

“The financial year 2009 – 10 has been the year of consolidation of our strengths in the international markets. Our efforts have opened up new avenues for increased growth. We have firmed up our blueprint for the next five years to enhance the shareholder’s value.”

*Bafna Mahaveer Chand
Chairman & Managing Director*



Bafna Pharmaceuticals Ltd.

Wellness beyond boundaries

15th ANNUAL REPORT

Financial Year 2009 - 10



Inauguration of F R&D facility by
Shri Amit Patel, Managing Director, Auden Mckenzie Groups, UK
accompanied with
Shri Mike Nithavrianakis, British Deputy High Commissioner to Southern India
Shri Dhiru Somaiya, Managing Director, SOMEX PHARMA, UK
Shri M Bhaskaran, Director of Drugs control, TN
on 26th April, 2010.



ISO Certified Quality control lab at Grantlyon facility

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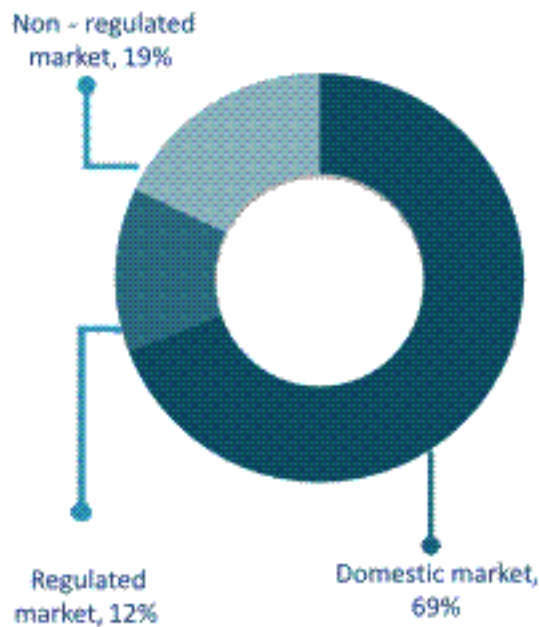
Disclaimer

Statements in this annual reports appearing in some sections including “From the Desk of Chairman and Managing Director” and “Management Discussion and Analysis” describing the Company’s objectives, projections, estimates, expectations, plan or predictions or industry conditions or events may be “forward looking statements” within the meaning of applicable securities laws and regulations. Actual results, performance or achievements could differ materially from those expressed or implied. Important factors that could make a difference to the company’s operations include global and Indian demand supply conditions, finished goods prices, feedstock availability and prices, regulatory approvals for the product applications and competitors’ pricing in the company’s principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts businesses and other factors such as litigation and labour unrest or other difficulties etc.,. The Company assumes no responsibility to publicly update, amend, modify or revise any forward looking statements, on the basis of any subsequent development, new information or future events or otherwise except as required by applicable law. Unless the context otherwise requires, all references in this document to “we”, “us”, “our” or “your” refers to Bafna Pharmaceuticals Limited (The Company).

Key performance highlights

Revenue mix by geographies

In INR lakhs



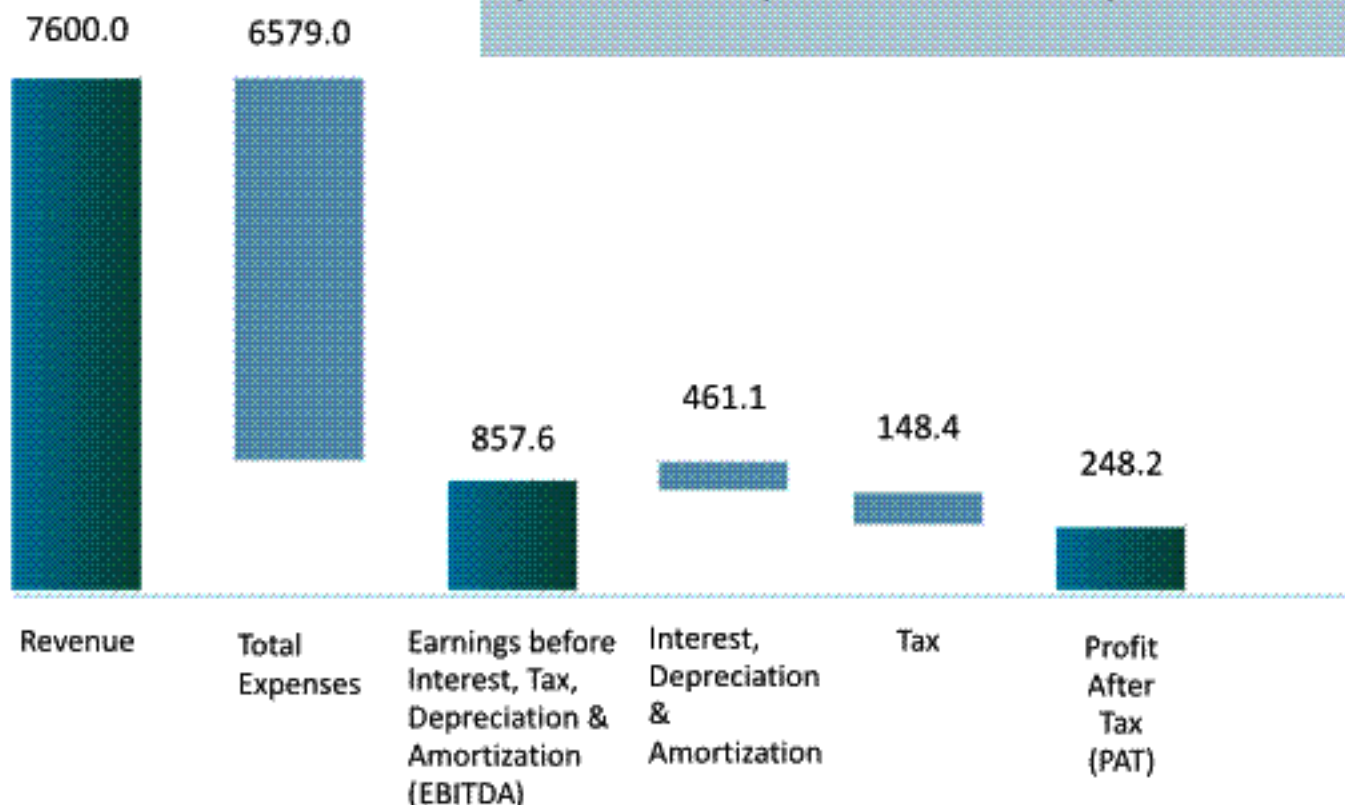
Value Growth

The total revenue achieved by the company is Rs. 7600 lakhs. The company's revenue from UK market is Rs.891.3 lakhs during Financial Year (FY) '10, a 700% growth compared to the revenue from the same market in FY 09. This signifies the shift in company's focus towards high margin markets. The revenue share from this market has grown from about 2% of the total sales during FY '09 to 12% during FY '10. The Company plans to maintain and grow on this high margin growth trajectory

Value Growth

Bafna Pharma has achieved impressive Year-over-Year (YOY) revenue growth of 68%. The ratio of revenues from domestic and international market is around 70:30. The Earning before Interest Tax Depreciation and Amortization (EBITDA) & Profit after tax (PAT) margins were 11.5% & 3.3% respectively. The increase in the production of tablets was approx. 66% while the production of capsules was increased by 127%.

Profitability Statement



Company snapshots

Name of Company:	Bafna Pharmaceuticals Limited
Incorporation:	1995
Initial Public offering:	2008
Total revenue:	Rs 7600 lakhs
Net Profit:	Rs 248 lakhs
Listing:	Bombay Stock Exchange

Registered Office

Bafna Towers
No: 299
Thambu Chetty Street
Chennai – 600001

Bankers

State Bank of India
Leather International Branch
Chennai

Auditors

M/s. Abhay Jain & Co
Chartered Accountants
Room No.72, 3rd Floor
4/16, Sunkurama Street
Chennai – 600 001

Share Transfer Agents

Cameo Corporate Services Limited
“Subramanian Building”
No.1, Club House Road
Chennai – 600002

Company Secretary

Shri K. R. Gurumurthy

Factories

No: 13, S.V. Koil Street
Madhavaram
Chennai – 600 060
India

147, Madhavaram Redhills High Road
Grantlyon, Redhills
Chennai – 600 052
India

Board of Directors – Brief Profile

Shri Bafna Mahaveer Chand is the Chairman and Managing Director aged 49 years, has over three decades of experience in the pharmaceutical industry. 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 only, the company has transformed from a Limited company, to an emerging SME listed in BSE, credited with a facility accredited by UK-MHRA. Being an expert in managing both domestic institutional supplies and international business, his contributions in bagging supply contracts of the central government & several state governments of India, contract manufacturing deal from Johnson and Johnson Ltd, in winning Best Supplier Award from the Government of Sri Lanka, Gold Quality Excellence Award 2009 and in obtaining 336 product licenses, 80 product registrations globally, 11 site variation approvals from UK etc. are just a few glimpses of his success sojourn, at Bafna Pharmaceutical Ltd.,.

Shri Paras Bafna is the Executive Director in-charge of the Madhavaram manufacturing facility. His astute thinking and management skills are largely responsible for the smooth functioning of this facility. His innate understanding of emerging pharmaceutical market trends has helped us to advance technically by innovative methods.

Shri V. Rajamani is a greatly experienced and highly qualified member of the group, specialising in Financial Management and Company Accounts. Prior to joining Bafna Pharma, he has served as the Company Secretary & Chief Vigilance Officer of Manganese Ore India Ltd at Nagpur. He has acted as Additional/General Manager (co-ordination) and as the Director of M/s Neyveli Lignite Corporation in Tamilnadu. Presently he is engaged as a consultant Director of M/s Morgan Industries Ltd. in Chennai. He possesses over 25 years of service experience in the financial departments of various government establishments.

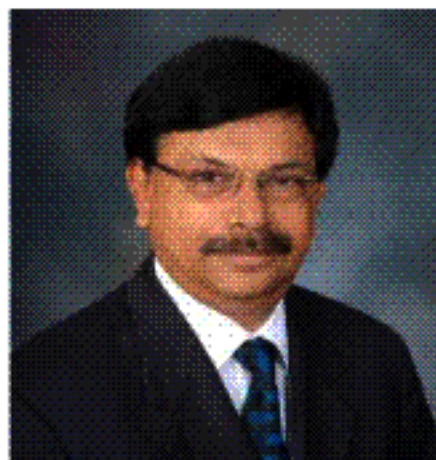
Shri A. Sahasranaman is a director par excellence; he is a top-level bureaucrat, a research scholar and an accomplished author. Having completed his Master's in Economics, he subsequently joined the Indian Administrative Service, Jammu & Kashmir Cadre and served from 1973 – 1996 under several strategic posts. Apart from this he reserves the distinction for having acted as the Executive Director, Council for Leather Exports – Chennai. He has lent his expertise to UNDP - Dept. of Industrial Policy & Promotion, Govt. of India. He resumed his tryst with Jammu & Kashmir by accepting an invitation by the state government to serve as the Principal Secretary, Dept. of Industries and Commerce from 2003 – 2005. Since July 2002, he is serving as the Honorary Director of Indian Leather Industry Foundation, Chennai chapter. In addition to his professional legacy, he is also a renowned author of several books and articles pertaining to the development & promotion of small-scale industries in India.

Shri R. Dwarakanathan possesses a Post Graduate Honors in Arts from Madras University and an MBA Degree from Wichita State University, Kansas, USA. Also, he has to his credit CAIIB, Diploma in Industrial Finance & Co-operation. His professional career began when he joined the State Bank of India. Over a period of time his dedication and managerial capabilities helped him scale-up to several high posts. Since his retirement in 2000, he is serving as a senior faculty in Loyola Institute of Business Administration, Chennai. In the course of his professional career he has specialized in various areas such as Financial Management, Corporate Credit, Foreign Exchange, Organizational Development, Inspection & Management Audit and finally Rehabilitation of sick units.

Shri U. Sunil Bafna is a dynamic, young professional leader looking to steer the company into new horizons in the days to come. He is a Graduate in Corporate Secretaryship from Madras University; later on he has completed a specialized course in Financial Management. He brings with him over 15 years of experience in functions of financial planning and management.

Consolidation of strengths

From the desk of Chairman and Managing Director



Dear Friends,

I am happy to share that your company has achieved a YOY growth of 68 % registering revenue of Rs.7600 lakhs. The year 2009–10 had been a year of self - introspection to analyse ourselves and consolidate our strengths in the international market. We have obtained products approvals in Africa & Commonwealth of Independent States (CIS) regions.

We have drafted a blue print for next five years to propel the company towards the better revenue growth rate, greater realisation of margins and increased value to share holders. The plan is based on our fundamental strengths of production expertise and the market foundation that had been laid in both the regulated and non - regulated foreign geographies.

