



19TH ANNUAL REPORT
BAFNA PHARMACEUTICALS LTD.,



FINANCIAL YEAR 2013-14



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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.

Company Snapshot

Name of Company	:	Bafna Pharmaceuticals Limited
CIN	:	L24294TN1995PLC030698
Incorporation	:	1995
Initial Public Offering	:	2008
Total Revenue	:	Rs. 178.94 Cr
Net Profit	:	Rs. 1.34 Cr
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. Thanigaimani & Associates
Cost Auditor, Chennai

Board of Directors

Shri Bafna Mahaveer Chand
Chairman & Managing Director
Shri Paras Bafna
Whole time Director
Shri V. Rajamani
Non-Executive Independent Director
Shri R. Dwarakanathan
Non-Executive Independent Director
Shri B. Kamlesh Kumar
Non-Executive Independent Director
* Shri A. Sahasranaman
(*Resigned w.e.f. 20.05.2013)
Non-Executive Independent Director
Shri Sunil Bafna
Non-Executive Independent Director

Audit Committee

Shri V. Rajamani
Shri R. Dwarakanathan
Shri B. Kamlesh Kumar
Shri Bafna Mahaveer Chand

Stakeholders Relationship Committee (Investor Grievance and Share Transfer Committee)

Shri Sunil Bafna
Shri Bafna Mahaveer Chand
Shri Paras 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 24 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 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 18 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, the revenues for the year are a tad higher to last year revenues from Rs.170 Cr to Rs.178 Cr. but the company could not maintain the bottom line due to higher manpower cost and interest cost.

During the year we had to face challenges from Sri Lanka, it all started on 15th September, 2013 when we received a wrong signal through electronic media that Sri Lanka banned all our 84 products stating that, the products were of not good quality. The very next day a show cause notice was issued stating only 3 products failure, the details of which are given below:

- One among those product was not supplied since 2010 to Sri Lanka
- Other two products were tested during the expiry stage

We got a revocation letter within a span of 20 days, stating that it is not a product failure but only a registration sample and not a commercial batch. All this affected our cash flow cycle. Though the issue has been to a great extent mitigated, still we are not able to fully come out of the situation particularly with respect to working capital.

The company's profitability has been largely affected by interest & manpower cost. This resulted in company looking for raising money from various sources not only to meet the working capital requirements and also for finding a solution to put an end to interest burden which is putting pressure on the profits.

Moving away from the above,

in domestic marketing, we have PAN India presence (except Rajasthan) in women wellness & childcare therapeutic segments. We are happy to share with you that, we have registered growth in the Domestic Brand business from Rs. 16.15 Cr to Rs. 24.62 Cr a growth of 52%. We could not meet the target of achieving BEP in domestic marketing segment during FY 2013-14 as there was expansion in the marketing department. We hope to achieve the BEP during the FY 2014-15.

- During September, '13 year we have launched new products to increase our market presence. We hope that, the sales volume during 2014-15 will increase in these products.
- Further we have filed patent for Raricap chewable tablets and we are planning to launch the same during FY 14-15.
- During the year the company has been approved by MOH from Ukraine, Kenya & Tanzania.
- During the year the company also received prestigious DSIR (Department of Science and Industrial Research) certification for our R & D centre. DSIR is a department under the Ministry of Science and Technology, Government of India.

And plans are in place to develop export business in the coming years.



Revenue Front

- The turnover of the company for the year is Rs.170.94 Cr as against Rs. 154.02 Cr. achieving a growth of 11% Year on Year.
- Traditionally, Company has been strong in export / contract manufacturing and has clocked revenue of Rs. 83.13 in FY 14 (Previous year Rs. 98.71 Cr).
- Income from R&D services during the year is Rs. 6.60 Cr (Previous year Rs. 13.12 Cr).

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 80 product registrations.
- During FY 14 the company got registrations for 45 products as follows: (i) 5 in Sri Lanka (ii) 7 in Nepal (iii) 2 in Ethiopia (iv) 9 in Nigeria (v) 2 in Uzbekistan (vi) 1 in Myanmar (vii) 3 in Yemen (viii) 2 in Costa Rica (ix) 6 in Ukraine (x) 5 in Philippines (xi) 3 products site approval in UK.
- As on date we have more than 176 Product registrations and 214 Product applications across globe.

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 geographic locations.
- Focus on FR&D for launching new products.
- Make RARICAP Global brand by introducing in as many countries as possible.

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.

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
(DIN: 01458211)
Chairman & Managing Director

Annual Report 2013-14



Annual Report 2013-14

Director's Report

To

The Shareholders

Your Directors have pleasure in presenting the Nineteenth Annual Report of your Company together with Audited Accounts for the Financial Year ended 31st March, 2014.

Financial Performance

The summarized Audited Financial Results for the year ended 31st March, 2014 along with comparative figures for the previous year is as under:

Particulars	(Rs. In '000)			
	Standalone		Consolidated	
	31 st March, 2014	31 st March, 2013	31 st March, 2014	31 st March, 2013
Total Income	1,789,445.90	1,701,663.58	1,871,940.30	1,788,086.40
Total Expenditure	1,683,959.02	1,649,869.18	1,757,089.94	1,734,489.87
Profit before Depreciation & Taxation	105,486.88	127,698.69	114,850.36	136,093.42
Less: Depreciation	83,235.79	75,904.29	89,938.37	82,496.89
Less: Exceptional Items	-	-	-	(1,324.17)
Profit before Tax	22,251.09	51,794.40	24,911.99	54,920.70
Less: Provision for Taxation	4,200.00	8,600.00	4,700.00	8,950.00
Less: Provision for Deferred Tax	4,689.69	4,402.09	5,767.72	5,839.16
Minority Interest (Loss)	-	-	(408.14)	(504.75)
Profit after Tax for the year	13,361.40	38,792.31	14,036.14	39,626.78

Consolidated Operating Results

The consolidated sales and operating income increased to Rs. 187.19 Cr from Rs. 178.81 Cr in the previous year yielding a growth of 5%. The consolidated operating profit for the year was Rs. 11.49 Cr as against Rs. 13.61 Cr in the previous year. The consolidated net profit for the year 2014 was Rs. 1.40 Cr as against FY 2013 of Rs. 3.96 Cr.

Standalone Operating Results

The sales and operating income increased to Rs. 178.94 Cr from Rs. 170.16 in the previous year yielding a growth of 5%. The operating profit for the year under review is Rs. 10.55 Cr as against Rs. 12.76 Cr in the previous year. The profit after tax for the year under review is Rs. 1.34 Cr as against Rs. 3.87 Cr in the previous year.

The company is in growth/expansion mode requiring further investment; your company is therefore evaluating various options to raise additional funds for which shareholders approval may be sought as and when things are finalized.