

Bafna Pharmaceuticals Ltd.,



25th Annual Report



FINANCIAL YEAR 2019 - 20

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BAFNA PHARMACEUTICALS LIMITED

**25th ANNUAL REPORT
FINANCIAL YEAR 2019-20**

CONTENTS

Company Snapshot	3
Key Message from CMD	4
Director's Report	6
Annexure to Director's Report	16
Corporate Governance	35
Auditor's certificate on Compliance	51
Management Discussion and Analysis	52
Standalone Financial Statements as at 31 st March, 2020	57
Standalone – Auditor's Report	58
Standalone – Balance Sheet	69
Standalone – Statement of Profit & Loss	71
Standalone – Cash Flow Statement	72
Standalone – Notes	73
Standalone – Related Party Disclosures	83
Consolidated Financial Statements as at 31 st March, 2020	102
Consolidated – Auditor's Report	103
Consolidated – Balance Sheet	114
Consolidated – Statement of Profit & Loss	116
Consolidated – Cash Flow Statement	117
Consolidated – Notes	118
Consolidated – Related Party Disclosures	128
Notice	147

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
Listing	:	(i) BSE & (ii) NSE

Registered Office

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

Share Transfer Agents

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

Auditors

M/s. SATHYANARAYANAN & 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. Soleti Associates,
Chartered Accountants,
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 B. Kamlesh Kumar
Non-Executive Independent Director

Shri Sunil Bafna
Non-Executive Independent Director

Smt K. Sabitha
Women Director

Audit Committee

Shri V. Rajamani
Shri B. Kamlesh Kumar
Shri Paras Bafna

Stakeholders Relationship Committee (Investor Grievance and Share Transfer Committee)

Shri Sunil Bafna
Shri Bafna Mahaveer Chand
Shri Paras Bafna

Nomination and Remuneration Committee

Shri Sunil Bafna
Shri V Rajamani
Shri Babulal Kamlesh Kumar

KEY MESSAGE FROM CMD

Dear Shareholders,

While we had a better year, it was the last few days of the Financial Year 2019-20, where our culture was truly tested. I am pleased to inform you that amidst a global pandemic, we continued to be guided by our principles of employee safety and wellbeing, business continuity, and social responsibility.

Despite the headwinds caused by COVID-19 during the last few months, through a dedicated workforce, we have ensured continued production and supply of medicines.

Your company continues to prioritize and invest in nurturing talent and development whilst focusing on its diversity and inclusion agenda. As we march towards a post-pandemic world, the next few months will be challenging but your company's robust business model, better financials, and deep relationships with customers, will play a critical role in keeping us ahead of the curve. The future of your company looks prosperous with a dynamic relationship with our new investor M/s. SRJR Life sciences LLP. I believe your company is poised to embrace the change and take the business to new heights. As always, my sincere gratitude to all stakeholders for your continued trust, confidence, and support as you stood by the company in its most difficult times.

As you are aware, your company has successfully warded off prolonged litigations in the NCLT, Chennai, NCLAT, New Delhi and the Supreme Court of India. Now, with the timely support of our new investor, M/s. SRJR Life Sciences LLP, your Company is debt-free as on March 2020.

Even though the revenues fell slightly compared to last year, the operational performance hindered due to prolonged litigations, resulted in delayed supplies. Even though the supplies were erratic we have not lost a single customer. Now our prime focus will be to satisfy customers with timely supplies first, instead of focusing on expanding to new territories. Your Company will henceforth focus on bottom line instead of top line.

Research & Development is the backbone of our business and a key determinant of our future growth and profitability. Our efforts to move up, in the pharmaceutical value chain mandate that we keep investing in FR&D. Our FR&D is mainly targeted at developing complex generics and niche products.

We continue to be disciplined in identifying potential FR&D projects for the generics market while simultaneously investing in developing a specialty portfolio. This will enhance our product pipeline for regulated and emerging markets.

We are gradually ramping up our generic specialty business along with our already successful CMO business. We plan to increase its contribution to consolidate our revenues in the long term. We are also expecting reasonable growth in our business in the emerging markets.



Given these factors, we expect top line growth in our revenues for FY21 over FY20 and better EBDITA.

Also, dear family this year marks the silver jubilee of your company becoming a public limited concern. I take this opportunity to thank to all our Stakeholders, Board of Directors and the entire Team of BAFNA Pharmaceuticals who stood by the company in both its best and most trying years. We now complete our 25 Years of continued existence in this competitive pharmaceutical biosphere.

