



23rd

**ANNUAL
REPORT**



BAFNA

PHARMACEUTICALS LTD.,

FINANCIAL YEAR 2017 - 18



BAFNA PHARMACEUTICALS LIMITED

**23RD ANNUAL REPORT
FINANCIAL YEAR 2017-18**

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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. Satyanarayanan & 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

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
Shri Nirav Vikram Maniar
Additional Director
Smt K. Sabitha
Whole time 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 23rd Annual General Meeting of the Company.

I take immense pleasure to inform that your company had passed the UK- MHRA audit for the sixth Consecutive Term .

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. 78.50 Crores as compared to Rs.66.10 Crores 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.

During the year under review the Company has in order to reduce the debt has undertaken two major decision. As a result of that the debt has reduced from Rs. 80 Crores to Rs. 44 Crores.

The Company has sold 26% equity stake i.e 11,26,666 shares (Eleven Lakh Twenty-Six Thousand Six Hundred and Sixty-Six) and value being Rs. 16.90 Crs (Rupees Sixteen Crores and Ninety Lakhs only) in Strides Healthcare Private Limited (Unlisted Company) to Strides Shasun Limited for a total cash consideration of Rs. 46.93 Crores (Rupees Forty Six Crores and Ninety Three Lakhs Only) and used the proceeds to settle Long Term Loan from M/s ADITYA BIRLA FINANCE LIMITED to the extent of Rs. 39.43 Crs together with Interest and the remaining amount of Rs. 7.5 Crores used for current liabilities.

The Board of the Subsidiary Company (Bafna Lifestyle Remedies Limited) sold the Fixed assets of the Subsidiary Company and the sale proceeds was used to settle the dues owing to the Holding Company viz Bafna Pharmaceuticals Limited (BAFNA).

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 FY18, your company got registrations for 69 products: (i) 18 in Sri Lanka (ii) 2 in Cambodia (iii) 1 in Peru (iv) 4 in Ukraine (v) 2 in Ethiopia (vi) 2 in Kazakhstan (vii) 6 in Cameroon (viii) 5 in Uzbekistan (ix) 2 in Kenya (x) 16 in UK (xi) 1 in Costa Rica (xii) 3 in Russia (xiii) 7 in Tanzania. As on date we have over **183** Product registrations and 164 Product applications is pending 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)

DIRECTOR'S REPORT

To

The Shareholders

Your Directors have pleasure in presenting the Twenty Third Annual Report of your Company together with Audited Accounts for the Financial Year ended 31st March, 2018.

Financial Performance

The summarized Audited Financial Results for the year ended 31st March, 2018 along with comparative figures for the previous year is as under:

Particulars	Standalone		Consolidated	
	31 st March, 2018	31 st March, 2017	31 st March, 2018	31 st March, 2017
Total Income	7843.51	6610.17	7850.15	6610.17
Total Expenditure	9271.08	8540.71	9321.82	8646.44
Profit /(loss) before exceptional items and tax	(1427.56)	(1930.54)	(1471.66)	(2036.27)
Exceptional items	-	-	-	-
Profit /(loss) before tax	(1427.56)	(1930.54)	(1471.66)	(2036.27)
Tax expenses (Deferred)	217.52	83.52	219.27	(90.30)
Profit / (loss) after tax	(1645.09)	(1847.02)	(1690.93)	(1945.97)

Consolidated Operating Results

The consolidated sales and operating income increased to Rs. 78.50 Cr from Rs.66.10 Cr in the previous year. The consolidated net loss for the year 2018 was Rs. 16.91 Cr as against FY 2017 of Rs.19.46 Cr.

Standalone Operating Results

The sales and operating income increased to Rs.78.44 Cr from Rs. 66.10 Cr in the previous year. The operating Loss for the year under review is Rs.14.28 Cr as against Rs.19.31 Cr in the previous year. The loss after tax for the year under review is Rs.16.45 Cr as against Rs.18.47 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, 2018 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.

During the year under review the Board of the Subsidiary Company (Bafna Lifestyle Remedies Limited) sold the Fixed assets of the Subsidiary Company and the sale proceeds was used to settle the dues owing to the Holding Company viz Bafna Pharmaceuticals Limited (BAFNA). The Company was holding 1,43,00,000 shares viz 62.31% in the subsidiary Company M/s. Bafna Lifestyle Remedies Limited.

Sale of Investment

During the year under review pursuant to Share Subscription Cum Shareholders Agreement ("SSSA") dated July 21, 2014 entered amongst the M/s. Bafna Pharmaceuticals Limited ("Bafna" or "the Company"), M/s. Strides Shasun Limited (formerly Strides Arcolab Ltd) ("Strides Shasun"), M/s. Strides Healthcare Private Limited (formerly Strides Actives Private Limited) and others, the Company was holding 11,26,666 (Eleven Lakh Twenty-Six Thousand Six Hundred and Sixty-Six) fully paid-up equity shares of face value of Rs. 10/- (Rupees Ten Only) each of Strides Healthcare Private Limited ("Strides Healthcare"), representing 26% of its total issued and paid-up capital (hereinafter referred to as 'Bafna Shares').

The SSSA, as amended from time to time, enabled Bafna to pledge Bafna Shares in order to avail new loan for its business ("Bafna Loan"), which shall be not exceeding Rs. 40 Crores. Further, the SSSA also provided that, in the event, notice of default is received from the lender of Bafna Loan and the default is not cured by Bafna within the prescribed period, then Strides Shasun shall have a call option on such Bafna Shares ("Bafna Default of Loan Call Option") by paying to the lender and clearing the pledge.