The company is poised to join the Rs.100 crore revenue club in the next financial year driven by the good export order book. In line with the philosophy of delivering optimum value from the assets, we propose to hive off the 'Formulation R&D' to make it an independent profit

centre by providing world class research services to other companies also. As you may be aware, we have inaugurated the exclusive 'State of the Art' facility in April '10 spanning across 5000 Square Feet (Sq. Ft) in our Grantlyon factory with a capex of Rs. 1200 lakhs.



Opening of F R&D facility by Shri Mike Nithavrianakis, British Deputy High Commissioner to Southern India

The company's future course of growth will be driven by three major initiatives as

1. Strengthening our CRAMS (Contract Research and Manufacturing Services) business by expanding our product portfolio and geographic presence in regulated markets that command better margins. This expansion will capitalise the optimum capacity utilisation of the European Union Good Manufacturing Practice (EU GMP) United Kingdom Medicines and Healthcare products Regulatory Agency (UK MHRA) approved facility.
2. Promoting the 'Branded Generics' (i.e., promoting the branded formulations that are already

approved in the regulated market to non - regulated market that commands better margins compared to the ordinary generic formulations) in non - regulated market that offer better value compared to that of our current portfolio of generics.

3. Building the brands both in domestic and non – regulated markets. Your company realises the potential of the domestic market that is growing at a healthy annual growth rate of 12 to 14%. To capitalise the buoyancy, Bafna Pharma has planned for the launch of branded formulations. We are planning for a roll-out of 24 products in the life style segment addressing the therapeutic segments like Diabetic, Paediatric, Cardio Vascular, Gynaecology etc., by August '10. In line with this initiative, the company has already launched OLMEBAF in Sri Lanka. It is to be noted that Bafna Pharma is the first company to launch this molecule in that country.



EU GMP UK MHRA approved Grantlyon facility

Some of the key highlights of your company's performance that reiterates our commitment to enhance the share holder's value are

- ⇒ YOY revenue growth of 68 %
- ⇒ YOY growth in PAT by 133 %

- ⇒ Number of product applications in pipeline for export – 81
- ⇒ Number of product approvals for export - 80
- ⇒ The new geographies explored for growth CIS & African countries

Our chartered path of growth will be towards exploring high margin business that will make Bafna Pharma scrip as one of 'to be watched scrip' within next five years.

I take this opportunity to thank the board of directors for their valuable guidance, management team for the unrelenting support and the fellow colleagues who are the major force but silent contributors behind our growth.

'If everyone is moving forward together, then success takes care of itself'

— Henry ford

The value progression of the company from being a successful Contract Research and Manufacturing Service (CRAMS) player to an integrated Pharma company creating value with brands underline the commitment of the management to make a mark in the Indian pharmaceutical industry.

I thank all the investors and stakeholders who have placed confidence on Bafna Pharma that inspires me and our team to drive the company to the greater levels of growth.

Warm Regards,

*Bafna Mahaveer Chand,
Chairman and Managing Director*

Management Discussion & Analysis

Stabilising macro environment

There are good signs of positive growth rates, though mean in some cases, bringing cheers to the businesses across the geographies. The global financial crisis has helped to explore and reiterate some hypotheses with regards the growing Asia. Though Asian counterparts felt the pangs of the credit crunch and could not avoid the collapse of the equity markets, if one should have to go by the recent Gross Domestic Product (GDP) growth rates that are hovering around 5%, the decoupling theory that puts forth that the Asian growth story is not linked to the western economies, as it had been in the previous decades has some merit. It is true that the recent growth is spurred by federal stimulus packages, but the domestic demand and growth of the emerging nations also contributed to the recovery.

Important outcome related to India is that the country has proved that the economy is resilient pegging a healthy growth rate of above 7% driven primarily by service sector, domestic demand and infrastructural spends in to Gross Capital Formation. There are still some perils to growth in the form of fiscal deficit, supply crunch driven inflation and structural challenges for more inclusive growth. But, the relatively stable political environment, better diplomatic relations with foreign nations, mature private sector and increasing purchasing power parity are expected to propel the growth engine.

In general, the global macro factors have moderated the perception of the business houses about the economic outbursts and have made them prepared for facing surprises like that of Dubai realty bubble and Euro market crisis etc.

The factors like Macroeconomic stability, allocation of more funds for health care in stimulus packages and improving health care awareness among upwardly

mobile middle class are bringing good news to the Global Pharma industry, particularly to generics players.

Global pharmaceutical industry

According to a Pharma Industry report by Pricewaterhouse Coopers (PwC), the global pharmaceutical industry is estimated to be US\$ 773 Billion (Bn) in 2008 with the key geographies like North America, Europe and Japan contributing to about 82% of the market. Few recent trends that define the global pharma market landscape more in favour of emerging economies are

1. Exploding generics market with about US\$ 28 Bn worth of drugs going off patent over next two years.
2. Increasing R&D cost and the pressure on price by various stakeholders to increase the affordable health care net.
3. Slowing growth in the key geographies and emergence of low cost producing countries like India and China in the global pharma market. Improving health care facilities spurred by both public and private investments compliments this growth in the emerging economies.
4. Shifting business model of the integrated pharma players towards a lean model by outsourcing key components of value chain paves way for the promising CRAMS market.
5. There is greater scope for growth in emerging markets since pharmaceutical spending is highly correlated to GDP growth and where the healthcare spending as a percentage of GDP is lower. So, the respective domestic markets of these economies themselves will offer more

market space and the export led companies will start looking inward.

Above factors contribute to the growth of generic players in the emerging economies comprised of Asia, Africa and Australia. The pharma market in these economies are expected to grow at a faster pace of a Compounded Annual Growth Rate (CAGR) above 11.5% for the period of 2008 – 13 compared to the current growth rate of above 9.5%, states a report by Daiwa securities group.

Indian Pharmaceutical Market

A report published by PwC estimates Indian pharmaceutical market to be US\$ 11 Bn in March 2009 and is expected to grow 173 % in eleven years to become US\$ 30 Bn in 2020. The expanding middle class that has grown from mere 3% of the population in 1995 to 13% in 2005, and is expected to reach 34% in near future is a promising bet that will contribute to the growth in the domestic market.

Many international collaborations and the land mark deals like Ranbaxy – Daichii Sankyo and Nicholas Piramal Healthcare – Abbott transactions reiterates that there is an increasing focus in domestic market promising investor confidence.

Increased social spend of the government towards healthcare, the inflow of private investments and increasing awareness of medical insurance have expanded the health care net in the country.

India Healthcare Facilities

Doctors	60 per 100000 people
Nurses	80 per 100000 people
Pharmacies	367000(urban) 183000 (rural)
Hospitals	30000 (67% public, 23% private)
Hospital beds	1.7 mn (one per 1000 people)
Health centers	171687 (including 145272 sub centres with basic facilities)

Source: Global Pharma looks to India - a PwC report

Inspired by promising domestic market, the export oriented Indian pharma players are now looking inward to tap the branded generics market.

The demand composition for drugs in the therapeutic segments has also changed due to changing lifestyles of the upwardly mobile population. The lifestyle drugs addressing the segments like Cardio Vascular diseases and Chronic disorders are significantly contributing to the sizeable share of the domestic market.

The success of the Indian players as quality suppliers of generics to the developed market at competitive prices, has contributed to the growth of CRAMS segment. This market is estimated to be around US\$ 605 million (Mn) in 2008 and expected to grow to be around US\$ 916 in 2010 (PwC report).

Bafna Pharma's approach to the growth strategy

Subsequent to the listing of Bafna Pharma in Bombay Stock Exchange (BSE) in 2008, the series of initiatives like obtaining EU GMP UK MHRA approval for the Grantylon facility, revamping of the Madhavaram facility, launch of Formulation R&D facility in Grantylon and obtaining 11 site variation approvals from MHRA, UK are some of the critical milestones that guide the company towards not only greater revenue growth but also increased profit margins.

Bafna Pharma's focus on the European market, launching of 'Branded Generics' in non - regulated market and efforts to launch domestic brands in lifestyle segment are inspired by strong growth drivers.



Export Focus

Analysts estimate that the US\$ 131 Bn European generics drug market is under-penetrated leaving more space for the players from emerging economies to grab a sizeable share. The top three markets Germany, France and United Kingdom contribute to about 60% of the market. Bafna Pharma chose to enter regulated Europe market through UK market and is currently successful in pursuing the strategy.

The Company continues to focus on the export market to increase the product and the geographical spread to derive the maximum value from the EU GMP UK MHRA approved facility.

So, the efforts to get more product approvals both in the regulated and non - regulated market have gained thrust.

Status of the product approvals, site variation approvals and product applications - Export

Country	No. of Products		Management Comments
	Registered	Applied	
Sri Lanka	69	32	Sri Lanka has been the main forte' for the company in the non - regulated market. Company is pursuing the launch of brands aggressively in this country. Bafna Pharma has launched the hypertensive drug OLMEBAF in Sri Lanka, making it the first company to introduce the molecule in the country.
Europe	11*	6*	The main focus of the export strategy is to explore the regulated market through Europe and increase the export revenue contribution from the product exported to this region that offers higher margins. Also, the product launches could be capitalised for the branded generics strategy planned for non - regulated market
CIS	4	5	The company has identified few business partners in CIS regions and has applied dossiers for additional 5 products
Africa			Africa has been the focus of the company second to Sri Lanka in the emerging pharma market as they offer more market space to be explored.
<i>Ghana</i>	7	7	Apart from the current approvals for 7 products, 7 more applications for approval from FDA (Food and Drug Administration) Ghana in the lifestyle segment are expected this year.
<i>Nigeria</i>	-	19	The company has filed 19 applications for approval from NAFDAC (The National Agency for Drug Administration and Control) through 4 business partners. These approvals shall reaffirm the company's presence in this region.

Size of Generics market

Market	Pharma market in (€ m)
France	20,795
Belgium	3,050
Portugal	2,575
Spain	9,145
Ireland	1705
Austria	2,015
Italy	11,720
Sweden	2,865
United Kingdom	14,375
Finland	1,945
Germany	24,160
Netherlands	5,060
Denmark	1,990
Total	1,01,400

Source: STADA, DAIWA

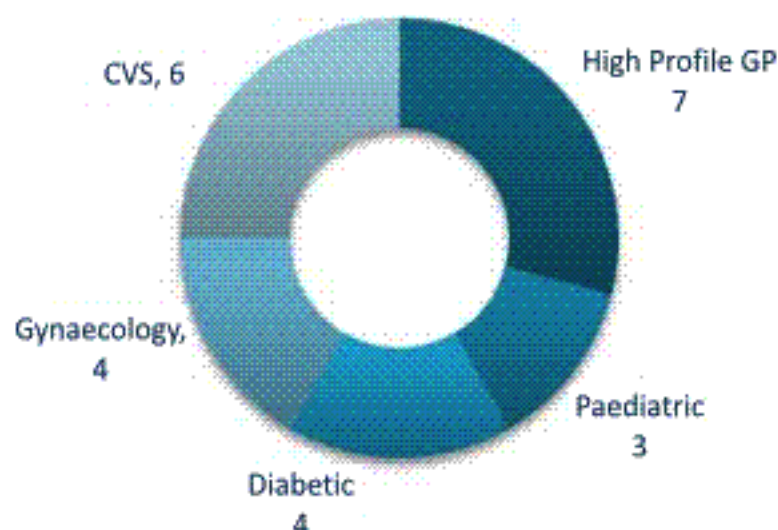
Ethiopia	-	11	The company has identified business partners to register and market various products. DACA (Drug Administration and Control Authority) has approved the facility in May'10 after an audit.
Vietnam & Philippines	-	7	Vietnam is one of the promising economies in the neighbourhood. The company has identified business partners and has initiated the activities for the registration and product approvals.
Total	80	81	

* The company has obtained 11 site variation approvals and has applied for 6 additional site variations. The total does not include them.

Domestic Market

As a part of value migration, the company has planned for a launch of series of branded formulations in the lifestyle segment. In a sharp move away from institutional sale driven domestic sales, the company has lined up about 24 brands to be launched in the domestic market by Q2 of FY 2010.

Target Therapeutic Segments



Outlook

Pharmaceutical markets both domestic and international are more prone to regulatory risks apart from the regular business risks. Bafna Pharma's management has a good understanding of the contours of these markets with hands-on experience to handle the threats arising out of the uncertainties. Also, the company mitigates the risks by strategic association with local partners. The company is poised to strike a CAGR of above 20% for the next five years

owing to the stability in the external environment, well placed growth plans with realistic execution plans and professional management.

Internal Control Systems and their Adequacy

The Company has a well established internal control system, commensurate with its size and spread, with defined guidelines on compliance, which enables it to run its factories and office with a fair degree of comfort. The system incorporates continuous monitoring, routine reporting, checks and balances, purchase policies, authorization and delegation procedures and audits etc., that are periodically reviewed by the Audit Committee. The Internal audit department maintains a regular surveillance over the entire operations. The Head of Internal Audit department is present throughout the Audit Committee Meetings and places his reports at every meeting. The Audit Committee itself meets on a routine basis and extensively covers operational matters in addition to statutory matters.

