

BAFNA PHARMACEUTICALS LIMITED

18th ANNUAL REPORT

FINANCIAL YEAR 2012 - 13

Raricap*

turns

43

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

Fighting for *anaemia-free* India



The one and only brand with
Multi-layer Delivery System (MDS) Technology

Start with

R_x

Raricap* Forte

Each tablet contains Ferrous Calcium Citrate equi. to elemental Iron 50 mg + Folic Acid 0.3 mg

Switch to

R_x

Raricap*

Each tablet contains Ferrous Calcium Citrate equi. to elemental Iron 25 mg + Folic Acid 0.3 mg

R_x

Raricap* Combi

Single kit for more Convenience

In

Iron Deficiency (Anaemia)

R_x

The only non-black Iron

Raricap* Drops

Ferrous Calcium Citrate equi. to elemental Iron 10 mg + Folic Acid 0.3 mg / 1 ml

R_x

Raricap* L Suspension

Ferrous Calcium Citrate equi. to elemental Iron 25 mg + Folic Acid 0.3 mg / 5 ml

Contents

Key Financial Indicators	1
Company Snapshot.....	2
Profile - Board of Directors	3
Key Message from CMD	5
Annual Report 2012-13.....	7
Director's Report.....	8
Corporate Governance	19
General Shareholders' Information	26
Management Discussion and Analysis.....	33
CMD / CEO / Manager - Accounts & Finance Certification	38
Auditors Certificate on Compliance	39
Standalone Financial Statements as at 31 st March, 2013	40
Standalone - Auditors' Report.....	41
Standalone - Balance Sheet	46
Standalone - Statement of Profit & Loss	48
Standalone - Cash Flow Statement.....	49
Standalone - Notes	51
Standalone - Fixed Assets.....	60
Standalone - Related party disclosures.....	67
Consolidated Financial Statements as at 31 st March, 2013	71
Consolidated – Auditors' Report	72
Consolidated – Balance Sheet.....	74
Consolidated – Statement of Profit & Loss.....	76
Consolidated – Cash Flow Statement	77
Consolidated – Notes.....	79
Consolidated – Fixed Assets	84
Consolidated – Related party disclosures	92
Statement pursuant to Section 212.....	96
Subsidiary Financial Statements as at 31 st March, 2013.....	97

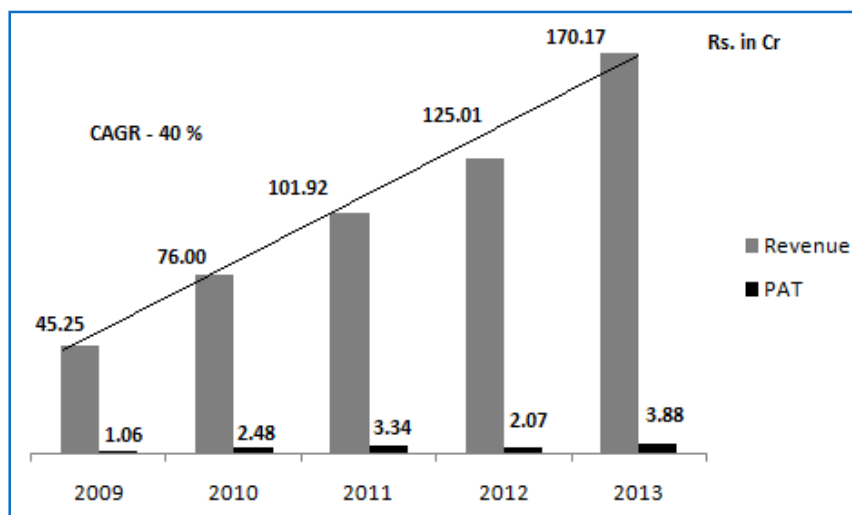
<i>Subsidiary – Directors Report.....</i>	<i>98</i>
<i>Subsidiary – Compliance Certificate</i>	<i>100</i>
<i>Subsidiary – Auditors’ Report.....</i>	<i>105</i>
<i>Subsidiary – Balance Sheet</i>	<i>110</i>
<i>Subsidiary –Statement of Profit & Loss.....</i>	<i>112</i>
<i>Subsidiary – Cash Flow Statement</i>	<i>113</i>
<i>Subsidiary – Notes</i>	<i>115</i>
<i>Notice.....</i>	<i>128</i>
<i>Attendance Slip</i>	<i>141</i>