We are grateful to our Board of Directors for their continued guidance and support.

We are thankful for your support as a shareholder.

Warm Regards

Sd/-

Mahaveer Chand Bafna

Chairman & Managing Director

DIN: 01458211

DIRECTOR'S REPORT

To

The Shareholders,

Your Directors have pleasure in presenting the Twenty Fifth Annual Report of your Company together with Audited Accounts for the Financial Year ended 31st March,2020.

Financial Performance

The summarized Audited Financial Results for the year ended 31st March, 2020 along with comparative figures for the previous year is as under:

(Rs.in Lakhs)

Particulars	Standalone		Consolidated	
	31 st March 2020	31 st March 2019	31 st March 2020	31 st March 2019
Total Income	4272.78	4401.25	4272.78	4401.25
Total Expenditure	4460.58	6224.22	4461.11	6230.53
Profit /(loss) before exceptional items and tax	(187.80)	(1822.97)	(188.34)	(1829.28)
Tax expenses (Deferred Tax)	-	150.07	-	106.74
Profit/ (Loss) for the period	(187.80)	(1973.04)	(188.34)	(1936.02)
Profit of Non controlling Interest/ Minority interest		-	(28.69)	(52.01)
Exceptional items	(2332.56)	-	(2255.91)	100.99
Total Comprehensive Income for the year	(2520.36)	(1973.04)	(2472.93)	(1887.05)

Standalone Operating Results

The sales and operating income was Rs.4,272.78 Lakhs in comparison to Rs.4,401.25 Lakhs in the previous year. The Loss for the year under review is 2520.36 Lakhs as against Rs.1,973.04 Lakhs for the previous year.

Consolidated Operating Results

The consolidated revenue from operation was Rs. 4,272.78 Lakhs in comparison to Rs.4,401.25 Lakhs of the previous year. The consolidated net loss for the year 2020 was Rs.2,472.93 Lakhs as against FY 2019 of Rs.1,887.05 Lakhs.

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, 2020 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:

The Company's subsidiary Company M/s.Bafna Lifestyles Remedies Limited (BLRL) was manufacturing Raricap tablets for Strides Shasun Pharma Ltd. During one of the Audits, Strides Shasun disqualified the facility and hence there are no operation since September 2016 in the subsidiary company.

Since, there is a diminution in the value of investment made in the subsidiary, the value is considered as NIL and hence the same has been written off in the books of the parent Company i.e Bafna Pharmaceuticals Limited at the Board meeting held on 13th February 2020. As per Indian Accounting Standard IND AS-110, the financial result of Subsidiary Company has to be consolidated with parent company as long as it controls/ hold the shares in the subsidiary Company. The consolidated financial results in future shall be dispensed with as the Company is in the process of striking of name of 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 Lakhs)

Particulars	31 st March,2020	31 st March,2019
Authorized Capital	4000.00	4000.00
Issued, Subscribed & Paid up Capital	236.56*	2365.63

*Pursuant to the Resolution Plan approved by the Hon'ble National Company Law Tribunal, Chennai Bench vide its Order dated 01st February 2019 the fully paid up Equity Shares is reduced to 10% in the following manner:-

Paid-up Equity Share Capital Structure Pre and Post reduction

Pre-Reduction	Post Reduction
2,36,56,335 equity shares of Rs.10/- each aggregating to Rs.23,65,63,350/-	23,65,634 equity shares of Rs. 10/- each aggregating to Rs.2,36,56,340/-

*Post reduction of Capital, the Company had applied for listing permission with NSE and BSE. The Company has received listing approval 2365634 equity shares of Rs.10/- each from NSE and BSE.

Allotment

The Board at its meeting held on 13.02.2020, wherein Mr. Bafna Mahaveer Chand had explained in detail that the Investors mentioned in the Resolution Plan had backed out due to personal reasons and Mr. Bafna had to identify another new Investor. To Implement the Approved Resolution plan, the Resolution applicant identified M/s.CVR ENTERPRISES LLP, as New Investor, invested Rs. 48.33 Crs to successfully implement the plan. Further an amount Rs. 7.02 Crs was received from M/s. SRJR Lifesciences LLP an affiliate of CVR Enterprises LLP, as Cheque on 30.03.2020 and the same could be deposited on 30.05.2020 owing to lock down due to COVID 19.