Material Development in Human Resources / Industrial Relations Front

There has been no significant development in this area. Industrial relations situation was peaceful. The number of people employed as on 31st March, 2010 was 267.





Annual Report 2009-10

Directors' Report

To

The Shareholders,

Your Directors have pleasure in presenting the Fifteenth Annual Report of your Company together with Audited Accounts for the Financial Year ended 31st March, 2010.

Financial Performance:

The summarized Audited Financial Results for the year ended 31st March, 2010 along with comparative figures for the previous year is as under:

In INR lakhs

Particulars	2009	2010
Total income	4525.20	7600.05
Total Expenditure	4140.51	7029.74
Profit before Depreciation & Taxation	384.69	570.31
Less: Depreciation	137.16	173.79
Profit before Tax	247.53	396.52
Less: Provision for Taxation	28.31	50.40
Less: FBT	1.30	-
Less: Provision for Deferred Tax	111.17	97.98
Profit after Tax for the year	106.75	248.13

The company's revenue for the FY '10 is Rs. 76.00 crore as against Rs. 45.25 crore in FY '09 registering a YOY growth of 68%. The company's performance for this financial year is a clear indicator of the growth path that the company plans to achieve in the coming years. The revenue from UK market has contributed significantly to the growth in the revenue. The current 11 site variation approvals and the 6 in pipeline will continue to support this trend.

Awards and Achievements:

- International Organization for Standardization (ISO) certification renewed to ISO 9001:2008
- Indian Drug Manufacturers Association (IDMA) has Awarded Golden Quality Excellence Award 2009 for its Grantlyon Unit. World Health Organization (WHO) - GMP certificate has been Renewed
- Successful inaugural of Research & development wing on April 26th 2010

Fixed Deposits:

Your Company has not accepted any deposits from the public during the year under report.

Compliance Certificate:

As the Company has a Company Secretary in whole time employment, your company is not required to obtain Compliance Certificate in terms of Section 383(A) of the Companies Act, 1956.

Dividend:

Considering the resource requirements for the planned activities particularly Capital expenditures and product application for export, the company wishes to conserve the resources and so your Directors do not recommend any dividend for the Financial Year

Listing:

The Company Shares are listed at Bombay Stock Exchange Limited and the necessary listing fees have been paid to the stock exchange.



Gas Chromatography equipment

Depository System:

Company's Shares are under compulsory demat mode and members are requested to dematerialize their shares for operational convenience.

Directors:

Directors, Shri A. Sahasranaman and Shri R. Dwarakanathan, retire by rotation. They being eligible, seek reappointment.

The Board of Directors at their Meeting held on 26.04.2010 had re-appointed Shri Bafna Mahaveer Chandas Managing Director w.e.f. 01.07.2010 and the Shareholders approval for his re-appointment is being sought at this General Meeting.

The Board of Directors at their Meeting held on 26.04.2010 had re-appointed Shri Paras Bafna as Whole Time Director w.e.f. 01.07.2010 and the Shareholders approval for his re-appointment is being sought at this General Meeting.

Auditors:

M/s. Abhay Jain & Co., Chartered Accountants, Chennai, the auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible offers themselves for re-appointment. The replies to the observations of the Audit report are

Sl No	Particulars	Reply
1	Point no(i)(a) of Annexure to Audit Report	The company has updated the same subsequently.
2	Point no. 3(b) of Notes to Accounts	The company is taking steps to comply with the provisions of the Gratuity Act.

Particulars of Employees:

There are no employees covered under the provisions of section 217(2A) of the Companies Act, 1956 and the Rules made there under. Therefore a statement giving particulars of employees in pursuance to the above referred section is not enclosed.

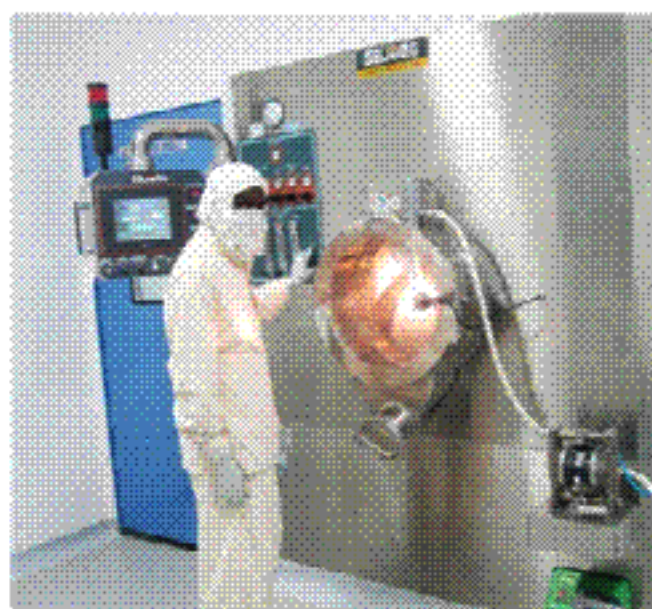
Foreign Exchange:

Your Company earned foreign exchange of Rs.2293.62 lakhs (previous year Rs.1285.57 lakhs) from exports and the foreign exchange outgo was Rs 164.67 lakhs (previous year Rs.117.42 lakhs) on account of international travel and purchase of foreign currency during the year ended 31st March, 2010.

Human Resources, Industrial Relations, Environment, Occupational Health and Safety:

The directors would like to thank the employees for their constant support and contribution to the growth of the company. Continuous initiatives are undertaken to improve the support systems for better Human Resource management to face the challenges that may erupt during the robust growth phase of the company. The company enjoys good industrial relations in the areas, where the facilities and offices are situated. Also, the manufacturing units comply with all relevant government regulations relating to Environment, Safety and Health. We would like to add that no major incidents have occurred at any of our plants that have led to any environmental liabilities.

As on 31st March, 2010 the number of employees were 267 which includes managerial staff.



Autocoating Machine

Conservation of Energy:

The Company is conscious of its responsibility to conserve the energy and has taken measures in relation to conservation of energy and technology absorption. For instance, the steam boilers and the use of certain drying system are used to conserve energy and reduce the fuel consumption during production.

Corporate Governance:

The company has complied with the provisions of Clause 49 of the listing agreement related to Corporate Governance. This Annual Report carries a Section on the Corporate Governance and compliances. (Enclosed as Annexure I).

Directors' Responsibility Statement:

Your Directors wish to inform that the Audited Accounts contains Financial Statements for the financial year ended 31st March, 2010 are in full conformity with the requirements of the Companies Act, 1956. They believe that the Financial Statements reflect fairly the form and substance of transactions carried out during the year and reasonably present your Company's financial conditions and results of operations.

Your Directors further confirm that in preparation of the Annual Accounts,

- the applicable accounting standards had been followed and wherever required, proper explanations relating to material departures have been given,
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period,
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities,
- the Accounts have been prepared on a "going concern" basis.

Acknowledgement and Appreciation:

Your Directors would like to thank Company's Bankers – State Bank of India, for their continued support and they would also like to express their gratitude for the co-operation, and assistance extended to the Company by its Customers, Suppliers, Technical Consultants, Contractors, Government and Local Authorities etc.,. The Directors also wish to thank all its Shareholders for their unstinted support. The Directors would like to sincerely thank and place on record their appreciation of the consistent and dedicated services of the employees at all levels who have immensely contributed to the performance of the Company during the year under review.

On behalf of the Board of Directors for
Bafna Pharmaceuticals Limited

Bafna Mahaveer Chand
Chairman & Managing Director

Date:28/05/2010

Place: Chennai



Annexure to the Directors' Report

Corporate Governance

For the year ended 31st March, 2010

Corporate Governance provides that a company is directed in such a way that it performs efficiently and effectively, keeping in view the long term interest of the shareholders, while respecting laws and regulations of the land and contributing, as a responsible corporate body, to the national exchequer.

I. Company's Philosophy

Your Company believes in professionalism of management, transparency and sound business ethics. It encourages wide participation from all stakeholders.

II. Board of Directors

The Board comprises 6 Directors, out of which 2 are Executive Directors, 4 are Non-Executive Directors and Independent Directors as mentioned below:

Name of Director	Position	Directorships in other Public Limited Companies incorporated in India	Membership/chairmanship across all other companies in which the person is a Director
Shri Bafna Mahaveer Chand	Chairman & Managing Director	Passari Cellulose Limited	Passari Cellulose Limited
Shri Paras Bafna	Whole Time Director	NIL	NIL
Shri U. Sunil Bafna	Director	NIL	NIL
Shri V. Rajamani	Director	Morgan Industries Ltd.	NIL
Shri R. Dwarakanathan	Director	NIL	NIL
Shri A. Sahasranaman	Director	1. Indian Leather Industry Foundation (Sec.25 Company). 2. Bhartiya Investments Ltd.	NIL

The number of Board Meetings and the attendance of directors as well as their attendance at the last AGM during the financial year 2009-2010 are as mentioned below:

Name of Directors	No. of Meetings		AGM Date & Attendance- 25 th September, 2009
	Held	Attended	
Shri Bafna Mahaveer Chand	5	5	P
Shri Paras Bafna	5	5	P
Shri U. Sunil Bafna	5	5	P
Shri V. Rajamani	5	5	P
Shri R. Dwarakanathan	5	4	P
Shri A. Sahasranaman	5	4	A

P = Present A = Absent

Five Board Meetings were held during the year 2009-2010 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

- 1) 08.04.2009
- 2) 26.06.2009
- 3) 31.07.2009
- 4) 28.10.2009
- 5) 27.01.2010

Other than the Managing Director and the Whole Time Director, all other Directors attending meetings of the Board and its Audit Committee are entitled to a sitting fee of Rs. 2,500/- for every meeting attended by them.

Necessary quorum was present at all these meetings.

No other compensation is paid / payable to Non-executive Directors

III. Committee of Directors

A. Audit Committee

The terms of reference of the Audit Committee cover the matters specified under clause 49 of the Listing Agreement and as per the provisions of the Companies Act, 1956.

The responsibilities of the Audit Committee include, inter alia, overseeing the financial reporting process, disclosure of financial statements, recommending appointment / removal of external auditors and fixing their remuneration, reviewing the quarterly and annual financial statements before submission to the Board, reviewing the adequacy of the internal audit system including the structure and staffing of the internal audit department, ensuring adequacy of the

internal control system, reviewing findings of internal investigations, discussing the scope of audit with external auditors, reviewing the Company's financial and risk management policies and looking into reasons for substantial defaults, if any, of non-payment to stakeholders.

The composition of the Audit Committee as on 31st March, 2010 is as follows:

- Shri V. Rajamani - Chairman
- Shri R. Dwarakanathan - Member
- Shri Bafna Mahaveer Chand - Member

In 2009-10, the composition of the Audit Committee and details of meetings attended by the members thereof were as follows:

Name of Directors	Status	No. of Meetings held	
		Held	Attended
Shri V. Rajamani	Chairman	4	4
Shri R. Dwarakanathan	Member	4	4
Shri Bafna Mahaveer Chand	Member	4	4

The dates on which the Audit Committee Meetings were held are as follows:

1. 26.06.2009
2. 31.07.2009
3. 28.10.2009
4. 27.01.2010

The quorum of two independent directors as required by the Listing agreement was present in all Audit Committee Meetings held during the year. Shri V. Rajamani, the Chairman of the Audit Committee was present in the AGM held on 25th September, 2009 and provided clarifications to the shareholders' queries.

All directors attending meetings of the Audit Committee are entitled to a sitting fee of Rs. 2,500/- for every meeting attended by them.

B. Remuneration Committee

The Company has set up a Remuneration Committee. The Composition of the Remuneration Committee as on 31st March, 2010 is as follows:

- Shri R. Dwarakanathan, Chairman
- Shri V. Rajamani, Member
- Shri U. Sunil Bafna, Member

Scope of Remuneration Committee

The Remuneration Committee of the Company was approved and constituted by the Board of Directors. This Committee comprise of three members, out of which two are Independent Directors.

The terms of reference to the said committee are as follows:

- To review market practices and to decide / make recommendations to the Board on remuneration packages applicable to the Managing Director, the Executive Directors and the Senior Executives of the Company.
- During the course of its review, the Committee may also decide on the commission and / or other incentives payable, taking into account the individual's performance as well as that of the Company.
- The Remuneration Committee thus assesses the overall compensation structure and policies of the Company with an objective to attract, retain and motivate employees, and to consider grant of stock options to employees etc.

C. Investor Grievance and Share Transfer Committee:

The Investor Grievance and Share Transfer Committee was appointed and approved by the Board of Directors.

