor Grievance and Share Committee

Shri. Bafna Mahaveer Chand
Shri. Paras Bafna
Shri. Sunil Bafna

BOARD OF DIRECTORS / CEO – BRIEF PROFILE

Shri. Bafna Mahaveer Chand | Chairman & Managing Director

He is the main Promoter of the Company and has over three decades of experience in Pharmaceutical industry. He is a Chemistry Graduate from Madras University. He is considered to be a doyen in the industry with in-depth know-how and expertise of all the faculties & operations of the industry. Thanks to his diligence and vision, the company has transformed itself from a proprietary firm to a listed entity, credited with a facility accredited by UK-MHRA. Being an expert in both domestic and international business, his contributions towards developing domestic institutional business and international CRAMS business, setting up the State – of – the art R&D center and the drive to acquire the Marque Brand 'Raricap' have scripted the success story of the company. He has been recently honored by the National Level Entrepreneurship Excellence award in 2010.

Shri. Paras Bafna | Whole time Director

He is one of the Promoter - Director of the Company. He is a Commerce Graduate and MBA with 22 years of experience in Planning & Production. His innate understanding of emerging pharmaceutical market trends has helped us to advance technically by innovative methods. His astute thinking and management skills are largely responsible for the smooth functioning of our factories.

Shri. V. Rajamani | Independent Director

He is a greatly experienced, specialized in Financial Management, Secretarial Department and Company Accounts. He is a Graduate in Arts and a FICWA and ACS and has over three decades of experience in the areas of Finance and Administration. Prior to joining Bafna Pharma, he has served as the Company Secretary and Chief Vigilance Officer of M/s. Manganese Ore India Limited at Nagpur from 1980 to 1986. From 1986 to 1988 he worked as Additional / General Manager (co-ordination) and as Director of M/s. Neyveli Lignite Corporation. He is a Director in Morgan Industries Limited. He brings with him rich experience on account of the various posts / position held in the secretarial / financial departments held in the Central Government undertakings where he worked earlier.

Shri. R. Dwarakanathan | Independent Director

He is greatly experienced, specialized in Financial Planning & Management. Shri. R. Dwarakanathan is post graduate in Arts from Madras University and an MBA from Wichita State University, Kansas, USA and also has to his credit CAIIB, Diploma in Industrial Finance and Corporation. He has over 36 years of experience in the field of banking and finance. He started his career in State Bank of India and rose to the level of General Manager (Operations), Local Head Office, General Manager cum Vice Principal, State Bank Staff College at the time of his retirement in April, 2000. He is specialized in various areas such as Financial Management,

Corporate Credit, Foreign Exchange, Organizational Development, Inspection and Management Audit and Rehabilitation of Sick Units. Presently he is serving as a Senior Faculty in Loyola Institute of Business Administration, Chennai.

Shri. A. Sahasranaman | Independent Director

He is a top-level bureaucrat, a research scholar and an accomplished author. Having completed his Master's in Economics, he subsequently joined the Indian Administrative Service, Jammu & Kashmir Cadre and served from 1973 – 1996 under several strategic posts. Apart from this he reserves the distinction for having acted as the Executive Director, Council for Leather Exports – Chennai. He has lent his expertise to UNDP - Dept. of Industrial Policy & Promotion, Govt. of India. He resumed his tryst with Jammu & Kashmir by accepting an invitation by the state government to serve as the Principal Secretary, Dept. of Industries and Commerce from 2003 – 2005. Since July 2002, he is serving as the Honorary Director of Indian Leather Industry Foundation, Chennai chapter. In addition to his professional legacy, he is also a renowned author of several books and articles pertaining to the development & promotion of small-scale industries in India.

Shri. Sunil Bafna | Independent Director

He is B.A. (Corporate Secretaryship) Graduate from Madras University and he has completed a specialized course in Financial Management. He brings with him over 16 years of experience in functions of financial planning and management.

Shri. Shyam Sundar Bharti | CEO

A banker by profession, he is specialized in corporate finance and general management. He has done his masters in management from Jamnalal Bajaj Institute of Management Studies (JBIMS) and graduation in law from Lucknow University. He also has CAIIB to his credit. He brings over 30 years of banking industry experience and has held various senior positions such as Senior Vice President of Centurion Bank of Punjab and COO of a Chemical Company before joining Bafna Pharma. He manages the general management, finance and human resources in the company.

KEY MESSAGE FROM CMD²

Dear shareholders,

We have just completed one more eventful year. Bafna Pharma's acquisition of marquee brand **Raricap** and launch of the brand in Indian market is the most important milestone in the company's growth story. Bafna Pharma grew about 23% last year with an EBIDTA of 61%.



We keep reiterating that value growth of Bafna Pharma is three pronged as mentioned in my previous messages addressed to investors and to other stake holders. We continue our journey in these paths with success this year too. Some of the key highlights are

Improving revenue from CRAMS

- Traditionally, Company has been strong in export / contract manufacturing and has clocked revenue of Rs. 40 Cr in FY 12, a 100 % YOY Growth.
- Bafna Pharma made a fillip in the research stream of CRAMS market through inauguration of a dedicated state of the art 5000 Sq Ft formulation R&D facility in FY 11.
- I shared with you last year that apart from quality research support to the company, the facility will earn revenue by offering research service to customers. R&D services have earned a handsome Rs. 2.97 Cr in FY 12 and identified it as a separate profit centre in the coming years.

Market expansion through launch of brands in Non - Regulated markets

- We have been consciously increasing our global foot print. For the first time, we documented the details of the product application and registration in FY 10 annual report.
- Today, I am happy to share you that we have expanded the presence from 80 product registrations and 81 product applications in FY 10 to 119 product registrations and 170 product applications in FY 12. This includes 30 site variation approvals from UK. We have expanded the potential of product presence in 23 countries.

² The financial information shared in my statement are from standalone financials of Bafna Pharmaceuticals limited for clarity as the consolidated financials have the impact of newly formed subsidiary named Bafna Lifestyle Remedies Limited.

Value growth factors

- We had identified domestic branded formulations business as one of key focus areas for company's long term value growth. We made a bold move by acquiring the marquee brand '**Raricap**' from Global Pharma MNC Johnson & Johnson and positioned the company as an active player in domestic branded formulations market
- We launched '**Raricap**' under Bafna Pharma's banner to domestic market in FY 12. It has clocked Rs.7.8 Cr in the first year of launch.
- We started process on taking **RARICAP** across globe
- We have launched three more brands namely BSF (Dietary Supplement), Molev (Antiasthamics) and Lopih (Lowering pregnancy induced hypertension) segments for women wellness.
- We started focusing on Brands and branded generics in emerging market
- We started focusing on Potent drugs in matured markets

We continue to focus on growing revenues, improving margins and thus enhancing market value of the company. We will continue launch brands across the geographies both in domestic and international markets.

The growth path is not short of challenges. Particularly, in highly competitive domestic branded business, the company faces the increasing expenses and longer operating cash cycle due to the inherent characteristics of this market. We are now focusing on domestic operations to deliver focused growth.

I congratulate the entire Bafna Pharma team for expanding the markets & launching new products with a grand success. I thank all share holders and other partners in the business for the continuous faith on us and support you have extended to us till date.

Warm Regards,
Bafna Mahaveer Chand
Chairman & Managing Director



Annual Report 2011-12