

BAFNA PHARMACEUTICALS LIMITED
22ND ANNUAL REPORT

FINANCIAL YEAR 2016-17



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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. 66.10 Cr
Net Profit	:	Rs. (18.47) 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 (2016-17)

Shri. Garurav Jain
Chartered Accountant, Chennai

Internal Auditors (2017-18)

Mohamed Safwan & 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 Sunil Bafna
Non-Executive Independent Director
Smt K. Sabitha
Executive Non - 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

Key Message from CMD

Dear Shareholders,

I welcome you all to the 22nd Annual General Meeting of the Company.

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 overall sale during the consolidation phase was Rs. 66.10 Crores as compared to Rs.85.31 Crores in the previous year. However, the re-focus in strategy resulted in decline in EBITDA margins which is negative at 6.28 % as compared to a positive of 4.75% in the previous year. Your company is shifting its majority of focus on exports because of the product approvals obtained which was filed during the previous years and approval in countries where registrations are very tough.

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 FY17, 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 2016-17

DIRECTOR'S REPORT

To The Shareholders

Your Directors have pleasure in presenting the Twenty Second Annual Report of your Company together with Audited Accounts for the Financial Year ended 31st March, 2017.

Financial Performance

The summarized Audited Financial Results for the year ended 31st March, 2017 along with comparative figures for the previous year is as under:

Particulars	(Rs. In '000)			
	Standalone		Consolidated	
	31 st March, 2017	31 st March, 2016	31 st March, 2017	31 st March, 2016
Total Income	6,61,016.75	8,65,596.35	6,61,016.75	8,72,970.56
Total Expenditure	8,15,157.84	9,49,750.21	822,449.06	9,77,576.25
Profit before Depreciation & Taxation	(1,54,141.09)	84,153.86	(1,61,,432.31)	104,605.69
Less: Depreciation	38,913.03	41,121.33	42,194.98	48,586.04
Less: Exceptional Items	-	-	-	-
Profit before Tax	(1,93,054.12)	(1,25,275.19)	(2,03,627.29)	(1,53,191.73)
Less: Provision for Taxation	-	-	-	-
Less: Provision for Deferred Tax	8,352.03	3,430.83	9,029.93	1,777.59
Minority Interest (Loss)	-	-	3,729.53	11,144.85
Profit after Tax for the year	(1,84,702.09)	(1,21,844.36)	(1,90,867.84)	(1,40,269.29)

Consolidated Operating Results

The consolidated sales and operating income decreased to Rs. 66.10 Cr from Rs.87.30 Cr in the previous year yielding a decline in growth of 32% due to the financial constraints. The consolidated net loss for the year 2017 was Rs. 19.08 Cr as against FY 2016 of Rs.14.02 Cr.

Standalone Operating Results

The sales and operating income decreased to Rs.66.10 Cr from Rs. 86.56 Cr in the previous year at a decline rate of 31%. The operating Loss for the year under review is Rs.9.10 Cr as against Rs.1.29 Cr in the previous year, due to decline in revenue. The loss after tax for the year under review is Rs.18.47 Cr as against Rs.12.18 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, 2017 forms part of the Annual Report.

As required under the SEBI (Listing Obligations and Disclosure Requirement) Regulation, 2015, the 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, 2017	31 st March, 2016
Authorized Capital	400,000.00	400,000.00
Issued, Subscribed & Paid up Capital	186,563.35	186,563.35

Your Company, pursuant to 62 (1) (c) read with Section 42 of Companies Act, 2013 and Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, had passed Special resolution by way of postal ballot on 02.08.2016 for issue of 40,00,000 (Forty Lakh only) Warrants carrying an option /entitlement to subscribe to Equity shares of Rs.10/- each. Subsequently, the entire preferential issue of 40,00,000 Warrants and in-principle application filed with the Stock Exchanges had been withdrawn by the Board of Directors of the Company on 04.01.2017.

Further, the Company, pursuant to 62 (1) (c) read with Section 42 of Companies Act, 2013 and Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, had passed Special resolution by way of postal ballot on 09.02.2017 for issue of 80,00,000 (Eighty Lakh only) Warrants carrying an option /entitlement to subscribe to Equity shares of Rs.10/- each.

Fixed Deposits

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

Dividend

Due to losses, the Company has not declared any dividend for the Financial Year.