The composition of the Investor Grievance and Share Transfer Committee as on 31st March, 2010 is as follows:

- Shri Bafna Mahaveer Chand, Chairman
- Shri Paras Bafna, Member
- Shri U. Sunil Bafna, Member

Scope of Investor Grievance and Share Transfer Committee:

- The Committee shall oversee share transfers; monitor the redressal of shareholders and investor complaints.
- The Committee shall also review the processes and service standards adopted by the Registrar and Transfer Agents, the complaints received by the Company and their resolution. Meetings of the above Committee are held every fortnight and all the Directors who are members attended all the meetings. Necessary quorum was present at all these meetings.
- All Shareholder complaints received during the year 2009-10 have been resolved and there are no pending complaints.

IV. General Body Meetings

Date, Time & Venue of the last three Annual General Meetings

F.Y. ended	Date	Time	Venue	If Special Resolution Passed
March 31, 2007	28.09. 2007	11.30 A.M	Factory at 147, Madhavaram – Redhills High Road, Grantlyon Village, Vadakarai Post, Chennai-600 052	Yes
March 31, 2008	24.09. 2008	12.00 Noon	Factory at 147, Madhavaram – Redhills High Road, Grantlyon Village, Vadakarai Post, Chennai-600 052	No
March 31, 2009	25.09. 2009	12.00 Noon	Factory at 147, Madhavaram – Redhills High Road, Grantlyon Village, Vadakarai Post, Chennai-600 052	No

No special resolution was passed last year through postal ballot.

Disclosures

- The transactions with related parties are disclosed in Point No. 11 of Schedule P Notes to accounts.
- The Company has complied with all requirements of the Listing Agreement entered into with the Stock Exchanges and SEBI Regulations and guidelines. No penalties were imposed or strictures were passed against the Company with regard to the Capital market.
- The Company does not have a formal whistle blower policy. However, no person has been denied access to the Audit Committee.
- The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement and also complied with few of non-mandatory requirements.

V. Means of Communication

The quarterly and half-yearly financial results of the Company are published in leading English and Vernacular (Tamil) dailies such as the Economic Times and Makkal Kural.

No individual information to the shareholders is given, since all the information are published in leading newspapers and are also updated in the Company's website.

VI. Code of Conduct

The Company proposes to have an approved Code of conduct applicable to Directors and Employees.

VII. Number of Shares

By Non-Executive Directors

Name of the Non-executive Director	Number of shares held
Shri U. Sunil Bafna	5000
Shri V. Rajamani	NIL
Shri R. Dwarakanathan	NIL
Shri A. Sahasranaman	NIL

VIII. Remuneration Policy and Remuneration to Directors

(A) Executive Directors

The remuneration paid to the Managing Director and the Whole time Director have been approved by the Shareholders of the Company and is subject to the limits laid down under Sections 198 and 309 and Schedule XIII to the Companies Act, 1956.

(B) Non-Executive Directors

The Non - Executive Directors were not paid any amount, other than sitting fees of Rs. 2,500/- for every Board and its Audit Committee meetings attended by them.

CEO / CFO Certification

As required by Clause 49 of the Listing Agreement, CEO/CFO certification was submitted to the board.

To the Board of Directors

Bafna Pharmaceuticals Limited

We, Bafna Mahaveer Chand, Chairman and Managing Director and S.S. Bharti, Chief Executive Officer of Bafna Pharmaceuticals Limited to the best of our knowledge and belief certify that,

- a) We have reviewed the financial statements and the cash flow statement of the Company for the year 2009–2010:
 - These financial statements do not contain any materially untrue statement or omit any material fact or contain statement that might be misleading.
 - These financial statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulation.
- b) There are, to the best of our knowledge and belief, no transaction entered into by the Company during the year which is fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the auditors and the Audit committee
 - Significant changes in internal control over financial reporting during the year,
 - Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statement, and
 - Instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Bafna Mahaveer Chand
Chairman and Managing Director

S. S. Bharti
Chief Executive Officer

Place: Chennai

Date: 28/05/2010

General Shareholders' Information

Annual General Meeting : On Monday, the 23rd day of August, 2010 at 12.00 Noon

Venue : 147, Madhavaram RedHills High Road
Grantlyon Village, Chennai 600 052

Financial Year: : The Accounting year covers the period from
1st April, 2009 to 31st March, 2010

Financial reporting for the quarters ending on:

30 th June, 2010	- By 31 st July, 2010
30 th September, 2010	- By 31 st October, 2010
31 st December, 2010	- By 31 st January, 2011
31 st March, 2011	- By 30 th April, 2011

Book Closure Dates : 21.08.2010 to 23.08.2010

Dividend Payment Date : Not Applicable

Listing on Stock Exchange : Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers, Dalal Street
Mumbai – 400 001
The company has paid Annual listing fees up to date

Stock code : 532989 (BSE)
Bafna Pharmaceuticals Ltd.

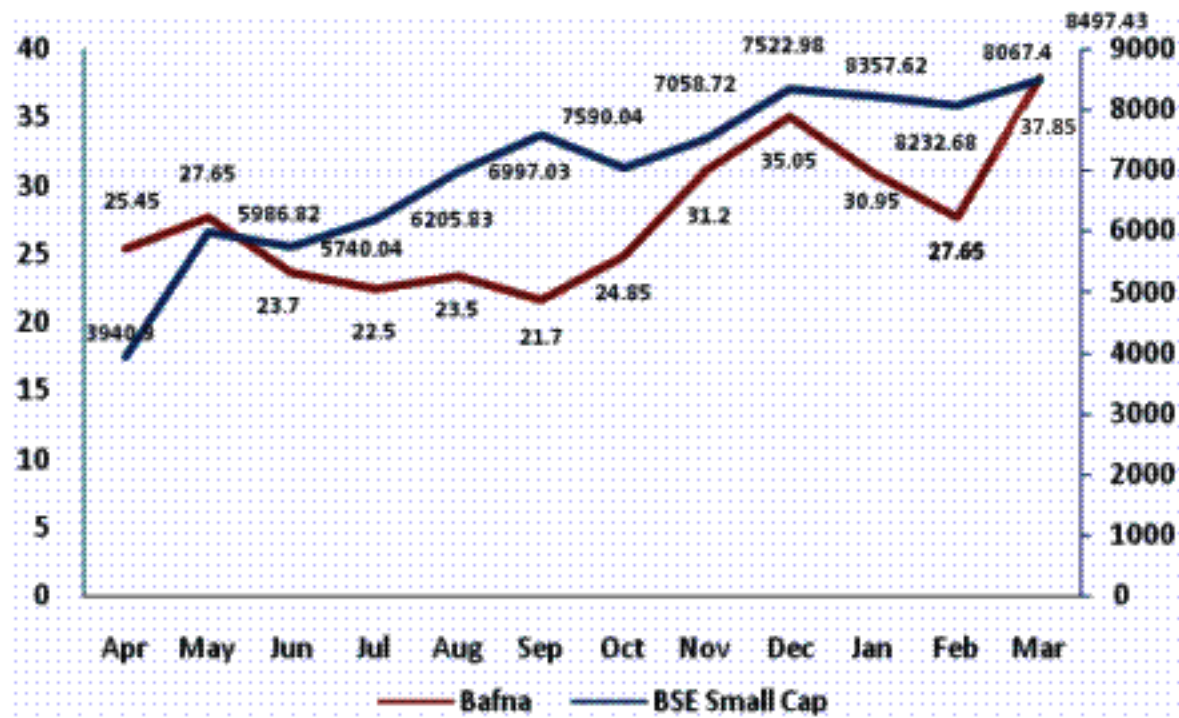
Share market data : Movement of the Company's shares at Bombay Stock Exchange (BSE), Mumbai with monthly high, low & closing prices.

In Rs.

Month	High	Low	Close
April 2009	25.95	16.00	25.45
May 2009	30.70	24.60	27.65
June 2009	29.00	20.85	23.70
July 2009	26.00	19.65	22.50
August 2009	24.70	21.25	23.50
September 2009	25.25	21.00	21.70
October 2009	25.95	18.55	24.85
November 2009	34.40	24.50	31.20
December 2009	36.45	32.50	35.05
January 2010	36.40	29.15	30.95
February 2010	31.35	26.50	27.65
March 2010	39.90	26.30	37.85

Performance of Bafna Pharma Share:

Comparison - Bafna Pharma's share price performance vs BSE Small Cap Index



Depositories

- a) **The National Securities Depository Limited**
4th Floor, Trade World, Kamala Mill Compound
Senapati Bapat Marg, Lower Parel, Mumbai – 400 013
- b) **Central Depository Services (India) Limited**
Phiroze Jeejeebhoy Towers, 17th Floor
Dalal Street, Mumbai – 400 001

ISIN No. : INE878I01014

Number of Shareholders : 6870
(As at 31st March, 2010)

Shareholding Pattern :

Status	Holding (%)
Promoters	50.31
Non Resident Individuals	2.18
Companies	-
Financial Institutions	-
Insurance Companies	-
Resident Individuals	35.63
Domestic Companies	10.60
Nationalized banks & Mutual funds	-
Others	1.28
Total	39.90



Share Transfer System:

The Company has appointed Share Transfer Agents M/s. Cameo Corporate Services Ltd, Chennai, with effect from 01.07.2008, who carries out the entire Share related works

Outstanding GDRs/ ADRs/warrants or any Convertible instruments, Conversion date and Likely impact on equity :

NIL

Plant Location : This information forms part of company snap shots.

Registrars and share Transfer Agents and Address for Correspondence : Cameo Corporate Services Ltd.
No.1, Club House Road, Chennai – 600 002
Phone : 044 - 28460390
Fax No : 044 – 28460129
E- Mail : investor@cameoindia.com

Compliance Officer : Shri K. R. Gurumurthy, Company Secretary

Compliance certificate from Auditors of the company

As required by Clause 49 of the Listing Agreement, the Auditors' certificate is given as an appendix to the report on Corporate Governance.

By Order of the Board
for **Bafna Pharmaceuticals Limited**

Bafna Mahaveer Chand
Chairman & Managing Director

Date: 28/05/2010

Place: Chennai

Auditors' Certificate on Compliance

(With Conditions of Corporate Governance under Clause 49 of the Listing Agreement)

To the Members of Bafna Pharmaceuticals Limited

We have examined the compliance of conditions of Corporate Governance by Bafna Pharmaceuticals Limited, for the year ended 31st March, 2010 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievance during the year ended 31st March, 2010, no investor grievance are pending for a period exceeding one month against the Company as per records maintained by the Company and which are presented to the Shareholders/Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **ABHAY JAIN & CO.**
Chartered Accountants

(A.K. JAIN)
Partner
M.No.70224

Place: Chennai
Date: 28/05/2010



Auditors' Report & Annexure

To The Members of M/S. Bafna Pharmaceuticals Limited, Chennai

1. We have audited the attached Balance Sheet of M/S. Bafna Pharmaceuticals Limited as at 31st March, 2010 and the Profit & Loss Account of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) order, 2003 issued by the Central Government of India in terms of sub section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure, a statement on the matters specified in paragraph 4 & 5 of the said order.
4. Further to our comments in the annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the audit;
 - ii. In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of those books;
 - iii. The Balance Sheet, Profit & Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the Balance Sheet and Profit & Loss account dealt with by this report comply with the Accounting Standards referred to in sub - section (3C) of section 211 of the Companies Act, 1956.
 - v. On the basis of the written representations from the directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi. In our opinion and to the best of our information and according to the explanations given to us the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 1. In the case of the Balance Sheet of the state of affairs of the company as at 31st March, 2010;
 2. In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 3. In the case of Cash Flow Statement, of cash flows for the year ended on that date.

For **ABHAY JAIN & CO.**
Chartered Accountants

(A.K. JAIN)
Partner
M.No.70224

Place: Chennai
Date: 28/05/2010



Annexure referred to the auditors' report referred to in paragraph 3 of our report of even date to the members of M/s Bafna Pharmaceuticals Limited, Chennai on the accounts for the year ended 31st March, 2010.

- i. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of information available, except in respect Grantlyon Unit, where, the fixed assets register is to be updated.
(b) All the fixed assets have been physically verified by the management during the year. There is a regular programme of verification, which in our opinion is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
(c) The Company has not disposed off any substantial part of fixed assets so as to affect its going concern status.
- ii. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
(c) The company is maintaining proper record of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii. (a) The Company has granted a loan to a body corporate covered in the register maintained under section 301 of the Companies Act, 1956 (the Act). The maximum amount outstanding during the year was Rs.22,85,376/- and the year ended balance of such loans amounted to Rs.22,85,376/-. Other than above, the Company has not granted any loans, secured or unsecured, to companies, firms or parties covered in the register maintained under Section 301 of the Act.
(b) In our opinion, the rates of interest and terms and conditions on which loans have been taken / given have not prima facie prejudicial to the interest of the company.
(c) The company is regular in repaying the principal amount as stipulated and has been regular in the payment of interest. The parties have repaid the principal amounts as stipulated and have been regular in the payment of interest.
(d) There is no overdue amount of loans taken from or granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanation given to us, there are adequate Internal Control Procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v. (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of Companies Act, 1956 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transaction made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of five lakhs rupees in respect of any party covered during the year have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.

