

BAFNA PHARMACEUTICALS LIMITED
21ST ANNUAL REPORT

FINANCIAL YEAR 2015-16



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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. 86.56 Cr
Net Profit	:	Rs. (12.18)Cr
Listing	:	(i) BSE & (ii) NSE

Registered Office

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

Bankers

SBI, 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

Mr. Garurav Jain
Chartered Accountant, 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 Sunil Bafna
Non-Executive Independent Director
Smt K. Sabitha
Executive Non - Independent Director
(Appointed w.e.f 27th March 2015)

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

Key Message from CMD

Dear Shareholders,

I welcome you all to the 21st Annual General Meeting of the Company.

With immense pleasure, I inform you that we have successfully completed the renewal audit by MHRA during the year. The high production standards and quality processes followed & maintained by your Company ensured this renewal. We could not have achieved this without the support of the Company's employees and the guidance from our Board of Directors. I thank all of them and look forward to their continued support.



At Bafna, our business objectives have always been aligned with the evolving needs of customers. When we are progressing on many fronts, consolidation of our competencies is critical to sustain momentum and growth. Multiple corporate initiatives helped us elevate the scale and scope of business.

The year 2015-16, was a year of consolidation, post the sale of our branded business including Raricap to M/s. Strides Shasun Ltd. In my last communication to you, I had spoken at length on the Joint Venture with M/s. Strides Heath Care Private Limited – a subsidiary of M/s. Strides Shasun Ltd, Bangalore, which continues to position us as one of the significant value creators in the industry.

The overall sale during the consolidation phase was Rs.85.31 Crores as compared to Rs.101.4 Crores in the previous year. However, the re-focus in strategy resulted in driving better EBIDTA margins which was at 4.75% as compared to a negative of 17.08% in the previous year.

As a result of transfer of domestic branded business, we have managed to substantially reduce bank borrowings. We are gradually shifting our focus on global markets for our formulations. The company has filed dossiers in various countries and approvals for these products are expected in the ensuing year. Consequently, the company is hopeful of growing exports and launching products across geographies.

The Indian domestic market segment continues to face significant challenges particularly with respect to the realization cycle and while we will maintain our presence in the domestic market, the operations will be scaled down.

I would like to share with you a synopsis of the revised strategy:

- a. Focus on increasing revenue from contract manufacturing in Regulated markets.
- b. Focus on FR&D for launching new products.
- c. Expand presence in the UK and other European countries.
- d. Increase number of niche products in SAARC countries, in order to increase market share.
- e. Further increase revenue in existing markets by introducing new products. Africa and CIS countries would be our immediate target markets.

In this context, I would like to inform you that during FY16, your company got registrations for 38 products: (i) 16 in Sri Lanka (ii) 2 in Nepal (iii) 10 in Nigeria (iv) 1 in Tajikistan (v) 1 in Peru (vi) 4 in Ukraine (viii) 1 in Ethiopia and (ix) 3 in Ghana. As on date we have over 188 Product registrations and 108 Product applications for approval across the globe.

The Company is witnessing a better acceptance of its products across multiple countries in its target markets and the increased order book is a reflection of the same.

Your Company is putting in significant efforts and resources in upgrading our manufacturing facilities to ensure that its products meet the ever growing and evolving global standards. The renewal with MHRA is one of the outcomes of these efforts.

At the close, I would like to thank the entire team of Bafna for their continued efforts, dedication and commitment. We are fortunate to have long term focused shareholders and would like to express our gratitude for their trust and confidence in us.

Warm Regards,

Bafna Mahaveer Chand
Chairman & Managing Director
(DIN: 01458211)



Annual Report 2015-16

DIRECTOR'S REPORT

To The Shareholders

Your Directors have pleasure in presenting the Twenty First Annual Report of your Company together with Audited Accounts for the Financial Year ended 31st March, 2016.

Financial Performance

The summarized Audited Financial Results for the year ended 31st March, 2016 along with comparative figures for the previous year is as under:

Particulars	(Rs. In '000)			
	Standalone		Consolidated	
	31 st March, 2016	31 st March, 2015	31 st March, 2016	31 st March, 2015
Total Income	8,65,596.35	14,36,553.02	8,72,970.56	1,436,815.13
Total Expenditure	9,49,750.21	12,96,506.57	977,576.25	1,287,946.12
Profit before Depreciation & Taxation	84,153.86	140,046.45	104,605.69	148,869.01
Less: Depreciation	41,121.33	52,375.87	48,586.04	59,854.65
Less: Exceptional Items	-	26,880.92	-	28,342.57
Profit before Tax	(125,275.19)	60,789.66	(153,191.73)	60,671.79
Less: Provision for Taxation	-	(22,587.38)	-	(22,587.38)
Less: Provision for Deferred Tax	3,430.83	22,871.05	1,777.59	24,113.06
Minority Interest (Loss)			11,144.85	(423.68)
Profit after Tax for the year	(121,844.36)	61,073.34	(140,269.29)	61,773.78

Consolidated Operating Results

The consolidated sales and operating income decreased to Rs. 87.30 Cr from Rs. 143.68 Cr in the previous year yielding a decline in growth of 60.76% due to sale of Brand happened during the year 2014. The consolidated operating profit for the year was Rs. 10.46 Cr as against Rs. 14.89 Cr in the previous year. The consolidated net loss for the year 2016 was Rs.14.02 Cr as against FY 2015 of Rs. 6.18 Cr.

Standalone Operating Results

The sales and operating income decreased to Rs. 86.56 Cr from Rs. 143.66 Cr in the previous year decline rate of 60.26%. The operating profit for the year under review is Rs. 14.00 Cr as against Rs. 10.55 Cr in the previous year. The loss after tax for the year under review is Rs.121.84 Cr as against Rs. 6.11 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.