RESERVES

The Company has not transferred any amount to the general reserves during the year.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY:

There have been no material changes and commitments, if any, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE;

The Hon'ble High Court of Madras in CP.NO. 201 of 2015, filed by M/s. Wanbury Limited, against the Company under Section 443 of Companies Act, 1956, had issued an order on 11th November, 2016 approving the repayment schedule for the outstanding amount of Rs. 43,46,262/- at an interest of 9% p.a. If the order is received against the Company the same will affect the going concern of the Company.

PARTICULARS OF LITIGATIONS:

During the year,

a) Winding up petition was filed in Hon'ble High Court of Madras against the Company by M/s. Dalas Biotech Limited, a trade creditor of the Company under Section 443 of the Companies Act, 1956, vide C.P. NO. 215 of 2016.

b) The Hon'ble High Court of Madras in CP.NO.201 of 2015, filed by M/s. Wanbury Limited, against the Company under Section 443 of Companies Act, 1956, had issued an order on 11th November, 2016 approving the repayment schedule for the outstanding amount of Rs. 43,46,262/- at an interest of 9% p.a.

Due to establishment of National Company Law Tribunal (NCLT) and enactment of Insolvency and Bankruptcy Code, 2016, the above mentioned petitions filed before the Hon'ble High Court of Madras were transferred to Hon'ble NCLT, Chennai Bench and were numbered as TCP/96/IB/CB/2017 and TCP/456/IB/2017 respectively and the same are pending before the Hon'ble NCLT, Chennai Bench.

Further, a criminal case was filed by M/s. Dalas Biotech Limited against all the Directors of the Company under Section 138 of the Negotiable Instruments Act for dishonor of cheque.

The above cases are pending before respective court / tribunal. Your Board of Directors of the Company are taking necessary steps to resolve the pending litigations.

CHANGE IN THE NATURE OF BUSINESS

Your Company is engaged in manufacture of pharmaceutical products. There is no change in the nature of business during the year compared to previous year.

RISK MANAGEMENT POLICY:

The Company has in place a mechanism to identify, assess, monitor and mitigate various risks to key business objectives. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS:

The company has adequate internal financial controls such as defining authority to authorize financial transactions, Internal Audit and review of financial statement mechanism in vogue.

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. The Independent Directors have furnished necessary declarations as required under Companies Act, 2013.

Directors Liable to Retire by Rotation

Shri. Bafna Mahaveer Chand and Shri. Paras Bafna, being non independent directors, are liable to retire by rotation in terms of Section 152 of the Companies Act, 2013 and being eligible they have offered themselves for re-appointment. Upon their re-appointment as Directors Shri. Bafna Mahaveer Chand and Shri. Paras Bafna shall continue to hold office as the Chairman cum Managing Director of the Company and Whole time director respectively.

Further, the Company had appointed Shri. Bafna Mahaveer Chand and Shri. Paras Bafna as Managing Director and Whole time director, respectively, in the Board meeting held on 08.08.2017 for the period of Three years with effect from 01.10.2017. Pursuant to Section – 196 of Companies Act, 2013 they hold the office upto 30.09.2017. The Board recommends their continuation as Managing Director and Whole Time Director respectively.

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.

Details of KMP:

According to section 203 of the Companies Act, 2013, Shri. Bafna Mahaveer Chand, being a Managing Director is a key Managerial Personnel of the Company.

During the year under review, Shri. R S Gowdhaman, resigned from the post of Company Secretary and subsequently Smt. Sapna Jain was appointed as the Company Secretary on 11.11.2016. Shri. Sridhar was appointed as CFO on 27.05.2017. Smt. Sapna Jain resigned as Company Secretary with effect from 08.08.2017.

Auditors

In compliance with the mandatory rotation of Auditors as per Companies Act, 2013, the Audit Committee and the Board of Directors in their respective meetings recommended the appointment of M/s. R. Sathyanarayanan & Co, Chartered Accountants, Chennai (FRN: 003656S) as statutory auditors of the Company, for a period of 5 years from the conclusion of this AGM until the conclusion of 27th Annual General Meeting, in place of the retiring Statutory Auditors M/s. Abhay Jain & Co., Chartered Accountants, Chennai.

M/s. R. Sathyanarayanan & Co, Chartered Accountants have given their consent for appointment and also confirmed that their appointment would be within the prescribed limits under Section 141 of the Companies Act, 2013. Accordingly, the appointment of M/s. R. Sathyanarayanan & Co, Chartered Accountants., Chartered Accountants, Chennai, as the Statutory Auditors of the Company, is being proposed as an Ordinary Resolution.