- vi. In our opinion, and according to the information and explanations given to us, the company has not accepted any deposit from the public during the year under report.
- vii. In our opinion, and according to the information and explanations given to us, company has in house Internal Audit system commensurate with the size and nature of its business.
- viii. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the Prescribed accounts and records have been made and maintained.
- ix. (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, incometax, sales tax, VAT, wealth tax, custom duty, excise duty, cess and other material statutory dues as applicable.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2010 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us there were no dues of sales tax, income tax, excise duty, custom duty, wealth tax, and cess, which have not been deposited on account of any dispute.
- x. The company does not have accumulated losses at the end of the financial year. The company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions and bank.
- xii. We are of the opinion that the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xiv. In our opinion the company is not dealing in or trading in shares securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- xv. According to the information and explanation given to us, the Company has not given guarantee for loans taken by others from banks or financial institutions. Accordingly, paragraph 4(xiv) of the Order is not applicable.

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- xvi. In our opinion, the term loans have been applied for the purpose for which they were raised.
- xvii. According to the information and explanation given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short terms basis have been used for long term investment. No long term funds have been used to finance short term assets.
- xviii. According to the information and explanation given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- xix. According to the information and explanations given to us, during the period covered by our audit report, the company has not issued any debentures.
- xx. The company has not raised any money by public issue during the year. Accordingly, paragraph 4(xx) of the order is not applicable
- xxi. According to information and explanation given to us, that no material fraud on or by the company have been noticed or reported during the course of our audit.

For **ABHAY JAIN & CO.**
Chartered Accountants

(A.K. JAIN)
Partner
M.No.70224

Place: Chennai
Date: 28/05/2010

Balance Sheet

Balance Sheet As At 31st March 2010

<u>Sources Of Funds</u>	Schedule	Amount In Rupees	
		March 31, 2010	March 31, 2009
<u>Share Holders Funds</u>			
Share Capital	A	159,813,350	159,813,350
Reserves & Surplus	B	250,232,954	225,419,490
		<u>410,046,304</u>	<u>385,232,840</u>
<u>Loan Funds</u>			
Secured Loan	C	297,552,151	226,953,072
Unsecured Loan	D	390,000	12,073,053
		<u>297,942,151</u>	<u>239,026,125</u>
Deferred Tax Liability		22,080,165	12,281,931
Total		<u>730,068,620</u>	<u>636,540,896</u>
<u>Application Of Funds</u>			
Fixed Assets	E		
Gross Block		373,220,193	371,579,762
Less : Depreciation		51,915,343	34,536,274
		<u>321,304,850</u>	<u>337,043,488</u>
Work-In-Progress		63,912,376	31,905,091
		<u>385,217,226</u>	<u>368,948,579</u>
<u>Current Assets, Loans & Advances</u>			
Inventories	F	93,381,634	46,567,239
Sundry Debtors		203,283,616	242,572,605
Cash & Bank Balances		18,412,297	20,318,596
Loans & Advances		125,904,219	79,615,225
		<u>440,981,766</u>	<u>389,073,665</u>
<u>Less:</u> Current Liabilities & Provisions	G	111,211,648	141,749,816
		<u>329,770,118</u>	<u>247,323,849</u>
<u>Miscellaneous Expenses (To The Extent Not Written Off)</u>			
Preliminary & Public Issue Expenses	H	15,081,276	20,268,468
Total		<u>730,068,620</u>	<u>636,540,896</u>
<u>Notes Forming Part Of Accounts</u>			
	P		

As per our report attached

For ABHAY JAIN & CO
Chartered Accountants(A.K. JAIN)
Partner
M.No. 70224Bafna Mahaveer Chand
Managing DirectorParas Bafna
Whole Time DirectorK. R. Gurumurthy
Company SecretaryPlace: Chennai
Date: 28/05/2010

Profit & Loss Account

for the year ended 31st March, 2010

	Schedule	Amount In Rupees	
		March 31, 2010	March 31, 2009
Income			
Sales & Other Income	I	751,813,481	472,536,962
Increase/Decrease In Stock	J	8,191,550	(20,017,392)
		<u>760,005,031</u>	<u>452,519,570</u>
Expenditure			
Material & Manufacturing Expenses	K	629,741,544	356,955,038
Administrative Expenses	L	13,607,877	9,504,290
Payment To Employees	M	23,530,489	15,421,630
Financial Expenses	N	23,186,225	20,612,503
Selling & Distribution Expenses	O	7,362,983	4,984,362
Income Tax For Earlier Year		357,954	1,385,947
Preliminary Expenses Written Off	H	5,187,192	5,187,192
		<u>702,974,264</u>	<u>414,050,962</u>
Profit Before Depreciation & Taxation		57,030,767	38,468,608
Less: Depreciation		17,379,069	13,715,478
Profit Before Taxation		39,651,698	24,753,130
Less: Provision For Taxation		5,040,000	2,830,495
Less: Fringe Benefit Tax		-	130,093
Less: Provision For Deferred Tax		9,798,234	11,117,154
Profit For The Year		<u>24,813,464</u>	<u>10,675,388</u>
Balance Brought Forward		23,006,300	12,330,912
Profit Available For Appropriation		47,819,764	23,006,300
Transfer To General Reserve		2,481,346	-
Balance Carried To Balance Sheet		<u>45,338,417</u>	<u>23,006,300</u>
Notes Forming Part Of Accounts	P		

As per our report attached

For ABHAY JAIN & CO
Chartered Accountants(A.K. JAIN)
Partner
M.No. 70224Bafna Mahaveer Chand
Managing DirectorParas Bafna
Whole Time DirectorK. R. Gurumurthy
Company SecretaryPlace: Chennai
Date: 28/05/2010

Schedules

	Schedule	Amount in Rupees	
		March 31, 2010	March 31, 2009
Share Capital	A		
Authorised			
20,000,000 Equity Share of Rs.10/- each		<u>200,000,000</u>	<u>200,000,000</u>
Subscribed, Issued & Paid Up			
15981335 Equity Shares of Rs.10/- each fully paid up in cash.		159,813,350	159,813,350
Of the above 100000 Equity Shares of Rs.10/ - each were issued as fully paid up Shares pursuant to an agreement without payment being received in cash.			
Of the above 5429014 Equity Shares of Rs. 10/- each were issued as fully paid up Bonus Shares by capitalisation of General Reserve.			
		<u>159,813,350</u>	<u>159,813,350</u>
Reserves & Surplus	B		
Special State Capital Subsidy			
Government of Tamilnadu		-	1,436,200
Less: Transfer to Capital Reserve		-	1,436,200
		<u>-</u>	<u>-</u>
Capital Reserve			
Balance B/F		62,230	62,230
State Capital Special Reserve (Government of Tamilnadu)		1,436,200	1,436,200
Share Premium Account			
Balance B/F		200,906,180	8,900,000
Add: From Public Issue		-	192,006,180
		<u>202,404,610</u>	<u>202,404,610</u>
General Reserve			
Balance B/F		8,580	8,580
Transfer From Profit & Loss A/C		2,481,346	-
		<u>2,489,926</u>	<u>8,580</u>
Profit & Loss Account			
Profit & Loss as per Balance Sheet		45,338,417	23,006,300
		<u>45,338,417</u>	<u>23,006,300</u>
TOTAL		<u>250,232,954</u>	<u>225,419,490</u>

	Schedule	Amount in Rupees	
		March 31, 2010	March 31, 2009
Secured Loan	C		
State Bank of India (Cash Credit a/c)		55,763,796	17,955,998
(Secured by hypothecation of Stock of Raw Material, Semi Finished Goods, Finished Goods Consumable Stores & Spares, Receivables and Entire Current Assets and also personally guaranteed by Managing Director and Two Directors of the Company)			
State Bank of India (Bills Discounting)		52,483,284	13,842,474
(Secured against Export Bills sent for collection and First Charge on the entire Current Assets of the Company also personally guaranteed by Managing Director and Two Directors' of the company).			
State Bank of India (Export Packing Credit)		63,088,593	46,022,079
(Secured by hypothecation of Stock of Raw Material, Semi Finished Goods, Finished Goods Consumable Stores & Spares, Receivables and Entire Current Assets and also personally guaranteed by Managing Director and Two Directors of the Company)			
State Bank of India (Term Loan)		125,658,265	127,097,933
Interest Accrued but not due		-	22,034,588
(Secured by First Charge on the entire Fixed Assets and proposed to be acquired out of Term Loan and also personally guaranteed by Managing Director and Two Directors of the Company)			
State Bank of India (CAR LOAN)		558,213	-
(Secured by hypothecation of car)			
		297,552,151	226,953,072
Unsecured Loan:	D		
From Directors (Interest Free)		-	1,000,000
Loan from Banks and Others		390,000	11,073,053
		390,000	12,073,053

Schedule E - Fixed Assets

Particulars	Amount in Rupees																		
	Gross block		Additions		Deletion		Total As on		Depreciation		For the Year		Deletion		Total As on		Net block		
	Cost as on	01.04.2009	During the	Year	01.04.2009	01.04.2009	01.04.2009	01.04.2009	01.04.2009	01.04.2009	01.04.2009	01.04.2009	01.04.2009	01.04.2009	01.04.2009	01.04.2009	01.04.2009	01.04.2009	01.04.2009
Land	1931985	0	0	0	1931985	0	0	0	0	0	0	0	0	0	0	0	0	1931985	1931985
Good Will	1000000	0	0	0	1000000	1000000	0	0	0	0	0	0	0	0	0	0	0	0	0
Factory Building	121725176	0	0	0	121725176	4806648	4126454	0	8933102	112792074	116918528	0	0	0	0	0	0	112792074	116918528
Light Ceiling	812400	0	0	0	812400	249691	56271	0	305962	506438	562709	0	0	0	0	0	0	506438	562709
Aluminium Partion	232119	0	0	0	232119	71342	16078	0	87420	144699	160777	0	0	0	0	0	0	144699	160777
Plant & Machinery	102364689	0	0	0	102364689	15347958	5385609	0	20733567	81631122	87016731	0	0	0	0	0	0	81631122	87016731
Lab Equipments	38269242	358260	0	0	38627502	2787956	2017854	0	4805810	33821692	35481286	0	0	0	0	0	0	33821692	35481286
Factory Equipments	6730176	0	0	0	6730176	459635	332916	0	792551	5937625	6270541	0	0	0	0	0	0	5937625	6270541
Pollution Control Devices	932809	0	0	0	932809	97676	67767	0	165443	767366	835133	0	0	0	0	0	0	767366	835133
Power Factor Controller	66950	0	0	0	66950	45955	2920	0	48875	18075	20995	0	0	0	0	0	0	18075	20995
Bottle Washing & Filling Machinery	1971055	0	0	0	1971055	1261897	98644	0	1360541	610514	709158	0	0	0	0	0	0	610514	709158
Electrical Equipment & Installation	32162484	0	0	0	32162484	1405032	1528951	0	2933983	29228501	30757452	0	0	0	0	0	0	29228501	30757452
Electrical Fixtures & Fittings	255196	0	0	0	255196	102610	21225	0	123835	131361	152586	0	0	0	0	0	0	131361	152586
Generator	4541170	0	0	0	4541170	348295	212536	0	560831	3980339	4192875	0	0	0	0	0	0	3980339	4192875
Air Floating & Circulating System	42110767	0	0	0	42110767	2902964	1978206	0	4881170	37229597	39207803	0	0	0	0	0	0	37229597	39207803
Boiler	761676	0	0	0	761676	73848	40602	0	114450	647226	687828	0	0	0	0	0	0	647226	687828
Camera	2856765	0	0	0	2856765	101865	135696	0	237561	2619204	2754900	0	0	0	0	0	0	2619204	2754900
Air Conditioner	992052	96500	0	0	1088552	378761	65248	0	444009	644543	613291	0	0	0	0	0	0	644543	613291
U.P.S	3720606	121157	0	0	3841763	258680	209585	0	468265	3373498	3461926	0	0	0	0	0	0	3373498	3461926
Office Equipments	1038389	136345	0	0	1174734	140124	74019	0	214143	960591	898265	0	0	0	0	0	0	960591	898265
Cell Phone	76868	0	0	0	76868	24624	6108	0	30732	46136	52244	0	0	0	0	0	0	46136	52244
Dies & Punches	1493180	127995	0	0	1621175	517538	187929	0	705467	915708	975642	0	0	0	0	0	0	915708	975642
Computer	3398496	44766	0	0	3443262	1355694	502023	0	1857717	1585545	2042802	0	0	0	0	0	0	1585545	2042802
Furniture & Fittings	2067763	0	0	0	2067763	732579	179343	0	911922	1155841	1335184	0	0	0	0	0	0	1155841	1335184
Vehicle	67748	755409	0	0	823157	64902	133085	0	197987	625170	2846	0	0	0	0	0	0	625170	2846
TOTAL	371579761	1640432	0	0	373220193	34536274	17379069	0	51915343	321304850	337043487	0	0	0	0	0	0	321304850	337043487
Previous Year	44200455	327379307	0	0	371579762	20820796	13715478	0	34536274	337043488	-	0	0	0	0	0	0	337043488	-