The Implementation and Monitoring Committee, appointed by Committee of Creditors , comprising of the Supervisor earlier who was Resolution Professional, Two Representatives of Financial Creditors and two from the Corporate Debtor had made payments to the Operational creditors, Financial Creditors, CIRP Cost, Employee dues and other legal and professional fees as part of the Resolution plan approved by the Hon'ble NCLT, Chennai Bench. The Implementation and Monitoring Committee after settling the claims of Operational Creditors, Financial Creditors, CIRP Cost, Employee dues and other legal and professional fees as per NCLT, Chennai order. As per resolution Plan approved by NCLT Chennai order which was also upheld by NCLAT Delhi and Supreme Court

The Resolution Applicant shall be liable to make the payment towards only the liabilities assumed in the Resolution Plan and only for the specifically accepted amount as per the Proposed Resolution Plan. No crystallised or Contingent Liabilities as on the Resolution Plan approval date shall be payable which has not been specifically accepted and provided for in the proposed resolution Plan . All payment proposed against deemed assumed Liabilities, Contigent Liablieties , disputed Liabilities and Such liabilities shall be considered as full and Final amount payable towards such liabilities . No further claims or litigation shall be admissible against the Corporate debtor or Resolution Applicant for any such Liabilities stated herein . No liabilities shall be admissible which has not specifically been assumed under the resulation plan .

Further any liability crystallizing out of the contingent liabilities or disputed legal cases of the Company or any other unknown or unclaimed liability pertaining to a transaction or incident dating to a period prior to the Insolvency Commencement date or during the corporate insolvency resolution process which does not find a place in the approved Resolution Plan, shall be deemed to have lapsed on the approval of the plan; and the Company shall be deemed to have been duly discharged from all legal liability arising from such antecedent claims

Hence no fresh claims shall be entertained by the company in future and all outstanding liabilities shall deemed to be extinguished . The same was notified on the Company's website by The Implementation and Monitoring Committee.

Implementation of Resolution Plan

Please refer to the Order dated 01st February, 2019 passed by the Hon'ble National Company Law Tribunal ("NCLT"), Chennai Bench ("NCLT Order") under Section 31(1) of the Insolvency and Bankruptcy Code, 2016 ("Code") approving the Resolution Plan (the "Approved Resolution Plan").

Please also refer to the subsequent order(s) passed by National Company Law Appellate Tribunal, ("NCLAT"), New Delhi vide its Order dated 04th July 2019 and later by the Supreme Court of India vide its Order dated 15th July 2019 (Civil Appeal No.: 5344/ 2019).

As per the Code the Approved Resolution Plan is binding on the Company, its employees, Members, Creditors, Guarantors and other stake holders involved in the Resolution Plan including the Resolution Applicant.

In this regard the claims filed by the financial creditor/operational creditor and other creditors under the Code was verified and accepted by the Interim Resolution Professional ("IRP") and Resolution Professional ("RP")("Claim").Pursuant to the Approved Resolution Plan, the sums so paid are towards the full and final settlement of the dues/ claims as aforesaid. No Further claims under the code shall be entertained if no claims had been filed either with IRP/RP. Refer Newspaper publication dated19/07/2018 requesting creditors for filling the Claim .

Further, as per IBC Code and NCLT, Chennai order and subsequent order(s) passed by National Company Law Appellate Tribunal, ("NCLAT"), New Delhi vide its Order dated 04th July 2019 and later by the Supreme Court of India vide its Order dated 15th July 2019 (Civil Appeal No.: 5344/ 2019) there are no debt or payment is due or outstanding, as of date hereof, from the Company to any Vendors / Financial institutions /Persons , and that no other contingent liability or guarantee or letter of support or other security interest exist as of day to anybody's favor (or for anybody's benefit) from the Company and all obligations there under shall be deemed to have been extinguished, as per the approved Resolution Plan.

Further any liability crystallizing out of the contingent liabilities or disputed legal cases of the Company or any other unknown or unclaimed liability pertaining to a transaction or incident dating to a period prior to the Insolvency Commencement date or during the corporate insolvency resolution process which does not find a place in the approved Resolution Plan, shall be deemed to have lapsed on the approval of the plan; and the Company shall be deemed to have been duly discharged from all legal liability arising from such antecedent claims