Subsidiary Company & Consolidated Financial Results

The consolidated financial results comprise of M/s. Bafna Pharmaceuticals Limited and its subsidiary M/s. Bafna Lifestyles Remedies Limited. Consolidated Financial Statements for the year ended 31st March, 2016 forms part of the Annual Report.

As required under the Listing Agreements entered into with the Stock Exchanges, consolidated financial statements of the Company and its subsidiary are attached. The consolidated financial statements have been prepared in accordance with the relevant accounting standards as prescribed under Section 133 of the Companies Act, 2013. The consolidated financial statements disclose the assets, liabilities, income, expenses and other details of the Company and its subsidiaries.

Material/significant changes in subsidiary, during the year the subsidiary company has discontinued the marketing activities.

A statement pursuant to Section 129 of the Companies Act, 2013, relating to subsidiary companies is attached and forms part of the report.

Change in Capital Structure

(Rs. In '000)		
Particulars	31 st March, 2016	31 st March, 2015
Authorized Capital	400,000.00	400,000.00
Issued, Subscribed & Paid up Capital	186,563.35	186,563.35

Fixed Deposits

The company has not accepted / invited any deposits from the public in terms of Section 73 of the Companies Act, 2013

Dividend

The Company wishes to conserve the resources, hence your directors do not recommend any dividend for the Financial Year.

Directors

The Composition of Board and number of meetings attended by them are given in the corporate governance report.

Pursuant to Section 149, 152 and other applicable provisions of the Companies Act, 2013 read with Rules thereon, Shri V. Rajamani, Shri R. Dwarakanathan, Shri B. Kamlesh Kumar & Shri Sunil Bafna were appointed as Independent Directors for five consecutive years in the Nineteenth AGM held on 10.09.2014 upto 09.09.2019. Accordingly all the Independent Directors were appointed in the last AGM to align with the requirement of the Companies Act, 2013. The necessary declarations were also obtained from the Independent Directors regularly on yearly basis.

Directors Liable to Retire by Rotation

Shri. Bafna Mahaveer Chand, Chairman & Managing Director and Shri. Paras Bafna, Whole Time Director are not liable to retire by rotation as per their terms of appointment / Articles of Association of the company. However, they are subject to retire by rotation as per the provisions of Section 149 & 152 of the Companies Act, 2013. All Directors in the Board are Independent except Shri. Bafna Mahaveer Chand and Shri. Paras Bafna, and as Independent Directors are not liable to retire by rotation, Shri. Bafna Mahaveer Chand & Shri. Paras Bafna will retire by rotation in terms of Section 152 of the Companies Act, 2013 and being eligible they have offered

themselves for re-appointment. Upon re-appointment as Director Shri. Bafna Mahaveer Chand shall continue to hold office as the Chairman and Managing Director of the Company.

The brief resume of the Directors seeking appointment / reappointment and other information have been detailed in the Notice. Your Board recommends the above appointments /reappointment of Directors in the best interest of the Company.

Auditors

M/s. Abhay Jain & Co., Chartered Accountants, Chennai who are the statutory auditors of the Company, were re-appointed for a period of 3 years (from 2014 to 2017), subject to ratification by the members at every AGM. Hence, ratification has been sought for, from the members as per the terms of appointment made during 2014. M/s. Abhay Jain & Co., Chartered Accountants, Chennai have given their consent for re-appointment and also confirmed that their appointment would be within the prescribed limits under Section 141 of the Companies Act, 2013. Accordingly, the ratification of re-appointment of M/s. Abhay Jain & Co., Chartered Accountants, Chennai, as the Statutory Auditors, is being proposed as an Ordinary Resolution.

The Board recommends ratification of re-appointment as Statutory Auditors of the Company. The report of Auditors and notes forming part of the Accounts are attached along with the Annual Report.

There were some observation were made in the Auditors' Report for the period and the management reply to the observations made by the Statutory Auditor under Section 134 of the Companies Act, 2013 have been provided in some part of the report for the benefit of the shareholders.

Cost Audit

The Board of Directors of the Company appointed M/s Thanigaimani & Associates, Cost Accountants (FRN No.101899) as the Cost Auditor of the Company for audit of cost accounts relating to formulations for the year ended 31st March 2016. The Cost Audit report for the year ended 31st March 2015 was filed on 26.09.2015 and the Cost Audit Compliance Report was filed on 26.09.2015. The Cost Audit Report & Cost Audit Compliance Report for the year ended 31st March, 2016 shall be submitted to the Central Government in due course.

As per Section 148 read with Companies (Audit and Audit) Rules, 2014 and other applicable provisions if any of the Companies Act, 2013, the Board of Directors of the Company has appointed M/s Thanigaimani & Associates, Cost Accountants as Cost Auditor of the Company for the financial year 2015-16. The remuneration proposed to be paid to the Cost Auditors, subject to the ratification by the members at the ensuing Annual General Meeting, would be Rs. 45,000/- (Rupees Forty Five Thousand Only) plus applicable taxes and out of pocket expenses.

Listing

The Company's shares are listed at (i) Bombay Stock Exchange Limited (BSE) with Scrip Code No. **532989** and at (ii) National Stock Exchange of India Limited with Scrip symbol **BAFNAPHARM**; the necessary Listing Fees have been paid to the stock exchanges.

Particulars of Employees

- a) Details of employees, employed throughout the financial year, was in receipt of remuneration for that financial year, in the aggregate, was not less than Rs.1.02 Crores. –Nil-
- b) Details of employees, employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than Rs. Eight Lakhs and Fifty Thousand per month -Nil -
- c) Details of employees, if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that