	Schedule	Amount in Rupees	
		March 31 2010	March 31 2009
Current Assets, Loans & Advances	F		
Inventories:			
Raw Material (Valued at Cost)		37,351,368	22,564,864
Work-in-Process (Valued at Cost)		19,210,481	5,610,610
Finished Product (Valued at Cost or market value whichever is lower)		2,198,503	7,606,824
Packing Material (Valued at Cost)		21,673,293	10,253,938
Stores & Spares in Hand		12,947,989	531,003
		<u>93,381,634</u>	<u>46,567,239</u>
Sundry Debtors:			
(Unsecured Considered Good)			
Due for more than 6 months		38,207,082	52,045,958
Other Debts		165,076,534	190,526,647
		<u>203,283,616</u>	<u>242,572,605</u>
Cash & Bank Balances:			
Cash on Hand		179,104	712,990
Balances with Schedule Bank in			
In Current Account		308,818	210,876
Fixed Deposit		17,924,375	19,394,730
		<u>18,412,297</u>	<u>20,318,596</u>
Loans And Advances:			
(Unsecured considered good, recoverable in cash or in kind or for value to be received)			
Advance to Suppliers		35,201,351	7,936,018
Advances Others		28,689,397	22,451,030
Deposits with Govt. or Semi Govt. Dept.		4,922,221	2,464,143
Other Deposits		25,982,620	26,756,560
Interest Accrued But Not Due		2,917,313	3,278,958
Prepaid Expenses		14,398	391,191
DEPB Licence in Hand		1,143,041	995,027
Income Tax/TDS		309,005	817,969
Cenvat Credit & PLA Account		9,279,719	5,641,951
Product Registration Charges		705,462	637,470
Sales Tax Refund Account		10,276,870	8,244,908
Brand Building (International)		6,462,823	-
		<u>125,904,219</u>	<u>79,615,225</u>
		<u>440,981,766</u>	<u>389,073,665</u>

Current Liabilities & Provisions :		G	
Current Liabilities :			
Sundry Creditors		98,435,295	129,793,252
Outstanding Expenses		5,440,623	5,426,288
Sales Tax		37,051	2,739,688
TDS Payable		65,907	-
Trade Deposits		525,000	525,000
Advance from Customers		1,667,772	-
Rent Advance		-	305,000
		<u>106,171,648</u>	<u>138,789,228</u>
Provisions :			
Fringe Benefit Tax		-	130,093
Income Tax		5,040,000	2,830,495
		<u>5,040,000</u>	<u>2,960,588</u>
Total		<u>111,211,648</u>	<u>141,749,816</u>

	Schedule	Amount in Rupees	
		March 31 2010	March 31 2009
Preliminary Expenses:			
Preliminary Expenses	H	20,268,468	25,455,660
Less: Written off during the year		<u>5,187,192</u>	<u>5,187,192</u>
		<u>15,081,276</u>	<u>20,268,468</u>
Sales & Other Income:			
Sales			
Sales (Domestic)	I	524,055,912	336,768,667
Less: Excise Duty		<u>10,540,144</u>	<u>5,445,308</u>
		<u>513,515,768</u>	<u>331,323,359</u>
Sales (Export)		231,655,272	128,557,418
Less: Excise Duty		<u>1,156,944</u>	<u>1,886,259</u>
		<u>230,498,328</u>	<u>126,671,159</u>
		<u>744,014,096</u>	<u>457,994,518</u>
Other Income			
Interest Received Bank		311,025	3,253,484
Interest Received Others		1,646,845	3,037,890
Gain or (Loss) on Foreign Exchange		1,109,051	5,098,588
Export Incentive		1,304,959	2,238,848
Discount Received		5,847	20,958
Processing Charges		-	65,000
Miscellaneous Receipt		3,421,658	827,676
		<u>7,799,385</u>	<u>14,542,444</u>
		<u>751,813,481</u>	<u>472,536,962</u>

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Increase/Decrease In Stock:			
Closing Stock	J		
Finished Goods		2,198,503	7,606,824
Work-in-Progress		19,210,481	5,610,610
		<u>21,408,984</u>	<u>13,217,434</u>
Opening Stock			
Finished Goods		7,606,824	10,568,478
Work-in-Progress		5,610,610	22,666,348
		<u>13,217,434</u>	<u>33,234,826</u>
Increase / Decrease in Stock		<u>8,191,550</u>	<u>(20,017,392)</u>

				Amount in Rupees	
				March 31 2010	March 31 2009
Material & Manufacturing Expenses	K				
Purchases			366,968,818	218,325,690	
			<u>366,968,818</u>	<u>218,325,690</u>	
Raw Material Consumed:					
Opening Stock			22,564,864	12,659,907	
Purchases			218,038,542	106,249,891	
			<u>240,603,406</u>	<u>118,909,798</u>	
Less: Closing Stock			37,351,368	22,564,864	
Raw Material Consumption			<u>203,252,038</u>	<u>96,344,934</u>	
Packing Material Consumed:					
Opening Stock			10,253,938	7,298,957	
Purchases			38,179,813	21,958,279	
			<u>48,433,751</u>	<u>29,257,236</u>	
Less: Closing Stock			21,673,293	10,253,938	
Packing Material Consumption			<u>26,760,458</u>	<u>19,003,298</u>	
Freight			1,287,926	754,023	
Manufacturing Expenses:					
Consumable Stores			351,126	372,125	
Analytical Expenses			1,614,866	404,905	
Power & Fuel			16,834,537	10,388,174	
Machinery Maintenance			3,020,717	4,534,044	
Factory Maintenance			364,804	258,763	
Chemical Purchase			2,540,307	1,661,706	
Security Charges			976,054	772,047	
Repairs & Maintenance			1,337,101	1,024,311	
Contract Labours			4,432,792	3,111,018	
			<u>31,472,304</u>	<u>22,527,093</u>	
Total			<u>629,741,544</u>	<u>356,955,038</u>	

	Schedule	Amount in Rupees	
		March 31 2010	March 31 2009
<u>Administrative Expenses</u>	L		
Rent		366,779	271,140
Postage & Telegram		413,730	230,500
Telephone		531,119	392,503
Insurance		2,972,367	1,701,610
Conveyance		1,034,231	609,788
Travelling Expenses		1,158,756	1,792,810
Printing & Stationery		1,049,180	672,854
Subscription & Membership		34,800	84,150
Rates & Taxes		-	15,500
Office Maintenance		60,966	89,564
Donation		202	100,200
Licence & Other Fees		964,870	241,450
Vehicle Maintenance		77,889	32,433
Miscellaneous Expenses		481,889	373,013
Professional Charges		1,157,834	652,739
Books & Periodicals		38,358	89,716
Computer Maintenance		635,168	538,721
Directors Salary		1,320,000	1,080,000
Directors Sitting Fees		60,000	105,000
Audit Fees		275,750	296,180
Lease Rent		-	120,000
Loss on Sale of DEPB Licence		-	14,419
MHRA Audit Expenses		868,492	-
Registrar Charges		105,497	-
		13,607,877	9,504,290

<u>Payment To Employees</u>	M		
Salary		19,461,758	12,693,291
Bonus		1,946,175	1,401,856
PF Companies Contribution		826,419	521,782
ESI Companies Contribution		235,953	148,986
Staff Welfare		1,060,184	655,715
		<u>23,530,489</u>	<u>15,421,630</u>
<u>Financial Expenses</u>	N		
Interest to Bank		18,832,831	18,013,331
Bank Charges		4,139,697	1,880,885
Interest-Others		213,697	718,287
		<u>23,186,225</u>	<u>20,612,503</u>
<u>Selling & Distribution Expenses</u>	O		
Freight & Transportation		4,229,858	2,874,299
Advertisement		781,520	195,539
Sales Promotion		672,584	478,934
Commission/Liasoning Charges		55,140	403,311
MOT & Inspection Charges		69,600	-
Bad Debts		98,311	-
Service Tax		34,474	17,684
Tender and Other Fees		-	66,030
Discount Allowed		20,298	49,544
Sales Tax		158,132	236,842
Packing Charges		282,773	239,721
Liquidation Charges		524,457	87,388
Registration New Products		435,836	335,070
		<u>7,362,983</u>	<u>4,984,362</u>

Notes to Accounts

Schedule P

Notes to the accounts forming part of the Balance Sheet and Profit & Loss Account for the year ended 31st March, 2010.

Significant Accounting Policies:

1. Basis of Accounting:

- a. The Company maintains its accounts on accrual basis following the historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP) and in compliance with the Accounting Standards referred in section 211(3C) of the Companies Act, 1956.
- b. The preparation of financial statements in conformity with GAAP requires that management of the company makes the estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of date of the financial statements. Example of such estimates include useful life of the fixed assets and intangible assets, provision for doubtful debts / advances, future obligations in respect of retirement plans etc. Actual results could differ from these estimates.

2. Revenue Recognition:

- a. Revenue is recognized based on the nature of activity, where consideration can be reasonably measured and there exists reasonable certainty of its recovery.
- b. Revenue from sale of goods is recognized when the substantial risks and rewards of ownership is transferred to buyer under the terms of contract.
- c. The Interest income is recognized on accrual basis.
- d. Duty draw back claimed by the Company on account of Export Sales is shown as Export Incentive. Sales either Domestic or Export are shown net of Excise duty.

3. Employment Retirement Benefit:

- a. The company is contributing to provident fund as per law and rules applicable, which is charged to revenue.
- b. Payment of gratuity is applicable to the company. However, no provision has been made in the books of account. Gratuity shall be accounted on cash basis whenever it is paid.
- c. Provision for leave encashment is made on the basis of company's rules and regulation.

4. Depreciation

- a. Depreciation on all assets situated at Madhavaram Factory is provided on Written Down Value (WDV) method as provided in Schedule XIV of the Companies Act, 1956 less accumulated depreciation.
- b. Depreciation for additions to / deductions from owned assets is calculated prorata from / to the day of addition / deduction.
- c. Depreciation for Grantlyon unit has been calculated on Straight Line Method (SLM) as provided in Schedule XIV of the Companies Act, 1956.
- d. Depreciation for additions to / deletions from owned assets is calculated pro-rata from / to the day of addition /deletion.
- e. Work on Research & Development unit is under progress and amount spent till 31.03.2010 is Rs.63,912,376/- on building and machinery.

5. Intangible Assets And Amortisation:

- a. **Product Registration charges:** The Company registers its products in other countries. Expenses are amortized over a period of 5 years. Hence the 1/5th of Registration charges are written off during the year.
- b. **Share Issue Expenses:** The Company has spent Rs.25,135,460/- and amortized over a period of five years. As such Rs.5,027,092 /- was written off during the year.
- c. The company has spent Rs. 6,462,823/- on brand building in international market and has shown the amounts under Loans and Advances
- d. A sum of Rs.2,184,222/- of interest on term loan was capitalised and included in work in progress of R & D facility

Borrowing Cost

- a. Company has got term loan for setting up of R & D facility and paid Rs.2,184,222/- as interest till 31st March 2010. The amount of interest has capitalised and shown as work in progress of R & D facility.

6. Valuation of Inventories:

Raw Material:	At Cost (FIFO Method)
Work in Process:	At Cost
Finished goods:	At Cost or Market Price whichever is lower
Packing Material:	At cost (FIFO Method)

7. Income Tax and Deferred Tax:

- a. The Company has calculated its tax liability after considering Minimum Alternative Tax (MAT). The MAT liability can be carried forward and set off against the future tax liability. The tax provision (MAT) for the year ended 31st March 2010 is made for Rs.5,040,000/- (Previous Year Rs.2,830,495/-)

- b. Provision for Current tax is made after consideration of benefits admissible under the provision of the Income Tax Act, 1961. Deferred tax resulting from timing differences between taxable and accounting income is accounted for using the rates and laws that are enacted or substantively enacted as on the Balance Sheet date. The Deferred Tax Asset and Liability is recognized and carried forward only to the extent that there is a virtual certainty that the asset will be realized in future. Deferred Tax liability provided during the year is Rs.9,798,234/-.

8. Foreign Currency Transaction:

- a. Income of foreign currency transaction is recorded at the rate of exchange prevailing on the date when the relevant transaction has taken place. Realised gains on the exchange transactions Rs.1,109,051/- are recognized in the Profit & Loss account.