Cautionary Statement

Statements in this Report, including those relating to Management Discussion and Analysis describing the Company’s objectives, projections, estimates and expectations may be ‘forward looking statements’ within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could influence the Company’s performance include economic developments within & outside the country, demand and supply conditions in the industry, changes in input prices, changes in Government regulations, tax laws and other factors such as litigation and industrial relations. Bafna Pharma undertakes no obligation to publicly revise any forward looking statements to reflect future / likely events or circumstances.

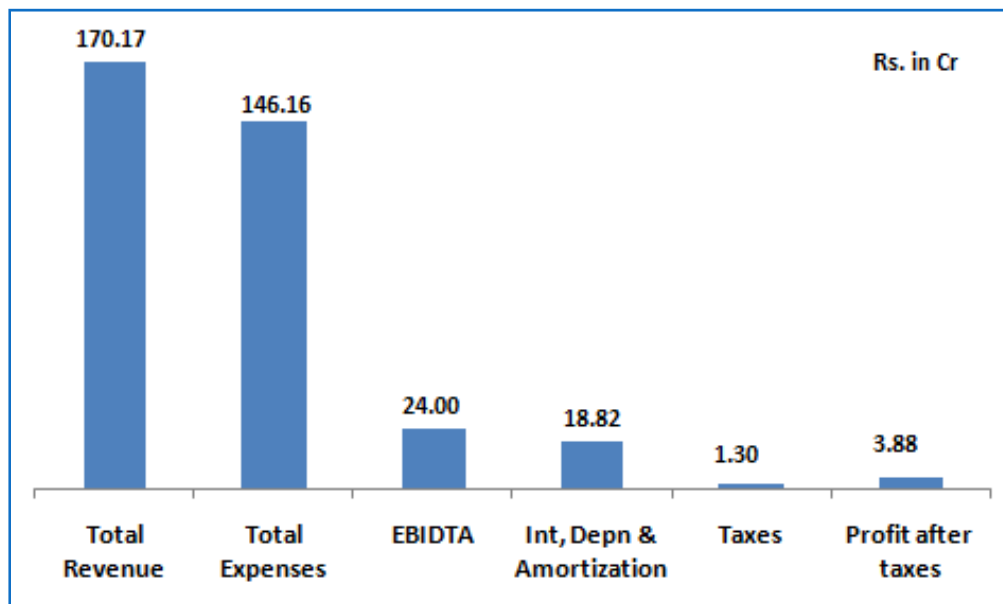
Key Financial Indicators

Revenue Growth



- Sales for the FY '13 has grown by 35% to Rs. 170.17 Cr over the last year sales of Rs. 125.01 Cr.
- Maintaining the growth in revenue with a CAGR of 40%
- Maintaining the growth in PAT with a CAGR of above 50%

Profitability Statement



Note: Financial figures depicted in graphs are from Standalone Financials of Bafna Pharmaceuticals Limited.

Company Snapshot

Name of Company	:	Bafna Pharmaceuticals Limited
Incorporation	:	1995
Initial Public Offering	:	2008
Total Revenue	:	Rs. 1,701,663.58 (In '000)
Net Profit	:	Rs. 38,792.31 (In '000)
Listing	:	(i) BSE & (ii) NSE

Registered Office

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

Bankers

SBI, EXIM, IDBI,
DBS, DCB, BOC

Share Transfer Agents

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

Auditors

M/s. Abhay Jain & Co.,
Chartered Accountants, Chennai

Factories

(i) No.13, S.V. Koil Street
Madhavaram, Chennai – 600060

(ii) 147, Madhavaram Redhills High Road
Grantlyon, Redhills
Chennai – 600052

Internal Auditors

M/s. R. Sathyanarayanan & Co.,
Chartered Accountants, Chennai

Cost Auditors

M/s. R. Sivasubramanian
Cost Auditor, Chennai

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

Profile - Board of Directors

Shri Bafna Mahaveer Chand, 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 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 23 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. He is a 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 three decades 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 17 years of experience in functions of financial planning and management.