In furtherance to the SSSA, the Company has pledged Bafna Shares as a collateral security with Aditya Birla Finance Limited ("ABFL") and has obtained a sanctioned limit of loan amounting to Rs. 40 Crores for the purpose of its business operation. The amount of outstanding loan was Rs. 38 Crores ("Outstanding Loan") as on 22nd November 2017. The Company has committed a default and since the same was not cured within the prescribed time, Strides Shasun was proposing to exercise the Bafna Default of Loan Call Option in accordance with the SSSA. Pursuant to the payment of the Outstanding Loan amount by Strides Shasun to ABFL, the Company shall not have any claim or receivables towards consideration for the transfer of Bafna Shares.

Pursuant to the said SSSA the Company has transferred 26% equity stake i.e 11,26,666 (Eleven Lakh Twenty-Six Thousand Six Hundred and Sixty-Six) equity shares of face value Rs. 10/- (Rupees Ten only) each in Strides Healthcare Private Limited to Strides Shasun Limited for a total cash consideration of Rs. 46.93 Crores and the proceeds has been used to settle Long Term Loan from M/s ADITYA BIRLA FINANCE LIMITED to the extent of Rs. 39.43 Crs together with Interest and also other current liabilities.

Material/significant changes in subsidiary:

The Company's subsidiary Company M/s. Bafna Lifestyle Remedies Limited (BLRL) was manufacturing Raricap tablets for strides shasun. During one audit strides shasun disqualified the facility and hence there were no operations in the subsidiary company.

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, 2018	31 st March, 2017
Authorized Capital	400,000.00	400,000.00
Issued, Subscribed & Paid up Capital	236,563.35	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 08.02.2017 for issue of 50,00,000 (Fifty Lakh only) Warrants carrying an option /entitlement to subscribe to Equity shares of Rs.10/- each at a premium of Rs.22/-each. Subsequently, the entire preferential issue of 50,00,000 Warrants were allotted.

The Board has been authorised to issue and allot equity shares as may be required upon conversion of 50,00,000 share Warrants issued by the Warrant Allotment Committee on 08th Jan 2017. Further, after receipt of entire money towards the share warrants on 12th Feb 2018 the Board has allotted the shares. The Company has applied for getting listing approval from BSE Ltd and National Stock Exchange of India Limited.

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;

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. The said case has been closed as per mutual consent and understanding and petition has been withdrawn.

ARIES an Operational Creditor has filed under Section 9 of the Insolvency and Bankruptcy Code 2016 a Petition with The National Company Law Tribunal, Single Bench, Chennai which has been admitted as CP/682/IB/2017 against the Company. The National Company Law Tribunal, Single Bench, Chennai has passed an order on 16th July 2018 for initiation of Corporate Insolvency Resolution Process (CIRP) against the Company and declare moratorium and appoint Interim Resolution Professional (IRP).

Encore Healthcare Limited an Operational Creditor has filed under Section 9 of the Insolvency and Bankruptcy Code 2016 a Petition with The National Company Law Tribunal, Chennai which has been admitted as CP/648/IB/2017 against the Company. The said case stand disposed off by the order of The National Company Law Tribunal, Divisional Bench, Chennai dated 20th July 2018 and ordered Encore Healthcare Limited to file its claim with the Interim Resolution Professional (IRP).

Calyx chemicals & pharmaceuticals Ltd an Operational Creditor has filed under Section 9 of the Insolvency and Bankruptcy Code 2016 a Petition with The National Company Law Tribunal, Chennai which has been admitted as CP/940/IB/2018 against the Company. The total amount of debt is Rs.21,11,706/-. Application stands disposed off vide order of The National Company Law Tribunal, Chennai dated 09th August 2018.

Dalas Biotech Limited an Operational Creditor has filed under Section 9 of the Insolvency and Bankruptcy Code 2016 a Petition with The National Company Law Tribunal, Chennai which has been admitted as CP/805/IB/2018 against the Company. The said case stand disposed off by the order of The National Company Law Tribunal, Chennai dated 25th July 2018 and ordered Dalas Biotech Limited to file its claim with the Interim Resolution Professional (IRP).

Natural Capsules Ltd an Operational Creditor has filed under Section 9 of the Insolvency and Bankruptcy Code 2016 a Petition with The National Company Law Tribunal, Chennai which has been admitted as CP/222/IB/2018 against the Company. The said case stand disposed off by the order of The National Company Law Tribunal, Bench, Chennai dated 27th July 2018 and ordered Natural Capsules Ltd to file its claim with the Interim Resolution Professional (IRP).

Brenntag Ingredients (India) Private Limited an Operational Creditor has filed under Section 9 of the Insolvency and Bankruptcy Code 2016 a Petition with The National Company Law Tribunal, Chennai which has been admitted as CP/632/IB/2018 against the Company. The said case stand disposed off by the order of The National Company Law Tribunal, Bench, Chennai dated 31st July 2018 and ordered Brenntag Ingredients (India) Private Limited to file its claim with the Interim Resolution Professional (IRP).

Further, a criminal case was filed by M/s. Abhilash Chemicals Private 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 Sunil Bafna were appointed as Independent Directors for five consecutive years in the Nineteenth AGM held on 10.09.2014 upto 09.09.2019. Shri V. Rajamani & Shri Sunil Bafna terms getting expired on 09.09.2019 and they will be re-appointed for second terms of five years as Independent Director and the matter has been disclosed in the annual general meeting notice. The Independent Directors have furnished necessary declarations as required under Companies Act, 2013.

Directors Liable to Retire by Rotation

Mrs. Sabitha K, being non independent directors, are liable to retire by rotation in terms of Section 152 of the Companies Act, 2013 and being eligible offered herself for re-appointment.

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.