9. Contingent Liabilities Not Provided For:

- a. In respect of Letter of Credit and Bank Guarantee Rs.31,577,447/- (previous year Rs.21,237,544/-)
 b. Bonds have been executed in favour of customs authorities for Rs.42,000,000/- for the purchase of materials and capital goods without payment of duty. (Previous year Rs.42,000,000/-).

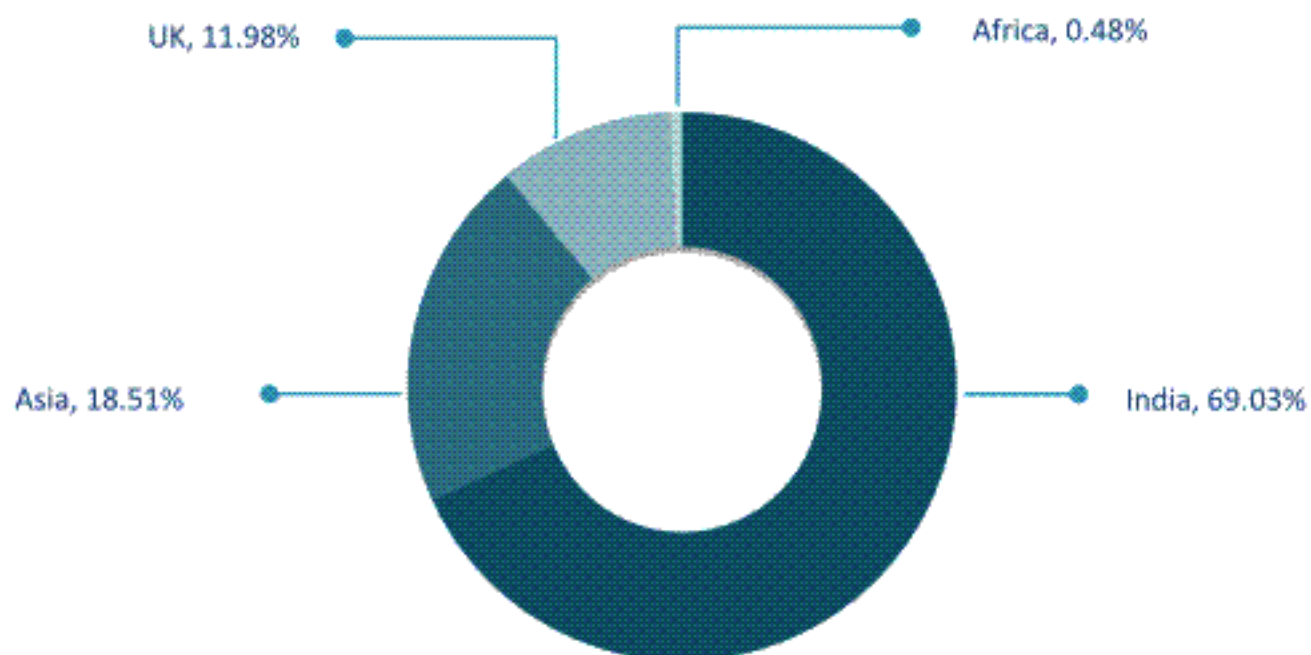
10. Related Party Disclosures:

Party Name	M. Bansilal & Co.,	
Relation Ship	Shri Bafna Mahaveer Chand, Managing Director, in his capacity as Karta of HUF, is a partner in Bansilal & Co.	
<u>Nature of Transaction & Volume</u>	<u>Amount (In Rs.)</u>	
	2009 – 10	2008 - 09
Rent	120,000	120,000
Rent Advance	675,000	675,000

Party Name	Bafna Mahaveer Chand	
Relation Ship	Shri Bafna Mahaveer Chand, Managing Director, is the joint owner of Bafna Towers (i.e. Office Building)	
<u>Nature of Transaction & Volume</u>	<u>Amount (In Rs.)</u>	
	2009 – 10	2008 – 09
Rent	120,000	120,000

Party Name	Bafna Life Line (P) Ltd.	
Relation Ship	Shri Bafna Mahaveer Chand, Managing Director, is the promoter and director in Bafna Life Line (P) Ltd.	
Nature of Transaction & Volume	Amount (In Rs.)	
	2009 - 10	2008 - 09
Loans/Advances	1,610,376	1,610,376

11. Segment Reporting – Revenue by geographies:



12. Miscellaneous Expenses:

- a. Preliminary expenses Rs.5,187,192/- writtenoff during the year. (Previous year Rs.5,187,192/-)

13. CENVAT

- b. CENVAT credit is reckoned for the material, capital goods, stores and consumables purchased and entered into the factory premises.

14. Managerial Remuneration:

2009 – 10 Amount (In Rs)			2008 – 09 Amount (In Rs)	
	Shri Bafna Mahaveer Chand, Managing Director	Shri Paras Bafna, Whole Time Director	Shri Bafna Mahaveer Chand, Managing Director	Shri Paras Bafna, Whole Time Director
Salary	700,000	580,000	600,000	480,000
Contribution to PF	84,000	69,600	72,000	57,600
Lease Rent for car	60,000	60,000	60,000	60,000
Total	844,000	709,600	732,000	597,600

15. Remuneration To Auditors:

	2009 – 10 Amount (In Rs)	2008 – 09 Amount (In Rs)
Audit Fees	250,000	200,000
IT matters & Certificates	-	70,000
Service Tax	25,750	26,180
Total	275,750	296,180

16. Capital Subsidy:

- The company has received an amount of Rs.14,36,200/- as special capital subsidy under expansion from District Industries Centre, Thiruvallur, T.N. in the year 2001-02 and a conditional period of 5 years was stipulated in the terms and conditions of the Scheme. This period is now over and hence the Special Capital Subsidy was transferred to Capital Reserve Account.

17. Earnings Per Share (EPS)

	2009-10 Amount in Rs.	2008-09 Amount in Rs.
Net Profit After Tax	24,813,464	10,675,388
Net Profit After Tax Available to Equity Shareholders	24,813,464	10,675,388
Number of Equity Shares	15,981,335	14,381,125*
Basic & Diluted Earnings Per Share	1.55	0.74
Face Value Per Share	10	10

*Represents number of shares on pro-rata basis from 27th June, 2008 (the date of listing in BSE) to March, 2009.

18. General

- a. Tax deducted at source from the payment to Contractors, Professional charges, Interest and Salaries have been deposited in time.
- b. Balance under current liabilities, debtors, loans and advances are subject to confirmation.
- c. Loans and advances include outstanding balance of deposits with Corporate Bodies is given below:

	2009-10 Amount in Rs.	2008-09 Amount in Rs.
Corporate bodies		
Alliance Intermediaries and Network P. Ltd.,	10,200,000	15,200,000
JPM Shelters P. Ltd	1,000,000	1,000,000
JPM Dakshin	2,000,000	2,000,000
Sethia Global Finance Ltd.	8,500,000	8,500,000
Total	21,700,000	26,700,000

- d. The fixed Deposit of sum of Rs. 17,924,375/- (Previous Year Rs. 19,394,730/-) lying with the State bank of India are under the lien against Bank Guarantee Margin / LC Margin money.
- e. In view of the insufficient information from the suppliers regarding their status as SSI units, the amount due to Small Scale Industrial Undertakings cannot be ascertained.
- f. The Company has raised Rs.2560 lakhs through Public Issue and deployed it as proposed in prospectus except the following:
 - o For Public Issue Expenses Rs.251.35 lakhs against proposed Rs.200.00 lakhs.
 - o For setting up R & D Unit (still in progress) Rs.639.12 lakhs against (Previous year Rs.319.05) proposed Rs.300.00 lakhs.
 - o Other than the amount used as per the terms of Prospectus, an amount of Rs.217 lakhs was deposited with Corporate Bodies and the balance amount was utilized towards day to day operations of the Company.
- g. Previous year's figures have been rearranged and regrouped wherever found necessary to confirm to current year's figures.
- h. Additional information pursuant to the provisions of paragraphs 3, 4C & 4D of part II of Schedule VI of Companies Act, 1956 to the extent applicable to the company.

Capacity and Production

As Certified by the Management	2009 – 10 Quantity		2008 – 09 Quantity	
Licensed Capacity	N.A.		N.A.	
Installed Capacity	N.A.		N.A.	
	As on 31.03.2010		As on 31.03.2009	
	Quantity	Amount (in Rs.)	Quantity	Amount (in Rs.)
A) Production				
Tablets (in strips of 10)	109414938	0	65918112	0
Capsules (in strips of 10)	24989327	0	10975999	0
Syrups (in Lts)	239926	0	309085	0
B) Purchase				
Tablets (in strips of 10)	0	0	819	28223
Capsules (in strips of 10)	0	0	70616	1082597
Syrups (in Lts)	0	0	3034	3426651
Inhaler (in Numbers)	0	0	20026	2256884
Powder (in Kgs)	5186781	286345352	3884529	211531335
Kits (in Numbers)	237395	80623465	0	0
C) Turnover				
Tablets (in strips of 10)	142092052	194545777	60804342	79004280
Capsules (in strips of 10)	26659022	135954879	10434838	51405338
Syrups (in Lts)	246190	17366176	311611	23218472
Inhaler (in Numbers)	0	0	20026	2279337
Powder (in Kgs)	5186781	324993497	3884529	309418658
Kits (in Numbers)	237395	82850855		
D) Stocks				
Opening				
Tablets (in strips of 10)	36995945	5378350	31881356	4211509
Capsules (in strips of 10)	2136767	1878226	1524990	5832689
Syrups (in Lts)	9415	350248	8907	524280
Closing				
Tablets (in strips of 10)	4318831	1309672	36995945	5378350
Capsules (in strips of 10)	467072	581052	2136767	1878226
Syrups (in Lts)	3151	307780	9415	350248
Consumption Raw Material				
Indigenous		195975615		94466358
		96.42%		96.70%
Imports		7276423		3222070
		3.58%		3.30%
Packing Material Store				
100 % Indigenous		26760458		19003298

Earnings in Foreign Currency

	As on 31.03.2010		As on 31.03.2009	
Export Sales (CIF Value)	US\$	2945182	US\$	2601995.91
	INR	141672611	INR	117653278
	Pounds	1190218	Pounds	151447.22
	INR	87689378	INR	10904140

Expenses in Foreign Currency

	As on 31.03.2010		As on 31.03.2009	
Imports of Raw Material	US\$	161085	US\$	144375
	INR	7819815	INR	6087456
Capital Goods	US\$	95750	US\$	11925
	INR	6979253	INR	783156
	YEN	7745000	YEN	10410000
	INR	1121517	INR	4489441
Overseas Travel	INR	545935	INR	382252

Note: Sales Figures includes excise duty

SIGNATURE TO SCHEDULE 'A' TO 'P'
As per our report attached

For ABHAY JAIN & CO
Chartered Accountants

(A.K. JAIN)
Partner
M. No. 70224

Bafna Mahaveer Chand
Managing Director

Paras Bafna
Whole Time Director

Company Secretary
K. R. Gurumurthy

Place: Chennai
Dated: 28/05/2010

Balance Sheet Abstract And Company's General Business Profile

I REGISTRATION DETAILS

Registration No. State Code

Balance Sheet Date

II CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

Public Issue

Right Issue

Bonus Issue

Private Placement

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

Total Liabilities

Total Assets

Sources of Funds

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

Deferred Tax Liability

Application of Funds

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

IV PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Gross Turnover

Total Expenditure

Profit / (Loss) Before Tax

Profit / (Loss) After Tax

Earning per share (Rs.) Diluted

Dividend Rate (%)

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY

(as per monetary terms)

Item Code No. (ITC Code)

Product description

Item Code No. (ITC Code)

Product description

Item Code No. (ITC Code)

Product description

Cash Flow Statement For the Year Ended March 31, 2010

(Amount in Rs.)