Shri B Kamlesh Kumar, Independent Director

He is specialized in Finance, Taxation and Capital Market. He is a graduate in B.A (Corporate) (1986-88) from A.M. Jain College, Chennai. He became a Member in the Institute of Chartered Accountants of India in 1992 and presently a fellow member of Institute of Chartered Accountants of India. He is a Director in JBM Properties Limited from 1996, Director (Finance) in JBM Shelters (P) Ltd from 2006 taking charge of Finance and Accounts Departments. Also he is a Director in Bafna Lifestyle Remedies Ltd from 2012. He has attended various National and International seminars on Audit, Finance and Capital Market. He has over two decades of experience in Taxation and Capital Market. He brings with him rich experience in Taxation, Accounts, Capital Market, Finance & Banking.

Key Message from CMD

Dear shareholders,

I am pleased to inform you that your company has succeeded in delivering the main objects of Public Issue during 2008 namely:

- (i) Establishing MHRA aggregated facility & presence in the regulatory market
- (ii) Emerging market
- (iii) CRAMS



The success story continues and your company has acquired the legacy brand RARICAP from Johnson & Johnson. And today you will be happy to note that, in domestic marketing your company has presence PAN India except Rajasthan & Madhya Pradesh.

Now with the acquisition of RARICAP, we have visibility in domestic market also. We are striving very hard for RARICAP to earn its old glory. In the domestic brand market along with RARICAP your company has launched new products in women wellness & child care therapeutic segments. And plans are in force to launch few more products during the FY 14, and I am happy to share with you that, these products are under development with our own established R & D.

After the successful launch of RARICAP in Sri Lanka & Singapore your company has initiated steps in various other countries for registration and launching the product including US & Europe.

I am happy to share with you that your company is the first company to launch the products Ivab, Reclap & Olemebaf in ROW market.

As informed earlier in our last Annual General Meeting your company is focusing on Regulated Market as contract manufacturer, establishing its brands in emerging markets. In R & D your company is now developing new products with focus on Europe and other emerging market.

Revenue Front

- Traditionally, Company has been strong in export / contract manufacturing and has clocked revenue of Rs. 987,108.75 (in '000) in FY 13 as against Rs. 381,580.41 (in '000) in FY 12, a 158% YOY Growth.
- Our R&D services have achieved a growth rate of 341%. Income from R&D services during the year is Rs. 131,162.93 (in '000) as against Rs. 29,720.48 (in '000) in FY 12.
- Our sales through "RARICAP" during the year is Rs. 164,789.57 (in '000) as against Rs. 77,783.19 (in '000) achieving a YOY 110 % growth.

Market expansion through launch of brands in Non - Regulated markets

- For the first time, we documented the details of the product application and registration in FY 10 annual report with presence of 80 product registrations.
- During FY 13 the company got registrations for 27 products as follows: (i) 15 in Sri Lanka (ii) 2 in Nepal (iii) 1 in Ethiopia (iv) 2 in Nigeria (v) 1 in Honduras (vi) 1 in Uzbekistan (vii) 3 in Vietnam and (viii) 2 in Ghana. As on date we have more than 173 Product registrations and 174 Product applications across globe. This includes 18 site variation approvals from UK.

Value growth factors

- Focus on increasing revenue from contract manufacturing in regulated markets.
- Increase volume from existing emerging markets & further increase revenue by introducing new products.
- Expand to new geographies.
- Focus on FR&D for launching new products.
- Make RARICAP world brand by introducing in as many countries as possible.
- Launch line-extensions of RARICAP and other products in woman wellness and child care therapeutic segment.

We continue to focus on growing revenues, improving margins and thus enhancing market value of the company. We will continue launching brands across the geographies both in domestic and international markets. During FY 14 the plans are in force to launch at least five products in Domestic Market.

The Company is today rolling out in the market a lot of what we had planned over the years. We see the current phase as one of investment and expansion.

The company is in growth/expansion mode requiring further investment; your company is therefore evaluating various options to raise additional funds.

I take this opportunity to sincerely thank the Board for their invaluable guidance & support during this process. I congratulate & thank the entire Bafna Pharma Team for their undaunted commitment, incredible dedication and value contribution. 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