	For the Year 2009-10	For the Year 2008-09
Cash Flow from Operating Activities:		
Net Profit Before Tax	39,651,698	24,778,313
Add: Depreciation	17,379,069	13,715,478
Add: Preliminary Expenses	5,187,192	5,187,192
Add: Interest Paid	23,186,225	20,612,503
Less: Interest Received	(1,957,870)	(6,291,374)
Less: Other Income	-	-
Operating Profit Before Change of Working Capital:	83,446,314	58,002,112
Adjustment For:		
Change in Inventories	(46,814,395)	7,145,217
Change in Debtors	39,288,989	(141,658,182)
Change in Other Current Assets	(46,288,994)	(58,445,948)
Change in Current Liabilities	(30,538,168)	(1,881,478)
Cash Generated from Operation	(906,254)	(136,838,279)
Less: Tax Paid	(5,040,000)	(2,985,771)
Net Cash from Operating Activities	(5,946,254)	(139,824,050)
Cash Flow from Investing Activities:		
Sale of Fixed Investments	-	-
Purchase of Fixed Assets	(1,640,432)	(327,379,307)
Increase in Work in Progress	(32,007,285)	177,353,333
Project Expenses	-	88,327,943
	(33,647,717)	(61,698,031)
Rent	-	-
Interest Received	1,957,870	6,291,374
Net Cash Used in Investing Activities	(31,689,847)	(55,406,657)
Cash Flow from Financing Activities:		
Issue of Shares & application activities	-	256,008,240
Proceed from Secured Loans	70,599,080	(5,042,507)
Proceed from Unsecured Loans	(11,683,053)	(3,858,660)
	58,916,027	247,107,073
Interest Paid	(23,186,225)	(20,612,503)
Share Issue Expenses	-	(22,855,464)
Net Cash from Financing Activities	35,729,802	203,639,106
Net Increase / (Decrease)		
In Cash or Cash Equivalents:	(1,906,299)	8,408,398
Opening Balance of Cash & Cash Equivalents	20,318,596	11,910,198
Closing Balance of Cash & Cash Equivalents	18,412,297	20,318,596

As per our report attached
For ABHAY JAIN & CO
Chartered Accountants

(A.K. JAIN)
Partner
M.No. 70224

Bafna Mahaveer Chand
Managing Director

Paras Bafna
Whole Time Director

K. R. Gurumurthy
Company Secretary

Place: Chennai

Dated:28/05/2010





Annual Report 2009-10

AGM Notice

Notice & Explanatory Statement

Notice is hereby given that the Fifteenth Annual General Meeting of the Company will be held at our Factory at 147, Madhavaram Red Hills High Road, Grantlyon Village, Chennai – 600 052 at 12 Noon on Monday, the 23rd Day of August, 2010 to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Profit & Loss Account of the Company for the financial year ended 31.03.2010 and the Balance Sheet as at 31.03.2010 together with the Directors' Report and Auditor's Report thereon.
2. To appoint a Director in the place of Shri A. Sahasranaman, who retires by rotation and being eligible, offers himself for re-appointment as a Director.
3. To appoint a Director in the place of Shri R. Dwarakanathan, who retires by rotation and being eligible, offers himself for re-appointment as a Director.
4. To consider and if though fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT M/s. ABHAY JAIN & CO., Chartered Accountants, Chennai, be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on a remuneration to be fixed by the Board of Directors of the Company".

Special Business:

5. To Consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution.

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 316 and other applicable provisions, if any, of the Companies Act, 1956 and the laws prevailing for the time being and subject to the Schedule XIII to the Act, with such alterations and modifications, if any, that may be effected by the Central Government, pursuant to any change in policies or laws, guidelines, rules and regulations relating to the managerial remuneration, consent of the Members of the Company be and is hereby accorded for the re-appointment of Shri Bafna Mahaveer Chand as Managing Director of the Company, for a period of three years from 01.07.2010 on following remuneration.

Salary Scale: Rs. 1,00,000/- per month subject to the maximum as may be determined by the board subject to the schedule XIII of the companies Act, 1956 and any modification thereof.

Perquisites: Gratuity, Contribution to Provident Fund, Superannuation Fund, Encashment of leave & Annuity fund as per the rules of company.

FURTHER RESOLVED THAT in the case of loss or inadequacy of profits in any financial year of the Company, during his tenure, the remuneration payable to Shri Bafna Mahaveer Chand shall be subject to the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956.

FURTHER RESOLVED THAT in the event of any statutory amendment, modification, and/or relaxation by the Central Government to the Schedule XIII or to any of the Sections of the Companies Act, 1956, the Board of Directors be and are hereby authorized to vary or increase the remuneration within such prescribed limit and the aforesaid resolution be suitably amended to give effect to such amendments, modifications, relaxations and / or variations without any further reference to the Company in General Meeting.

FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, the directors of the Company be and are hereby severally authorized to do all acts, deeds, matters and things as they may in their absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard and to sign and execute all necessary documents, applications, returns and writings as may be necessary, proper, desirable or expedient.

6. To Consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution.

RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 316 and other applicable provisions, if any, of the Companies Act, 1956 and the laws prevailing for the time being and subject to the Schedule XIII to the Act, with such alterations and modifications, if any, that may be effected by the Central Government, pursuant to any change in policies or laws, guidelines, rules and regulations relating to the managerial remuneration, consent of the Members of the Company be and is hereby accorded for the re-appointment of Shri Paras Bafna as a Whole Time Director of the Company for a period of three years from 01.07.2010 on following remuneration:

Salary Scale: Rs. 80,000/- per month subject to the maximum as may be determined by the board subject to the Schedule XIII of the companies Act, 1956 and any modification thereof.

Perquisites: Gratuity, Contribution to Provident Fund, Superannuation Fund, Encashment of leave & Annuity fund as per the rules of company.

FURTHER RESOLVED THAT in the case of loss or inadequacy of profits in any financial year of the Company, during his tenure, the remuneration payable to Shri Paras Bafna shall be subject to the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956.

FURTHER RESOLVED THAT in the event of any statutory amendment, modification, and/or relaxation by the Central Government to the Schedule XIII or to any of the Sections of the Companies Act, 1956, the Board of Directors be and are hereby authorized to vary or increase the remuneration within such prescribed limit and the aforesaid resolution be suitably amended to give effect to such amendments, modifications, relaxations and / or variations without any further reference to the Company in General Meeting.

FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, the directors of the Company be and are hereby severally authorized to do all acts, deeds, matters and things as they may in their absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard and to sign and execute all necessary documents, applications, returns and writings as may be necessary, proper, desirable or expedient.

7. To Consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution.

“RESOLVED THAT in accordance with applicable provisions of the Companies Act, 1956 and Articles of Association of the Company, approval of the Company be and is hereby accorded to increase the sitting fees payable to the Non-Executive Directors of the Company for attending the meetings of the Board from the existing Rs.2,500/- to Rs.5,000/- per meeting (excluding the out-of-pocket expenses) with immediate effect.

By Order of the Board
for **Bafna Pharmaceuticals Ltd.**

Bafna Mahaveer Chand
Chairman & Managing Director

Place: Chennai
Dated:28/05/2010

Notes

1. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.** (Proxy form is annexed herewith). The proxy form duly completed must be sent so as to reach the Company at its Registered Office at No. 299, Thambu Chetty Street, Chennai 600 001 not less than 48 hours before the commencement of the meeting.
2. Members / Proxies should bring the Attendance slip sent herewith duly filled in and signed and hand over the same at the entrance of the Hall for attending the meeting.
3. Members are requested to bring their copies of the Annual Report with them.
4. The Register of Members and Share Transfer Books of the company will remain closed from 21.08.2010 to 23.08.2010. (Both Days inclusive).
5. Members are requested to notify immediately any change in their address with their Folio numbers to the Company's Share Transfer Agents viz. Cameo Corporate Services Limited.
6. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is as follows:

a. **Item No.5**

Shri Bafna Mahaveer Chand is the main promoter of the Company. He was re-appointed as Managing Director of the Company from 01.07.2005 for a period of 5 years. Supported by the wide and in-depth experience in Pharmaceutical business for more than 25 years, he was instrumental in listing the company in BSE and in guiding the company to its current level of growth. Being a visionary, he has clear plans for the company to shift the growth gears for the higher growth trajectory and is suitably equipped and qualified to face the challenges that may arise during the course. He has many credits to his tenure as Managing Director including the roles he played

- ❑ To bag the contracts from the state - run health care institutions in Tamil Nadu, Kerala, Orissa, ESI corporation of HSCC and Central Government institutions etc.,
- ❑ To secure the prestigious manufacturing contract from Crosslands that helped to reiterate the merit of the company as an established CRAMS player.
- ❑ To register 80 products for export across the geographies including UK, Ukraine, Sri Lanka, Laos and African countries etc., and continue to guide the company for more such registration and approvals to increase the product portfolio and geographical spread of the company.

As his term will expire on 30.06.2010, the Board of Directors at its meeting held on 26.04.2010, re-appointed Shri Bafna Mahaveer Chand for a further period of 3 years w.e.f 01.07.2010 on a remuneration of Rs. 1,00,000/- p.m. along with other perquisites pursuant to Section 198, 269, 309, 316, Schedule XIII and all other applicable provisions of the Companies Act, 1956, as recommended by the Remuneration Committee. There is no change in the remuneration paid to him.

The terms and conditions of re-appointment of Shri Bafna Mahaveer Chand, as set out in the notice together with the explanatory statement, annexed thereto, shall be deemed to be an abstract of the

terms and conditions of appointment of Managing Director under Section 302 of the Companies Act, 1956.

The details of his other directorships and memberships in other companies / committees are provided in the Corporate Governance report, which forms part of this Annual Report.

And in same kind of industry and size of the company, the remuneration of Managing Director is close to or even higher to the remuneration proposed.

The Board considers it desirable that the Company should continue to avail itself of the services of Shri Bafna Mahaveer Chand and accordingly commends the Resolution at Item No.5 for approval by the members.

Shri Bafna Mahaveer Chand is considered as interested in the above resolution.

b. Item No.6

Shri Paras Bafna was one of the First Directors of the Company. He was appointed as Whole Time Director of the Company w.e.f. 01.07.2005 for a period of Five Years. During his tenure, he was actively involved in the day to day activities and supporting the Managing Director to achieve the growth goals of the Company.

As his term will expire on 30.06.2010, the Board of Directors at its meeting held on 26.04.2010 re-appointed him as a Whole Time Director for a further period of 3 years on a remuneration of Rs. 80,000/- p.m. along with other perquisites pursuant to Section 198, 269, 309, 316, Schedule XIII and all other applicable provisions of the Companies Act, 1956, as recommended by the Remuneration Committee. There is no change in the remuneration paid to him.

The terms and conditions of re-appointment of Shri Paras Bafna, as set out in the notice together with the explanatory statement, annexed thereto, shall be deemed to be an abstract of the terms and conditions of appointment of Whole Time Director under Section 302 of the Companies Act, 1956.

The details of his other directorships and memberships in other companies / committees are provided in the Corporate Governance report, which forms part of this Annual Report.

And in same kind of industry and size of the company, the remuneration of whole time director is close to or even higher to the remuneration proposed.

The Board considers it desirable that the Company should continue to avail itself of the services of Shri Paras Bafna and accordingly commends the Resolution at Item No.6 for approval by the members.

Shri Paras Bafna is considered as interested in the above resolution.

c. **Item No.7**

Currently, the Non-Executive Directors of the Company are paid Rs.2,500/- as sitting fees for attending the meetings of the Board. In view of the time devoted by the Non-Executive Directors for the meetings, your Board is of the opinion that the sitting fees needs to be revised from Rs.2,500/- to Rs.5,000/- for attending meetings of the Board. Your Directors recommend passing of the resolution.

The directors Shri Sunil Bafna, Shri V. Rajamani, Shri R. Dwarakanathan and Shri A. Sahasranaman are considered as interested in the above resolution.

By Order of the Board
for **Bafna Pharmaceuticals Ltd.**

Bafna Mahaveer Chand
Chairman & Managing Director

Place: Chennai
Dated:28/05/2010

BAFNA PHARMACEUTICALS LTD.

Regd. Office: 299, Thambu Chetty Street, Chennai – 600 001.

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL. ONLY MEMBERS OR THEIR PROXIES ARE ENTITLED TO BE PRESENT AT THE MEETING.

Folio No:

No. of Shares held:

I hereby record my presence at the Fifteenth Annual General Meeting held at 147 Madhavaram Red Hills High Road, Grantlyon Village, Chennai – 600 052 at 12 Noon on Monday, the 23rd day of August, 2010 as Shareholder/Proxy.

Name of the Shareholder/Proxy

Signature of the Shareholder/Proxy

BAFNA PHARMACEUTICALS LTD
Regd. Office: 299, Thambu Chetty Street, Chennai – 600 001.

PROXY FORM

Folio No:

No. of Shares held:

I/We _____ of _____ in the district of _____ being a member/members of BAFNA PHARMACEUTICALS LTD., hereby appoint _____ of _____ in the District of _____ or failing him _____ of _____ in the District of _____ as my / our Proxy to vote for me/ us on my/our behalf, at the Fifteenth Annual General Meeting of the Company to be held at 147 Madhavaram Red Hills High Road, Grantlyon Village, Chennai – 600 052 at 12 Noon on Monday, the 23rd day of August, 2010 and at any adjournment thereof.

Signed this _____ day of _____, 2010

Affix 1
Rupee
Revenue
Stamp

Signature: _____

NOTE:

1. In the case of a Corporation, this Proxy shall be either given under the Common Seal or signed on its behalf by an Attorney or Officer of the Corporation.
2. Proxies to be valid must be deposited at the Registered Office of the Company, not later than 48 hours before the time for holding the Meeting.

Book Post

If undelivered Please Return to

Bafna Pharmaceuticals Ltd.

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

Phone: (044) 2526 7517, 2527 0992, 4267 7555

Fax: (044) 4267 7599, 2523 1264

Website: www.bafnapharma.com